STATE-TRADING OPERATIONS AFFECTING EXPORTS OF LESS-DEVELOPED COUNTRIES

Information Supplied by Contracting Parties

1. At its last meeting, held in May 1962, Committee III adopted a supplementary questionnaire on the operation of State monopolies affecting exports of less-developed countries. The text of the questionnaire was included as Annex III to document L/1768. Contracting parties were requested to supply information along the lines indicated in the questionnaire, together with any other relevant information, for examination by the Committee (cf. L/1797).

2. To date, replies have been received from the following twelve contracting parties. These are reproduced in this document.

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<td>United Kingdom</td>
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<td>Federal Republic of Germany</td>
<td>4</td>
<td>United States</td>
<td>10</td>
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3. Statistical information supplied by some of these contracting parties in response to question 7 in the questionnaire are circulated separately in document Spec(62)229.

**AUSTRIA**

**Paragraph 1**

The only commodity relevant to the work of Committee III which is subject to State trading in Austria is tobacco (tobacco, unmanufactured and manufactured, and tobacco products). The notification of the Austrian authorities concerning the tobacco monopoly (L/1014/Add.14) should be supplemented as follows:

On 1 May 1962 the "Tabaksteuergesetz 1962", Federal Law Gazette No. 117, entered into force and amended the provisions concerning the excise tax on tobacco. The three excise taxes on tobacco ("Tabaksteuer", "Aufbauzuschlag", "Monopolabgabe") levied under the former legislation were replaced by the new
"Tabaksteuer" as the only excise tax in force. This new excise tax is levied on imported tobacco products as well as on domestic products.

Paragraph 2

There is no change to the information contained in document L/1014/Add.14.

Paragraph 3

Domestic production of raw tobacco is regulated through a system of cultivation licences issued annually by the monopoly administration (Austria Tabakwerke AG., formerly Österreichische Tabakregie). The quantity of the raw tobacco produced in the domestic market is insignificant compared with the demand for raw tobacco and amounts on an average to approximately 7 per cent of the total quantity to be manufactured. The monopoly administration is obliged to purchase the raw tobacco which has been produced by order of the administration.

Paragraph 4

(a) Raw tobacco

A comparison of prices paid for the domestic products with those of imported raw tobacco does not seem useful as raw tobacco has no standard prices like for instance cotton and consequently an appropriate basis for comparison does not exist. (See also the information contained under paragraph 7 concerning cultivation, purchase and average prices of domestic tobacco.)

(b) Tobacco products

The import of tobacco products is determined by the domestic demand which depends on the purchasing power of the population and in the case of Austria also to a great extent on the demand of tourist traffic. It is obvious that the market offers to foreign tourists the products which they desire and which are usually products of their home country, as smokers generally prefer to abide by the brands they are used to. As more than 70 per cent of foreign tourists in Austria come from the Federal Republic of Germany, it is natural, that the preponderant part of imported tobacco products originate from the Federal Republic of Germany. (See also the tables on imports and exports of tobacco products which are referred to under paragraph 7.)

As far as the difference between c.i.f. prices of imports and producer prices of domestic tobacco products is concerned, it can be said that c.i.f. prices of imports are noticeably higher than domestic producer prices. This difference is due to some extent to differences in quality.
Paragraph 5

Import purchases are negotiated by the privileged enterprise ("Austria Tabakwerke AG") itself.

Paragraph 6

The "Austria Tabakwerke AG" has been acquainted with the GATT Declaration of 7 December 1961 and takes account of it to a great extent in their purchase dispositions. The amount of purchases of tobacco effected in less-developed countries depends on the market possibilities which the consumer's taste procures for the various tobacco products (see also the information contained in paragraphs 4 and 7).

Paragraph 7

The following statistics are annexed to this note:

Table 1 Imports and exports of raw tobacco
Table 2 National production of raw tobacco
Table 3 Imports and exports of tobacco products
Table 4 National consumption.

The countries belonging to the "Economic class II" are referred to as "EC II".

Although no figures on national production are contained in these statistic tables, national production corresponds on an average over the years to national consumption (for which the figures are contained in table 4), less imports. The relation of imports to consumption of domestic products results also from table 4.

Paragraph 8

As far as imports of raw tobacco from less-developed countries are concerned, the competent Austrian authorities wish to draw the attention of the Committee also to imports from less-developed European countries like Greece and Turkey, which are not classified under "Economic class II". The fact that practically no imports of tobacco products are effected from less-developed countries, is due to the consumer's taste. (See also paragraph 4.)

AUSTRALIA

There is no State trading in Australia affecting imports of the products in the three lists examined by Committee III.

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1See paragraph 3 on page 1.
BELGIUM

There are no changes to be made in the most recent communication forwarded by Belgium on this subject (document L/1014/Add.12/Rev.1).

CANADA

None of the questions contained in Annex III to document L/1768 are relevant in Canada’s case. The Committee may wish to refer to Canada’s notification contained in document L/1014/Add.26 of 23 November 1960 (describing the position of the Canadian Wheat Board) which remains valid.

FINLAND

None of the goods listed therein are subject to State trading.

FEDERAL REPUBLIC OF GERMANY

In document L/1014/Add.15 of 18 February 1960 the Federal Government reported on State-trading enterprises as a whole. These data are still valid. With regard to the products listed in the questionnaire of Annex III to document L/1768 the Federal Government communicates the following:

Ad 1) Treated vegetable oils for human consumption are products that fall under the so-called marketing laws and are the only products of the list examined by Committee III which are affected by the questionnaire on State trading. The data given on this point in GATT document L/1014/Add.15 still apply without any alterations.

In order to avoid misunderstandings it is again pointed out that oilseeds, treated vegetable oils for industrial purposes and all raw vegetable oils do not fall under the marketing law and can be imported without being subject to quantitative restrictions.

Ad 2) With respect to the products covered by the questionnaire the activity of the Import and Storage Agency for Fats is restricted mainly to the purchase and resale of the imported product from or to the importer. The other legal possibilities have so far not been availed of i.e. the market regulation measures below that may be taken by the Import and Storage Agency:

Price regulation of the imported product, conditions placed on the importer concerning the channelling of the imported product, storage of the imported product and intervention by the purchase of domestic products.
Ad 3) The Import and Storage Agency is entitled, however, not obligated to intervene by purchasing domestic products. The Agency has no influence on the quantity of domestic production.

Ad 4) This question does not apply to the Federal Republic.

Ad 5) Imports are made by private enterprises within the frame of opened import possibilities needing no particular licence and placing their orders according to commercial considerations.

Ad 6) Since imports by private firms are made within the frame of a global quota the Federal Government is unable to exert any influence on the choice of the supplier country.

Ad 7) The statistics\(^1\) are broken down by:

- cotton seed oil
- beechnut, maize and poppyseed oil
- olive oil
- linseed oil
- palm kernel oil
- palm oil
- rape-seed oil and beet oil
- sesame oil
- soya oil
- sunflower oil
- coconut oil
- peanut oil and
- other fatty vegetable oils.

The consumption is almost exclusively covered by imports (including oils produced in the Federal Republic of Germany from imported oilseeds). Therefore, the production figures were dispensed with except in the case or rape-seed oil and beet oil. Average prices were likewise not established since "domestic production" does not exist and no comparison can therefore be drawn, and, moreover, no products subject to marketing laws were imported from development countries; essential part of the comparable factor "imported product" is thus also lacking (rape-seed oil and beet oil are no products of importance to less-developed countries).

For practical purposes the enclosed statistics do not only include data on products subject to marketing laws but are also preceded by figures for each total group of oils.

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\(^1\) See paragraph 3 on page 1.
For statistical purposes all countries are regarded as less-developed countries with the exception of:

- United States
- Canada
- Europe
- South Africa
- New Zealand
- Australia
- Japan
- Eastern Bloc.

Ad 8) The importation of goods subject to marketing laws is effected within the frame of a global quota offering participation therein to every German importer and has not been fully used for the last two years. The fact that the less-developed countries do not take part is based on commercial considerations of the import trade.
1. There has been no change which requires amendment to Japan's notification to GATT questionnaire on State trading (L/1014) in respect of tobacco.

2. With regard to the degree of autonomy conferred by the Government on the enterprise covered by the above notification, i.e. the Japan Monopoly Corporation, see L/1014/Add.16 and L/1014/Add.16/Corr.1.

3. The Corporation holding monopoly for leaf tobacco and manufactured tobacco has rights and obligations to purchase the whole amount of the leaf tobacco of domestic produce.

4. The retail prices of the imported manufactured tobaccos are determined by the Corporation taking account of such factors as the percentage of the monopoly profits to be gained from the sales of domestically manufactured tobacco and their retail prices in foreign markets.

The following is an example of the comparison in prices etc. between imported manufactured tobacco (Lucky Strike) and domestic manufactured tobaccos (Fuji and Peace).

<table>
<thead>
<tr>
<th></th>
<th>Lucky Strike</th>
<th>Fuji</th>
<th>Peace</th>
</tr>
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<tbody>
<tr>
<td>Unit</td>
<td>20</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>c.i.f. price</td>
<td>31.96 Yen</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gross price</td>
<td>43.12 &quot;</td>
<td>17.29 Yen</td>
<td>13.11 Yen</td>
</tr>
<tr>
<td>Retail price</td>
<td>130.00 &quot;</td>
<td>50.00 &quot;</td>
<td>40.00 &quot;</td>
</tr>
<tr>
<td>Difference</td>
<td>86.88 &quot;</td>
<td>32.71 &quot;</td>
<td>26.89 &quot;</td>
</tr>
<tr>
<td>Percentage of</td>
<td>66.8%</td>
<td>65.4%</td>
<td>67.2%</td>
</tr>
<tr>
<td>monopoly profits</td>
<td></td>
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</tbody>
</table>

5. The actual import purchases of foreign tobacco and tobacco products are carried out through the agents entrusted by the Corporation.

   (i) The Corporation selects such agents taking into consideration their experience and reliableness. (ii) The duration of their appointment is not fixed. (iii) The agents are paid commissions according to the amounts of their importation.

6. No particular steps have been taken to acquaint the Corporation with the GATT Declaration of 7 December 1961, but it has been the usual practice for the Japanese Government to keep authorities or enterprises concerned informed of relevant decisions and such kinds of the GATT.

7. As to statistics on imports, exports, and production of tobacco, see Annex attached hereto.

8. See Annex.¹

¹ See paragraph 3 on page 1.
THE NETHERLANDS

No changes have occurred since our report of 1960 (see document L/1014/Add.22); so there are no enterprises yet in the Netherlands within the meaning of Article XVII.

NEW ZEALAND

There are no State-trading enterprises in New Zealand dealing in any of the products listed in Annex III of document L/1768.

SWITZERLAND

First question

No changes need to be made in the information supplied by Switzerland under State-trading enterprises, as given in document L/1014/Add.29 of 23 February. Among the products listed in Annex III of document L/1768 only fruits, oil seeds and vegetable oils come under State-trading in Switzerland. As noted in document L/1014/Add.29, page 23, State trading is carried on in these products without quantitative restrictions. The sole purpose of State trading is to levy import price supplements.

Second question

The reply is contained above.

Third question

The reply may be found on page 6 of document L/1014/Add.29.

Fourth question

Not applicable to Switzerland.

Fifth question

Not applicable to Switzerland.

Sixth question

Since purchase of these products are effected by private undertakings, and since State trading is confined to purchases at the frontier by the Swiss Co-operative Society for Fodder Grain and Feedingstuffs for the sole purpose of levying price supplements, and since these goods are resold afterwards to private importers, the Government is not in a position to
encourage purchasers to supply themselves in one country in preference to another. Purchases are made according to rules of trade; the determining factors are, therefore the qualities required for the goods being offered at the best price.

Seventh question

Statistical data are given in the Annex concerning oilseeds and vegetable oils for 1959/61.

Eighth question

There has not been any sizeable decrease in imports from less-developed countries. There may be changes in certain types of imports which may result in an increase in purchases from certain countries to the detriment of other purchases. In view of the fact that the Swiss market is a free one, any change in quantities, types and sources can only be due to commercial reasons.

UNITED KINGDOM

Supplementary Questionnaire on State-Trading Enterprises


2. Trading in jute goods is carried on by the Jute Control, a branch of the Board of Trade; the Jute Control ceased to trade in raw jute in 1954. The Jute Control, which deals only with imports, is empowered to trade in jute goods from any source but confines its trade to imports from India and Pakistan. It conducts its operations in accordance with general policies laid down by the Board of Trade, but decisions in respect of the actual trading operations, e.g. quantities and qualities to be purchased are made by the Jute Controller at his own discretion.

3. The Jute Control does not purchase or trade in jute goods of domestic production. Its operations are confined to imports of certain categories of jute goods from India and Pakistan. The Control imports whatever quantities are required to enable it to meet from stock the demand for the descriptions of goods it handles. Its imports are a reflection of the demand for Indian and Pakistan goods at the prices determined by the pricing policies currently in force and are in no way influenced by the level of domestic production.

1See paragraph 3 on page 1.
4. The Jute Control is not concerned, either directly or indirectly, in the manufacture of jute goods.

5. The Jute Control negotiates its own purchases.

6. The Jute Control imports solely from less-developed countries - see reply to question 2.

7. These statistics are attached as an Annex. As the Jute Control does not purchase goods of domestic production the question of average prices paid to domestic producers does not arise.

8. The proportion of imports of jute goods from the less-developed countries has remained fairly constant over the three years 1959-1961. The fall in the volume of British imports in 1961 was part of the world-wide decline in trade in jute goods, as the result of a shortage of raw jute.

UNITED STATES

The supplementary questionnaire is not applicable to the United States as there have been no changes requiring amendment to the United States notifications in L/1014/Add.20 and none of the products listed therein is among those examined by Committee III.

\(^1\) See paragraph 3 on page 1.