It will be recalled that at its meeting in March of this year the Committee considered a proposal submitted by the delegation of the United Arab Republic which was designed to ensure that, "in interpreting the provisions contained in Article XVII of the General Agreement, contracting parties should give sympathetic consideration to the need of developing contracting parties to make use of State-trading enterprises as one means of overcoming their difficulties in their early stages of development". The Committee agreed that consideration should be given at a later date to a note to Article XVII which would make clear that nothing in the Agreement prevents a contracting party from establishing or maintaining State-trading enterprises.

It has now been suggested to the Committee that reference to the recommendation on State trading appearing in the Final Act of the United Nations Conference on Trade and Development may assist the Committee in considering the United Arab Republic's proposal.

The UNCTAD recommendation on State trading appears in Annex A.VI.4, page 146 of the Final Act. The operative section of this recommendation reads as follows:
"(a) that direct participation by governmental trading organizations in foreign trade as above defined be recognized and accepted as one of the effective methods and instruments of promoting the foreign trade of a number of developing countries;

(b) that developed countries should not discriminate against trade with developing countries on the ground that their governmental trading organizations directly participate in trade as a public policy."

This recommendation was adopted by eighty-nine votes to one, with twenty-one abstentions.

The Summary Records of Committee V of the UNCTAD indicate that while a number of developed countries felt unable to subscribe to the recommendation on governmental trading organizations on the ground that the recommendation singled out a particular system of trading for specific endorsement, the representatives of these countries indicated that their governments did not discriminate against State-trading operations by other countries nor was it their intention to do so.

Article XVII of the GATT makes no judgement as to whether or not State trading is an effective method of promoting the foreign trade of contracting parties, but leaves it open to each contracting party to use that method of trading if it so desires. The Article does, however, establish that where State-trading enterprises are employed they should in their international trade aspects comply with the basic provisions of the General Agreement and, in particular, with the provisions regarding non-discrimination. It is also clear that the General Agreement does not sanction discrimination against State-trading enterprises which are, as regards discrimination, placed on the same basis as any other enterprise.