STATE TRADING IN COUNTRIES OF ASIA & THE FAR EAST REGION

U.N.

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STATE TRADING IN COUNTRIES OF THE ASIA AND THE FAR EAST REGION

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Part I
GENERAL ANALYSIS

INTRODUCTION

It will be recalled that the Committee on Trade at its third session considered the subject of state trading and that a secretariat study was presented entitled "State trading in countries of the ECAFE region" (document E/CN.11/TRADE/L.25). The Committee included the subject in the work programme and requested the ECAFE secretariat to make a further study. During recent years, the direct participation of governments in trade has become more important and a variety of new trading institutions and methods have been employed in several countries of the ECAFE region. These developments are of considerable significance for international trade as well as for the trade and development policy of each country.

The United Nations Conference on Trade and Development (to be convened in March-June 1964) is also interested in problems of trade between countries having different systems of economic organization and trading; it is believed that this study on state trading in the ECAFE region will be useful to the Conference in this connexion.

The present secretariat study consists of two parts: Part I contains a general analysis of the nature and scope, objectives and magnitude of state trading in countries of the region, the types of state trading enterprises in operation, their financing, their pricing policies, and questions relating to special rights and privileges of state trading agencies.

Part II consists of a series of country studies, in the preparation of which valuable assistance has been received by the secretariat from member governments in the supply of data. Some countries on which information was not available have not been included in this study.

In view of the considerably increased importance of government trading and the variety and complexity of questions of policy to which state trading gives rise, it is considered useful to convene an *ad hoc* meeting on state trading in countries of the ECAFE region in which officials of state trading enterprises and institutions will have an opportunity to participate. This will contribute to a much needed clarification of several difficult and obscure questions relating to the functions and methods of operations of the state trading enterprises as well as to the formulation of policy recommendations. At the regional level, such a meeting can make a useful contribution to increased intra-regional trade by bringing together officials of ECAFE countries engaged in import and export business.

DEFINITION OF STATE TRADING

State trading in the context of actual practices in the ECAFE region may be defined as direct participation by the government (or its agent) in foreign trade including those trading activities in which the government (or its agent) holds title to exports before transactions and acquires title to imports.[1]

The practical meaning of state trading as pursued by individual ECAFE countries becomes clearer upon an examination of its various aspects appearing in subsequent sections of this paper.

OBJECTIVES OF STATE TRADING

Depending upon the national goals or objectives of the country concerned, state trading is conducted for a variety of aims and purposes, of which those more commonly pursued by countries of Asia and the Far East are:

(a) to ensure adequate and regular supplies at reasonable and stable prices of essential commodities to meet local demand;

(b) to secure better prices for export and import products through increased bargaining power;

(c) to encourage production of essential agricultural and industrial commodities by means of price and other incentives;

[1] It may be argued that state trading exists when the government determines the kinds and quantities of goods traded as well as their geographical distribution and negotiates prices and terms of the transactions. This, of course, is a rather restrictive definition since there are many situations (e.g. comprehensive state controls and restrictions) in which, although private traders are the negotiators, they are in fact acting on behalf of the government. See in this connexion "State Trading and Economic Warfare" by Robert Loring Allen in *Law and Contemporary Problems, State Trading,* Part I, Vol. XXIV, No. 2, 1959.

In many countries, state trading is part of a broader economic programme of the government in the agricultural or industrial sector. For example, importation of foodgrains by the government is only an aspect of the government's policy of ensuring an adequate supply at stable prices and is closely connected with domestic price support and food distribution programmes. In cases of this sort, it is difficult to determine where foreign trade ends and domestic trade begins.

(d) to stabilize the domestic prices of specified products by controlling their production and marketing;

(e) to explore export markets for products and to dispose of exportable surpluses of commodities;

(f) to secure the advantages of bulk transactions;

(g) to facilitate trade with centrally planned economies;

(h) to facilitate the import of goods financed under foreign aid programmes;

(i) to facilitate the implementation of trade agreements and barter deals;

(j) to transfer trade from the control of non-nationals;

(k) to raise revenues for the treasury;

(l) to facilitate sanitary and public health controls.

There is hardly any instance in which state trading is pursued to attain only one specific economic objective. Indeed, in most countries it is pursued for a mixture of economic and political objectives. In some countries (e.g. Burma and Indonesia) state trading in large sectors of import and export as well as in the domestic sector forms part of the larger national policies of their governments.

State trading in foodgrains (in both the domestic and foreign sectors) in countries such as Ceylon, India, Indonesia, Japan, Malaysia, Pakistan and the Philippines is undertaken in order to ensure adequate and regular supplies of these commodities and to stabilize their domestic prices by controlling their production and marketing, apart from availing themselves of the benefits of bulk buying. Government trading is employed in Burma, Ceylon, Indonesia and the Philippines to secure transfer of trade from the control of non-nationals. In Burma, China (Taiwan), India and Thailand, state trading is pursued to explore markets for major export products, to dispose of exportable surpluses, and to secure better prices through increased bargaining power. In Australia and New Zealand state trading is aimed mainly at the orderly marketing of major primary exports and securing better prices. India is using state trading also to find markets for new products, especially manufactured goods. In the case of Burma, Ceylon, India and Indonesia, state trading has also facilitated the implementation of trade agreements and barter deals. In Cambodia, Nepal and the Republic of Viet-Nam, government participation in trade is largely directed at facilitating the importation of goods financed under foreign aid programmes.

MAGNITUDE OF STATE TRADING

Determining the importance of state trading is a rather elusive task for several reasons. Firstly, there is the virtual impossibility of arriving at a clear-cut definition of state trading with precise coverage.[2] Secondly, statistical data on the various sectors or elements of state trading are insufficient to permit an assessment of the quantitative significance of state trading for countries of the region.

Generally speaking, state trading in imports accounts for significant proportions of the total import values in several countries: Ceylon about 25-30 per cent, Burma ranging from 30 to 50 per cent, India 40-50 per cent, and Pakistan ranging from 30 to 50 per cent. (In Indonesia, the share should be quite substantial). In these countries, the importance of state imports is accounted for by the large volume of imports of foodgrains and developmental goods and by state trading policies which have been actively pursued. In the other countries of the ECAFE region such as Australia, Japan, Malaysia, New Zealand, the Philippines and Thailand, government imports do not appear to have the same importance.

In regard to exports it is noted that state trading is considerable in Burma (70-80 per cent), China (Taiwan) (60-70 per cent) and Indonesia (about 45 per cent). In Australia, the major items accounting for the bulk of the export values are handled through the marketing boards; while, in Thailand, inter-governmental rice contracts account for something like 30 per cent of the total volume of rice shipped. In Ceylon, state trading in export is limited to trade with the centrally planned economies, while in India the share of government exports in total export values is not considerable, being limited to a few items in which the State Trading Corporation has a monopoly. In other countries of the region, state participation in export trade is not significant.

There are indications that state trading in the ECAFE region is following an upward trend and that it will continue to become an increasingly important aspect of public policy in many countries of the region.

NATURE AND SCOPE OF STATE TRADING OPERATIONS

The nature and scope of state trading as practised in the ECAFE region also vary from country to country and as between commodities. In the case of some exports, government participation commences from their production and is carried through to their actual export. In some government participation is limited to exportation only. In yet others the govern-

[2] For example, in Australia the marketing boards negotiate prices and quantities of their major exports, but the actual export is effected by the principals. In Thailand, over 30 per cent of the rice exports fall within the scope of government rice contracts and the government's role consists in the negotiation of prices, quantities and delivery schedules, and in the conclusion of contracts with foreign governments but the actual export is effected by private traders. As indicated elsewhere in this report, the nature and extent of direct government participation in imports and exports vary widely from country to country and as between commodities. For these reasons, it is very difficult to determine what exactly should be included in state trading, when an attempt is made to assess the quantitative significance of state trading.

ment's role extends to both procurement and export, apart from some indirect influence on production through incentives. In respect of a few, the state does not directly undertake production, procurement or even export, but it employs agents or principals for all these transactions, while holding only the title to the export. All these variations can be noted in the practices of ECAFE countries.

In some countries where state trading is an integral part of the economic activities of government corporations in certain sectors (mining, forestry, industry, transportation) both vertical and horizontal integration of a wide range of activities is prevalent; in such cases, the role of the state extends from production through internal procurement and distribution to export and import of the goods involved.

In Australia, for example, the various marketing boards for wheat, dairy produce, eggs and sugar are largely concerned with procurement and price assurance, but the actual export and sale are effected through principals. In New Zealand, the marketing boards fix prices and also conduct both foreign and domestic trade. In Burma, all the varying practices are noticed: the Burma Economic Development Corporation, the Petroleum and Mineral Development Corporation, the Industrial Development Corporation and the State Timber Board are engaged in various processes including exploration, extraction, mining, manufacture, procurement, export, etc. On the other hand, the joint venture corporations in Burma are concerned only with import and distribution. Similarly, in China (Taiwan), while the Taiwan Sugar Corporation, which owns its own sugar estates and mills, is concerned with production, internal procurement and export, the Central Trust and Taiwan Supply Bureau are concerned mainly with export. The State Trading Corporation of India is largely concerned with export and does not undertake production directly, but it provides facilities for organizing the production of certain items and is in charge of the internal distribution and transportation of certain products. The National Trading Corporation in Nepal, the National Import and Export Office (ONIE) in Laos, the various Bhaktis in Indonesia and the Co-operative Wholesale Establishment (CWE) in Ceylon are concerned with import and/or export and, to some extent, with procurement and distribution, but not production. On the other hand, the Food Foundation in Indonesia, the Food Agency in Japan and the Abaca Corporation in the Philippines are concerned also with production, in addition to import, export and distribution. Thus it will be seen that these differences are largely based on the nature of the commodity and the special features of the internal distribution systems of the country concerned.

In regard to imports also, interesting variations are noticeable. Both importation and distribution are in some cases undertaken by the government; in some cases only importation is by the government, distribution being left to commercial channels. In some other cases both importation and distribution are left to be conducted by agents or commercial channels, the state holding title to the goods. There are also examples of imports being pooled with internal supplies and distribution being organized among the domestic consumers on the basis of a pooling of prices with a view to ensuring supplies at reasonable and equitable prices: e.g. distribution of foodgrains, essential articles and materials for industry. Details of these different arrangements are described in the country reviews.

FORMS OF STATE TRADING ORGANIZATION

The forms of state trading organizations in countries of the ECAFE region are as varied as the methods of state trading and their commodity coverage in respect of both imports and exports.

Various types of governmental trading organization have been established in the countries of the region, of which the most common is the public corporation. No one form of organization is adopted exclusively; so that, in many countries, there is a mixture of various forms, including marketing board, purchase office, supply mission, stores department, committee, purchasing authority, food agency, and import and/or export offices.

The most common type of organization is the trading corporation registered as a limited liability company separate from the government department and ministry. The Bhaktis in Indonesia, the joint venture and other corporations in Burma, the Ceylon Petroleum Corporation, the State Trading Corporation in India, the National Trading Corporation in Nepal, and the Central Trust of China and the Taiwan Sugar Corporation in China (Taiwan) are examples of this form of agency.

The marketing board type of organization is widely used in Australia, Burma and New Zealand in respect of their major products, with specialization in products. On the other hand, the Indonesian Bhaktis (trading corporations) deal in both exports and imports, often in the same commodities; they compete with one another without any clear specialization in respect to the commodities involved. In Burma, the joint venture corporations and civil stores committees handle government imports of various kinds with no clear-cut demarcation of lines of trade, while the Burma Economic Development Corporation co-ordinates and supervises a number of government corporations engaged in a wide variety of economic activities including import, mining, industry, transport, etc.

In some countries, the trading corporations are limited liability companies registered under the company law of the country concerned. In others, they have the same legal status as private corporations. The marketing boards are invariably government offices responsible to the ministries or departments concerned although their management is vested in a board of directors. In yet other countries, these trading boards are autonomous government entities separate from government departments and ministries.

The purchase and supply offices and missions are generally units of the appropriate ministries and departments, and some are located or have offices in principal supplying countries.

The difference in the organizational structure of trading organizations and their relative positions in the national administrative framework are largely influenced by administrative convenience and local circumstances and also by differences in the objectives, methods and coverage of state trading operations.

The legal form and status of a state trading agency can have a significant effect on its relative autonomy or lack of autonomy as well as on its efficiency and ability to follow commercial principles in its transactions. An autonomous public corporation may have certain advantages over a regular unit of a government department. It does not necessarily follow, however, that purchase and trading offices and bureaus which are part of regular government departments and ministries cannot or do not follow commercial principles in their operations. It is not possible to lay down any criteria for preferring one type of organization to another on general theoretical grounds, since the exact type of agency required will depend on the particular conditions of the country, especially its administrative and institutional tradition and structure and on the special requirements of the commodity or trade in question.

FINANCING OF STATE TRADING ENTERPRISES

State trading enterprises in countries of the ECAFE region derive their finance from various sources. In the case of public state trading corporations, the government subscribes to their capital stock wholly or partially, depending upon the nature of the venture. They are also given access to the credit facilities of government banks and financial institutions for their operating capital requirements. Trading organizations which are part of government ministries or departments are usually provided with funds from the budgets of these offices just like any other government unit. Their financial operations are thus limited to their respective budgets and those of their respective offices. There is, of course, a marked difference between these types of administrative and financial arrangements in that a public corporation naturally has greater financial flexibility as well as access to outside sources of finance including the freedom to plough back surplus earnings for expansion of its operations. The forms of state trading organization and their sources of finance are too varied to permit a generalization for the whole ECAFE region.

Many of the government-owned trading corporations in Burma are financed from the government budget like any government office, while other trading organizations such as the Burma Economic Development Corporation and the State Timber Board are not consolidated into the national budget. In Ceylon, the Petroleum Corporation has its own initial capital of Rs 10 million, while the CWE and the Food Department draw their funds from the government budget. In China (Taiwan), the Central Trust has its own capital and supplements it by earnings and profits. In Indonesia, state trading corporations have their own capitalization and operate on their respective budgets which must have the prior approval of the ministry concerned. The State Trading Corporation of India is a limited corporate body provided with its initial capital by the Government. It is essentially a self-financing organization and pays dividends to the government at rates determined by the Board of Directors. In Nepal, the National Trading Company was incorporated under the Nepal Company Act 2007 BS with an authorized capital of NRs. 1 million subscribed to by the national Government. State trading enterprises in the Philippines are incorporated under their respective charters with capitalization provided by the Government. They operate under separate corporate budgets and are given access to government banking and financial institutions for their operating capital. The marketing boards in Australia derive their revenues from levies on exports, proceeds of sales overseas and (when payable) from subsidies. They can also borrow from the Commonwealth Banking Corporation to enable them to make initial payments for produce on delivery. The National Import and Export Office of Laos enjoys financial autonomy and operates on its own budget from funds derived from the government budget while the Civil Service Supply Store obtains its working capital from interest-bearing loans from the Government.

PRICING POLICIES OF STATE TRADING ORGANIZATIONS

Like other aspects of state trading, the pricing policies of state trading enterprises in the ECAFE region differ as between enterprises within the same country and also as between countries of the region. Four basic types of pricing policy are generally adopted by countries of the region, namely (a) pricing which may result in losses to the state trading organization, such as in trading in foodgrains and certain other essential commodities; (b) pricing policy which provides for a certain margin of profit; (c) pricing policy based on a no profit or loss principle, and (d) merely charging traders commissions for assistance rendered to them in effecting transactions. These policies are not always pursued independently but are often employed in combinations which vary according to the commodity concerned and the social objective aimed at. In certain instances, one policy is applied for certain commodities and another for other types of products, by the same trading organization or by different enterprises.

These observations can be illustrated with reference to the countries of the region. In Pakistan, the Government imports chemical fertilizers and sells them at subsidized prices as part of its "grow-more-food" campaign. On the other hand, it fixes prices for imported foodgrains based on the procurement price of indigenous foodgrains and the cost of imported grain, including cost of transport, milling, administration, etc. In the case of imported coal, sales of this commodity by the Pakistan Government are arranged through private traders on a "no profit or loss" basis. The National Trading Company in Nepal conducts its business also on a "no profit and no loss" basis. In Ceylon, the Food Department fixes the price of rice sold locally below its imported cost and the Government's losses in these transactions are met out of the profits made on sugar imports. Moreover, government profits from the import of onions are used for financing the support programme to local onion producers. Indonesian state trading agencies generally pursue profit-making policies. In India, the pricing policy of the State Trading Corporation is generally one of profit-making on a commercial basis; while in the Philippines, the pricing policies of state enterprises generally involve some element of subsidy to the consumer in that the prices fixed are lower than those which would have obtained had the transactions been undertaken by private traders.

The Australian Wheat Board arranges for the sale of wheat on the most profitable terms and, by a system of pooling receipts from local and overseas sales, it distributes the proceeds to wheat growers. The export prices received by the Board are determined by supply and demand factors subject to the International Wheat Agreement and may either be higher or lower than the price for wheat sold domestically. A similar policy applies to sugar exports. Export prices of eggs are determined on a competitive basis for most destinations. The Burma Development Company pursues profit-making policies. Profits are apportioned to various uses, such as to the reserve funds of individual subsidiary companies, to welfare organizations of the defence services, etc. State trade enterprises in Japan, except for the domestic support programme on rice, barley and wheat, adopt profit-making policies which take into account the cost of production including a fair return on investment.

Available data do not permit an examination of the economic and fiscal consequences or implications of the divergent combinations of price policies[3] pursued by state trading enterprises in the countries of the ECAFE region. It is obvious, however, that the price policies involving subsidies or/and taxes have a significant impact on the economic activities involved and on the budget of the country. A price policy that results in losses to the state trading enterprise, which by its nature operates on government funds (assuming a minimum level of efficiency), has the effect of subsidizing the consumer and the cost of this subsidy has to be borne by the economy of the country. As against this cost to the economy should be set the gains from increased productivity and social welfare accruing from the subsidization of the consumer. On the other hand, a profit-making price policy can have the effect of a tax, if the prices at which the imported commodities are sold include much higher profits than are charged by normal trade. In this case, the burden of the tax borne by the consumer of the imported commodities will be offset by the economic gains from public expenditure of the tax proceeds. In regard to exports, the effects will be much the same as taxes or subsidies according to whatever the exports are sold by government agencies at prices higher or lower than the domestic acquisition prices (after allowing for the usual costs of services), with the difference that, if the incidence of the export tax is on the foreign importer, the tax proceeds bring in additional revenue to the tax-levying country and that, if the export price involves a subsidy, the subsidy imposes a burden on the economy.

Where government trading enterprises function side by side and compete with private business firms, certain special problems can arise. If the state enterprise competes with private firms on an equal footing and without the advantage of special rights or privileges, it is reasonable to assume that the state enterprise will be unable to grant subsidies or impose taxes without being handicapped in its competitive position in the long run or without continuing to incur losses which will have to be made good by the government. On the other hand, if the state enterprise operates with the aid of special rights and privileges derived from the fact that it is a state enterprise, then its pricing policies, involving taxes and/or subsidies will have different economic and fiscal implications. In such a situation, the state trading enterprise, especially if it controls a major share of the supplies and/or imports of a particular commodity, can continue to impose a tax on the consumer without being seriously affected by competition from private enterprise. These matters are not merely of academic interest; they constitute practical questions of economic and commercial policy for most countries of the ECAFE region in which foreign trade is not a government monopoly but state trading enterprises operate side by side and compete with private firms in what is usually described as a "mixed economy". Some other aspects of this matter are dealt with in the next section.

SPECIAL RIGHTS AND PRIVILEGES OF STATE TRADING ENTERPRISES

Some important issues in public policy are raised by the special rights and privileges enjoyed by govern-

[3] For a general theoretical discussion of this aspect of state trading, see Don D. Humphrey, "The Economic Consequences of State Trading", *Law and Contemporary Problems*, State Trading, Part I, Duke University, Vol. XXIV, No. 2, 1959.

ment trading enterprises. These can take many forms one of which is a monopoly or an exclusive right to import or export a particular commodity. How this right is exercised and what price policies are pursued by government trading enterprises in respect of certain commodities in ECAFE countries has just been dealt with.

Somewhat different questions of policy arise when government trading enterprises do not enjoy a monopoly or exclusive right to import or export some commodities, but receive some special rights and privileges when they operate in competition with private enterprises in trades recognized by the government as being open to both public and private enterprises, e.g. commercial import and sale of the same items in the domestic market. In such cases, the special rights and privileges accorded to state trading enterprises will amount to discrimination in favour of one type of enterprise as against another and will thus place private enterprise at a relative disadvantage. They are of several kinds, namely, exemption from import duties and other charges, preference in the issue of import and export licences and quotas and allocation of foreign exchange, credit facilities at lower rates of interest and for longer terms, special transport and communication facilities, use of other government facilities such as trade missions, etc., facility of travel, etc., which would normally not be available to private traders or which private traders could only secure at considerably increased cost. Hence, there is need for governments to recognize the principle that equitable and non-discriminatory treatment should be given to both the public and the private enterprises trading in the items in question.

STATE TRADING IN FOODGRAINS

In several food deficit countries of the region, the import of foodgrains and certain other essential food items is concentrated in the hands of the government. This is not surprising in view of the essential character of these items and of the need to ensure, not only regular supplies to the country, but also their fair and equitable distribution to the population, very often at regulated prices. Governments do not wish private trade to make undue profits from trading in essential articles of consumption, especially in times of shortage and high prices.

In some countries of the region, government trading in foodgrains is undertaken by separate agencies. For instance, in Indonesia, the Food Foundation handles the importation of rice while another separate agency, the Rice Purchasing Agency, takes charge of the internal purchase and distribution of paddy including its milling. In Japan, the Food Agency is a government organization which regulates the marketing of certain foodgrains, namely rice, barley and wheat, in order to ensure adequate supplies of foodstuffs to the people at reasonable prices. In the Philippines, state trading in rice and corn is undertaken by the Rice and Corn Administration. In Ceylon, the Food Department has been made the sole importer of paddy, rice and wheat in order to maintain, control and regulate the supply of these foodstuffs so as to secure their sufficient and equitable distribution and availability at fair prices. The bulk of state trading operations in Pakistan involves the importation of foodgrains for these same purposes. In India, foodgrains are imported by the Government, which also secures economies in purchase and continuity of supplies by bulk purchasing.

Government monopoly of food imports is common to many countries both inside and outside the ECAFE region.

Government imports of foodgrains are often connected with other measures to maintain and promote domestic production of foodgrains through price support and guaranteed state purchases in the home market. Price support measures generally aim at ensuring some measure of stability of farm incomes also. The import of foodgrains is taken over by the government with a view to implementing a co-ordinated and integrated programme of food distribution, ensuring supply to the consumer at a fair price and at the same time a fair return to the domestic producer. This is true of many ECAFE countries, such as Ceylon, Indonesia, Japan, Malaysia, Pakistan and the Philippines. Foodgrains imported by governments under agreements with the United States Government regarding "surplus commodities" are also included in this distribution. State participation in the external as well as internal trade in these commodities is thus based on larger social and economic considerations.

TRADING WITH CENTRALLY PLANNED ECONOMIES

In order to facilitate trade with centrally planned economies, some countries of the ECAFE region make considerable use of government trading agencies, while some others trade with them largely through commercial channels.[4] For instance, the State Trading Corporation of India conducts a large volume of trade with centrally planned economies.[5] The main function of the National Trading Company Limited in Nepal is to handle the bulk of commodities imported from the Soviet Union and China (mainland). In Indonesia, state trading enterprises facilitate the acquisition of goods from centrally planned economies through long-term agreements. On the other hand, in countries where trading with the centrally planned economies is

[4] For a comprehensive treatment of trade between some ECAFE countries and the centrally planned economies, see "Trade between developing ECAFE countries and centrally planned economies", (E/CN.11/TRADE/L.64, 23 October 1963).

[5] It is interesting to note that, during the recent signing of agreements and contracts between Indian organizations and Soviet trade concerns, the Soviet corporations indicated their preference in general to doing business with Indian state trading organizations rather than with private concerns. *Far East Trade,* Vol. 18, No. 9, (September 1963) p.932.

conducted largely through normal commercial channels, the private trading firms deal directly with the trading organizations of the centrally planned economies or their representatives.[6]

Some countries of the region have found it useful, in trading with the centrally planned economies, to have governmental agencies to facilitate negotiations with the latter's government trading corporations. When a government corporation of a centrally planned economy is the single buyer in the market, a government agency on the selling side finds it easier to negotiate with it than a number of sellers competing with one another. In regard to certain commodities produced by a large number of small producers without proper finance or organized marketing, the government can render a useful service by centralizing the purchases for export. Moreover, some countries of the region have, through government trading, been able to find markets for some of their new exports, especially manufactured goods.

COMPETITIVE TENDERS

As mentioned earlier, one of the major contributing factors to the development of state trading operations in many countries of the ECAFE region is related to the implementation of national development plans which invariably call for large imports on government account of machinery and equipment and other capital goods for use in various public projects. In many instances, these imports are tied to agreements and contracts with foreign governments or firms, which provide for financial participation, credit facilities, technical assistance, grants, management contracts, etc. It may not always be feasible in such cases to order imports on the basis of international tenders.

In cases where the receiving government has the choice of locating its own supply source, it can invite bids or tenders on an international basis and import the goods required from the most economical source, having regard to quality, delivery and other factors.

A substantial proportion of the import requirements of many ECAFE countries is obtained by governments in the ECAFE region through the system of open and competitive tenders on an international basis. Except for those items which are purchased from domestic sources, international tenders are used. This practice should facilitate observance of GATT article XVII (2) which requires that, with respect to "imports of immediate or ultimate consumption in governmental use and not otherwise for re-sale or use in the production of goods for sale, each contracting party shall accord to the trade of the other contracting parties fair and equitable treatment". In regard also to "imports or exports by governments for re-sale or use in the production of goods for sale", the system of competitive tenders should contribute to the observance of GATT requirements under article XVII 1 (b), which specifies that purchases or sales are made "solely in accordance with commercial considerations, including price, quality, availability, marketability, transportation and other conditions of purchase or sale" and that the state trading enterprises "shall afford the enterprises of the other contracting parties adequate opportunity, in accordance with customary business practice, to compete for participation in such purchases or sales".

Where calls for tenders by government agencies are not international but limited to local sources of supply, there is a preference for domestic as against foreign goods. But such preference can be justified on the ground of economic policy, in view of the need to protect or promote domestic industry, or to conserve foreign exchange for more essential requirements. In any event, such discrimination in favour of domestic as against foreign goods is not inherent in governmental trading. Tenders by private firms or enterprises can also limit their purchases to local sources, either voluntarily or as a result of import and exchange controls.

SUMMARY

1. The objectives of state trading vary as between one country and another in the ECAFE region, but it invariably involves a combination of different economic and sometimes of political aims. Among the objectives are: to secure better prices and markets; to regulate prices of essential goods including food supplies; to facilitate and increase trade with centrally planned economies; to implement trade agreements and barter deals; to transfer trade from the control of non-nationals; and to arise revenues for the government.

2. Measurement of the quantitative importance of state trading in countries of the region is difficult, partly for want of relevant statistical data and partly because of the difficulties relating to a clear-cut definition of state trading and to the selection of those elements which should be included for purposes of quantitative measurement. Available data indicate that state trading accounts for significant portions in both the imports and exports of several countries of the region. Indications are that state trading among countries of the region is following an upward trend and is likely to remain an important aspect of trade and development policy.

3. The nature and scope of state trading operations reflect variations as between enterprises in the same country and also among the countries of the region. In some cases, state trading covers the various production processes, extending from production to procurement, distribution and export and in others it is limited only to export, depending on the nature of the com-

[6] Actually, it is not correct to say that state trading is being pursued by those ECAFE countries which have trade relations with centrally planned economies for the sole purpose of facilitating such trade. It is often, as mentioned earlier, but one of a composite of purposes.

modity and the special features of the distribution system.

4. Various types of governmental organization have been established in the countries of the region to carry out trade. No one form is adopted to the exclusion of others and, in most countries, various forms are employed — public corporations, marketing boards, supply missions, purchase agencies and offices, stores departments, etc. Differences in the organizational structure of trading organizations and in their relative positions in the national administrative framework are largely influenced by administrative convenience and local circumstances as well as by the differences in scope and complexity of operations, objectives and methods of state trading.

5. Depending upon the form of organization, state trading enterprises in the ECAFE region derive their finances from various sources both for their capital and operating requirements. Public corporations are usually provided with capital by the government and have access to the credit facilities of state banking and financial institutions and freedom to use surplus earnings. Those that are units of regular ministries or departments are often limited to their respective budgets financed by government revenues.

6. The pricing policies of state trading enterprises in the ECAFE countries have considerable economic and fiscal consequences. Depending upon the nature of the commodity and the social objectives aimed at, the price policies may have the effects either of subsidies or taxes. These aspects of state trading deserve further careful examination by member governments as well as by the secretariat.

7. When state trading enterprises operate in competition with private firms in trades open to both public and private enterprises, e.g. commercial import and sale of some commodities in the domestic market, any special advantages and privileges accorded to state trading enterprises involve discrimination against private enterprises. There is need in such cases to recognize the principle of equitable and non-discriminatory treatment for both types of enterprise.

8. Government participation in the importation of foodgrains accounts for an important part of state trading, particularly in the food deficit countries of the region. In those countries, state trading in these grains is pursued so as to ensure regular supplies and fair and equitable distribution to the population at reasonable prices.

9. Some countries of the ECAFE region find it useful in trading with the centrally planned economies to provide such trade through governmental agencies in order to facilitate negotiations with the latter's government trading corporations. These methods and operations are significant in the development of trade relations between centrally planned economies and the developing countries of the ECAFE region.

10. A substantial proportion of the import requirements of many ECAFE countries is obtained by governments through open and competitive tenders on an international basis. This facilitates the observance of commercial principles and non-discrimination in government trading.

11. In view of the considerably increased importance of state trading and of the variety and complexity of institutional and policy issues involved, it is considered desirable to convene an *ad hoc* meeting or working party on state trading, in which senior officials of state trading enterprises can be invited to participate.

12. In this connexion, the Fifth Committee of the United Nations Conference on Trade and Development which was held in Geneva in March-June 1964, adopted a resolution sponsored by a number of developing countries which recommends:

(a) That direct participation by governmental trading organizations 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.

Part II

COUNTRY STUDIES

AUSTRALIA[7]

There are three instrumentalities coming within the responsibility of the Commonwealth Government (and a fourth which operates under complementary Commonwealth and State legislation) which engage in the export trade. These are: (a) the Australian Wheat Board, (b) The Australian Dairy Produce Board, (c) the Australian Egg Board, and (d) the Queensland Sugar Board (complementary Commonwealth and Queensland legislation places this Board in a privileged position regarding the export of sugar).

These organizations are primarily concerned with the local production of commodities and their sale in Australia and overseas. As Australia is more than self-sufficient in the production of these particular commodities, the various boards are not importers. Details of the constitution, organization and functions of the Boards are given below.

(a) *Australian Wheat Board*

The Australian Wheat Board was established by the Commonwealth Government at the outbreak of World War II. Under the related regulations, the Board was empowered, subject to directions of the Minister for Commerce and Agriculture, to purchase, sell or dispose of wheat or wheat products, manage and control all matters connected with the handling, storage, production, shipment, etc., of wheat.

The Board was reconstituted and vested with similar powers under the Commonwealth Wheat Stabilization Act of 1948 and under subsequent legislation for the purpose of administering the post-war wheat stabilization plan, and remains in existence. It consists predominantly of growers' representatives: two each from New South Wales, Victoria, South Australia and Western Australia, and one from Queensland. The Chairman and remaining members are all ministerial selections, but two of them represent, respectively, flour millers and employees. There is also a finance member and a commerce member.

Because of the importance of wheat as a crop in the Australian economy, Government's policy is to assure payable prices to efficient farmers who choose to grow it.

By virtue of State and Federal legislation, the Board receives all wheat grown in Australia for marketing, arranges for its sale on the most profitable terms and, by a system of pooling receipts from local and overseas sales, distributes the proceeds to growers.

The Board is concerned with exports (but not imports). There is no restriction on the importation of wheat (other than for disease control). Exports are controlled by the Board. Sales for export are made in several ways including sales to Australian exporters acting as principals. The quantity of wheat exported is determined by normal commercial supply and demand factors. The full export surplus is available for overseas markets after local needs have been met.

Export prices received by the Board are determined by normal commercial supply and demand factors, subject to the International Wheat Agreement. They may be higher or lower than the price received for wheat sold domestically.

No long-term contracts have been entered into by the Board.

(b) *Australian Dairy Produce Board*

The Australian Dairy Produce Board, constituted under the Dairy Produce Export Control Act, 1925-1958, is a producer-controlled body, empowered to regulate the export of butter, cheese and casein. (Casein, a minor by-product of the dairy processing industry, is not important in world trade.) Exports may only be effected in accordance with a licence issued by the Minister for Primary Industry on the recommendation of the Board.

In practice, licences to private traders are issued only to those who have been appointed agents by butter, cheese or casein factories. However, private traders, if unlicensed, may export through one of these agents.

The Board as a trading authority does not physically handle the goods. It purchases butter and cheese destined for the United Kingdom from exporters who undertake the work and handling, and sells through appointed agents in London.

Sales to European government authorities are negotiated by the Board and the quantities are then apportioned between licensed exporters who become principals in the transactions. Sales to other markets are on a trader to trader basis. In 1961/62, the Board accounted for 88 per cent of total exports of butter and 78 per cent of cheese.

[7] *Source:* Government of Australia.

As stated earlier, the Board is concerned with exports of butter, cheese and casein (but not with imports). Private traders are allowed to import if they wish to do so. Quantities of cheese continue to be imported into Australia on a trader to trader basis. No butter has been imported into Australia for many years.

The Board is the sole exporter of butter and cheese to the United Kingdom, which takes 80-90 per cent of total Australian exports. Australia co-operates with the major exporting countries in an endeavour to achieve stability in the United Kingdom, the world's major market for export butter and cheese. The Australian equalization system has operated over the years in such a way that at times the domestic price has been below the export price for butter and cheese, even though in recent years the domestic price has exceeded the export price.

No long-term contracts have been entered into by the Board since 1955.

(c) *Australian Egg Board*

Prior to World War II, the marketing of eggs, both locally and for export, was controlled in some states by egg marketing boards, while in other states no statutory control existed. Commonwealth control over export marketing began in 1939 as a result of the war emergency.

Upon the expiry of the Commonwealth wartime powers under the National Security Regulations, the marketing of eggs within Australia became once again the responsibility of the respective states. However, in order to ensure continuance of an orderly export marketing system for Australian eggs and to provide adequate safeguards in respect of the contracts entered into between the United Kingdom and Australian Governments, the Australian Egg Board was constituted to operate from 1 January 1948 under the Egg Export Control Act, 1947.

The Board purchased from the State Boards eggs and egg products for shipment to the United Kingdom at the equivalent contract prices. The contracts provided an assured market for surpluses of Australian eggs and egg products until the end of May 1953. For frozen eggs a further twelve months' contract with the United Kingdom Ministry of Food was arranged.

In 1954 the Egg Export Control Act was amended. This Act reconstituted the Australian Egg Board and varied its functions to some extent. Its chief purpose was to give the State Boards an opportunity to market their export eggs through a single authority, instead of in competition with each other as had been the practice pre-war. The Australian Egg Board, as reconstituted, is empowered to conduct trading operations on behalf of any of the State Boards which wish to avail themselves of the Board's facilities.

The Australian Egg Board is concerned with exports (but not with imports). The various State Boards are the only bodies licensed to export. Of the total exports of egg pulp and egg in shell in 1961/62, the shares of the Australian Egg Board were about 37 per cent and 16 per cent, respectively. The State Boards accounted for the bulk of exports. In practice all State Boards except the New South Wales Board market their shell eggs and egg pulp for the United Kingdom/Continent trade through the Australian Egg Board. Private traders are not restricted in regard to imports except on quarantine grounds.

The determination of the quantities to be exported is a matter for each State Board having regard to the surplus of production over domestic requirements. Each year there is a seasonal surplus and, in the interest of orderly marketing, the Australian Egg Board is empowered to regulate the timing of shipments for overseas markets.

Export prices are determined on a normal competitive commercial basis for most destinations.

The Australian Egg Board has no long-term contracts but it is empowered to conclude them.

(d) *Queensland Sugar Board*

The Sugar Board is constituted under the Queensland Sugar Acquisition Act. Under this Act, the Board acquires all raw sugar produced in Queensland and, by arrangement with the Colonial Sugar Refining Company Limited, also acquires all raw sugar produced in New South Wales. Sugar is not produced in other states of the Commonwealth. The acquisition and marketing of all Australian raw sugar by the Sugar Board has been recognized for many years in the Commonwealth-Queensland Sugar Agreement, which was renewed in 1962.

The reason for the acquisition is to control the production and marketing of sugar. By means of the acquisition, the domestic price of sugar in Australia is controlled and the return to the raw sugar industry (i.e., growers and millers) is stabilized. Also, control over exports is maintained and compliance with the Commonwealth Countries Sugar Agreement and the International Sugar Agreement is facilitated.

As the Queensland Sugar Board becomes the owner of all raw sugar produced, it is the sole exporter of raw sugar from Australia. In 1961/62 the Board exported 828,000 tons of raw sugar valued at £A33.2 million. A small quantity of refined sugar (about 9,000 tons annually) is exported by other traders (principally the Colonial Sugar Refining Company Limited) to neighbouring Pacific islands but this sugar has to be acquired from the Sugar Board, which therefore exercises control over this trade.

The Queensland Sugar Board is concerned with exports (but not with imports). The local market for sugar has been restricted to local suppliers for many years. (The cane sugar industry is largely responsible for the growth of the main ports and centres of population in the north-east coast of Australia. A number of secondary industries are based on the cane sugar industry, e.g. sugar processing machinery and cane harvesting machinery, soft board manufacture and chemicals production).

In Britain, the price for a substantial part of Australian sugar is determined annually on a set of criteria in the Commonwealth Countries Sugar Agreement. For the remainder of Australian sugar sales in Britain and in other markets, prices are determined on supply and demand factors as modified by the provisions of the International Sugar Agreement and by legislation of the United States. At times, export prices for sugar have been above local prices and at other times local prices have exceeded export prices.

The Queensland Sugar Board is a party to the Commonwealth Countries Sugar Agreement between Commonwealth sugar producers and Britain. The Board is at liberty to enter into other long-term contracts.

The marketing boards concerned derive their revenues from levies on exports, from the proceeds of sales overseas, and (when payable) Commonwealth subsidies. Each of the Commonwealth Boards relies on advances from the Commonwealth Banking Corporation to enable it to make initial payments for produce on delivery.

None of the Boards make a profit, as all revenues received are distributed, after Board expenses have been deducted, to producers.

BURMA[8]

There has been a trend toward an increase in the sphere of state trading in Burma. The Government stated in February 1963 that complete nationalization of export and import trade is its ultimate objective, but no target date has been set. As nationalization was in progress throughout 1963, the information in this section represents the position as of mid-1963.

TABLE 1. BURMA: VALUE OF EXPORTS AND IMPORTS UNDER GOVERNMENT ACCOUNTS IN RELATION TO TOTAL EXPORTS AND IMPORTS, 1956-1962

(In million Kyat)[a]

Year	Exports			Imports		
	Total	*Government*	*Percentage share of government exports*	*Total*	*Government*	*Percentage share of government imports*
1956	1,143	747	65.3	928	213	22.9
1957	1,163	846	72.7	1,555	695	44.7
1958	929	658	70.8	831	405	48.7
1959	1,065	763	71.6	1,004	486	48.4
1960	1,154	797	69.1	1,157	631	54.5
1961	1,057	729	70.0	926	421	45.5
1962	1,286	820	63.8	909	351	38.6

Source: Union Bank of Burma, Annual Reports 1957-1961; Selected Monthly Economic Indicators, November 1962, Central Statistical and Economics Department, the Revolutionary Government of the Union of Burma.

[a] The official exchange rate is Kyat 4.8 to US$1.00.

[8] It was reported by the Burmese delegate to the seventh session of the Committee on Trade held at Bangkok, 15-21 January 1964, that there has been some changes in state trading activities in Burma since this section was written. New information is however not yet available.

Exports of rice, teak and rubber are government monopolies. The export value of these three commodities constitutes about 80 per cent of Burma's total exports. The degree of government monopoly in import trade is less than in export; only imports of drugs and pharmaceutical products, the value of which account for about 3 per cent of Burma's total import value, are a government monopoly. However, there are a number of state trading organizations that handle imports as well as distribution of imported goods. Table 1 shows that the share of government imports in total imports of Burma increased from 23 per cent in 1956 to over 50 per cent in 1960 and fell to 39 per cent in 1962.

The government budget shown below gives some indications as to the significance of state trading in Burma, although not all government-owned corporations' receipts and expenditures are reflected in the budget. For instance, the operation of the nationalized firms controlled by the Burma Economic Development Corporation was not consolidated in the government budget.

TABLE 2. BUDGET OF GOVERNMENT SECTOR (UNION OF BURMA AND STATE BUDGETS)

(In million Kyat)

	1960/61	*1961/62*	*1962/63 a*
Total receipts	3,409	3,474	3,866
Of which:			
Current receipts from state trading	2,124	1,996	2,275
Capital receipts from state trading	10	18	6
Total expenditures	3,544	3,421	3,966
Of which:			
Current expenditures of state trading	2,022	1,825	2,072
Capital expenditures of state trading	303	252	469

Source: Economic Survey of Burma, 1961, 1962, Ministry of National Planning.

[a] Budget estimates.

Union of Burma Agricultural Marketing Board (UBAMB)

When Burma attained independence in 1948, the Government decided to bring the paddy and rice trade under its control and to guarantee cultivators a fixed price for paddy through the Agricultural Marketing Board (SAMB). The organization, of which the name was recently changed to the Union of Burma Agricultural Marketing Board (UBAMB), is entrusted with conducting negotiations for sales of rice to foreign governments and private buyers. Its statutory functions are to manage, supervise and improve the processing and marketing of agricultural products. It procures rice and rice products from farmers and millers at guaranteed prices. Total purchases by the UBAMB amounts to between one-third to two-fifths of the total rice production of the country. Private trade in paddy or rice for internal consumption is free in the sense that, for internal distribution by private channels, consumer prices are not fixed. Nearly all the domestically marketed rice moves to the consumers through private commercial channels. However, government rice policy does influence the price of locally consumed rice. The fact that farmers can sell their paddy to UBAMB at a guaranteed minimum price has some effect on the price at which private traders may purchase paddy for the domestic market. UBAMB sells on the export market most of the rice which it procures; only relatively small quantities are released in the domestic market at fixed prices when and where the market prices tend to rise too high.

The table below shows UBAMB's surplus (after taxes) on current account, part of which was used in the modernization and expansion of rice processing and storage facilities, including construction of modern rice mills and rice bran oil extraction plants.

TABLE 3. UNION OF BURMA AGRICULTURAL MARKETING BOARD: SURPLUS ON CURRENT ACCOUNT AND CONTRIBUTION TO GOVERNMENT, 1959/60—1962/63
(In million Kyat)

Fiscal year	*Surplus on current account*	*Contribution to government budgets*
1959/60	293	125
1960/61	71	66
1961/62[a]	41	38
1962/63[a]	18	5

Sources: Economic Survey of Burma 1962, Ministry of National Planning; *Budget Estimates 1962/63,* the Revolutionary Government of the Union of Burma.

[a] Estimates.

UBAMB is headed by the Minister of Trade Development, who acts as Chairman of the Board. Other members of the Board include three Deputy Chairmen and representatives of the Ministry of Trade Development, Ministry of Agriculture and Forests, Ministry of Co-operation and Commercial Distribution and Ministry of Finance and Revenue.

State Timber Board (STB)

The State Timber Board was established to take the place of five pre-war British firms. Its functions include the extraction, milling and marketing of teak and other hardwoods. While the total teak production of Burma has been increasing steadily towards the pre-war level, the production under private operation has remained constant and its share has diminished. On the other hand, the share of STB teak production grew steadily from 75 per cent in 1956/57 to 90 per cent in 1961/62. The STB purchases logs and lumber from private operators and millers for export together with its own logs and sawn timbers produced by its mills.

The Board pays the usual royalties and income tax to the Government. It had a net surplus of 4.9 and 1.4 million Kyat in 1959/60 and 1960/61, respectively, but its estimated budgets show that there were net deficits of 15.6 and 11.7 million Kyat in 1961/62 and 1962/63, respectively.

Rubber Export and Development Corporation

Exports of rubber were formerly handled by the Rubber Export Corporation which was under the control of the government-owned Commerce Development Corporation established in 1954 for the purpose of developing import and export trade of Burma. The Rubber Export Corporation was liquidated in January 1961 and replaced by the Rubber Export and Development Corporation. It became a subsidiary of the Civil Stores Committee III when the latter assumed the functions of the Commerce Development Corporation in 1 October 1962.

Civil Stores Committee I

Civil Stores Committee I, formerly known as Union of Burma Purchase Board, is a government agency which has a monopoly in the supply of 25 types of goods, including building materials, hardware goods, paints, explosives, office equipment, electric equipment and manufactures of ferrous and non-ferrous metals, for the use of government agencies, government corporations and local government bodies.

Civil Stores Committee II

Civil Stores Committee II, formerly known as the Civil Supplies Management Board, procures and distributes consumer goods to the general public through consumer co-operatives and retail shops. Goods handled by this Committee include sugar, condensed and evaporated milk, textiles, cotton and silk yarn, corrugated iron, cement, and jute manufactures. It also procures for government employees such goods as textiles, toilet and various household products. Lately, it has taken over the distribution function of the Joint Venture Corporations.

Civil Stores Committee III

Civil Stores Committee III, known until 30 September 1962 as Commerce Development Corporation, controls the Joint Venture Corporations and the Rubber Export and Development Corporation.

There were originally eleven Joint Venture Corporations (JVC) established in 1957-1958 as public limited companies, each with an initial capital of 5 million Kyat, of which 52 per cent was paid up by the Government and the balance by Burmese nationals. They were formed to bring down commodity prices and to promote the trade of Burmese nationals. Originally, the main functions of the JVC were in the field of imports and in the distribution of various consumer goods and industrial materials. They once had a monopoly in the imports of foodstuffs, textiles and hardware, but this monopoly was subsequently relinquished. The JVCs are intended, in principle, to compete with one another and with private firms. JVCs Nos. 6 and 7, which were concerned with imports and distribution of certain industrial raw materials, were dissolved on 31 March 1959 and industries were thereafter allowed to import these materials for their owns use. JVCs Nos. 8, 9, 10 and 11 were directed to limit their activities to certain territories of the country assigned to them. From 1 January 1963, the retail distribution activities of JVCs were discontinued and transferred to the Civil Stores Committee II and the Wholesale Co-operative Society.

A change in the procurement system took place under the Revolutionary Government. Under the previous system, each JVC purchased goods of its choice on its own responsibility, except in special cases. The new system requires that decisions on purchases be made by the Civil Stores Committee III, where all the JVCs are represented by their Chairmen.

The Government did not invest directly in the JVCs, but it granted loans to the Commerce Development Corporation (CDC) which in turn invested in shares of the JVCs. The following table shows the amount of JVC dividends received by the CDC in recent years and the repayments made by CDC to the Government, but no information is available as to the amount of outstanding loans.

TABLE 4. BURMA: JVC DIVIDENDS RECEIVED BY CDC AND CDC REPAYMENT OF GOVERNMENT LOANS, 1959/60—1962/63

(In million Kyat)

Fiscal year	JVC dividends received by CDC	Loans repaid by CDC to Government
1959/60	1.65	—
1960/61	3.9	—
1961/62[a]	2.8	4.5
1962/63[a]	1.9	1.0

Source: *Budget Estimates 1962-1963,* (Book 7), Revolutionary Government of the Union of Burma.

[a] Estimates.

Burma Economic Development Corporation

The Burma Economic Development Corporation (BEDC) was established in May 1961 under Act. No. 18 of 1961 with the objective of co-ordinating, supervising and helping to finance the activities and operations of the nineteen subsidiary companies of the Defence Services Institute. The number of the companies declared fully and partly government-owned and transferred to the control of the BEDC increased to thirty-three in 1962 and thirty-six in mid-1963 (A list of them is given in appendix B). The operation of BEDC subsidiaries covers an extensive range of activities including imports, exports, shipping, mining, sawmilling, public transport, construction, engineering, fishing, book publishing, department store retailing, radio assembly, automobile repair, tourist agency, hotelier and restauranteur, animal husbandry, banking, insurance, shoe manufacturing, textile manufacturing and plywood manufacturing.

The distribution of profits, according to the Burma Development Company (Amendment) Act No. 30 of 1962 is as follows:

To reserve funds of individual subsidiary companies	10 per cent
To recognized welfare organizations of the Defence Services	15 per cent of remainder
To reserve funds of all subsidiary companies	65 per cent
To the Government	20 per cent

The Administration of BEDC is headed by the Chairman of the Revolutionary Council who may delegate his authority to any person.

Other state trading agencies include the following. The Petroleum and Mineral Resources Development Corporation deals with the mining and marketing of tin, wolfram, coal, iron ore and copper and the extraction and sales of petroleum. The Burma Corporation Limited deals with the mining and marketing of lead, nickel, silver, zinc and copper. The Agricultural and Rural Development Corporation, which is directly under the Agriculture and Forests Department, promotes new crops which have hitherto not yet been introduced or are not yet popular with the farmers. It imported a large number of tractors and other agricultural equipment and has a plan to erect a tractor assembly plant. The Industrial Development Corporation, which is under the direction of the Industry Department, operates sugar, jute, textiles and cement mills. There is also a new state monopoly, the Burma Drug House Limited, which was created in March 1959 for the import of drugs and medicines; since then the existing importers of drugs and medicines have been confined to distribution.

CAMBODIA[9]

There are no state trading enterprises in Cambodia as defined under Article XVII of GATT. However, the following government entities engage in the import trade: (a) Office for Purchases Abroad, (b) Royal Office of Co-operatives and (c) Office of State Enterprises.

The Office for Purchases Abroad deals with the import of government requirements.

The Royal Office of Co-operatives imports goods needed by the consumers' co-operatives.

The Office of State Enterprises imports goods financed under foreign aid programmes for use in foreign aid projects.

CEYLON

State trading in Ceylon was mainly confined to the imports of essential foodstuffs and to trade with certain centrally planned economies. However, the role of state trading has been growing, especially in the field of general imports and distribution of imported goods.

Imports

The Food Department is the sole importer of paddy, rice, sugar, sugar candy, palm sugar, wheat, wheat flour, onions, lentils and maldive fish. The value of these imports constitutes about one-fourth of Ceylon's total imports (table 5). The purpose of the government monopoly of these imports is to maintain,

[9] Based on information received from the Government of Cambodia.

control and regulate the supply of these foodstuffs so as to secure their sufficient and equitable distribution and availability at fair prices. Rice, the main commodity dealt with by the Food Department, is imported mostly on long-term contracts notably from Burma, mainland China and the United Arab Republic. The costs of imports are sometimes higher than the resale price fixed by the Government for rationed rice and the Government's loss in the transactions is partly borne by the profits made on sugar imports. The import of sugar is also on long-term contracts and is sold at a fixed price. Sugar is generally sold at a profit and the profits are used towards financing food subsidy schemes. The recent purchases of flour by the Food Department were from the Governments of Australia and the United States. Part of the purchases were bought on open tender. The price of flour to the consumer is fixed by the Food Commissioner. The quantity of onions necessary to meet the gap between local production and consumption is met by the Food Department's imports. The internal price of onions is fixed on the basis of the guaranteed price given to the local producers. A profit on the imported onions is used towards financing the payment of the guaranteed price to local producers. As the price of lentils is subject to wide fluctuations, quotations are called every week. The internal price is fixed, and whether the Food Department makes a profit or not depends on the world market price of lentils. Maldive fish is obtained directly from the Maldive Islands and the purchase price is fixed by a trade agreement. Very small quantities of wheat were imported: about 100 tons every two to three months.

From 1961, the import of dried and salted fish has been made a government monopoly for the purpose of securing sufficiency, equitable distribution and availability of this commodity at fair prices. The import of this commodity is subject to licensing and licences are issued only to the Co-operative Wholesale Establishment (CWE). From July 1962, CWE has been the sole importer of dried fruits, raisins and walnuts. In August 1962, cummin seed was added to the list of commodities that CWE has an exclusive privilege to import. The objective of making CWE the sole importer of these goods is to facilitate the implementation of a trade agreement between Ceylon and Iran. Statistics on Ceylon's imports of these commodities, as given in table 6, show that the import value of these commodities accounted for 2-4 per cent of Ceylon's total imports in 1960-1962.

CWE, which was started in 1943 as an emergency government measure to handle the imports of essential foodstuffs for distribution through co-operative societies, was divorced from direct government control and re-constituted into a statutory corporation under the CWE Act No. 47 of 1949. It has remained wholly financed by the Government and comes under the purview of the Ministry of Commerce, Trade, Food and Shipping. The objectives of CWE as defined by the Act are: (a) to procure and supply the requirements of co-operative societies and unions; (b) to carry on business as importers and exporters and as wholesale and retail dealers in goods of every description; (c) to carry on any such other trade or business as may be incidental or conducive to the attainment of these objectives.

Imports from mainland China both under commercial and government arrangements, except for the food items exclusively dealt with by the Food Department, are handled by CWE. In recent years, CWE's activities have extended to general import business which includes representing foreign manufacturers of consumer goods such as radios, electrical equipment and household appliances. It has also entered into the import trade of drugs, chemicals and fertilizers. CWE has an active role in the implementation of the government policy of "Ceylonizing" foreign trade. In principle, it competes with private traders and is given no special treatment in respect of import licensing, except in the case of imports from mainland China and imports of dried and salted fish, dried fruits, walnuts and cummin seed.

The following figures show the rapidly growing volume of import trade handled by CWE and its increasing share in Ceylon's total imports from 1960 to 1962:

	Imports by CWE (*million rupees*)	*Ceylon's total imports* (*million rupees*)	*Share of CWE in total imports (%)*
1960	38.79	1,959.62	2
1961	52.34	1,703.34	3
1962	81.45	1,659.57	5

Although CWE continues to serve as a medium of distribution for co-operative societies, it functions as a wholesale establishment for private retailers as well. From 1961, CWE has been actively engaged in retail trade through opening up CWE retail outlets especially in rural areas.

Exports

State trading in exports is much less than in imports and is concentrated mainly on exports under bilateral trade arrangements which amounted to 6-12 per cent of Ceylon's total exports in 1959-1962. All exports to mainland China and some to other centrally planned economies are handled through state trading agencies. Licences for rubber to be exported to mainland China are issued only to the Commissioner of Commodity Purchase by the Controller of Imports and Exports under the Defence (Control and Exports) Regulation. From 1961, the Commissioner of Commodity Purchase has been made the sole exporter of rubber to Poland and, from 1962, to Bulgaria and Romania as well. According to Ceylon's trade agreements with these countries, the prices of rubber are usually determined on the basis of Singapore prices plus a small premium.

CWE entered into the export trade in 1961. Its turnover was only a fraction of its import trade: Rs 236,427 in 1961 and Rs 14,192,318 in 1962, out of

TABLE 5. CEYLON'S IMPORTS OF PRINCIPAL FOODSTUFFS
(exclusively handled by the Department of Food),
1958-1962

(In thousand rupees)

Item	1958		1959		1960		1961		1962	
	Volume cwts.	*Value*	*Volume cwts.*	*Value*	*Volume cwts.*	*Value*	*Volume cwts.*	*Value*	*Volume cwts.*	*Value*
Paddy	—	—	—	—	—	—	—	—	—	—
Rice	9,492	237,837	11,486	282,966	10,396	242,295	9,232	217,327	8,083	195,025
Wheat	5	99	4	70	5	90	6	106	2	40
Wheat flour	4,209	67,020	5,084	106,104	3,306	64,929	3,409	69,483	3,450	71,211
Sugar	3,160	72,598	2,982	58,954	3,246	64,754	3,978	76,693	3,292	55,975
Sugar candy	1	62	2	80	2	110	8	442	9	503
Palm sugar (Jaggery)	134	2,636	118	3,336	24	900	0.2	6	5	193
Red onions	13	214	46	575	203	3,285	212	2,861	166	2,516
Other onions	991	17,470	1,196	17,107	1,116	15,259	1,135	18,484	1,405	17,231
Dhall (Lentils)	790	30,503	613	43,428	649	23,982	729	22,311	764	26,664
Maldive fish	59	11,142	70	12,658	62	11,245	73	13,594	51	10,072
Value of total imports by Food Department		439,581		525,278		426,849		421,316		379,430
Value of total import trade		1,716,639		2,004,924		1,959,622		1,703,337		1,659,574
Percentage of import by Food Department in Ceylon's total imports		26		26		22		25		23

TABLE 6. CEYLON'S IMPORTS OF COMMODITIES, FOR WHICH LICENCES ARE ISSUED ONLY TO CWE[a]
(In thousand rupees)

Item	*1960*		*1961*		*1962*	
	Volume cwts.	*Value*	*Volume cwts.*	*Value*	*Volume cwts.*	*Value*
Fish, dried and salted—Sprats, dried	165,564	18,771	89,786	8,707	29,555	2,097
Fish, dried or salted—Others	11,863	1,238	14,474	1,204	42,763	2,632
Fish, salted and dried	616,963	59,308	398,918	32,546	288,891	19,982
Prawns, dried	24,594	2,985	11,337	1,203	12,371	1,335
Dried fruits—Raisins	1,589	98	5,240	483	2,139	121
Dried fruits—Sultanas	7,664	644	2,516	215	9,482	717
Dried fruits—Others (including Walnuts)	224	39	370	57	972	93
Cummin Seed	36,533	3,601	30,350	2,248	40,557	3,047
Total		86,684		46,663		30,024
Percentage share in Ceylon's total imports		4		3		2

[a] The Co-operative Wholesale Establishment (CWE) became the sole importer of dried and salted fish in 1961, of dried fruits and walnuts in July 1962 and of cummin seed in August 1962. The above figures therefore indicate the total imports of these commodities into Ceylon not necessarily by CWE.

Ceylon's total exports of Rs 1,080 million and Rs 1,766 million in 1961 and 1962, respectively. From 1 December 1962, CWE has been the sole shipper of tea to the United Arab Republic, in order to facilitate the implementation of an agreement between CWE and the General International Trading Company of the United Arab Republic. It also exports tea, rubber and coconut products to eastern European countries and the Soviet Union.

State trading in petroleum products

The government-owned Ceylon Petroleum Corporation started operations on 1 June 1961 with an initial capital of Rs 10 million. It imports petroleum products from the United Arab Republic and the Soviet Union. In 1962, the Government nationalized about 20 per cent of distribution facilities of other oil firms in Ceylon for the use of the Corporation. It was announced by the Government on 5 June 1963 that a monopoly on internal distribution of petroleum products would be effective from 1 January 1964, except for aviation fuels and bunkers. On 22 August 1963, the Ceylon Petroleum Corporation (Amendment) Act No. 5 was enacted whereby the Government is empowered to assign to the Ceylon Petroleum Corporation the sole right to import and distribute petrol, kerosene, diesel oil and furnace oil from 1 January 1964. The Act also vested in the Corporation with the exclusive right to explore for and exploit, produce and refine petroleum in Ceylon from 1 January 1964. The date may be advanced at the discretion of the Government.

CHINA (TAIWAN)

State trading is carried out mainly for the purpose of handling purchases of regular government departments and government-owned or operated enterprises, exporting the products of these enterprises, distributing United States grant commodities and other United States financed imports, stabilizing the prices of essential commodities, and raising revenues.

The most important state trading agency is the Central Trust of China (CTC) which engages in internal and external trade. Three others, namely the Taiwan Supply Bureau, the Taiwan Sugar Corporation and the Provisional Tobacco and Wine Monopoly Bureau are also engaged in foreign trade.

CTC has been in operation since as early as 1935 although for the purpose of the National Government of the Republic of China, its beginning dates back to the promulgation of its charter on 7 May 1947. It was established to conduct trust, insurance and savings business. Its state trading operations are carried out under its trust business.

Procurements which include imports and domestic purchases are handled by its Purchasing Department. They include: (1) all materials and equipment required for the operation of government organizations and government enterprises, (2) purchases for the military arm of the government (3) purchases financed with United States aid funds or loans and (4) centralized purchases of materials and equipment essential to the national economy. CTC has branch offices or representatives in Tokyo, New York, Paris, Singapore, Bangkok, Seoul and Saigon. Except where the purchase has to be made through direct negotiations with the supplier or manufacturer, purchases are made through open and public tenders. Since CTC acts only as a procurement agent for imports, the government organizations served have to get the approval of the Foreign Exchange and Trade Control Commission for the allocation of the foreign exchange needed. Special regulations are applicable to United States aid procurements, and the Council for United States Aid supervises the tender openings and award of contracts. CTC handles the distribution of surplus commodities imported under the United States Aid Programme.

On the export side, CTC handles a number of major items, namely rice, salt, aluminium, caustic soda, cotton piecegoods and yarn, canned pineapple and fertilizers. It also carries out the exportation of sugar to Japan and sometimes of the products of the Tobacco and Wine Monopoly Bureau.

The Trust receives from its clients a handling commission of 1 to 1½ per cent of the value of the commodities procured or sold.

The operations of CTC are financed through the capital subscription of the Government and the money that it earns. On the whole, the agency has made profits under its charter: 30 per cent of the net profit is designated as surplus and, with the approval of the Ministry of Finance, a certain percentage may be set aside as an employees' welfare fund. The balance is transferred to the national treasury.

The Taiwan Supply Bureau handles the export of canned fish, handicrafts, paper and pulp, worsted yarn and goods, hats, starch, sewing machines, bicycles and other items. It also engages in the importation of a wide range of items. It procures its imports through a system of competitive tenders. It has to obtain allocation for foreign exchange from the Foreign Exchange and Trade Control Commission. The activities of the Taiwan Supply Bureau are aimed at facilitating the domestic supply of materials to industry and at stabilizing prices.

The export of sugar, except to Japan, is the monopoly of the Taiwan Sugar Corporation, which owns plantations accounting for 30 per cent of the whole sugarcane acreage and twenty-seven sugar mills in Taiwan. The Corporation guarantees a minimum price for sugarcane purchased from the growers.

The Provisional Tobacco and Wine Monopoly Bureau engages in foreign trade purely for fiscal reasons.

The prices of goods handled by the state trading agencies have been determined generally by the factors of free competition, or by supply and demand conditions. However, export prices are sometimes made lower than domestic prices as a means of promoting exports.

Long-term contracts are negotiated by CTC or its branch offices abroad in connection with the supply of fertilizers, industrial plants and other essential goods. State trading methods are used to fulfil contractual obligations of the Government through state-sponsored institutions.

The greater portion of export and import trade is in the hands of private traders whose operation is, nevertheless, subject to import control regulations for balance of payments reasons. Even where state trading agencies are responsible for trade in specific import and export items, private traders are employed as agents or given contracts on the basis of competitive tenders. But the participation, of the state trading agencies, particularly CTC, has been so extensive and undertaken in such a manner as to result in direct benefits to the economy. In respect of imports, CTC has been able to obtain competitive prices and to explore all possible sources of important supplies. In respect of exports, it has succeeded in securing large and stable markets and in obtaining better prices. CTC has been useful in facilitating the fulfilment of commitments.

INDIA

State trading has an important share in India's import trade, the Government being the largest single importer. The figures contained in table 7 give some idea of the magnitude of funds spent on imports by the Government during the years 1951-1952 to 1961-1962. Government imports rose from Rs 2,831 million ($595 million) in 1956-1957 to Rs 4,785 million ($1,005 million) in 1960-1961 and were provisionally placed at Rs. 3,780 million ($794 million) in 1961-1962. Apart from defence stores, large and varied imports of government requirements for maintenance and development (capital goods, railway materials, etc.) account for the bulk of these expenditures. The imports of foodgrains, of which India is a large importer, are also undertaken directly by the Government with a view to ensuring adequate supplies and distribution at reasonable prices. In addition, a few other commodities, such as iron and steel, fertilizers, etc., of which the internal production is not adequate to meet the growing home demand, are being imported on government account with the same object in view. Table 8 indicates the value of wheat, rice, fertilizers, and iron and steel imported into India during the years 1958-1959 to 1961-1962.

Government purchase agencies

The various import needs of the public sector are obtained by the ministries and government departments concerned directly through the system of open competitive tenders as well as through the State Trading Corporation of India, the latter being largely used as a channel for imports under bilateral trade and payments and credit arrangements. Government requirements are also purchased by the Indian Stores Department, London, and the Indian Supply Mission, Washington. The Directorate-General of Supplies and Disposals (DGSD) is another government purchasing agency whose purchases are generally limited to local stores. DGSD, however, also makes purchases from abroad wherever necessary.

Ad hoc purchase and trade missions are also sent abroad from time to time for purchase of specialized requirements.

Government exports

On the side of exports, direct state participation is not so large (table 9) and is mainly through the State Trading Corporation of India, which deals not only with imports but also with exports.

State Trading Corporation of India (STC)

The State Trading Corporation of India (STC) was established in 1956. In view of the significant role it has come to play in India's foreign trade during this short period, an attempt is made in the following paragraphs to analyze its organization and functions as well as its effectiveness in the implementation of the Government's trade and economic policies.

Organization and functions of STC

Although wholly state-owned and state-managed,[10] the State Trading Corporation of India is a limited company registered under the Indian Companies Act of 1956 and functions as an autonomous commercial organization. The role of the Corporation has been to undertake trading generally with state trading countries as well as with other countries in commodities entrusted to it, to explore new markets for traditional commodities and to develop new export markets, and to undertake at the instance of government, import and/or internal distribution of commodities in short supply with a view to stabilizing prices and rationalizing distribution, and generally to implement such special arrangements for import/export and/or internal distribution of particular commodities as the Government may adopt in the public interest.[11] The Corporation has been granted the monopoly of import and export of certain commodities for which bulk-contracting and bulk-handling are considered advantageous or which are in short supply and present peculiar problems of fair distribution. It has also been entrusted, to a limited extent, with some highly speculative commodities, trading in which yields a high margin of profit. In addition, it is handling the export of some commodities, the export of which is otherwise difficult due to high internal costs. It has exclusive rights to the export iron ore,[12] salt and cement. Imports of caustic soda, soda ash, raw silk, tin and ball bearings are also being exclusively handled by the Corporation. In addition, a large share of imports of certain commodities is being channelled through the Corporation for the purpose of arranging barter deals, gaining favourable terms or to stabilize internal prices. These commodities include copper, zinc, lead, betel-nuts, cloves, cassia and copra.

Total trade handled by STC

During the fiscal years 1959-60 and 1961-62, 3 to 5.6 per cent of India's total exports and 1.4 to 3 per cent of her total imports were channelled through the State Trading Corporation of India. The value of total trade handled by the Corporation rose sharply from Rs 285.8 million ($60.02 million) in 1957-1958 to Rs 646.9 million ($135.85 million) in 1960-1961 and Rs 773.9 million ($162.52 million) in 1961-62.

The main achievement of the Corporation is in the field of exports, where it has proved instrumental in promoting trade in a large number of items both traditional and new. India's exports of iron ore, in which the Corporation enjoys a monopoly, rose from 1,835,000 metric tons in 1956 to 3,072,000 metric tons in 1961-1962. The exports of other mineral ores channelled through the Corporation also registered significant increases (table 10). In addition, it has succeeded in finding new markets[13] for some of India's traditional exports and in introducing a number of new Indian products such as bauxite, stone chips, handicrafts, etc. to the new markets. The overall export performance of the Corporation is reflected in the fact that the total value of exports handled by it increased from Rs 57.4 million ($12.1 million) in 1956-1957 to Rs 230.4 million ($48.4 million) in 1959-1960 and Rs 364.9 million ($76.6 million) in 1960-1961. During the year 1961-1962, the value of exports handled by the Corporation registered some decline owing mainly to restrictions imposed by the Government on certain exports to meet growing domestic consumption, and amounted to Rs 347.7 million ($73 million). In the field of imports also, the trade handled by the Corporation increased from Rs 36.4 million ($7.6 million) in 1956-1957 to Rs 234.8 million ($49.3 million) in 1960-1961 and to Rs 368.5 million ($77.4 million) in 1961-1962. The import activities of the Corporation, as mentioned earlier, are guided by considerations of bulk purchasing of goods to enable it to procure essential items at cheaper prices and of stabilization of internal prices of certain commodities of a highly speculative nature. The items being imported by the Corporation include machinery and machine tools, ball bearings, non-ferrous metals, electric equipment, special steel aluminium wire rods, dyes, pharmaceuticals, wood pulp, mercury, copra, betel-nuts, cloves and cassia, fertilizers, newsprint and camphor (table 7).

STC's role in India's trade with centrally planned economies

The Corporation constitutes the main channel for India's trade exchanges with centrally planned economies. During the year 1961-1962, the Corporation arranged through its business associates from eastern European countries for imports to the extent of approximately Rs 400 million ($84 million) which represented almost 54 per cent of India's total imports from these countries during that period.[14] These imports consisted largely of items such as capital goods, machine tools, non-ferrous metals and other raw materials. The main commodities which the Corporation exported to the eastern European countries were mineral ores, cotton textiles, woollen fabrics, shoes, tobacco, etc. Of the total iron exports handled by the Corporation during 1961-1962, about three-fifths were directed to eastern European countries.

The State Trading Corporation has concluded a number of long-term agreements with some of the eastern European countries, Yugoslavia and Japan for delivery of large quantities of iron ore (table 11). It has also entered into a number of barter agreements linking exports of various Indian commodities with

[10] All the members of the Board of Directors of the Corporation including its Chairman and the Managing Director are government officials.

[11] The State Trading Corporation of India, New Delhi, *Annual Report 1961-1962.*

[12] The Government of India has recently decided to establish another state trading corporation to handle the export of metal ores.

[13] During 1961-1962, STC exported cotton yarn worth Rs 11.35 million to Indonesia, shellac (worth Rs 0.4 million) and chrome concentrate (9,380 tons) to North Korea.

[14] The State Trading Corporation of India, Ltd., New Delhi, *Annual Report 1961-1962.*

imports of capital goods, foodstuffs and raw materials with the centrally planned economies as well as with commercial firms in western European and African countries.[15]

STC's role in internal distribution of essential commodities

In addition to the direct trading operations with foreign countries, the State Trading Corporation is acting as the agent of the Government of India for handling the distribution of cement in the country. As the demand for it is far in excess of what is available, the main function of the Corporation is to ensure rationalization of its movement and to effect equitable distribution of its supply at a uniform for destination price throughout the country.

Business methods of STC

The nature of the Corporation's contribution and the extent and magnitude of its participation have been largely conditioned by the needs and requirements of each trade transaction. Consequently, in the conduct of its business, the Corporation has functioned in a variety of ways and has adopted business methods and techniques suitable to the achievement of its principal aims. Direct trading, as will be noticed from the preceding discussion, has been restricted to only some transactions; to some extent the Corporation has procured, stocked and shipped the ores sold to foreign buyers; and soda ash and caustic soda have been bought and imported by the Corporation for sale through its selling agents. In a number of cases, while contracts for purchase or sale have been concluded by the Corporation, deliveries of consignments on board the ship for export and the handling and distribution of goods on imports have been looked after by the Corporation's business associates. The Corporation has also functioned as a servicing agent bringing together buyers and sellers, assisting them in implementing business contracts and using its good offices to settle disputes amicably. Government departments and industrial enterpreneurs have been assisted to procure essential plants and machinery on commercial terms, and producers of shoes, handicrafts and woollen fabrics have been enabled to organize production for export.[16] The Corporation has been of particular help to individual traders in their negotiations with the state trading organizations or monopolies in foreign countries. In certain cases, it has had to undertake additional functions such as financing the building of roads in the mining areas to facilitate the export of ores.[17]

[15] The State Trading Corporation of India, Ltd., New Delhi, *Annual Report 1961-1962.*

[16] The State Trading Corporation of India, Ltd., New Delhi, *Annual Report 1957.*

[17] Government of India, Ministry of Commerce and Industry, New Delhi, *Report of the Import and Export Policy Committee.*

Offices abroad

In order to watch and supervise the implementation of its business contracts and to help Indian exporters to expand their business abroad, the Corporation has opened an office in West Germany. It is considering the question of opening similar offices in Prague and Tokyo also.

Financial results

While its functions and objectives are intimately interrelated with the Government's foreign trade policies, and it has been undertaking several activities which are commercially not profitable, the Corporation is essentially a self-financing organization and can expand its operations only on that basis. The annual balance sheets of the Corporation issued so far reveal that it has been able to achieve this objective with considerable success and that its profits have increased from year to year; they amounted to Rs 20.20 million ($4.24 million) in 1961-1962 as against Rs 3.26 million ($0.68 million) in 1960-1961. After paying dividends to the Government at rates determined by the Board of Directors, the profits of the Corporation are appropriated towards building, insurance and general reserves, etc., and for meeting losses arising from price fluctuations.

TABLE 7. INDIA: IMPORTS ON GOVERNMENT ACCOUNT, 1951-1962[a]

(In million rupees)

Year	Total imports	Imports on government account	Government account imports as percentage of total imports
1951-1952	9,629	2,947	30.6
1952-1953	6,330	1,903	30.6
1953-1954	5,918	1,337	22.6
1954-1955	6,838	1,599	23.4
1955-1956	7,731	1,509	19.5
1956-1957	11,021	2,831	25.7
1957-1958	12,336	5,374	43.6
1958-1959	10,296	5,248	51.0
1959-1960	9,237	4,164	45.1
1960-1961	11,024	4,785	40.7
1961-1962[b]	9,780	3,780	38.6

Source: Balance of Payments data contained in the *Reserve Bank of India Bulletins,* Reserve Bank of India, Bombay.

[a] The figures are exclusive of imports on semi-Government account which are included under imports on private account.

[b] Preliminary.

TABLE 8. INDIA'S IMPORTS OF WHEAT, RICE, IRON AND STEEL, AND FERTILIZERS, 1958-1962

(In million rupees)

Commodity	1958-1959	1959-1960	1960-1961	1961-1962
Wheat	1,154	1,298	1,532	776
Rice	408	163	224	150
Iron and steel	924	843	1,225	1,020
Fertilizers	92	163	96	119

Source: Reserve Bank of India, Bombay, *Reserve Bank of India Bulletin,* April 1963.

TABLE 9. INDIA: EXPORTS ON GOVERNMENT ACCOUNT, 1951-1962[a]

(In million rupees)

Year	Total exports	Exports on government account	Exports on government account as percentage of total exports
1951-1952	7,301	160	2.2
1952-1953	6,019	118	2.0
1953-1954	5,397	62	1.1
1954-1955	5,966	8	0.1
1955-1956	6,403	21	0.3
1956-1957	6,352	22	0.3
1957-1958	6,685	815	12.2
1958-1959	5,759	62	1.1
1959-1960	6,233	53	0.8
1960-1961	6,305	62	1.0
1961-1962[b]	6,675	71	1.1

Source: Balance of Payments data contained in the *Reserve Bank of India Bulletins,* Reserve Bank of India, Bombay.

[a] The figures do not include exports handled by the State Trading Corporation of India. The latter are classified under exports on private account.

[b] Preliminary.

TABLE 10. QUANTITIES OF THE COMMODITIES TRADE BY THE STATE TRADING CORPORATION OF INDIA, 1960-1962

Commodity and unit	1960-1961	1961-1962
Exports		
Iron ore, M/T	3,072,151	3,105,961
Manganese ore, M/T	865,476	744,292
Manganese dioxide, M/T	1,848	1,162
Mica, lb	208,462	474,630
Chrome ore, M/T	36,654	30,903
Bauxite, M/T	18,440	48,372
Kyanite ore, M/T	1,144	95
Red oxide of iron, M/T	11	1
Ferro-manganese, M/T	48,106	64,447
Stone chips, cu ft	—	879,637
Salt, M/T	327,502	21,798
Tobacco, bales	17,259	17,737
Jute goods, bales	15,198	1,451
Shellac, M/T	7	138
Woollen fabrics, yd	251,751	146,276
Shoes, pairs	543,669	344,500
Coffee, M/T	964	1,151
Masoor Dal, M/T	6,736	5,986
Sheep casings, hanks	5,000	2,500
Lemon grass oil, kg	—	5,000
Cotton yarn, bales	—	14,208
Handloom fabrics	Sundry items	Sundry items
Imports		
Wheat, M/T	39,929	403,726
Cotton, bales	55,474	19,026
Copper, M/T	7,747	11,963
Zinc, M/T	12,131	17,658
Lead, M/T	382	1,407
Aluminium, M/T	708	1,235
Tin, M/T	992	252
Ferro-silicon, M/T	2,123	3,831
Platinum, Tr/oz	1,551	1,604
Cold rolled steel, M/T	—	3,998
Stainless steel, M/T	—	691
Camphor, M/T	149	113
Sodium sulphate, M/T	2,530	3,465
Sulphate of potash, M/T	13	1,057
Chilean nitrate, M/T	9,493	31,446
Hydro sulphate of soda, M/T	210	219
Muriate of potash, M/T	36,710	48,338
Rangolite "C", M/T	106	328
Polystyrene, M/T	10	305
Caustic soda, M/T	47,738	24,245
Soda ash, M/T	69,114	7,545
Ammonium sulphate, M/T	238,914	292,976
Rayon grade C soda, M/T	—	5,000
Sulphur, M/T	—	52
PVC powder, M/T	—	207
Phenol, kg	—	400
Mercury, M/T	—	51
Codeine phosphate, kg	—	500
Betel-nuts, M/T	—	1,050
Spices, Cwt	—	21,144
Cinema carbons, pieces	—	33,332
Cotton yarn, lb	68,385	153,341
Raw silk and spun silk yarn, lb	320,212	305,096
Pilsen malt, M/T	554	750
Hops, lb	76,600	75,585
Newsprint, M/T	27,789	41,886
Glass chatons,	Assorted	Assorted
Ferro-vanadium, kg	—	7,160
Flourspar, M/T	—	946
Art silk yarn, cases	12,123	lb 5,258,987
Copra cake, kg	—	50,957
Copra oil, kg	—	694,190
Marino sheep, heads	—	147

Source: The State Trading Corporation of India Ltd., *Annual Report 1961-62,* page 17.

TABLE 11. INDIA: LONG-TERM METAL ORE CONTRACTS BY STC

(In million tons)

Commodity	Country	Period	Quantity
Medium grade iron ore	Japan	1960-1968	15.00
Low grade iron ore	Japan	1960-1964	0.45
Iron ore	Romania	1962-1966	3.45
Iron ore	Czechoslovakia	1963-1966	2.95
Iron ore	East Germany	1961-1963	0.30
Iron ore	Poland	1961-1963	0.60
Iron ore	Yugoslavia	1961-1965	1.33

Source: Government of India, Ministry of External Affairs, New Delhi.

INDONESIA

The genesis of state trading in Indonesia has to be traced to the desire on the part of its Government and people to break away from the legacy of colonialism, and the rationale behind the policy is provided by Article 33 of the Constitution of 1945 which laid the basis of a socialist economy. Formerly, Indonesia's external trade was in the hands of big Dutch concerns. Import trade was dominated by five of those concerns. Agricultural exports which had developed as a result of estate agriculture found their way to the produce exchanges in Amsterdam. Even the domestic retail trade was carried out by non-nationals.

The Dutch concerns were nationalized and state trading concerns were founded. The most important of these state trading agencies include (1) the Food Council with its two subsidiary agencies, namely the Food Foundation and the Rice Purchasing Agency which have the responsibility of stabilizing the supply and price of paddy, and (2) the General Management Board of State Trading Enterprises, including nine state trading firms under it which carries out the bulk of the trade on important imports and exports.

Nationalization was undertaken in order to speed up the realization of the Government's economic programme as outlined in the political manifesto of 17 August 1959 providing, among other things, that the apparatus for production and distribution be recognized and aimed at the implementation of Article 33 of the Constitution.

Under this Article, the companies that shall be established, apart from co-operatives, shall be any of the following categories:

"1. Full state enterprises which exploit the natural resources in land and water, water power, forestry, etc.

"2. Full state enterprises which manage production vital for the state or for the life of the people.

"3. State enterprises which operate all other projects vital according to the policy of the Government.

"4. Other enterprises not falling under Article 33, clauses (2) and (3), which may be private or mixed (government plus private) enterprises. But, companies should be 'retooled' to bring them into line with this Article reflecting the Indonesian socialist economy."

Under the existing statute, every state trading corporation is one of the production units which (a) supply services, (b) serve the public interest, and (c) earn an income with the objective of contributing to the building up of a national economy in accordance with the requirements of a guided economy, while taking into account the needs of the people, labour welfare and stability.

State trading agencies

Accordingly, the Government established on 24 January 1958 the Food Council, "Dewan Bahan Makanan" (BAMA), charged with the responsibility for (1) formulating the Government's policy concerning food and (2) preparing a programme for the production, importation and distribution of food, including the determination of food prices. Under the Food Council are two operating agencies. One is the Food Foundation, "Jajasan Urusan Bahan Makanan" (JUBM), whose predecessor had been established as early as 1939. This agency now confines its activities to rice importation. In 1961, it imported over a million tons of rice principally from Burma, Thailand, South Viet-Nam and the United States. In that year the value (Rupiahs 3,000 million) of rice importation alone represented 9 per cent of total imports, although the average from 1959 to 1961 was 14 per cent of total imports. The other enterprise is the Rice Purchasing Agency, "Jajasan Bahan Pembelian Padi" (JBPP), whose functions are limited to the internal purchase and distribution of paddy, including its milling.

The local purchase of paddy has been improved through the system of advance payment, but procurement has been impeded mainly by the disparity in the purchase price fixed by the Government and free market prices. To minimize hoarding, purchase has been made in kind (textile) as an inducement for rice farmers to sell. The Government has been extending credit to the Rice Purchasing Agency for the purchase of paddy.

Other government agencies that handle the trade in copra and sugar are, respectively, the Central Copra Co-operative and the Netherlands Indonesia Association. The latter occupies a monopoly position in the purchase of estate-produced sugar and is the only seller of sugar within Indonesia or abroad.

Foreign trade in essential goods, except paddy and sugar, is handled by nine state trading firms under the supervision of the General Management Board of State Trading Enterprises, "Badan Pimpinan Umum Perusahaan Dagang Negara" (BPUPDN). Into the nine state enterprises were consolidated thirty enterprises which had existed before. Even the private firms engaged in foreign trade were reduced from 4,000 to about 1,500 as a means of increasing the efficiency of the commercial organization. Co-operatives promoted by the Government are encouraged to engage in import and export.

BPUPDN was established pursuant to Government Legislation No. 65 promulgated on 29th March 1961. It is entrusted with the task of general regulation and administration of the various state trading agencies under it. The powers of management are vested in a President-Director and four managers each responsible for his respective field.

Each of the trading corporations has a board of directors of four-five members, including the President-Director who, in turn, is responsible to the President-Director of the General Management Board of State Trading Enterprises. The total paid-up capital of the nine corporations is 700 million Indonesian rupiahs. Six of the trading corporations, namely PN Tri Bhakti, PN Djaja Bhakti, PN Aneka Bhakti, PN Budi Bhakti, PN Fadjar Bhakti and PN Marga Bhakti, deal with both imports and exports. The other three, namely PN Tulus Bhakti, PN Sinar Bhakti and PN Sedjati Bhakti, concern themselves only with imports.

Each of the six enterprises engaged in import and export trade is charged with the importation and distribution of capital goods and raw materials for purposes of industry and construction, procurement through imports and local purchases and distribution of general commercial commodities, including mainly the basic needs of the people, the exportation of agricultural, mineral and handicraft products, assistance in the development of co-operatives and the fostering of closer relations with autonomous regional trade enterprises and private enterprises. Most of them deal in the same types of goods and do not appear to specialize in trade in specific types of goods.

The six import-export trading agencies operate with two hundred branch offices throughout Indonesia and twenty overseas branches including Hamburg, Dusseldorf, London, Belgrade, New York, Tokyo, Osaka, Hong Kong, Singapore, Bangkok and Rangoon.

In the field of import, the main responsibility of the corporations is to supply essential goods, viz. raw cotton, weaving yarn, textiles, dyestuffs, sewing threads, paper, cement, iron, iron and steel bars, tin plate, jute, flour, paper, cloves, fertilizers, as well as other raw materials and machinery for industries, and to carry out government purchases. The import of essential goods is exclusively handled by the state trading corporations. General merchandise, which private firms are authorized to import, is also imported but the practice has been irregular due to foreign exchange difficulties.

The distribution of pharmaceuticals is handled by seven new firms other than the trading organizations mentioned above.

With respect to exports, the main task of those six trading corporations is to promote Indonesia exports and to eliminate speculative domestic trade on export produce to stabilize supply and prices for the international market.

The state trading corporations will endeavour to sell Indonesian produce to "all countries over the world, to Western as well as to socialistic blocs and to non-committed countries in accordance with the Indonesian foreign policy which is a free and active one"[18]. The corporations obtain credit facilities from state banks to increase the export of Indonesian produce. Exports are also given priority in the use of shipping facilities to transport the produce both to the main ports and to their destinations abroad. In 1961 the requirement for the opening of letters of credit for the exports carried out by state trading corporations to, or through, their overseas branches was dispensed with.

Private exporters have been given some incentives as a means of export promotion. Export prices are fixed in advance to provide them with more certainty and to enable them to compete abroad. They are also allowed to use the proceeds obtained from overprices to import certain goods or use them for their private interest. They are members of the Indonesian Exporters' Association, which is composed of state and private enterprises (including foreign firms) engaged in export trade, and which assists the Government in the formulation of export policy, in drawing up standard contracts for the sale of Indonesian exports and in issuing quality certificates for them.

The state corporations export mainly non-estate produce which comprises approximately 55 per cent of total Indonesian export of agricultural produce. In 1961, it was decreed that plantation firms, both domestic and foreign, should sell to state trading organizations all the produce which they do not themselves export. Among the exports promoted by the state corporations are rubber, copra, copra chips and cakes, palm kernel and oil, coffee, gum copal, tapioca flour, spices, aetheric oil, and rattan.

Role of state trading

Based on a review of state trading made by Lt. Col. Soeparto, President Director of BPUPDN,[19] state trading with respect to imports has been following an upward trend until 1961. The nine state trading bodies had a turnover of Rp 20,000 million in 1960 compared with only Rp 6 million in 1957 and the value for 1961 was estimated to be Rp 25,000 million. Accordingly, the profits (including tax) realized in 1960 amounted to Rp 1,042 or around 650 per cent of those made in 1957 when the Dutch import firms were in operation. The profit (including tax) for 1961 was placed at Rp 1,300 million or 812 per cent of that of 1957. It was noted that the domestic increase of the absolute value of trade handled by state enterprises was due partly to price increases and partly to the fact that 66 per cent of total imports was entrusted to them since the Dutch firms were no longer authorized to operate. Tax payments increased from Rp 62 million in 1957 to Rp 350 million in 1960.

With respect to exports, there was a temporary drop in the value of exports handled following the nationalization of export trade from Rp 1,050 million (including the trade handled by state trading corporations, "Baru" and "Usindo") in 1957 to Rp 277 million in 1959 (the value of export during this year was Rp 10,613 million). This decline was attributed to several causes including the closure of the branches of the Dutch enterprises abroad, reduction in the number of middlemen, transport difficulties and other causes. The value of total exports rose to an average of more than Rp 36,000 million for 1960 and 1961. With the increased activity of state trading enterprises in the export trade and their access to government credits and other prerogatives, they now dominate trade in the so-called "strong" foreign exchange earners, including rubber, copra, pepper, palm oil and sisal. It is estimated that altogether they account for 45 per cent of the total export trade.

As an instrument for economic development, state trading has contributed to the emergence of new industries in Indonesia with the policy of giving priority in the use of foreign exchange to capital and raw material imports and the acquisition of capital equipment through long-term contracts with centrally planned economies.

JAPAN[20]

In Japan, two types of state trading enterprise are in operation, e.g. the food control agency and the Government monopoly.

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[18] See *A New Era in Indonesian Export,* brochure published by Central Management Board of State Trading Corporations, Djakarta, September 1961.

[19] See *The Role of State Enterprises in the Over-all National Development,* published in Warta-CAPI, 18 February 1961, a publication for the business world, published by the Commercial Advisory Foundation in Indonesia (based on a press interview with Lt. Col. Soeparto).

[20] *Sources:* Government of Japan; GATT document L/1949/ADD. 10, dated 29 March 1963.

Food Agency

Under the Food Control Law of 1942, the (Government) Food Agency was established to regulate the marketing of rice, barley and wheat in order to ensure adequate supplies of food to the people at reasonable prices and to achieve a measure of stability for the national economy. All rice producers are obliged to sell their production, except for their consumption requirements, to the Government. In the case of barley and wheat, growers are not obliged to sell to the Food Agency but, at their request, the Agency purchases their production in unlimited amounts. The rice, barley and wheat thus purchased by the Agency is distributed to consumers at controlled prices.

The Food Agency does not directly engage in the import and export of rice, barley and wheat. The business is done under Government permit by private traders registered at the Food Agency. All the imported rice, barley and wheat must be sold to the Government.

The Agency determines the annual import requirements for rice, barley and wheat, taking into account the domestic supply and demand and the required stockpile at the end of the year. The Agency's purchase prices for locally grown produce are so determined as to ensure a fair return to the growers, taking into account production costs, current commodity prices and other economic factors. The re-sale prices are determined with a view to ensuring supplies to the people at reasonable prices, making allowances for differences in quality between imported and domestic produce.

Profits derived from imported rice, wheat and barley are utilized to make up for losses arising from other food control measures under the Food Control Special Account. As a whole, this Special Account shows a deficit which is covered by a transfer from the General Account.

Japan Monopoly Corporation

The capital of the Japan Monopoly Corporation is entirely subscribed by the Japanese Government. The Corporation holds the monopoly for tobacco and salt and deals exclusively in the purchase, sale, export and import of leaf tobacco, manufactured tobacco (including cigarette paper) and salt. The monopoly on tobacco is maintained for the purpose of securing fiscal revenue; that on salt, for ensuring a steady supply of salt to consumers.

Tobacco

Tobacco may be grown only by the Corporation or by persons authorized by it. The Corporation purchases all the leaf tobacco domestically produced and is the sole manufacturer of tobacco products. The Corporation or a person authorized by it has the exclusive right to manufacture cigarette paper. All the cigarette paper produced in Japan is purchased by the Corporation.

The import and export of leaf tobacco, manufactured tobacco and cigarette paper can be done only by the Corporation or a person authorized by the Corporation. Imported leaf tobacco and manufactured tobacco are exempted from customs duty. In the fiscal year 1961 (April-March), Japan imported 16,312,000 kg of leaf tobacco worth $31,747,000 and 785 million pieces of cigarettes valued at $3,246,000. During the same period, Japan exported 8,350,000 kg worth $6,653,000 of leaf tobacco and 230 million cigarettes worth $1,342,000.

The purchase price of domestic leaf tobacco is fixed annually by the Corporation, with the advice of the Tobacco Cultivation Council and taking into account the cost of production, adequate profit for growers, current commodity prices, and other economic factors. Imported leaf tobacco is purchased at the market price.

The retail price of locally manufactured tobacco is fixed by the Corporation with the approval of the Minister of Finance. Monopoly profits (including tobacco consumption tax) and handling charges for tobacco retailers are added to the cost of production. The retail prices of imported manufactured tobacco are fixed by the Corporation, taking into account the percentage of the monopoly profits (including tobacco consumption tax) to be gained from the sale of domestically manufactured tobacco and the handling expenses of tobacco retailers.

Imports of manufactured tobacco by an individual for his personal use are subject to approval by the Corporation and to a duty of 355 per cent (200 per cent for cigars) on the amount in excess of a certain quantity.

Salt

Only persons authorized by the Corporation can manufacture salt and, in principle, the Corporation purchases all salt thus manufactured. The purchase price is determined by the Corporation on the basis of production cost and on the advice of the Council for Determination of the Purchase Price of Salt.

Salt is imported by the Corporation or a person authorized by it. Salt imports are exempted from customs duty. Salt for common use (as a foodstuff) is imported directly by the Corporation from overseas producers. Salt for industrial uses (soda industries) may be imported only by the users authorized by the Corporation. In the fiscal year 1961, imports of salt totalled 2,555,000 tons valued at $25,673,000. No salt is exported.

The sale price of salt is fixed by the Corporation subject to approval of the Minister of Finance.

MITI

The Ministry of International Trade and Industry holds a monopoly for the manufacture, sale and import of alcohol. The alcohol monopoly has been maintained since 1937 with the aim of ensuring steady supply of alcohol to consume, regulating production and sales of alcohol for securing fiscal revenue, and promoting the agricultural economy through the purchase of sweet potatoes as raw material for alcohol.

The Government purchases all alcohol domestically produced in state-operated and private factories. The purchase price takes into account the cost of production and adequate profits for the manufacturers.

Only the Government or persons authorized by it can import alcohol. No particular restrictions apply to its export. Alcohol is sold to consumers at a reasonable price.

LAOS

There are two government agencies engaged in trading activities in Laos. Both agencies started to operate in 1962; hence their scale of operation is still very limited.[21]

The first government trading body is the National Import and Export Office (ONIE) which has been established under the Department of National Economy as a separate legal entity. It has financial and administrative autonomy with a budget of its own and its funds are derived from the government budget.

The objective of ONIE is to ensure regular supplies of imported goods, especially essential items, so that they may be available at reasonable prices throughout Laos. Its activities include importation, allocation of goods to various parts of the country, and distribution among government organizations, co-operative stores, private retailers and other retail outlets.

ONIE is also engaged in export business for the purpose of encouraging agricultural and industrial production in Laos. It aims at making only small profits in business just to cover its over-all costs of operation.

In 1962, it imported the following goods amounting to a total value of $392,605: rice (1,650 tons), salted meat (24,000 jars), cement (1,500 tons), corrugated iron (60 tons), fibro-cement (100,000 sheets) and iron rods (100 tons).

The other government trading agency is the Civil Service Supply Store which was established in 1959 under the Department of Finance, but which began to function only in March 1962. Its main objective is to help civil servants in obtaining, through imports or by other means, essential consumer goods at reasonable prices and to prevent speculation which might create a rise in the prices of essential commodities. The goods dealt with by the Civil Service Supply Store include milk, salted meat, soap, rice and sugar. It obtained its working capital from the Government in the form of loans bearing 4 per cent interest per annum.

[21] These agencies have since been replaced by a joint public-private company, the Société Generale d'Importation et d'Exportation du Royaume du Laos (SOGIMEX). The Government holds a dominant interest in the company, which has a virtual monopoly of certain essential imports such as rice, and also of luxury imports for purposes of control.

MALAYSIA[22]

Malaya has no state trading in imports or exports. Its state trading activities are largely of domestic significance only and are directed towards the maintenance and improvement of agricultural production, especially of rubber and rice.

The Government of Malaya since 1953 has given replanting subsidies to estates at the rate of M$400 per acre paid in cash and to small holding at M$600 per acre paid partly in kind and partly in cash. For the mechanization of farm operations, tractors and implements are made available at subsidized rents or purchasing prices. The distribution of fertilizer for paddy is subsidized, the amount of the subsidy corresponding to 50 per cent of the price.

The main price-policy measures in Malaya with some semblance of state trading concern rice. Difficulties in securing rice during the Second World War and in the immediate post-war years led to government measures of assistance to make food available to cultivators for increasing rice production. Formerly there was large-scale exploitation of the peasant farmers by the local village shopkeeper, who extended credit to them for repayment in rice after the rice harvest. The Government's solution to this problem has been the adoption of a guaranteed minimum price scheme. Immediately before each rice harvest, the Government declares the price it is prepared to pay as a residual buyer to all sellers of paddy; this price is based on the import price of rice. The purpose of the minimum price is not so much to support the incomes of paddy producers at any given level or to act as an incentive, but to protect paddy cultivators against sudden drops in paddy prices. In fact the Government has fixed its guaranteed minimum prices somewhat below the level at which it has anticipated the local rice market would settle. As the local price of paddy depends largely on prices of imported rice, the level of guaranteed minimum price must take the latter into account.

The Government purchases paddy through its own mills which are very few in number and through licensed private mills. It also buys rice from the same mills at prices fixed in relation to the guaranteed minimum prices of paddy. No grower is compelled to sell his crop to the Government, since the local shopkeeper is now obliged to pay at least the guaranteed minimum price in order to secure supplies of rice. Because of the difficulties of holding stocks of rice in a tropical climate, the stockpile has to be rotated and the Government has solved the problem by enforcing a regulation that imports of rice are conditional on the purchase of a certain quantity from government stocks (the ratio at present is 2:1 imported stock). The Government has built up through the process a national stockpile of rice.

[22] The information contained in this section relates to the Federation of Malaya and is based on GATT COM II/24 dated 6 October 1959; GATT COM II/29 dated 18 November 1959. There do not appear to have been any major changes in Malayan state trading policy since then.

There is no special purchasing organization for the distribution of rice to the consumer. The supply section of the Trade Division of the Ministry of Agriculture, which was originally created for the purpose of administering rationing schemes and price control, now only administers and controls the collection of rice from the farmers, its transport to government mills and sales to importers. Importers and local shopkeepers are responsible for supplying rice to the Malayan consumer and there is no government control of the price of rice to the consumer.

The cost of government trading activities has not been announced, but stocks have been planned in such a way that they do not exceed a certain level and the Supplies Department of the Ministry of Agriculture, Trade Division, has generally operated without incurring losses.

NEPAL

In Nepal the need for establishing a state trading organization was not realized until recently. An organized private sector with specialization in trade and commerce is lacking, and expansion and diversification of export trade is necessary. Nepal's trade, in view of state of the physical barriers, is largely limited to India. The instruction of state trading is designed, in these circumstances, to improve the internal marketing and to diversify both its export and import trade.

Nepal, breaking its age-old isolation, has recently established diplomatic and economic relations with various countries which afford the prospect of expanding Nepal's trade relations with them. It has entered into economic aid and trade agreements with a number of countries, including the People's Republic of China, India, Pakistan, the United States of America and the Soviet Union. These countries are helping Nepal's all-round economic development.

Under the aid agreements with the People's Republic of China and the Soviet Union, Nepal has been receiving a wide range of consumer goods from each of these countries. Since there was no institution either in the private sector or in the public sector to handle the goods imported from these centrally planned countries, the need for a state trading organization was felt.

As a result, in May 1962 the National Trading Company Limited was incorporated under the Nepal Company Act 2007 BS (1950-51 AD) with an authorized capital of NRs 1.0 million, of which one-half has been paid up. Though incorporated as a private limited company, it operates on a no profit, no loss basis.

A Board of Directors, consisting of five members including the Minister of Commerce and Industry as the Chairman, conducts the affairs of the Company. The Company at present has four sections, namely, Finance, Procurement, Administration and Research. The institution has established five branches within the country.

The main functions of the Company are to handle the bulk of commodities imported by way of grants and loans from mainland China and the Soviet Union. Recently the Company has also begun to handle the goods supplied on a quota basis by India to Nepal, namely cement and iron and steel. Goods imported from the Soviet Union comprise machines, bicycles, watches, motor cycles, jeep-type cars, sugar, tinned milk, etc. Goods received under Chinese aid are textiles, readymade garments, silk, newsprint, cotton yarn, chemicals, galvanized wire, sheets, electric motors, radios, fountain pens, casting machines, paints and varnishes. These goods are sold to the public by the Company and the sale proceeds are used to meet the local costs of the projects being constructed with aid from mainland China and the Soviet Union.

The Soviet projects include a cigarette factory with a production capacity of 2,000 million cigarettes a year; a sugar mill with an annual capacity of 14,000 tons; a hydro-electric power station with a capacity of 2,400 kW and a 50-bed hospital. These projects are being constructed with 30 million rubles supplied as aid by the Soviet Union.

Mainland China's aid covers a cement factory with an annual capacity of 50,000 tons, a paper factory with a daily capacity of 20 tons, and a small tannery and shoe factory. These projects are scheduled for completion by 1966.[23]

Hitherto, the National Trading Company has been dealing with imports only, particularly under the short-term contracts as the agent of the Nepal Government's Department of Commerce. However, private traders are allowed to export and import in competition with the Company. During the first year of its operation, the Company handled 2 per cent of the country's total imports, the latter being estimated at NRs 500 million.

The Government of Nepal has recently formed a salt trading company to deal in salt with the State Trading Corporation of India.

As Nepal's trade with other countries expands as a result of trade and aid arrangements, it is believed that the National Trading Company will play an increasingly important role in the conduct of foreign trade.

NEW ZEALAND[24]

In New Zealand, state trading enterprises, or enterprises having exclusive or special trade privileges, cover the following products: (a) wheat and flour, (b) citrus fruits, bananas, pineapples and grapes, (c) apples and pears, (d) honey, (e) eggs, and (f) dairy products.

Wheat Committee

Under the provisions of the Board of Trade Regulations 1943, a Wheat Committee was established in order to encourage local production of wheat, to

[23] It has been reported that these have now been replaced by two new projects.
[24] GATT L/1949/Add.20 dated 23 April 1963.

ensure adequate imports to cover domestic requirements and to administer the consumer subsidy paid on imported and locally-produced wheat and flour.

The Committee consists of representatives of flour millers, wheat growers, bakers and the Department of Industries and Commerce. The Minister of Industries and Commerce is the Chairman of the Committee and his nominee is the Deputy Chairman.

Through the grain merchants, the Committee purchases all New Zealand wheat from the farmers. The Committee also imports wheat and flour and allocates supplies to individual millers and flour users. The prices payable to domestic producers of wheat have been fixed for the past five seasons at 13s 6d per bushel. The price of imported wheat is determined by commercial negotiation. The prices of locally-produced wheat and flour are controlled and the prices of both wheat and flour are maintained at the same level regardless of source.

Consumer subsidies are payable on flour and bread.

Citrus Marketing Authority and Fruit Distributors Ltd.

The Citrus Marketing Authority was created under the Citrus Marketing Regulations 1953 in order to ensure the orderly marketing of citrus fruits, bananas, pineapples and grapes in New Zealand and to give a measure of stability to growers in New Zealand's island territories and the independent state of Western Samoa. The Authority consists of six members, five of whom represent the producers and are nominated by the New Zealand Citrus Council, and one of whom is appointed by the Minister of Agriculture.

The Authority controls the assembly, distribution and marketing of locally grown lemons and sweet oranges. It sells the fruit at agreed prices to Fruit Distributors Ltd., a registered company owned by trade interests and established by agreement with the Government. The Authority also processes unmarketable, but otherwise sound, fruit into by-products such as fruit juice and lemon peel.

The Fruit Distributors Ltd has the sole right of importing and marketing citrus fruits, bananas, pineapples and grapes. The retail prices of bananas and imported oranges are controlled.

Apple and Pear Marketing Board

The Apple and Pear Marketing Board was established by the Apple and Pear Marketing Act 1948 to administer the guaranteed price scheme introduced by the Government and to ensure the orderly marketing of apples and pears in the domestic market and for export.

The Board consists of five members, of which two are nominated by the Minister of Agriculture, two by the New Zealand Fruitgrowers' Federation and an independent Chairman selected by the Minister, after consultation with the Fruitgrowers' Federation.

The Board administers a guaranteed price scheme based on the cost of production of apples and pears. The Minister of Agriculture fixes the guaranteed price, taking the recommendations of the Board into account. The Board determines the wholesale prices at which apples and pears are sold in New Zealand. Any excess of supply above domestic requirements is exported solely by the Board. Export prices are influenced by market forces and are usually higher than domestic prices.

Honey Marketing Authority

The Honey Marketing Authority was established under the Primary Products Marketing Act 1953 to promote the orderly marketing of honey and to administer the fund accruing from a levy of 1d per pound on all honey sold in New Zealand for the benefit of the industry in general. The Authority consists of six members, of which four are elected by the beekeepers, one appointed by the National Beekeepers' Association, Inc., and one appointed by the Government.

The Authority receives honey voluntarily offered by beekeepers, usually the surplus which they do not wish, or are unable, to sell locally. The honey thus received is packed or blended and sold in New Zealand and overseas.

The greater part of locally-produced honey is sold by producers through ordinary commercial channels. Exports are made by the Authority in the interest of the industry as a whole. Export prices are determined in the usual commercial manner.

Egg Marketing Authority

The Egg Marketing Authority was established in 1953 to ensure adequate supply and equitable distribution of eggs in the interest of producers and consumers. The Authority consists of four producer members of the New Zealand Poultry Board and three Government representatives.

The Authority operates principally through licensed distributors (egg floors) who receive and re-sell eggs on commission, or, as directed by the Authority, manufacture egg pulp for the use of bakers and pastry-cooks. A subsidy is paid by the Government in respect of eggs received at the egg floors. Egg floors are privately or co-operatively owned.

Producers may sell eggs direct to consumers, but such eggs may not be re-sold in marketing areas served by egg floors. In these areas, producers are not permitted to sell to retailers. About 50 per cent of locally-produced eggs are handled by the egg floors; the balance is consumed or disposed of directly by the producers.

Prices of eggs are subject to a ceiling fixed by the Price Tribunal on the recommendation of the Egg Marketing Authority. The price of egg pulp is also subject to control. The Authority arranges for the import of egg pulp when local supplies are inadequate.

Dairy Production and Marketing Board

The Dairy Production and Marketing Board was established in 1961 by an Act which combined the New Zealand Dairy Board and the New Zealand Dairy

Products Marketing Commission. It is composed of eleven members elected by producers and two appointed by the Government. The Chairman is elected from among the thirteen members.

The Board is the only authorized exporter of dairy produce. The small import trade is handled by private traders. The Board acquires and provides for the handling of the New Zealand export production, negotiates with the overseas buyers and regulates the marketing of butter and cheese in the domestic market. It owns the Empire Dairies Limited and the Milk Products (N.Z.) Limited through which all New Zealand butter, cheese and milk powder sold in the United Kingdom are distributed.

The export prices of New Zealand dairy produce are the result of normal commercial negotiations between the Board and the overseas buyers. The Board does not enter into long-term selling contracts.

The prices paid to New Zealand producers for butter and cheese are fixed by the Dairy Products Authority, which consists of three members nominated by the Board and of three government representatives and one Chairman appointed with the approval of the Board. The domestic prices for butter and cheese and other dairy products are maintained at levels which are the local equivalent of the export prices, after allowing for differences in relative selling costs. Butter is subject to a consumer subsidy paid by the Government. Its retail price is therefore below the equivalent overseas price.

PAKISTAN

While Pakistan's export trade rests entirely in the hands of private enterprise, a substantial part of its imports are on government account (*cf* table 12). The high ratio of Government's share in Pakistan's import trade is accounted for, on the one hand, by large-scale imports of foodgrains (wheat and rice), fertilizers and coal of which the Government has an import monopoly and, on the other, by direct governmental outlays on defence and development. Thus the scope of state trading in Pakistan extends not only to items of which the Government is the end-user but also to items meant for commercial sale.

State trading in items for commercial sale

State trading in foodgrains (wheat and rice) and sugar is not a new element in Pakistan's trading policies. It was inherited from the Government of undivided India in 1947 and has since been continued chiefly as a measure to meet the situation arising from the scarcity of these commodities, in which Pakistan has been deficient since its inception, and to ensure fair distribution.

Until the middle of 1960, the scope of government control of trading in wheat and rice extended not only to imports and indigenous procurement but also to distribution and prices. The entire stocks of indigenous produce were procured by the Government and augmented by importation both under foreign aid and against Pakistan's own foreign exchange resources. The prices at which the Government sold the foodgrains were in some years below cost and entailed losses which were met by subsidies.

Due to the improvement in indigenous production and to the larger amounts available under the United States Expanded PL480 Programme, the Government controls on prices and distribution of foodgrains were removed from the middle of 1960. The Government, however, still retains its title on imports. The imported stocks are being used partly to augment indigenous production and partly to build up stocks to meet any unforeseen shortage or increase in prices above a reasonable level. The government issue price is based on the procurement price of indigenous foodgrains and the cost of imported grain with additions for the costs of transportation, milling, administration, etc.

Government controls on the import, distribution and prices of sugar were continued till 1961. Since then, the sugar trade has been partially decontrolled, and the Government's monopoly now extends only to the procurement of a part of indigenous production and its sale through private trade as prescribed. The local sugar industry is now free to sell its products in excess of the Government's requirements in the domestic market. In addition, private traders have been allowed to import sugar from abroad under the Export Bonus Scheme.

The partial control imposed by the Government on the sugar trade appears by and large to be motivated by revenue considerations as the prices at which the Government releases its stocks include a certain margin of profit. However, the Government's issue price continues to be substantially lower than the price at which sugar is being sold by the private traders in the free market. This disparity is accounted for by the fact that the supplies are still far short of the country's requirements and that the price of sugar imported under the Export Bonus Scheme is rather high.

An idea of the magnitude of state trading in foodgrains and sugar in Pakistan can be had from tables 13 and 14 below, which give the annual imports of these commodities since 1952.

Another item for which Pakistan inherited state trading from undivided India is fertilizers. Pakistan's soils, like those of India, are deficient in nitrogen and the farmers are reluctant to accept the use of chemical fertilizers, so the Government has been importing fertilizers and selling them at subsidized prices as part of its grow-more-food campaign. The distribution of fertilizers is now being arranged through the Provincial Agricultural Development Corporations.

As Pakistan is deficient in the production of superior qualities of coal/coke, part of its requirements of coal for steaming purposes for certain industries, railways, steamer companies and public utility concerns and of coke required for foundries and metallurgical purposes are being imported on government account. The agencies authorized to undertake coal imports are the railways, the Coal Commissioner of the Central Government and the government of East Pakistan. While the imports made by the railways are meant for their own use, the imports effected through the other two organizations cover the requirements of both the public and the private sectors. The sale of imported coal by the Coal Commissioner and the government of East Pakistan is arranged through private traders on a "no profit no loss" basis. The private traders are paid a nominal commission on the sales effected through them. Table 15 indicates the annual imports of coal made into Pakistan since 1957.

State trading in items for government use

As mentioned earlier, a substantial part of Pakistan's total import trade consists of items which are exclusively meant for use by the public sector. These public sector imports are arranged by the Central and Provincial Government agencies through private importers on the basis of world-wide tenders. The importers whose tenders are accepted are issued with import licences by the government agencies concerned. In the case of semi-government organizations, the import licences are issued by the Chief Controller of Imports and Exports in the Ministry of Commerce.

All the Central Government and provincial government and semi-government organizations plan their imports on an annual basis and get the necessary foreign exchange allocations from the Central Government. In order to encourage private enterprises, the Central Government has prohibited the import on government account of such goods as are being or can be manufactured within the country or are being adequately licensed for import by the private traders. For example, iron and steel, chemicals, drugs and medicines, buses and tractors, which are being licensed for import by the private trade under OGL or on an automatic licensing basis, cannot be imported by the Government and semi-government organizations from abroad.

TABLE 12. PAKISTAN'S IMPORTS ON GOVERNMENT ACCOUNT[a]
(In million rupees)

Year	Total imports	Imports on government account	Government account imports on percentage of total imports
1947-1958 (15 August-30 June)	359.2	67.9	19.0
1948-1949 (July-June)	1,459.1	201.0	13.8
1949-1950	1,297.1	165.0	12.7
1950-1951	1,620.0	139.7	11.7
1951-1952	2,237.3	274.5	12.3
1952-1953	1,383.6	447.4	32.3
1953-1954	1,118.0	382.9	34.2
1954-1955	1,103.2	181.1	16.4
1955-1956	1,325.1	335.3	25.3
1956-1957	2,334.6	1,315.1	56.3
1957-1958	2,050.0	1,110.3	54.2
1958-1959	1,578.4	738.7	46.8
1959-1960	2,461.0	779.0	31.7
1960-1961	3,187.6	1,066.9	33.5
1961-1962	3,109.1	850.1	27.3

Source: Government of Pakistan, Central Statistical Office, *"Statistical Bulletin"*, Vol. 11, No. 1, January 1963.
[a] The figures are exclusive of imports on government account which are included under imports on private account.

TABLE 13. IMPORTS OF WHEAT AND RICE INTO PAKISTAN
(Tons)

Year (July-June)	Wheat	Rice
1952-1953	649,125	—
1953-1954	783,037	—
1954-1955	3,970	—
1955-1956	48,157	200
1956-1957	648,490	515,456
1957-1958	692,272	393,817
1958-1959 (15 months)	903,818	218,718
1959-1960	962,612	360,957
1960-1961	1,350,007	382,207
1961-1962	859,000	206,000
1962-1963 (up to March 1963)	877,523	177,999

Source: Government of Pakistan, Ministry of Finance, *Economic Survey 1962-63.*

TABLE 14. IMPORTS OF SUGAR INTO PAKISTAN

Calendar year	Quantity (tons)
1952	128,770
1953	45,380
1954	93,980
1955	76,930
1956	86,090
1957	91,190
1958	52,550
1959	—
1960	—
1961	29,577
1962	114,158
1963 (January-March)	48,043

Source: Government of Pakistan, Ministry of Finance, *Economic Survey 1962-63.*

TABLE 15. IMPORTS OF COAL/COKE INTO PAKISTAN
(In million rupees)

Year	Value
1957	80.00
1958	80.00
1959	57.40
1960	71.00
1961	71.00
1962	71.00

Source: Government of Pakistan, Economic Affairs Division.

THE PHILIPPINES

The government policy on state trading in the Philippines is designed primarily (1) to promote the rehabilitation and development of some of the principal agricultural industries, (2) to stabilize the supply and price of essential consumer goods, and (3) to effect an orderly and efficient procurement at reasonable cost of the needs of the Government for operating supplies and equipment. In implementing this policy, provision has been made to afford opportunities to increase the share of Philippine nationals in business relative to the distributive sector of the economy.

State trading agencies

To carry out these objectives, the following state trading agencies or corporations were created by special legislation or charter: the Rice and Corn Administration (for paddy and corn), the Abaca Corporation of the Philippines (for abaca), the Philippine Tobacco Administration (for native tobacco) and the Philippine Virginia Tobacco Administration (for Virginia tobacco). Price stabilization for the benefit of the consumers is the responsibility of the National Marketing Corporation with respect to essential consumer goods and of the Rice and Corn Administration with respect to rice and corn. The procurement and distribution of government requirements is assigned to a regular government agency, the Department of Public Services, particularly the Bureau of Supply. Two other state enterprises, the Philippine Sugar Institute and the Philippine Coconut Administration, were created to promote the development of the sugar and coconut industries respectively; but their activities do not include the purchase and sale, locally or abroad, of the products involved and so they will not be treated here as state trading agencies.

As semi-autonomous entities, all these corporations are governed by a board of directors, or equivalent body, whose members are appointed by the President of the Philippines. The board of directors is responsible for formulating the policies governing the operation of the enterprise, while the execution is left to a general manager who, in certain cases, is also the board chairman.

Rice and Corn Administration

The Rice and Corn Administration (RCA) was created by a special law, Republic Act No. 3542, approved on 14 June 1962, to replace the former National Rice and Corn Corporation which this law abolished.

The RCA agency is designed primarily to stabilize the supply and price of rice and corn and to provide incentives for production. Accordingly, the agency purchases the cereals directly from farmers at a price deemed to give them a fair return for their capital investment and labour. Priority is given in the purchase to small producers, i.e. those who produce, based on prior certification, up to 100 sacks of rice at 45 kilogrammes per sack or corn grain at 56 kilogrammes per sack. The RCA announces any changes in the floor price for paddy and the ceiling price for clean rice and corn at least two months before the regular planting seasons. The operation of the agency does not preclude private dealers from engaging in the rice and corn trade.

The RCA may import rice but only upon certification of the National Economic Council that the supply is inadequate in relation to the demand. Importation is made through agents who are elected following prescribed procedures. The agency is authorized to accumulate stock for supply and price stabilization purposes.

The trading operations of the agency are financed by its capital in the amount of ₱100 million appropriated by Congress. The RCA is not expected to make any profit; but, if any is made, it is added to its capital. The total rice production is around 90 million sacks of 45 kilogrammes each; the volume of rice and corn that enters the trade channels is not known, but it is believed that the purchasing operation permitted by the agency's capital and by the loans it may acquire is adequate to influence the price of the staple food cereals.

Philippine Tobacco Administration

The promotion of the native tobacco industry which produces cigars and cigarettes is assigned by law (Republic Act No. 1135) to the Philippine Tobacco Administration (PTA). To promote the effective merchandizing of leaf tobacco in the domestic and foreign markets, the PTA is empowered to buy, process, age and sell tobacco leaves as well as to stabilize and guarantee the prices of cured leaves according to grades and to expand and explore the domestic and foreign markets for leaf tobacco, products and by-products. It can grant loans on reasonable terms to registered tobacco planters through agricultural credit co-operative associations, or any other financial institutions. The agency is also empowered to enter into and execute contracts of any kind which may be necessary or incidental to the attainment of its purposes, with any person, or firm, public or private corporation in the Philippines or abroad.

PTA does not seek to monopolize trade in indigenous tobacco. Although it established its own buying stations in tobacco growing provinces, it has encouraged private tobacco traders to engage in the trade, particularly in export.

To carry out the trading operations of the agency, the law created a special fund known as the "Tobacco Industry Promotion Fund" to be drawn from taxes derived from the tobacco industry amounting to a total of ₱10 million to be made available in annual appropriations of ₱2 million. Seventy per cent of the total amount is to be used for trading operations and the balance for research and administration. PTA invests whatever profits accrue from its operation to increase its capitalization.

Philippine Virginia Tobacco Administration

The Philippine Virginia Tobacco Administration (PVTA) has the same objectives with respect to the promotion and development of the local virginia tobacco industry as PTA has for the native tobacco industry.

The agency is authorized to buy locally produced virginia leaf tobacco at support prices on the basis of classification of product. However, in practice, PVTA has adopted the management contract for its trading operations. Contractors procure, process and redry Virginia tobacco deliveries from authorized trading entities, pack the redried tobacco in hogsheads, and store and service the hogsheads in suitable warehouses or servicing areas for PVTA. In addition, the contractors guarantee the grade and classification of the tobacco sold and commit themselves to purchase 40 per cent of the stocks redried by them.

To facilitate trading, PVTA registered sellers in the form of farmers' co-operative marketing associations and their federations, planters' associations and corporations. In 1961 there were 187 of these entities.

The agency is not authorized to import. Importation is done by private traders subject to the condition that the latter buy from PVTA nine times as much locally grown aromatic leaf tobacco as they import. Exportation may be undertaken either directly or through the farmers' groups or corporations where majority stocks are owned by farmers' co-operatives.

The Central Bank of the Philippines is directed by law to extend to PVTA loans necessary to carry out its trading operations. In 1961 alone, some ₱54 million was released for the purpose.

The effect of government trading on the Virginia tobacco industry undertaken first through the Agricultural Credit and Co-operative Financing Administration and since 1960 by PVTA is such that, in less than 10 years, it has developed the industry to a point at which production meets not only the raw material needs of the aromatic cigarette industry but also the requirements for a new export trade.

Abaca Corporation of the Philippines

The Abaca Corporation of the Philippines (ABACORP) was established to rehabilitate and develop the abaca industry whose production accounts for practically the entire world supply. The recovery of its pre-war level of production has been very slow, partly because of a serious plant disease and partly owing to lack of adequate resources to develop the industry.

To promote the production, processing, manufacture and merchandizing of abaca, ABACORP is authorized to grant loans for production and processing and manufacture of abaca and to buy, sell, export, barter, and in any manner deal in abaca. However, its direct trading activities are to be undertaken not to supplant private efforts, which it in fact promotes, but to supplement them. Accordingly, it is empowered to invest its funds in the form of shares of stock in any private corporation or co-operatives founded to produce abaca fibre or to manufacture articles from it or its by-products. The agency is also authorized to enter into or execute contracts of any kind with any party, public or private, in the Philippines or abroad.

ABACORP was granted an authorized capital of ₱20 million, all of which is to be subscribed by the Government of the Republic of the Philippines. The payment of the subscription will be from the proceeds of public borrowing or loans from the Central Bank. In 1960-61, the Corporation realized a profit of more than ₱2.8 million.

National Marketing Corporation

The National Marketing Corporation (NAMARCO) was organized under Republic Act No. 1345, approved on 17 June 1955, primarily to assist Filipinos engaged in retail business to acquire a greater share of the distributive trade. Towards this end, NAMARCO supplies Filipino retailers with merchantable goods at reasonably low cost to enable them to compete in the open market. It also serves as a price stabilizing agency for essential consumer goods, just as the Rice and Corn Administration performs this function for rice and corn.

NAMARCO is in a position to distribute merchantable goods to Filipino retailers so as to enable them to compete with foreigners, because the Corporation enjoys tax exemption including freedom from the payment of import duties and municipal sales taxes.

Goods are procured by NAMARCO from domestic or foreign sources through bidding. Its annual imports since 1957 to 1962 have averaged around $24 million. A 10 to 30 per cent mark-up is added successively to the procurement cost to set the wholesale and retail prices. When it finds that there is a sufficient supply at reasonable prices of any locally produced, processed or manufactured commodity, it does not import that commodity. The goods procured are channelled to Filipino retailers through designated regional, provincial and city distributing agencies whose capitalization must be 100 per cent Filipino. The law requires that, in case the distributor is a partnership or corporation, consumer co-operative association, or farmers' co-operative marketing association, it must be duly registered with the appropriate office of the Government.

In order not to defeat the objectives of the law, goods handled by the agency bear the "NAMARCO" sign, and goods so marked are to be sold at a fixed price.

To finance its trading operations, NAMARCO was granted by law an authorized capital of ₱30 million payable in three equal annual instalments. It also inherited some ₱6 million worth of assets from its predecessor, the Price Stabilization Corporation. It is authorized to secure loans from any credit institution for financing its trading operations. For financing its essential imports (canned milk, meat and fish) it was extended a credit line of ₱80 million by the Philippine National Bank. Profits realized, if any, become part of the surplus account.

Effects of state trading

Of the four state trading agencies established to develop important agricultural industries and to stabilize producers' prices, the Philippine Virginia Tobacco Administration has had the most marked effect. This may be attributed to the fact that it accounts for the bulk of the domestic trade in Virginia tobacco. However, the programme has generated a problem of overproduction of Virginia leaf tobacco which is likely to cause losses to the Government, which is directed by law to purchase the product. At one time, unpaid obligations to the Central Bank accumulated to more than ₱100 million.

The Rice and Corn Administration may produce the same stimulating effect on the rice and corn industries if it increases its purchases at the current prices. The other agencies, namely, the Philippine Tobacco Administration and the Abaca Corporation of the Philippines, have operated on limited funds and played a subordinate role to private enterprise. In 1962, ABACORP handled only around 5 per cent of the export trade, the highest recorded over the years.

The National Marketing Corporation price stabilization programme, to the extent that it has reduced prices particularly on imported consumer goods, has had an income redistributing effect. The Government subsidy is equivalent to the taxes foregone in connexion with NAMARCO's operations.

REPUBLIC OF VIET-NAM[25]

Government trading has not acquired significant proportions in South Viet-Nam. There is one agency, namely, the Central Purchasing Authority (CPA) which handles government imports, especially those received under United States aid. It operates through a system of competitive tenders.

On the export side there is no state trading. Government control is exercised over the export of rice through the Union of Rice Exporters, which has agreed to maintain adequate stocks for export after domestic needs have been provided for.

THAILAND

State trading does not have a significant role in Thailand's foreign trade, although there are altogether over ninety state enterprises and trading organizations in which the Government has a controlling interest. Such organizations include those engaged in public utilities, saving and commercial banking, shipping, new industrial ventures and monopolies established for fiscal purposes such as tobacco, lottery and liquor monopolies. Only the government agencies and state trading bodies concerned with foreign trade in appreciable volume are described below.

Virtually all rice exports, which accounted for over one-third of total export value of Thailand in 1959-1962, are handled by private traders, but the Department of Foreign Trade, Ministry of Economic Affairs, may intervene when buyers are governments and wish to enter into sales contracts with the Government of Thailand. In such a case, the Department of Foreign Trade negotiates the terms of sales and commits itself as a seller to other governments. The Government then designates various private exporters to make shipments under its name but it usually makes no profits. The advantage of involving the Thai Government in the transactions is that the buying governments are doubly assured of the execution of the sales contracts, as the Thai Government may be obliged to reduce the export tax (rice premium) if the internal price, which moves freely according to market forces, rises and makes it difficult to export at a committed price. It should be noted that the Foreign Trade Department only intervenes in the exports of types of rice which do not find large international markets except in the countries where rice imports are a state monopoly.

TABLE 16. THAILAND: SHIPMENT OF RICE UNDER GOVERNMENT CONTRACTS AND ITS PROPORTION TO TOTAL RICE EXPORTS

(in thousand tons)

Year	*Quantity shipped under government-to-government contracts*	*Total exports*	*Percentage share of government contracts in total exports*
1960	325	1,192	27
1961	548	1,563	35
1962	411	1,277	32
1963 (Jan.-Sep.)	422	1,078	41

Timber exports constituted about 3-4 per cent of Thailand's total export value in recent years. The government-owned Forest Industry Organization (FIO) has been granted concessions to extract teak and "Yang" wood throughout the country, but it sells by auction most of its production to local millers and private exporters. It also extracts and sells other varieties of wood for which no exclusive concession has been given, but FIO's share in Thailand's timber exports was only 5 per cent in 1961/62. It obtains no special privilege in the export trade.

FIO was created in 1947 initially under the Forest Department with a registered capital of Baht 100 million,[26] a quarter of which has been paid. From 1956 it has been a juristic person under the supervision of the Ministry of Agriculture. Its main objective is to extract forest products in a regulated manner with a view to avoiding over-exploitation of resources. FIO also operates three sawmills, a plywood factory, a wood preservation treatment plant and a kiln. Its board of

[25] ECAFE document E/CN. 11/TRADE/L. 25, "State Trading in Countries of the ECAFE Region", (9 September 1959).

[26] Approximately Baht 20.8 is equal to US$1.00.

directors, headed by the Minister of Agriculture, consists of the Under-Secretary of Agriculture, the Director-General of Forest Department and other members appointed by the Government. FIO's contribution to the Treasury from its inception to 1962 amounted to Baht 156.6 million.

During the Second World War, the Government resorted to state trading by creating a "Central Merchandise Depôt" under the Department of Internal Trade for the purpose of ensuring adequate supplies of essential goods at reasonable prices and encouraging small businesses. In 1945, the Depôt was integrated in the Department of Internal Trade, Ministry of Economic Affairs. After the War, its activities extended to importing agricultural equipment and other essential consumer goods, particularly textiles, and distributing them throughout the country. In 1954, it began to purchase agricultural products in rural areas in order to support prices and eliminate middlemen. Under a Royal Decree of 1955, it became known as the Warehouse Organization, legally separated from the Internal Trade Department and came under the control of a board of directors headed by the Director-General of Internal Trade Department. The Decree stipulates that the Organization will obtain from the Government a total capital of Baht 125 million; about half of this has been received.

The activities of the Organization consist mainly of buying paddy, rice, maize and raw cotton from producers at a guaranteed minimum price, especially during the harvest seasons, and reselling them later in the year when prices improve. It exported a small quantity of rice, a total of 39,619 metric tons from 1957 to 1962. In import trade, the Organization has been instrumental in the Government's policy of maintaining adequate supplies and prices of certain goods. While imports of gunny bags, sugar, potatoes, and garlic have been restricted for the benefit of local producers, the Organization was directed by the Government to import and keep in stock small quantities of these goods when local prices tended to rise or shortages were envisaged. The following table shows that the Organization's import operation, averaged over seven years from 1956 to 1962, accounted for 16 per cent of its total buying operation and that its export constituted 38 per cent of its total sales during the same period:

TABLE 17. THAILAND: SELLING AND BUYING OPERATIONS OF THE WAREHOUSE ORGANIZATION, 1956-1962
(In million baht)

Year	*Total selling operation*	*Exports: Rice*	*Total buying operation*	*Imports*			
				Gunny bags	*Sugar*	*Potatoes*	*Dried garlic*
1956	15,112	—	16,173	2,000	6,476	110	1,619
1957	30,607	19,393	36,756	13,631	12,012	202	—
1958	43,491	5,873	26,276	—	—	145	—
1959	22,700	13,238	13,566	—	5,233	136	—
1960	10,502	6,738	10,165	1,371	—	109	—
1961	21,447	13,714	18,904	6,263	—	125	—
1962	44,788	12,403	38,987	2,324	—	268	—
Total	188,647	71,359	160,827	25,589	23,721	1,095	1,619

APPENDIX A

LIST OF MAIN GOVERNMENT TRADING AGENCIES IN THE ECAFE REGION

(This list, which is based on available information, may be incomplete).

AUSTRALIA

Australian Wheat Board
Australian Dairy Produce Board
Australian Egg Board
Queensland Sugar Board

BURMA

Union of Burma Agricultural and Marketing Board
State Timber Board
Burma Economic Development Corporation[a]
Rubber Export and Development Corporation
Civil Stores Committee I
Civil Stores Committee II
Civil Stores Committee III
Joint Venture Corporations
Petroleum and Mineral Resources Development Corporation
The Burma Corporation, Limited
Agricultural and Rural Development Corporation
Industrial Development Corporation
Burma Drug House, Limited

CAMBODIA

Office for Purchases Abroad
Royal Office of Co-operatives
Office of State Enterprises

CEYLON

Food Department
Commissioner of Commodity Purchase
Co-operative Wholesale Establishment
Ceylon Petroleum Corporation

CHINA (TAIWAN)

Central Trust of China
Taiwan Supplies Bureau
Taiwan Sugar Corporation
Provisional Tobacco and Wine Monopoly Bureau

a See appendix B for a list of companies under the control of Burma Economic Development Corporation.

INDIA

State Trading Corporation
Director-General, Supply
Indian Supply Mission, Washington
Indian Stores Department, London

INDONESIA

Food Council (Dewan Bahan Makanan)
Food Foundation (Jajasan Urusan Bahan Makanan)
Rice Purchasing Agency (Jajasan Bahan Pembelian Padi)
General Management Board for State Trading Enterprises
(Bahan Pimpinan Umum Perusahaan Dagang Negara)

including:

(a) P.N. Tri Bhakti
(b) P.N. Djaya Bhakti
(c) P.N. Aneka Bhakti
(d) P.N. Budi Bhakti
(e) P.N. Fadjar Bhakti
(f) P.N. Marga Bhakti
(g) P.N. Tulus Bhakti
(h) P.N. Sinar Bhakti
(i) P.N. Sedjati Bhakti

JAPAN

Food Agency
Japan Monopoly Corporation
Ministry of International Trade and Industry

LAOS

National Import and Export Office
Civil Service Supply Store

MALAYSIA

Supply Section, Trade Division, Ministry of Agriculture

NEPAL

National Trading Company, Ltd.

NEW ZEALAND

Wheat Committee
Citrus Marketing Authority
Apple and Pear Marketing Board
Honey Marketing Authority
Egg Marketing Authority
Dairy Production and Marketing Board

PAKISTAN

Ministry of Food and Agriculture
Directorate General Supply and Development, Government of Pakistan
Directorate of Supply, Government of East/West Pakistan

PHILIPPINES

Rice and Corn Administration
Philippine Tobacco Administration
Philippine Virginia Tobacco Administration
Abaca Corporation of the Philippines
National Marketing Corporation

REPUBLIC OF VIET-NAM

Central Purchasing Authority

THAILAND

Department of Foreign Trade
Forest Industry Organization
Warehouse Organization

APPENDIX B

COMPANIES UNDER THE CONTROL OF BURMA ECONOMIC DEVELOPMENT CORPORATION

	Authorized capital	*Paid-up capital*	*Business*
	(Kyat)		
1. Burma Fisheries, Ltd.	3,000,000	. . .	(a) Fresh and sea water fishing. (b) Cold storage, production of dried prawns and dried fish.
2. International Trading House, Ltd.	5,000,000	1,500,000	(a) Import of motor vehicles, machinery, etc. (b) Export of oil cakes, pulses, rice and rice products. (c) Commission agents.
3. Burma Asiatic, Ltd.	5,000,000	1,000,000	(a) Import of motor vehicles, medicines, milkfood, machinery, consumer goods. (b) Export of oil cakes, maize, pulses, rice, rice products, rubber, beans and mineral ores. (c) Commission agents.
4. Ava House, Ltd.	600,000	600,000	(a) Book sellers and stationery. (b) Importers and exporters of books, stationery and office equipment. (c) Commission agents. (d) Binding of exercise books. (e) Publisher and printer.
5. City Transport Company, Ltd.	2,000,000	. . .	Transportation public transport in Rangoon.
6. Rowe and Co., Ltd.	6,000,000	3,000,000	(a) Department store. (b) Importers of consumer goods. (c) Commission agents.
7. Motor House Co., Ltd.	450,000	260,839	(a) Vehicle repair service station. (b) Importers and distributors of motor vehicles and parts. (c) Commission agents.
8. Mechanical and Electrical Works, Ltd.	1,000,000	. . .	(a) Radio assembly. (b) Importers of radio parts and accessories. (c) Automobile workshop. (d) Commission agents.
9. The United Coal and Coke Suppliers and General Trading Co., Ltd.	500,000	300,000	Importers, agents and suppliers of coal and coke.
10. General Trading Co., Ltd.	2,000,000	1,000,000	(a) Export of salt, potatoes, etc. (b) General importers and commission agents. (c) Local sale of firewood, fuel and ngapi.
11. Burmese Trading House, Ltd.	700,000	50,000	Import of radios, clocks, watches, toilet requisites, fountain pens, etc.

	Authorized capital (Kyat)	Paid-up capital (Kyat)	Business
12. Tourist Burma, Ltd.	500,000	200,000	(a) Tourist and travel agency. (b) Curio stores. (c) Restauranteur.
13. S. Oppenheimer and Co., Ltd.	1,500,000	936,000	General importers, exporters and commission agents.
14. Delhousie stores	30,000	30,000	General importers, exporters and commission agents.
15. Centrade Polyproducts, Ltd.	5,000,000	500,000	(a) Civil and mechanical engineers, and contractors. (b) General importers and commission agents. (c) Industries and mining. (d) Export of minerals.
16. Burma Teak and Plywood Trading Co., Ltd.	500,000	...	(a) Manufacturers of plywood. (b) Saw mill. (c) Exports of timber and teak plywood.
17. Diesel and General	500,000	100,000	(a) Diesel and vehicle repair and service station. (b) General importers and commission agents.
18. The Burma Five Star Lines, Ltd.	1,200,000	1,200,000	Trans-oceanic and coastal shipping.
19. Burma National Housing and Construction Co., Ltd.	2,000,000	2,000,000	Building contractors and engineers.
20. Burma Farms, Ltd.	2,000,000	60,000	Poultry and animal husbandry.
21. The Export Import Bank, Ltd.	10,000,000	2,100,000	General banking with emphasis on foreign exchange business.
22. Ava Insurance, Ltd.	100,000	50,000	Insurance: marine, fire, general and life; principal agents for Union Insurance Board, New Assurance Co., Ltd. and New Hampshire Insurance Company.
23. Continental Trading House, Ltd.	2,000,000	100,000	General importers and commission agents.
24. Lodge Plugs (Burma), Ltd.	1,000,000	500,000	Partial manufacture and assembly of spark plugs.
25. Burma Shoes, Ltd.	1,000,000	600,000	Manufacture of shoes, boots, harness, saddle and leather goods.
26. Burma Hotels, Ltd.	1,000,000	400,000	Hoteliers and restauranteurs.
27. Rangoon Agencies, Ltd.	90,000	90,000	Shipping and clearing agents.
28. Burma Paints, Ltd.			
29. Burma Beverages, Ltd.			
30. Multiter, Ltd.	5,000,000		Textile weaving and spinning, textile machinery marketing, textile raw material sale, etc.
31. Hotel International Ltd.			
32. People Loans Co., Ltd.			
33. Burma Chemical Industries, Ltd.			
34. Mandalay Brewery and Distillery, Ltd.			
35. Burma Pharmaceutical Industry			
36. Burma Departmental Stores, Ltd.			