

GENERAL AGREEMENT ON TARIFFS AND TRADE

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STATE TRADING

Communication from Chile

The following communication, dated 6 January 1986, has been received from the Permanent Delegation of Chile.

1. Our country has not been able to fulfil the obligation of replying to the questionnaire on State trading, since the meaning and coverage of the term "State enterprise" in Article XVII:1(a) of the General Agreement are not clear.
2. As we see it, there are several categories of State enterprises, which can be summarized as three groups:
 - (a) enterprises engaged in the purchase and sale of tradeable products;
 - (b) enterprises engaged in the production, marketing and distribution of tradeable products and which may or may not have the characteristics of a monopoly;
 - (c) one should also include economic activities in which the State is a final consumer of tradeable products.
3. It is our understanding that enterprises falling in category (c) are not within the coverage of the reporting obligation.
4. On examining the notifications made by a few contracting parties, one can see a discrepancy of criteria in regard to the coverage of the obligation, i.e. as to whether or not it covers category (a) and (b), or only one of them.
5. Earlier consultations have not yielded positive results and it is therefore necessary to seek other alternatives which would resolve the doubts expressed.
6. Recourse to the use of other alternatives affords the opportunity to reformulate the system which has been applied in regard to country notifications, since a cursory analysis thereof reveals shortcomings that need to be corrected in order to strengthen the GATT rules on this matter.

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In this connection, one may mention two problems which are closely interlinked. I refer to the absence of any regular procedure for examining notifications so as to afford greater transparency. One may also note that because of the absence of such a procedure, many countries do not see themselves in some way as "motivated" to notify. Similarly, the absence of any periodic review gives rise to serious problems such as the one affecting our country in regard to what should be notified; in other words, which are the activities of State enterprises that are covered by the above-mentioned provision of the General Agreement.

7. In order to correct this anomalous situation, this Mission wishes to propose:

- (a) the establishment of a periodic review procedure which would allow notifications to be evaluated and uniform criteria to be defined as to what has to be notified, and
- (b) the holding of consultations to clarify the meaning and coverage of Article XVII:1(a), in regard to which State enterprises are included in this Article.

8. Accordingly, we wish to submit the above-mentioned proposals, through your intermediary, for consideration by the GATT Council at its next meeting under the agenda item "Other Business".