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State Trading Enterprises: Their Role As Importers

For many countries, the creation of a central agency, or state trading enterprise (STE), to handle domestic procurement and to plan import needs is perceived as essential to the achievement of government policies such as assurance of abundant, low-cost food supplies and stable farm prices. Most discussions of STE's involve the export marketing boards, e.g., the Canadian Wheat Board, that stabilize and support farm prices by encouraging trade expansion. But the import STE's that can control or restrict trade are important as well, and often have considerable power to control access to domestic markets. In addition, in periods of bountiful supplies these STE's may also export agricultural commodities to support domestic farm prices.

Under the Agreement on Agriculture in the Uruguay Round of multilateral trade negotiations (completed in 1994), participating countries agreed to increase access to their markets by converting quotas and other quantitative import restrictions to tariffs and subsequently reducing the tariffs over several years. Recognizing the importance of STE's in controlling access to import markets, the Agreement on Agriculture explicitly prohibits countries from reverting to non-tariff restrictions, including "non-tariff measures maintained through state trading enterprises."

WTO member-countries also committed to reducing their support for agricultural producers. However, trading partners have expressed concern that lack of transparency in the operations of STE importers makes it difficult to determine whether STE importers actually restrict trade, and the extent to which they subsidize domestic agricultural producers.

Reviewing the classification scheme for importer STE's. A classification scheme which compares and contrasts the chief characteristics of STE importers provides some indication of an STE's potential to distort trade. This framework was previously applied to STE exporters (*AO* June 1997).

Ownership regime provides insights into the objectives of an STE, its reasons for existence, its management, and its financial linkages to the national treasury. Most STE importers are government agencies or corporations that were established to support and stabilize domestic consumer and/or producer prices. Some STE importers, such as Japan's Food Agency, contribute "monopoly rents"—i.e., profits that result from buying on international markets at world prices and selling at much higher prices in tightly controlled domestic markets—to their national treasuries. Import revenues gained by STE's may be transferred to other agricultural agencies to support domestic farm prices or subsidize consumer prices. Government funding may provide insurance against risk for STE importers.

The *product regime*—i.e., range of products covered—defines an STE's ability to differentiate its products and regulate the use of substitutes. Some STE importers control trade in only one commodity, while others control trade in a variety of commodities and their semi-processed products. If an STE imports a variety of commodities and their processed products, it has more potential to affect market access opportunities.

Market regime refers to an STE's control of exports, imports, domestic procurement, and domestic marketing. If an STE controls all four of these activities, its potential to distort trade is

STE's & the WTO

STE's have been in existence for several decades. The General Agreement on Tariffs and Trade (GATT), the body of international law which preceded the World Trade Organization (WTO) in regulating global trade in goods and services, recognizes STE's as legitimate participants in international trade but establishes guidelines on their behavior, contained in Article XVII of GATT 1947. These guidelines require STE's to conduct their export or import trading activities according to the principles of nondiscriminatory treatment.

The Uruguay Round (UR) of multilateral trade negotiations, conducted under the auspices of the GATT, was completed in 1994. Article XVII was incorporated into the GATT of 1994. The UR's "Understanding on Article XVII" added a working definition of STE's to guide WTO member-countries in their reporting of STE's. The "Understanding on Article XVII" defines STE's as "governmental and non-governmental enterprises, including marketing boards, which have been granted exclusive or special rights or privileges, including statutory or constitutional powers, in the exercise of which they influence through their purchases or sales the level or direction of imports or exports."

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likely to be much greater than if it controlled fewer, or none. Many STE importers, for example, control both imports and domestic markets. An STE that controls its domestic market and imports may choose to protect administered domestic prices by discouraging imports. Most STE importers either import the commodities themselves or contract with private traders for imports either directly or through a tender system.

Policy regime refers to the policies available to or administered by an STE to control the flow of imports. In the past, *trade policies* such as quotas and outright bans were the primary policy tools used to restrict imports. In today's post-UR environment, non-tariff restrictions must be converted to tariffs, which will become the principal tools of the trade (*AO* December 1996). *Domestic policies* range from supply control and procurement to the marketing of imported goods. For many STE importers, market regime and policy tools are inseparable.

The list of major STE importers is headed by Japan's Food Agency and Indonesia's Badan Urusan Logistik (BULOG). STE's in Indonesia, Japan, the Republic of South Korea, and Mexico—all countries whose governments control imports of certain important staple commodities—are among the largest enterprises that can be classed as STE importers. The major STE's from these four countries—the Korean Ministry of Agriculture and Forestry (MAF) and the Korean Livestock Products Marketing Organization (LPMO); Japan's Food Agency; Indonesia's Badan Urusan Logistik; and Mexico's Compania Nacional de Subsistencias Populares (CONASUPO)—are government agencies or corporations. An exception among the major STE's is Japan Tobacco, Incorporated, the second-largest STE importer, which was recently privatized.

Japan. Japan uses price supports supplemented by strict border measures to maintain income for its agricultural producers. Since November 1995, the Food Agency of Japan's Ministry of Agriculture, Forestry, and Fisheries (MAFF) has controlled production, pricing, and marketing of domestic wheat and rice, as well as the importation and pricing of imported rice and most imported wheat.

Japan reported to the WTO three STE's—its Food Agency, Japan Tobacco, Inc., and the Agricultural and Livestock Corporation—for a range of agricultural products. Japan's Food Agency was the sole importer of rice, wheat, and barley, and now administers Japan's WTO market access commitments for those products. Imports of wheat and wheat products by the Food Agency averaged $1.14 billion from 1993 through 1995; wheat imports accounted for about 77 percent of domestic supplies—beginning stocks, imports, and domestic production—for this period.

From 1993 to 1995, Japan's rice imports accounted for 10 percent of domestic supplies. Prior to the Uruguay Round, a ban limited Japan's total annual rice imports to 20,000-30,000 tons, destined for Okinawa, although the MAFF purchased rice when needed. Rice and rice product imports jumped temporarily to 2.5

Japan's Food Agency Heads the List of Import-Oriented STE's[1]

Country	STE	Commodity	Average import value, 1993-95	U.S. market share, 1993-95
			$ million	*Percent*
Japan	Food Agency	Wheat and intermediate products	1,145	56
Indonesia	BULOG	Wheat	608	3
Japan	Japan Tobacco, Inc.	Leaf tobacco	593	47
Japan	Food Agency	Rice and intermediate products	513	21[2]
Korea[3]	Livestock Products Marketing Org.	Beef	432	48
Pakistan[4]	Min. of Food, Agric., and Cooperatives	Wheat	378	50
Indonesia	BULOG	Rice	350	2
Mexico	CONASUPO	Milk powder	329	25
Turkey	Soil Products Assoc.	Wheat	166	25
Tunisia	Grain Board	Wheat	164	35
Morocco	National Sugar and Tea Office	Raw sugar	125	0
Malaysia	Padiberas Nasional Berhad	Rice	121	<1

1. STE importers with 1993-95 average annual imports in excess of $100 million. Some of these STE importers are from countries that reported no STE activity to the WTO. 2. U.S. market share of Japan's rice imports under its WTO tariff-rate quota was 46 percent for 1995 and 1996. 3. The LPMO purchased 90 percent of Korea's beef imports in 1993, 80 percent in 1994, and 70 percent in 1995. Private firms participated in the remaining beef imports under a Simultaneous Buy-Sell (SBS) System. The private-sector (SBS) share of Korea's imports increased to 70 percent in 1997. 4. Pakistan opened imports of wheat to private traders in 1991. However, government procurement and resale policies for domestically produced wheat continue to limit private trade.
Sources: Japan and Korea trade statistics; International Grains Council; Food and Agriculture Organization, United Nations; Foreign Agricultural Service, USDA.
Economic Research Service, USDA

million tons in 1994, valued at $1.48 billion, due to a major rice crop failure.

In the Uruguay Round, Japan agreed to open its rice market to imports of 379,000 tons (4 percent of base-period consumption) beginning in 1995. Japan's minimum access commitment will double by 2001, the end of the implementation period. Japan also negotiated a maximum mark-up of 292 yen per kilogram (about $2,500 a ton) for rice imports sold in the domestic market.

Japan also has a WTO tariff-rate quota for wheat of 5.65 million tons in 1995, which will rise to 5.74 million in 2001. Japan's maximum mark-up for wheat imports of 53 yen per kilogram (about $457 a ton), will fall to 45.2 yen per kilogram (about $390 a ton) in 2001. Japan also has an over-quota tariff for wheat of 65 yen per kilogram, which will fall to 55 yen per kilogram in 2001. The mark-ups reflect Japan's support for its domestic rice and wheat producers. High mark-ups for wheat and rice are encouraging importers to purchase more highly processed wheat and rice products such as prepared dough.

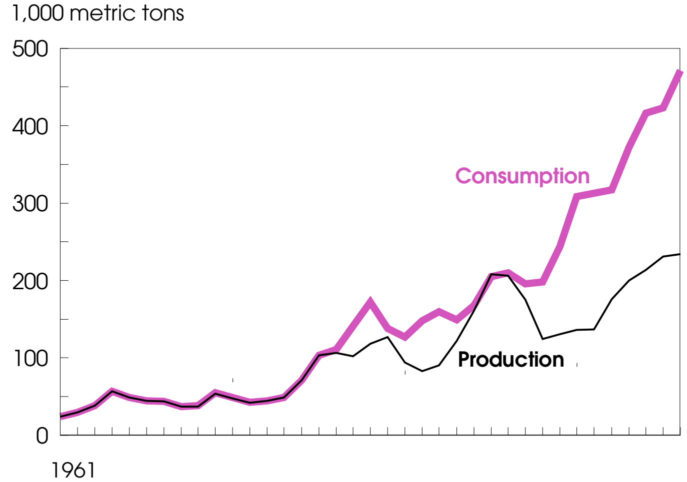
The Food Agency conducts general tenders for its rice imports as well as tenders under a Simultaneous Buy-Sell System (SBS) which allows private firms to propose rice purchases that fit their specifications. From April 1996 through March 1997, SBS rice imports accounted only for about 5 percent (22,000 metric tons) of Japan's rice imports under its minimum access commitment.

Registered Japanese and international trading firms bid for wheat imports under tenders conducted by the Food Agency. The Food Agency confers with flour millers and other wheat users to establish tender specifications. For import quantities above the WTO tariff-rate quota, private firms are allowed to import wheat directly. Over-quota wheat imports amounted to more than 1.5 million tons in 1995, or 25 percent of total wheat imports, but dropped to almost zero in 1996. Wheat flour millers also are permitted to import wheat directly if they plan to export the flour. On average, about 300,000 tons of wheat flour has been exported annually.

Japan's Ministry of Agriculture, Forestry, and Fisheries controls the domestic marketing and pricing of rice and wheat. Japan's rice growers sell their rice to local agricultural cooperatives which, in turn, market the rice to prefectural cooperatives. Two official channels dominate national-level procurement—the Food Agency, which procured about 15 percent of domestically produced rice in 1996, and two major associations of cooperatives. About half the rice produced in Japan is marketed through these two official channels.

The MAFF specifies the total quantity of rice marketed to official buyers in its annual rice distribution plan and allocates quotas to farmers through their local cooperatives. Farmers who sell rice outside the official marketing channels must report their sales in advance to the MAFF.

Korean Beef and Veal Production Lags Domestic Demand



1997 forecast.

Economic Research Service, USDA

Although Japan's wheat producers have the option of marketing their wheat and barley privately, almost all domestically produced wheat is purchased by the Food Agency. Local cooperatives and consigned brokers may act as intermediary purchasers.

Japan's MAFF establishes producer and resale prices for domestically produced rice and for domestic and imported wheat after lengthy consultations with other government agencies and producer cooperatives.

Korea. The South Korean government developed its agricultural policies to maximize self-sufficiency and foster parity between urban and farm incomes. Orderly marketing of agricultural products is also an important objective for Korea. Major differences between world prices and Korea's domestic prices for agricultural commodities have led to controls on imports to prevent producer price declines.

The Republic of South Korea designated eight STE's to import 18 agricultural products including rice, unhulled barley, beans, buckwheat, red pepper, ginger, ground nuts, onions, potatoes, sesame seeds, food-use soybeans, oranges, beef, garlic, natural honey, raw silk, ginseng, and pine nuts. However, as Korea has liberalized trade in certain commodities, it also has begun to allow private firms to import those commodities. For example, in 1995, the Cheju Citrus Cooperative was designated as the importer for almost all imports under Korea's WTO minimum access commitment on fresh oranges. On July 1, 1997, the Korean market for fresh oranges was liberalized, allowing private firms greater opportunities to import fresh oranges.

Access to Korea's beef market is scheduled for total liberalization by 2001. Prior to 1991, the Livestock Products Marketing Organization controlled all beef imports as a means of supporting domestic cattle prices. In bilateral negotiations with the U.S.

and other major trading partners, the Korean government agreed in the early 1990's to allow some private-sector participation in beef imports. The Korean government does not procure domestic beef or directly control the marketing of domestically produced beef. While Korea's import policy has maintained domestic beef prices at more than double world price levels, it has not helped domestic production keep pace with demand.

Korea's imports of beef and veal grew from zero in 1987 to an average of 42 percent of domestic supplies from 1993 to 1995. In a 1993 Record of Understanding (ROU) between Korea and the U.S., the Korean government set a final date for liberalization of its quantitative and institutional barriers to imports, which was incorporated into its WTO commitments. In the Uruguay Round, Korea agreed to continue increasing beef imports, while reducing beef import tariffs.

The 1993 and earlier ROU's also required that the LPMO allow industries to participate in importing through a Simultaneous Buy-Sell System, which allows selected industry groups to contract directly with foreign sellers for the cuts of beef desired, rather than by anonymous bidding through the LPMO. For 1997, the LPMO will import 50 percent of Korea's WTO beef minimum access commitment, while private-sector groups will participate in SBS imports of 50 percent of the beef minimum access commitment. The private groups include beef producers; cold storage firms; tourist, hotel and restaurant suppliers; and the meat industry association. SBS imports will increase to 70 percent in 2000. After 2000, the LPMO will no longer control imports of beef, and private sector importers will have complete autonomy to import, and to market imported products.

Access to Korea's rice market is progressing much more slowly. The Korean government gave the Ministry of Agriculture and Forestry the exclusive right to control imports of rice because of its importance as a staple crop. The MAF buys lower quality rice from farmers at high prices and releases it at lower prices, although the rest of the domestic rice market is relatively free of government control. The MAF procured 30 percent of Korean rice production from 1993 through 1995. The remaining 70 percent of the rice produced in Korea was sold on the open market. MAF procurement fell to nearly 23 percent of Korean rice production in 1996.

Korea first opened its rice market to imports in 1995 under its WTO market access commitments, when it purchased rice equal to 1 percent (or about 51,000 metric tons) of its base period (1986-88) domestic consumption. Korea's minimum access commitment for rice will rise to 4 percent in 2004.

Korea's rice imports in 1996 were valued at more than $50 million. In letters to the WTO, the MAF is designated as the sole importer of rice under Korea's WTO commitment to open its rice market. The MAF decides how much rice to import, schedules tenders for rice imports, and generally bases import purchases on price alone. Chief suppliers of rice were India and China in 1995, China in 1996, and China and Thailand in 1997.

Economic Characteristics of Major STE Importers

Country/STE	Owners
South Korea	
Ministry of Agriculture and Forestry (MAF)	Government
Livestock Products Marketing Org. (LPMO)	Government
Japan	
Food Agency (FA)	Government
Indonesia	
Badan Urusan Logistik (BULOG)	Government corporation
Mexico	
CONASUPO	Government

*Beef and veal.

Indonesia. Indonesia reported Badan Urusan Logistik to the WTO as an STE in 1995. BULOG was established as a government corporation in 1967 to stabilize agricultural commodity prices at the producer and consumer levels. To carry out its price stabilization responsibilities, BULOG is authorized to import, export, and manage stocks, to procure domestic production, and to engage in marketing of domestically produced and imported agricultural commodities. BULOG's activities are financed through Indonesian state banks at commercial interest rates.

BULOG uses price and procurement policies to support producers and maintain affordable consumer prices for rice. BULOG does not have a monopoly in the domestic rice market, and procures only about 3 percent of domestic rice production. However, BULOG owns grain storage facilities which it uses to hold a national rice reserve for emergencies, and buffer stocks to stabilize rice prices between and within years. BULOG establishes rice prices for sales by farm cooperatives and retail prices. In years of excess supplies, Indonesia has exported rice.

Indonesia produces no wheat, but imported an average of 3.3 million tons between 1993 and 1995. BULOG is the exclusive importer of wheat, and controls the distribution of imported wheat. Domestic flour millers act as agents for BULOG to import wheat and flour.

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Product regime	Market regime	Policy regime	Import share of domestic supplies (1993-95 average)
			Percent
Rice	MAF controls domestic procurement (30 percent of production) and all imports	WTO minimum-access commitment for imports; domestic price support through a procurement price; and domestic supply controls	1
Beef	LPMO controls imports of beef under minimum-access commitments, but has allowed private firms from specified industries to participate in imports through a Simultaneous Buy-Sell system; no control of domestic marketing	WTO minimum-access commitment for imports	42*
Rice, wheat	FA controls imports of all rice and of wheat within the tariff-rate quota; FA controls some domestic rice and wheat procurement	*Rice*: WTO minimum-access commitment for imports; domestic supply control; government-set producer and retail prices; government procures 15 percent of domestic production	10
		Wheat: tariff quota for imports; government-set producer and retail prices; government procures almost all domestic production	77
Rice, sugar, wheat, soybeans, flour, garlic	BULOG controls imports of rice, wheat, soybeans, and refined sugar; procures rice for government reserves and controls the distribution of imported wheat, soybeans, rice, and refined sugar.	WTO minimum-access commitment for rice; BULOG sets producer and retail prices for rice and wheat	Rice: 5 Wheat: 92
Milk powder	CONASUPO procures domestically produced corn, beans, milk for sales to low-income consumers *and* imports milk powder	WTO and NAFTA tariff-rate quotas	17

The domestic flour market also is highly controlled by BULOG, which determines the allocation of wheat to each mill and licenses flour distributors. The mills receive a processing fee for the wheat. Import, mill, and retail prices are established by BULOG. BULOG's monopoly fostered and supported the growth of one large flour milling company. This firm had a monopoly on flour milling until 1997. In 1997 and 1998, three smaller mills will begin operating.

BULOG is the exclusive importer of refined sugar, but in a concession to private importers, the Indonesian government announced on July 7, 1997 that private firms with sugar refining capacity could import raw sugarcane and sugar beets. Licensed agents conduct BULOG's imports and are paid a commission for their purchases. From 1993 to 1995, BULOG imported an average of 311,000 tons of raw and refined sugar annually.

BULOG also purchases much of the domestically produced sugar and has considerable control of its distribution through the Association of Indonesian Sugar and Flour Distributors. Only association members may obtain sugar supplies from BULOG.

BULOG also is the sole importer of soybeans, which are used exclusively for food use. In 1996, following the closing of the only soybean crushing facility, the importation of soybean meal, primarily for poultry feed, was completely opened to private traders.

In the Uruguay Round, Indonesia agreed to import a minimum of 70,000 tons of rice annually. Indonesia's rice imports averaged 1.27 million tons annually from 1993 to 1995, although annual imports varied widely during that period. Imports in 1993 of 24,000 tons contrast sharply with 1995 imports of 3.15 million tons. Indonesia has no import tariffs on wheat, soybeans, and sugar, although sugar is subject to a 10-percent value-added tax.

Mexico. Prior to the late 1980's, Mexican agricultural policy sought to support farm prices and incomes and to guarantee consumers an accessible, reasonably priced food supply. To achieve these objectives, the Mexican government subsidized agricultural producers and consumers through direct government intervention at every link in the marketing chain—production, storage, marketing, and distribution of agricultural commodities, and processed food. Among the creations of Mexico's support system was its chief agricultural corporation, the Compania Nacional de Subsistencias Populares, established in March 1965.

In the late 1980's Mexico began to decrease its domestic support programs and consumer subsidies in response to an external debt

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China's Import STE's

The value of STE imports by the People's Republic of China, which is seeking accession to the WTO, likely eclipses that of all STE's in current WTO member countries. China requested membership in the WTO in 1986, but accession negotiations were not completed in time for China to become a founding member of the WTO. WTO members have expressed concern about the lack of transparency in China's trade regime, including its discriminatory import licensing procedures, import substitution policies, and state trading. China's STE's—the China National Cereals, Oil and Foodstuffs Import and Export Corporation (COFCO), and the China National Textiles Import and Export Corporation (Chinatex)—dominate agricultural trade of major grains and cotton, but compete with other state-owned enterprises (SOE's) for imports of vegetable oils, sugar, and rice. SOE's also handle trade in wool.

China's Average Annual Agricultural Imports by STE's, 1993-95

State trading enterprise	Commodity	Value
		$ million
COFCO	Wheat	1,268
COFCO and Other SOE's	Vegetable oils	1,140
Chinatex	Cotton	758
China National Maize	Corn	272*
COFCO and Other SOE's	Rice	203
Total		3,641

*Most of China's 1993-95 corn imports were in 1995.
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crisis, peso depreciation, and high domestic inflation. Today, CONASUPO no longer intervenes in all aspects of Mexican agricultural production and marketing, but continues to purchase domestically produced corn, edible beans, and raw milk for its subsidized sales of staple food commodities.

Prior to implementation of the North American Free Trade Agreement (NAFTA) in 1994, CONASUPO was the sole importer of milk powder. Based on its historical role as exclusive importer, CONASUPO received all of the licenses for imports of milk powder under NAFTA and WTO tariff quotas. As a result, CONASUPO continues to act as sole importer of powdered milk.

The annual value of Mexico's nonfat dry milk and whole milk powder imports averaged $317.5 million from 1993 through 1995 and represented about 35 percent of world trade in nonfat dry milk. Mexico would have needed to produce 20 percent more raw milk from 1993 to 1995 to replace milk powder imports. CONASUPO directs 60 percent of milk powder imports to its affiliate, LICONSA (Leche Industrializada Conasupo, S.A.), for subsidized milk sales to low-income families. CONASUPO then resells to private processors 30-40 percent of the milk powder which it has imported.

Under NAFTA, Mexico allowed duty-free access for up to 40,000 tons of U.S. milk powder in 1994, and this access increases by 3 percent annually through 2008. The maximum over-quota tariff for U.S. milk powder under NAFTA was $1,160 per ton or 139 percent *ad valorem* in 1994, but will decline to zero in 2008.

Mexico's WTO tariff-quota schedule grants duty-free access for 40,000 tons of U.S. milk powder and 80,000 tons of imports by countries other than the U.S. Tariff-rate quota levels are fixed through 2004. In 1995, Mexico imported 134,646 tons of milk powder, or 15,000 tons more than its total WTO quota. However, the U.S. supplied only 34,000 tons—6,000 less than the U.S. quota.

On July 2, 1997, Mexico announced a small and carefully monitored exception to CONASUPO's monopoly on milk powder imports—private firms in the province of Quintana Roo (the Yucatan Peninsula) and along the Guatemalan border could apply for licenses to import 2,914 metric tons of milk powder in 1997 under the WTO duty-free tariff-rate quota for "Other countries." CONASUPO would continue as the sole importer under the U.S. tariff-rate quota (40,000 tons) and the remaining 77,086 tons of the WTO "Other country" tariff-rate quota. The Mexican government announcement also required that the importing private firms not reship milk powder imported under the quota to other parts of Mexico. Private hotels, restaurants and other private businesses in the designated areas likely had been importing small amounts of milk powder in years prior to the recent announcement.

Despite significant opportunities for U.S. and other milk powder exporters, CONASUPO's control of powder imports raises concerns about the satisfaction of public sector and private sector demand for milk powder. If CONASUPO chooses to reduce its imports of milk powder for subsidized sales to low-income consumers, will CONASUPO continue to import adequate quantities of milk powder to be able to sell to commercial users?

Future directions for STE importers. The STE importers described in this article, all government corporations or recently privatized companies, have used their statutory authorities to influence or control imports. Their national governments have committed to increase access for imported commodities in the Uruguay Round and are testing increased private sector participation in the new market opportunities.

Korea, for example, has committed to turn over imports of beef to the private sector in 2001. Indonesia opened its raw sugar imports to the private sector this summer and may forsake some of BULOG's monopoly rents from wheat, soybeans, and refined sugar imports in order to open imports of those commodities to private trade. However, for countries where an STE import

Tobacco & Liquor Import Monopolies

A number of countries reported to the WTO that they or their states/provinces maintain monopolies on the import of liquor and tobacco. In some cases, the monopolies were established to support domestic producers. In others, protection of public health and the financing of public services such as health care are important objectives of national and state import monopolies. For example, the revenues garnered by Colombia's departmental liquor monopolies finance local health services and education.

The largest tobacco monopoly reported to the WTO is Japan Tobacco Incorporated (JTI), a recently privatized corporation, which was established to promote the sound development of the tobacco industry in Japan. Other private firms also may import leaf tobacco, but since JTI is the sole cigarette manufacturer, those importers would have to sell to JTI for processing, thus giving JTI an effective monopoly.

JTI imports leaf tobacco and processes it into cigarettes and other tobacco products. JTI also contracts with domestic tobacco growers for purchases of domestically produced tobacco. JTI sets the price and the quantity allotted for each tobacco grower. JTI's imports of leaf tobacco averaged $613 million annually from 1993 to 1995. Other countries that reported tobacco monopolies are Iceland, Morocco, and Thailand.

Liquor monopolies control imports of distilled liquors, wine, and beer to raise money for national treasuries and to protect public health. Many countries reported to the WTO that they or their provincial authorities control liquor imports and regulate the distribution of domestic and imported liquors. Reporting countries included Canada, Colombia, Iceland, and Turkey.

monopoly has accommodated objectives of domestic price support and has complemented domestic market control, the opening of imports to private traders will likely come more slowly.

Of interest will be the continuing role of STE's in administering countries' import regimes, particularly for staple agricultural commodities. Market liberalization has not been easy for Japan and Korea, but their STE's have cushioned the impacts of market openings by storing imported rice. Japan has also exported a limited amount of imported rice as food aid to developing countries. BULOG likely will remain the sole importer of rice in Indonesia due to the government's interest in controlling rice supplies.

Other WTO member countries—such as India, a major consumer of wheat, rice, and vegetable oil—also champion the control of agricultural markets by STE's. India's Food Corporation and other STE's continue to monopolize India's sporadic imports of staple commodities.

WTO laws require that the non-tariff restrictions maintained by import monopolies be converted to tariffs. State trading practices will become increasingly important as countries with centrally planned economies or countries that are in the process of privatizing their agricultural production and marketing apply for memberships in the WTO.

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