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But it has not vanished and continues to account for a significant proportion of international trade. It should also be noted that even in market-oriented economies, some trade may remain in official hands for reasons of food security, defence, health, and the like. A basic difference between state trading and private trading lies in their guiding principles.

Decision-making by the private sector is guided by profit motive. It is least concerned with the issues like consumerism, economic development, social-cost and benefit, the priorities which a country should pursue, employment and income generation, and the like. In contrast, state trading is guided by national objectives such as safeguarding and promoting overall economic and non-economic interests of the country. For that reason, state trading may be characterised by one or more of the following features (i) Some goods may be exported, even in the long-run, at a loss. The motive for doing so may be a political one. (ii) Normally, a country with state trading is in a better position to resort to dumping. Amongst other things, this happens because, under state trading, accounts of production costs can be manipulated and the fact of dumping is difficult to detect.

(ii) It is easier for the state trading to have a system of quantitative restrictions and other detailed regulations for both exports and imports. The important thing is that such quantitative restrictions need not be made public and be just practised as if they are part of normal business decisions. For example, inflow of an imported item may be effectively reduced by subjecting it to bureaucratic delays. (iii) State trading is of great help in pursuing a policy of import substitution. This is all the easier because data of costs and prices of such activities may be revised to reflect some arbitrary figures of ‘ social cost and benefit’. (iv) The government or its agencies hold monopoly power in state trading and it can become a major source of its bargaining strength. However, under certain conditions, this bargaining strength can also get converted into an inherent weakness.

For example, the bargaining strength of a country is weakened if its share in world supply (or demand) of a specific commodity is not large enough. Political circumstances, position regarding foreign exchange reserves and similar other factors also influence the bargaining strength of a country. Bureaucratic delays and problems can come in the way of striking timely and lucrative bargains.