

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

BOP/14

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Limited Distribution

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Committee on Balance-of-Payments Restrictions

1962 CONSULTATION UNDER ARTICLE XII:4(b) WITH

F I N L A N D

Basic Document for the Consultation

1. Legal and administrative basis of the restrictions

The statutory basis of Finland's import controls is the Act of 19 May 1961. Under this Act, the Government is authorized to regulate the export and import of all types of merchandise. The Act is implemented by Cabinet decrees which, in certain cases, must be approved by Parliament.

A Cabinet Decree of 30 December 1961 specifies that the importer shall, when importing commodities, produce an import licence issued by the Licensing Office. Commodities other than those set out in the list annexed to the Decree are, however, allowed to be imported without licence provided that they originate and are purchased from any of the countries enumerated in the list referred to above. This Decree, and the Act of 19 May 1961 together with another Decree of 30 December 1961, which defines the functions of the Licensing Office, set out the basic regulations for the control of imports.

The imports controls are operated by the Licensing Office which is administratively under the Ministry of Commerce and Industry. The Licensing Office is supervised by a Board of Directors, composed of a Director, a representative of the Bank of Finland, one of the Foreign Ministry, one of the Ministry of Commerce and Industry and one of the Ministry of Agriculture. The Office is divided into five divisions, viz: general administration, export, chemicals (import), textiles (import) and machinery and electrical equipment (import).

The Bank of Finland operates the foreign exchange control and supplies the Licensing Office with information or directives concerning the availability of foreign currency for import purposes.

The Licensing Office decides the use of the amounts of foreign currency which have been allotted by the Bank of Finland taking also into consideration the commitments undertaken in trade agreements.

The Licensing Office ensures the publication of information concerning the granting of licences; for example, all licensing programmes drawn up by the Board must be made known to the importers. Further, a list of the licences

granted is published indicating the date of the decision, the type of goods licensed, the amount of foreign currency allotted, the exporting and importing countries and the names of the firms or persons to whom the licences were issued. Whenever an application is refused the reasons must be stated and made known to the applicant.

When applying for a licence the importer is required to furnish information on delivery and payment conditions etc. Applications relating to imports of ships and major machinery must, in addition, be accompanied by a plan for the financing of the purchase, which is to be approved by the Bank of Finland.

### 2/3. Methods used in restricting imports and treatment of imports from different sources

Under the current import control policy, imports are admitted under the following procedures: (a) free importation, (b) global quotas, (c) licensing under bilateral agreements (d) discretionary licensing and (e) imports from "other countries".

#### (a) Free importation

All imports except those mentioned in the Global Quota List or appearing on the List of Items subject to Discretionary Licensing, both of 1 January 1962<sup>1</sup>, which together constitute the so-called Finnish negative list, are admitted without licence. This import treatment applies to all countries which are signatories to the "Helsinki Protocol" of 4 December 1961. The same benefits were, as of 1 January 1962, unilaterally extended to cover also Japan, Sierra Leone and Tanganyika, and continuing previous practice, to the new independent African countries, the countries of the sterling area, the franc area and the remaining dollar area. With its extension to Japan, Sierra Leone and Tanganyika, effective from 1 January 1962, the multilateral import system of Finland is, at present, applicable to eighty-five countries and seventy dependent territories.

According to the provisions of the "Helsinki Protocol" Finland is under obligation to maintain the level of liberalization of imports originating in the participating countries on an average rate of at least 80 per cent against the imports in 1954. Effective from 1 January 1962, the scope of the free importation system was extended to cover a number of other commodities, including timber and paper products, certain metal and chemical products, various instruments, and paints and dyes. At the same time, Finland reintroduced restrictions on the import of certain commodities i.e. oil seeds, animal and vegetable fats.<sup>2</sup> Imports affected by the additions to and deletions from the list of licence-free commodities were approximately of equal value; the level of import liberalization thus remained at about 80 per cent, calculated on the basis of 1954.

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<sup>1</sup>One copy of this document was sent to each contracting party as an Annex to document L/1792 dated 7 June 1962. This document also contains a complete list of countries benefitting from "multilateral import treatment".

<sup>2</sup>Details of these changes are included in document L/1792 dated 7 June 1962.

(b) Global quotas

Imports under global quotas are subject to licensing and are allowed from countries to which the multilateral import treatment is applicable. The importers may opt, within their respective shares, which are calculated by the licensing authorities on the basis of their previous imports, between the commodities included in the global quotas. The importer may also at discretion choose the country of purchase among the countries to which multilateral import treatment is applicable. In the 1962 global quota programme, each quota was increased as compared to that of 1961, by at least 20 per cent. Taking into account the value of the imports from Japan in 1961, a number of quotas have been increased by more than 20 per cent.

(c) Bilateral agreements

Trade between Finland and Bulgaria, Colombia, Czechoslovakia, German Democratic Republic, Greece, Hungary, People's Republic of China, Poland, Rumania, Turkey, the USSR and Yugoslavia is based on bilateral trade and payments agreements. Imports from the above-mentioned countries are subject to licensing as fixed in the quotas of these trade agreements. The agreements, with the exception of that with Greece, are of a rigid bilateral type with swing credit margins and trade and payments are conducted on a fairly strict basis in accordance with quota and clearing provisions. The payments agreement with Greece is considered a step towards multilateralism. According to the provisions of the bilateral agreements, the accounts are balanced quarterly by the debtor country by paying one half of the debt in free United States dollars. Israel is in a special category: trade between Israel and Finland is bound by indicative commodity lists, but payments are settled in convertible currency.

(d) Imports subject to discretionary licensing

Products appearing on the discretionary licensing list (see under (a) above) are subject to discretionary licensing. The general policy is to consider individually the applications for licences on their own merits. In addition to taking into account global and bilateral quota allocations, the Licensing Office takes account of the availability of the currency needed as well as the essentiality, price and quality of the product concerned. In the allocation of licences among importers, account is taken of their past imports and the past record of the importers as to the price and quality of their imports. The general policy has been to reduce the number of commodities in the discretionary licensing category and to include them in global quotas or in the free importation list.

(e) Imports from "other countries"

Licences for imports from countries not included in the multilateral import treatment or in bilateral quota arrangements are considered in the light of the availability of foreign exchange, essentiality and relative prices.

The period of validity of the import licence corresponds to the delivery time. Long-term licences are granted when the payment or delivery time exceeds one year, and occasionally (in case of purchase of heavy equipment and the like) the period of validity may be several years.

A licence fee is charged as a contribution for covering administrative costs. The charge is fixed at 1,500 markkas (approximately US\$4.70) for every licence application.

4. Commodities or groups of commodities affected by various forms of restrictions

It is calculated that since 1 January 1962, the free importation system covers about 60 per cent of Finland's total imports. About 16 per cent of imports are covered by global quotas; the rest fall under discretionary licensing.

5. Imports under State trading

The State Granary, which is governed by the Law of 26 October 1951, is responsible for the purchase and storage of grain. Its purpose is to maintain stability in the domestic market and to fulfil certain functions in the field of agricultural policy. The State Granary is the sole agency for the import of wheat, rye, barley, oats and products thereof intended for human consumption. This however does not cover seed grain or malt barley.

The manufacture, trade and consumption of alcoholic beverages are regulated by the Law of 9 February 1932. The exclusive right to import these products belongs to a State-owned company which carries on trade according to free market principles, within the limitations imposed by considerations of public order and the balance-of-payments position.

Imports on government account represent a very small fraction of Finland's total imports.

6. Measures taken in the last year in relaxing or otherwise modifying restrictions

Since the last consultation with the CONTRACTING PARTIES in October-November 1961 the following changes and modifications in restrictions have taken place:

- (i) The multilateral import treatment area has been enlarged by the inclusion of Japan, Sierra Leone and Tanganyika.
- (ii) In the context of the renewal of the "Helsinki Protocol", effective 1 January 1962, global quotas were increased by at least 20 per cent to 39,910 million markkas, as compared with the global quota total for 1961 of 30,000 million markkas, increased to 33,000 million markkas on 1 July 1961 in connexion with the coming into force of the EFTA-Finland Agreement.

(iii) In consequence of further efforts to ease the foreign exchange policy, the Bank of Finland, as of 1 March 1962, further relaxed foreign exchange regulations. This relaxation did not, however, relate to the import of commodities, but to the stipulations governing capital transfers, insurance policies, travellers tickets and services, ships registration fees etc.

7. Effects on trade and general policy in the use of restrictions for balance-of-payments reasons (Statement by the Finnish authorities)

Statistical evidence is not available regarding protection to domestic industries which may have resulted from import restrictions maintained for balance-of-payments reasons. Although a degree of unintentional protection cannot be excluded in certain instances, the information which is available shows resolute efforts by Finnish industries to face, by means of rationalization, the general trend towards liberalization and competition implied in the above-mentioned measures and in Finland's association with EFTA. It is the declared policy of the Finnish Government to proceed, within the limits of the balance-of-payments position, with the removal of all import restrictions. Imports still subject to discretionary licensing are, as previously, administered with a view to avoid undue protection and discrimination.