

GENERAL AGREEMENT ON

RESTRICTED

L/6107/Add.4
15 April 1987

TARIFFS AND TRADE

Limited Distribution

Original: English

STATE TRADING

Notification Pursuant to Article XVII:4(a)

FINLAND

The following communication, dated 19 March 1987, has been received from the Permanent Mission of Finland.

A. ALCOHOL

I. State alcohol monopoly Oy Alko Ab

According to the Finnish alcohol legislation, the production, import, export and commerce of alcoholic beverages and industrial ethyl alcohol are the monopoly of Oy Alko Ab, with some modifications.

1. The production of malt beverages is done in private breweries on behalf of Alko; the prices are determined and the sales controlled by Alko.
2. Domestic bitters and liqueurs are produced by certain factories on behalf of Alko, on the same conditions as malt beverages.
3. Restaurants are granted licences to serve alcoholic beverages and paid a compensation for this function by Alko.
4. Foreign suppliers are allowed to keep representations in Finland, whose function is to, within the frame of limits set out by legislation, make known the products of his principal.
5. The production, use, import and export of beverages containing more than 2.8 per cent of ethyl alcohol are supervised by Alko.

II. Reason and purpose for introducing and maintaining State-trading enterprises

Paragraph 5 of the Alcohol Act stipulates that the purpose of the Finnish alcohol policy is minimizing the harmful effects of alcohol. In order to realize these aims a State-controlled monopoly has been regarded as the most effective operator. This method of conducting the alcohol policy has been found appropriate from the point of view of minimizing the conflict between social considerations mentioned above and private profitmaking aims.

III. Description of the function of State-trading enterprises

- (a) Oy Alko Ab deals with both exports and imports.
- (b) Import and export transactions by private companies are permitted under Alko supervision.
- (c) The exports are determined by the demand in the foreign markets. Similarly, imports are limited according to domestic demand.
- (d) The export prices are fixed on the basis of the cost and prices and the world market prices. The retail prices are calculated on the basis of import prices and also include 60 per cent alcohol tax and 16 per cent turnover tax. The pricing of imported and domestic products is based on the same criteria, which do not allow comparison with export prices.
- (e) There are no long-term contracts.

IV. Statistical information

The 1985 issue of the Alko Statistical Yearbook has been submitted to the secretariat (Non-Tariff Measures Division) where it can be consulted.

B. FINNISH STATE GRANARY

I. The import and export monopoly of grains (wheat, barley, rye, oats, feed maize) has been granted to Finnish State Granary. This organization is also obliged to hold reserve stocks and to stabilize domestic price level.

II. Legislation about the State Granary includes regulations about reserve stocks of grains and grain seeds. There is a target to create reserve stocks of grain amounting to 900,000 tons of grain. Of this quantity 400,000 tons should be bread grains, 400,000 tons feed grains and 100,000 tons seed grains. The target should be reached by 1992. The stocks are totally maintained and mostly stored by the State Granary.

III. Private traders have the possibility to import rice, seed grains and malting barley.

In the domestic market there is free competition between private traders and State-trading enterprises.

Import of grains is carried out only if domestic production does not meet consumption or reserve stocks threaten to fall below the minimum level confirmed by the Government for each crop year. Exports of grains will, according to the new legislation, be possible only after the reserve target has been reached.

As the domestic price level usually exceeds the world market price level, the Government has to subsidize exports with budgetary assets. Imported grain is customarily sold to the domestic market at a domestic price level confirmed yearly by the Government. Wheat for the use of export-oriented industry and rye for the domestic mills are, however, sold at the import price.

Long-term contracts may be negotiated by the State Granary within the framework of general trade policy. At present one such agreement has been made.

IV. Statistics about imports, exports and production are enclosed (see Annexes I, II and III).

Annex I

The Value of Imports and Exports 1984-1986

Imports, million FIM

	<u>1984</u>	<u>1985</u>	<u>1986</u>
Wheat	42.2	91.5	25.1
Rye	3.7	18.8	27.4
Barley	-	-	-
Oats	-	-	-

Exports, million FIM

Wheat	45.8	43.6	53.2
Feed barley	180.7	277.1	187.6
Malting barley	24.7	-	-
Oats	369.6	96.1	80.4

Annex II

The Amount of Imports and Exports 1984-1986

Imports, million kg.

	<u>1984</u>	<u>1985</u>	<u>1986</u>
Wheat	38.4	76.9	31.0
Rye	4.7	26.8	51.6
Barley	-	-	-
Oats	-	-	-
Maize	-	-	-

Exports, million kg.

Wheat	21.7 ¹	20.0 ¹	24.0 ¹
Feed barley	234.1	328.4	419.3
Malting barley	23.9	-	-
Oats	518.6	140.6	220.6

¹Food aid

Annex III

Total Production of Grains 1984-1986 (million kg.)

	<u>Wheat</u>	<u>Rye</u>	<u>Barley</u>	<u>Oats</u>
1984	478.3	92.3	1,715.3	1,320.9
1985	472.1	71.8	1,853.8	1,217.8
1986	529.1	70.6	1,713.8	1,174.5