

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

L/7161/Add.2

25 May 1993

Limited Distribution

Original: English

STATE-TRADING

Notifications Pursuant to Article XVII:4(a)

FINLAND

The following notification, dated 10 May 1993, has been received from the Permanent Mission of Finland.

A. ALCOHOL

I. State alcohol monopoly Oy Alko Ab

According to the current 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. New alcohol legislation will be introduced when the Agreement on the European Economic Area enters into force.

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 current 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 1988 issue of the Alko Statistical Yearbook has been submitted to the secretariat (Non-Tariff Measures Division) where it can be consulted.

B. FINNISH GRAIN BOARD

- I. The import and export monopoly of grains (wheat, barley, rye, oats, feed maize) has been granted to Finnish Grain Board. This organization is also obliged to hold reserve stocks and to stabilize domestic price level.
- II. Legislation about the Grain Board includes regulations about reserve stocks of grains and grain seeds. There is a target to create reserve stocks of grain amounting to 700,000 tons of grain. Of this quantity 400,000 tons should be bread grains, 200,000 tons feed grains and 100,000 tons seed grains. In addition to grains the Grain Board should have 1,200 tons of grass seeds in reserve stocks. The target should be reached by 1993. The stocks are totally maintained and mostly stored by the Grain Board. The stocks are to maintain selfsufficiency and to avoid unnecessary imports of grains.
- 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 Grain Board within the framework of general trade policy. At present no such agreement has been made.

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

ANNEX IThe Value of Imports and Exports 1987-1992Imports, FIM million

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
Wheat	20.0	65.4	92.0	11.6	16.9	37.2
Rye	6.2	31.8	16.9	4.3	-	0.0
Barley	-	-	-	0.1	2.6	12.3
Oats	-	-	-	0.4	0.4	0.0

Exports FIM million

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
Wheat (Commercial)	6.4	-	-	-	0.3	82.6
Wheat (Food Aid)	16.5	13.8	13.0	-	7.9	14.1
Feed Barley	40.6	-	29.1	19.1	151.6	132.2
Malting Barley	-	-	-	-	-	-
Oats	33.8	-	127.0	160.9	203.8	125.7

ANNEX II

The Amount of Imports and Exports 1987-1992

Imports, million kg.

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
Wheat	53.2	141.9	101.0	18.0	26.0	19.7
Rye	17.4	57.7	33.1	7.9	-	2.9
Barley	-	-	-	-	-	-
Oats	-	-	-	-	-	-

Exports, million kg.

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
Wheat (Commercial)	20.0	-	-	-	0.8	159.7
Wheat (Food aid)	25.0	25.0	24.8	13.2	26.6	25.0
Feed Barley	169.8	-	54.8	52.3	469.4	283.2
Malting Barley	-	-	-	-	-	-
Oats	80.0	-	255.2	448.2	596.9	218.5

ANNEX III

Total Production of Grains 1987-1992 (million kg.)

	<u>Wheat</u>	<u>Rye</u>	<u>Barley</u>	<u>Oats</u>
1987	281.1	74.2	1,089.2	723.2
1988	284.6	48.9	1,611.8	857.3
1989	507.2	195.9	1,629.9	1,443.8
1990	626.9	244.2	1,720.0	1,661.8
1991	430.5	28.2	1,778.8	1,154.9
1992	212.3	25.0	1,330.6	997.6