

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

BOP/23
6 May 1963

Limited Distribution

Committee on Balance-of-Payments Restrictions

Original: English

1963 CONSULTATION UNDER ARTICLE XII:4(b) WITH FINLAND

Basic Document for the Consultation¹

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, as amended by Cabinet Decrees of 14 and 28 December 1962, 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 country 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.

¹Prepared by the Finnish authorities.

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 1963¹, which together constitute the Finnish negative list, are admitted without licence. As of 1 January 1963, the same benefits were unilaterally extended to cover also Algeria, Burundi, Jamaica, Ruanda, Trinidad, Uganda, Western-Samoa and Yugoslavia. Effective from 1 January 1963, the multilateral import system of Finland is, at present, applicable to ninety-three countries and sixty-eight territories (see Annex).

According to the provisions of the "Helsinki Protocol" of 1 January 1963 Finland is under obligation to maintain the level of liberalization of imports, originating in the countries, which are signatories to it, on an average rate of at least 80 per cent against the imports in 1954. Effective from 14 December 1962, the scope of the free importation system was extended to cover a number of new commodities.² Imports to the value of 35 million marks³ based on the 1961 import figures and covering 340 tariff headings and sub-headings were liberalized.

(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.

¹One copy of the document "Importation System in Finland" has been sent to each contracting party directly by the Finnish authorities.

²The details of these changes are included in document L/1964 dated 28 January 1963.

³All values in this document are in new marks, (one mark = 100 old marks). The currency reform became effective from 1 January 1963.

(c) Bilateral agreements

Trade between Finland and Bulgaria, Colombia, Czechoslovakia, German Democratic Republic, Greece, Hungary, People's Republic of China, Poland, Rumania, Turkey and the USSR is based on bilateral trade and payments agreements. Imports from the above-mentioned countries are subject to licensing. The agreements, with the exception of those with Greece and Turkey, 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 agreements with Greece and Turkey, without any fixed commodity quota lists being attached to them and with settlement of clearing balances at regular intervals, are considered a step towards multilateralism. Israel is in a special category: trade between Israel and Finland is bound by indicative commodity lists, but payments are settled in convertible currencies.

(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 in general to the delivery time, provided that the payment conditions are acceptable to the Finnish authorities.

A licence fee is charged as a contribution for covering administrative costs. The charge is fixed at 3.00 or 15.00 marks (approximately US\$0.95 or US\$4.70) for every licence application, depending on whether the value of the imported goods is less or over 100.00 marks.

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

The following table presents the actual imports in 1961 and 1962:

	Million marks		Per cent of total imports		Per cent of imports from free list countries	
	<u>1961</u>	<u>1962</u>	<u>1961</u>	<u>1962</u>	<u>1961</u>	<u>1962</u>
Total imports	3,690	3,930	100.0	100.0	-	-
Imports from free list countries	2,903	3,132	78.7	79.2	100.0	100.0
- imports admitted without licence	2,288	2,352	62.0	59.8	78.8	75.6
- imports under global quotas	513	640	13.9	16.3	17.7	20.6
- imports under discretionary licensing	102	120	2.8	3.1	3.5	3.8

The global quota programme for 1963 amounts to 381.0 million marks, while the corresponding figure for 1962 was 399.1 million marks. The latter was however reduced by 36.4 million marks as a result of the liberalization measures mentioned under (a) above.

5. Imports under State trading

The State Granary, which is governed by the Acts of 30 December 1961 and 27 July 1962, which replace the Act 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 or imports of grain in quantities under 50 kgs.

The manufacture, trade and consumption of alcoholic beverages are regulated by the Act of 2 February 1932. The exclusive right to import these products belongs to a State-owned company which carried 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 September-October 1962 the following changes and modifications in restrictions have taken place:

- (i) As stated under 2/3 (a) above, the scope of the free importation system was extended, effective from 14 December 1962, to cover a number of new commodities to the value of 35 million marks based on the 1961 import figures and relating to some 340 tariff headings and sub-headings. (See document L/1964.)

As a result of these liberalization measures, the quota system in the global import programme for 1963 had to be reorganized. Such earlier quotas which after the liberalization consisted of only a few (one or two) items were unified and, on the other hand, those quotas which were made up of a great number of items, often representing different commodity groups, were divided into new quotas. Thus, the programme for 1963 consists of seventy global quotas against forty-one quotas in 1962.

- (ii) The multilateral import treatment area has been enlarged by the inclusion of Algeria, Burundi, Jamaica, Ruanda, Trinidad, Uganda, Western Samoa and Yugoslavia.
- (iii) On 19 October 1962, regulations were issued by the Bank of Finland requiring importers of certain listed consumer's durable goods to effect payment for these imports, or to deposit cash for later payment, before customs clearance for these imports could be obtained. These regulations were amended on 20 November 1962, by adding two new items to the list and by requiring payment similarly to be effected before the commodities listed may be placed in a bonded warehouse in Finland. Otherwise there have been no significant changes in foreign exchange regulations since the last consultations.

7. Effects on trade and general policy in the use of restrictions for balance-of-payments reasons

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 continuous 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.

ANNEX

List of the Countries and Territories to which
the Multilateral Import Treatment Is Applied

Algeria
Argentina
Australia
Austria
Belgo-Luxemburg Economic Union
Bolivia
Brazil
Burma
Burundi
Cambodia
Cameroon
Canada
Central African Republic
Ceylon
Chad
Chile
Congo (Brazzaville)
Congo (Leopoldville)
Costa Rica
Cyprus
Dahomey
Denmark
 The Faroe Isles
 Greenland
Dominican Republic
Ecuador
El Salvador
Ethiopia
Federal Republic of Germany
Federation of Malaya
France
 Guadeloupe
 Guiana
 Martinique
 Réunion
 Comoro
 French Polynesia
 French Somalicoast
 New Caledonia
 Saint-Pierre and Miquelon
 New Hebrides
Gabon
Ghana
Great Britain and Northern Ireland
 Aden
 Other territories in Arabia apart from Saudi Arabia,
 Yemen, Kuwait, Muscat and Oman
 The Bahrain Islands
Basutoland

Bechuanaland
Bermuda
British Guiana
British Honduras
British Pacific Islands
British West Indies
Brunei
Falkland Islands
Federation of Rhodesia and Nyasaland
Fiji Islands
Gambia
Gibraltar
Hong Kong
Kenya
Malta
Mauritius
North Borneo
Sarawak
Seychelles
Singapore
St. Helena
Swaziland
Tonga
Virgin Islands
Zanzibar
Guatemala
Guinea
Haiti
Honduras
Iceland
India
Indonesia
Iran
Iraq
Ireland
Italy
Ivory Coast
Jamaica
Japan
Jordan
Kuwait
Laos
Lebanon
Liberia
Libya
Madagascar
Mali
Mauretania

Mexico
Monaco
Muscat and Oman
Netherlands
 Surinam
 Netherlands Antilles
 Netherlands New Guinea
New Zealand
Nicaragua
Niger
Nigeria
Norway
 Spitzbergen
Pakistan
Panama
Paraguay
Peru
Philippines
Portugal
 Azores
 Madeira
 Angola
 Mozambique
 Macao
 Portuguese Timor
Ruanda
Saudi Arabia
Senegal
Sierra Leone
Somali
South Africa, Republic
 of South-West Africa
Spain
 The Balearic Islands and Pine Islands
 The Canaries
 Spanish Guinea
 Spanish Sahara (including Rio de Oro)
 Ifni
Sudan
Sweden
Switzerland and Liechtenstein
Syria
Tanganyika
Thailand
Togo
Trinidad
Tunisia

Uganda
United States of America
 Canal Zone
 Guam
 Kure Island
 Palmyra Island
 Kingman Reef
 Midway Islands
 Puerto Rico
 American Samoa (including Swains Island)
 Trust Territory of the Pacific Islands (Caroline,
 Marshall and Mariana Islands except Guam)
 Virgin Islands of the United States
 Wake Islands
Upper Volta
Uruguay
Venezuela
Western Samoa
Yugoslavia