

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Restrictions

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1972 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 control is laid down in 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 in 1965, 1967 and 1968, specifies that the importer has to produce an import licence issued by the Licensing Office for the import of commodities set out in the list annexed to the Decree. All other commodities are allowed into the country without licence provided that they originate in and are purchased from any of the countries enumerated in the same list. The Act of 19 May 1961, the Decree of 30 December 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 import controls are operated by the Licensing Office which is under the administration of the Ministry of Trade and Industry. The Licensing Office is supervised by a Board of Directors, composed of one representative of the Ministry of Trade and Industry, one of the Bank of Finland, one of the Foreign Ministry, one of the Ministry of Agriculture, one of the Ministry of Finance, and the Director of the Office.

The Bank of Finland, which operates the foreign exchange control, supplies the Licensing Office with information concerning the foreign currency available for import purposes. The Licensing Office decides on the use of foreign currency allotted by the Bank of Finland, taking also into consideration the commitments made in trade agreements.

The Licensing Office ensures the dissemination of all informative publications relating to the granting of licences (e.g. licensing programmes drawn up by the Board). Further, a list of the licences granted is published regularly, giving the date of each decision, the type of goods licensed, the amount of foreign currency allotted,

¹Material supplied by the Finnish authorities.

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.

When applying for a licence the importer is required to furnish information on delivery and payment conditions, etc.

The period of validity of an 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, towards covering administrative costs. The charge varies between Fmk 5 and Fmk 165 (approximately US\$1.22 and US\$40.24) for each licence application, depending on the value of the goods to be imported.

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

According to the current import policy, imports may be grouped under the following headings: (a) multilateral import treatment, (b) bilateral import treatment and (c) treatment of imports from other countries.

Under the multilateral import treatment imports are: (1) free, (2) restricted by global quotas or (3) restricted by individual licensing. Under the bilateral import treatment imports are: (1) free or (2) restricted by individual licensing. Imports from other countries are subject to individual licensing.

(a-1) Free importation under the multilateral import treatment

All imports except those mentioned in the global quota list or appearing on the list of items subject to individual licensing, which together constitute the Finnish negative list, are admitted without licence, provided that the country of purchase and that of origin are included in the list of countries to which the multilateral import treatment applies. This list at present includes 128 countries and about 110 territories.¹

(a-2) Global quotas under the multilateral import treatment

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

¹These lists of products and of countries are set forth in "Import System of Finland as Applied from 1 January 1972". A copy of this is supplied to each member of the Committee.

authorities on the basis of their previous imports, between the commodities included in each global quota. The importer also has the discretion to select the country of purchase among the multilateral import treatment countries.

(a-3) Imports subject to individual licensing under multilateral import treatment

Products appearing on the individual licensing list (see under (a-1) above) are subject to individual licensing. The general policy is to consider the applications individually on their merits. The Licensing Office takes account of the essentiality, price and quality of the product in question as well as the availability of the currency needed. When allocating 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.

(b) Bilateral import treatment

Trade between Finland and Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, the People's Republic of China, Poland, Romania and the USSR is based on bilateral trade and payments agreements. Under these agreements trade is carried on and payments made in accordance with quota and clearing provisions, except for Poland and Czechoslovakia with which payments since 1970 are made - on an experimental basis - in freely convertible currency.

Imports from these countries, except commodities appearing on separate negative lists¹, are free of licence until further notice, provided that payments are effected as stipulated in the respective payments agreements and the country of purchase and that of origin is the same.

Imports from these countries of goods on the relevant negative lists are subject to licensing.

(c) Imports from other countries

Applications for licences for imports from countries other than those covered by the multilateral or bilateral import treatment are considered in the light of essentiality and relative prices of the products concerned and of the availability of foreign exchange.

¹Details of the current negative lists are given in the "Import System of Finland as Applied from 1 January 1972".

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

	Fmk million c.i.f.		Per cent of total imports		Per cent of imports from multilateral, bilateral and other countries	
	1970	1971	1970	1971	1970	1971
Total imports	11,071	11,739	<u>100</u>	<u>100</u>		
Imports under multilateral import treatment	9,261	9,583	83.7	81.6	<u>100</u>	<u>100</u>
- imports admitted without licence	8,839	9,083	79.8	77.4	95.4	94.8
- imports under global quotas	76	89	0.7	0.7	0.8	0.9
- imports subject to individual licensing	346	411	3.1	3.5	3.7	4.3
Imports under bilateral import treatment	1,808	2,153	16.3	18.4	<u>100</u>	<u>100</u>
- imports admitted without licence	652	735	5.9	6.3	36.1	34.0
- imports subject to licensing	1,156	1,418	10.4	12.1	63.9	65.9
Imports from other countries	2	2	0.0	0.0	<u>100</u>	<u>100</u>

5. Imports under State trading

The State Granary, which is operated in accordance with the Acts of 30 December 1961 and 27 July 1962, 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 26 July 1968. The exclusive right to import these products belongs to a State-owned company which trades according to free market principles, within the limitations imposed by considerations of public order.

These imports on Government's account represent a very small fraction of Finland's total imports (0.5 per cent in 1971).

6. Measures taken since the last consultation in March 1970 to relax or otherwise modify import restrictions

As from 1969 the annual global quota programme consists of eleven global quotas and amounts since 1970 annually to Fmk 58.5 million.

Two new taxes affecting imports were introduced on 6 June 1971, and notified to the Contracting Parties on 1 June 1971 (L/3531).

A supplementary sales tax of 15 per cent was levied on domestic and imported consumer durables constituting about 8 per cent of private consumption with the primary objective of constraining the growth of consumer demand. The supplementary sales tax expired on 31 December 1971.

An equalization tax was imposed on imports, as the present sales tax system implies an occult tax burden for domestically produced goods. This occult tax does not burden imported goods competing with domestic products. The aim of this equalization tax is to place domestic production on an equal footing with imported products. The equalization tax was, with some minor modifications, extended until 31 December 1972.

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

Statistical evidence is not available regarding any protective effects on domestic industries that may have resulted from import restrictions maintained for balance-of-payments reasons. The restrictions at present in force cover mainly agricultural products and mineral fuels. They are motivated by the heavy import demand inherent in the rapid process of industrialization and structural change in the Finnish economy. They also reflect the special structure of the Finnish foreign trade where the socialist countries take an import position.

Import licensing for fuels is designed to ensure the continuation and normal development of an important part of Finnish imports from State-trading countries maintaining bilateral trade agreements with Finland.

Imports still subject to individual licensing are, as previously, administered with a view to avoid discrimination and undue protection.