

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Committee on Balance-of-Payments Restrictions

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1977 CONSULTATION UNDER ARTICLE XII:4(b) WITH FINLAND

Basic Document for the Consultation¹

1. Legal and administrative basis for the restrictions

Measures relating to import restrictions are in Finland based on so-called power acts which authorize the Government under certain preconditions to undertake specified import restricting measures. The most important of the existing stipulations is the Law for safeguarding Finland's external trade and economic growth of 15 February 1974. The provisions concerning import restrictions in this law were presented to the Committee in the consultations of 1976. The Government is entitled, *inter alia*, to regulate imports of commodities for the purpose of checking the deterioration in the balance-of-payments position of the country. According to the law, when restrictive measures are imposed, account must be taken of the obligations inherent in the international agreements to which Finland is a party.

The Decree on the application of the above law includes detailed regulations concerning import restrictions. According to the Decree an import licence issued by the Import and Export Permits Office is required for imports of goods enumerated in the Annex of the Decree. These are mainly agricultural products and fuels. All commodities not mentioned in the Annex can be imported free of licence, provided that their country of purchase and that of origin is one of those enumerated in the above-mentioned Annex. The practical arrangements relating to import restrictions are handled by the Import and Export Permits Office, which is subject to the Ministry for Trade and Industry.

The Government does not intervene in decisions made by the Import and Export Permits Office but it may issue general guidelines regarding the conduct of licensing activities. The Import and Export Permits Office is governed by a board, made up of representatives of various ministries and the Bank of Finland.

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

I. IMPORT LICENSING

According to the current import policy, imports may be grouped under the following headings: A. Multilateral import treatment; B. Treatment of imports from the USSR; C. Treatment of imports from the Socialist countries, with which Finland

¹Material supplied by the Finnish authorities.

has concluded an agreement on the reciprocal removal of obstacles to trade (Bulgaria, Czechoslovakia, German Democratic Republic, Hungary); D. Treatment of imports from the People's Republic of China, Poland and Romania; E. Treatment of imports from other countries.

A brief description of the treatment of imports from different sources is given in the following.¹

A. Multilateral import treatment

Under the multilateral import treatment imports are: (1) free, (2) restricted by global quotas or (3) restricted by individual licensing.

(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 139 countries and ninety territories.

(2) Global quotas under the multilateral import treatment

Imports under global quotas are subject to licensing and are allowed from countries to which multilateral import treatment is applicable. 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 each global quota. The importer also has the discretion to select the country of purchase among the multilateral import treatment countries.

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

Products appearing on the individual licensing list (see under (1)) are subject to individual licensing. The general policy is to consider the applications individually on their merits. When granting a licence the Import and Export Permits Office takes account of the importance, price and quality of the product in question as well as the availability of the foreign 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.

¹Detailed information is given in the booklet "Import System of Finland as applied from 1 January 1977". A copy of this is supplied to each member of the Committee.

B. Treatment of imports from the USSR

Imports from the USSR are free of licence, provided that payments are effected as stipulated in the agreement between Finland and the USSR on the exchange of goods and payments in 1976-80 and the country of purchase and that of origin is the USSR. Imports of the following commodities are, however, subject to licensing:

1. Commodities referred to in paragraphs A(2) and A(3) above.
2. Imports within the framework of the trade with frontier areas.

C. Treatment of imports from the Socialist countries, with which Finland has concluded an agreement on the reciprocal removal of obstacles to trade (Bulgaria, Czechoslovakia, German Democratic Republic, Hungary)

Imports from Bulgaria, Czechoslovakia, German Democratic Republic and Hungary are free of licence as stipulated in the respective agreements on the reciprocal removal of obstacles to trade.

Commodities referred to in paragraphs A(2) and A(3) above with a limited number of exceptions are, however, subject to licensing.

D. Treatment of imports from the People's Republic of China, Poland and Romania

Imports from the People's Republic of China, Poland and Romania are free of licence until further notice, provided that payments are effected as stipulated in their respective payments agreements and that the country of purchase and that of origin is the same. Imports of the following commodities are, however, subject to licensing:

1. Commodities referred to in paragraphs A(2) and A(3) above;
2. A limited number of products enumerated in a separate negative list.

E. Treatment of imports from other countries

Imports from countries not mentioned in paragraphs A, B, C and D above are all subject to licensing.

II. CASH PAYMENT SYSTEM

A cash payment for certain imports was introduced by the Bank of Finland in June 1973. The main purpose of this system is to support the stringency of monetary policy aimed at restricting the growth of domestic demand. The system covers imports of certain consumer goods and automobiles. These products amount to less than one third of total imports.

4. Commodities or groups of commodities affected by various forms of restrictions (country of origin)

	Fmk million c.i.f.		Per cent of total imports		Per cent of imports from various cate- gories of countries	
	1975	1976	1975	1976	1975	1976
Total imports	27,974	28,560	<u>100</u>	<u>100</u>		
Imports under multilateral import treatment	22,079	22,279	78.9	78.0	<u>100</u>	<u>100</u>
- imports admitted without licence	18,483	19,531	66.1	68.4	83.7	87.6
- imports under global quotas	166	195	0.6	0.7	0.8	0.9
- imports subject to individual licensing	3,430	2,553	12.3	8.9	15.5	11.5
Imports under treatment described in 2 and 3B, C and D	5,875	6,265	21.0	21.9	<u>100</u>	<u>100</u>
- imports admitted without licence	2,098	2,118	7.5	7.4	35.7	33.8
- imports subject to licensing	3,777	4,147	13.5	14.5	64.3	66.2
Imports from other countries	19	16	0.1	0.1	<u>100</u>	<u>100</u>

5. Imports under State trading

The State Granary, which is operated in accordance with the Act of 30 December 1961 as amended, 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 export of grain has taken place also entirely through the State Granary, or with its permission.

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 carries out its purchasing activities according to free-market principles, within the limitations imposed by considerations of public order.

The imports represent a very small fraction of Finland's total imports (0.3 per cent in 1976).

6. Trade effects of the import restrictions and the general policy in the use of restrictions for balance-of-payments reasons

There is no statistical or other evidence indicating any protective effects on domestic industries resulting from import restrictions maintained for balance-of-payments reasons. The restrictions at present in force cover mainly agricultural products and mineral fuels.

As far as agricultural products are concerned, the restrictions are motivated by the fact that these products are quantitatively an important import item, the imports of which can be easily replaced by corresponding domestic production. The restrictions have thus a meaningful improving effect on the Finnish balance-of-payments position.

Import licensing for fuels is designed to ensure the continuation and normal development of an important part of Finnish imports, which is of crucial interest to the Finnish economy, since Finland is heavily dependent on imported fuels.

Imports still subject to individual licensing are, as previously, administered in a manner which avoids discrimination and undue protection.