

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Limited Distribution

1957 CONSULTATIONS WITH FINLAND UNDER ARTICLE XII:4(b)

Results of the International Monetary Fund's Consultation with Finland

In concluding the consultations with Finland under Article XII:4(b), the CONTRACTING PARTIES agreed at the Twelfth Session that the results of the International Monetary Fund's current consultation with Finland, when available, should be added to the documentation for those GATT consultations (L/746, p.13).

By letter dated 26 June 1958 the Fund has advised that the Government of Finland has consulted the Fund under Article XIV, Section 4, of the Fund Agreement concerning the further retention of the transitional arrangements of Finland, and has transmitted, for the information and use of the CONTRACTING PARTIES, the results of that consultation, concluded on 11 June 1958, as follows:

" 1. The Government of Finland has consulted the Fund under Article XIV, Section 4, of the Fund Agreement concerning the further retention of its transitional arrangements.

" 2. In the course of 1957 a series of measures were implemented to reduce government expenditures and increase revenue. More restrictive credit measures were also introduced. On 15 September 1957 the Government, with the concurrence of the Fund, devalued the markka by 28 per cent. As a result of the disinflationary fiscal and credit measures and as a consequence of the devaluation, there was a substantial reduction between 1956 and 1957 in the deficit in the balance of payments on goods and services. Thanks to this and an improvement in the capital items of the balance of payments the gold and foreign exchange holdings of the Bank of Finland were higher at the end of 1957 than at the end of 1956 and increased further in 1958.

" 3. Partly on account of unavoidable post-devaluation adjustments, prices continued to rise. As a result of the automatic link between the cost of living and wages, wages also increased. Because of the legal provisions according to which farmers' incomes are linked with the incomes of the rest of the community, further increases in the price of farm products may become mandatory. Realizing the danger of such developments, the Fund

* Not to be de-restricted.

believes that in order to prevent the re-emergence of a price-wage spiral it will be essential to reconsider especially the policies governing the formation of farm income. To ensure that the benefits of the devaluation should not be dissipated, the Fund urges the authorities to restrain a further rise in prices by continued determined efforts to balance the budget and maintain an anti-inflationary credit policy. A persistent pursuit of these objectives is needed to attain a renewed growth in the national product and in the standard of living under conditions of internal stability and external balance.

" 4. The Fund notes with satisfaction the measures taken by the Finnish Government to unify the exchange rate structure of the markka and welcomes the substantial relaxation of restrictions and reduction in the discrimination on visible transactions, including those arising from bilateralism. The Fund believes further relaxation of restrictions and a further decrease in discrimination, including bilateralism, to be feasible and urges the Finnish authorities to review their restrictive practices with these objectives in mind.

" 5. In concluding the 1957 consultations the Fund has no other comments to make on the transitional arrangements maintained by Finland."