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FINLAND - INTERNAL REGULATIONS HAVING AN EFFECT ON IMPORTS OF CERTAIN PARTS FOR FOOTWEAR

The following communication, dated 19 October 1982, has been received from the Permanent Mission of Finland with the request that it be circulated to contracting parties.

The European Communities have, in document L/5369, dated 28 September 1982, brought before the CONTRACTING PARTIES a case concerning a decision taken by the Board of the Export and Import Licensing in Finland, according to which exports of leather footwear to the Soviet Union are subject to the condition that the soles incorporated in such footwear should be of domestic origin. The Community alleges that such a regulation infringes certain provisions of the General Agreement, in particular those of Article III, and results in a substantial disruption of the Community's exports of this product to Finland.

When this matter was before the Council on 1 October 1982, the Finnish representative stated that the relation of the matter to the GATT was without legal justification. As a matter of fact, no restrictions whatsoever exist in the trade of the product concerned between the European Communities and Finland. Neither is there any internal regulation that would restrict the use of these products in manufacturing shoes in Finland. It is therefore the opinion of the Finnish Government that no GATT provisions, Article III included, are infringed by the decision of the Board of the Export and Import Licensing.

The restrictions in the use of imported shoe soles in trade between Finland and the Soviet Union are based on the fact that this trade is conducted on a bilateral basis in non-convertible currencies. As pointed out in the Council by the Finnish representative, the economic rationale for such a restriction ought to be clear. Indeed, were it not possible to limit such trade to products of domestic origin, Finland would gradually be drained of its convertible currency reserves while having to pay for its imports in convertible currencies and receiving payments for its exports in non-convertible currency. The Soviet Union not being a contracting party, there is, in the opinion of the Finnish Government, nothing in the GATT that contradicts the application of such a principle.

Finally, as was also pointed out by the Finnish representative in the Council, the total amount of trade in this product is insignificant, amounting only to imports of some two or three million dollars from the Community as a whole. Furthermore, the decision in question does not lead to a substantial reduction of imports of shoe soles from the Community. The allegation that the Finnish measure would lead to serious economic and social consequences, is therefore clearly exaggerated.

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