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GATT Trade Policy Review
FINLAND

Changes in the world environment for Finland's trade and the continuing recession in the country have prompted an intensive review of the country's external economic relations. The slowdown in world economic growth, the dissolution of the Soviet Union, and increasing competition within Europe have focused attention on the need for adjustment in the Finnish economy and for reforms in agricultural, industrial and competition policies.

The GATT Secretariat's report on the trade policies and practices of Finland emphasizes that, while priority is being given by Finland to the European Economic Area and to its intention to apply for full membership of the EC, Finland has participated intensively in the Uruguay Round and is strongly committed to the multilateral trading system.

While nearly 90 per cent of industrial imports enter Finland duty free, the report points out a complex and non-transparent combination of restrictions affects trade in agricultural and food products. Maintenance of food self-sufficiency on the basis of present support policies places a considerable burden on consumers and keeps the overall level of costs high.

Despite a severe recession, Finland is continuing to open its market. In the Uruguay Round negotiations, Finland has offered to reduce its tariffs by one-third and to cut export assistance in the agricultural sector by 60 per cent. In addition, import licensing requirements were removed from a number of agricultural products in July 1990.
However, the report urges that reductions in, and further bindings of, m.f.n. tariffs and other barriers to trade, combined with greater integration in the European market, would enhance the stability and predictability of Finland's trade regime. This would benefit industry and consumers alike and help to re-establish Finland's competitiveness in world markets.

The GATT Secretariat's report, together with a report prepared by the Finnish government, will be discussed by the GATT Council on 2-3 March 1992 under the trade policy review mechanism which was launched in December 1989 to enable a regular collective evaluation by the Council of the full range of trade policies of individual GATT members.

The reports cover all aspects of Finland's trade policies, including domestic laws and regulations; the institutional framework; bilateral, regional and other preferential agreements; and the wider economic and development needs.

Attached are summary extracts from the reports. Full reports are available for journalists from the GATT Secretariat on request.

The complete trade policy review of Finland, including these two reports together with a record of the Council's discussions and of the Chairman's summing-up, will be published in June 1992 by the GATT Secretariat, Centre William Rappard, 154 rue de Lausanne, 1211 Geneva 21.

The Finnish economy is currently undergoing a severe recession, after many years of high growth rates. The slowdown in world economic growth has coincided with a decline in the Soviet market for Finnish goods and increasing competition within a new European context. The creation of the European Economic Area, generating nearly half of world trade, will require greater flexibility and competitiveness from Finnish industry and commerce. The unilateral decision by the Finnish Government in June 1991 to peg the markka to the ECU, at the existing rate, will also force price and wage adjustment if Finland's economy is to regain competitiveness.

Finland's industrial structure is a mixture of highly competitive and highly protected sectors. Certain Finnish industries - such as paper and board, shipbuilding, industrial machinery and high-technology electronics - appear to be efficient producers on a world scale. Food manufacturing is sheltered by the high protection given to agricultural inputs. Others, such as clothing and footwear, have until recently been protected from world market developments by the guaranteed market for their output provided by Finland's stable trade links with the Soviet Union. These industries have both to absorb the effective loss of the Soviet market and to restructure into higher quality, more internationally competitive forms of production if they are to survive.

Finland's agriculture is, like that in other Scandinavian countries, highly protected. A high level of domestic support is backed up by border measures which effectively prevent imports of many competing products. Subsidized export surpluses in dairy products and eggs in particular contribute, if in a relatively small way, to the depression of world markets. Finland, like many other European countries, is facing up to the need to redefine its aims in the area of agriculture and food security.

On a dollar basis, Finland's per capita GDP is near the top of the ranks of industrialized countries; however, in purchasing power parities, the income of the Finnish citizen is less enviable. Finland is one of the most expensive countries in Europe and the declining cost competitiveness of industry has become an important constraint to export growth. In recent years, tight labour markets have put upward pressure on wages and labour costs and have significantly eroded competitiveness.

*PLEASE SEE ADDENDUM ON PAGE 14.
Finland in World Trade

Throughout the 1980s the growth of Finland's economy, propelled by industrial output, exceeded the OECD average. Productivity of capital and labour increased more rapidly than in Finland's major trading partners.

Finland accounts for 1 per cent of world trade. In certain product markets (such as furs, paper-making machinery, high-quality papers and icebreaking vessels) it has a dominant position in world exports and as such is a potential price setter. Imports are dominated by raw materials, oil and metals, and machinery and equipment.

Although merchandise exports account for a lower share of Finland's GDP than in many other small economies, over half the net value of industrial production is exported. Expansion of overseas production and sales by Finnish-owned companies have contributed to further internationalization of Finland's industrial sector.

The Soviet Union was, until recently, Finland's largest export market. Currently, Finland's major trading partners are Western European neighbours; over 60 per cent of trade takes place with EFTA and EC countries. In the first half of the 1980s, bilateral clearing trade arrangements guaranteed substantial exports of industrial goods in exchange for oil from the Soviet Union. In the second half, while the decline in the world price of oil caused a fall in the value of exports to the Soviet Union, a boom in markets for wood and paper products sustained economic activity.

The liberalization of exchange regulations and financial markets by the Finnish authorities in the 1980s led to an upsurge in foreign investment-based expansion abroad by Finnish companies. While this also contributed to industrial growth and diversification in Finland, unprecedented levels of private foreign debt were built up. Inward investment grew more slowly, although in the last few years some major firms have been acquired by foreign investors. Regulations still limit foreign ownership, particularly in natural resources, property, and certain service sectors. In practice, policy towards foreign investment has been liberal in recent years and the legislation is being revised.

The cumulative effects of declining exports to the Soviet Union, increasing competition on world markets for pulp and paper products, recession in major export markets and the 1989 revaluation of the Finnish markka took their toll on export and economic growth and in 1990 the economy slowed to a halt. With a contraction in domestic demand, imports have fallen and the trade balance has improved. Yet the current account deficit and the high level of foreign debt remain of concern.

Forty years ago, Finland was predominantly an exporter of timber. Since then, its industrial structure has undergone considerable transformation. Paper and paperboard have displaced less processed products of the forest industry. Exports of the metals and engineering industries now exceed those of forestry. In engineering, Finland is a
world leader in paper-making machinery and has established viable industries in telecommunications and other high-technology areas. The chemicals industry has likewise diversified, expanding from oil refining and fertilizer production into a broad range of chemical-based products.

Imports of agricultural products (primarily fruits, vegetables, and tropical beverages) represent less than 5 per cent of total imports. Finland is, overall, a net importer of agricultural products but has (in relation to its own output) considerable subsidized exports of surplus agricultural production, mainly grains, meat and dairy products and eggs.

Institutional Framework

The Republic of Finland is a parliamentary democracy with a legislature of 200 members, elected every four years by direct proportional elections. The President, elected every six years, holds the executive power and has ultimate responsibility for foreign relations, including trade relations. Together, the President and the Council of State form the Government.

Numerous laws govern international trade. All GATT obligations form part of Finland's domestic legislation and may be invoked directly in the courts by individuals. The Act on Safeguarding Foreign Trade is a cornerstone of domestic trade legislation, permitting the imposition of restrictions and the safeguarding of domestic industry. In applying the Act on Prevention of Dumping and Subsidized Imports, Finland adheres to the principles of the Tokyo Round Agreements.

Trade and foreign policy are essentially the domains of the Ministry for Foreign Affairs; however, the Ministries of Trade and Industry, Agriculture and Finance take part in policy-making, in addition to their regular duties of supervising the implementation of trade legislation. A number of other Ministries and agencies are engaged in regulatory work with a bearing on trade.

At the level of implementation, the National Board of Customs is in charge of the assessment and collection of tariffs and excise duties on imports and domestic goods as well as the turnover tax on imports and the import equalization tax. The Export and Import Permits Office, reporting to the Board of Licensing under the Ministry of Trade and Industry, operates the import licensing régime. The Agricultural Marketing Council makes decisions regarding imports and exports of agricultural products.

A Committee system is central to the work of both Parliament and the Government. The Committee for Foreign Affairs, a permanent Ministerial Committee, meets regularly to discuss foreign policy matters. The permanent Customs Advisory Committee assists the Ministry of Finance in its customs-related duties. Committees are also frequently set up to study specific issues or act as advisory bodies in the reform or preparation of legislation.
Policy decisions are preceded by informal consultation between the Government and organizations representing management and labour, political parties and business leaders. While there is no formally established independent body that reviews trade policies, the Government presents an annual report on its activities, including trade policy, to Parliament.

Legislation and regulations affecting Finland's external economic relations have recently come under intensive review, pending Finland's participation in the European Economic Area. One recent and far-reaching outcome of policy reform in Finland has been the strengthening of competition policy, leading to reduced regulatory barriers to both domestic and foreign competition.

Trade Policy Features and Trends

Recent evolution

Industrial goods and some processed agricultural goods from other EFTA members and from the Soviet Union have entered Finland duty-free since 1967. Since 1977, the same has been true for industrial imports from the European Communities and, since 1985, for a wide variety of products imported from Bulgaria, Czechoslovakia, Hungary and Poland. Between the first half of the 1970s and the second half of the 1980s, the share of imports of EC and EFTA origin in total Finnish imports increased by 10 per cent, while the share subject to m.f.n. treatment declined. Today, trade with the European Communities and EFTA accounts for nearly two-thirds of Finland's merchandise trade.

In 1972, Finland implemented the Generalized System of Preferences, granting duty-free and quota-free treatment to eligible imports. In 1988, GSP origin imports represented 7.5 per cent of total imports, but nearly one-third of agricultural imports. Since the inception of the scheme, the Government has expanded the list of beneficiaries, added products of special interest to least developed countries and undertaken an annual review of the GSP Scheme.

Subsidies to manufacturing are lower than in either the European Communities or other Nordic EFTA countries, amount to roughly 1.5 per cent of industrial value added. Regional aid, to promote small businesses and reduce regional differences in unemployment is the largest component of state aid to manufacturing. Industrial subsidies in Finland include grants and loans to promote export marketing, interest rate subsidies on export credits, investment and interest rate subsidies promoting the use of domestic fuels and energy conservation and loan guarantees. Grants and loans to promote research and development in the corporate sector have risen in the last decade, yet the share of public financing of corporate R and D remains well below the OECD average.

Agricultural production receives substantially more assistance and border protection than does industry. Assistance as a proportion of production has risen over the years and is considerably higher than the OECD average, at a level comparable to those in Switzerland and Norway.
Eighty-five per cent of support operates through the price system; remaining income support is mainly paid through regional subsidies.

Agricultural policy has aimed at self-sufficiency and the provision of an income level for farmers commensurate with other sectors of the economy. Self-sufficiency has long since been achieved and, indeed, exceeded in some agricultural commodities. Export subsidies are substantial, representing the largest single component of State expenditure on agriculture and exceeding the world market value of exports in 1990. Producer levies, applied on feed since 1980, and more recently introduced on fertilizers, milk, pork and wheat, have helped to reduce the public sector's share of export costs.

Type and incidence of trade policy instruments

With some exceptions, Finland's trade régime for industrial products is relatively simple, stable and transparent. The level of m.f.n. tariff protection for most industries in Finland is moderate, although slightly higher than in other Nordic countries. GATT-bound duties cover m.f.n. imports of nearly all industrial goods, with one-third of these bound at zero.

In industry, there is evidence of m.f.n. tariff escalation. Industrial raw materials enter duty-free, whereas the average (1988) m.f.n. tariff on finished manufactures was 9.4 per cent. Such tariff escalation is most pronounced in rubber, footwear and clothing, in which alternate duties come into play and substantial tariff peaks occur, sometimes over 25 per cent.

In practice, nearly 90 per cent of imports of industrial products enter Finland duty-free. In addition to preferential zero tariffs on imports from European free-trade partners and GSP beneficiaries, "industrial" rates of duty are available for inputs and capital goods for processing industries; in some of these cases, the absence of domestic production is the condition for the granting of the concession. Temporary duty concessions also lower the price of imported inputs for the food-processing, chemicals and plastics, textiles, metals and machinery industries. These concessions place m.f.n. suppliers of such goods on a more even footing with preferential partners but increase effective protection of final output against imports from non-preferential trading partners.

Import prohibitions are in effect for dangerous goods or products hazardous to consumer or environmental health. Import permits are required for live animals, arms and ammunition, explosives, ores and concentrates for generating nuclear energy, radiation equipment, pharmaceuticals and narcotics. Export licenses are required for radioactive substances, narcotics, scrap metal and ships.

By contrast, a complex and non-transparent combination of tariffs, discretionary and global licensing restrictions, variable import levies and State-trading provisions affects trade in agricultural and food products produced in Finland. Regional preferences, while applying to some products
in this sector, are not the rule. Import licensing affects 60 per cent of agricultural and food products while variable levies are often the binding constraint. Global quota levels depend largely on the need to meet shortfalls in domestic production; bilateral quotas apply to cheese imports from the EC and Switzerland.

Not only are average tariffs higher on agricultural imports than on industrial imports, but the share of bound duties is considerably lower. Specific, alternate and seasonal duties apply to a number of agricultural imports. Seasonal duties raise the level of protection during the local growing season. The effect of specific duties is more restrictive on lower-priced imports. In the case of alternate duties, the specific duty is the minimum rate applied and is often higher than the ad valorem rate. These combine to create uncertainty for traders and high protection for local producers.

Since the quantity of imports of goods subject to variable levies is limited both by the incidence of the levies themselves and by licensing restrictions, revenues from import levies are minor: customs duties on imported agricultural products in fact provide three to four times more revenue than levies. Variable levies on grains imported by the Finnish Grain Board are waived. Furthermore, some agricultural products, imported under "industrial rates of duty" used for further processing, are exempt from duties and levies.

The protection of domestic agriculture spills over into the food-processing industry. An excise duty is applied to over 200 food products, with an ad valorem incidence on imported food of 27 per cent in 1989. Domestic producers of foodstuffs sold in Finland deduct from the excise tax payable the difference between the domestic and the world prices of raw materials used. Excise duties are also waived on exported foodstuffs, which are in addition eligible for price compensation on the domestic raw material component.

Price compensation is widespread in the food processing sector, covering processing costs in cereal and flour products, vegetable oils and refined sugar. The refund on turnover taxes on milk and meat is higher than the standard tax, suggesting that payment made to the food industries covers more than the cost of raw materials.

The food, beverages and tobacco industry is considered to be the most highly protected industry on the basis of non-tariff barriers, according to an expert survey taken in Finland. Lending credibility to this assessment is the price level of foodstuffs which (in 1985) was two to three times higher than in the European Communities. The prices of some domestically produced foodstuffs, such as rye flour, meat and milk, have risen faster than the overall consumer price index and prices of such imported goods as rice and coffee have fallen.

Excise duties are levied not only on foodstuffs but on a number of consumer goods. Fiscal duties on fuels and taxes on motor vehicles and alcohol provide a significant amount of State revenue. Taxes on motor
vehicles double the landed price of passenger cars. Since there is virtually no local production, the tax acts both as an import barrier and reduces consumer welfare.

A public monopoly governs trade in alcohol. The stated rationale for this monopoly is to discourage consumption; one means of achieving this objective is maintaining high prices. Alcoholic beverages are more expensive than anywhere else in Europe; the tax rate rises to as high as 80 per cent of the retail price.

Technical, health and sanitary regulations in Finland are largely harmonized with those of Nordic or other Western European countries and, according to official sources, do not discriminate against or among imported products where similar conditions exist in exporting countries. Sanitary certificates are required for goods that are suspected of bringing infectious or contagious animal or vegetable diseases into the country. Since January 1986, wood products from North America, Japan and China have been banned subsequent to the discovery of pinewood nematode in a wood chip shipment from the southern United States. The Government has made it clear that trade measures will be applied with due consideration to environmental protection goals.

Finland applies the principles of the Government Procurement Code and is involved in the current negotiations to broaden its coverage. While it has been alleged that procurement practices have acted as non-tariff measures, and the Government acknowledges that local authorities tend to order from national firms, the share of imported goods purchased by the public sector as a whole is between 20 and 25 per cent of total purchases, higher than in some other developed countries.

Rules of origin serve to apply preferences on imports and to administer restrictions on clothing. For goods not wholly produced in the originating country, rules of origin are based on the criterion of sufficient working or processing. In general, products qualify for originating status if non-originating materials have undergone a change of tariff heading or if the share of non-originating materials used is below a specified percentage limit. For textiles and clothing imported from the EC, the product must undergo enough processing to change tariff headings twice. For clothing imports under MFA agreements, a certificate of origin issued by the competent authority in the exporting country is required. Certain consumer goods imported for retail sale must indicate country of origin.

Temporary measures

The 1974 Act on Safeguarding Foreign Trade and Economic Growth in Finland allows for the imposition of an additional duty for a maximum of one year on imports which cause or threaten to cause market disruption. This surcharge is calculated on a basic price which should not exceed a representative export or domestic price of similar Finnish goods. The basic price acts as a signal to traders and an additional duty, notified under Article XIX, has been applied only once in recent years. This Act
also permits Finland to raise the level of concessional tariffs to their m.f.n. level in order to safeguard domestic industry.

Other temporary measures taken by Finland in the past to safeguard domestic industry included the application of non-automatic import licensing to imports of flat steel bars from Romania between May 1988 and May 1989 and the suspension of GSP treatment on imports of tents between 1 November 1985 and 31 October 1986.

Anti-dumping duties have been used sparingly. Most investigations have involved imports from State-trading countries and, in several cases, have been terminated at the request of the applicant. In some cases, the exporter agreed to price undertakings and in only two cases were anti-dumping duties imposed. Countervailing duties have never been applied.

Finland maintains a voluntary restraint agreement on certain steel products sold to the United States; the current arrangement extends through March 1992. Finland is participating in negotiations on a proposed International Consensus for trade in steel products.

New initiatives

Finland is continuing the process of opening up its market, both through the Uruguay Round negotiations and in the context of the European Economic Area.

In the Uruguay Round market access negotiations, Finland has offered to reduce its tariffs by one-third on a formula basis. On tropical products, provisional offers, in effect since mid-1989, reduce the previous average tariff level by 50 per cent. In the negotiations on agriculture, Finland has offered to cut export assistance by 60 per cent from the 1986 level by 1996, and to reduce protection to processed foods at the same rate as that to be applied to industrial products. With regard to protection of intellectual property rights, Finland will have adopted a system of product patent protection for pharmaceuticals by 1995.

In July 1990, import licensing requirements were removed from a number of agricultural products, including several varieties of fish and fruit and vegetables, both fresh and processed. In order to prevent abuse of market dominance in the sugar industry, imports of refined sugar may be liberalized in the near future. In the spring of 1991, the Government issued a Decision aiming to increase the availability of import licenses and adding flexibility to quotas in order to keep domestic prices from rising under supply constraints.

In the last few years, renegotiation of bilateral MFA agreements has resulted in the enlargement or removal of quotas.

The dismantling of semi-barter clearing trade with the Soviet Union in 1991 removed the need for import licensing to monitor the bilateral exchange of goods. As a result, licenses for oil imports and other fuels
may be issued to all applicants. Furthermore, transition to the use of convertible currencies in bilateral payments has led to the elimination of local content requirements on exports to the Soviet Union. As a result, the share of imported inputs in certain sectors has risen strongly, suggesting that import prices for comparable products are lower.

Under the most recent Farm Income Act, export support for agricultural commodities will be lowered annually until 1994 with the farm sector assuming an increasing share of the responsibility of exports. Target prices for certain commodities have been frozen and product-specific price support has been replaced by direct income payments.

Policy objectives of the present Government include increasing the contribution of the "open" sector to GNP, and broadening the range of goods available to the consumer. While Finland has to date provided little public support to industry in the form of direct subsidies, the current economic programme aims to increase the financing of export marketing and increase the international competitiveness of industry.

By pegging the markka to the ECU without devaluing, Finland has chosen to realign its relative price level towards those of its European trading partners. Given the high-cost structure of Finland's economy, a considerable adjustment effort will be required.

Finland is also conscious of the need to increase competition practices in its own economy. At present, the ten largest Finnish manufacturers account for over half of exports; four of these are state-owned companies. Resulting market dominance and monopolistic practices have been identified in both private and public enterprises. Exclusive arrangements operate throughout the forest industry and high concentration in the distribution trade for consumer goods has not been conducive to competition. The Office of Free Competition has already begun to lower barriers to entry for both domestic and international competitors, by revising regulations and dissolving exclusive arrangements.

Trade Policies and Foreign Trading Partners

A Contracting Party to the GATT since 1950, and a signatory to all but one of the Tokyo Round Agreements, Finland strongly supports multilateralism and the broadening and strengthening of GATT rules. At the same time, as an EFTA member and now part of the European Economic Area, Finland participates extensively in regional and bilateral trade agreements.

The Finnish Government has approached the Uruguay Round with substantial offers and a strong commitment to the multilateral system. Along with other Nordic countries, it advocates the strengthening of GATT disciplines particularly on anti-dumping and subsidies and the extension of GATT rules to new areas. Nevertheless, support for Finland's agriculture remains complex, discretionary and expensive.
The immediate priority for policy makers in Finland today is the European integration process. National technical regulations will be harmonized and mutual recognition of regulations and acceptance of test results will be adopted. Harmonisation of competition laws will alter cartel and state aid practices. More rigorous control of mergers may bring about changes in the structure of large Finnish conglomerates. Offers for tenders by public entities in EFTA countries are now advertised in EC publications and EC directives for public procurement are being adopted. If EC subsidies to the shipbuilding industry have in the past placed Finnish industry at a disadvantage, future alignment of rules on industrial aid will be positive for Finland.

Finland has chosen to pursue bilateral trade disputes through consultation, in most cases successfully. In the few cases where Finland has been a defendant in GATT dispute settlement, it has implemented the panel recommendations.

On the whole, market access for Finnish exports has not been a problem, especially since the majority of its trade takes place under free-trade agreements. Under the agreements on the reciprocal removal of obstacles to trade concluded with certain Eastern European countries, Finland benefited from preferential access. This recently became more significant following reform of the trade regimes in Eastern Europe. Finland has, however, faced problems in some specific areas where its industries have comparative advantage. Examples of these are, at present, dumping charges on exports of transformers to Australia and on coated paper to the United States; in addition, Finland's shipbuilding industry has been effectively blocked from exporting icebreakers to the United States because of "Buy America" rules.

Finland's trading policies, particularly in agriculture, should become less restrictive as a result both of European integration and of the Uruguay Round. However, maintenance of the policy of food self-sufficiency on the basis of present support policies places a considerable burden on the consumer and keeps the overall level of costs in the economy high. Reductions in, and further bindings of, m.f.n. tariffs and other barriers to trade, combined with greater integration in the European market, would enhance the stability and predictability of Finland's trade régime. This would benefit industry and consumers alike and help to re-establish Finland's competitiveness in world markets.
I. Overview

1. Since the publication of the Secretariat's report on Finland (C/RM/S/20A and B), three major developments have affected the Finnish economy. The first was the dissolution of the Soviet Union and consequent changes in the trade relations between Finland and the new Commonwealth of Independent States. A new trade agreement with the Russian Federation, replacing that with the Soviet Union, was signed on 20 January 1992. Both parties agreed to refrain from introducing any new customs duties or altering import charges. Revised rules of origin were to be drafted within three months. Trade may be conducted in freely convertible currencies or on the basis of counter-trade.

2. New trade and cooperation agreements have also been established between Finland and the Baltic States.

3. The second development was the floating, and subsequent depreciation, of the Finnish markka in November 1991. Interest rates in Finland began to rise towards the end of September, as uncertainty grew regarding the comprehensive wage settlements, seen as crucial to maintaining Finland's external competitiveness and the established nominal value of the markka. On 14 November 1991, the Bank of Finland unpegged the markka from the ECU, to which it had been linked in June. This action was taken after huge capital outflows had forced up short-term interest rates to nearly 30 per cent. Subsequently the fluctuation range was raised, lowering the value of the markka vis-à-vis the ECU by 12.3 per cent. New upper and lower limits of FIM 5.39166 to FIM 5.72516 to the ECU were established. Under the circumstances, the wage settlement required renegotiation; on 29 November 1991, a comprehensive income policy settlement was reached freezing nominal wages for one year.

4. The third major element effecting Finland's future political and economic orientation is the conclusion of the European Economic Area agreement and developments stemming from it. In his speech at the opening of Parliament in February 1992, President Koivisto expressed the view that Finland should apply for full membership of the European Communities. The Government intends to follow a rapid timetable in this regard.

II. Recent Economic Developments

5. The 1991 recession in Finland proved more severe than suggested in Chapter I of the Secretariat report. Real GDP fell by 6 per cent. The volume of exports shrank by 8 per cent and that of imports by 17 per cent,
imports from the Soviet Union dropping by 27 per cent. The merchandise trade surplus grew and the current account deficit narrowed slightly.

6. The official outlook published by the Ministry of Finance in February 1992 expects a mild, export-led recovery to begin towards the end of the year. Key determinants are an improvement in Finland's competitiveness which is expected to result from the devaluation and wage freeze; and a cyclical upturn in OECD economies in the second half of the year. The volume of exports is projected to increase by 6 per cent. At the same time, domestic private consumption and investment are expected to fall markedly (by 4 and 10 per cent respectively). Severe financial constraints remain on more rapid economic growth; the Government's financial deficit has increased, and its debt burden is growing with higher interest rates; and unemployment is growing, despite a decline in the overall supply of labour. The unemployment problem is particularly severe among young people where it has reached 20 per cent.

III. Developments in Trade Policies

7. Apart from Finland’s announcement of its intention to seek full membership of the European Communities and the new trade agreements with the Russian Federation and the Baltic States, mentioned above, other changes in trade measures known to the Secretariat include the renegotiation of MFA agreements with Hong Kong, Macau, the Republic of Korea and China. The agreement with Korea is valid for a three-year period, starting from 1 January 1992; the agreements with the other three trading partners are valid for two years. Under the new agreements with Hong Kong and Macau, growth rates have been increased and restraints on some product categories removed.
Trade Policies and Practices

Objectives of trade policies

Finland is a small trading nation with only 5 million inhabitants. Given the fact that the domestic market in Finland can generate only a limited demand for goods and services, the trade policy of the country must be externally oriented. A small country must also be able to ensure that its goods benefit from equitable competitive conditions in export markets in order to maintain and expand profitable production at home. Due to limited natural resources, imports of raw materials, intermediate goods and machinery are also required on a large scale to maintain and develop production activities.

Accordingly, since the Second World War, Finland has consistently pursued a trade policy with the aim of establishing and expanding trade relations and removing obstacles to economic interaction on as wide a basis as possible. For this reason Finland has always supported, and continues to support the open, multilateral trading system with effective rules.

Initially, Finland's post-war foreign trade was to a considerable extent regulated and concentrated on traditional trading partners and traditional products. Since then, however, a remarkable expansion of Finland's trade relations in all directions has taken place.

The rapid change in the country's production pattern together with a deep-going social change - a dramatic shift from an agricultural society to an industrial one - gave a strong impetus to this development. A new dimension, especially in the 1970s was the drive to diversify exports to new areas beyond the traditionally dominating forestry industry and heavy metal and engineering industries.

A strong motive in this development was, of course, also an effort to make the national economy less sensitive to fluctuations of world trade of those commodities.

Finland's dependence on foreign trade is reflected in the fact that, for instance, in the 1980s exports and imports represented between 25-30 per cent of the gross domestic product (GDP). The share of foreign trade in the GDP has, however, slightly decreased in recent years. This trend is due to rapidly increased domestic demand during the latter half of the 1980s and also to the lack of competition in the so-called closed sector of the economy. It is likely that this will change in the future, and that the role of foreign trade in the national economy will again increase.
The opening up of the foreign trade régime has taken place at a pace corresponding to the general liberalization in world trade. Some restrictions have nevertheless been maintained in respect of a few individual sectors.

A natural starting point in the general liberalization orientation has been the close and far-reaching economic co-operation with the neighbouring countries in line with Finland's general foreign policy objectives.

The West European countries (EFTA, EC) are Finland's most important trading partners. In 1989, they accounted for 64 per cent of exports and 63 per cent of imports. Having joined the European Free Trade Association (EFTA) as an associate member in 1961, Finland became a full member in 1986. The free trade agreements which the EFTA countries concluded with the European Economic Community (EEC) and the European Coal and Steel Community (ECSC), entered into force in 1974.

The free trade in industrial goods achieved between twelve European countries has proved to be a very successful and important factor for the development of the Finnish economy. Especially the intra-EFTA trade has contributed strongly and positively to the country's structural adjustment.

In 1989 the EFTA countries and the EC agreed that this regional integration should further be intensified and broadened to cover new areas in order to reach free movement of goods, services, capital and manpower, thus creating the so-called European Economic Space (EES). In this context Finland has consistently emphasized that this valuable and important co-operation must not become any hindrance to the wider, global liberalization of world trade. In the view of Finland, regional and global processes should reinforce rather than hamper each other.

Another important element contributing to the relaxation of trade barriers is Finland's trade with the Soviet Union and the Eastern and Central European (Bulgaria, Czechoslovakia, Hungary, Poland, earlier also the former German Democratic Republic) countries. Trade is since 1960 based on duty-free arrangements with the Soviet Union, and correspondingly with those other countries mentioned above since the mid-1970s on the basis of bilateral agreements concerning reciprocal removal of obstacles to trade.

The new situation in Eastern Europe is understandably giving reason to believe that trade policy and other economic co-operation in Europe could take place on a wider basis than hitherto. Finland would welcome this development as well as a closer integration of these countries into the global multilateral trading arrangements.

Within the overall expansion of her trade relations Finland intensified, especially in the 1980s the economic links with developing countries. As a result, some fifteen agreements on economic, industrial and technological co-operation were concluded between Finland and individual developing countries in the course of the 1980s. Since 1972
Finland has granted GSP treatment to developing country exports with the exception of some agricultural and textile products. The Finnish GSP scheme is based on simple principles: total exemption from customs duties is granted for all products covered by the scheme and no quotas or ceilings are applied. During its existence, the scheme has been continuously improved by the inclusion of new beneficiary countries and the extension of the product coverage. A revision of the current GSP scheme's coverage is in process, and it is anticipated that as a result of that revision the least-developed countries will benefit from further improvements in their market access to Finland.

The traditional Nordic co-operation is extensive and far-reaching also in the field of trade and economy. It has led to strong interlinkages between the economies of these countries. The harmonization of national legislations in many areas, and in particular, the creation of a common labour market, has led to a situation where economic operators can carry out their activities in the other Nordic countries under the same terms as in their home market.

Finland acceded to the GATT in 1950 and has strongly supported all the negotiating rounds ever since as important means for strengthening and further developing the multilateral trading system. Finland is, therefore, seriously concerned over the current difficulties facing the functioning of the GATT system of rules and disciplines as well as the ongoing Uruguay Round, which, if successful, would serve to resist and curb protectionist pressures, grey area measures and bilateral and unilateral actions which are not in conformity with the spirit and objectives of the GATT. A successful round would also help to integrate developing countries, newly industrialized countries and former centrally planned economies better into the multilateral trading system and the world economy as a whole.

Finland joined the OECD in the late sixties and has since then taken part in all the activities of the organization.

Description of the import and export system

Imports to Finland are free from restrictions with the exception of two sectors, namely agriculture and textiles, where there still are restrictions, including quotas and licensing arrangements. It should be noted, however, that for instance, in the case of agriculture the product coverage subject to licensing has gradually been reduced. As of 1 July 1991, imports of crude oil, oil products and coal, which earlier had been regulated due to bilateral trade arrangements with the Soviet Union, were also liberalized. Some licensing requirements primarily for surveillance purposes remain in effect.

Exports from Finland are also unrestricted with one exception of some economic significance: export licence is needed for exports of scrap metal including ships.

The Government has no other direct intervention in imports or exports, which are carried out by economic operators only. There is no
discrimination between domestic or foreign owned companies in export/import transactions.

As regards voluntary export or import restraints, there is only one such government-to-government arrangement in force, namely an arrangement covering exports in the steel sector.

The average tariff level in Finland is low, around 7.7 per cent. Approximately 83 per cent of total imports already enter Finland duty free. Practically all (99 per cent) of the tariffs for industrial products are bound. In the agricultural sector the share of total imports falling within GATT-bound items is 88 per cent. Specific duties or variable levies are generally applied to imports of many agricultural products.

Multilateral, regional and bilateral trading agreements

European Free Trade Association (EFTA)

The European Free Trade Association (EFTA) was established in 1960 upon the initiative of those European market economy countries which were not able or willing to join the EEC, founded a few years earlier. They wanted, however, to intensify economic integration among themselves after the more broadly based Western European free-trade project (the Maudling Round) had been dropped.

Because of the importance of her trade with these countries also, Finland joined EFTA in 1961, first as an associated member but with the same rights and obligations as the full members. There were, however, two exceptions to the terms applied by the other EFTA countries: Finland was authorized to implement a slower schedule for tariff reductions and had the right to maintain quantitative restrictions for imports of oil products (fuels) and fertilizers.

The goals of EFTA (Article 2 of the Convention) are (a) to promote, in the area of the Association and in each Member State, a sustained expansion of economic activity, full employment, increased productivity and a rational use of resources as well as financial stability and a continuous improvement in living standards; (b) to ensure that trade between the Member States is taking place under fair competitive conditions; (c) to contribute to a harmonious development and expansion of world trade and to the progressive removal of barriers to trade.

The main objective of EFTA - free trade in industrial goods between the Member States - was reached in 1966, three years earlier than stipulated by the schedule for tariff reductions. Duties in trade between Finland and other EFTA countries were abolished the following year.

The EFTA Convention covers agricultural products only to a limited extent (mainly processed products) and separate bilateral agreements have been negotiated to enhance trade in this sector as well. In the case of Finland, such agreements have been concluded with Austria, Norway, Sweden and Switzerland.
As of 1 January 1986, Finland has been a full member of EFTA, and thus the situation which had de facto prevailed for quite a long time was then formally consolidated. The agreement has an unlimited duration.

Participation in EFTA has had a decisive impact on the opening up and development of Finnish foreign trade as well as on the diversification and on the structural adjustment of the national economy. The EFTA group has also been able to play a balancing rôle in the wider European co-operation and it has contributed actively to the GATT negotiations as well.

**Free Trade Agreement with the European Economic Community and the European Coal and Steel Community**

The first enlargement of the EEC in the early 1970s changed the existing trade policy set-up to such an extent that Finland had to react to it in order to protect her own interests. The positive experiences from free trade within the framework of EFTA facilitated Finland's decision to conclude a Free Trade Agreement (FTA) with the EEC in 1974 in order to establish free trade in industrial goods. A separate agreement was concluded with the European Coal and Steel Community in 1975 to cover trade in products under its authority. Both agreements are of unlimited duration.

The formal goals of the FTAs are (a) to develop economic relations between the parties concerned in a harmonious way and to promote economic development in Finland and in the EEC by expanding mutual trade, to improve standards of living and working conditions, and to increase productivity and financial stability; (b) to ensure fair terms of competition for trade and (c) to contribute to a harmonious development and expansion of world trade by removing barriers to trade.

Also in the case of FTA, agriculture is left out with the exception of a variety of processed products. A separate agreement concerning trade in cheese has been agreed upon between Finland and the EC.

The agreement with the EEC has had a very positive impact on Finnish foreign trade. The FTAs, concluded simultaneously by all the EFTA countries have created essentially the same kind of free-trade area - comprising a total of eighteen countries and a market of 350 million people - that was discussed in the Maudling Round.

When Spain joined the EC, a separate protocol was agreed upon to amend the FTAs between the EC and the respective EFTA countries.

Correspondingly, a protocol amending again the FTAs between the EC and EFTA countries when Portugal (a former party to the EFTA Convention) became a member of the EC.

A new phase aiming at further broadening of relations between the EFTA countries and the EC was launched by the Declaration of the EFTA meeting held on a prime ministerial level in Vienna in 1977. That was followed by a joint EFTA and EC Ministerial Declaration in Luxemburg in 1984. This
Declaration provided guidelines for the intensification of the existing co-operation as well as for its extension to new areas not covered by the FTAs.

A wide-ranging process of negotiations has been initiated since then, and the joint EFTA/EC Ministerial meeting at the end of 1989 decided to start final negotiations with the aim of creating the European Economic Area where goods, capital, services and persons could move freely. The EEA Agreement should also strengthen and broaden co-operation in a number of other areas covered by the Community's actions and reduce economic and social disparities between the regions. At the joint Ministerial meeting in December 1990, the two sides expressed their desire to see the EEA Agreement enter into force at the beginning of 1993.

Soviet Union

An important development as regards trade policy was the conclusion in 1947 between Finland and the Soviet Union of a trade agreement which included the most-favoured-nation clause.

Since 1950 the bilateral trade between Finland and the Soviet Union was carried out on the basis of five-year trade agreements, which were completed by annual indicative protocols on the exchange of goods. Moreover, financial transactions were implemented through the clearing-payment system, e.g. without using convertible currencies. All exports and imports were also subject to licensing requirements in order to control the domestic content of products traded.

The trade agreement of 1947 was given an unlimited duration. In 1960 Finland concluded a separate customs agreement with the Soviet Union. That agreement grants duty-free entry to goods originating in the Soviet Union. Also this agreement was given an unlimited duration. Subsequently, both these agreements have been applied so that Soviet products have received the same treatment as the one granted by Finland to any third country or economic association.

The bilateral trading system was abolished completely as of the beginning of this year. Consequently, all trading transactions are now taking place under ordinary terms and only convertible currencies are used for payments. Also licensing requirements applied to bilateral trade have been abolished for Finnish exports as from the beginning of this year and for imports from the Soviet Union as from the beginning of July 1991.

It can be said, that the trade with the Soviet Union gave a strong stimulus to Finnish foreign trade in the post-war decades because it provided a basis for the diversification of exports. Furthermore, this trade has been important to Finnish raw material and energy management and supply.
Free Trade Agreements with Bulgaria, Czechoslovakia, Hungary and Poland

Between 1974 and 1978 Finland concluded separate Agreements on the Reciprocal Removal of Barriers to Trade with the countries mentioned above. These agreements grant imports from those countries free trade treatment similar to that accorded by Finland to the EFTA countries and to the EEC.

They differ, however, from Finland's agreements with the EFTA and the EEC in that those Eastern or Central European countries which did not have effective customs tariffs were committed to taking internal measures to provide Finland with reciprocal trade concessions in their own markets. These agreements are of unlimited duration.

PROBLEMS IN EXTERNAL MARKETS

High tariffs exist in many markets. In developing countries high tariffs are the rule, in industrialized countries exports are often affected by tariff peaks and tariff escalation. Additional duties and charges form a problem that also Finnish industries often quote.

Quantitative restrictions cover various kinds of merchandise in practically all types of countries. Complex import procedures, especially in connection with licence requirements, represent additional barriers.

Proliferation of investigations of dumping or subsidization has proven to be a major source of problems. Trade can be adversely affected even if at the end of the investigation process it is found that dumping or improper subsidizing has not occurred. The burden of proof that is required in some countries for the consideration or reconsideration of a case involving alleged dumping or subsidization and damage to the domestic industry cannot be considered as reasonable.

Problems created by the inadequate protection and enforcement of intellectual property rights have grown in magnitude and become more common in recent years. On the other hand, processes for protecting domestic industries against infringements of industrial property rights have in some cases proven to form obstacles to trade comparable to those caused by dumping or subsidization investigations.

Finnish export companies face a relatively large number of perceived trade barriers in the field of services. Problems occur both in industrialized and developing countries and involve various sectors. Most of the restricted measures are related to the category of market access. However, restrictions may be found as well, e.g. in establishment of companies, work-permit regulations and currency regulations. The barriers and difficulties affecting the export of services are accordingly largely similar to those found in the trade in goods, i.e. discriminatory taxation, subsidies, quotas, national preference regulations etc.
RELEVANT BACKGROUND AGAINST WHICH THE ASSESSMENT OF TRADE POLICIES MAY BE CARRIED OUT: WIDER ECONOMIC AND DEVELOPMENTAL NEEDS, EXTERNAL ENVIRONMENT

Wider economic needs, policies and objectives

The main objectives of fiscal and monetary policies have not changed during recent years. According to the programme of the present Government the main goals of the economic policy are to reduce the deficit on current account, to curb the rising foreign debt, to safeguard employment, to make public finances more efficient, and to increase the contribution of the open sector to the GDP. Therefore it will be necessary to reduce inflation, increase and diversify exports and raise the savings rate. Likewise, it will be necessary to reduce labour costs, to freeze the level of government expenditure and to dampen the rise in local government spending.

In the Government programme it is also stated that in the negotiations concerning the European Economic Area, the Government is seeking a balanced agreement, within the agreed timetable. Accordingly, the Government will assess internal developments in the European Communities and their possible enlargement from Finland's point of view, and seek solutions which best secure the country's national interest. In the GATT talks, the Government will seek results that guarantee the effectiveness of the multilateral trade system, and lead to a greater openness in world trade. The Government will take part in the negotiations concerning agricultural trade on the basis of Finland's initial offer tabled in October 1990.

The external economic environment

Major trends in imports and exports

Finland enjoyed high and relatively stable economic growth throughout the 1980s. In the last few years of the decade, however, the growth of the GDP accelerated due to the expansion of domestic demand, and signs of overheating became apparent. The rapid growth of demand, which was boosted by improvement in the terms of trade, led to an expansion of imports in the late 1980s. In 1985-1990 the volume of merchandise imports grew by 33 per cent. During the same period the volume of merchandise exports grew only by 8 per cent. This relatively modest export performance was largely due to sluggish demand in Finland's traditional export markets such as Sweden, the Soviet Union and the United Kingdom. Also the rapid growth of domestic demand limited the scope for increasing supply in export markets. In 1985-1990 Finland's exports to the Soviet Union decreased by 29 per cent. In 1990 the Soviet share fell to 13 per cent of total exports. The price competitiveness of the Finnish industry deteriorated considerably during the 1980s. This has been reflected most clearly in difficulties to shift export deliveries from Eastern to Western markets.

In the course of 1990 the economic climate worsened. As domestic demand slackened and international economic conditions deteriorated, the Finnish economy entered a recession. Output did not grow at all in 1990 and the volume of imports declined by 1.5 per cent. In 1991 the GDP volume
is expected to drop by 5 per cent and the volume of imports will decrease by a further 11 per cent. This reflects not only a drop in private consumption and investment but also a considerable decline in industrial production and stock levels due to the deep recession.

The volume of exports, which increased in 1990 by 2 per cent, will decline by 7 per cent in 1991 according to the official forecast. This is mainly due to the 60 per cent fall in exports to the Soviet Union. Increased demand due to German unification was in 1990-1991 a factor counteracting the general weakening in Finnish export markets. It is expected that exports to the Western markets could recover in the course of 1991 and 1992, as demand growth will pick up and the simultaneous slow-down in domestic demand will create some supply effects. The level of competitiveness has been an obstacle especially due to efforts to obtain new market shares in order to compensate for the slack of domestic demand and the drop in exports to the Soviet Union. However, the price competitiveness of Finnish industry is forecast to improve by 10 per cent in 1991-1992.

Due to the slow-down in the traditional export markets of Finnish industry and to changes in relative prices and costs especially in the late 1980s, there has been a marked change in the structure of Finnish exports. Since 1988 the share of metal and engineering industries has exceeded the share of forest industries in total merchandise exports. Due to the major drop in Soviet trade, the export share of consumer goods industries like textile and clothing industries has declined considerably.

In the traditional structure of Finnish exports, dominated by the forest industries, the share of intra-industry trade was relatively small. Inter-industry specialization was prevalent for trade, and the rôle of domestic raw materials was large. However, it is likely that the share of intra-industry type of trade will increase as a result of the expansion in metal and engineering industries and the deepening integration in Europe.

Another considerable change in the structure of foreign trade is geographical. In 1985-1990 Finnish exports to the EC area grew by 56 per cent, so that the share of the EC in total exports was 46.5 per cent. The change will continue also this year because of the considerable decrease of the exports to the East. In January-July 1991 the share of exports to the Soviet Union was only 5 per cent and the share of exports to the EC was 52 per cent of total export deliveries.

Developments in the terms of trade and commodity prices

The share of those products, which are most sensitive to cyclical fluctuations, diminished in Finnish exports in the 1980s. In 1980 wood and pulp accounted for 16 per cent of total exports, whereas in 1990 the corresponding share was only 8 per cent. Therefore, the traditional volatility of Finnish exports has decreased. In 1985-1990, according to the unit value indices, the terms of trade in Finland improved by 17 per cent, which is considerably more that in the other industrial countries.

MORE
The unit value indices reflect, however, partly also the structural change of foreign trade, which was relatively rapid during the second part of the 1980s. The fact that the rise of unit values has been faster in metal and engineering industries than in forest industries seems to indicate this. One possible interpretation is also that the rapid increase of export unit values is partly a result of domestic cost pressures.

**Important trends in the balance of payments, reserves, debt, exchange and interest rates, and similar issues**

During the latter part of the 1980s the external balance of the Finnish economy deteriorated considerably. This reflected the rapid growth of domestic demand, on one hand, and the weak export performance, on the other.

The weakening in the external balance of the economy came to an end in 1990. The current account deficit ceased to grow in relation to total output, since commodity imports fell with the stagnation of domestic demand. The current account showed a deficit of FIM 27 billion, which is 5 per cent of nominal GDP. The trade balance was FIM 2.1 billion in deficit, but improved by FIM 4 billion from the previous year. In contrast, the deficit on the service account grew further. Interest payments on foreign debt is the item which has increased most rapidly in recent years due to the accumulation of current account deficits.

In the course of the year 1991 these trends have continued. The trade balance has turned into surplus, but the burden of interest payments is growing. Thus, the improvement in the current account balance is expected to be relatively slight. At the end of 1991 the net foreign debt will be about FIM 155 billion which is 30 per cent of GDP.

On 7 June 1991 Parliament approved a bill by which the markka is unilaterally linked to the EC's official accounting and currency unit (ECU). This measure does not involve any change in the former fluctuation range of the markka. The margins and midpoint are set to correspond with those of the old currency index. The new midpoint is 4.87580 (FIM/ECU).

**International macroeconomic situation affecting the external sector**

The economic growth in Finland's traditional export markets has been sluggish during the past few years. This has largely reflected the economic imbalances and relatively tight economic policy stance in many of these countries. On the other hand, it seems that the German unification and the ongoing European integration have benefited Finnish exports.

The current changes in the Soviet economy have also markedly altered Finland's economic environment. In December 1990, it was decided to dismantle the bilateral trade and clearing system between Finland and the Soviet Union. Consequently from the beginning of 1991, trade between Finland and the Soviet Union has been conducted on the basis of convertible currencies. The considerable decline in Finnish exports to the Soviet Union in 1991 is mainly due to the overall decline of Soviet imports, not to the transitory problems related to the change in payments system.
### Exports by Industries

<table>
<thead>
<tr>
<th>Industry</th>
<th>1989</th>
<th>1990</th>
<th>Change in value</th>
<th>Share %</th>
<th>Change in unit value</th>
<th>Change in volume index</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>99,782</td>
<td>101,327</td>
<td>2</td>
<td>100.0</td>
<td>100.0</td>
<td>-1</td>
</tr>
<tr>
<td></td>
<td>-37</td>
<td>-39</td>
<td>-24</td>
<td>-22</td>
<td>-20</td>
<td>-10</td>
</tr>
<tr>
<td>Agriculture and forestry</td>
<td>1,406</td>
<td>885</td>
<td>1.4</td>
<td>0.9</td>
<td>-27</td>
<td>-16</td>
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<tr>
<td>Forestry</td>
<td>200</td>
<td>152</td>
<td>0.2</td>
<td>0.2</td>
<td>10</td>
<td>-31</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>461</td>
<td>410</td>
<td>0.5</td>
<td>0.4</td>
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<td>-14</td>
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<tr>
<td>Industry</td>
<td>97,862</td>
<td>99,993</td>
<td>2</td>
<td>98.1</td>
<td>98.7</td>
<td>-1</td>
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<tr>
<td>Food, beverage and tobacco industry</td>
<td>1,824</td>
<td>2,236</td>
<td>1.8</td>
<td>2.2</td>
<td>-2</td>
<td>25</td>
</tr>
<tr>
<td>Textiles, clothing and leather industry</td>
<td>3,617</td>
<td>3,325</td>
<td>3.6</td>
<td>3.3</td>
<td>0</td>
<td>-8</td>
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<tr>
<td>Wood industry</td>
<td>7,417</td>
<td>7,810</td>
<td>7.4</td>
<td>7.7</td>
<td>12</td>
<td>-6</td>
</tr>
<tr>
<td>Paper and graphic industry</td>
<td>32,513</td>
<td>31,668</td>
<td>32.6</td>
<td>31.3</td>
<td>-4</td>
<td>1</td>
</tr>
<tr>
<td>Chemical industry</td>
<td>8,843</td>
<td>9,541</td>
<td>8.9</td>
<td>9.4</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>Pottery, glass and stone processing industry</td>
<td>1,062</td>
<td>1,096</td>
<td>1.1</td>
<td>1.1</td>
<td>5</td>
<td>-1</td>
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<tr>
<td>Basic metal industry</td>
<td>9,135</td>
<td>8,092</td>
<td>9.2</td>
<td>8.0</td>
<td>-22</td>
<td>13</td>
</tr>
<tr>
<td>Metal product and machine industry</td>
<td>32,682</td>
<td>35,492</td>
<td>32.8</td>
<td>35.0</td>
<td>4</td>
<td>5</td>
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</tbody>
</table>

### Imports by Use of Goods

<table>
<thead>
<tr>
<th>Use of Goods</th>
<th>1989</th>
<th>1990</th>
<th>Change in value</th>
<th>Share %</th>
<th>Change in unit value</th>
<th>Change in volume index</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>105,519</td>
<td>103,027</td>
<td>-2</td>
<td>100.0</td>
<td>100.0</td>
<td>-2</td>
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<tr>
<td>Raw materials and production necessities</td>
<td>56,843</td>
<td>55,473</td>
<td>53.9</td>
<td>53.8</td>
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<td>-2</td>
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<tr>
<td>For industry</td>
<td>49,716</td>
<td>48,458</td>
<td>47.1</td>
<td>47.0</td>
<td>0</td>
<td>-4</td>
</tr>
<tr>
<td>For building activity</td>
<td>3,343</td>
<td>3,357</td>
<td>3.4</td>
<td>3.3</td>
<td>2</td>
<td>-7</td>
</tr>
<tr>
<td>For other activity</td>
<td>2,704</td>
<td>2,765</td>
<td>2.6</td>
<td>2.7</td>
<td>-5</td>
<td>9</td>
</tr>
<tr>
<td>Fuels</td>
<td>3,252</td>
<td>3,571</td>
<td>3.1</td>
<td>3.5</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Solid fuels</td>
<td>1,107</td>
<td>1,182</td>
<td>1.0</td>
<td>1.1</td>
<td>-2</td>
<td>10</td>
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<tr>
<td>Liquid fuels</td>
<td>1,488</td>
<td>1,558</td>
<td>1.4</td>
<td>1.5</td>
<td>12</td>
<td>-7</td>
</tr>
<tr>
<td>Investment goods</td>
<td>20,605</td>
<td>19,365</td>
<td>19.5</td>
<td>18.8</td>
<td>5</td>
<td>-10</td>
</tr>
<tr>
<td>For agriculture and forestry</td>
<td>1,250</td>
<td>1,354</td>
<td>1.2</td>
<td>1.3</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Transport vehicles</td>
<td>4,345</td>
<td>4,104</td>
<td>4.1</td>
<td>4.0</td>
<td>8</td>
<td>-13</td>
</tr>
<tr>
<td>Other machines and equipment</td>
<td>15,009</td>
<td>13,907</td>
<td>14.2</td>
<td>13.5</td>
<td>4</td>
<td>-11</td>
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<td>Consumer goods</td>
<td>24,056</td>
<td>23,889</td>
<td>22.8</td>
<td>23.2</td>
<td>3</td>
<td>-4</td>
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<tr>
<td>Foods, beverages and tobacco</td>
<td>3,165</td>
<td>3,303</td>
<td>3.0</td>
<td>3.2</td>
<td>7</td>
<td>-3</td>
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<tr>
<td>Textiles and garments</td>
<td>4,080</td>
<td>4,502</td>
<td>3.9</td>
<td>4.4</td>
<td>1</td>
<td>9</td>
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<tr>
<td>Other non-durable consumer goods</td>
<td>5,347</td>
<td>5,730</td>
<td>5.1</td>
<td>5.6</td>
<td>4</td>
<td>4</td>
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<tr>
<td>Private cars</td>
<td>5,409</td>
<td>4,473</td>
<td>5.1</td>
<td>4.3</td>
<td>4</td>
<td>-21</td>
</tr>
<tr>
<td>Other durable consumer goods</td>
<td>6,055</td>
<td>5,881</td>
<td>5.7</td>
<td>5.7</td>
<td>2</td>
<td>-5</td>
</tr>
</tbody>
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END