1. Legal and Administrative Basis of the Restrictions

The statutory basis of Finland's import controls is the Act of 30 December 1957, the purpose of which is to safeguard foreign trade and the country's economy. Under this Act, which has been renewed annually, with only minor changes, the Government is authorized to regulate the export and import of all types of merchandise. The Act is implemented by Cabinet decrees which must be approved by Parliament.

A Cabinet Decree of 29 June 1953 specifies that "all imports and storage of merchandise in customs warehouses" are forbidden except when an appropriate import licence has been obtained. This Decree, together with the Decree of 12 March 1954 and the Law of 30 December 1957, which define the functions of the Licensing Office, set out the basic regulations for the control of imports.

The imports controls are operated by the Licensing Office which is administratively under the Ministry of Commerce and Industry. The Licensing Office is supervised by a Board of Directors, composed of a Director-General, a representative of the Bank of Finland, one of the Foreign Ministry and one of the Ministry of Commerce and Industry. The Office is divided into five divisions, viz.: general administration, export, chemicals and foodstuffs (import), textiles (import) and machinery and electrical equipment (import).

The Bank of Finland operates the foreign exchange control and supplies the Licensing Office with information or directives concerning the availability of foreign currency for import purposes.

The Licensing Office decides the use of the amounts of foreign currency which have been allotted by the Bank of Finland. The Board takes into consideration the commitments undertaken in trade agreements and the requirements of raw materials essential to the national industrial production. Licences are then, as far as possible, issued for imports of semi-finished goods and finished manufactures from traditional sources of supply.

Applications for licences are examined by the specialized division of the Licensing Office under the supervision of the Director-General, except in the rare case of applications concerning compensatory or barter deals on which decisions are taken by the Board itself. In cases where a division examining an application finds that it cannot reach a decision, the Director-General of the Office may refer the application to the Board.
The Licensing Office ensures the publication of information concerning the granting of licences; for example, all licensing programmes drawn up by the Board must be made known to the importers. Further, a list of the licences granted is published indicating the date of the decision, the type of goods licensed, the amount of foreign currency allotted, the exporting and importing countries 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. Applications relating to imports of ships and major machinery must, in addition, be accompanied by a plan for the financing of the purchase, which is to be approved by the Bank of Finland.

2. Methods Used in Restricting Imports

Under the current import control policy, imports are admitted under the following procedures: (a) freed imports, (b) global quotas, (c) licensing under bilateral agreements and (d) discretionary licensing.

(a) Freed imports: All imports except those mentioned in the Negative List of 25 May 1960 (see Annex) are admitted without licence. This applies to those Western European countries which are signatories to the "Helsinki Protocol" providing for multilateral trade and payments (viz. Austria, Belgium, Denmark, France, the Federal Republic of Germany, Iceland, Italy, Luxemburg, the Netherlands, Norway, Portugal, Sweden, Switzerland including Lichtenstein, and the United Kingdom, and their dependent territories). It also applies to the United States, Canada and Tunisia, which are associated with the multilateral protocol, and Argentina.

Through administrative decisions by the Licensing Office the Negative List is also valid for countries in the sterling area and for certain imports from the dollar area (other than United States and Canada). Import licences are required for goods not on the List but they are granted automatically. Further, for certain other imports licences are granted, as a rule, forthwith and without limitations (liberal licensing), providing that they correspond to genuine requirements and often as a test case for eventual subsequent liberalization.

(b) Global quotas: The "Helsinki Protocol" also establishes global quotas for specified imports. Commodities which may be imported under this arrangement are divided into two categories.

---

1 The imports thus admitted without licence cover 81.2 per cent of Finnish imports on private account from these countries in the basic year 1954. Finland has undertaken to maintain liberalization of imports from the participating countries at a minimum rate of 80 per cent during the contractual period ending 31 December 1960.
Category I. Licences are allotted to importers in proportion to their imports in a previous licensing period with minor modifications when necessary. Licence holders are free to import any of the goods covered by the quotas from any of the countries participating in or associated with the multilateral trade and payments scheme and from countries of the sterling area, other than Ireland.

Category II. Licences for goods in this category specify the commodity and the amount to be imported, but the importer is free to select the source of supply among the countries concerned.

(c) Bilateral agreements: Finland still has bilateral agreements with the following countries: Brazil, Greece, Israel, Morocco, Spain, Turkey, Yugoslavia, China, USSR and other Eastern European countries except Albania. The agreements with China and the countries of Eastern Europe are of a rigid bilateral type with swing credit margins and trade and payments conducted in fairly strict accordance with the quota and clearing provisions. The recent payments agreements with Turkey and Greece (of 13 May 1960 and of 9 June 1960) are to be considered as intermediate steps towards multilateralism. According to the provisions of these agreements, the accounts are balanced at regular intervals (three to four months) by paying one half of the debt in free currencies. The bilateral agreement with Morocco provides for payments in convertible currencies.

(d) Discretionary licensing: All other imports are subject to discretionary licensing. The general policy is to consider applications for licences individually on their own merits. In addition to global and bilateral quota obligations established under trade agreements, the Licensing Office takes account of the availability of the currency in question and the essentiality, price and quality of the products concerned. In the allocation of licences among importers, account is taken of their past imports and the past record of firms with regard to the price and quality of their imports. A reasonable amount of the exchange allocations is usually reserved for new importers.

* * *

The general trend has been to remove products from the discretionary licensing to global quotas.

The period of validity of the import licences corresponds to the delivery time. Long-term licences are granted when the payment or delivery time exceeds one year and in certain circumstances (purchase of heavy equipment and the like) the period of validity may be several years.

A licence fee is charged as a contribution to administrative costs; there is a charge of Fmk. 300 (little less than $1.00) and, for other than automatic licences, an additional charge on a sliding scale.
3. **Proportion of Imports Covered by the Different Procedures**

It is calculated that in 1959 imports of goods on the "Free List", (which correspond to goods now not on the Negative List) and the automatic licensing procedure covered about 65 per cent of Finland's total imports. About 11.5 per cent were covered by global quotas. For the goods subject to licence, see the attached "Negative List".

4. **Treatment of Imports from Different Sources**

In the operation of the system of import controls described above differentiation of treatment exists between imports from the following sources:

(i) Signatories to the multilateral trade and payments protocol of 29 December 1959, countries associated with this agreement and Argentina.

(ii) Other sterling area countries.

(iii) Other dollar area.

(iv) Bilateral agreement countries.

(v) Other countries.

Licences for imports from countries not included in the global quota system or in bilateral quota agreement are considered in the light of availability of foreign exchange, essentiality and relative prices.

5. **Imports under State Trading**

The State Granary, which is governed by the Law of 26 October 1951, 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.

The manufacture, trade and consumption of alcoholic beverages is regulated by the Law of 9 February 1932. The exclusive right to import these products belongs to a State-owned company which carries on trade on a commercial basis within the limitations imposed by considerations of public order and the balance-of-payments position.

Imports on Government account represent a small fraction of Finland's total imports.
6. Measures Taken Last Year in Relaxing or Otherwise Modifying Restrictions

Since the last consultation with Finland in July 1959, the following changes and modifications have been made:

(i) The group of countries connected with the multilateral trade and payments system has been enlarged so as to include also France, United States, Canada, Tunisia and Iceland. The bilateral agreements with Uruguay and Paraguay have been discontinued.

(ii) In connexion with the adoption as from 1 June 1960 of the Brussels Nomenclature, the "Negative List" system was adopted to replace the previous "Free List" system, and the liberalization enlarged.

(iii) In connexion with the renewal of the "Helsinki Protocol" in December 1959 the global quotas were increased by at least 10 per cent. Also their scope was enlarged to cover certain new products that were earlier subject to discretionary licensing.

(iv) After the devaluation of the Finnish markka in September 1957, the Bank of Finland regulations required payments for certain imports on the free list to be made before customs clearance. These regulations were progressively eased during 1958 and 1959, and abolished altogether in November 1959. According to the new rules in effect as from 2 November 1959, importers are free to make use of normal commercial trade credits in conformity with prevailing trade customs, provided, however, that credits exceeding one year are still submitted to the Bank of Finland for approval. The practice regarding export credits has also become more liberal.

7. Effects of the Restrictions on Trade and General Policy

(Statement by the Finnish authorities)

It is only natural that restrictions on imports easily lead to the establishing of new industries or protection of the existing ones. On the other hand, it seems to be impossible to obtain any statistical evidence as to the extent of such protection. While agreeing that some protection unavoidably has been given to certain industries through import restrictions maintained for balance-of-payments reasons, the Finnish Government wants to stress that this protection has not been intentional. This is perhaps best illustrated by the fact that during the three years of liberalization since 1957 no major changes have taken place in Finnish industrial production as a result of liberalization, not even in the new industries Finland was compelled to create after the war, particularly the machinery and metal industries.

The general policy of the Finnish Government is to proceed with the removal of all import restrictions as far as the balance-of-payments position permits. In regard to imports still subject to discretionary licensing, the authorities will continue to avoid undue protection and to stimulate competition.

Annex: Negative List of Products Subject to Licence

(To be circulated separately)