Committee on Balance-of-Payments Restrictions

1961 CONSULTATIONS UNDER ARTICLE XII:4(b) WITH
FINLAND

Basic Document for the Consultation

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) free importation, (b) global quotas, (c) licensing under bilateral agreements and (d) discretionary licensing.

(a) Free importation. All imports except those mentioned in the Global Quota List and Discretionary Licensing List, both of 1 July 1961, (Annex A) are admitted without licence. The two lists mentioned above constitute the Finnish negative list. This import treatment applies to all countries which are signatories to the "Helsinki Protocol" of 1 January 1961. The same benefits were, as of that date, unilaterally extended to cover also (i) the new independent African countries, (ii) the countries of the Sterling area, (iii) the Franc area and (iv) the remaining Dollar area. At present the multilateral import system of Finland is applied to 81 countries and 56 dependent territories, a complete list of which will be found in Annex A.

The imports admitted without licence cover about 82 per cent of Finnish imports originating in the multilateral treatment area, calculated on the basis of imports in 1954. According to the provisions of the "Helsinki Protocol" Finland is under obligation to maintain the level of liberalization of imports from the signatory countries at a minimum rate of 80 per cent during the contractual period ending on 31 December 1961.

(b) Global quotas. Imports under global quotas are subject to licensing and are allowed from countries to which the multilateral import treatment is applicable. The importers may opt, within their respective shares, which are calculated by the licensing authorities taking into consideration the proportion of their previous imports in each commodity, between the commodities included in the global quotas. The importer may also at discretion choose the country of purchase among the countries to which multilateral import treatment is applicable.

On 1 July 1961 the Global Quota List was revised due to Finland's association with EFTA. In accordance with the provisions of the EFTA-Convention concerning the scheduled increase of global quotas, the necessary raises were
carried out and, in the same context, the number of quotas was increased from 33 to 47 by dividing certain large quotas. Although this revision, which resulted in an increase of about 3,000 million markkas to the initial global quota allocation for the year 1961 (which at the beginning of the current year was fixed at 30,000 millions) was caused by Finland's association with EFTA, all countries entitled to multilateral import treatment enjoy the benefit of the increased quotas on a non-discriminatory basis.

(c) Bilateral agreements. Trade between Finland and Bulgaria, Colombia, Czechoslovakia, German Democratic Republic, Greece, Hungary, People's Republic of China, Poland, Rumania, Turkey, USSR and Yugoslavia is based on bilateral trade and payments agreements. Imports from the above-mentioned countries are subject to licensing as fixed in the quotas of these trade agreements. The agreements, with the exception of those with Greece and Turkey, are of a rigid bilateral type with swing credit margins and trade and payments conducted on a fairly strict basis in accordance with quota and clearing provisions. The payment agreements with Greece and Turkey are considered as intermediate steps towards multilateralism. According to the provisions of these agreements, the accounts are balanced quarterly by the debtor country by paying one half of the debt in free United States dollars. Israel is a special category: trade between Israel and Finland is bound by indicative commodity lists, but payments are settled in convertible currency.

(d) Discretionary licensing. Discretionary licensing is applied to other imports. The general policy is to consider individually the applications for licences on their own merits. In addition to taking into account global and bilateral quota allocations, the Licensing Office considers the availability of the currency needed as well as the essentiality, price and quality of the product concerned. In the allocation of licences among importers, account is taken of their past imports and the past record of the importer as to the price and quality of their imports.

The general trend has been the continuous removal of commodities from the discretionary licensing category to global quotas or free importation. In 1960 a number of commodities with a total importation value of 1,500 million markkas, which for reasons of a technical nature were difficult to include in global quotas, were liberalized.

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

A licence fee is charged as a contribution for covering administrative costs. The charge is fixed at 1,500 markkas (a little less than five United States dollars) for every licence application.

3. Proportion of imports covered by the different procedures

It is calculated that in 1960 free imports covered about 66 per cent of Finland's total imports. About 22 per cent were covered by imports under global quotas.
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 agreements 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 according to free market principles, within the limitations imposed by considerations of public order and the balance-of-payments position.

Imports on Government account represent a very small fraction of Finland's total imports.

6. **Measures taken in the last year in relaxing or otherwise modifying restrictions**

Since the last consultation with the CONTRACTING PARTIES in October-November 1960 the following changes and modifications in restrictions have taken place:

(1) The multilateral import treatment area has been substantially enlarged.

(2) In the context of the renewal of the "Helsinki Protocol", effective 1 January 1961, global quotas were increased by approximately 14 per cent in comparison with the global quota total in 1960. Due to Finland's association with the EFTA on 1 July 1961, an additional allocation amounting to about 3,000 million markkas was granted. Consequently the total global quota allocation for 1961 (33,000 millions) is approximately 25 per cent higher than that for 1960 (26,300 millions).
(3) The bilateral payments agreements with Brazil, Israel and Spain have been terminated.

(4) Partly due to the coming into force of the EFTA Agreement, partly in consequence of further efforts to ease the foreign exchange policy, the Bank of Finland decided, effective 1 July 1961, to relax the foreign exchange regulations. This does not relate to the import of commodities, but to the stipulations governing the buying of currency for services and other invisible imports.

The new Bank of Finland directive includes relaxation with respect to the following foreign exchange transactions: the hiring of foreign transportation, payments which concern settlements made by travel agencies, purchases of foreign currency for travel for business purposes (official or private), payments relating to pensions, maintenance and support.

Regulations concerning transfers of capital and the yield therefrom as well as certain personal transfers of capital have been further eased.

7. Effects on trade and general policy
(Statement by the Finnish authorities)

It is only natural that restrictions on imports easily lead to the establishment of new industries or the protection of 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 since the liberalization in 1957 no major changes have taken place in Finnish industrial production as a result of liberalization, not even in the new industries which 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. With regard to imports still subject to discretionary licensing, the authorities will continue to avoid undue protection and to stimulate competition.

Annex A: "Importation System of Finland as of 1 July 1961."

One copy of this leaflet is to be circulated separately to each delegation.