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THE SHARE OF THE DEVELOPING COUNTRIES  
IN FINNISH FOREIGN TRADE  
by Dolat Patel

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## THE SHARE OF THE DEVELOPING COUNTRIES IN FINNISH FOREIGN TRADE

by Dolat Patel

At a time when international discussions on trade and development are devoting increasing attention to the expansion of trade with the developing countries, it seems timely for Finland to examine the pattern of her trade with the developing countries and to consider the possible positive steps towards boosting trade in directions other than the traditional markets. This is becoming vitally important in view of other factors as well, as for example, the Economic Council forecast contained in the Report on Growth Policy, according to which the average rate of growth of exports is likely to decline from 7.1 per cent between 1954-1962 to 4.5 per cent between 1962-1967.

In this paper an attempt has been made to study the pattern and structure of Finnish foreign trade with the developing countries over the period 1954-1965. The examination of both import and export trends has revealed that the share of the developing countries in total imports and total exports has been steadily decreasing during the last decade. To begin with trends in imports are surveyed and the reasons explaining the small share of the developing countries in total imports are considered, followed by an analysis of exports and the factors responsible for the small proportion of total exports to the developing countries. Finally, the extent to which it would be possible to expand trade is discussed. The trends are surveyed in terms of a comparison of developments in the major trading areas, since such a comparison should serve to indicate the relative significance and the shifting emphasis of these

areas in Finland's trade.

The trends may be meaningfully explained in terms of the three distinct phases in Finnish foreign trade: 1954-1957, when import licensing and bilateral trade were the dominant features; 1958-1960, the move towards greater liberalisation; and 1961-1965, the years during which trade with the EFTA countries assumed increasing importance.

### Import Trends

The following tables, Tables 1 and 2, show Finnish imports by countries of origin and by countries of purchase over the period 1954-1965. As apparent from Table 1, the share of the developing countries in total imports has declined from 12.2 per cent in 1954 to 6.6 per cent in 1965 or by almost half. The shares of Asia and Oceania and Latin America fell from 2.3 per cent and 9.3 per cent in 1954 to 1.8 per cent and 3.7 per cent respectively in 1965, while that of Africa has shown a slight increase from 0.6 per cent in 1954 to 1.1 per cent in 1965. Thus, over the period under review, the share of the developing countries in Finnish imports has shown a steady decline, with the lowest percentage of 5.9 per cent in 1961.

From 1954-1957 the share dropped by 2.2 percentage points to 10 per cent in 1957. The introduction of automatic licensing in the middle of 1955, which in practice meant the liberalisation of imports of certain goods, does not seem to have had much effect on imports from developing countries. On the contrary, it could be said to have had a negative effect on the absolute level, which decreased from 202.4 million marks



	1960		1961		1962		1963		1964		1965 <sup>x</sup>	
	Mk	%	Mk	%	Mk	%	Mk	%	Mk	%	Mk	%
EFTA	1 023.5	30.1	1 158.6	31.4	1 260.4	32.1	1 264.5	32.7	1 544.4	32.1	1 806.0	34.3
EEC	1 156.2	34.0	1 265.1	34.3	1 330.0	33.8	1 157.6	29.9	1 432.4	29.7	1 624.8	30.9
Other developed countries <sup>1</sup>	313.9	9.2	327.5	8.9	334.5	8.5	358.9	9.3	434.9	9.0	509.4	9.7
Eastern Bloc <sup>2</sup>	701.0	20.6	716.9	19.4	748.1	19.1	812.7	21.0	1 008.0	20.9	961.7	18.3
Developing Countries	205.4	6.0	219.5	5.9	251.8	6.4	254.9	6.6	375.2	7.8	345.4	6.6
- Africa	27.0	0.8	30.9	0.8	38.3	1.0	33.6	0.9	51.9	1.1	59.5	1.1
- Asia & Oceania	77.9	2.3	74.1	2.0	78.2	2.0	66.5	1.7	85.7	1.8	92.9	1.8
- Latin America	100.4	2.9	114.5	3.1	135.4	3.4	154.8	4.0	237.6	4.9	193.0	3.7
Others	3.0		2.6		3.9		18.2		21.6		18.8	
Total	3 403.0		3 690.2		3 928.7		3 866.8		4 816.5		5 266.1	

1. USA, Canada, Australia, New Zealand, Japan, South Africa, and other European OECD countries outside EEC and EFTA.

2. Including China.

<sup>x</sup> Based on Finnish Foreign Trade Statistics.

to 192 million marks in 1956, as well as on the relative share, which dropped from 11.4 per cent to 9.4 per cent at the end of 1956, when inflationary conditions and a depletion in foreign exchange reserves forced a return to controls. At the same time, the absolute level of imports from EFTA, EEC, and the other developed countries and the Eastern Bloc in 1956 showed increases over the 1955 levels, (the relative shares of the EEC and the other developed countries showing an increase in total imports).

Despite the establishment of the multilateral system of trade and payments in 1957 and the considerable liberalisation of Finnish imports following the devaluation of the Finnish mark in autumn 1957, the share of the developing countries in total imports continued to decrease from 8 per cent in 1958 to 6 per cent in 1960 while the proportion of imports from EFTA and EEC increased from 26.9 per cent and 29.3 per cent in 1958 to 30.1 per cent and 34.0 per cent respectively in 1960. Since Finland became an associate member of EFTA during the period, it is obvious that the proportion of imports originating in the EFTA countries should increase.

Between 1961-1965 the absolute level of imports from the developing countries increased from 219.5 million in 1961 to 345.4 million marks in 1965. However, the proportionate share in total imports changed only slightly: from 6.0 per cent to 6.6 per cent, although the share fluctuated to some extent, reaching a minimum of 5.9 per cent in 1961 and a maximum of 7.8 per cent in 1964. The average share in total imports during 1961-1965 was 6.5 per cent.

During this period (1961-1965) the share of the EFTA

countries continued to increase, standing at 34.3 per cent in 1965. This was, of course, the outcome of Finland's closer association with EFTA and a consequence of the commitments of the EFTA members to accelerate the reduction of intra-trade tariffs, and Finland's similar special commitments under the EFTA agreement. For example, Finland is obliged by the EFTA agreement to step-up the global quotas for controlled imports by at least 20 per cent a year. (These quotas are to be entirely eliminated at the latest by December 31, 1967.) In addition, the renewal of the Finnish Protocol or the Multilateral Import Treatment for 1965 has meant that Finland must continue the effort to retain at least 80 per cent liberalisation (calculated on the basis of the 1954 import pattern) with respect to imports from countries on the multilateral trading list. It is worth keeping in mind that during the five-year period, 1960-1964, Finland's commodity imports increased by an average of 12.5 per cent per annum in value terms and by nearly 11 per cent per annum in volume terms, against a 9 per cent per annum increase in the value and a 7 per cent increase in the volume of exports, i.e. imports increased at a substantially higher rate than exports. In fact, there was a striking increase in imports of investment goods relative to imports of consumer goods. Imports of industrial raw materials also increased considerably and at a relatively faster rate than industrial production.

At the same time the proportionate share of the EEC countries in total imports fell from 34.3 per cent in 1961 to 30.9 per cent in 1965, and the share of the Eastern Bloc decreased from 19.4 per cent in 1961 to 18.3 per cent in 1965.



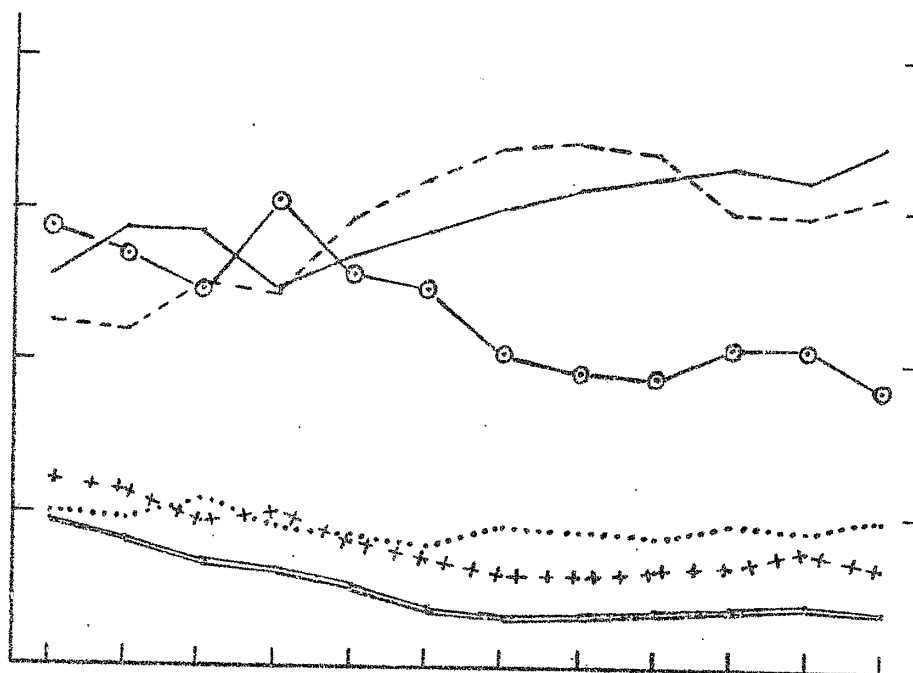
Between 1961-1965 the relative shares of Africa, Asia and Oceania, and Latin America altered only slightly: the share of Africa increased from 0.8 per cent to 1.1 per cent, that of Asia and Oceania fell from 2.0 per cent to 1.8 per cent and that of Latin America improved from 3.1 per cent to 3.7 per cent. The import trends are shown diagrammatically in Figure 1.

If imports are considered according to the foreign trade statistics based on countries of purchase, as shown in Table 2, then the share of the developing countries in total imports into Finland is lower still, showing that imports of, for example, primary products are coming from other areas, i.e. the EFTA or the EEC countries, rather than directly. Thus, by countries of purchase, the share of developing countries in total imports in 1954 was 9.5 per cent, while in 1965 the share dropped even lower, to 3.7 per cent. A comparison between Tables 1 and 2 reveals that in fact the value of imports coming from the developing countries as shown by countries of purchase is lower.

It has been estimated that about 10 per cent of imports from the EFTA countries and about 4 per cent of imports from the EEC countries in 1963 consisted of unprocessed products derived from the developing countries. The reason for this appears to be that Finland, like many other countries, prefers to continue importing from the traditional sources of purchase, particularly in view of the fact that the trade in raw materials is to a large extent still controlled by large companies based in the former ruling countries.

Imports from Major Trading Areas, 1954 - 1965  
(by countries of origin, per cent of total imports)

Per cent of  
total imports



- EFTA
- EEC
- Eastern Bloc
- +++++ Developing countries
- ..... Other developed countries
- ==== Developing countries (by countries of purchase)

THE STATE OF TEXAS  
COUNTY OF [ ]

NO.	NAME	RESIDENCE	AGE	SEX	RELATION	EDUCATION	INDUSTRY	PROPERTY	INCOME	REMARKS
1	J. W. Smith	123 Main St	45	M	Head of Family	High School	Farmer	\$10,000	\$5,000	Owns 100 acres
2	M. A. Jones	456 Oak St	32	F	Wife	Elementary	Homemaker	\$2,000	\$1,000	None
3	R. L. Brown	789 Elm St	60	M	Retired	College	Teacher	\$15,000	\$8,000	Owns 50 acres
4	S. P. Green	101 Pine St	28	M	Single	High School	Student	\$1,000	\$500	None
5	T. H. White	202 Cedar St	55	M	Head of Family	High School	Business	\$12,000	\$6,000	Owns 20 acres
6	K. D. Black	303 Birch St	40	F	Wife	Elementary	Homemaker	\$3,000	\$1,500	None
7	L. E. Gray	404 Spruce St	70	M	Retired	College	Engineer	\$18,000	\$9,000	Owns 150 acres
8	H. F. King	505 Willow St	35	M	Single	High School	Student	\$1,500	\$750	None
9	G. M. Lee	606 Poplar St	50	F	Wife	Elementary	Homemaker	\$2,500	\$1,250	None
10	C. N. Hall	707 Hickory St	65	M	Retired	College	Teacher	\$14,000	\$7,000	Owns 75 acres
11	B. O. Young	808 Sycamore St	25	M	Single	High School	Student	\$1,200	\$600	None
12	F. G. Adams	909 Chestnut St	48	F	Wife	Elementary	Homemaker	\$3,500	\$1,750	None
13	D. K. Baker	1010 Walnut St	58	M	Retired	College	Engineer	\$16,000	\$8,000	Owns 120 acres
14	J. H. Carter	1111 Maple St	30	M	Single	High School	Student	\$1,800	\$900	None
15	E. L. Evans	1212 Elm St	62	F	Wife	Elementary	Homemaker	\$2,800	\$1,400	None
16	A. S. Fisher	1313 Oak St	72	M	Retired	College	Teacher	\$13,000	\$6,500	Owns 90 acres
17	M. B. Hill	1414 Pine St	22	M	Single	High School	Student	\$1,000	\$500	None
18	N. D. King	1515 Cedar St	42	F	Wife	Elementary	Homemaker	\$3,200	\$1,600	None
19	O. E. Lee	1616 Birch St	52	M	Retired	College	Engineer	\$17,000	\$8,500	Owns 110 acres
20	P. F. Miller	1717 Spruce St	28	M	Single	High School	Student	\$1,400	\$700	None

SWORN AND SUBSCRIBED to before me this 1st day of January, 1925, at the County Seat of the County of [ ] State of Texas.

Notary Public in and for the State of Texas.

My Commission Expires [ ]

My Office is at [ ]

	1960		1961		1962		1963		1964		1965 <sup>x</sup>	
	Mk	%	Mk	%	Mk	%	Mk	%	Mk	%	Mk	%
EFTA	1 139.7	33.5	1 271.8	34.5	1 389.6	35.4	1 390.2	35.9	1 722.8	35.8	2 011.8	38.2
EEC	1 174.8	34.5	1 281.5	34.7	1 348.1	34.3	1 205.0	31.2	1 471.2	30.5	1 652.3	31.4
Other developed countries <sup>1</sup>	267.1	7.8	283.2	7.7	287.7	7.3	276.6	7.2	338.7	7.0	410.4	7.8
Eastern Bloc <sup>2</sup>	700.6	20.6	717.5	19.4	754.5	19.2	839.2	21.7	1 080.8	22.4	994.5	18.9
Developing countries	117.4	3.4	133.7	3.6	145.6	3.7	154.1	4.0	201.2	4.2	194.3	3.7
- Africa	12.3	0.4	16.9	0.4	14.2	0.4	16.4	0.4	27.4	0.6	28.1	0.5
- Asia & Oceania	14.5	0.4	17.3	0.5	23.1	0.6	25.4	0.7	26.9	0.6	30.3	0.6
- Latin America	90.6	2.6	99.5	2.7	108.3	2.7	112.3	2.9	146.9	3.0	135.9	2.6
Others	3.3		2.5		3.2		1.8		1.8		2.8	
Total	3 402.9		3 690.2		3 928.7		3 866.9		4 816.5		5 266.1	

1. USA, Canada, Australia, New Zealand, Japan, South Africa, and other European OECD countries outside EEC and EFTA.

2. Including China.

<sup>x</sup> Based on Finnish Foreign Trade Statistics.

### The Demand for Imports

The low proportion of imports from the developing countries can be explained by various factors, by far the most important being the pattern of demand for imports in Finland. The demand for imports comprises mainly of products from the advanced countries, namely, manufactured and semi-manufactured goods, which has been a reflection of the growing needs of an expanding economy, in particular of the expansion of Finland's industrial capacity and of the higher national income. In relative terms, in Finnish imports raw materials account for more than 40 per cent, capital goods for about 30 per cent, consumer goods for a little over 15 per cent, and fuels and lubricants for about 10 per cent. The proportion of imports of capital goods and fuels has shown an increase during the cyclical upswing of 1963 and 1964.

The share of the developing countries in total imports has dropped despite the liberalisation of imports, which, however, increased the import of products from the industrial countries rather than those of the developing countries. This has, of course, been an obvious outcome of the rapid increase in investment activity and the corresponding rise in the gross national product over the last decade. The developing countries have not been in a position to provide the type of products demanded by Finland, so that even though total imports have been growing at an annual rate of 8 per cent over 1954-62, the share of imports from the developing countries has been dropping steadily.

Another factor accounting for the proportionately low level of imports from the developing countries is the dete-

riorating terms of trade of the developing countries relative to Finland. In general, the commodity composition of the developing countries' trade, essentially the exchange of primary product exports for manufactured imports, has resulted in the slower growth in the value of exports of the developing countries and the adverse movement of their terms of trade. The slow growth of exports of primary products can, among other factors, be attributed to the low response of consumer demand for food, the increases in the income of consumers in the advanced countries, the widespread use of substitutes and synthetics, and the increasing output of primary products in the developed countries not only because of technological advances but also because of the protective barriers. At the same time, the prices of imports of manufactured goods, particularly capital equipment, into the developing countries have increased.

The terms of trade of the developing countries vis-à-vis Finland has been worsening in a similar manner, which accounts for an even lower value of imports from these countries relative to the other major trading areas. This lower value is also accounted for by the fact that in the last decade the prices of industrial goods imported into Finland have increased more than 2 1/2 times the increase in the prices of primary products. If this trend continues, the share of the developing countries will probably be even lower in the future.

Finland's tariff policy and the customs duties levied solely for revenue reasons are also detrimental to the expansion of imports from the developing countries. Finnish imports from the multilateral area fall into three categories: licence-free

imports or items on the so-called "negative free list", imports subject to global quotas and imports subject to individual licensing. Imports under global quotas comprise roughly 15 per cent of total imports, while 7 per cent of total imports are subject to individual licensing. The most important in the last category consist of certain agricultural products which are 5 per cent of the customs nomenclature. The agricultural products subject to global quotas are fruit, tomatoes, cereal products, starch, vegetable oils, edible fats and oils, etc. Those subject to individual licensing are cereals, oilseeds, edible animal and vegetable fats, sugar, mineral fuels. The restrictions on edible oils are placed mainly in the interests of the agricultural policy, while those on cereals and liquid fuels in the interests of trade with the Eastern Bloc. The duty on coffee is mainly levied for revenue purposes. Even though Finland has accepted the international coffee agreement, the duty has not been abolished in direct opposition to the developing countries' interests, on the argument that Finland being one of the countries with the highest per capita consumption of coffee, a reduction in the price of coffee would not increase the value of imports from the developing countries, i.e. demand is relatively inelastic. But it may be pointed out that in so far as a reduced price is likely to increase the demand for better quality coffee, the value of imports from the developing countries would rise. Finland has, however, as a member of GATT accepted the "standstill" resolution on tariffs.

A related point of significance is the consideration of likely developments following the complete abolishment of

tariffs in December 1967 under the EFA agreement. It is highly probable that an increasing proportion of imports will come from the EFTA countries with the fall in the domestic prices of such imports. On the other hand, imports from non-EFTA countries will be discriminated against. Thus it can be safely presumed that the proportion of imports from the developing countries will continue to decrease and that there will be a greater tendency for imports to come indirectly through the EFTA countries than from the developing countries.

It can also be argued that Finland's agricultural policy has tended to hamper an increase of imports for the developing countries. To maintain the level of income in the agricultural sector in line with that of the industrial sector, the Government has continued the policy of agricultural support, made possible because all farm products, fish and products of the foodstuffs industry fall outside the framework of the EFTA convention. Despite the considerable liberalisation of trade and the reduction in the number of commodities subjected to discretionary import licensing and global quotas in the last decades, there still remain a number of commodities, for example edible fats, which could be imported from the developing countries. A change in the agricultural policy would mean an accelerated shift of resources into manufacturing industry, an expansion in the export of manufactured goods and at the same time an increase in the import of primary products. The agricultural sector which has benefited under the shelter of protective tariffs would have to operate under more competitive conditions. A reconsideration and alteration of the agricultural policy would also work in the direction of increasing



imports of primary products from the developing countries.

In discussing most aspects of Finland's foreign trade, it is important to determine the effects of the significant proportion of trade with the Eastern Bloc. The implication of this for the trade of the developing countries with Finland is that certain products which could be imported from the developing countries are in fact imported from the Eastern Bloc. Bilateral trade and payments agreements are concluded with countries of the Eastern Bloc, the most important being the USSR. Among the products included on the import lists are cereals, sugar, liquid fuels and crude oil, cotton, and certain non-ferrous metals. As a comparison, these commodities are imported by the other Scandinavian countries, such as Sweden, Norway and Denmark, from the developing countries, which accounts for why the value of Swedish and Danish trade with the developing countries is 4.4 times and 2.6 times respectively greater than that of Finland's.

Nevertheless, although in theory it would be possible to increase trade with the developing countries by diverting a part of the trade with the Eastern Bloc, in practice this is virtually unfeasible since the trade policy in existence is unlikely to change and must be taken as given.

### Export Trends

A consideration on similar lines of the trend of exports will again reveal the shift in the relative shares of the major trading areas in Finland's total exports.

Taking the period as a whole, the share of Finnish exports to the developing countries declined from 8.5 per cent in 1954

Year	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961
Production	100	100	100	100	100	100	100	100	100	100	100	100
Consumption	100	100	100	100	100	100	100	100	100	100	100	100
Stocks	100	100	100	100	100	100	100	100	100	100	100	100
Imports	100	100	100	100	100	100	100	100	100	100	100	100
Exports	100	100	100	100	100	100	100	100	100	100	100	100
Balance of Trade	100	100	100	100	100	100	100	100	100	100	100	100
Balance of Payments	100	100	100	100	100	100	100	100	100	100	100	100
Government Expenditure	100	100	100	100	100	100	100	100	100	100	100	100
Government Revenue	100	100	100	100	100	100	100	100	100	100	100	100
Private Investment	100	100	100	100	100	100	100	100	100	100	100	100
Private Consumption	100	100	100	100	100	100	100	100	100	100	100	100
Public Investment	100	100	100	100	100	100	100	100	100	100	100	100
Public Consumption	100	100	100	100	100	100	100	100	100	100	100	100
Net Exports	100	100	100	100	100	100	100	100	100	100	100	100
Net Imports	100	100	100	100	100	100	100	100	100	100	100	100
Net Savings	100	100	100	100	100	100	100	100	100	100	100	100
Net Investment	100	100	100	100	100	100	100	100	100	100	100	100
Net Government Expenditure	100	100	100	100	100	100	100	100	100	100	100	100
Net Government Revenue	100	100	100	100	100	100	100	100	100	100	100	100
Net Private Investment	100	100	100	100	100	100	100	100	100	100	100	100
Net Private Consumption	100	100	100	100	100	100	100	100	100	100	100	100
Net Public Investment	100	100	100	100	100	100	100	100	100	100	100	100
Net Public Consumption	100	100	100	100	100	100	100	100	100	100	100	100
Net Exports	100	100	100	100	100	100	100	100	100	100	100	100
Net Imports	100	100	100	100	100	100	100	100	100	100	100	100
Net Savings	100	100	100	100	100	100	100	100	100	100	100	100
Net Investment	100	100	100	100	100	100	100	100	100	100	100	100
Net Government Expenditure	100	100	100	100	100	100	100	100	100	100	100	100
Net Government Revenue	100	100	100	100	100	100	100	100	100	100	100	100
Net Private Investment	100	100	100	100	100	100	100	100	100	100	100	100
Net Private Consumption	100	100	100	100	100	100	100	100	100	100	100	100
Net Public Investment	100	100	100	100	100	100	100	100	100	100	100	100
Net Public Consumption	100	100	100	100	100	100	100	100	100	100	100	100

This table shows the percentage change in the various components of the national accounts from 1950 to 1961. The base year is 1950. The data is presented in a tabular form for each year from 1950 to 1961.

	1960		1961		1962		1963		1964		1965 <sup>x</sup>	
	Mk	%	Mk	%	Mk	%	Mk	%	Mk	%	Mk	%
EFTA	1 066.7	33.7	1 128.7	33.4	1 074.9	30.4	1 149.0	31.2	1 414.0	34.2	1 514.1	33.2
EEC	887.2	28.0	1 038.0	30.8	1 038.4	29.4	1 094.7	29.8	1 262.9	30.6	1 280.6	28.0
Other developed countries <sup>1</sup>	299.0	9.4	306.3	9.1	325.2	9.2	386.7	10.5	455.7	11.0	530.6	11.6
Eastern Bloc <sup>2</sup>	617.9	19.5	610.2	18.1	803.0	22.7	772.1	21.0	713.3	17.3	939.7	20.6
Developing Countries	286.0	9.0	264.3	7.8	280.3	7.9	251.7	6.8	264.3	6.4	281.3	6.2
- Africa	40.5	1.3	42.3	1.3	51.3	1.4	54.3	1.5	52.5	1.3	55.5	1.2
- Asia & Oceania	79.4	2.5	82.4	2.4	102.5	2.9	91.0	2.4	91.8	2.2	90.9	2.0
- Latin America	166.1	5.2	139.6	4.1	126.5	3.6	106.4	2.9	120.0	2.9	134.7	3.0
Others	7.9		26.5		11.3		23.8		21.7		19.5	
Total	3 164.7		3 374.0		3 533.1		3 678.0		4 131.9		4 565.8	

1. USA, Canada, Australia, New Zealand, Japan, South Africa, and other European OECD countries outside EEC and EFTA.

2. Including China.

x Based on Finnish Foreign Trade Statistics.

to 6.2 per cent in 1965. Exports to the Latin American countries decreased substantially during the period, from 4.6 per cent in 1954 to 3.0 per cent in 1965, primarily due to the drastic drop in Finnish exports to Brazil: in 1959-61 metal industry exports totalled about 70-90 million marks, but subsequently, due to the foreign exchange stringency in Brazil, exports contracted to about 30 million marks annually.<sup>1</sup> Over the same period the share of exports to the EFTA countries increased from 29.6 per cent in 1954 to 33.2 per cent in 1965, to the EEC countries from 20.8 per cent to 28.0 per cent; while the share of the Eastern Bloc fell from 27.9 per cent to 20.6 per cent, and that of the other developed countries changed only slightly from 12 per cent to 11.6 per cent.

Between 1954 and 1957 there were notable shifts in the geographical distribution of Finland's exports, due to the changes in currency policies and the prevailing market situation. The importance of the share of exports to the Eastern Bloc continued to increase from 27.9 per cent in 1954 to 29.4 per cent in 1957, having recovered from the lowered share of 25.9 per cent in 1955. Finland's exports to the developing countries increased from 8.5 per cent in 1954 to 9.9 per cent in 1956 but then declined once again to 7.6 per cent in 1957. Of the developing countries, the largest share, 4.6 per cent, in 1954 went to the Latin American countries.

As in the case of imports, the proportion of exports to the EFTA and EEC countries during 1958-60 continued to increase

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1. Cf. Alfred WESTPHALEN "Finland's trade with the developing countries", Unitas, No. 4, 1964 (Oy Pohjoismaiden Yhdyspankki).

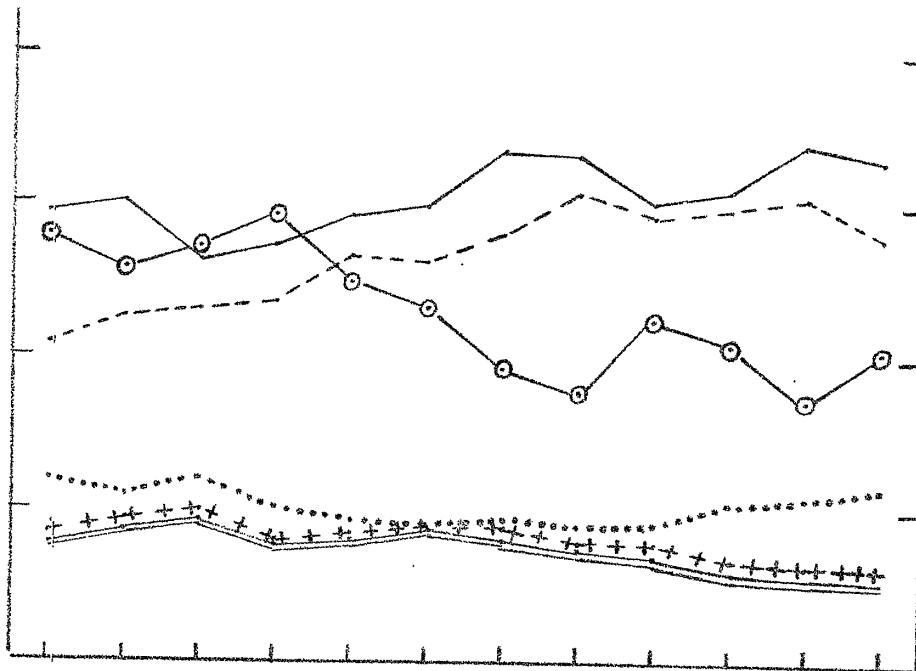
at a rapid rate, increasing to 33.7 per cent and 28.0 per cent respectively in 1960, while the share of the developing countries made a slight recovery to 9.0 per cent and that of the Eastern Bloc declined by 5.4 per cent to 19.5 per cent. The share of the other developed countries remained virtually stable at 9.4 per cent. The increase in the value and the volume of Finnish exports in 1958-60 may be attributed to certain reasons: firstly, the signing of the multilateral agreement in 1957 had meant that Finnish exports were accorded as liberal treatment as possible by the signatory countries, that is, the treatment accorded by the then-OEEC countries to one another in their internal trade was extended to Finnish goods; and secondly, the upswing in the international economic trends increased the demand for almost all leading Finnish exports. Nevertheless, in 1957, Finland's term of trade deteriorated sharply as compared to 1956 and 1955. This was mainly due to the rise in the prices of Finnish imports. The unit value index of Finland's import goods increased from 100 in 1955 and 104 in 1956 to 116 in mid-1957. The most striking increases were noted for fuels and lubricants.

It has been calculated that over the five-year period 1960-64, the value of Finland's exports increased on an average by about 9 per cent, while the increase in volume was about 7 per cent.

The relative shares in exports between 1961-65 was fairly steady, the only notable changes occurring in the share of the developing countries which steadily dropped to 6.2 per cent and that of the Eastern Bloc and other developed countries which rose a little, to 20.6 and 11.6 per cent respectively.

Exports to Major Trading Areas, 1954 - 1965  
(by countries of consumption, per cent of total exports)

Per cent of  
total exports



- EFTA
- EEC
- Eastern Bloc
- + + + + + Developing countries
- ..... Other developed countries
- ==== Developing countries (by countries of sale)

Figure 2 illustrates these export trends.

Table 4 shows the changes in the value of exports and in the geographical distribution of exports from Finland as shown by countries of sale during the period 1954-64/5. Again, it becomes apparent that the share of the developing countries in Finnish exports is smaller still: 5.6 per cent, as against 6.2 per cent by countries of consumption. Thus, quite a sizable proportion of Finland's exports to the developing countries is being channelled indirectly to them, through, for example, the EFTA countries, whose share is shown as about 2 percentage points higher for each year according to the export statistics based on countries of sale.

#### Main Commodities

Before discussing the reasons for the small proportion of exports from the developing countries, a breakdown of the major commodities imported from and exported to the developing countries, is shown in Tables 5 and 6. The figures are shown for the "turning points" of the different phases in the pattern of Finnish foreign trade, i.e. for 1954, 1958, 1961 and 1964 (complete figures for 1965 are not available yet). As shown in Table 5, almost all coffee is imported from the developing countries, while the proportion of fruit imported from them is relatively low. The proportion of sugar imported from the developing countries has been very low except for 1964 when 51.1 per cent of imported sugar came from that area, mainly Cuba, but via the Soviet Union. The exceptional increase in the value of imports of coffee and sugar in 1964 was an outcome not only of the rise in the world market prices of

MEMORANDUM FOR THE RECORD

DATE: 10/15/54

TO: SAC, NEW YORK (100-100000)

FROM: SA [Name], NEW YORK (100-100000)

SUBJECT: [Name], [Address], [City, State]

[Detailed report text describing the subject's activities, including dates, locations, and individuals involved. The text is partially illegible but appears to contain several paragraphs of descriptive information.]

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	1960		1961		1962		1963		1964		1965 <sup>x</sup>	
	Mk	%	Mk	%	Mk	%	Mk	%	Mk	%	Mk	%
EFTA	1 105.3	34.9	1 171.4	34.7	1 126.1	31.9	1 200.4	32.6	1 462.4	35.4	1 565.8	34.3
EEC	890.2	28.1	1 043.7	30.9	1 015.5	28.7	1 096.9	29.8	1 265.1	30.6	1 280.6	28.0
Other developed countries <sup>1</sup>	280.6	8.9	289.7	8.6	324.6	9.2	363.6	9.9	433.8	10.5	502.9	11.0
Eastern Bloc <sup>2</sup>	617.5	19.5	607.7	18.0	793.7	22.5	765.2	20.8	721.1	17.5	957.4	21.0
Developing countries	263.5	8.3	260.1	7.7	254.8	7.2	226.5	6.2	240.5	5.8	256.5	5.6
- Africa	35.7	1.1	37.2	1.1	46.7	1.3	48.0	1.3	45.9	1.1	47.9	1.0
- Asia & Oceania	66.2	2.1	89.1	2.6	87.2	2.5	78.8	2.2	83.7	2.0	81.3	1.8
- Latin America	161.6	5.1	133.8	4.0	120.9	3.4	99.7	2.7	110.9	2.7	127.3	2.8
Others	7.6		1.4		18.4		25.4		9.0		2.6	
Total	3 164.7		3 374.0		3 533.1		3 678.0		4 131.9		4 565.8	

1. USA, Canada, Australia, New Zealand, Japan, South Africa, and other European OECD countries outside EEC and EFTA.

2. Including China.

<sup>x</sup> Based on Finnish Foreign Trade Statistics.

these commodities but also of the growth in the quantities imported. The main commodities exported to the developing countries, as shown in Table 6, consist of paper and paper-board, papermaking material, wood and articles of wood, and machinery, although the proportion of the total of each group exported to them is relatively low. (The reasons for this are analysed later.) Apart from wood and articles of wood, the greatest value of goods is exported to the Latin American countries.

#### The Demand for Exports

Among the main reasons for the small proportion of total Finnish exports to the developing countries are the low demand from the developing countries, the composition of Finnish exports and the problems of financing. These are discussed in what follows.

The demand for Finnish exports from the developing countries is low since the primary import needs of these countries consist of products which fall outside the main commodities exported. The development needs of these countries compel them to restrict their import requirements to essential capital equipment and heavy industrial goods that they urgently need for establishing the basic industries. Finnish exports in the main do not include such heavy capital goods: the exports of the metal industry are also of a more specialised nature. The exports to the developing countries consist mainly of wood and paper products, and the amount of such products that the more progressive developing countries can afford to import is limited.



	1 9 6 1					1 9 6 4				
	Africa	Asia & Oceania	Latin America	Total from Dev.Cts.	%	Africa	Asia & Oceania	Latin America	Total from Dev.Cts.	%
Fruit	1 968	9 964	13 344	25 276	30.8	7 943	13 398	15 619	36 960	40.3
Coffee, Tea, Spices	897	4 144	80 705	85 806	87.6	14 142	3 875	131 412	149 429	97.0
Sugar	-	3	1 347	1 350	3.4	-	25	63 067	63 092	51.1
Cocoa	1 016	702	210	1 929	36.7	1 737	200	549	2 487	29.4
Oil Seeds	742	6 214	3 755	10 712	39.1	522	5 309	437	6 269	13.2
Vegetable materials for dyeing & tarning	1 403	250	73	1 726	57.7	1 585	373	2	1 960	53.1
Vegetable plaiting & carving materials	156	367	550	1 073	62.2	113	432	426	971	57.3
Mineral Fuels	-	31 450	1 918	33 368	9.7	-	32 123	7 344	39 467	7.7
Rubber	18	11 583	99	11 700	21.5	21	10 860	6	10 887	15.3
Hides & Skins	1 025	506	6 334	7 864	30.7	1 509	868	3 586	5 963	24.9
Wood & articles of wood	1 133	938	60	2 130	7.0	1 304	1 240	92	2 672	3.0

<sup>x</sup> Based on the Brussels Nomenclature.

Table 6. Main commodities exported to developing countries<sup>x</sup>  
by countries of consumption, in thousands of marks

	1 9 5 4					1 9 5 8				
	Africa	Asia & Oceania	Latin America	Total to Dev.Cts.	%	Africa	Asia & Oceania	Latin America	Total to Dev.Cts.	%
Paper and paperboard	9 989	21 963	32 455	64 407	19.6	9 808	35 108	14 516	59 432	8.7
Papermaking material	1 363	2 053	37 681	41 097	13.8	545	2 482	39 050	42 077	8.6
Wood and articles of wood	17 842	13 206	3 893	34 941	5.6	14 986	19 090	870	34 946	4.7
Boilers, machinery and mechanical appliances	1	21	182	204	0.4	-	8 385	1 615	10 000	9.9
	1 9 6 1					1 9 6 4				
	Africa	Asia & Oceania	Latin America	Total to Dev. Cts.	%	Africa	Asia & Oceania	Latin America	Total to Dev. Cts.	%
Paper and paperboard	21 997	57 313	81 058	160 368	16.7	24 495	50 776	66 637	141 908	11.2
Papermaking material	4 575	6 495	20 811	31 881	5.5	9 184	4 914	26 310	40 408	5.1
Wood and articles of wood	10 433	24 936	458	35 827	32.7	13 070	17 476	302	30 848	3.3
Boilers, machinery and mechanical appliances	63	5 117	4 501	9 681	7.2	386	1 045	2 680	4 111	2.9

<sup>x</sup> Based on the Brussels Nomenclature.

This leads to the next most vital reason explaining the low demand from the developing countries, namely, the limited foreign exchange reserves at their disposal. Handicapped by a perpetual shortage and a balance of payments deficit, many of the developing countries are unable to import as much as they actually need. In addition, the substantial increase in tied aid received by the developing countries from some of the more advanced countries has also proved detrimental to the expansion of exports from Finland. Moreover, the developing countries' trade is to a great extent still based on the existing relations established in the traditional markets, which continue to facilitate the flow of trade, as for example, the Sterling Area.

In comparison to the proportion of wood and paper products exported to the developing countries, the proportion of metal industry products is low, even though it is one of the expanding industries in Finland. Finnish exporters are not in a position to grant credit terms competitive with those the developing countries can obtain from the other developed countries. The difficulties with regard to boosting exports of these products are mainly financial. The metal industry has been the main customer of the Finnish Export Credit Co. Ltd., set up in the mid-1950's for the explicit purpose of providing long-term credit to promote the export of woodworking industry machinery and complete plants to European markets. The extension of its credit facilities to exporters to the developing countries could serve to increase the export of metal industry products to those countries. However, the view has been expressed by Mr. Rekola of the Finnish Export Credit Co. Ltd.<sup>1</sup> that at

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1. Pekka REKOLA "Finnish Export Credit Co. Ltd.", Unitas, No. 1, 1965. (Oy Pohjoismaiden Yhdyspankki)

present it is in no position to grant special attention to or special concessions for the expansion of exports to the developing countries, mainly because, firstly, the funds available for financing exports are in short supply, secondly, because it is believed that the period of credit would be too extended and that very long-term loans would have to be granted, and thirdly, because it would necessitate a lower rate of interest than the usual interest rate level. Hence, it is stated that the only relevant criterion to be applied in determining the granting of credit facilities is the situation in which the availability of credit to buyers is the only decisive factor in concluding a sale. Although, in response to the recommendation of the Economic Council contained in its Report on Growth Policy, efforts have been made to increase the availability of funds for export credit operations, this is the stand.

As a counter-argument to those set out above, it may be pointed out that importers in advanced countries have easier access to credit facilities and that the normal terms if offered to importers in developing countries are likely to be taken up in any case, for it is not the period of credit so much as the mere availability of sufficient credit facilities which is the crucial problem.

### Conclusion

These, then, are the factors that have tended to retard the expansion of trade between Finland and the developing countries. Any realistic assessment of the situation would lead to the conclusion that at present the scope for promoting

trade with the developing countries is somewhat limited and that, in particular, in view of the trend towards increased trade with the EFTA countries with the removal of tariffs within EFTA, the probability of an expansion of trade with the developing countries is unlikely.

As a member of the United Nations Conference on Trade and Development, which was aimed at exploring the means by which economic growth in the developing countries could be accelerated by facilitating their participation in world trade, Finland is also obliged to carefully consider the extent to which she can contribute towards encouraging trade with the developing countries and to what extent she could commit herself in the light of likely developments at the international level. Prepared to participate up to a point, Finland, like many other countries, is in a somewhat uncertain position at UNCTAD. A semi-industrialised country, striving to improve her own rate of economic growth, it is difficult for Finland to commit herself to the same extent as the other more industrialised countries. She will, therefore, find the participation in the general debate on the various problems of the developing countries as a whole, rather than with individual countries, the only course.

Nevertheless, there is some room for manoeuvre within the existing framework. There is some scope for promoting trade if certain obstacles are circumvented and if certain positive measures are taken.

Firstly, Finland's membership in international organisations, such as the Asian Development Bank to which she has subscribed (U.S.) \$ 5 million, could prove to be one important



channel through which exports to the developing countries of Asia could be boosted. The development projects started with the aid of loans from the Asian Development Bank will to a large extent entail the import of capital equipment and investment goods from member countries only, so that Finland has possibilities of expanding exports, particularly metal industry exports. In the future increasing opportunities should be available through participation in international organisations specifically set up for aid and trade collaboration with the developing countries. Again, as touched on earlier, an increase in the capital resources at the disposal of the Finnish Export Credit Co. Ltd. and a reconsideration of the argument against efforts to boost trade with the developing countries, is highly recommended. A change in the agricultural policy, desirable primarily in internal interests, could as an indirect effect lead to increased imports from the developing countries. Another vital need is to overcome the practical barriers to the expansion of trade in both the developing countries and Finland. On the part of the developing countries an increased awareness of the existing opportunities and how they could be fully exploited is urgently called for. A more knowledgeable and vigorous sales drive with, for example, sales representatives based in Scandinavia, would bring to light the existing possibilities. On the part of Finland, a stronger case in favour of boosting trade with the developing countries needs to be presented to decision-makers to arouse interest in the developing countries as potential export markets.

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Suomen

Suomen pankin taloustieteellisen  
tutkimuslaitoksen julkaisuja ; D  
Patel, Dolat

The share of the developing  
countries in Finnish foreign

1996-02-28

SUOMEN PANKIN  
KIRJASTO