

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

C/RM/M/54/Add.1
26 January 1995
Limited Distribution

(95-0132)

**COUNCIL
15-16 December 1994**

TRADE POLICY REVIEW MECHANISM

SWEDEN

MINUTES OF MEETING

Addendum

Written Answers to Questions

The following communication has been received from the delegation of Sweden, responding to questions raised during the Council meeting on the Trade Policy Review of Sweden.

Questions from first discussant

Macroeconomy

1. To what extent can Swedish accession to the EU be evaluated at this point?
2. Is external trade sufficient in brightening the economic perspective?
3. What supplementary measures are needed, e.g. monetary, fiscal and investment policies, in order to lessen the burden of structural weaknesses and imbalances in the Swedish economy?

See general comments.

Trade with central and eastern Europe

1. To what extent will the EU membership influence trade with the respective country? How will Sweden as member of the EU speed up the accession of those countries into the Union?

The Swedish EU membership implies a withdrawal from the EFTA convention and therefore automatically from the FTAs and bilateral agricultural arrangements with Bulgaria, Hungary, Poland, Romania, the Czech and Slovak Republics, Israel and Turkey. The same goes for the bilateral free trade agreements with the Baltic States. Sweden will be part of the EU's corresponding agreements with these countries as well as EU's other agreements with third countries. Having a long tradition of promoting free trade, the Swedish Government will continue to support and actively work for an open and liberal trade régime towards the EU neighbours. Against this background Sweden will aim at maintaining the level of trade already achieved with its partners outside the Union.

Environmental policies and trade

1. Are there any technical barriers related to environmental protection?

The reason why not much is said in the reports is that most domestic environmental measures have no connection with trade. When they do, a leading principle is that they should be applied in the same way for imported and domestically produced products. Transparency in this field is important and we try to make information available also in English. When it comes to global or transboundary problems we believe that they have to be solved through international co-operation.

Legal and institutional framework

1. Are all laws and regulations published in the "Official Gazette"?

All laws and regulations are published.

2. What is the rôle of the National Board of Trade? Its relationship with the ministries?

The National Board of Trade is the Swedish expert authority on foreign trade and trade policy. The Board is an independent government agency, which operates under the general directives and budget control of the Ministry for Foreign Affairs. A vital function is to advise the government and provide it with a basis for negotiations and decisions. The Board reports to the Trade Department of the Ministry for Foreign Affairs after consulting with industry, importers, trade unions and other governmental bodies. The Board's analyses and reports are usually provided on specific request by the Ministry. It is also the licensing authority for industrial goods.

Among the main divisions and units of the Board there are three Foreign Trade Divisions and a Europe Information Unit. The foreign trade divisions deal with issues in GATT/WTO and other multilateral trade issues, European integration matters, technical barriers to trade, custom tariffs and licensing matters including dumping investigations. A chart showing the structure of Swedish trade policy formulation is found in Section B(iii) of the Government report.

3. The relationship between customs administration and "other authorities" (the Swedish Board of Agriculture)?

An administrative division of responsibility between the customs administration and the Swedish Board of Agriculture has been done for practical purposes. The reason behind it is that veterinary expertise is needed in the case of sanitary and phytosanitary regulations.

Questions from second discussant

Agricultural policy

1. Does Sweden intend to work within the EU to end import restrictions on agricultural products such as bananas?

The EU banana régime in connection with Swedish accession is being discussed. Therefore, we are at present not able to give an answer as to what changes might be made to the tariff, quota, licensing and other provisions of the EU banana import régime in light of Swedish accession. In this context, we would like to underline the importance we attach to secure consumer interest concerning the supply of bananas, as well as keeping prices down.

2. Sweden's policy concerning rice imports, how to reconcile fees on stocks with UR and EU practice?

The fee on rice stocks is a temporary measure intended to avoid a distortion of trade in rice. Substantially higher EU prices might cause speculation. The fee is intended to be applied on rice in stocks at 31 December 1994. The rice imports to Sweden in 1994 already significantly exceeds the rice imports in 1993. Traditional import will consequently not be prevented. The fee proposed by the government will be charged on all rice stocks, independent of origin and is thus non-discriminatory.

3. How to harmonize milk production with the subsidy régime of the EU?

See general comments.

Industrial policy

1. Sweden's intentions regarding the EU Broadcast Directive?

Sweden has implemented Article 4-6 in the EC Directive "Television without frontiers" (89/552/EEC). This was effected by including a corresponding provision in the Act concerning satellite transmission of TV programmes to the general public (1992:1356). The Act entered into force on 1 January 1994, when the treaty on the creation of a European Economic Area entered into force. Concerning terrestrial television, no changes in legislation were considered necessary. The EU Commission is at present preparing a report to i.a. the European Parliament and the Council on the application of the Directive. The report may include proposals to change certain provisions of the Directive. Sweden's position will depend on the content of this report.

2. The effects of adoption of EU tariffs on paper and pulp industry?

See general comments. It can be added that Sweden as an EU member will also be directly affected by the acceptance of the EU of zero tariffs in the paper sector.

3. How to resolve the issue that Swedish rates on the electronic and semiconductors sectors are significantly lower than those of the EU?

See general comments.

Questions from Canada

Tariffs

1. Is Sweden planning to adopt the EU Uruguay Round tariff commitments on 1 January 1995?

Yes, Sweden will adopt the EU tariff commitments on 1 January 1995. See also general comments.

2. If so, do they intend to fulfil their obligations under Article XXIV and, if necessary, Article XXVIII prior to the adoption of the EU tariff schedule?

The matter is handled by the EU Commission. Negotiations under Article XXIV:6 will not be finished before 1 January 1995. See also general comments.

State trading

1. Could Sweden please provide an update on the granting of licences, "expected to be approved by Parliament in the autumn of 1994"?

A bill on the new legal framework for granting of licences is expected to be approved by the Swedish Parliament on Thursday or Friday this week.

2. What is the status of the existing exclusive rights held by VIN & SPIRIT AB? Will this change on 1 January 1995, as expected?

These exclusive rights of AB Vin & Sprit are founded in Swedish law. the rights will be abolished as from 1 January 1995.

3. The Swedish Board of Agriculture purchases oilseeds and cereals at a fixed price, sells the crop to domestic processors and millers and exports the surplus with export subsidies from the state treasury (Secretariat's report, Chapter IV(2)(xi), Chapter V(2)(i)(a) and Chapter V(6)(i)(c)).

- How is the rôle of the Swedish Board of Agriculture different from that of a state trading enterprise such as the Wines and Spirits Corporation?
- Please provide more detailed information on the operation and rôle of the Swedish Board of Agriculture with respect to market activities in the grains and oilseeds sector.

The Swedish Board of Agriculture applies state trading activities in connection with the redemption systems for grains and oilseeds. The Board has no exclusive right to import or to export the goods concerned. This is a difference compared to the Wine and Spirit Corporation. However, since the domestic prices are higher than the prices on the world market, in practice only the Board is able to export surplus production of grains and oilseeds. For oilseeds (rapeseed) and grains the Swedish Board of Agriculture (SBA) buys all quantities offered by the trade at fixed redemption prices. The redemption prices are set by Parliament. For oilseeds the SBA buys the entire production and sells it to the domestic crushing industry to meet its needs and any remaining quantities on the world market. For grains the SBA buys the surplus production as defined by the trade per 1 November. These quantities of grain are then exported by the SBA.

Standards

1. In the Secretariat's report (Chapter IV(2)(xiv)(b)), it is stated that Sweden's policy with regard to standards is that Swedish norms should be identical with or based on international or European standards. Does this policy conflict with the Animal Protection Act mentioned in Chapter V(2)(ii)(f).

The policy that Swedish norms should be identical with or based on international European standards does not conflict with the Animal Protection Act since there are no standards in this area.

Government procurement

1. Is it the intent of Sweden to apply the policy described in Chapter IV(2)(xvi), first footnote, with reference to contracts specified for coverage under the new Government Procurement Agreement?

As stated in the Secretariat's report the preference referred to in the footnote does no longer apply. thus, it is not applicable under the new WTO Agreement on Government Procurement.

2. Will there be any modifications to/inpact on Sweden's offer under the new Government Procurement Agreement as a result of its joining the EU?

The scope and coverage of the Swedish commitments under the new WTO Agreement on Government Procurement correspond to those of the EU. However, some minor changes in the Swedish commitments have to be made to reflect the expanded coverage of the EU commitments as a result of bilateral agreements between the EU and the United States.

3. What is the nature of recent changes with regard to the award of public supply contracts?

As stated in the Secretariat's report (Chapter IV(2)(xvi)) the changes were made to fulfil Sweden's commitments under the EEA Agreement in accordance with the EU directive on public procurement. Generally the principles of non-discrimination, impartiality and national treatment of the former Ordinance Concerning Purchases, "Upphandlingsförordningen", correspond to the new Public Procurement Act. However, the changes implied a major increase of the coverage of procuring entities. In contrast to the previous legislation, which covered central government entities, the Public Procurement Act applies to all central, local and regional entities as well as bodies governed by public law (public companies entities including companies, associations and foundations established for the specific purpose of meeting needs in the general interest not having an industrial or commercial character, etc.). The Act also includes expanded coverage to entities in the utilities sector. In addition to the previous Ordinance, the Public Procurement Act i.a. stipulates obligatory publishing of purchases in the Official Journal of the EC above the indicated threshold as well as detailed rules for the award of contracts. In addition to the EU directives the Act also stipulates non-discrimination and impartiality concerning purchases below the threshold. The Public Procurement Act also introduced new provisions for review and damages in accordance with the EU directives.

4. To what extent will procurement preferences be applied where they were not previously?

See general comments.

5. After 1 January 1995, will the preferential policies of the EU procurement directive apply?

See general comments.

Agriculture and agrifood

1. Please describe the export subsidy scheme for processed food cited in Chapter V(2) of the Secretariat's report.

- Will it continue subsequent to accession to the EU?
- Has Sweden notified this programme as being subject to Uruguay Round reduction commitments?

In connection with the new Swedish food policy export subsidies were removed. In view of the Swedish application for membership in the EU, a temporary scheme of support for the exportation of certain processed food products based on principles of price compensation was introduced on 1 July 1993 and will end on 31 December 1994. The total available amount is SEK 150 million. Support has mainly been granted for cheese and meat products. The support will not continue after the accession to the EU. If, however, the scheme would have been applied after the entry into force of the UR reduction commitments, the support would have been taken into account in the maximum amount of export subsidy for each product group.

2. Since 1994, bottlers and importers of beverages packaged in bottles made of polyethylene terephthalate (PET) have been required to obtain a handling permit issued only to those able to demonstrate that they can recycle or re-use a minimum of 90 per cent of their PET bottles (Secretariat's report, Chapter V(6)(i)(e)).

- Will this requirement stay in place after accession to the EU?
- If yes, will the requirement apply equally to imports from other EU states and imports from third countries?

Sweden will maintain its system as an EU member. The system applies equally to imports from EU countries and third countries.

3. Chapter V(2)(f) of the Secretariat's report notes that in accordance with current Swedish veterinary standards' regulations, Sweden only accepts egg imports from other Nordic countries. Please explain briefly, first, the nature of these regulations, and second, the reasons behind the exclusion of non-Nordic egg imports.

The reason why Sweden only accepts egg imports from other Nordic countries is to protect Sweden from salmonella. Sweden only accepts imports from countries applying the same control programme for salmonella as Sweden does.

4. In Chapter V(6)(i)(c) of the Secretariat's report, reference is made to a "fat production levy". Could Sweden provide more details regarding the levy on fats and oils, including any difference between the way the revenue from domestic levy and the import levy is used?

A levy is charged on imported as well as domestically produced oils and fats. The amount of the levy is the same for imported as for domestic products. The revenue from the levy on domestic production is used by the Swedish Board on Agriculture to finance the buying of the Swedish oilseeds production. This arrangement is necessary since the prices paid by the Board exceeds the world market prices for which the oilseed harvest is sold to the domestic crushing industry. The levy on imported oils and fats is a revenue in the state budget.

5. In Chapter II(6) of the Secretariat's report, it is recognized that due to Sweden's accession to the EU, certain tropical fruits and vegetables currently imported duty free on an m.f.n. basis will become subject to a preferential EU tariff quota. Can the Swedish delegation indicate whether such an impact will also occur for other fruits and vegetables?

Upon accession to the EU, Sweden will be covered by the preferential EU tariff quotas. EU has a number of bilateral arrangements of this kind for fruit and vegetables. It should be noted that at least part of the year Sweden applies a zero duty for some of these products.

Questions from Australia

1. Can Sweden advise of the level of trade that is conducted under m.f.n. conditions?

It is estimated that roughly 21 per cent (rough estimate based on 1990 import figures) of total imports to Sweden is conducted under MFN conditions.

2. Has Sweden undertaken any study on the effect to its economy of payments under the common agricultural policy and regional development schemes that may be introduced upon EU accession?

- Will the availability of this additional level of support to the agricultural sector lead to reductions in existing means of support?

Sweden has undertaken certain studies on the effects to its economy under the Common Agricultural Policy and regional development schemes that will be introduced at the accession. There is at present, however, no final information available on this issue. This is due to the fact that Sweden has not yet decided the level of structural, regional and environmental support to be applied in Sweden. Each member state decides the level of support for these kind of schemes and they are also co-financed by the EU. It is furthermore unclear to what extent export subsidies and intervention measures will be used in Sweden.

National support systems, like exports refunds and certain regional support, will of course be abolished at the accession and replaced by support from the EU agricultural budget.

3. Chapter IV, Box IV.1 of the Secretariat's report summarizes the implications of EU membership on Sweden's trade policy instruments. In this summary, the Secretariat has identified a number of areas where it appears that more restrictive regulations or higher duties would apply. In this context, would Sweden provide comments on how it will alleviate for third countries the effects of:

- increased tariffs on imports;
- adoption of the EU GSP scheme;
- the reintroduction of more comprehensive market regulations including administered prices, exports subsidies and intervention measures;
- integration into the EU MFA régime with the resultant reintroduction of import licensing for textiles and clothing.

See general comments.

4. As a result of Sweden's impending EU membership contracting parties will be seeking consultations under Article XXIV:6. Can Sweden ensure that there will be no disruption to traditional patterns of trade pending resolution of these negotiations?

See general comments.

5. Can Sweden comment on how its Uruguay Round commitments will be dealt with once it is an EU member?

- Will Sweden ensure that normal trade flows continue in the interim period between their likely accession to the EU on 1 January 1995 and the EU implementation of the Uruguay Round commitments on 1 July 1995?

See general comments.

6. The Secretariat's report indicates (Chapter I(1)) that services account for the major share (over 70 per cent) of economic activity, and that services sectors grew particularly rapidly over the 1980s. However, Table I.1 indicates that while the services sectors' share in employment and GDP remained fairly constant during the 1990s, services exports fluctuated. Would Sweden indicate which services sectors are strongest in exports and whether it is these sectors that have continued to grow domestically?

See below.

7. Chapter II(2)(ii) of the Secretariat's report indicates that Sweden considers the general agreements on trade in services to be one of the major achievements of the Round. After telecommunications and finance sectors, which are specifically mentioned, would Sweden comment on its priorities in post-Round negotiations in services sectors?

A fundamental comment to question 6 is that statistics in the services field are still imperfect and insufficient. The statistical irregularities for services exports during the early 1990s appear not to be in full accordance with actual developments. Strong services export sectors are financial services, transports, construction, engineering and management consulting services. Other strong potential sectors for exports are e.g. telecommunications and environmental services. Due to statistical difficulties it is hard to specify the service sectors that are growing strongest domestically. A special feature is that services produced in the public sector (e.g. educational and health and social related services) predominantly are consumed domestically. This production has been fairly stable. Many of the important service sectors for export are growing also domestically.

Questions from Hong Kong

1. Sweden's trade policy régime will be affected by her accession to the EU scheduled for 1 January 1995. Will the alignment of tariff and trade measures, e.g. GSP scheme and anti-dumping measures, take effect on 1 January 1995? And how will EU's implementation of the UR tariff concessions affect the future tariff schedule on Sweden?

See general comments.

2. We note that the Swedish Government presented an Ecocycle Bill to her Parliament in February 1993, calling for more cyclic management of goods and production (Chapter IV(2)(xiv)(e)). This includes, *inter alia*, the principle of legally binding "producer responsibility". We should like to know how traders can obtain information about development of the issue, particularly concerning the respective responsibilities of producers, manufacturers, importers and distributors involved.

A summary in English of the Swedish Government's Ecocycle Bill is available.

Swedish ordinances (translation in English available) concerning producer responsibility are in force since 1 October 1994 for packaging, waste paper and tyres.

Questions from the United States

1. What is Sweden's timetable for amending its legislation to comply with that of the EU? The Uruguay Round?

See general comments. All legislation relating to the EU membership will enter into force on 1 January 1995 unless legislation has not already been adopted as a result of the EEA Agreement.

2. With respect to the tariff implications of Sweden's membership on the EU, does Sweden intend to work within the EU to ensure that its foreign suppliers will be able to maintain their historical trade flows?

See general comments

3. What changes, if any, will be made to the tariff, quota, licensing and other provisions of the EU banana import régime in light of Sweden's accession to the European Union? Will these changes be consistent with GATT requirements?

Does Sweden intend to work within the European Union to end this import restriction?

The EU banana régime in connection with Swedish accession is being discussed. Therefore, we are at present not able to give an answer as to what changes might be made to the tariff, quota, licensing and other provisions of the EU banana import régime in light of Swedish accession. In this context we would like to underline the importance we attach to secure consumer interest concerning the supply of bananas, as well as keeping prices down.

4. Will Sweden's investment liberalization benefit non-EU member states?

The Swedish liberalization concerning inward direct investment applies *ega omnes* equally to all investors regardless of national origin. Thus, the liberalization benefits also non-EU member states.

5. Will any of Sweden's investment restrictions remain after Sweden accedes to the European Union?

Practically all restrictions have been lifted on foreign investment in Sweden. The only exceptions are conventional restrictions on air and maritime transports as well as military equipment. None of these will be affected by the Swedish membership in the EU.

6. Will Sweden adopt the EU's broadcast quota system and will it advocate within the European Union a more liberal approach on audiovisual content issues?

Sweden has implemented Article 4-6 in the EC Directive "Television without frontiers" (89/552/EEC). This was effected by including a corresponding provision (paragraph 13) in the Act concerning satellite transmission of TV programmes to the general public (1992:1356). The Act entered into force on 1 January 1994, when the treaty on the creation of a European Economic Area entered into force. Concerning terrestrial television, no changes in legislation were considered necessary. The EU Commission is at present preparing a report to i.a. the European Parliament and the Council on the application of the Directive. The report may include proposals to change certain provisions of the Directive. Sweden's position will depend on the content of this report.

7. Does Sweden intend to apply Article 29 of the Utilities Directive and does Sweden intend to work within the European Union to end this discriminatory practice?

See general comments.

Questions from Japan

1. According to the application of common EU tariffs, how will the current Swedish tariffs be changed? More concretely, which tariffs are to be increased or decreased? When can we expect new tariff offers combining the Swedish ones and the other ones from the European Union? We understand that this matter will be treated by the EC Commission but presently how will Sweden and the EC Commission co-ordinate this matter?

See general comments.

2. As the Secretariat's report stated, Sweden has applied anti-dumping measures in very limited ways. Will the Swedish Government change such an attitude after the existing European Union anti-dumping measures apply to Sweden from 1 January 1995?

See general comments.

Questions from Poland

1. The value of Swedish UR commitments in the light of accession to the EU?

See general comments.

2. Are there any quantifiable estimates of the impact of Sweden's UR commitments and accession to the EU on the Swedish economy and trade?

See general comments.

3 & 4 Variable import levies on agricultural goods and tariff reductions in agricultural goods.

See general comments. Sweden will apply CAP from 1 January 1995.

5. Industry-wide schemes instead of firm and sector specific support programmes

Adjustment assistance may be granted as regional support if industry restructuring is likely to result in significant local unemployment. Sweden intends to join the EU programme "Business and Innovation Centres" for support of innovative projects in regions undergoing substantial structural changes.

6. According to Chapter IV(4)(iii) of the Secretariat's report "manufacturing industries and commercial horticulture are exempt from the energy tax on fuels and electricity and pay carbon dioxide tax at 25 per cent of the general rate". What are the economic reasons behind this measure? Is the excise tax scheme now fully compatible with the provisions of the Agreement on Subsidies and Countervailing Measures negotiated under the UR?

The excise tax scheme was reformed also in order to be compatible with the UR Agreement on Subsidies and Countervailing measures.

Questions from Egypt

1. The impact on EU membership on:
 - imports from developing countries as regards rice, fruits and vegetables;
 - imports of textiles from small suppliers in developing countries;
 - future GSP schemes as regards product coverage and tariff treatment.

See general comments.