

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/5102/Add.14/Suppl.2

21 April 1983

Limited Distribution

Original: English

## SUBSIDIES

### Notifications Pursuant to Article XVI:1

#### SWEDEN

#### Supplement

The following notification has been received from the Permanent Mission of Sweden.

---

The Swedish Government herewith submits a notification on certain industrial support measures. A notification of support measures in the field of agriculture was made in document L/5102/Add 14.

The notification is presented in recognition of the need for increased transparency in the field of government support measures and without any prejudice to whether the measures result in the direct or indirect trade effects mentioned in Article XVI:1 and which would require notification.

For information on the general background of certain industrial support measures, reference is made to the Swedish contribution to the Working Party on Structural Adjustment and Trade Policy (Spec(82)6/Add 2).

- I. General promotion of trade
1. Nature and extent of the subsidy
  - (a) Background and authority

The Swedish Government extends annual contributions to the semi-State-owned Swedish Trade Council in order to support the Council's activities in promoting Swedish exports.

The services provided by the Trade Council are restricted to companies which subscribe to it.

The activities of the Council are supported by the trade-promoting efforts of Sweden's overseas trade offices and embassies.

The legal provisions are laid down in many different government statutes.

(b) Incidence

Consulting services and grants (up to 50 per cent of specified and accepted costs) in some cases with repayment obligations are given for purposes of market research, trade fairs and information.

(c) Amount of subsidy

The amount of subsidy for the fiscal years 1980/81 and 1981/82 were SEK 75.2 million and SEK 120.2 million respectively.

(d) Estimated amount per unit

The subsidies have general purposes and cannot be broken down to amounts per unit.

II. Export credits

1. Nature and extent of the subsidy

(a) Background and authority

Medium- and long-term export credits can be refinanced by the Svensk Exportkredit (SEK) (a financial institution owned jointly by the Government and the banks) at subsidized interest rates in accordance with the OECD Arrangement on Guidelines for Officially Supported Export Credits.

The basic legal provisions are laid down in SFS 1978:401.

(b) Incidence

Credits by exporters or banks will be refinanced when competition from abroad based on officially subsidized interest rates is encountered.

(c) Amount of subsidy

In fiscal year 1981/82 the total cost was SEK 674 million. (1980/81 SEK 229 million).

(d) Estimated amount per unit

The coverage of the refinancing is regulated by the Arrangement. Refinancing is provided at interest rates prevailing according to the Arrangement plus 0.5 per cent per annum. Additional spreads (0.5 per cent per annum) are added when financing in Swedish currency or when credits are not covered by guarantees from the Swedish Export Credits Guarantee Board. A commitment fee of 0.6 per cent per annum is applied.

### III. Support directed to particular industrial sectors

#### General information on structural adjustment measures

Serious imbalances developed in the Swedish economy in the mid-1970s, caused by both external and internal factors. Important industrial sectors in Sweden, such as shipbuilding, iron and steel industry and forestry industry were seriously affected by the generally deteriorating world economic situation and by reduced demand.

It proved necessary in certain instances, for social as well as for economic reasons, to take temporary measures to control the pace and orientation of the adjustment process. As a result of these measures, important capacity reductions have been achieved in a socially acceptable manner. The adjustment of Swedish industrial structure to the international economic conditions that emerged after the oil price shocks has been considerable.

Major reductions in shipbuilding capacity followed the creation in 1977 of a holding company, Svenska Varv AB, owned by the Government including all the four major shipyards. A capacity reduction by 40 per cent between 1974 and 1981 was achieved. Further cuts have been made since then. During the last decade the number of employees has decreased from 27,500 to 17,500. One of the major shipyards was closed down in early 1983. Government measures with respect to the shipbuilding industry have been fairly extensive, involving credit guarantees, subsidized measures, as well as the coverage of losses. According to plans submitted by Svenska Varv AB to the Government a further capacity reduction of 25 per cent is expected by the end of 1984.

The Swedish steel industry also suffered a heavy loss of demand in the mid-1970s. Talks were opened concerning co-operation between the three major integrated ordinary steel mills, one of them State-owned and the other two privately owned. In 1978 these negotiations resulted in a merger in the form of a semi-State-owned corporation, Svenskt Stal AB (SSAB). The Government participated financially in the formation by placing loans totalling SEK 3,100 million at the corporation's disposal. A further SEK 1,100 million were later put up to facilitate the bringing forward of certain investments. The raw steel production capacity of SSAB decreased by 20 per cent (from 4.1 to 3.3 million tons) between 1975 and 1981. The number of employees was also reduced by 20 per cent during that period (from 18,500 to 14,700).

Loans and guarantees were introduced to facilitate and hasten the structural transformation of the specialty steel industry. A total of some SEK 1,000 million was allocated in 1978 and 1979 for purposes of structural change in the industry. This system was abolished at the end of 1979.

The structural changes in the specialty steel industry between 1975 and 1981 have led to a reduction in raw steel capacity by 28 per cent (from 2.5 to 1.8 million tons per year) and in employment by 25 per cent (from 33,000 to 24,000).

The Government has also intervened in the forest industry which was heavily hit by the recession between 1976 and 1978. Forest industry enterprises which entered the recession with a weak capital base were particularly hard hit. Apart from a now abolished temporary system with Government loan guarantees the Government has assumed the rôle of part owner in two pulp and paper industries.

The Swedish textile and clothing industries provide another example of rapid decline of an industrial sector and where certain measures of structural adjustment have been taken by the Government. The impact of high labour costs and openness to imports (80 per cent of domestic consumption) have reduced the output of domestic companies considerably. Thus the production of clothing diminished between 1973 and 1980 by 50 per cent. Total employment has decreased from 67,500 in 1970 to 29,000 in 1982.

#### Support schemes in favour of certain branches

##### 1. Nature and extent of subsidy

###### (a) Background and authority

The National Board of Industry administers support schemes in favour of certain branches namely, the textile and clothing industry, the wood working industry, the hand-made glass industry and the foundry industry. (The programme for the foundry industry will be phased out 30 June 1983).

The legal provisions are laid down in many different government statutes.

###### (b) Incidence

Adjustment support is extended by means of loan guarantees, educational assistance, technical consultants and marketing assistance. For the textile and clothing industry support is extended also in order to guarantee supply in a national emergency situation. Support is given in various forms such as depreciation loans and supply guarantee loans. For the shoe industry guarantees for seasonal credits can be awarded. A temporary system of compensation in grant form for elderly workers in the textile and clothing industry is maintained.

###### (c) Amount of subsidy

Grants under National Board of Industry's support schemes for adjustment assistance, educational assistance and technical consultants

amounted to SEK 27 million in fiscal year 1980/81. Loan guarantees available in 1980/81 amounted to SEK 120 million.

The following figures indicate the magnitude of different types of aid to the textile industry:

depreciation loans - 1972/73-1981/82 - SEK 350 million

supply guarantee  
loans - 1976/77-1981/82 - SEK 270 million

guarantees for  
depreciation loans - SEK 60 million have been utilized

IV. Loans or guarantees to the handicraft industry and small business

1. Nature and extent of subsidy

(a) Background and authority

Loans or guarantees for loans can be provided by Regional Development Funds.

The legal provisions are laid down in SFS 1980:124 (changed 1981:649).

(b) Incidence

The loans and guarantees are granted to offset difficulties of small enterprises to obtain long-term financing.

(c) Amount of subsidy

The loans are provided at normal commercial interest rates.

The annual lending of the funds is maximized to SEK 400 million.

V. Energy

1. Nature and extent of subsidy

(a) Background and authority

As a part of a general policy to reduce dependence on oil, loans and in certain cases grants can be extended for investment in conventional oil-substituting energy technologies, and in prototypes and demonstration plants.

The legal provisions are laid down in SFS 1980:1085 and 1981:895. The support scheme is administrated by the Oil Substitution Fund.

(b) Incidence

Regarding conventional technologies support can be extended to investment in installations using forest-based fuels and peat, plants for production of forest-based fuels, heat-pumps, mini-hydropower plants etc.

(c) Amount of subsidy

The support concerning conventional technique can be issued as loans covering up to 50 per cent of the cost of the plants.

Prototypes and demonstration plants can be supported by loans covering up to 75 per cent of the cost of the plant. If the technical risk is significant grants can be given for 50 per cent of the costs.

VI. Emergency preparedness

1. Nature and extent of subsidy

(a) Background and authority

The National Board for Economic Defence extends loans covering expenses incurred by companies willing and capable to assume the cost of guaranteeing supply of commodities necessary in an emergency situation. Loan guarantees can be provided for the same purpose.

The legal provisions are laid down in Government Decree 1982:517.

(b) Incidence

Compensation in the form of loans normally free of interest for maintaining non-commercial activities such as developing substitutes or emergency stock piling. Depreciation during a period of one to fifteen years provided obligations to the Board are fulfilled.

(c) Amount of subsidy

Loans 1982/1983	SEK 99 million
Guarantees 1982/1983	SEK 125 million

---

Effects of the subsidies

No estimates can be given of the trade effects of the measures indicated above.