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TRADE POLICY REVIEW MECHANISM

SWEDEN

In pursuance of the CONTRACTING PARTIES' Decision of 12 April 1989 concerning the Trade Policy Review Mechanism (L/6490), the initial full report by Sweden is herewith submitted.

NOTE TO DELEGATIONS

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TABLE OF CONTENTS

	<u>Page</u>
A. TRADE POLICIES AND PRACTICES	1
(i) OBJECTIVES OF TRADE POLICIES	1
(ii) DESCRIPTION OF THE IMPORT AND EXPORT SYSTEM	3
(iii) THE TRADE POLICY FRAMEWORK	4
(a) Domestic Laws and Regulations Governing the Application of Trade Policies	4
The Swedish Legal System	4
Tariff Legislation	5
Import and Export Legislation	6
Foreign Trade Regulations for Goods in the Agricultural Area	6
Foreign Trade Regulations for Goods in the Non-Agricultural Area	7
Customs Valuation	7
Technical Barriers to Trade	8
Public Procurement	8
Anti-Dumping and Countervailing Action	8
Other Legislation	8
(b) Trade Policy Formulation and Review	9
(c) Multilateral, Regional and Bilateral Trading Agreements	11
The United Nations	11
GATT	11
OECD	11
European Free Trade Association (EFTA)	12
Free Trade Agreements with the EEC and the ECSC (European Coal and Steel Community)	12
International Reciprocal Recognition Schemes Initiated by EFTA	13
Multilateral Commodity Agreements and Arrangements	13
Bilateral Agreements	13

	<u>Page</u>
(iv) THE IMPLEMENTATION OF TRADE POLICIES	14
(a) Trade Policy Measures and their Implementation	14
Tariffs	14
Survey of Customs Tariffs and Rates of Duty	15
Preferential Treatment in Accordance with the Free-Trade Ordinance	17
Preferential Treatment in Accordance with the GSP Ordinance	17
Quantitative Restrictions and other Non-Tariff measures	18
Current Measures in the Agricultural Area	18
Current Measures in the Non-Agricultural Area	18
Rules of Origin	19
National Rules on Government Procurement and their Implementation	20
Technical Barriers	21
Safeguard Actions	23
Anti-Dumping Actions	23
Countervailing Actions	23
Subsidies	23
Free Ports	27
State Trading Enterprises	27
(b) Developments in Multilateral, Regional and Bilateral Trading Agreements	28
Multilateral Agreements	28
Regional Agreements	28
Bilateral Agreements	29
(c&d) Prospective Changes in Trade Policies and Practices, Including Liberalization Programmes	29
Textiles and Clothing	29
Agriculture	29
Other	30

	<u>Page</u>
B. RELEVANT BACKGROUND AGAINST WHICH THE ASSESSMENT OF TRADE POLICIES MAY BE CARRIED OUT: WIDER ECONOMIC AND DEVELOPMENTAL NEEDS, EXTERNAL ENVIRONMENT	30
(i) WIDER ECONOMIC NEEDS, POLICIES AND OBJECTIVES	30
(ii) THE EXTERNAL ECONOMIC ENVIRONMENT	31
(a) Major Trends in Imports and Exports	31
(b) Developments in the Terms of Trade and Commodity Prices	32
(c) Important Trends in the Balance of Payments Reserves, Debt, Exchange and Interest Rates and similar Issues	33
(d) International Macroeconomic Situation Affecting the External Sector	34
(iii) PROBLEMS IN EXTERNAL MARKETS	34
Tariffs, Quantitative Restrictions and certain Non-Tariff Measures	35
Technical Barriers to Trade	36
Public Procurement	36
Agricultural Exports	36
Investment Rules	37
Intellectual Property Rights	37
Trade in Services	38

ANNEXES

- 1 Structure of Swedish Trade Policy Formulation**
- 2 Agreements Concluded under the Auspices of the United Nations**
- 3 Multilateral Commodity Agreements and Arrangements**
- 4 Bilateral Trade Arrangements**
- 5 Sweden's Textile Agreements as of 1 January 1989**
- 6 Investment Protection Agreements Concluded by Sweden**
- 7 Undertakings Pursuant to Paragraph 15 of the Mid-Term review Decision on Agriculture: Notification from Sweden**
- 8 Trade Flows by Product and Country/Geographic Area Total Exports and Imports in Value and Volume**

A. TRADE POLICIES AND PRACTICES

A. (i) OBJECTIVES OF TRADE POLICIES

Sweden is strongly dependent on foreign trade. Exports and imports each represent roughly 30 per cent of gross domestic product (GDP). Producing for world markets and not only for a very limited domestic market has enabled Sweden to realize the benefits of specialization. Many of Sweden's largest industries export well over half of their output. This outward orientation is also manifest in the considerable production capacity maintained abroad through direct investments in both industrialized and developing countries. Imports also play a crucial role, complementing domestic production, stimulating efficiency in the domestic economy and exerting a downward pressure upon prices.

Given the country's strong dependence on foreign trade, free trade is a fundamental principle in Swedish trade policy. Swedish governments have consistently promoted a multilateral, rules-based system for world trade as the best way of safeguarding the country's economic interests. This stance is also an important element of Sweden's overall foreign policy as a small neutral and non-aligned country: close economic ties between countries is seen as promoting stable relations and lessening the risk of serious conflict.

Sweden acceded to the General Agreement on Tariffs and Trade in 1950 and has since then participated actively in all negotiating rounds. Sweden was an early supporter of the Uruguay Round as a means of broadening and strengthening the Agreement, countering the serious growth of protectionist pressures, and contributing to a further liberalization of world trade. This should help to stimulate trade and growth for both developed and developing countries, even in situations of weakening economic activity.

The Government's overall policy objectives for international trade are: global liberalization through multilateral negotiations, supplemented by measures to increase domestic competition and maintain a downward pressure on prices.

An important objective of Swedish trade policy is to facilitate the participation of developing countries in world trade, as a means of providing important additional impetus to the process of development. Sweden implemented the GSP system in 1972, giving developing countries tariff preferences covering most industrial semi-finished and finished goods, as well as certain foodstuffs and agricultural products (exceptions were made for apparel and shoes). Effective from February 1987 least developed countries, as designated by the United Nations, enjoy duty-free treatment for all goods, provided they fulfill the requirements of the system. Sweden also attaches importance to multilateral cooperation on commodity issues, and has taken an active part in the establishment of the Common Fund for commodities. Price stabilization agreements based upon realistic assumptions are an important part of such cooperation, but other arrangements such as study groups also contribute positively to the stabilization of commodity markets. Measures to support marketing and diversification efforts are also necessary in order to stabilize and

increase export earnings for developing countries. Sweden's stance on developing country participation in international trade also influences its position on a number of issues in the Uruguay Round.

A large proportion of Sweden's foreign trade is conducted with Western European countries: in 1988 they accounted for 72 per cent of exports and 73 per cent of imports. An important element of Swedish trade policy is therefore the liberalization of trade at the regional level. Sweden considers it important that global and regional liberalization develops in parallel, as mutually reinforcing processes creating rather than reallocating trade.

Because of linguistic, historical and cultural ties between the Nordic countries, the economic integration among them has assumed a special importance. A passport union, a common labour market, and the harmonization of laws in a number of fields have, together with EFTA and EC free trade arrangements, helped Finland, Iceland, Norway and Sweden to evolve into something resembling a de facto Nordic domestic market. The elimination of remaining non-tariff trade barriers within the Nordic region is an important Swedish trade policy goal today.

Sweden was a founding member of the European Free Trade Association (EFTA), whose present membership also includes Austria, Finland, Iceland, Norway, and Switzerland. A free trade area for industrial goods between the EFTA member states was achieved in 1966. In 1972, Sweden and the other EFTA countries concluded free trade agreements with the European Economic Community (EEC) and the European Coal and Steel Community (ECSC). Free trade in industrial goods has been achieved also here.

Despite the elimination of tariffs through these relatively far-reaching agreements, commerce in Western Europe still faces various barriers in the form of border formalities, differing technical regulations, etc.

Given the volume of Swedish trade with the European Communities, the freest possible access to this market is an important objective of Swedish trade policy. In 1987, the Government presented a Bill to the Swedish Parliament, the Riksdag, proposing that Sweden should aim for as close a co-operation as possible with the EC, while fully respecting Sweden's policy of neutrality and non-alignment. The Bill was approved by a broad majority in late spring 1988.

In December 1989, the EFTA countries and the EC decided at a joint ministerial meeting upon the goal of a global and balanced agreement for the free movement of goods, services, capital and manpower within a future European Economic Space (EES). A broader and more structured relationship between EFTA and the EC is foreseen, reflecting the EC's push towards a common internal market by 1992. Formal negotiations are expected to commence during the first half of 1990. The aim is to conclude an agreement as rapidly as possible.

A new dimension has recently been added to European cooperation through the developments in Eastern European countries. Sweden strongly supports the reform processes in those countries and would welcome their increased participation in regional economic co-operation based on market economy principles and the rules contained in the multilateral framework for trade. In the same vein, Sweden would also welcome a fuller participation of these countries in world trade and its institutions.

Swedish free trade policy, as presented above, has been facilitated by the considerable structural adjustments in industry that have taken place domestically during the latter half of the 1970s and during the 1980s.

In the field of textiles and clothing, policy has traditionally been determined by national security and regional policy objectives, and Sweden is a member of the Arrangement Regarding International Trade in Textiles (MFA IV). However, the Riksdag has adopted a Bill supporting the Government's intent to abolish all quantitative restrictions on textiles and clothing when the present extension of the Multifibre Arrangement expires on July 31, 1991.

Agricultural policy in Sweden has been closely linked to the concepts of food security, and assuring farmers a standard of living equal to that of comparable occupational groups. Present support mechanisms have been costly to consumers, become a strain in public finances and contributed to inflation without adequately achieving stated objectives. In order to reverse these trends the government is presenting a comprehensive package of reforms of domestic food policy in the Riksdag during the spring session of 1990. The reform will define and clarify the objectives of agricultural policy and seek new, more efficient ways of achieving these objectives. Border protection is not covered by the present Bill, but will be amended to the extent that agreement is reached on this within the Uruguay Round.

A policy area of considerable and increasing importance in Sweden is environmental protection. The scope and magnitude of problems is far greater today than at any previous time. The Swedish Government believes that the linkages between environmental policy and trade policy should become the subject of serious discussion during the next few years, in order to facilitate the far-reaching measures necessary to control present problems and achieve sustainable development in the long run.

A. (ii) DESCRIPTION OF THE IMPORT AND EXPORT SYSTEM

Imports to Sweden and exports from Sweden are essentially unrestricted. Foreign trade is conducted by economic operators in their own name and on their own responsibility. They operate within a regulatory framework consisting of acts adopted by the Riksdag, ordinances and decisions by government and more detailed directives by government agencies or local government authorities.

Foreign-controlled enterprises in Sweden are allowed to import to and export from Swedish territory on the same conditions as Swedish enterprises.

The average level of Swedish tariffs is low, approximately 4.3 per cent. Tariffs are bound under the GATT for 94 per cent of Swedish imports. Variable levies are applied to imports of certain agricultural products.

In general Sweden applies no quantitative restrictions to trade in raw materials, semi-finished or finished industrial goods or to trade in services. Existing textile quotas will be terminated in 1991. Limited quantitative restrictions exist on imports of certain agricultural products.

Licensing requirements are primarily imposed for surveillance purposes. The decision to require licences is taken by the Government. Decisions on detailed requirements are taken by the government agency responsible for implementation.

Consistent with the basic policy preference for free trade under multilateral rules Sweden has resisted pressures to apply or enter into voluntary restraint arrangements on exports or imports in specific sectors or for specific products, whether government-to-government or industry-to-industry.

A. (iii) THE TRADE POLICY FRAMEWORK

Once a year the Riksdag receives, through the Minister for Foreign Trade, the Swedish Government's Trade Policy Declaration, presenting its assessment of Sweden's foreign trade relations and its intentions in this field. The Declaration is a policy statement. It does not have the status of law nor is it adopted by the Riksdag. The presentation is followed by a parliamentary debate.

The Government may at any time introduce in the Riksdag any proposal for measures relating to trade that requires parliamentary approval. Specific laws are adopted by the Riksdag on those aspects of the foreign trade regime that require parliamentary approval. All other trade measures are decided by the Government or its agencies acting on governmental authority.

A. (iii) (a) Domestic Laws and Regulations Governing the Application of Trade Policies.

The Swedish Legal System

The development of Swedish law is characterized by continuity rather than abrupt changes. Until 1974 the most important source of constitutional law was the Instrument of Government dating from 1809. A new Instrument of Government came into force on 1 January 1975.

Power to enact laws is vested in the Riksdag. The Riksdag may authorize the Government to issue ordinances in certain areas that have been specified in the Instrument of Government. That Instrument also allows the Government a limited ability to issue ordinances independently for purposes such as the promulgation of laws, or public sector management.

In the area of trade policy, the Government may inter alia (see the Instrument of Government, Chapt 8, paras 7 and 9) issue ordinances regulating the importation and exportation of goods, customs duties, the transfer of funds and other assets, credit systems, or manufacturing, but only after being authorized to do so through a law passed by the Riksdag.

Laws passed by the Riksdag are promulgated by the Government. In principle all laws and the main part of the ordinances issued by the Government are published in an official publication "The Swedish Code of Statutes" (Svensk Författningssamling, SFS).

Sweden has a three-tier hierarchy of courts: the district courts (tingsrätter), the intermediate courts of appeal (hovrätter) and the Supreme Court (högsta domstolen).

Appeals against decisions by administrative authorities may be carried to the administrative courts of appeal (kammarrätter) in Stockholm, Göteborg, Jön-köping and Sundsvall. The highest administrative tribunal is the Supreme Administrative Court (regeringsrätten) which - like the Supreme Court - in principle only tries cases which are of interest from the point of view of possible precedents. There are, in addition to this, a few specialized courts of the highest instance for specific areas of legislation. One such court is the Market Court (Marknadsdomstolen) which decides cases falling under the Competition Act.

The appeals procedure for administrative cases described above is also used for tariff cases. Other cases involving administrative decisions in the trade field utilize a similar system, but appeals are heard by the Government as the highest instance.

Tariff Legislation

Directives regarding taxation and customs duties shall be adopted by the Riksdag in the form of laws. Swedish tariff legislation was recently revised in order to simplify and adapt it to the 1974 constitutional Instrument of Government.

The basic procedural rules of the tariff legislation are contained in the Customs Act (SFS 1987:1065). This Act is supplemented by a number of other statutes relating to tariffs:

- Duties to be charged are regulated by the Customs Tariff Act (SFS 1987:1068).
- Rules and regulations regarding exemption from duty for various types of goods, for example goods which will only be utilized on a temporary basis in Sweden or products of which there is no production in Sweden, are contained in the Customs Duty Exemption, etc. Act (SFS 1987:1069).
- Rules for anti-dumping and countervailing duties are also included here.
- In addition, the Customs Duty Exemptions, etc. Act authorizes the Government to issue ordinances regarding duty exemption resulting from international trade agreements - chiefly the EFTA Convention and Sweden's free-trade agreements with the EEC and the ECSC and its member states. The procedural provisions which apply in this context are contained in the Free-Trade Ordinance (SFS 1987:1185).

- Swedish imports from developing countries under the GSP system are exempted from duties in accordance with Ordinance (SFS 1987:1285) Concerning Exemption from Duty for Goods from Developing Countries.
- General rules of origin are published in the Ordinance Concerning the Origin of Goods (SFS 1984:59).

Import and Export Legislation

The Riksdag has delegated powers to the Government to issue ordinances regarding the importation and exportation of goods in the Act (SFS 1975:85). The fundamental legal assumption of this Act is that there is freedom to export goods from and import goods to Sweden. The powers conveyed to the Government cover i.a. directives required to counter threats of disruption of the economy or of the means of livelihood of the Swedish people; or for special reasons related to trade policy; or for certain types of goods such as military equipment.

The Government has issued an Ordinance for the Regulation of Imports and Exports (SFS 1984:53, latest edition 1988:567) containing the basic regulations which apply to import and export licensing. Under this ordinance, the National Board of Trade is responsible for administering any licensing of non-agricultural goods (most goods under HS Chapters 25-99), and the National Agricultural Market Board is responsible for administering any licensing of goods in the agricultural sector (mainly HS Chapters 1-24).

Foreign Trade Regulations for Goods in the Agricultural Area (Chiefly HS Chapters 1-24)

Price regulations for agricultural and fish products are based on the Act regarding Price Regulation of Agricultural Products (SFS 1967:340) and of Fish and Fish Products (SFS 1974:226).

Any licences within the National Agricultural Market Board's field of responsibility are based on these laws and on the above mentioned Act Authorizing the Issue of Ordinances concerning the Importation and Exportation of Goods (SFS 1975:85).

The activities of the National Agricultural Market Board are also governed by the following laws:

- Act on Specific Taxes and Price Regulating Taxes (SFS 1984:151).
- Act on Withholding of Deliveries and Destruction in Emergency Situations (SFS 1961:655).

Imports of products are, under the Ordinance for the Regulation of Imports and Exports, permitted in principle without an import licence from the National Agricultural Market Board. The Government may however authorize the Board not to allow import without licence. Such authorizations have been issued on occasion. At present licensing requirements are applied i.a. for imports of certain kinds of meat, fish, wheat and cane or beet sugar.

The main purpose of the licensing system administered by the National Agricultural Market Board is to allow the monitoring of specific products if the need is felt. Licensing requirements combined with quantitative restrictions are normally only applied to a small number of products, such as certain kinds of fish. The licensing of wheat is designed to control imports of wheat not suitable for baking.

The strict requirements placed on Swedish producers due to human health considerations, animal care and environmental protection may give rise to higher production costs for Sweden. This may change the competitiveness of Swedish agricultural products on international as well as domestic markets. Higher costs may here be outweighed by improved market opportunities.

Foreign Trade Regulations for Goods in the Non-Agricultural Area (Chiefly HS Chapters 25-99)

The National Board of Trade administers import and export licensing for non-agricultural products. The licensing system is administered according to the Board's Ordinance for import and export licences (KFS 1987:1, latest edition 1987:28). Foreign trade restrictions are structured according to type of commodity and country (- of origin or destination). These two criteria determine whether or not goods may be imported or exported without a licence and, if not, what licensing system is applicable.

About 60,000 licences are granted per fiscal year (55,000 licences for imports of textiles and clothing, 5,000 licences for other imports and less than 1,000 export licences). In addition there are some 11,000 reporting items within a system of general licences applied to iron and steel imports. Surveillance licensing is also applied to certain goods exported to or imported from South Africa which are not covered by sanctions (see pg 9).

Licensing ensures that restrictions on trade are observed or that developments for certain goods are monitored, to permit, for example, rapid intervention in the event of sudden disturbances in the markets. A fee of not more than Swedish krona (SEK) 225 is charged for import licences where the value of goods is SEK 5,000 or more. Licences are issued free of charge for iron and steel imports and for all kinds of exports. Total fees collected amount to SEK 7-8 million annually.

Customs Valuation

The Swedish regulations on customs valuation are based on the Agreement on Implementation of Article VII of the GATT. The regulations came into force on 1 January 1981, the same date as the Agreement.

The regulations are contained in:

- Paragraph 4 of the Customs Tariff Act (SFS 1987:1068);
- The Ordinance on Customs Valuation (SFS 1980:749);
- The Implementation Regulations for the above Ordinance, issued by the Swedish Board of Customs.

The Board of Customs has also issued guidelines for calculating the dutiable value of goods imported into Sweden.

Technical Barriers to Trade

Authorities which issue technical regulations must observe the terms of the GATT Agreement on Technical Barriers to Trade (the TBT Agreement), as well as Article 12 bis and Annex H of the EFTA Convention. The application of these agreements is defined in the Ordinance Concerning the Obligation of Authorities to Notify Certain Technical Regulations, etc. (SFS 1988:569). More than 30 authorities are affected by the ordinance.

Public Procurement

Two sets of multilateral agreements on public procurement are applicable in Sweden: the GATT Agreement on Government Procurement, and the EFTA rules on public procurement (contained in Article 14 of the EFTA Convention and in the 1966 Lisbon Agreement on its interpretation).

The Government Procurement Ordinance (SFS 1986:366) came into force on 1 July 1986, replacing an older ordinance from 1973. It regulates purchases and the placing of orders for goods, technology, and building or construction contracts or services.

The Ordinance on the Application of the GATT Agreement on Government Procurement (SFS 1980:849, latest edition 1988:101, subsequent amendment 1988:461), entered into force on 1 January 1981.

These two instruments contain general provisions for public procurement; forms of procurement; invitation/opening of tenders, etc.; consideration of tenders; as well as special provisions.

Regulations relating to the above ordinances are issued by the National Audit Bureau (Riksrevisions-verket).

The Competition Act (SFS 1982:729), section 14, contains a general prohibition against collusive tendering.

Anti-Dumping- and Countervailing Action

Sweden is a signatory to the Agreement on Implementation of Article VI of the GATT (Anti-dumping Code) and to the Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the GATT (Subsidies Code).

The relevant legislation is Section 4 of the Customs Duty Exemption, etc. Act (SFS 1987:1069), which regulates the levying of anti-dumping- and countervailing duties, and the Ordinance Concerning the Investigation of Dumping and Subsidies (SFS 1985:738).

Other Legislation

In addition to the trade legislation described above, there are certain specific laws and regulations which may affect trade but which were not primarily introduced for commercial, industrial or trade reasons.

In specific legislation governing the activities of the Swedish customs authorities, conditions are laid down concerning goods for which particularly stringent requirements apply for the safeguarding of human life and health, the environment, plant protection, or protection against animal diseases.

For instance, the legal handling of narcotic pharmaceuticals are subject to strict controls. Trade in hazardous goods require licences which are inspected by the customs authorities for surveillance purposes.

The Act concerning the Transport, Storage and Destruction of Goods Subject to Import Provisions, etc. (SFS 1973:980) regulates procedures for the surveillance of exports and imports of such goods. The Act specifies whether necessary import conditions must be fulfilled before the goods may be released by the customs authorities at the border, or at a later stage in the importation process.

Exports of military material are guided by special concerns and are considered separate from normal trade policy considerations. A strict export licensing regime regulates Swedish trade in products and technology for military purposes. A new law, the Act concerning Prohibition of the Exportation of Military Equipment and Related Matters (SFS 1988:558), came into force on 1 July 1988.

Trade in products and technology that could be used in the nuclear field is also subject to strict controls.

Re-exportation of certain products which are subject to export restrictions in the country of origin (e.g. computers and electronics), is prohibited in accordance with Ordinance (SFS 1986:89) on Prohibition of Certain Exports.

Following a decision in the Riksdag, an embargo on trade with South Africa and Namibia was implemented. Relevant regulations are contained in an ordinance (SFS 1987:477) which came into force on 1 July 1987. There is also a prohibition of new investment in South Africa. The sanctions on trade with Namibia will be abolished on 1 April 1990.

Sweden maintains pronounced policies on social and economic welfare, labour, public safety, consumer protection, environmental issues and regional development. Extensive bodies of regulations are applied both at national, regional and local levels. The regulations are implemented in a non-discriminatory fashion and do not constitute obstacles to legitimate trade. Sweden has participated actively for many years in efforts to elaborate internationally agreed standards and harmonization of requirements in many areas as a complement to trade negotiations on non-tariff measures.

A. (iii)(b) Trade Policy Formulation and Review

A diagram illustrating the institutional framework for Swedish trade policy formulation is included as Annex 1.

As explained above, the main legal framework for foreign trade is established by the Riksdag which has the power to impose tariffs, taxes and

other duties. Other trade policy decisions are, however, taken by the Government on proposals presented by the Minister for Foreign Trade who heads the Trade Department of the Ministry for Foreign Affairs.

Other ministries also participate in the process of formulating proposals with trade policy implications, depending on the issues.

Industrial policy is co-ordinated by the Ministry of Industry, i.e. government policy with regard to the structure of industry and industrial questions, small and medium-sized enterprises, industrial financing including some issues connected with export credits, research and development in industry, minerals policy, regional development, handicrafts, tourism (from 1989) and most state-owned companies. In 1989 energy issues were transferred to the Ministry of Industry. Export promotion is the responsibility of the Trade Department of the Ministry for Foreign Affairs.

The Ministry of Agriculture is responsible for matters concerning food and agriculture, forestry, fisheries, horticulture and reindeer husbandry.

The Ministry for the Environment is responsible for government policy in the area of environmental protection. Apart from its own specialized legislation and administrative bodies, the ministry has a coordinative role concerning environmental aspects of issues handled by other ministries.

The National Board of Trade is the central administrative authority for trade. It examines Swedish interests in the field of foreign trade and reports to the Trade Department of the Ministry for Foreign Affairs after consulting with industry, importers, trade unions, etc.

The Board is also the licensing authority for industrial goods.

The Board is responsible for the operation of the notification system specified in the GATT Agreement on Technical Barriers to Trade, and the corresponding EFTA procedure. It also fulfils the role of national enquiry point for TBT issues.

The Board is responsible for conducting anti-dumping and countervailing duty investigations as well as other inquiries related to safeguard measures.

The National Agricultural Market Board is responsible for price and market regulations in agriculture and fishery and emergency planning concerning food and essential inputs for agricultural production. In the area of foreign trade, the Market Board has similar responsibilities for agriculture and fishery as the Board of Trade has for industrial goods.

The National Board of Agriculture is responsible for the structural improvement of agriculture, horticulture and reindeer husbandry as well as animal and plant protection and animal health.

The National Food Administration administers food controls. It is the chief supervisory authority for the veterinary and meat inspection organization.

The National Customs Board is responsible for the administration of the Swedish customs service. The general objectives of customs operations are, by exercising control over movements to and from Sweden, to:

- protect health, the environment and public safety
- ensure proper collection of duties, fees, and certain taxes
- provide basic data for Swedish trade statistics.

A. (iii)(c) Multilateral, Regional and Bilateral Trading Agreements

The United Nations

Sweden has signed and ratified a number of international agreements under UN auspices. Those with direct relevance for trade policy are identified in Annex 2.

GATT

Sweden acceded to the General Agreement on Tariffs and Trade (GATT) in 1950.

In addition, Sweden is a signatory to the following multilateral agreements in the non-tariff area that resulted from the negotiations in the Tokyo Round:

- The Agreement on Technical Barriers to Trade;
- The Agreement on Government Procurement;
- The Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the GATT (the Subsidies Code);
- The Arrangement Regarding Bovine Meat;
- The International Dairy Arrangement;
- The Agreement on Implementation of Article VII of the GATT (the Customs Valuation Code);
- The Agreement on Import Licensing Procedures;
- The Agreement on Trade in Civil Aircraft;
- The Agreement on Implementation of Article VI of the GATT (the Anti-Dumping Code).

Sweden is also a signatory to the Arrangement Regarding International Trade in Textiles (MFA IV).

OECD

Sweden is a member of the OECD (The Organization for Economic Co-operation and Development). One of the main objectives of the OECD is to contribute to the expansion of world trade on a multilateral, non-discriminatory basis, and in accordance with international obligations. The OECD promotes the reduction, and preferably abolition, of barriers to free movements of goods, services and capital and opposes distortive subsidies and restrictive regulations at a national level.

Sweden is a member of the Code of Liberalization of Current Invisible Operations, a binding instrument for the liberalization of trade in services among OECD member states, and the Code of Liberalization of Capital Movements, a binding instrument for the liberalization of capital transactions.

European Free Trade Association (EFTA)

The European Free Trade Association (EFTA) was established on 3 May 1960, through the Stockholm Convention. Its objective - a free trade area for industrial goods between its member states has since been reached (present members: Austria, Finland, Iceland, Norway, Sweden and Switzerland). The agreement has an unlimited duration.

The goals of EFTA, as set out in Article 2 of the Convention, are to promote, in the area of the Association and in each Member State, a sustained expansion of economic activity; full employment; increased productivity and the rational use of resources; financial stability; and a continuous improvement in living standards. The Association shall also ensure that trade between Member States takes place under conditions of fair competition and contributes to the harmonious development and expansion of world trade and to the progressive removal of trade barriers.

Tariffs on industrial goods were eliminated between EFTA countries in 1966. For the majority of agricultural products, however, no EFTA coverage exists.

Free Trade Agreements with the European Economic Community, the European Coal and Steel Community and its Member States

Sweden's agreements with EEC and the ECSC and its Member States establish free trade in industrial goods between Sweden and the European Communities. The Free Trade Agreements (FTAs) came into force on 1 January 1973, and are of unlimited duration.

The goals of the FTAs are to expand trade between the parties, to develop economic relations between Sweden and EEC/ECSC in a harmonious way, to promote economic development in Sweden and in the EEC, to improve standards of living and working conditions, and to increase productivity and financial stability. Finally, the FTAs shall ensure fair terms of competition for trade between contracting parties and, through the removal of barriers to trade, contribute to a harmonious development and expansion of world trade.

The Luxemburg Declaration of 1984 by EFTA and EC ministers set out guidelines for deepening and extending the EFTA and EEC cooperation within the framework of, and beyond, the existing Free Trade Agreements.

The harmonization process between EC and EFTA following the 1984 Luxemburg Declaration did not include trade in agricultural and fish products, apart from sectoral agreements on a bilateral or plurilateral basis that may result from the process. However, for certain processed agricultural products the harmonization process includes improvements in present trade conditions.

A joint EC/EFTA ministerial meeting in December 1989 decided to work for the creation of a European Economic Space (EES) characterized by the free movement of goods, services, capital and manpower within member countries.

When Portugal joined the EC at the beginning of 1986, the EFTA free trade agreement with Sweden was replaced by a protocol amending the FTAs between the EEC/ECSC and the respective EFTA Member States.

The free trade agreement between Spain and the EFTA countries from 1980 was also replaced by a protocol amending the FTAs between the EEC/ECSC and the respective EFTA Member States, when Spain joined the EC.

International Reciprocal Recognition Schemes

During the 1970s EFTA initiated a number of international reciprocal Schemes and Conventions with the overall aim of overcoming technical barriers to trade. These are described in more detail on pg 22.

Multilateral Commodity Agreements and Arrangements

Sweden has actively participated in international, multilateral commodity co-operation for many years. This involvement is based both upon the desire to further national interests in this area, and upon the assessment that such co-operation is beneficial to a number of developing countries.

Sweden's interest and involvement in commodity co-operation has led to its active membership in all major international commodity agreements and other arrangements (study groups). Besides the objective of stabilizing prices in the international commodity markets, Sweden has also stressed the importance of support to marketing and diversification efforts among developing producer countries, and of environmental concerns. The ideas expressed in the Report of the Brundtland Commission ("Our Common Future") are supported by Sweden.

A list of the international commodity agreements and study groups in which Sweden participates may be found in Annex 3.

The Common Fund for Commodities which has now become operational is actively supported by Sweden, who intends to work together with other members to make it an effective instrument in the commodity field.

Bilateral Agreements

Sweden has entered into a number of bilateral agreements designed to promote trade and overall economic relations, chiefly with developing countries and state trading countries. These agreements are transparent and non-discriminatory, and fully compatible with Sweden's GATT obligations. Besides providing an institutional framework for bilateral trade, they often contain broad agreements covering various types of economic, industrial, technical and scientific co-operation. A list of these agreements may be found in Annex 4. A total of 26 countries are affected by these measures.

Sweden has concluded 15 bilateral textile agreements negotiated in accordance with MFA IV. For state trading countries, textile and clothing exports are limited by means of export restrictions or through bilateral or unilateral import controls. Unilateral restrictions apply to textile and clothing imports from Taiwan. Annex 5 includes a list of these textile agreements.

As a result of the Tokyo Round, a bilateral agreement was concluded which provides Sweden with a certain degree of access to the the United States cheese market. A Nordic cheese agreement with Canada provides some access also to the Canadian cheese market.

Bilateral customs co-operation agreements have been reached with Denmark, Finland, France, Iceland, Norway, the Netherlands, Spain, the United Kingdom, the Federal Republic of Germany and the United States.

A frontier trade agreement has been concluded with the USSR.

In order to promote trade and economic and industrial co-operation Sweden has entered into bilateral investment protection agreements with several developing countries and state trading countries. These agreements are listed in Annex 6.

Double taxation agreements have been concluded with a considerable number of countries.

A. (iv) THE IMPLEMENTATION OF TRADE POLICIES

A. (iv)(a) Trade Policy Measures and their Implementation

Tariffs

Sweden is a low tariff country - the average duty charged for industrial products is 4.1 per cent weighted against imports. (Cf "The Tokyo Round of MTN, Vol II: Supplementary Report".)

In the agricultural sector (Ch. 1-24), the tariff rates for 78 per cent of total imports are bound, while the corresponding figure for the industrial goods sector (Ch. 25-97) is 97 per cent. This gives an average of 94 per cent.

The unbound rates in the industrial sector mainly involve shoes and certain textile and clothing products.

Unbound tariffs in the agricultural sector relate above all to products subject to market regulation, i.e. the main agricultural products of Sweden.

Since 1 January 1988, Sweden applies the Harmonized Commodity Description and Coding System (HS). For statistical purposes the Board of Customs has issued a register nomenclature (working tariff) of all the goods contained in the Customs Tariff Act. The HS nomenclature encompasses a six-digit nomenclature, divided into 97 chapters. Sweden has extended the system by adding a seventh digit in the register issued by the Board of Customs.

Border control of goods is carried out by the customs authorities or by another authority, such as the National Board of Agriculture in the case of sanitary and phytosanitary regulations. The responsibilities of the customs authorities include the exaction of duties and certain other taxes, fees and charges and the supervision of compliance with regulations concerning the importation and exportation of goods.

The calculation of the dutiable value of imported goods is primarily the task of the local customs authority, which also assumes responsibility for the assessment decision. Questions of principle or issues with wider implications are handled by the Tariff Division of the Swedish Board of Customs.

The Swedish Custom's immediate release system, introduced in 1974, reduces customs clearance time to a minimum:

Registered importers can obtain the release of goods by simply reporting them. Customs duty and other taxes are levied by the customs authorities on the basis of a written declaration (with commercial invoices and movement certificates appended) which the importer provides to a specific Customs House within two weeks of the act of reporting the goods.

Survey of the Customs Tariff and Rates of Duty

Ch. 1-5 (live animals, meat, fish, dairy produce, non-edible products of animal origin) chiefly include duty-free tariff items.

Ch. 6-8 (live trees and plants, edible vegetables, roots, fruits and nuts). Relatively high duties (generally 5-20 per cent) are charged when corresponding domestic products are available. On the whole, exemption from duties applies to products which are not grown in Sweden, e.g. tropical products. Specific duties apply to live plants and cut flowers.

Ch. 9-14 (coffee, tea, spices, cereals and products of the milling industry, oil seeds, various grains, seeds and fruits, vegetable saps and extracts, vegetable plaiting materials and products). Exemption from duties applies.

Ch. 15-23 (fats, oils, waxes, prepared nutriments, beverages, spirits and vinegar) cover areas where, in many cases, duties apply. Certain products which are not grown in Sweden are exempted from duty. Rates of duty vary from 3 to 25 per cent and in a few cases duty is charged by weight or volume. A special duty applies to certain goods, such as spirits or other alcoholic beverages imported by other than the State-owned Wine & Spirits Corporation.

Ch. 24 (tobacco) covers raw tobacco, tobacco waste and tobacco substitutes (including products made of such substitutes) which all are free of duty. The chapter also covers cigars, cheroots, cigarillos and cigarettes with duties ranging from SEK 0.60 to 8.90 per 100 pcs. For smoking tobacco the duty is 487.50 per 100 kg. A special duty applies to private imports.

Ch. 25-28, 30, 32-33, 35-37 cover mineral products and inorganic chemicals, pharmaceutical products, essential oils, perfumes etc. For the most part, goods covered by these chapters are free of duty, with the exception of certain chemical products, lacquers, prepared colouring matter, cosmetics, soap and detergent products, etc.

Ch. 29, 31, 34 38-40 cover organic chemicals, fertilizers, soap etc., various chemical products, plastics and rubber. Duties varying from 2.2 to 12 per cent are applied to most of these goods. Duties charged by weight are applied to certain goods.

Ch. 41-43 and 50-65 cover hides, skins and goods made from such materials, textile goods, footwear and headgear. In most cases, duties vary from 2.5 to 17 per cent for such goods. As regards Ch. 60-65, duties mainly range from 10 to 17 per cent. In many cases, unprocessed goods are free of duty. Duties based on weight are applied to a limited number of goods.

Ch. 44-47 cover wood, wood products, cork, manufactures from plaiting materials, basketwork and paper pulp. Most of these goods are free of duty. For the rest, duties vary between 1.4 and 7.2 per cent. Duties based on weight are applied to a limited number of goods.

Ch. 48-49 cover paper, paperboard and printed matter for which low duties apply (i.e. 1.4 to 3.8 per cent). Duties of 7.2 or 12 per cent apply for certain wallpapers. Certain goods are exempted from duty e.g. books and newspapers.

Ch. 66-71 include umbrellas, prepared feathers etc., articles of stone, plaster, cement, ceramic products, glass, pearls and precious stones. The customs structure varies somewhat and rates of duty range from 0 to 12 per cent.

Ch. 72-73 cover iron and steel and articles made from ferrous metals. Ch. 72 goods have a low duty profile, with rates ranging from 0 to 5 per cent. A 5 per cent duty applies to most semi-finished goods. A duty of 7 per cent is charged for pipes and tubes and pipe fittings.

Ch. 74-81 cover non-ferrous base metals and articles made from such metals. Low duties apply for these chapters except for a number of duty-free items, chiefly raw materials and base metals in Chapter 81. Generally duties for these categories range from 1.4 to 3.8 per cent.

Ch. 82-83 cover tools, implements and various articles made from base metals. Relatively low duties apply. A few items are duty-free, but the range for other goods lies between 3.2 and 7 per cent, 3.2 per cent being the more typical figure.

Ch. 84-85 cover machinery and apparatus, etc. Duties range from 2.5 to 8.0 per cent, although certain items are duty-free. Duties based on weight are applied to certain gramophone records, lamps and carbon products. The typical rate of duty is 3.8 per cent.

Ch. 86-92 cover vehicles, aircraft, vessels, instruments (including musical instruments), photographic and cinematographic apparatus, watches and clocks. Duties from 3.2 to 4.4 per cent apply to Ch. 86. In Ch. 87 tanks, armoured vehicles, etc. are exempted from duty. However, duties apply to remaining goods under Ch. 87 ranging from 3.8 to 7.7 per cent and in Ch. 90-92 from 2.0 to 5.1 per cent. The typical rate of duty is 3.8 per cent in Ch. 90. A special duty of SEK 7 is applied on a unit basis for bicycles without motors. Several items in Ch. 88-89 are free of duty, for the rest a duty of 3.8 per cent is applied.

Ch. 93-97 cover weapons and ammunition, various types of goods such as furniture, bedding, light fittings and prefabricated buildings. Relatively high duties (12-14 per cent) are charged for lighting products including parts and for plastic pre-fabricated buildings, while duties for other goods in Ch. 93-97 vary between 2.0 and 7.2 per cent. Certain items are free of duty, primarily weapons for military purposes.

Preferential Treatment in Accordance with the Free-Trade Ordinance (SFS 1987:1185)

Industrial goods originating in EFTA or EEC countries which are covered by HS Ch. 25-97, as well as such industrial products that are covered by Ch. 1-24, are exempted from duty and are not subject to licensing for supervisory or other reasons.

The majority of agricultural products are not covered by the EFTA Convention. Sweden has however decided to abolish or reduce duties, fees and charges on imports from EFTA countries for certain quantities per calendar year of mutton and lamb, ponies, margarine and certain fruit juice products.

Preferential Treatment in Accordance with the Ordinance Concerning Exemption from Duty for Goods from Developing Countries (SFS 1987:1285)

The GSP system was introduced in Sweden in 1972. Goods which are eligible for GSP are totally exempt from tariff duty and no quantity ceilings are applied. All goods originating in the least developed countries are accorded duty-free treatment under the scheme, provided the notification procedure under the scheme has been fulfilled.

For other developing countries, GSP applies to practically all goods covered by Ch. 1-24 (i.e. agricultural products), with the exception of certain goods covered by Ch. 6 (certain live plants or parts of plants, bulbs, etc and cut flowers), vegetables and fruit (Ch. 7, ex Ch. 8, ex Ch. 20); certain yeasts (ex Ch. 21-22); certain shrimps/prawns (ex Ch. 16). A somewhat narrower list is applied to three state trading countries (Bulgaria, Romania and the People's Republic of China).

GSP treatment is also granted to most other goods in the tariff schedule, with the exception of certain textile goods (ex Ch. 50-59), ready-made clothing (ex Ch. 61-63) and leather shoes and clothing. Here, too, a restricted list applies to goods originating in Bulgaria, Romania and the People's Republic of China. Special regulations are applied for hand-woven cotton cloth of a certain quality from India, Pakistan and Sri Lanka (ordinance SFS 1987:1287).

In recent years, administrative simplifications have been introduced in the Swedish GSP scheme, and various value limits have been increased.

Quantitative Restrictions and Other Non-Tariff Measures

Current Measures in the Agricultural Area

According to the present guidelines for Sweden's agricultural and food policy, which were laid down in two parliamentary decisions in 1984 and 1985, the main objective shall be to secure food supplies under normal as well as emergency conditions.

Agricultural production capacity should broadly correspond to what is required to secure food supplies in peacetime, as well as in emergency situations, and to meet commitments made by Sweden in the context of international co-operation against famine. It is primarily the responsibility of the agricultural sector to adjust production to domestic requirements. As a general rule costs associated with surpluses should be borne by the producers.

For products under agricultural price regulation variable import levies are applied. The levies correspond to the difference between world market prices and domestic support prices. Such levies are charged on most meats, dairy products, eggs, grains and grain products, potatoes, sugar and feedstuffs. In order to stimulate imports in situations of domestic shortage the restitution of import levies, wholly or in part, may be granted.

Quantitative restrictions have been applied seasonally for apples and pears. These restrictions were terminated after the 1989 season and a new system of seasonal tariffs introduced.

In rare cases, and in order to secure domestic supplies for consumption or processing, restrictions on exports may be applied (export levies, export licences) for certain agricultural and fish products. At present no such restrictions are being applied. In recent years such restrictions have temporarily been applied to exports of potatoes (export licences) and cod (levies).

Current Measures in the Non-Agricultural Area

Surveillance licensing applies to all imports of iron and steel

Exports of scrap metals are licensed and restricted. However, for trade between Sweden and the EFTA and EC member countries restrictions on non-ferrous metal scrap were abolished on 1 January 1990, as a result of the EFTA/EC agreement on export restrictions which came into force as of that date. An exception is copper scrap, for which the restrictions will be lifted by 1 January 1991.

Imports in the textiles and clothing areas from 26 countries are subject to quantitative restrictions. As described on pg 13, these restrictions have either been negotiated within the framework of bilateral trade agreements or in accordance with MFA IV, or have been maintained on a unilateral basis. The Riksdag decided in December 1988 that all these restrictions are to be abolished upon the expiry of MFA IV on July 31, 1991.

Already in the bilateral agreements under MFA IV, Sweden liberalized imports of textiles and clothing. Quota growth rates and flexibility were increased and rest groups and aggregates were abolished.

Licences are required for imports of certain goods (apart from textiles and iron and steel) from state trading countries (certain chemicals, semi-finished metal goods, electrical motors, etc). There are also limitations on imports of leather shoes from state trading countries.

Imports from to South Africa are prohibited, as are exports with the exception of certain goods which are licensed (publications, news material, goods for religious purposes or humanitarian assistance operations, certain products for medicinal purposes; goods which are not imported or exported on a commercial basis are also licensed).

Rules of Origin

The general rules of origin (SFS 1984:59) state the conditions required for "wholly produced" goods (equivalent to those for the FTA and GSP, described below) and for "sufficient" and "insufficient" working or processing.

For most products the general rules of origin indicate a choice as regards "sufficient working or processing", between a simple change of number-rule and a value added-rule (if the increased value of the product constitutes the major part of its value). However, in the case of textiles and clothing products (Ch. 50-62), the value added rule cannot be applied. In this sector, there are supplementary rules regarding "insufficient working or processing" and "sufficient working or processing" (which may prove adequate in certain cases, even if the change of tariff number requirement is not fulfilled).

Sweden applies preferential rules of origin within the framework of the the EFTA Convention and the Free Trade Agreement with the EC (EEC and ECSC). These rules define the concept of "free trade area goods" and set out the conditions for determining when goods shall be considered "wholly produced" in one of the countries concerned or have undergone "sufficient" or "insufficient" working or processing to confer origin in that country. "Sufficient processing" is based on a change of tariff number according to the HS nomenclature. This requirement is often supplemented by additional rules, e.g. that only a certain percentage of input materials from a third country may be used. The rules of origin in the free trade agreements also include rules for the calculation of value, transport and forms for administrative cooperation, primarily as regards documentation and proof of origin. These rules of origin are found in Appendix 1 of the Free-Trade Ordinance (SFS 1987:1185).

The preferential rules of origin in the Swedish GSP system (SFS 1987:1285) are constructed in the same way and are in most cases identical. These rules largely correspond with the rules of origin used by other EFTA countries and the EEC.

Sweden applies the general rules of origin to the origin marking of clothing and in the preparation of trade statistics.

National Rules on Government Procurement and their Implementation

Sweden has a large public sector with extensive activities in the services area. The regulatory situation varies widely for different service activities. Most publicly owned service enterprises, e.g. the national postal service, the national railways and the national telephone and telecommunications service, operate on a commercial basis. Other activities, e.g. education and health, are almost exclusively publicly funded and managed by the central government or by local authorities.

The value of public procurement in Sweden for goods and services amounted to about SEK 157 billion in 1985/86, corresponding to around 15 per cent of GNP. Of this total, regional procurement accounted for SEK 15 billion and local procurement for SEK 60 billion.

Swedish government procurement rules require impartiality and the application of normal commercial criteria to decision-making. The rules follow the basic principles of non-discrimination and national treatment in the GATT code. A procurement agency is obliged to investigate and take advantage of any competition that may exist between possible suppliers within Sweden and abroad. Procurement agencies may not depart from the regulations in the Ordinance, unless so authorized by the Government.

The procurement ordinance recognizes three forms of procurement: closed, negotiated and direct tender. These forms of procurement refer to the procurement procedure in general, in contrast to the GATT terms (open, selective and single tender) which only apply to the invitation to tender.

Tender invitations must normally be extended by advertisement or letter. The procurement agency shall choose the tender which is the most favourable according to commercial criteria. When awarding contracts, the procurement agency shall consider, apart from price, such factors as future costs of operation, maintenance and stockholding, previous experience of doing business with the tenderer, the ability of the tenderer to furnish good service, and the financial and technical resources of the tenderer. Decisions on procurement matters taken in accordance with the Ordinance are final.

Government-to-government contracts are rare in Swedish trade policy. Purchases under such contracts have mainly occurred in the natural gas and petroleum markets.

The authority responsible for the supervision of government procurement in Sweden is the National Audit Bureau.

The National Board of Trade is involved when there are complaints that procurement has violated the EFTA or GATT rules.

Existing regulations on regional and local procurement are based on the rules for central government procurement. The Swedish Association of Local Authorities and the Federation of County Councils ("Kommunförbundet" and "Landstingsförbundet") have adopted model provisions for local procurement. They have been approved by all local and regional

authorities. This voluntary approach was chosen because of a desire to maintain the traditionally independent position of local and regional authorities. But in practice all public procurement in Sweden is governed by the same rules.

The Competition Ombudsman has a general responsibility for promoting such business competition as is desirable from the public interest point of view. He also has specific duties as regards the prevention and prosecution of collusive tendering as defined by the Competition Act (SFS 1982:729).

Technical Barriers

Observance of the notification requirements and other terms of the GATT Agreement on Technical Barriers to Trade (the TBT Agreement), and Article 12 bis and Annex H of the EFTA Convention, is defined in the Ordinance (1988:569). There, it is stipulated that an authority which intends to issue technical regulations or general advice (standards) as regards performance or other properties, marking, testing, approval requirements, marketing or the use of a product shall notify the National Board of Trade in good time before the planned decision.

If there is reason to assume that an authority's proposal for technical regulations or a general advice may have a significant effect on trade between Sweden and other countries, the authority must consult with the Board before taking a decision.

If the National Board of Trade finds that a draft technical regulation is covered by the terms of the TBT Agreement or the EFTA Convention, it notifies the proposal through the GATT Secretariat and the EFTA Council respectively. Comments received are taken into account in the consultations between the Board and the proposing authority.

When the nature of proposed laws and ordinances so requires, the Government instructs the Board to notify these. The Board takes note of comments received and assists in the preparation of the Government's responses.

The National Board of Trade also functions as GATT Enquiry Point for technical regulations. The Swedish Standards Institution is the enquiry point for technical standards.

In its Regulation Concerning Notification and Consultation Regarding Rules Issued by the Authorities in Accordance with Certain International Agreements, the Board has provided implementation regulations for the ordinance SFS 1988:569 mentioned above. In this regulation certain recommendations made by the GATT TBT Committee have also been included.

Since signing the TBT Agreement, Sweden has prepared or adopted a limited number of technical regulations which could be considered technical barriers to trade. Such measures have been considered necessary for reasons not related to trade, and are in line with the exceptions permitted in the GATT Agreement and the TBT Code.

During the 1970s EFTA initiated several international reciprocal Schemes and Conventions with the overall aim of overcoming technical barriers to trade. Sweden is participating in all of them, together with other EFTA countries, some EEC countries and, in some cases, countries from Eastern Europe. There are six Schemes under which the national authorities may accept the findings of tests or inspections carried out in other participating countries:

- the Pressure Vessels Scheme;
- the Gas Appliances Scheme;
- the Agricultural Machines and Tractors Scheme;
- the Liquid-Fuel Heating Equipment Scheme;
- the Lifting Appliances Scheme;
- the Ships Equipment Scheme.

In practice, the Schemes are operated on a bilateral basis. There are slight differences between them, since they are independent of EFTA and have developed separately. No harmonization of the technical regulations of participating countries or of their test procedures is provided for in the Schemes. However, they all provide that the participating authorities or approval bodies may accept and recognize the results of tests carried out in the exporting country as equivalent to their own.

In addition, Sweden participates in the following three Arrangements:

- the Pharmaceutical Inspection Convention;
- the Pharmaceutical Evaluation Reports Scheme;
- the Hallmarking Convention.

Reciprocal recognition of inspections relating to the manufacture of pharmaceuticals is the key element in the Pharmaceutical Inspection Convention. The Convention enables participating countries to exchange such information as is necessary for a health authority to ascertain that pharmaceuticals imported from another Convention country are manufactured in accordance with the standards applied under the Convention. Inspections carried out by national inspectors in the country where the product is manufactured are thus recognised by the country into which it is imported.

The Pharmaceutical Evaluation Reports Scheme promotes the reciprocal recognition of reports which evaluate the tests and scientific documentation submitted by the manufacturer when he first applied successfully for the registration of a particular new product. Though the evaluation of the tests and the documentation is an essential condition for registration, the drawing up of evaluation reports in a form that can be transmitted from one national registration authority to another is a concept specially introduced for the purpose of the scheme.

The Hallmarking Convention introduced the first international hallmark. Specifically, it enables national assay offices to apply common control marks to articles of gold, silver or platinum. Articles bearing these hallmarks are accepted without further testing or marking by any of the Convention countries.

The harmonization process between EC and EFTA following the 1984 Luxemburg Declaration also aims at harmonizing different national standards and regulations concerning food products e.g. veterinary and sanitary regulations, plant protection, food additives, labelling etc.

Safeguard Actions

There is no specific Swedish safeguards legislation. Possible actions are limited by Sweden's obligations under GATT, the EFTA agreement and Sweden's free trade agreement with the EEC as well as by national legislation.

The duties prescribed by the Customs Authorities are charged in accordance with the Customs Tariff Act. Where special circumstances apply, the Government may, according to a provision in the Customs Duty Exemption, etc. Act (SFS 1987:1069), decide that a special duty shall be levied for certain types of goods when imported. Such rules shall be reviewed by the Riksdag within one month of the issue of the directive or, if the Riksdag is not in session, at the beginning of its next session. No situation of this kind has occurred since 1958.

If quantitative measures are contemplated for safeguard purposes, these must be implemented in accordance with the ordinance for the Regulation of Imports and Exports (SFS 1975:85).

Anti-Dumping Actions

There were only two cases of anti-dumping action in the period 1986-89. One involved the importation of chipboard from Poland and Czechoslovakia. Price undertakings from the exporters were accepted in 1986. These undertakings have now expired. Another case involved imports of hardboard from Poland and the Soviet Union. A provisional anti-dumping duty was in force in the autumn of 1989.

Countervailing Actions

No investigations have taken place and, consequently, no action has been taken.

Subsidies

By the end of the Tokyo Round the Swedish market for raw materials and industrial goods had become very open and Swedish industry operated in a competitive environment. During the 1970s and the 1980s certain sectors of Swedish industry experienced severe problems. Extensive structural adjustment took place in areas such as shipbuilding, steel and textiles. Temporary government support programmes initiated to facilitate this restructuring have subsequently been terminated for shipbuilding and steel. The government's support to the textile industry has been extended until mid 1992. As to maritime transport, this sector received temporary support between 1982-1985. On January 1, 1989, the Swedish Government decided on certain measures to safeguard a Swedish merchant fleet of appropriate size,

primarily for national security reasons. These measures (the refund of seamen's tax and social security charges) should be considered to correspond to steps taken by other countries to reduce manning costs by introducing second registries.

Support to crisis-ridden companies and industries has been markedly reduced during the 1980s. Existing disbursements are attributable mainly to decisions taken in previous years. This trend remains valid for more recent years : the total net cost for industry support was reduced from SEK 10.4 billion in 1985/86 to SEK 6.1 billion in 1988/89.

Information on current subsidies to industry and agriculture was furnished by Sweden to GATT in December 1988 in the form of a notification under Article XVI:1 (doc. L/6297/Add 11). A new full notification is under preparation and will be submitted in the early autumn.

The rationale for the use of subsidies to the agricultural and fishery sectors was given in the notification. Detailed information was also furnished about certain products.

Export subsidies are financed mainly by internal fees on production and to some extent by import levies and budgetary funds. The Internal fees are levied on imports of vegetable oils and fats, and fish products. Such fees add to the cost of imported products but do not affect them in a discriminatory fashion since they are applied equally to domestic products. The revenue is used mainly to support domestic production in those product categories to which the fees are applied.

According to provisional figures from the OECD, Sweden's PSE rating for 1989 (i.e. the rate of assistance to Swedish producers expressed as a percentage of total production) was 47 per cent, compared to the OECD average of 39 per cent. Thus, Sweden finds itself between the countries with the highest PSE levels (Finland, Japan, Norway and Switzerland, all around 72-75 per cent) and the EC (38 per cent).

As regards subsidies to industry, the notification supplied information in the following areas:

- general promotion of trade;
- export credits;
- temporary support directed at particular industrial sectors;
- support schemes in favour of certain industries;
- emergency preparedness;
- support for technical research and development;
- support for industrial development.

Government industrial policy is primarily designed to stimulate the development of technology and small business. The Swedish Government also promotes regional development.

Support to industrial sectors, energy, and small and medium sized enterprises has been reduced in recent years. Support to research and development has been relatively stable for several years. Government costs for other support consist of estimated tax losses due to a reduction in the

energy tax. The aim of this reduction is to set a ceiling on the energy tax paid by an individual firm or plant. This tax concession is available to all firms.

Regional support measures consist mainly of location grants, employment grants and reimbursement of transportation costs. In 1984 a system of reduced social security charges (borne by employers) was introduced to stimulate economic development in Norrbotten, in the very north of Sweden, which has been a depressed region for many years.

Subsidies in the industrial sector are mainly administered by government agencies, in some cases by semi-public institutions. Most support to industry is channelled through the following institutions: the National Industrial Board, the National Board for Technical Development, the Fund for Industrial Development, the Fund for Northern Sweden, the Regional Development Funds, the Swedish Export Credit Corporation, the Swedish Export Credit Guarantee Board and the Swedish Trade Council. Most regional support measures are implemented by the county administrative boards.

The Swedish government largely limits its promotion of Swedish exports to the provision of export credits and guarantees (via Exportkreditnämnden (EKN)).

Publicly-owned enterprises trade internationally in their own capacity. Of a semi-public nature are the various export promotion activities undertaken by the Swedish Trade Council (a private body jointly financed by the government and Swedish industry). Swedish Trade Commissioners (separate entities also privately financed, in part) and Swedish embassies work with the Trade Council and form its organization abroad.

Export credit guarantees are issued by the Swedish Export Credits Guarantee Board (EKN), a government agency. EKN insures the exporter or the lender or both against political and/or commercial risks in the importing country. EKN is under instruction to operate on a long-term self-financing basis. During the last two years EKN, as has been the case with counterparts in most other countries, has incurred heavy losses due to non-payment or delayed payments from importers in heavily indebted countries.

EKN also operates an investment guarantee system.

Net Government Cost for Industry Support
1985/86-1988/89 in current prices (SEK billion):

TYPE OF SUPPORT	1985/86	1986/87	1987/88	1988/89
Shipyards	3.8	0.5	0.3	1.1
Other company specific support	0.6	0.5	0.8	0.7
Sectoral support	0.3	0.3	0.2	0.2
Research and development	0.7	0.6	0.7	0.6
Energy saving	1.0	0.7	0.3	0.2
Export promotion	1.7	1.1	1.1	0.4
Regional development	1.5	1.5	1.4	1.9
Small firm development	0.2	0.2	0.1	0.1
Other support	0.7	0.7	0.7	0.7
Total	10.4	6.1	5.6	6.1
Per cent of value added in industry	5	3	2	2

1) Net cost is calculated as follows:

- Grants: amount actually paid out. Repayments or royalties, if any, are deducted.
- Loans and equity: calculated capital based on the Government borrowing rate with deductions for interest income and dividends. Capital losses are added.
- Guarantees: claims paid after deduction of fees received and recoveries.
- Tax concessions: estimated tax loss.

Free Ports

Sweden opened its first free port in Stockholm in 1919. The free ports of Gothenburg and Malmö were inaugurated three years later. The city of Norrköping was given the right to establish a free port in 1984.

The establishment of free ports was intended to promote transit and wholesale trade as well as manufacturing based wholly or partially on imported raw materials or semi-manufactured goods. Shipping industry would benefit as the free ports would become a focus for imports and exports, primarily through trans-oceanic trade. The objective was to reduce undue dependence on foreign intermediaries.

A free port is considered foreign territory as regards customs and other import charges, although no special privileges apply as regards prohibited exports or shipping dues. The Customs Service supervises commercial operations and any industrial activities. Goods which have not passed through customs may be stored for an unlimited period of time.

Transit trade did not become as important as expected when the free port areas were established. Today it represents an insignificant proportion of Sweden's trade with foreign countries. Neither have the Swedish free ports become important manufacturing centres.

State Trading Enterprises

State trading companies are defined as companies which the state has granted the exclusive right to import or export one or more products (a trade monopoly).

Sweden has only one state trading company, as notified in accordance with GATT Article XVII:(4)a: the Wine & Spirits Corporation (Vin & Sprit AB), which imports and sells alcoholic beverages (spirits, wine and beer with a high alcohol content). The reasons are largely of a social, temperance and financial nature. Trade in alcoholic beverages is regulated under the Trade in Beverages Act (SFS 1977:293).

In principle, the Wine & Spirits Corporation has exclusive rights to the importation of alcoholic beverages into Sweden. The volume of imports is determined by commercial considerations. Retail prices are calculated on the basis of cost, profit and tax rates.

The Wine & Spirits Corporation also exports certain types of wines and spirits. High alcohol-content beer is exported by private breweries. Export prices are established according to commercial principles.

The export price and the retail price on the home market differs. Export prices are wholesale prices while prices on the domestic market are retail prices, including taxes.

A. (iv)(b) Developments in Multilateral, Regional and Bilateral Trading Agreements

Multilateral Agreements

In December 1988, the Riksdag endorsed the Government proposal to abolish restrictions on imports of textiles and clothing from all sources after the expiration of the Multi-Fibre Arrangement in July 1991.

Following the Mid-Term Review of the Uruguay Round in April 1989, Sweden took action to freeze agricultural support and protection levels in 1989 and 1990 (including a price freeze for a number of agricultural products).

As a result of the Uruguay Round, Sweden on 1 July 1989 eliminated the tariffs for certain cut flowers, plaiting products including furniture, veneer of certain tropical woods, certain hard fibres and miscellaneous tropical products.

Due to complaints on quantitative import restrictions for apples and pears, Sweden held GATT consultations with the USA and other main suppliers in 1988. The consultations resulted in an elimination of those restrictions, commencing late 1989, and the introduction of a new scheme of seasonal tariffs.

Regional Agreements

The free trade agreement between Sweden and the EEC does not cover agricultural products. Sweden has granted the EEC reduced or zero tariffs on certain fish products, vegetables, fruit and wine and the EEC has agreed to certain preferential arrangements regarding imports of beef from Sweden. For a large number of processed food products, tariffs have been abolished or reduced, and price compensation measures have been applied to account for price differences in agricultural raw materials.

In a bilateral agreement with Sweden in 1986, after the expansion of the EEC with Spain and Portugal, the EC granted Sweden concessions (tariff quotas) for a limited number of fish products and frozen peas in exchange for limited fishing quotas in Swedish waters.

In 1987 the EEC agreed to refrain from using export subsidies for its exports of tomatoes to Sweden in exchange for unchanged Swedish customs duties.

In 1989 the EFTA-countries agreed to fully liberalize trade in fish among themselves. The agreement will come into effect on 1 July 1990. Full liberalization in the fish sector will in principle be reached in 1994.

In January 1990, an agreement entered into force between the EC and the EFTA Member States concerning the abolition of export restrictions on goods. The agreement applies to goods covered by the free trade agreement between Sweden and the EC.

A joint EFTA/EC procedure for the exchange of information in the field of technical regulations will enter into force on 1 July 1990.

The Free Trade Agreement between Sweden and the EEC does not contain any special provision regarding public procurement. The former EFTA members Denmark, Portugal and the United Kingdom have, however, made certain commitments when they left EFTA to continue to apply the EFTA rules on procurement to the remaining EFTA countries on the basis of reciprocity.

As a result of the new "Harmonized System" entering into force on 1 January 1988 the rules of origin in Protocol 3 to the free trade agreements between Sweden and the EC were adapted to this system.

On the same date, the rules for multilateral cumulation were replaced by rules for bilateral cumulation between the EC and EFTA countries for a three-year test period, since the bilateral rules are less complicated to use and to apply.

The Convention on a Single Administrative Document (SAD) and the Convention on a Common Transit Procedure entered into force on 1 January 1988. The EC and all the EFTA Member States are contracting parties.

Bilateral Agreements

In 1989, Sweden signed an agreement with Thailand covering economic, technical and scientific co-operation.

Investment protection agreements were concluded with Hungary in 1987 and Poland in 1989. Sweden is currently negotiating additional such agreements with a number of countries.

A. (iv)(c) and (d) Prospective Changes in Trade Policies and Practices, Including Liberalization Programmes

Textiles and Clothing

See pg 28.

Agriculture

Existing restrictions for cod and herring are, as mentioned above, to be phased out in trade with EFTA countries.

One element in the decision on agriculture adopted by the GATT/UR TNC meeting in April 1989 was the intention of participants to reduce support and protection levels for 1990. Commitments in this respect were to be notified by October 1989. In its notification (MTN.GNG/NG5/W/124) Sweden provided information about a proposal to reform agricultural policies. The notification is reproduced in Annex 7 of this report. A reform proposal will have been presented to the Riksdag (and possibly decided upon) at the time of the Trade Policy Review exercise for Sweden, when this report will be discussed.

Other

An export control regime is being considered, which would cover missile technology products, precursors for chemical warfare products, and certain equipment which can be used for the production of chemical and biological warfare agents.

The Government is also considering a Bill proposing stricter rules for the exportation of hazardous goods or substances. Its presentation to the Riksdag is planned for the spring session of 1990.

B. RELEVANT BACKGROUND AGAINST WHICH THE ASSESSMENT OF TRADE POLICIES MAY BE CARRIED OUT: WIDER ECONOMIC AND DEVELOPMENTAL NEEDS, EXTERNAL ENVIRONMENT

B. (i) WIDER ECONOMIC NEEDS, POLICIES AND OBJECTIVES

The central goals for Swedish economic policy are full employment, high growth, stable prices, equitable living standards and external and regional balance.

In the early 1980s, the Swedish economy was out of balance in important respects. Economic growth was weak, industrial production and business investments stagnant, and inflation higher than in the rest of the OECD. The external deficit corresponded to almost 4 per cent of GDP and the budget deficit to more than 13 per cent of GDP.

In 1982, the Government launched a new economic strategy. The main ingredients were a devaluation of the currency to improve domestic savings and to assist in the transfer of resources from the non-competing sector to the competing sector.

This strategy proved to be successful in the short to medium term. By 1986, both the external deficit and the budget deficit had disappeared. The inflation rate had dropped to 5 per cent from almost 11 per cent four years earlier, and the level of industrial investments had almost doubled.

However, after 1986, problems have again become visible and additional ones have developed. Wages are increasing faster than in competing countries. Household savings have declined, partly due to deregulation of the domestic credit market in the mid 1980s. As a result, inflation has increased and the current account has deteriorated. Furthermore, productivity growth is low.

Considering these developments, the Government is now focusing economic policy on reducing price and cost increases, improving savings and increasing productivity growth. Full employment remains a central policy goal.

The planned reform of the system for agricultural support is expected to improve resource allocation and ease inflationary pressures.

B. (ii) THE EXTERNAL ECONOMIC ENVIRONMENT

B. (ii)(a) Major Trends in Imports and Exports

- Imports Increased more Rapidly than Exports in Volume Terms

Swedish exports of goods remained buoyant in 1988 and the first half of 1989. The volume of exports increased by 3 per cent and 4.5 per cent respectively, compared with the corresponding figures in the previous year. However, the rate of growth for imports was higher in both periods (+5 per cent in 1988 and +8 per cent in the first half of 1989). But seen in the perspective of developments since 1980, exports have increased much more rapidly than imports (+44 per cent for exports, +34 per cent for imports). The comparative volume increases in the first half of 1989 are to some extent an effect of a labour market conflict in early 1988 which led to some reduction in foreign trade, especially for exports.

- Improved Terms of Trade Help the Balance of Trade

The balance of trade improved by approximately SEK 1 billion between 1987 and 1988, leading to an export surplus of some SEK 25 billion (value of exports: SEK 305 billion, value of imports: SEK 280 billion). In the first half of 1989, the surplus continued at the same level in terms of current prices, as compared with the equivalent period in 1988 (+SEK 15 billion). Thus, although the volume of imports has clearly increased more rapidly than the volume of exports in 1988 and the first half of 1989, the balance of trade has improved somewhat. This is due to an improvement in terms of trade in the period in question. It should be noted in this context that there would have been a somewhat greater surplus in the balance of trade figures for the first half of 1988 (and for 1988 as a whole) if the labour market conflict had not occurred (the resultant loss of exports was greater than the reduction in imports).

- The EC Generates Increased Exports

The continued improvement in Swedish exports should be seen in the light of the positive trend in the business cycle, especially in Western Europe (but with Denmark and Norway as important exceptions). In particular, there has been a high level of demand for investment goods in recent years. The increases in export volumes may have been restricted somewhat by the high level of capacity utilization in Swedish industry, in combination with high domestic demand.

Exports of engineering goods (largely investment goods) represent almost 50 per cent of total Swedish exports. The engineering industry increased its exports to the EC by almost 64 per cent in value terms during the period 1984-1988, while exports to the rest of the world only increased by 13 per cent (of which: EFTA +37 per cent, N.America +12 per cent, Far East +26 per cent and other countries -12 per cent). Engineering exports to the EC have also increased strongly in the first half of 1989

(+15 per cent). There was a clear improvement in the figures for North America (+18 per cent) and a dramatic increase for the Far East (+25 per cent), but weak development in the EFTA markets (+5 per cent).

In the 1984-1988 period, and in the first half of 1989, exports to the EC of forest, mineral and chemical products also enjoyed markedly better growth than the corresponding exports to the rest of the world. The weak increase in total exports to North America in 1984-1988 should be seen against the background of significant increases in the first half of the 1980s, which were then followed by very weak growth in value terms from 1986-1988 (partly caused by the decline in the value of the dollar). The negative development of export values in the 1984-1988 period for the "rest of the world" group (Eastern Europe, Latin America, Africa, Oceania, Western Europe excluding the EC/EFTA, the Middle East) may be explained in terms of the debt problem and poor export revenues achieved by many countries in these regions. In the case of the Far East, the most expansive export market of the 1980s, the highest total gains in value terms continue to lie in the 1984-1988 period. However, engineering exports to the Far East showed relatively weak growth.

- **Increased Imports of Input Goods/Components, Investment Goods and Construction Materials**

The relatively high rate of increase in the volume of imports in 1988 and the first half of 1989 can be partly explained by the increased demand for production inputs, such as raw materials and components used in manufacturing. This was partly due to higher industrial production in Sweden and partly the result of reduced market shares for domestic producers of such goods (according to the National Institute of Economic Research). The rising demand for investment goods (e.g. machinery), which increased dramatically in the first half of 1989, the construction boom and the continued growth of private consumption all contributed to this increase in imports.

Private consumption dropped in the first half of 1989, with volumes at roughly the same level as the first half of 1988. This had a negative effect on imports of cars and other consumer goods.

B. (ii)(b) **Developments in the Terms of Trade and Commodity Prices**

Terms of trade improved dramatically - by 8.3 per cent in 1986 mainly due to the fall in oil prices. The favourable terms of trade development has continued since then, but for other reasons and at more modest rates. In the period 1987 to 1989, terms of trade improved by 1.8 per cent, which is equivalent to SEK 6 billion.

Companies producing traditional Swedish goods have benefitted from the international investment boom in recent years. Export prices for manufactured goods have risen considerably faster than import prices.

B. (ii)(c) Important Trends in the Balance of Payments, Reserves, Debt, Exchange and Interest Rates, and similar Issues

In 1983 - the year after the 16 per cent devaluation - the trade balance went into surplus for the first time in five years. The trade balance continued to improve and actually doubled in 1986, mainly because the oil bill was cut in half. Thereafter, the trade balance has stabilized again at a slightly lower level.

The trend in the current account has been less encouraging. After temporarily going into surplus in 1986, the current account has shown increasing deficits. In part, the widening gap between trade and current accounts is due to an increasing service account deficit.

In particular the tourist account has deteriorated. However, escalating interest payments on foreign debt is the major explanation for the increasing current account deficit.

As the current account is in deficit, foreign debt continues to rise. At the end of 1988, foreign debt amounted to 23 per cent of GDP as compared to 21 per cent two years earlier.

After a change in policy in 1984, the public sector discontinued net borrowing abroad. Thereafter, the current account deficit has been financed by the private sector. This has made it necessary to keep interest rates higher than abroad.

The Swedish krona has a fixed exchange rate against a currency basket. The basket is actually an index of currencies, weighted by the countries' share of trade with Sweden. The krona is allowed to fluctuate approximately +/- 1.5 per cent around this index. The krona depreciated effectively between 1986 and 1988, and has then appreciated slightly during 1989. The major reason for movements in the exchange rate has been fluctuations in the US dollar, which has a high weighting in the currency basket.

In the latter half of the 1980s, Sweden has undertaken a sweeping deregulation of the financial sector. The process was in all essentials completed by mid 1989, at which time the only remaining regulations were those necessary for fiscal and statistical purposes.

Foreign banks may operate in Sweden on the same conditions as domestic banks; non-residents can invest in Swedish securities and borrow in Swedish currency; equally, residents may borrow or purchase securities abroad. There are no restrictions on the purchase and sale of foreign currency, provided transactions are completed through an authorized bank. Interest rate regulations and credit rationing controls have been abolished, as have quantitative controls on private bond issues.

B. (ii)(d) International Macroeconomic Situation Affecting the External Sector

Being a small and open economy, international economic developments are of paramount importance to Sweden.

The Swedish economy has benefitted from the rapid growth of world trade from 1986 until the present. However, industry has not been able to expand export volumes at the same rate as export market growth. Capacity restraints and lack of labour - which has pushed up prices - has meant a loss of market shares throughout the period.

Due to the climate and insufficient domestic energy resources, Sweden is highly dependent on imported energy. Hence, the drop in oil prices in 1986 meant that the current account balance turned into surplus and inflation was favourably affected.

Macroeconomic indicators:
Percentage change from previous year if not otherwise stated.

	1986	1987	1988	1989 estimated
GDP	2.2	2.6	2.5	2.0
Inflation, CPI	4.2	4.2	5.8	6.5
Unemployment (per cent)	2.2	1.9	1.6	1.4
Budget balance ¹ (SEK bn)	-46.8	-15.2	-4.1	18.1
Trade balance (SEK bn)	30.9	22.5	23.7	23.5
Current balance (SEK bn)	0.6	-7.0	-14.8	-24.5
Terms of trade	+8.3	-0.6	0.7	1.6
Exchange rate, SEK/USD	7.12	6.35	6.14	
Interest rates, per cent				
3 month treasury bills	9.2	9.4	10.1	
5 year bonds	10.3	11.4	11.2	

¹ Fiscal years 1985/86 - 1988/89

B. (iii) PROBLEMS IN EXTERNAL MARKETS

According to information supplied by Swedish industry, trade barriers within the traditional GATT areas, such as tariffs and quantitative restrictions, are still a problem for Swedish exports in many markets, both in developing and industrialized countries.

Discriminatory public procurement is regarded as a most serious problem. Problems associated with investigations of dumping or subsidized exports by major industrialized countries have also increased.

Regulations or practices covered by the "new" areas of negotiation in the Uruguay Round (i.e. services, trade-related investment measures, and trade-related aspects of intellectual property rights) have long presented considerable difficulties to Swedish industry in certain markets.

A summary of the more important problems faced by Swedish exports on foreign markets is presented below.

Tariffs, Quantitative Restrictions and Certain Non-Tariff Measures

High tariffs (tariff peaks) exist in many markets. In industrialized countries trade in steel, building materials, textile goods, chemical products and engineering products is adversely affected by high duties. In developing countries, high tariffs are the rule; Swedish engineering products, motor vehicles and paper are especially affected.

Additional charges are also a problem, e.g. fees payable on imported steel in certain developing countries.

Swedish exports are hampered by a long list of quantitative restrictions, covering a broad spectrum of goods in practically all types of countries. Restrictions in the agricultural sector are especially common. Major industrial products which are adversely affected by restrictions, both in industrialized and developing countries include motor vehicles, special steels and engineering products.

Complex import procedures especially in connection with licence requirements are common both in developed and developing countries. Such procedures represent additional barriers to imports.

The experience in Sweden shows that investigations of dumping or subsidization are a major source of problems. The investigation itself - even where it is ultimately found that dumping or improper subsidizing have not occurred - constitutes a serious interference with trade as certain countries have a very low threshold for initiating an investigation.

Another difficulty is that anti-dumping or countervailing duties, which are intended to be of a temporary nature, in some cases tend to take on a permanent character. Furthermore, it has turned out to be extremely difficult for companies to demonstrate and to prove that dumping no longer occurs or that the effects of a subsidy, granted in the past, have disappeared. An unreasonable burden of proof is required by certain countries to obtain reconsideration of a case involving dumping/subsidies and damage to domestic industry.

Pre-shipment inspection presents a problem in certain developing country markets. In practice, these procedures involve delays, additional costs and what is felt to be arbitrary assessments of value which can hardly be regarded as transparent.

In other countries, origin marking requirements are applied which discriminate against imports. Conditions are sometimes formulated in a way that makes it difficult, or even impossible, to fulfil the requirements (e.g. in some cases marking may actually damage the goods).

Technical Barriers to Trade

Swedish exporters are encountering technical barriers due to the adoption of national requirements on performance, design or other properties of a product. In certain cases, national standards are applied which do not comply with prevailing international standards. When faced with technical barriers of this type, companies are obliged to redesign products in order to meet the importing country's special demands. Alternatively they have to refrain from exporting to that country. In some cases, Swedish companies have experienced outright discrimination.

Other examples are requirements regarding special procedures, such as for the testing, certification, approval and marking of goods.

Public Procurement

In many countries, public procurement has traditionally been reserved for national companies which are protected from international competition. Especially in investment-intensive areas such as telecommunications, power generation, power transmission and transport, discriminatory procurement policies represent a major distortion of international trade.

The existence of a requirement that products should be of domestic origin, or the existence of a national or regional preference, is common in many countries, even when there is no binding legislation to that effect.

Agricultural Exports

Agricultural support programmes in many countries including Sweden have caused production increases and surpluses, which have contributed to very low world market prices for many commodities.

Sweden is an exporter of certain agricultural and food products, basically primary products such as grains, butter, milkpowder, pork, beef, fish but also processed products such as crispbread, preserved fish and sugar confectionery.

Sweden's traditional export markets lie in Europe. Trade in processed agricultural products has increased significantly during the last decade, also to developing countries.

Exports of animal products take place also in years when supply and demand are in balance due to seasonal supply and demand variations and to complementary trade flows (i.e. meat cuts for which domestic demand is low are exported, while meat cuts for which demand is high are imported).

In the case of grains, exports have been necessary mainly due to grain harvests exceeding domestic consumption.

Access to markets for Sweden's agricultural exports is most often limited either by quantitative import restrictions or by high tariffs on imports, various non-tariff barriers, preferential agreements in favour of other suppliers, etc.

Below, a list of problems facing Swedish agricultural exports is presented. The list is not exhaustive.

<u>Product</u>	<u>Problem</u>
Cheese, Beef	Import levies (plus customs duties for beef) are too high to allow more than marginal imports outside bilateral and/or preferential agreements.
Pork	The use of different feed conversion ratios in the respective calculations of sluicegate prices and import levies.
Processed food products in <u>general</u> Example: Processed fish compensation).	Higher import barriers against processed products compared to unprocessed fish limit access to the EC import market of processed fish products. The same applies for many processed food products (with the exception of products subject to raw material products
Dairy produce, Meats, Horticultural products	Quantitative import restrictions and/or import levies in combination with licensing requirements allow minimal access to these neighbouring markets.
Cheese	QRs. No imports are allowed outside the system of bilateral import quotas. The limited access and the rigid application of the quota system create problems.

Investment Rules

Investment requirements cover a broad spectrum of measures, from purely fiscal measures, e.g. currency restrictions, to requirements which directly affect flows of imports or exports. Such requirements occur in a great many industrialized and developing countries throughout the world. In particular, requirements concerning local content, local manufacturing or export performance are considered by Swedish industry to distort and interfere with legitimate trade.

Intellectual Property Rights

Inadequate protection and enforcement of intellectual property rights in many countries has become a tangible problem for Swedish exporters over the last few years.

The possibility of obtaining satisfactory intellectual property right protection on major markets is becoming increasingly important for companies which invest considerable sums in research and development. Rapid, modern communications permit "pirates" to produce copies of original designs at short notice. With little delay, such goods can be introduced into the market at highly competitive prices causing considerable harm. Apart from R&D and actual production costs, the original manufacturer has usually invested considerable sums in testing, marketing and other activities which are reflected in the total price of the product. Some of these costs can to a large extent be avoided by the "pirate".

Swedish companies face a great variety of problems of this kind all over the world, ranging from the most elementary types of "counterfeiting" to cases where major industrial facilities have been copied almost exactly from the original installation. Problems of this type occur both in industrialized and developing countries and involve a broad range of products.

Trade in Services

Swedish exports of services encounter very varied trade restrictive measures. They involve problems in the establishment of companies, entry and/or work permit regulations and currency regulations. Exports of services are also affected by barriers/problems similar to those affecting the trade in goods, e.g. reciprocity requirements, discriminatory taxation, fees and charges, quotas, counter-purchase requirements, subsidies and various forms of domestic preference regulations.

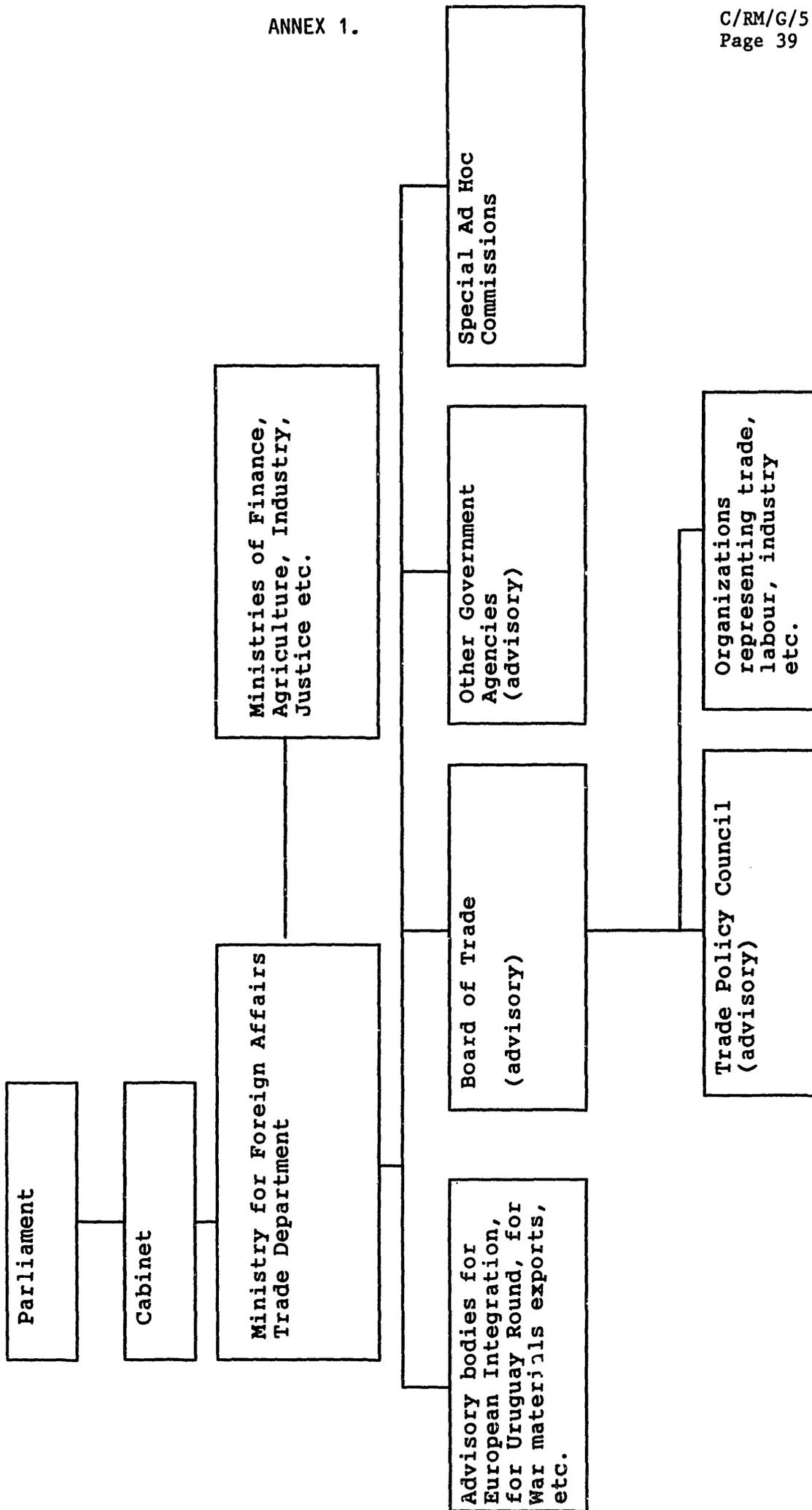
As regards banking, certain forms of establishment are subject to prohibition or special requirements: discriminatory operating terms, quotas on the number of foreign banks or their market shares, or discriminatory taxation regulations.

In the construction area, problems connected with authorization regulations and work permits, subsidies, counter-purchase requirements and the application of technical standards often constitute barriers to trade.

In telecommunications, the denial or high price of access to leased lines is frequently a problem. There may also be discrimination in the allocation of cable capacity. Certain activities may be exclusively reserved for monopoly or oligopoly companies. Cross subsidization between different operating areas of such companies may result in unfair trading conditions.

In the transport sector, access restrictions, quotas, cabotage rules, subsidies, and cargo sharing requirements are common. Discriminatory charges for the use of terminals, harbours and airports and difficulties in gaining access to reservation systems may also present problems.

Structure of Swedish trade policy formulation



ANNEX 2

AGREEMENTS CONCLUDED UNDER THE AUSPICES OF THE UNITED NATIONS

- | | |
|------|---|
| 1950 | Agreement on the Importation of Educational Scientific and Cultural Materials |
| 1952 | International Convention to Facilitate the Importation of Commercial Samples and Advertising Material |
| 1956 | Customs Convention on the Temporary Importation of Commercial Road Vehicles |
| 1956 | Customs Convention on Containers |
| 1956 | Convention on the Contract for the International Carriage of Goods by Road (CMR) |
| 1960 | European Convention on Customs Treatment of Pallets used in International Transport |
| 1968 | Treaty on the Non-Proliferation of Nuclear Weapons (NPT) |
| 1973 | Convention on International Trade in Endangered Species of Wild Fauna and Flora |
| 1974 | Convention on a Code of Conduct for Liner Conferences (a reservation is maintained to the effect that the Convention's provisions on cargo-sharing will not be applied on a reciprocal basis in relation to cargo to and from other member states of the OECD). |
| 1975 | Customs Convention on the International Transport of Goods under cover of TIR Carnets (TIR Convention) |
| 1978 | Protocol to the Convention on the Contract for the International Carriage of Goods by Road (CMR) |
| 1987 | Protocol on Substances that Deplete the Ozone Layer |
| 1989 | Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (to be ratified) |

MULTILATERAL AGREEMENTS INDEPENDENT OF THE UNITED NATIONS

- 1961 **Customs Convention Concerning Facilities for the
Importation of Goods for Display or Use at Exhibitions,
Fairs, Meetings or Similar Events**
- 1961 **Customs Convention on the ATA Carnet for the Temporary
Admission of Goods (ATA Convention)**
- 1983/86 **International Convention on the Harmonized Commodity
Description and Coding System**
- 1987 **Convention on a Common Transit Procedure**
- 1987 **Convention on the Simplification of Formalities in Trade
in Goods**

ANNEX 3

Sweden

MULTILATERAL COMMODITY AGREEMENTS AND ARRANGEMENTS

The International Natural Rubber Agreement (INRA)

The International Coffee Agreement (ICA)

The International Cocoa Agreement (ICCA)

The International Jute Agreement (IJA)

The International Tropical Timber Agreement (ITTA)

The International Wheat Convention and the Food Aid Convention

The International Sugar Agreement

The International Rubber Study Group (IRSG)

The International Cotton Advisory Committee (ICAC)

The International Lead and Zinc Study Group (ILZSG)

Sweden has furthermore approved the terms of reference for the newly negotiated International Nickel Study Group (INSG)

ANNEX 4

Sweden

BILATERAL TRADE ARRANGEMENTS

CENTRAL AND EASTERN EUROPE

Albania

Trade agreement of 1974.

Bulgaria

Trade agreement of 1980.

Czechoslovakia

Trade agreement of 1973.

German Democratic Republic

Trade agreement of 1973.

Hungary

Trade agreement of 1982.

Poland

Trade agreement of 1978.

Romania

Trade agreement of 1980.

USSR

Trade agreements of 1924 and 1976. Coastal trade agreement of 1985.

Yugoslavia

Trade agreement of 1974.

STATE TRADING COUNTRIES IN ASIA

China, People's Republic of

Trade agreement of 1979 (amendment 1984).

Korea, Democratic People's Republic of

Trade agreement of 1973.

Vietnam

Trade agreement of 1976.

AGREEMENTS OF ECONOMIC AND INDUSTRIAL CO-OPERATION ETC

CENTRAL AND EASTERN EUROPE

Bulgaria

Agreement on economical, industrial and technical co-operation of 1987.
Long term programme for co-operation of 1986.

Czechoslovakia

Agreement on scientific and technical co-operation of 1971.

German Democratic Republic

Agreement on economical, industrial and technical co-operation of 1976.
Programme for the development of trade and economical relation of 1986.

Hungary

Agreement on economical, industrial and technical co-operation of 1969.

Poland

Agreement on economic, industrial, technical and scientific co-operation of 1975.

Romania

Agreement on economical, technical and industrial co-operation of 1968.
Long term programme for the development of co-operation of 1980.

USSR

Agreement on economical, technical and scientific co-operation of 1970.
Long term programme for the development of co-operation for the period 1981-1990.

Yugoslavia

Agreement on economical, industrial and technical co-operation of 1970.

STATE TRADING COUNTRIES IN ASIA

China, People's Republic of

Agreement on industrial, scientific and technical co-operation of 1978.

BILATERAL AGREEMENTS IN THE FIELD OF TRADE AND ECONOMIC CO-OPERATION

LATIN AMERICA

Argentina

Agreement on trade and payments (1957) Ministerial notes on trade relations (1960)

Brazil

Ministerial notes on trade relations (1931 and 1936) Agreement on economic, industrial and technological co-operation (1984)

Colombia

Agreement on trade relations (1928) Agreement on economic, industrial and technical co-operation (1984)

Cuba

Protocol on enlarged co-operation (1977)

Ecuador

Agreement on economic, industrial and technical co-operation (1981)

El Salvador

Ministerial notes on trade relations (1936)

Guatemala

Ministerial notes on trade relations (1936)

Mexico

Memorandum on co-operation (1979) Agreement on scientific and technical co-operation (1980) Memorandum on industrial and economic co-operation (1980)

Peru

Ministerial notes on trade and shipping (1944)

Trinidad and Tobago

Memorandum on technical co-operation (1979) Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and for the encouragement of trade and investments

Uruguay

Agreement on trade and shipping (1937)

AFRICA

Ivory Coast

Agreement on trade relations (1965)

Madagascar

Agreement on trade relations (1966)

Mocambique

Agreement on trade relations (1984)

Nigeria

Agreement on economic, industrial, technical and scientific co-operation (1980)

Senegal

Agreement on trade relations (1967)

Sudan

Agreement on technical, scientific and cultural co-operation (1982)

MIDDLE EAST AND NORTH AFRICA

Algeria

Agreement on economic, industrial, scientific and technical co-operation (1974)

Egypt, Arab Republic of

Ministerial notes on trade relations (1930) Agreement on economic, industrial and technical co-operation (1975)

Iran, Islamic Republic of

Agreement on establishment, commerce and shipping (1929) Agreed minutes on commercial, industrial and technical co-operation (1974)

Iraq

Ministerial notes on trade relations (1935) Agreement on trade and economic and technical co-operation (1978)

Libya

Agreed minutes on possibilities to extend economic and industrial co-operation (1974)

Mauretania

Ministerial notes on trade (1961, 1966)

Morocco

Agreement on trade (1986)

Tunisia

Agreement on financial and technical agreement (1973) Agreement on trade (1977)

ASIA

India

Agreement on establishment of a Joint Commission for economic, industrial, technical and scientific co-operation (1972)

Indonesia

Trade agreement (1954)

Korea, Democratic People's Republic of

Agreement on economic, industrial, technical and scientific co-operation (1985)

Malaysia

Agreement on economic, technical and scientific co-operation (1985)

Thailand

Agreement on economic, technical and scientific co-operation (1989; not ratified)

ANNEX 5

SWEDEN'S TEXTILE AGREEMENTS AS OF 1 JANUARY 1989

Under MFA IV

Hongkong

India

Indonesia

Malaysia

Macao

Malta

Pakistan

People's Republic of China

Philippines

Republic of Korea

Singapore

Sri Lanka

Thailand

Turkey

Yugoslavia

Other

Albania

Bulgaria

Czechoslovakia

Democratic People's Republic of Korea

GDR

Hungary

Poland

Romania

Taiwan

Vietnam

USSR

ANNEX 6

INVESTMENT PROTECTION AGREEMENTS CONCLUDED BY
SWEDEN WITH :

Yugoslavia	1978
Arab Republic of Egypt	1978
Malaysia	1979
Pakistan	1981
Sri Lanka	1982
People's Republic of China	1982
Yemen Arab Republic	1983
Tunisia	1984
Hungary	1987
Poland	1989