

**GENERAL AGREEMENT  
ON TARIFFS AND TRADE**

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**TRADE POLICY REVIEW MECHANISM**

**SWEDEN**

**Report by the Government**

In pursuance of the CONTRACTING PARTIES' Decision of 12 April 1989 concerning the Trade Policies Review Mechanism (BISD 36S/403), the full report by the Government of Sweden for the review by the Council is attached.

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**NOTE TO ALL DELEGATIONS**

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## A. TRADE POLICIES AND PRACTICES

### (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. 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 protectionist pressures, and contributing to a further liberalization of world trade. The results of the Uruguay Round should help to stimulate trade and growth for both developed and developing countries.

The Government's overall policy objectives for international trade are: liberalization through multilateral negotiations and regional cooperation, supplemented by measures to increase domestic competition and maintain a downward pressure on prices. The results achieved in the Uruguay Round is important also in the sense that the regional integration which is taking place in many parts of the world will be complemented by increased integration at the global level.

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.

A large proportion of Sweden's foreign trade is conducted with western European countries: in 1993 they accounted for 70 per cent of exports and 72 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.

Sweden was a founding member of the European Free Trade Association (EFTA), whose present membership also includes Austria, Finland, Iceland, Liechtenstein, 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). Through those Agreements free trade in industrial goods between Sweden and the European Communities, with zero duties was achieved on 1 July 1977.

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.

After two years of negotiations between the EU and EFTA countries an agreement on an European Economic Area (EEA), characterized by the free movement of goods, services, capital and manpower within member countries, entered into force on January 1st 1994 in all these countries except Liechtenstein and Switzerland. Through this agreement a higher level of cooperation between the EFTA countries and the Community is established. There are however considerable differences between EEA and EU membership in mainly two respects - the range of cooperation and the influence on the decision making process. Outside the EEA area are important areas such as the common commercial policy, the common agricultural policy, EURATOM, development assistance, taxation and political cooperation. Only membership means full participation in the Single market and in the EC decision making process.

Against the background of the fast development in Europe which considerably changed the prerequisites for Sweden's participation in a deeper international cooperation the Swedish Parliament, in 1990 declared, that Sweden should seek to become a member of the European Community. On the 1st of July 1991 Sweden's application for membership was presented to the EC Council.

Negotiations on Swedish membership started in February 1993. On the 24 of June 1994 an Accession Treaty was signed. If this treaty is ratified in time by the European Parliament and the national parliaments concerned and accepted by a Swedish referendum in November 1994 Sweden will become a member of the EU on the 1st of January 1995.

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 welcomes 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 also welcomes a fuller participation of these countries in world trade and its institutions.

During later years Sweden has concluded free trade agreements with Estonia, Latvia, Lithuania, Faroe Islands and together with other EFTA members, free trade agreements with Poland, Hungary, The Czech Republic and the Slovak Republic, Bulgaria and Romania as well as Israel and Turkey.

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 thereafter. The objective of industrial policy is to improve the business climate with general measures. State aid to industry has been cut down considerably in the 1980's and sector specific aid has been abolished.

In the field of textiles and clothing all quantitative restrictions on imports were abolished on 1 August 1991. As from that date Sweden is no longer a member of MFA. Furthermore the former aid programme for the textile and clothing industry was put out of effect as from 1 July 1992.

The Swedish agricultural policy was until 1990 closely linked to the concepts of food security and assuring farmers a standard of living equal to that of comparable occupational groups. The present guidelines for the Swedish food policy were laid down by a parliamentary decision taken in 1990. The decision resulted in a radical shift in the policy. The present food policy is based on the principle that agriculture should be subject to the same conditions as other sectors of the economy. The farmers should only be paid for goods and services for which there is a demand. This shift in policy implied i.a. an elimination of the administered internal prices as well as the export subsidies. As concerns border protection it was decided that it should be reduced in response to the outcome of the Uruguay Round. However the Parliament decided in 1991 as well as in 1993 to reduce the border protection for certain agricultural products.

Environmental protection is a policy area of considerable importance in Sweden. Sweden has, along with the other Nordic countries contributed actively in the work done so far to analyse the linkages between environmental policy and trade policy and supports that further such work be carried out. The Swedish Government is in favour of enhanced international cooperation in order to promote sustainable development through trade. Measures necessary to protect and preserve the environment should not be incompatible with upholding an open and non-discriminatory trading system.

#### (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 to the same extent as earlier (i.e. for 94 per cent of Swedish imports according to the last report from 7 May 1990, C/RM/G/5). Variable levies are applied to imports of certain agricultural products.

In general Sweden applies no quantitative restrictions to trade in industrial goods or to trade in services. 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 industry-to-industry.

(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) 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, Jönköping 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

Decisions regarding taxation and customs duties shall be adopted by the Riksdag in the form of laws.

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 Exemption, etc. Act authorizes the Government to issue ordinances regarding duty exemption resulting i.a. 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. Other free-trade agreements are those between Sweden and the Baltic States and the Faroe Islands and those between the EFTA-countries and the Czech and Slovak Republics, Hungary, Poland, Turkey, Israel, Romania and Bulgaria. Unilaterally decided free-trade is in force in trade with the West Bank and the Gaza Strip.
- 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 for national supply purposes; 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 /reprinted 1987:1291/, latest amendment 1992:1447) 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 25-97). The Swedish Board of Agriculture is responsible for administering any licensing of goods in the agricultural sector (mainly HS Chapters 1-2 and 4-24) and the National Board of Fisheries for goods in the fisheries sector (HS Chapter 3, ex Ch. 5, ex Ch. 16).

Foreign Trade Regulations for goods in the agricultural area including fishery products (chiefly HS chapters 1-24)

*Fishery products*

The market regulation for fish is based on The Act on the Organization of the Market in Fishery Products (SFS 1993:649) and on The Ordinance on the Organization of the Market in Fishery Products (SFS 1993:651).

Imports of fishery products are permitted in principle without an import licence from the National Board of Fisheries. The Government may however authorize the Board not to allow import without licence. Licensing requirements combined with quantitative restrictions are normally applied only to a few products. At present licensing requirements are applied only to imports of herring.

The main purpose of the licensing system, administered by the National Board of Fisheries, is to limit the imports of certain products in order to avoid surpluses that could cause damage to the Swedish fisheries. Licensing requirements combined with quantitative restrictions are at present applied to herring.

*Agricultural products*

The regulations for agricultural products are based on the Act regarding Levies and Fees on Certain Agricultural Products (SFS 1990:615).

Any licences within the field of responsibility of the Swedish Board of Agriculture are based on this law and the above mentioned Act Authorizing the Issue of Ordinances concerning the Importation and Exportation of Goods (SFS 1975:85).

The activities of the Swedish Board of Agriculture 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 on Emergency Situations (SFS 1992:1402).

Imports of products are, under the Ordinance for the Regulation of Imports and Exports, permitted in principle without an import licence from the Swedish Board of Agriculture. 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 import of certain kinds of meat, cane or beat sugar, lupin seed and certain grafted fruit trees.

The main purpose of the licensing system administered by the Swedish Board of Agriculture is to monitor certain sensitive imports, especially low priced imports and, where deemed necessary, to restrict such imports. Licensing requirements combined with quantitative restrictions are normally not applied. Licences may also be applied in order to comply with statistical rules of international commodity agreements (sugar).

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Foreign Trade Regulations for goods in the non-agricultural area (chiefly HS chapters 25-97)

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 on Import and Export Licences (KFS 1987:1 /reprinted 1991:12/, latest amendment 1993:4). 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, what licensing system is applicable.

At present the number of licences granted per year for non-agricultural products is about 2,000. Goods subject to import licensing are i.a. iron and steel, fibreboard of wood and ferro-alloys. Export licensing is i.a. applied on certain exports of scrap metals.

Sanctions in accordance with UN resolutions are in force for trade with Iraq, Serbia and Montenegro. In accordance with UN resolutions certain sanctions are in force for trade with Angola, Haiti and Libya.

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 as well as Article 12 bis and Annex H of the EFTA Convention and Annex II, Chapter XIX to the EEA Agreement. The application of these provisions is defined in the Ordinance concerning technical rules (SFS 1990:986). More than 20 authorities are affected by the ordinance.

The former Swedish implementing Ordinance (1988:569) on certain obligations of authorities to inform of certain regulations etc. was replaced by a new **Ordinance on technical rules** (SFS 1990:986) in connection with the Agreement of 1989 between the EEC and the EFTA States. The Ordinance was amended and reprinted in 1993 in order to provide for the entering into force of the EEA Agreement (SFS 1993:1337). In the new ordinance the provisions limiting the right of government authorities to decide on technical rules have been made clearer and more detailed. Stricter obligations are laid on authorities to investigate consequences of technical rules and to take into account in particular

European harmonized rules and standards. The provisions concerning the interplay between the authorities and the **National Board of Trade**, the authority responsible for the notifications of proposed technical regulations, have also been specified in order to be able to fulfil the Swedish obligations under the international agreements. The National Board of Trade accordingly has issued new implementing regulations with further details concerning the application of the Ordinance - KFS 1993:5, KK:3 replacing KFS 1991:13, KK:2 which in its turn replaced KFS 1988:18, KK:4.

When the nature of proposed laws and government ordinances so require, the Government instructs the National Board of Trade to notify also these.

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

#### Public Procurement

Three sets of domestic laws and regulations are applicable to public procurement in Sweden:

- (i) the **Public Procurement Act** (SFS 1992:1528, amended by 1993:234 and 1993:1468).
- (ii) the **Ordinance on the Application of the GATT Agreement on Government Procurement** (SFS 1980:849, subsequent edition 1988:101, latest amendment 1992:1505).
- (iii) the **Competition Act** (1993:20).

#### Anti-dumping and countervailing measures

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 on Dumping and Subsidy Investigations (SFS 1985:738, amended by SFS 1992:943).

#### 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.

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.

(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.

The Ministry of Industry and Commerce is responsible for government policy in the following areas: enterprise policy, technical research and industrial development, minerals policy, energy policy, domestic trade and tourism, market and competition policy, certain aspects of building policy and State-owned enterprises. The ministry is also responsible, within the government, for co-ordinating policy issues concerning the privatisation of State activities.

The Ministry of Environment and Natural Resources 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 trade policy and foreign trade and reports to the Trade Department of the Ministry for Foreign Affairs after consulting with industry, importers, trade unions, other governmental bodies 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 also responsible for conducting anti-dumping and countervailing duty investigations as well as other inquiries related to safeguard measures.

The Swedish Board of Agriculture is the Government's expert authority on all agricultural issues, including horticulture and reindeer breeding and also on plant protection and veterinary care as well as emergency planning on national food supplies. The Board is also the licensing authority for food and agricultural products.

The National Board of Fisheries is responsible for the market regulation in the fisheries sector. The Board is also the licensing authority for fishery products.

The National Food Administration is the central administrative authority for matters concerning food. It carries out central supervision in all fields and 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.

(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 Agreement 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).

### 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) entered into force on 3 May 1960, through the Stockholm Convention. Present members are Austria, Finland, Iceland, Liechtenstein, Norway, Sweden and Switzerland. Its objective - a free trade area for industrial goods between its member states has since been reached. The agreement has an unlimited duration.

The goals of EFTA 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 (Article 2 of the Convention). 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. The majority of agricultural products are, however, outside the scope of EFTA. Where as fish and other marine products are included.

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

Sweden's free trade agreement with EC and the ECSC and its Member States came into force on 1 January 1973. Through those Agreements free trade in industrial goods between Sweden and the European Communities, with zero duties was achieved on 1 July 1977.

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

The harmonization process between EC and EFTA took a further step forward at a joint EC/EFTA ministerial meeting in december 1989 which decided to pursue the creation of a European Economic Space (EES), - later called European Economic Area (EEA).

After two years of negotiations between the EU and EFTA countries on a broader and more structured relationship which would extend the single market to the EFTA-countries and also involve them in a number of specific EC co-operation activities. The EEA Agreement was signed on 2 May 1993 and entered into force on 1 January 1994 in all EU and EFTA countries except Liechtenstein and Switzerland. The main provisions of the EEA Agreement are incorporated into Swedish legislation by the basic Swedish Act on the European Economic Area, "lagen om ett europeiskt ekonomiskt samarbetsområde (EES)", published in The Official Swedish Gazette, SFS 1993:1317.

Through this Agreement free movement of industrial goods, services, capital and manpower is achieved, based on the acceptance by the EFTA states of the relevant EU acquis in these fields at the time of the negotiations and in the future. The EEA also entails certain improvements of the free trade area through simplified rules of origin and border controls.

The Agreement includes a limited number of transitional measures and permanent derogations but the EEA participation in the single market requires, in principle, full acceptance of the acquis in the relevant areas.

Trade in certain products within the agricultural sector is facilitated through reciprocal bilateral agreements on liberalization (see below).

EEA co-operation, furthermore, includes certain "flanking policies", i.e. areas which are not directly related to the four freedoms but are important elements in their functioning and in a broader European co-operation. Among these twelve areas are research, social, environmental and consumer policies, company law, R&D, education, SME and tourism. EFTA states participate in EU programs for these areas. A special fund for economic and social equalization between regions (cohesion) has, furthermore, been established.

The Agreement provides for common institutions for i.a., decision-making, administration and dispute settlement. The decision-making process is structured to make it possible for each side to contain its respective autonomy in this field. According to the so called two pillar model, the EFTA side has built up its own Surveillance Authority, (which exercises surveillance functions corresponding to those of the EC Commission), as well as an EFTA court.

In the context the EEA Sweden has concluded a bilateral agricultural agreement with EU. The Agreement into force on 1 January 1994 but was provisionally applied from 15 April 1993. In the Agreement Sweden and the EU has, i.a., granted each other annual tariff quotas for various agricultural products. Sweden has opened quotas for i.a. some types of meat, cheeses, vegetables and food preparations.

In July 1991 Sweden presented its application for membership in the EC. A Treaty of Accession was signed on 24 June 1994. If it is ratified in time by the European Parliament and the national parliaments concerned and accepted by a Swedish referendum Sweden will become a member of the EU on the 1st of January 1995.

Free Trade Agreements with other countries

Sweden has within the framework of EFTA negotiated free trade agreements with **Turkey, Israel, Czechoslovakia, later the Czech Republic and the Slovak Republic, Hungary, Poland, Bulgaria and Romania**. The agreements with Turkey and Czechoslovakia entered into force during 1992, the other agreements during 1993 except for the agreement with Poland, which entered into force in September 1994.

These free trade agreements contain both traditional and modern elements. Many articles are based on similar clauses in earlier free trade agreements with EC or Spain, some are influenced by the EEA Agreement. Among the interesting features of the agreements are:

- Sweden directly abolishes all tariffs and other obstacles to trade in industrial goods with the exception of some textiles and steelproducts as well as certain plastics; the party on the other side does the same over a transitional period,
- provisions on intellectual property rights and public procurement,
- provisions on State monopolies and State aid,
- a specific evolutionary clause referring to investments and trade in services.

The agreements are supplemented by bilateral agricultural agreements. These contain the following commitments.

## Agreement with

Turkey	<u>S</u> : A number of products exempted from duties. No quantitative limitations. <u>T</u> : -
Israel	<u>S</u> : A number of products are exempted from duties. <u>I</u> : Duty-free import for vodka.
Romania	<u>S</u> : Annual tariff quotas for prepared hams and prepared or preserved champignons. Tariffs reduced or abolished for a range of other products. <u>R</u> : Tariff quota for margarine.
Hungary	<u>S</u> : Duty- or levyfree quotas for i.a. beef, meat products, certain types of prepared vegetables and fruits. Customs duties abolished for a number of products. <u>H</u> : Preference quotas for vodka and margarine.
Bulgaria	<u>S</u> : Duty- och levyfree quotas for some types of cheeses and preserved gherkins and mushrooms. Customs duties abolished or reduced for a number of products. <u>B</u> : Concessional treatment for certain vegetable oils, margarine and vodka.
Polen	<u>S</u> : Duty - or levyfree quotas for i.a. some types of meat and vegetables. Quotas with reduced import levies for certain types of meat and meat products. Customs duties abolished for a number of products. <u>P</u> : Concessional treatment for i.a. certain food preparation, seeds and juices.

Czech and  
Slovak  
Republics

S: A number of products exempted from duty. Duty - or levyfree quotas for preserved hams and cucumbers and for apple juice. Quota with reduced levy for malt.  
CZ,SI: Concessional treatment for certain vegetable oils and fats and for frozen peas.

Sweden has furthermore concluded bilateral free trade agreements with **Estonia, Latvia and Lithuania** respectively. They entered into force during the summer and autumn of 1992. These agreements include immediate abolishment of all tariffs and other obstacles to trade in industrial goods, certain provisions on rules of competition, state aid, intellectual property rights and cooperation, safeguard clauses and a general evolutionary clause. Even these free trade agreements are supplemented by specific bilateral agreements on agriculture. Through these Sweden abolishes customs duties and quantitative restrictions for a number of agricultural and processed agricultural products. The Baltic countries give Sweden tariff concessions for i.a. vodka and other spirituous beverages.

Sweden has also concluded a bilateral free trade agreement with the **Faeroe Islands**. This agreement contains i.a. immediate dismantling of tariffs and abolishment of quantitative restrictions - with certain exceptions - on industrial goods, rules of competition, provisions on State monopolies, State aid, public procurement and intellectual property rights and an evolutionary clause. A specific agricultural agreement includes Swedish tariff concessions for beer made from malt, waters and some other beverages. The Faeroe Islands allows free imports for most agricultural products.

#### 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. Some of them are still operational even though the EEA Agreement has entered into force. They are described in more detail under section A (iv)(a) - technical barriers.

#### Multilateral Commodity Agreements and Arrangements

Sweden supports a commodity policy which is in conformity with market principles. A list of the commodity agreements and study groups in which Sweden participates may be found in Annex 3.

#### Bilateral Agreements

Sweden has concluded a number of bilateral agreements designed to promoting trade and economic relations in general with developing countries and the former state trading countries. The latter agreements are now obsolete and bilateral agreements have now been concluded with some of the CIS members states, Belarus, Kazakhstan, Russia and Ukraine. They are plain MFN based trade agreements. A new trade agreement with Russia supersedes the earlier trade and co-operation agreements.

The trade agreements with Bulgaria, Czech Republic, Hungary, Poland, Romania and Slovakia have been superseded by EFTA free trade agreements with these countries.

Sweden currently maintains no quantitative restrictions on the imports of goods. The former restrictions on textiles and clothing and leather shoes have been abolished.

A list of these agreements is found in Annex 4 together with investment protection and double taxation agreements.

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

(iv) THE IMPLEMENTATION OF TRADE POLICIES

(a) Trade Policy Measures and their Implementation

Tariffs

Sweden is a low tariff country - the average duty charged for industrial products is 4.6 per cent weighted against imports (1988). (GATT: Negotiating Group on Market Access, "Overall Review and Assessment of Proposals, July 1991". As a result of the Uruguay Round the new weighted tariff average on industrial goods will be 3.1 per cent).

In the agricultural sector (Ch. 1-24), the tariff rates for 85 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 96 per cent.

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

Unbound tariffs in the agricultural sector relate in principle to 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 ("the Swedish Customs Schedule") of all the goods contained in the Customs Tariff Act. The 5,019 six-digit code descriptions in the HS-nomenclature have been subdivided into approximately 6,800 seven-digit tariff lines in the Swedish Customs Schedule.

Border control of goods is carried out by the customs authorities or by another authority, such as the Swedish 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 nutriment, 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 specific 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 certain 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.

#### Specific and alternate duties

The seven-digit Swedish Customs Schedule contains 130 tariff lines with a specific rate of duty and another 233 tariff lines with an ad valorem duty combined with an alternate specific (maximum or minimum) duty.

Sweden does not have any mixed duties in the tariff schedule.

About half of the tariff lines with specific duties are agricultural goods, e.g. fresh flowers, apples and pears, cigars and cigarettes and - mainly - beers, wines and spirits of Ch.22.

The industrial goods with specific duties are among others cement, some fertilizers, gelatin, some starches, fibreboard, fishing-nets, ferro-silicon and metal-filament lamps.

More than 80 % of the tariff lines with an alternate specific minimum rate of duty falls within Ch. 51-63 (textiles and clothing). Besides these tariff lines some fresh vegetables, rubber tyres and some ceramic tableware also have an alternate specific minimum rate of duty.

Only nine tariff lines carries specific alternate maximum rates of duty. These lines include handbags, headgear and pianos.

### Customs drawbacks

Sections 18-19 of the Customs Duty Exemption, etc. Act authorise the Government to provide drawback of Customs duty to Swedish manufactures. The major areas where duty drawback is available are for imported materials used in the manufacture of goods which are exported; in the shipbuilding and aviation industries; and goods exported in the same state as when originally imported (Section 19). Prior authorization from the Board of Customs is required to obtain these types of drawback.

Drawback of duty on imported materials used in manufacturing can be claimed on imported goods which have been re-exported after having been repaired, processed, completed or packed up. The same applies for imported goods used as materials for the manufacture, repair, processing, completion or packing of goods for export.

Special drawback may be granted for goods re-exported without having been used, or only used in Sweden for testing or other similar cases (Section 21). In practice, this provision is mainly used where imported goods are returned to the seller because of incorrect delivery, damage, etc.

Reduced drawback is available for goods imported for temporary use in Sweden (Section 22). The drawback of duty is reduced by 5 per cent for each month that the imported product has been used domestically. Reduced drawback may also be granted in other special cases. No prior authorization is required from the Board of Customs for special or reduced drawback.

Drawback applications are handled by the appointed controlling customs office and are subject to minimum amounts of duty and time limits on the exportation of the goods in question. The time limit is usually three years.

### Duty exemptions

Under authority of Section 12 of the Customs Duty Exemption, etc Act (1987:1069) the Government may exempt duties on goods which are not manufactured in Sweden or are manufactured only on a marginal basis. When special circumstances prevail duties may be suspended even if the goods are manufactured in Sweden on a basis that are more than only marginal.

The exemptions from duty are limited to a period of four years at the most. In practice the duration is limited to three years but prolongations are generally granted.

Section 12 also enables the Government to grant tariff suspensions for specific deliveries ("in casu").

The goods covered by the tariff suspension scheme are all input materials or machinery for domestic manufacturers and are listed in an Ordinance annexed to the Swedish Customs Schedule. The present annex covers more than 350 different products mainly chemicals, plastics and machinery. The list is altered (additions and/or omissions) at regular intervals (normally twice a year).

### Preferential Treatment with the EFTA and EC

Industrial goods originating in the EFTA or EC 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.

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.

Certain non-industrial products covered by Ch. 1-24 originating in the EC are exempted from duty or carries reduced duty-rates in accordance with Ordinance 1993:199.

As from 1972 there is a Free Trade Agreement between Sweden and the EC. This agreement does not cover agriculture and fish. Through exchanges of letters annexed to the FTA Sweden has granted the EC concessions for fish and fish products and for certain horticultural products and wine. Sweden was through an exchange of letters granted concessions by the EC for the exports of fresh bovine meat.

Sweden also has an agricultural agreement with the EC from 1986 due to the enlargement of EC with Spain and Portugal. This agreement i. a. contains concessions for Swedish exports of certain fishery products and for frozen peas within tariff quotas. At the same time Sweden granted the EC certain fishing quotas.

As from 1 January 1994 a bilateral agricultural agreement with the EC is in force. The agreement entered into force on the same date as the EEA-agreement. The agreement was however applied on a provisional basis as from 15 April 1993. The agreement contains the following parts:

1. An arrangement between Sweden and EC concerning trade in beef, including cooked preparations.
2. Tariff quotas granted by the EC to Sweden concerning various agricultural products.
3. Tariff quotas granted by Sweden to the EC concerning various agricultural products.
4. Tariff concessions unilaterally granted by Sweden to the EC concerning certain agricultural products.
5. An arrangement between Sweden and EC concerning trade in spirituous beverages.

There are special rules of origin for the purpose of implementing 1 - 5.

#### Preferential treatment with the Baltic states and the Faroe Islands

According to Ordinances 1992:926, 1992:927 and 1992:935 imports into Sweden of products within Ch. 25-97 originating in the Baltic states (Estonia, Latvia and Lithuania) as well as certain agricultural products in Ch. 1-24 are exempted from duty since summer 1992.

Since July 1993 most industrial products of Ch. 25-97 and some agricultural products of Ch. 15, 16 and 22 originating in the Faroe Islands (Ordinance 1993:965) are exempted from duty when imported into Sweden.

Preferential treatment with the Czech and Slovak Republics, Hungary, Poland, Turkey, Israel, The West Bank and the Gaza Strip, Romania and Bulgaria

In 1992 and 1993 the EFTA-countries have concluded agreements for preferential treatment of imported goods originating in the Czech and Slovak Republics, Hungary, Poland, Turkey, Israel, (incl. autonomous preferential treatment of goods from the West Bank and the Gaza Strip), Romania and Bulgaria (Ordinances 1993:715, 1993:716, 1993:1059, 1993:1106, 1992:188, 1993:58, 1993:71, 1993:312 and 1993:988).

These agreements provide in various degrees and coverage exemption of or reduced duty on imports into Sweden of products originating in those countries. Generally the agreements state duty free admission (or reduced tariff rates) for the main part of industrial products (Ch. 25-97) while agricultural products (Ch. 1-24) are covered partly by these agreements and partly by bilateral agreements between the Member States of EFTA and resp. country.

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 quotas or 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); certain shrimps/prawns (ex Ch. 16). A somewhat narrower list is applied to 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 the People's Republic of China. Special regulations are applied for hand-woven cotton cloth of a certain quality from Brazil, India, Pakistan and Sri Lanka (ordinance SFS 1987:1287).

Quantitative Restrictions and Other Non-Tariff Measures

*Current measures in the Agricultural Area*

A system of variable import levies operates for agricultural products. Some 420 tariff levies in the Swedish customs schedule are subjects to variable levies. As an effect of the 1990 Swedish food policy reform the old system for deciding import levies was replaced by a reference price system.

The reference prices, set by the government, are used when fixing the import levies. These import levies are calculated as the difference between the reference price and the world market price. This system does not guarantee the price level on the internal market in the absence of support measures for storing and of most export subsidies. If there is surplus production on the Swedish market prices are allowed to fall without any limits until a new balance is established. Market balance or a shortage on the market normally results in a market price level close to the reference price.

In order to stimulate imports in situations of domestic shortage the restitution of import levies, wholly or in part, may be granted.

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 products. At present no such restrictions are applied for agricultural products.

#### *Current measures in the Non-agricultural Area*

For the time being the main purpose of the licensing system is to supervise imports and exports of certain products. In most cases licences are granted automatically.

Licensing for surveillance purposes applies to imports of iron and steel from other than EFTA-countries and EC.

Licensing for surveillance purposes applies to imports of fibreboard of wood and most ferro-alloys from Belorussia, the People's Republic of China, the Czech Republic, Hungary, Kazakhstan, the Democratic People's Republic of Korea, Poland, The Russian Federation, the Slovak Republic and Ukraine.

All exports to the Democratic People's Republic of Korea are licensed.

Exports of scrap metals to other than EFTA-countries and EC are licensed for surveillance purposes only.

Sanctions in accordance with UN resolutions are in force for trade with Iraq, Serbia and Montenegro. For goods not covered by sanctions (e.g. medicines) surveillance licensing applies.

Following changes have been made in the licensing requirement during the past four years.

Licensing on imports from state trading countries of i.a. certain chemical products, porcelain, pig iron, brass rods, certain products of aluminium and electric motors was abolished on 1 March 1991. Licensing on imports of iron and steel from EFTA-countries and EC was abolished on 1 June 1991. All restrictions on imports of textiles and clothing were abolished on 1 August 1991. Remaining restrictions on imports of leather shoes were abolished on 1 January 1992. Licensing on exports of scrap metals to EFTA-countries and EC was abolished on 1 January 1994 as a result of the EEA-agreement.

#### Rules of Origin

The general (non-preferential) 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 tariff number 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 EEA-agreement, the EFTA convention, the free trade agreement with the EC (EEC and ECSC), EFTA:s free trade agreements with some central and east european countries, Israel and Turkey. Sweden has also concluded free trade agreements with the Baltic states and the Faroe Islands. The rules in these free trade agreements 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 these 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.

In addition, separate rules of origin are applied in bilateral agreements with these countries for preferential trade in agricultural products.

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.

#### Public Procurement

Sweden's policy objectives in the area of public procurement are founded on non-discrimination, impartiality and national treatment.

The total value of public procurement in Sweden for goods and services amounted to about SEK 260 billion in 1991. Of this total, regional procurement accounted for about 30 billion and local procurement for about 130 billion (of which 50 billion for local public companies).

#### *Implementation*

The **Public Procurement Act** (SFS 1992:1528, amended by 1993:234 and 1993:1468) entered into force on 1 January 1994. The Act has been issued principally in order to fulfill Sweden's commitment according to the EEA Agreement and replaces the former Ordinance Concerning Purchases "Upphandlingsförrordningen" (1986:366), the National Audit Bureau's Directives (1986:612) and the Model Provisions for Local Procurement "Upphandlingsreglementet".

The Act contains general provisions concerning public procurement and special provisions governing the award of public supply contracts, public works contracts, public contracts within the utilities sectors (water, energy, transport and telecommunication), public services contracts together with provisions regarding review, damages etc.

The Act applies to procurement carried out by central government, regional and local authorities, bodies governed by public law, associations formed by one or several of such authorities or bodies governed by public law.

The contracting authorities as defined in the Act shall apply the Act when procurements are made which exceed the threshold value laid down in the Act. The threshold value for procurement of supplies and services is ECU 200,000, for public works contracts ECU 5,000,000. For public contracts in the utilities sectors the thresholds values are for supply contracts ECU 400,000 (ECU 600,000 for

supply contracts in the telecommunication sector) and ECU 5,000,000 for public works contracts. The threshold values are net of VAT.

In December 1993 the Swedish Parliament adopted an amendment to the Act in which a chapter is added including provisions governing public procurement below the threshold values. These procurements as well as procurements above the threshold are governed by the principle of good business practice, provisions for the criteria for the award of contracts and provisions regarding review and damages. According to the principle of good business practice, every award of public contracts should be so arranged as to take advantage of existing competition and in other respects too should follow good business practice. No unwarranted considerations should affect the treatment of tenderers, candidates or tenders.

The **Ordinance on the Application of the GATT Agreement on Government Procurement** (SFS 1980:849, subsequent edition 1988:101, latest amendment 1992:1505) entered into force on 1 January 1981. The agreement covers all procurements of supplies valued above the threshold limit of SDR 130,000 (for the period 1994-1995 equivalent to approximately SEK 1,212,000) by 23 central government entities.

In the new Agreement on Government Procurement within the WTO Sweden includes procurement of goods and services (including construction) on central government, regional and local levels and for public utilities (water, electricity and transport).

The **Competition Act** (1993:20) entered into force on 1 July 1992. The purpose of the Act is to eliminate and counteract obstacles to effective competition in the field of i.a. public procurement.

The Government has stated that in a long term perspective all public services, excluding exercise of authority, should be exposed to competition. The Swedish Competition Authority has been commissioned by the Government to investigate to which extent competitive tendering is being utilized concerning regional and local government services (county councils and municipalities). The investigation aims at providing a basis for judgements of present conditions and further developments in the use of competitive tendering concerning public services. The investigation is to be carried out in cooperation with the county administrative boards. The final results are to be presented by the end of December 1994. A similar task concerning public services that are made available by the central administration has been assigned to the Swedish Agency for Administrative Development.

#### *Surveillance*

In March 1993 the *Board for Public Procurement* was formed. The new independent government authority is responsible for i.a. the supervision of the new Public Procurement Act and of the Ordinance on the Application of the GATT Agreement on Government Procurement. The Board has taken over the main responsibilities of the National Audit Bureau concerning the supervision of public procurement.

The *Competition Authority* was formed in July 1992 after a merger of the Office of the Competition Ombudsman and the National Price and Competition Board. The new authority is responsible for the supervision and surveillance of the new Competition Act. The authority is involved when complaints in the procurement field are made in respect to the Competition Act.

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

### Technical Barriers

The Swedish government ensures that the principles of the free movement of goods are observed in the EEA as well as in the GATT context and that illegitimate barriers to trade are avoided. The government has therefore deemed it important to have control of such technical rulemaking that can affect its relations with other contracting parties.

The development over the last years has meant that the Swedish authorities have become even more aware of the trade policy consequences of rulemaking. Participating in international cooperation on rulemaking and standardization in different sectors has become an integral part of the activities of the authorities concerned. This development has been intensified during the inventory of inter alia technical rules in connection with the EEA negotiations and later on during the implementation of EEA rules. The EC new approach to technical harmonization and standards is an important underlying factor.

The development has been further supported by the extension and strengthening of the rules in the Swedish ordinance implementing the international agreements on information procedures regarding technical rules, i.e. the **GATT Agreement on Technical Barriers to Trade**, Article 12 bis and Annex H of the **EFTA Convention** and Annex II, Chapter XIX to the **EEA Agreement**. Before 1994 the Agreement of 1989 between the EEC and the EFTA States laying down a procedure for the exchange of information in the field of technical regulations was applicable.

The Agreement on the European Economic Area (EEA) between the European Communities, its Member States and the EFTA States (except Liechtenstein and Switzerland) entered into force on 1 January 1994 for these countries. One of the aims of the EEA Agreement is to provide for the free movement of goods in the whole EEA to the same extent as in the Community - as far as this is possible in a free trade area. As plans for an EEA customs union were not pursued, border controls remains.

In order to abolish possible technical barriers to trade and to provide for the same rules between the parties in the technical field, Sweden has integrated into its national legislation some 650 Community acts. This legislation contained in Annex II to the Agreement covers a wide range of areas: motor vehicles, agricultural and forestry tractors, lifting appliances, household appliances, gas appliances, construction plant and equipment, other machines, pressure vessels, measuring instruments, electrical material, textiles, foodstuffs, medicinal products, fertilizers, dangerous substances, cosmetics, environment protection, information technology, telecommunication and data, construction products, personal protective equipment, toys, machinery and tobacco.

Sweden has a long tradition of stringent technical health and safety regulations. During the EEA negotiations transitional periods or special arrangement in some areas were agreed. The fields concerned with regard to Sweden are motor vehicles, foodstuffs, fertilizers and chemicals (Annex II: sections I, XII, XIV and XV to the Agreement).

Within the European Community the abolition of technical barriers to trade is based on approximation of laws and mutual recognition. The legislative techniques used are those of optional directives or full harmonization directives. A subject matter regulated by an optional directive assures the manufacturer market access if his product conforms to the requirements of the directive. However, it does not rule out the possibility of parallel national legislation covering that same subject matter. The manufacturer is therefore free to choose. On the other hand, in areas regulated by means of full harmonization, only those products that conform to the requirements of such directives can be lawfully put on the market. In the latter case, the manufacturer is thus confronted with one law to which his products must conform.

As regards areas not regulated by Community law, the jurisprudence of the European Court of Justice has introduced the notion of mutual recognition. That notion implies that a product lawfully produced and put on the market in one Community Member State can also be put on the market in the other Member States. This main rule holds true unless a Member State proves that the observance of national rules is necessary to satisfy mandatory requirements relating in particular to the protection of public health, the defence of the consumer and the protection of the environment (the so-called "Cassis de Dijon principle"). Within the EEA, these principles become applicable to all parties.

In practice manufacturers from both EFTA States and EC Member States will have the same rights and obligations. They will make use of the same conformity marking as regards certain product groups - the CE marking. When third party involvement is required no distinction will be made between tests carried out in an EFTA State or within the Community.

Mutual recognition agreements with third countries concerning conformity assessment for products where the use of the CE marking is provided for in EC legislation will be negotiated on the initiative of the Community. The Community will negotiate on the basis that the third countries concerned will conclude with the EFTA States parallel mutual recognition agreements equivalent to those to be concluded with the Community.

During the 1970s EFTA initiated several international reciprocal Schemes and Conventions with the overall aim of overcoming technical barriers to trade. Four of the originally six Schemes under which the national authorities may accept the findings of tests or inspections carried out in other participating countries have ceased to be operational due to the entry into force of the EEA Agreement. The remaining two, in which Sweden is participating together with other EFTA countries, some EC countries as well as countries from eastern Europe, are:

- the Pressure Vessels 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, the Schemes 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.

#### Safeguard action

There is no specific Swedish safeguard legislation. Possible actions are limited by Sweden's obligations under GATT, the EFTA Convention and Sweden's free trade agreements as well as by national legislation. Sweden has free trade agreements with the EC, the Baltic States (the Republics of Estonia, Latvia and Lithuania), and the Faroe Islands and Sweden/EFTA have free trade agreements with the Czech and Slovak Republics, the Republics of Poland and Hungary and with Romania, Bulgaria, Israel and Turkey.

Sweden has never implemented Article XIX action to provide import restrictions for the safeguard of domestic industries.

The duties levied 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, Section 3), decide that a special duty 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 Act resp. Ordinance for the Regulation of Imports and Exports (SFS 1975:85, 1984:53 and 1987:1291).

#### Anti-dumping and countervailing action

The Swedish legislation in this field enables the Government to decree that anti-dumping or countervailing duties be imposed where there is sufficient evidence that imports are dumped or subsidized and are causing or threatening material injury to the domestic industry.

Affected industries or organizations representing such industries may lodge with the National Board of Trade a petition for measures to be taken against the alleged dumped or subsidized imports. The petition leads to a preliminary investigation of the case, conducted by the Board. The investigation is due to be carried out within two months and to result in either a recommendation to the Government to decide that a full investigation be initiated or in a decision by the Board to turn down the petition.

Where the Government decides that a full investigation be initiated the National Board of Trade is commissioned to conduct the investigation. The investigation shall be completed within nine months and be conducted in accordance with the rules of the GATT Anti-dumping Code and Subsidy Code.

The findings of the Board shall be reported to the Government together with a recommendation whether or not to take measures against the imports concerned. The report of the Board is to be preceded by consultations with certain other authorities, viz. the National Board of Customs, the Swedish Competition Authority and, in case agricultural products are concerned, the National Agricultural Board.

A decision by the Government to take measures cannot be the subject of an appeal.

Provisional duties may be imposed by the Government during the course of an investigation following advice from the National Board of Trade. The Government may also decide, on the Board's advice, that a current investigation be terminated i.a. following a price undertaking by the exporter.

The use of anti-dumping or countervailing action by Sweden has been limited. Thus, since 1980 only eight investigations, all concerning dumping, have been conducted.

Five of these eight cases have been initiated or completed during the period 1990 to 1993. These five cases concern the imports of hardboard, plywood, draining tubes of PVC, fertilizers and medical X-ray film.

Three of the five cases have been terminated without any measures taken, viz. plywood from the United States and the former Czechoslovakia, PVC tubes from Poland and the former Czechoslovakia, and fertilizers from Romania and the former German Democratic Republic.

For one of the two remaining cases, the one concerning hardboard from Poland and the former Soviet Union, a provisional anti-dumping duty was applied for four months whereupon no further measures were taken.

The last of the five cases concerns medical X-ray film imported from Japan. The investigation of that case, which was completed in 1992, resulted in a price undertaking. The price undertaking, was terminated by a Government decision in June.

### 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 was put out of effect by 1 July 1992.

Support to crises-ridden companies and industries was progressively reduced during the 1980's. Presently all such aid measures have been put out of effect.

Information on current subsidies to industry and agriculture was furnished by Sweden to GATT in the form of a notification under Article XVI:1 (doc. L/7162/Add. 15, 17 February 1994).

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

The Swedish food policy reform in 1990 resulted in the abolition of most internal market regulations. However, during a transition period export subsidies are used to a limited extent for beef

and pigmeat and for processed products. Within the temporary system for financing exports of beef and pigmeat a sum of 550 MSEK has been allocated for the period 1 July 1991 - 31 December 1994. For the exports of certain processed food products a sum of 150 MSEK is available for the period 1 July 1993 - 31 December 1994. For grains and oilseeds a redemption system applies. If world market prices are lower than domestic prices the difference is levelled out when the products are exported. This equalization is handled by the Swedish Board of Agriculture and is financed by milling fees, budgetary means etc.

According to provisional figures from the OECD, Sweden's PSE rating for 1992 (i.e. the rate of assistance to Swedish producers expressed as a percentage of total production) was 57 per cent, compared to the OECD average of 44 per cent. Thus, Sweden finds itself between the countries with highest PSE levels (Finland, Japan, Norway and Switzerland in the range 68-77 per cent) and the EC (47 per cent).

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

- general promotion of trade;
- export credits;
- emergency preparedness;
- support for technical research and development,
- support for employment and training
- regional support

The main objectives of government industrial policy is to restore favourable conditions for productive investment and productive labour in Sweden. Private enterprises must be made more competitive and given better opportunities for growth. The emphasis of industrial policy is, accordingly, on private ownership, entrepreneurship and saving, the abolition of growth-inhibiting taxation, deregulation and increased competition, efficiency improvements and the privatisation of State-owned enterprises. 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.

Regional support measures to companies consist mainly of location grants and loans, development grants, employment grants, reimbursement of transportation costs and reduced social security contributions. These aid schemes are eligible in different regional support areas mainly in the northern part of Sweden. Most regional support measures are implemented by the county administrative boards.

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 Board for Industrial and Technical Development, the Fund for Industry and New Business, 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.

Export credit guarantees are issued by the Swedish Export Credits Guarantee Board (EKN), a government agency under the Ministry for Foreign Affairs. EKN was established in 1933 and insures the exporter or the lender or both against political and/or commercial risks in the importing country. Since 1990 EKN also provides guarantees for confirmed letter of credits. EKN's main objective is to promote Swedish exports. The guarantees are issued in two parallel systems, the N-system (normal) and the LT-system (long term). Both systems should break even, but the latter only in the long run. EKN also operates an investment guarantee system.

### 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

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

The Wine & Spirits Corporation fulfils its contractual obligations in a manner consistent with the provisions in Article XVII of the GATT.

In principle, the Wine & Spirits Corporation has the exclusive right to import alcoholic beverages into Sweden. Commercial considerations determine the volume of imports. Prices of imported products are calculated on the basis of costs, profit and rates of taxation.

The state-trading enterprise exports a small quantity of wines and a large quantity of other alcoholic beverages (vodka), while small quantities of wine and strong beer are exported by non State-trading wineries and breweries directly. Export prices are established according to commercial principles.

The export prices and the domestic prices differ as export prices are wholesale prices while domestic prices are retail prices, also including taxes.

Due to the co-operation with the EU, Sweden is expected to adjust its alcohol legislation so that it conforms to the principles of Community Law (see section A. (iv) (c) and (d) for further information).

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

Multilateral Agreements

As of 1 August 1991 Sweden is no longer a member of the MFA and has abolished all quantitative restrictions on imports of textiles and clothing.

On 15 April 1994 at the ministerial meeting in Marrakesh Sweden, subject to ratification, signed the Final Act of the Uruguay Round and the Agreement establishing the World Trade Organization.

Regional Agreements

An agreement on a European Economic Area between EU and EFTA countries except Liechtenstein and Switzerland entered into force on 1 January 1994. During 1992 and 1993 Sweden, together with the other EFTA countries furthermore concluded free trade agreements with certain countries in central and eastern Europe, Turkey and Israel. Sweden on its own concluded bilateral free trade agreements with the Baltic countries and the Faroe Islands. These agreements came into force during 1992.

The agreements in question are described under heading A (iii) (c).

Full liberalization between the EFTA countries in the fish sector has in principle been reached in 1994.

(c) and (d) Prospective Changes in Trade Policies and Practices Including Liberalization Programmes

Some changes in Swedish trade legislation are foreseen as a result of the Uruguay Round:

- New levels of customs tariffs in the Customs Tariff Act
- Addition of new procuring entities in the legislation on public procurement
- New legislation on border measures against imports of counterfeit goods
- Creation of means for appeal of AD and CVD measures in the legislation dealing with dumping and countervailing investigations

According to principles set down in a understanding between the European Commission and the Swedish Government in December 1993, Sweden has to adjust its alcohol legislation so that it conforms to principles of Community Law. In order to be in conformity with these principles, the exclusive rights of the State monopolies as regards importation, exportation, wholesaling and production of alcoholic beverages would have to be abolished in Swedish alcohol legislation.

One result of a Swedish membership of the EU will be that Sweden will adopt and implement the trade policy of EU and the Common Agricultural Policy. The adoption of the EU trade control system means two main changes. Sweden must reintroduce quantitative import restrictions on certain

textile and clothing products and will have to adopt certain EU systems which are technically different from the present ones; the latter include i.a. GSP rules and trade arrangements with third countries in some cases.

The Swedish Government has presented to Parliament a proposal to amend the present law prohibiting exports of certain dual use products that can be used for purposes of mass destruction. The amended law will be called the Law on Strategic Products and will set the terms for export controls of products that are covered by the Australia group, NSG and MTCR, as well as for other strategic dual use products, not covered in the present law. The latter group will be those products that are expected to be covered in the proposed new international arrangement presently being discussed by a group of 23 countries.

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

(i) WIDER ECONOMIC NEEDS, POLICIES AND OBJECTIVES

Economic policy is focused on the substantial reduction of unemployment during the remainder of the Nineties through the creation of new real jobs. The policy of structural reform and fiscal consolidation has created extremely favourable conditions for strong and stable economic growth in the future. As the recovery gathers momentum the positive effects of the structural reforms will become even more pronounced.

Sweden has endured a severe recession during which output fell for three consecutive years, 1991-1993, and unemployment and the public deficit reached record levels. This situation was largely self-induced and due to an inability to deal with the growing imbalances in the economy over the last two decades. During this period the public sector expanded rapidly at the expense of the business sector raising public expenditure and, concurrently, the tax pressure to world record levels. Simultaneously, wages and prices rose faster than elsewhere, further eroding Sweden's competitiveness.

Other important factors behind these developments were the deregulation of financial markets and the abolition of currency controls in the 1980's. In combination with the international economic up-swing, and the then prevailing tax rules, these reforms lead to a debt-financed consumption and investment boom. The result was a financial sector in crisis and households and enterprises - squeezed by high real interest rates and the new, less forgiving, tax laws - scrambling to reduce their debt burden. Consequently, private consumption and investment declined dramatically. The above problems were compounded by the international recession.

After three years of decline the recovery has begun. In 1994, a continued dramatic rise in exports is expected to generate an increase of almost 2.5 per cent in the total production of goods and services (GDP). When domestic demand also starts to rise in 1995 GDP growth is expected to amount to some 3 per cent.

As stated above, the Government has as its overriding goal the restoration of economic growth while maintaining a low level of inflation, thereby laying the foundation for the creation of new, real jobs and general welfare. The explicit aim is to substantially reduce unemployment by the end of the Nineties and to establish social security systems that are viable over the long term. This will require cut-backs in the public sector both in the form of structural reforms and expenditure cuts so as to, *inter alia*, recreate the incentives to work, save and invest as well as to reduce the deficit in public finances. In this strategy certain international objectives play a fundamental role. Chief among these is membership in the European Union, which will be realized by January 1995 according to the timetable for the negotiations. The Government believes strongly in the positive contribution of a freer world trade and welcomes the successful conclusion of the *Uruguay round* of the GATT negotiations.

To achieve the above mentioned goals economic policy aims at promoting the business sector, which is the creator of real jobs and the provider of material wealth. The economic policy involves two main components. First, structural reforms aimed at improving the economy's growth performance and second, a credible, medium term fiscal consolidation plan. The components contribute to the stimulation of the business sector by improving incentives to work, save and invest and by restoring confidence in the economy, lowering interest rates and helping to maintain a stable exchange rate.

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(ii) THE EXTERNAL ECONOMIC ENVIRONMENT

(a) Major trends in imports and exports

Swedish exports showed modest growth of not quite 2 per cent and ½ percent in 1989 and 1990 respectively before declining by more than 2½ per cent in 1991. During 1992 exports stagnated before taking off in 1993 when they grew by more than 7 per cent. Meanwhile imports have experienced a similarly erratic path. In 1989, the final year of the previous upswing, imports grew by more than 7 per cent. As the recession set in, the rate of growth fell to less than 1 per cent in 1990 and imports declined by roughly 5 per cent in 1991. A modest growth of 1 per cent was registered in 1992 before declining once again in 1993 by a ½ per cent.

The uneven behaviour of both imports and exports is largely explained by the domestic and international recession and the severe depreciation of the krona after it was floated at the end of 1992. As the economy now is poised for a strong externally led recovery both imports but particularly exports will increase sharply. This is due mainly to an expected increase in market share in the wake of the depreciation and substantial productivity increases in manufacturing. This constitutes a distinct break in a negative trend of continued market share losses prevalent since the beginning of the Eighties as Swedish export prices rose faster than import prices in Sweden's foreign markets. The expected increase in imports is largely fueled by export growth and thus a sizeable share of imports will consist of investment and input goods for industry.

Sweden's poor export performance in the period up to 1992 is in no small measure due to the recession in the OECD-area, particularly in western Europe, which followed a period of strong international demand in particular for investment goods. This is most obvious as regards Sweden's exports to Finland and Norway - two countries that together make up approximately 15 per cent of Swedish exports. For example, exports in value terms to Norway and Finland declined by 2 per cent and 18 per cent respectively between 1990 and 1991.

Exports of engineering goods which represent almost 50 per cent of total Swedish exports declined by 9 per cent in value terms between 1990 and 1992. The fall was particularly dramatic in the EFTA-area where it reached 20 per cent whilst engineering exports to the EC stagnated. The two strongest growing product groups have been pharmaceuticals (+ 40 per cent in 1992) and telecommunications equipment (+ 38 per cent), which have seen strong growth in all markets despite the recession. Future strong growth is predicted for virtually all traditional Swedish export products (forestry, manufacturing, transport vehicles, etc) as well as the aforementioned products.

In 1993 exports to all markets have shown strong growth across all product groups. The strongest increase has been in exports to the Far East which grew by 56 per cent in 1993 and comprised more than 20 per cent of the total increase in exports. In the coming years the Far East is expected to become an increasingly important market for Swedish exports but it should be stressed that at present it constitutes only 9 per cent of total Swedish exports. Developments in the EC, EFTA and North America will thus remain crucial for Sweden's export progress.

Exports to eastern and central Europe constitute only a minor share of Swedish exports (roughly 2 per cent) but have risen remarkably throughout the 1990 to 1992 period averaging approximately 14 per cent growth. In 1993 exports to this area registered a growth of some 30 per cent.

The structure of imports has not undergone any substantial alterations during the 1989 to 1993 period as measured by percentage shares in value terms. Investment and input goods have constituted

roughly 55 per cent of all imports. Consumer goods have represented a share of somewhat more than 20 per cent which has increased slightly throughout the period. Imports of energy have likewise increased their share from 8½ per cent to somewhat more than 9 per cent between 1989 and 1992.

Though the structure remains largely unaltered the value of imports have, as pointed out above, decreased markedly. Figures worth noting are: a 12 per cent drop in investment goods in 1992 and imports of consumer goods shrank by 17 per cent in 1991.

Imports originating in the EC and EFTA have accounted for almost 70 per cent of total imports and this share has been relatively stable during the last five years. The share coming from North America has also been fairly stable around 10 per cent of the total. Trade with the Far East has increased also as regards imports and now accounts for some 11 per cent of total imports.

(b) Developments in the Terms of Trade and Commodity Prices

The substantial cost increases and loss of competitiveness between 1987 and 1991 affected Sweden's terms of trade in a positive direction as export prices rose more rapidly than import prices. Nonetheless as of 1989 Sweden's terms of trade deteriorated on balance in the order of 2 per cent mainly due to the unfavourable developments on several key markets and negative world price developments for key goods. As a consequence of the depreciation, the terms of trade declined even more significantly in 1993 by 3½ per cent.

Companies producing traditional, raw material based goods have faced a particularly tough situation in the 1990-1992 period as a soft international market and a large increase in world supply, not least due to the transition of the former communist economies, have depressed world prices for such goods as pulp, paper and forestry products as well as for minerals and steel.

(c) Important Trends in the Balance of Payments, Reserves, Debt, Exchange and Interest Rates, and Similar Issues

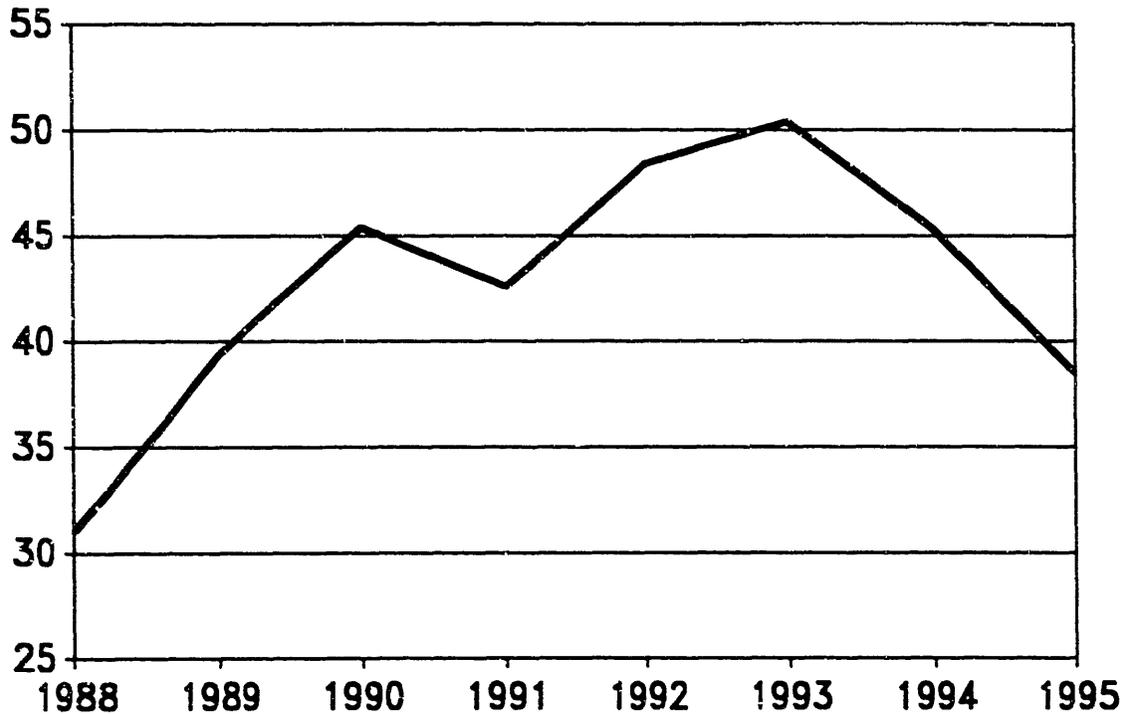
The balance of trade has been in surplus since 1987. The surplus shrank between 1987 and 1990 from 32 billion to 16 billion kronor. This deterioration was caused by a weaker volume growth for exports than for imports but was counteracted by improving terms of trade. The trade balance has improved since 1990 as the result of rapidly falling imports and - as of 1993 - a strong increase in exports through gains in export market shares. The surplus stood at 56 billion kronor in 1993, a year in which the terms of trade developed particularly unfavourably as a natural consequence of the depreciation.

The trend in the current account has developed in a positive direction since 1990 when it showed a deficit of some 40 billion kronor. This deficit was halved in 1991 but declined almost to its 1990 level at 38 billion kronor in 1992 as the interest item deteriorated due to increased payments on the national debt. In 1993 the current account improved markedly to stand at a deficit of 2.1 billion kronor (0.1 per cent of GDP) as the deficit on the services balance was all but eliminated due in large part to an improved travel item.

Sweden's foreign debt has mirrored the developments of the current account. The rapid increase of the debt during the end of the 80's and beginning of the 90's is due in the first instance to an extremely weak (even negative) private saving and large foreign direct investment outflows during the boom years of the bubble economy. As the economy went into recession private saving increased dramatically but public finance deteriorated at a rapid and accelerating rate. As the economy picks up foreign debt is set to decrease appreciably.

## Sweden's external interest-bearing debt

Per cent of GDP



Note: Interest-bearing debt comprises all forms of interest-bearing cross-border liabilities and assets with the exception of commercial credits, the Kingdom of Sweden's shares in international development banks, etc., and assets in the form of direct investment and portfolio shares.

Source: The Riksbank, Statistics Sweden and Ministry of Finance.

Sweden practiced a fixed exchange rate regime until November 1992 when the krona, amid heavy speculative pressure, was set to float freely. Prior to May 1991, the krona was pegged to a trade weighted basket of currencies representing Sweden's major trade partners. When Sweden applied for membership in the EC the krona was unilaterally pegged to the ecu. Up until November 1992, interest rate policy served the goal of maintaining the exchange rate parity. Since then interest rate policy is no longer formally constrained by such a goal. The Riksbank has pledged to maintain price stability and set itself a target rate of inflation, measured as CPI, of 2 per cent with a margin of fluctuation of 1 percentage point as of 1995.

Since the krona was left to float the Riksbank has, just like a number of European central banks, chosen to follow a policy of gradual easing of short term rates. The Riksbank carefully monitors long term rates as an indicator of inflationary pressures in the economy.

The deregulation of financial markets that was commenced in the mid-Eighties has been continued. Restrictions on capital movements have been abolished. In fact Sweden, has been deemed one of the most attractive OECD-countries for both foreign and domestic direct investment by the OECD-secretariat.

(d) International Macroeconomic Situation Affecting the External Sector

Sweden, as a small and open economy is extremely dependent upon international economic developments.

Thus, Sweden's recession, though domestic in nature, was compounded by the international downturn particularly in western Europe. Conversely, Sweden stands to gain from the forthcoming upswing in the global economy, particularly in the period after 1994 when the positive effects of the depreciation will have faded.

The strength of the upturn and its effect on the current account and public finance is crucially dependent upon interest rate developments in western Europe. Should rates fall more slowly than presently predicted the recovery may be more sluggish than forecast due both to lower demand for Swedish exports and weaker domestic demand. Sweden's public sector finances would be doubly hurt, through the higher interest rate cost on the national debt and a larger deficit than would otherwise be the case as tax bases would recover more slowly and transfers decline at a weaker pace.

(iii) PROBLEMS IN EXTERNAL MARKETS

In the Uruguay-round Sweden has attached great importance that substantial results be achieved in all areas of the negotiations. This would include reductions of tariffs and non-tariff barriers, strengthening of the existing GATT system as well as enlargement of the system to areas not previously covered. Hopefully the results of the Uruguay Round, as well as Sweden's participation in the extension of regional cooperation within Europe, will reduce the problems encountered by Swedish exports in external markets.

**Tariffs**

About 75 % of Sweden's exports of industrial goods are imported duty free into the country of destination within the frame-works of different free trade agreements.

The remaining 25 % tariff duties may cause a problem, either by high tariffs in the importing country or simply because of the large trade volumes involved.

Throughout the negotiations in the Uruguay-round, Sweden has played an active part in promoting substantial tariff cuts across the board as well as supporting many of the sectors for duty elimination.

Among the areas of special interest to Sweden are the duty free sectors for pharmaceuticals, medical instruments, construction and agricultural equipment. Sweden has also actively taken part in the discussions regarding a Multilateral Steel Agreement (with duty elimination).

Other areas where Sweden has an interest in reaching a comprehensive result of tariff cuts in her exports markets are for exemple those of wood-based products (such as sawn woods, pulp and paper) and cars.

**Non-tariff measures**

Within the area of non tariff measures there are substantial problems for Swedish exports in many markets both in industrialized and developing countries. Besides multilateral efforts NTM:s are also subject to bilateral contacts between Sweden and some trading partners.

Problems are most heavily encountered in such areas as investigations of dumped or subsidized exports; public procurement; technical barriers to trade; and the "new" areas of the Uruguay Round (services, trade-related investment measures and intellectual property rights). Sweden has actively worked within the Uruguay Round to get results on these issues that will promote world trade.

*Investigations of dumping or subsidization* are a major source of problems for Swedish exporters. 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.

Swedish exporters are encountering *technical barriers* due to the adoption of national requirements on performance, design or other characteristics of a product. In certain cases, national standards are applied which do not comply with prevailing international standards. Other examples are requirements regarding special procedures, such as for the testing, certification, approval and marking of goods.

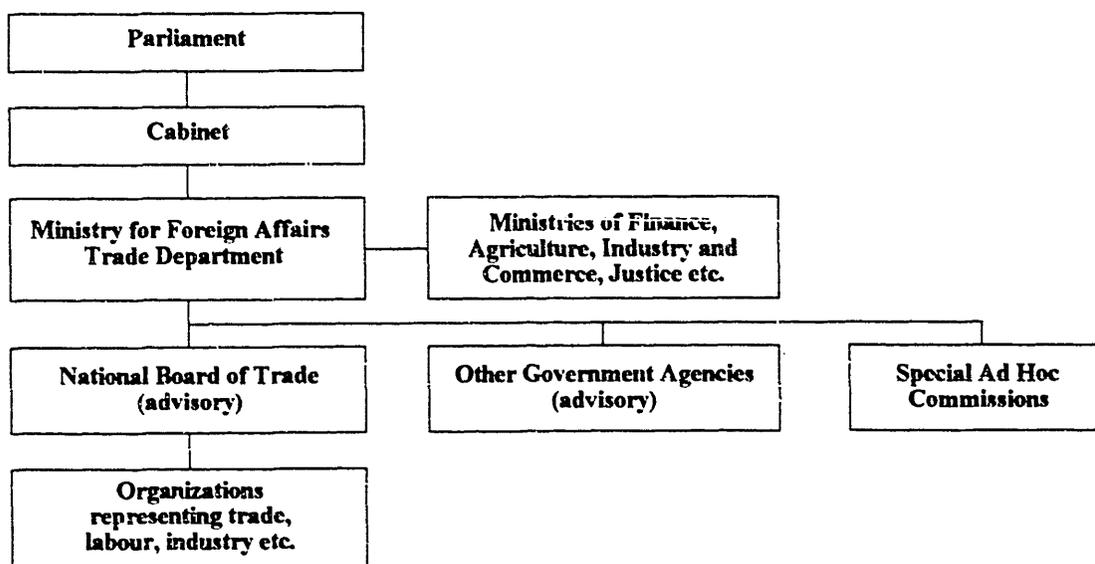
In many countries, *public procurement* has traditionally been reserved for national companies which are protected from international competition. Especially in investment-intensive areas such as telecommunications, power generation, power transmission and transport, discriminatory procurement policies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

*Investment requirements* cover a broad spectrum of measures, e.g. currency restrictions, and 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.

Inadequate protection and enforcement of *intellectual property* rights in many countries has become a problem for Swedish exporters. The possibility of obtaining satisfactory intellectual property right protection on major markets is becoming increasingly important for companies which invest considerable in research and development. Swedish companies face a great variety of problems 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.

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.

## 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 the 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

**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	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'S MULTILATERAL COMMODITY AGREEMENTS AND ARRANGEMENTS**

The International Cocoa Agreement (ICCA)  
The International Coffee Agreement (ICA)  
The International Jute Agreement (IJA)  
The International Lead and Zinc Study Group (ILZSG)  
The International Natural Rubber Agreement (INRA)  
The International Nickel Study Group (INSG)  
The International Rubber Study Group (IRSG)  
The International Sugar Agreement  
The International Tropical Timber Agreement (ITTA)  
The International Wheat Convention and the Food Aid Convention

## Annex 4

## Sweden's bilateral agreements with the former Soviet Union and central and eastern Europe

COUNTRY	TRADE AGREEMENTS	CO-OPERATION AGREEMENTS	INVESTMENT PROTECTION AGREEMENTS
Albania	1984	--	--
Belarus	1994	--	--
Bulgaria	1980 1993 (EFTA-FTA) <sup>1</sup>	1970	--
Czech Republic	1973 (ČSSR) 1992 (EFTA FTA) <sup>1</sup>	1971 (ČSSR)	1990 (ČSSR)
Estonia	1992 FTA	--	1992
Hungary	1982 1993 (EFTA FTA) <sup>1</sup>	1969	1987
Kazakhstan	1994	--	--
Latvia	1992 FTA	--	1992
Lithuania	1992 FTA	--	1992
Poland	1978 1993 (EFTA FTA) <sup>1</sup>	1975	1989
Romania	1980 1993 (EFTA FTA) <sup>1</sup>	1968	--
Russian Federation (Former USSR)	1924 1976 1986 x)	1970	--
Slovak Republic	1973 (ČSSR) 1992 E(FTA FTA) <sup>1</sup>	1971 (ČSSR)	1990 (ČSSR)
Ukraine	1994	--	--

x Coastal Trade Agreement

1 Sweden has also signed bilateral agricultural agreements with these countries in connection to the FTA.

EFTA FTA = Free Trade Agreement with the EFTA.

A new trade agreement with Russia was signed in February 1993 and awaits ratification by the Russian Parliament. When this agreement enters into force the earlier agreements will be cancelled.

Sweden's bilateral agreements with developing countries

COUNTRY	TRADE AGREEMENTS	CO-OPERATION AGREEMENTS	INVESTMENT PROTECTION AGREEMENTS
Algeria		1974	
Argentina	1885,1957, (1960)		
Bolivia			1990
Brazil	(1931,1936)	1984	
Chile	1936		1993
Colombia	1928	1984	
Cuba	1957 P*	1977 E C*	
Ecuador		1981	
Egypt	1930	1975	1978
El Salvador	1936 M*		
Guatemala	1936 M*		
India		1972	
Indonesia	1954(1957)		1992
Iran	1929	1974,1990	
Iraq	1935	1978	
Ivory Coast	1965 N*		1965
China, People's Republic of	1847,1908, 1979,1984	1978	1982
Korea, Democratic People's Republic of	1973		
Korea, Republic of	1967 P*	1985	
Liberia	1863,1913		
Libya		1974	
Madagascar	1966 N*		1966
Malaysia		1985	1979
Mauretania	1961,1966 M*		
Morocco	1986		1990
Mexico		1979,1980	
Mocambique	1981		
Nigeria		1980	
Pakistan			1981
Senegal	1967 N*		1967
Sri Lanka			1982
Sudan		1982 L*	
Thailand	1937	1989	
Trinidad and Tobago		1979 L*	
Tunisia	1977	1973 L*	1984
Uruguay	1936		
Vietnam	1976		1993
Yemen, Arab Republic of			(1983)*

E C\* Protocol on enlarge co-operation.

L\* Limited content.

M\* Ministerial notes on trade relations.

N\* National Treatment, The agreements with Ivory Coast, Madagascar and Senegal are Commercial agreements which include certain provisions on Investment Protection.

\* Since the unification of the two Yemen it has not been clarified if the agreement will stay in force and cover the new state.

**APPENDIX (i)**

**Trade flows by product and country/geographic area**

Appendix (i)  
Sweden's 30 largest export markets

Ranking			Exports to	Value in mill SEK			Per cent 1993	Annual change %	
91	92	93		1991	1992	1993		92/91	93/92
1	1	1	Germany, Fed Rep of	50,474	48,749	55,782	14.4	-3	14
2	2	2	United Kingdom	31,002	31,513	39,805	10.3	2	26
3	3	3	USA	26,731	26,899	32,612	8.4	1	21
4	4	4	Norway	28,085	27,485	31,627	8.1	-2	15
5	5	5	Denmark	23,489	23,318	25,766	6.6	-1	10
7	6	6	France	18,399	18,865	20,874	5.4	3	11
8	7	7	Netherlands	18,137	18,242	19,702	5.1	1	8
6	8	8	Finland	18,905	16,876	17,769	4.6	-11	5
10	10	9	Belgium, Luxembourg	12,632	13,844	16,144	4.2	10	17
9	9	10	Italy	15,127	14,350	14,447	3.7	-5	1
13	13	11	Japan	6,861	6,634	9,616	2.5	-3	45
11	11	12	Spain	8,188	7,287	7,330	1.9	-11	1
12	12	13	Switzerland	7,519	6,682	7,302	1.9	-11	9
14	14	14	Austria	4,579	4,930	5,277	1.4	8	7
17	15	15	Australia	3,363	4,139	5,079	1.3	23	23
29	18	16	China	1,603	2,501	4,865	1.3	56	95
15	16	17	Canada	4,159	3,672	4,417	1.1	-12	20
24	19	18	Taiwan	2,150	2,403	3,390	0.9	12	41
21	21	19	Poland	2,280	2,183	3,297	0.8	-4	51
25	24	20	Singapore	2,092	1,942	3,143	0.8	-7	62
18	17	21	Saudi Arabia	2,978	2,571	2,969	0.8	-14	16
19	22	22	Korea, Rep of	2,906	2,039	2,901	0.7	-30	42
32	31	23	Turkey	1,331	1,430	2,716	0.7	7	90
..	27	24	Russia	..	1,639	2,590	0.7	..	58
30	30	25	Thailand	1,399	1,522	2,568	0.7	9	69
23	23	26	Ireland	2,162	2,008	2,456	0.6	-7	22
31	29	27	Hong Kong	1,344	1,536	2,214	0.6	14	44
28	28	28	Greece	1,661	1,554	2,149	0.6	-6	38
38	37	29	Indonesia	1,022	1,039	2,131	0.5	2	105
22	20	30	Portugal	2,242	2,190	2,109	0.5	-2	-4
Total				332,779	326,031	388,245	100.0		

Source: Official statistics of Sweden.

## Sweden's 30 largest supplier countries

Ranking			Imports from	Value in mfl SEK			Per cent 1993	Annual change %	
91	92	93		1991	1992	1993		92/91	93/92
1	1	1	Germany, Fed Rep of	56,538	54,084	59,395	17.9	-4	10
3	3	2	United Kingdom	25,041	25,010	31,275	9.4	0	25
2	2	3	USA	25,619	25,439	30,224	9.1	-1	19
4	4	4	Denmark	23,455	22,674	24,343	7.3	-3	7
5	5	5	Norway	23,013	19,915	21,439	6.5	-13	8
6	6	6	Finland	21,130	17,995	20,614	6.2	-15	15
8	7	7	France	14,608	14,946	17,759	5.3	2	19
7	8	8	Japan	15,464	14,667	16,611	5.0	-5	13
9	9	9	Netherlands	13,042	12,461	15,432	4.6	-4	24
10	10	10	Italy	12,852	11,153	11,862	3.6	-13	6
11	11	11	Belgium, Luxembourg	9,711	10,262	11,503	3.5	6	12
12	12	12	Switzerland	5,563	5,529	6,738	2.0	-1	22
16	13	13	China	3,428	4,288	6,445	1.9	25	50
15	14	14	Spain	4,006	4,064	4,786	1.4	1	18
14	16	15	Austria	4,148	3,937	4,321	1.3	-5	10
18	17	16	Taiwan	3,251	3,329	3,904	1.2	2	17
13	15	17	Portugal	4,168	4,007	3,573	1.1	-4	-11
..	18	18	Russia	..	2,733	3,370	1.0	..	23
39	23	19	Saudi Arabia	520	1,646	3,061	0.9	217	86
23	21	20	Ireland	2,088	2,261	2,695	0.8	8	19
20	20	21	Hong Kong	2,520	2,381	2,560	0.8	-5	7
22	19	22	Poland	2,271	2,418	2,487	0.7	6	3
19	22	23	Korea, Rep of	3,226	2,153	2,347	0.7	-33	9
24	24	24	Canada	1,796	1,551	1,846	0.6	-14	19
21	25	25	Iran	2,486	1,337	1,468	0.4	-46	10
25	26	26	Brazil	1,580	1,255	1,431	0.4	-21	14
33	32	27	Malaysia	738	827	1,225	0.4	12	48
27	27	28	Thailand	1,056	1,065	1,195	0.4	3	12
26	28	29	Singapore	1,124	999	1,188	0.4	-11	19
34	33	30	India	673	789	1,031	0.3	17	31
Total				301,291	290,929	332,196	100.0		

Source: Official statistics of Sweden

Swedish exports by area

Area	Value in billion SEK			Per cent of total			Annual change %	
	1991	1992	1993	1991	1992	1993	92/91	93/92
EFTA	59.9	56.5	62.7	18.0	17.4	16.1	-5	11
EU	183.5	181.9	206.6	55.1	55.8	53.2	-1	14
Other Western Europe	2.4	2.4	3.9	0.7	0.7	1.0	0	62
Central and Eastern Europe	7.1	8.3	11.3	2.1	2.5	2.9	17	36
Africa	4.9	4.3	7.9	1.5	1.3	2.0	-11	83
North Africa	3.3	2.8	3.6	1.0	0.8	0.9	-17	29
Other Africa	1.6	1.6	4.4	0.5	0.5	1.1	0	179
Middle East	10.7	7.7	9.2	3.2	2.4	2.4	-28	20
Far East	23.5	22.9	35.6	7.0	7.0	9.2	-3	56
South East Asia	14.9	14.5	23.9	4.5	4.5	6.2	-2	65
Southern Asia	1.7	1.7	2.0	0.5	0.5	0.5	0	20
Japan	6.9	6.6	9.6	2.1	2.0	2.5	-3	45
Oceania	3.9	4.7	5.9	1.2	1.4	1.5	20	27
North America	30.9	30.6	37.0	9.3	9.4	9.5	-1	21
Latin America	6.1	6.7	8.2	1.8	2.1	2.1	10	22
Total	332.8	326.0	388.2	100.0	100.0	100.0	-2	19
Industrial Countries	288.6	283.8	328.1	86.7	87.1	84.5	-2	16
State Trading Countries	1.9	2.6	5.1	0.6	0.8	1.3	39	95
Developing Countries	35.2	31.3	43.8	10.6	9.6	11.3	-11	40

Source: Official statistics of Sweden.

## Swedish imports by area

Area	Value in billion SEK			Per cent of total			Annual change %	
	1991	1992	1993	1991	1992	1993	92/91	93/92
EFTA	54.0	47.5	53.2	17.9	16.3	16.0	-12	12
EU	165.6	161.7	183.3	55.0	55.6	55.2	-2	13
Other Western Europe	1.6	2.1	1.4	0.5	0.7	0.4	34	-33
Central and Eastern Europe	7.7	9.1	9.9	2.6	3.1	3.0	19	9
Africa	2.0	2.4	1.6	0.7	0.8	0.5	20	-33
North Africa	1.0	1.4	1.0	0.3	0.5	0.3	52	-34
Other Africa	1.1	1.0	0.7	0.4	0.3	0.2	-8	-31
Middle East	3.7	3.6	5.3	1.2	1.2	1.6	-4	48
Far East	33.0	32.1	38.4	10.9	11.0	11.6	-3	20
South East Asia	16.1	15.9	19.9	5.3	5.5	6.0	-1	26
Southern Asia	1.4	1.5	1.8	0.5	0.5	0.6	9	20
Japan	15.5	14.7	16.6	5.1	5.0	5.0	-5	13
Oceania	1.1	1.1	1.4	0.4	0.4	0.4	-2	22
North America	27.5	27.1	32.1	9.1	9.3	9.7	-2	19
Latin America	5.1	5.5	5.5	1.7	1.5	1.7	-16	30
Total	301.3	290.9	332.2	100.0	100.0	100.0	-3	14
Industrial Countries	265.6	254.5	288.4	88.2	87.5	86.8	-4	13
State Trading Countries	3.5	4.4	6.6	1.2	1.5	2.0	25	52
Developing Countries	24.5	22.9	27.2	8.1	7.9	8.2	-6	19

Source: Official statistics of Sweden.

Swedish imports by commodity

SITC Rev 3		Value in billion SEK			Per cent of total			Annual change % Value	
		1991	1992	1993	1991	1992	1993	92/91	93/92
0-9	TOTAL	301.3	290.9	332.2	100.0	100.0	100.0	-3	14
24,25,63,64	Forestry goods	9.5	9.6	9.9	3.2	3.3	3.0	1	3
27,28,66-68,97	Mineral products	25.1	23.7	27.3	8.3	8.1	8.2	-6	15
67	- Iron and steel	9.2	9.2	10.8	3.1	3.1	3.2	-1	18
68	- Other metals	6.0	5.3	6.5	2.0	1.8	1.9	-11	21
28	- Metalliferous ores, scrap	2.7	2.7	3.1	0.9	0.9	0.9	-2	14
23,5,62	Chemical products	34.8	34.7	42.7	11.6	11.9	12.9	0	23
51,52	- Elements, compounds	7.5	7.5	9.9	2.5	2.6	3.0	-1	32
54	- Pharmaceuticals	4.9	5.6	6.8	1.6	1.9	2.1	15	22
57,58	- Plastics	8.8	8.0	9.3	2.9	2.7	2.8	-9	16
23,62	- Crude rubber, rubber manufact.	4.1	4.1	4.6	1.4	1.4	1.4	-1	12
3	Energy products	26.8	25.4	30.5	8.9	8.7	9.2	-6	20
333	- Petroleum oils, crude	14.7	13.6	17.0	4.9	4.7	5.1	-7	25
334,335	- Petroleum products	8.8	8.6	9.9	2.9	2.9	3.0	-3	16
69,7,87,88,89	Engineering products	132.9	125.4	143.4	44.1	43.1	43.2	-6	14
69	- Manufactures of metal	9.6	9.2	10.3	3.2	3.1	3.1	-5	12
75-77	- Electro industrial products and automatic data processing machines	44.3	42.8	53.3	14.7	14.7	16.1	-3	25
71-74	- Other machines	34.9	33.1	37.7	11.6	11.4	11.4	-5	14
78	- Road vehicles	23.5	22.5	22.5	7.8	7.7	6.8	-4	0
781.2	- Passenger motor vehicles	10.5	10.6	9.3	3.5	3.6	2.8	1	-12
784	- Parts of the motor vehicles	8.6	8.6	10.0	2.9	3.0	3.0	0	16
79	- Other transport equipment	8.9	6.4	6.0	3.0	2.2	1.8	-29	-7
87,88,891	- Other engineering products	11.7	11.4	13.6	3.9	3.9	4.1	-3	20
1)	Other products	72.1	72.2	78.5	23.9	24.8	23.6	0	9
0,1,22,4	- Food, beverages, tobacco	20.9	21.5	25.4	7.0	7.4	7.6	3	18
65,84	- Textile and apparel	22.0	22.1	22.3	7.3	7.6	6.7	0	1
82	- Furniture and parts thereof	4.9	4.5	4.5	1.6	1.5	1.4	-9	0

1) 0,1,21,22,26,29,4,61,65,81-85,892-899,91-96

Source: Official statistics of Sweden

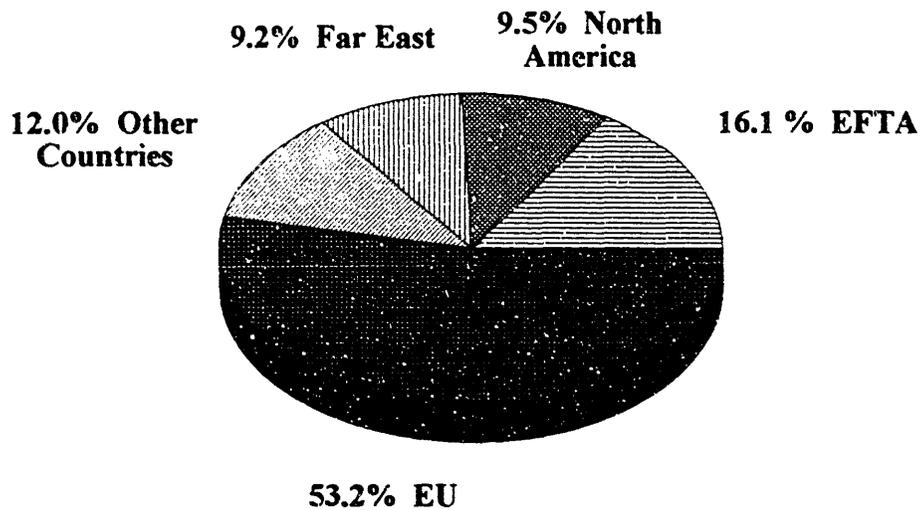
## Swedish exports by commodity

SITC Rev 3		Value in billion SEK			Per cent of total			Annual change % value		Trade Balance billion SEK		
		1991	1992	1993	1991	1992	1993	92/91	93/92	1991	1992	1993
0-9	TOTAL	332.8	326.0	388.2	100.0	100.0	100.0	-2	19	31	35	56
24,25,63,64	Forestry goods	60.6	59.0	66.7	18.2	18.1	17.2	-3	13	51	49	57
24	- Cork and wood	10.8	11.7	14.8	3.3	3.6	3.8	8	27	9	9	13
25	- Pulp and waste paper	9.3	8.5	8.8	2.8	2.6	2.3	-9	4	9	8	8
64	- Paper and paperboard	37.9	36.4	39.7	11.4	11.2	10.2	-4	9	33	32	34
27,28,66-68, 97	Mineral products	33.5	32.4	38.9	10.1	9.9	10.0	-3	20	8	9	12
281	- Iron ore	2.4	2.7	3.3	0.7	0.8	0.8	14	22	2	3	3
67	- Iron and steel	19.2	18.5	22.3	5.8	5.7	5.8	-4	21	10	9	12
68	- Other metals	5.8	5.4	6.3	1.7	1.6	1.6	-7	17	0	0	0
23,5,62	Chemical products	30.5	32.4	41.6	9.2	9.9	10.7	6	28	(4)	(2)	(1)
51,52	- Elements, compounds	4.9	4.7	5.6	1.5	1.4	1.4	-5	19	(3)	(3)	(4)
54	- Pharmaceuticals	10.4	12.3	17.0	3.1	3.8	4.4	18	38	6	7	10
57,58	- Plastics	7.1	7.0	8.8	2.1	2.1	2.3	-1	26	(2)	(1)	(1)
3	Energy products	10.7	10.3	13.2	3.2	3.2	3.4	-3	27	(16)	(15)	(17)
33	- Petroleum, petroleum products	9.6	9.0	11.9	2.9	2.7	3.1	-7	33	(14)	(13)	(15)
69,7,87,88, 891	Engineering products	164.4	161.0	191.9	49.4	49.4	49.4	-2	19	31	36	49
69	- Manufactures of metal	11.2	10.8	11.9	3.4	3.3	3.1	-4	10	2	2	2
75-77	- Electro industrial products and automatic data processing machines	37.7	36.9	46.6	11.3	11.3	12.0	-2	26	(7)	(6)	(7)
71-74	- Other machines	55.4	53.6	62.3	16.6	16.4	16.1	-3	16	20	20	25
78	- Road vehicles	44.0	42.8	48.3	13.2	13.1	12.4	-3	13	21	20	26
781.2	- Passenger motor vehicles	17.7	20.0	23.3	5.3	6.1	6.0	13	17	7	9	14
782.19	- Motor vehicles for transport of goods	11.7	9.6	8.2	3.5	2.9	2.1	-19	-15	(8)	9	7
784	- Parts of the motor vehicles	12.1	11.4	14.4	3.6	3.5	3.7	-6	26	3	3	4
79	- Other transport equipment	5.4	6.1	10.7	1.6	1.9	2.7	13	76	(4)	0	5
891	- Arms and ammunition	2.2	1.9	1.4	0.7	0.6	0.4	-11	-26	1	1	1
87,88	- Other engineering products	8.6	8.9	10.7	2.6	2.7	2.7	4	19	(2)	(2)	(2)
1)	Other products	33.0	31.0	36.0	9.9	9.5	9.3	-6	16	(39)	(41)	(42)
0,1,22,4	- Food, beverages, tobacco	7.0	6.5	7.7	2.1	2.0	2.0	-7	19	(14)	(15)	(18)
65,84	- Textile and apparel	6.0	6.0	6.4	1.8	1.8	1.6	0	6	(19)	(19)	(19)
82	- Furniture and parts thereof	5.4	5.6	6.3	1.6	1.7	1.6	3	14	0	1	2

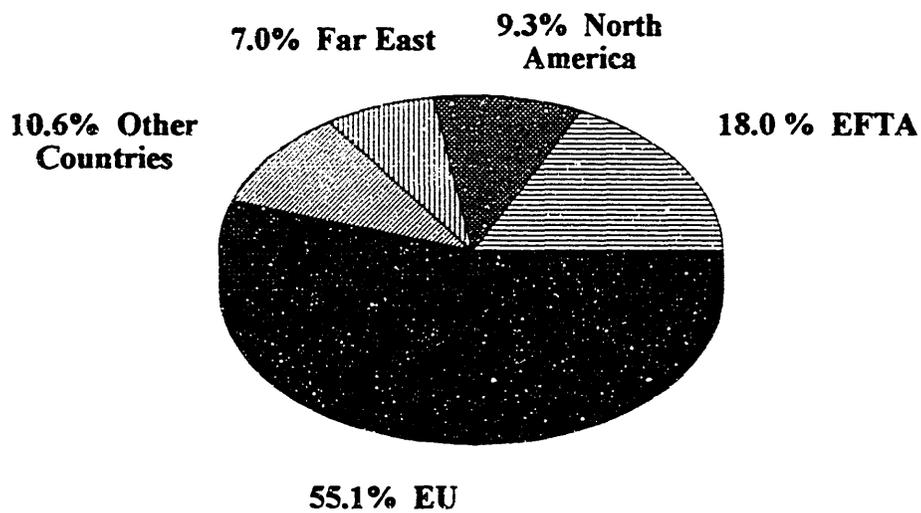
1) 0,1,21,22,26,29,4,61,65,81-85,892-899,91-96

Source: Official statistics of Sweden.

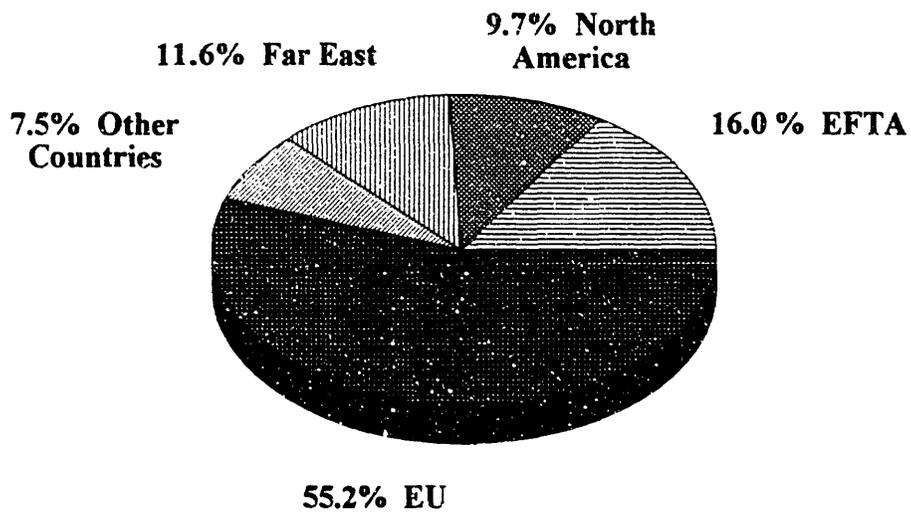
**Swedish Exports 1993**  
**388 Billion SEK**



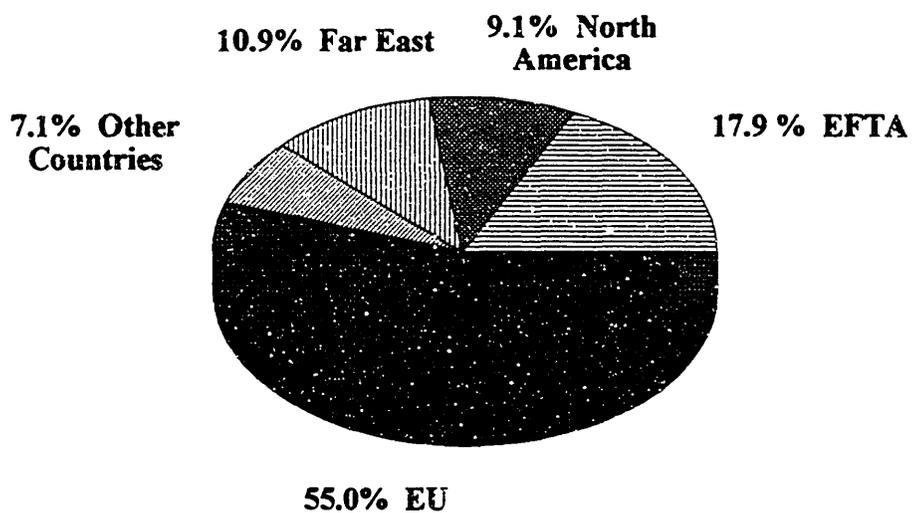
**Swedish Exports 1991**  
**333 Billion SEK**



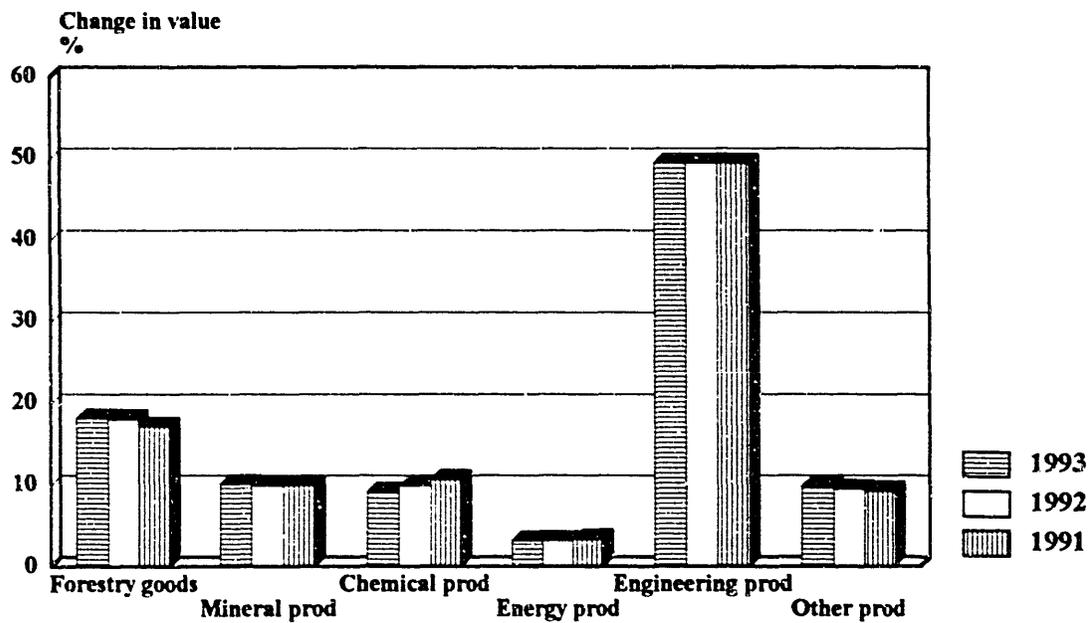
**Swedish Imports 1993  
332 Billion SEK**



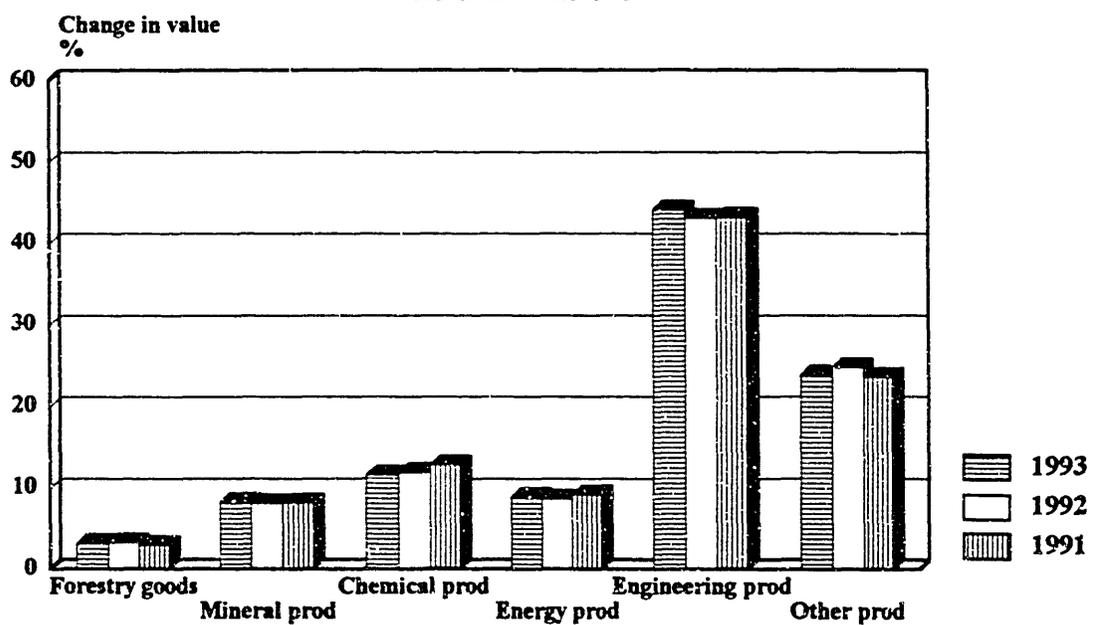
**Swedish Imports 1991  
301 Billion SEK**



### Swedish Exports by Commodity 1991 - 1993



### Swedish Imports by Commodity 1991 - 1993



**APPENDIX (ii)**

**Macroeconomic information**

Table I.3  
Balance of resources

	Billion kroner 1993	Percentage change in volume			
		1992	1993	1994	1995
GDP	1,449.5	-1.9	-2.1	2.4	3.0
Imports	418.5	1.3	-0.4	4.1	6.5
Supply	1,868.0	-1.0	-1.6	2.8	3.9
Private consumption	792.8	-1.9	-3.8	1.2	1.5
Public consumption	401.7	-0.6	-0.7	-1.6	-0.9
Central government	127.1	1.7	3.5	-2.0	0.5
Local government	274.6	-1.6	-2.5	-1.5	-1.5
Gross fixed investments	204.4	-11.0	-16.2	-3.5	8.5
Business sector	109.9	-15.6	-16.3	9.4	13.9
Housing	60.4	-6.4	-28.3	-41.0	-7.0
Authorities	34.1	1.2	3.6	-0.3	1.2
Stockbuilding <sup>1</sup>	-5.3	1.3	0.3	0.1	0.1
Exports	474.3	2.2	7.2	10.0	8.0
Demand	1,868.0	-1.0	-1.6	2.8	3.9
Domestic demand	1,393.6	-2.2	-4.9	-0.2	2.1

<sup>1</sup> Change as a percentage of the preceding year's GDP.

Source: Statistics Sweden, N.I.E.R. and Ministry of Finance.

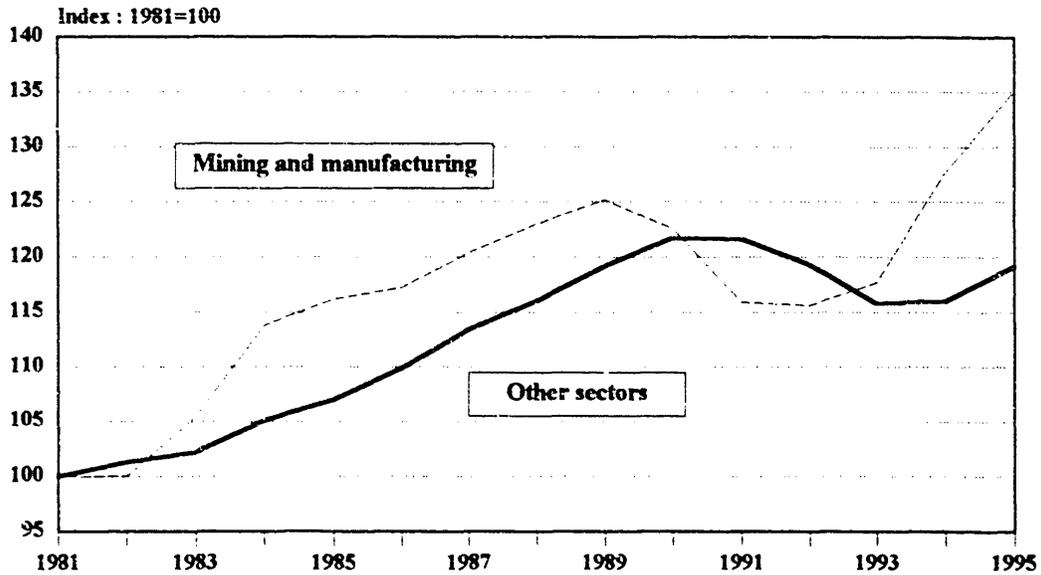
Table I.5  
Annual percentage change unless specified

	1992	1993	1994	1995
Hourly wage cost	3.7	3.9	3.0	3.3
CPI (Dec-Dec)	1.9	4.1	1.9	2.8
CPI (annual average)	2.3	4.7	1.6	2.7
Disposable income	2.7	-3.9	2.1	0.7
Savings ratio (level)	7.4	7.2	8.1	7.3
Industrial production	-0.7	1.8	8.5	6.1
Relative unit labour cost	-3.7	-25.9	0.2	1.6
Balance of trade (Bn kronor)	34.3	55.2	90.2	109.0
Current account balance (Bn kronor)	-38.7	-2.0	33.6	55.9
Current account balance (% of GDP)	-2.7	-0.1	2.2	3.5
Registered unemployment <sup>1</sup>	5.3	8.2	8.0	7.2
Labour market measures <sup>1</sup>	3.7	4.3	6.2	6.2

<sup>1</sup> As per cent of labour force.

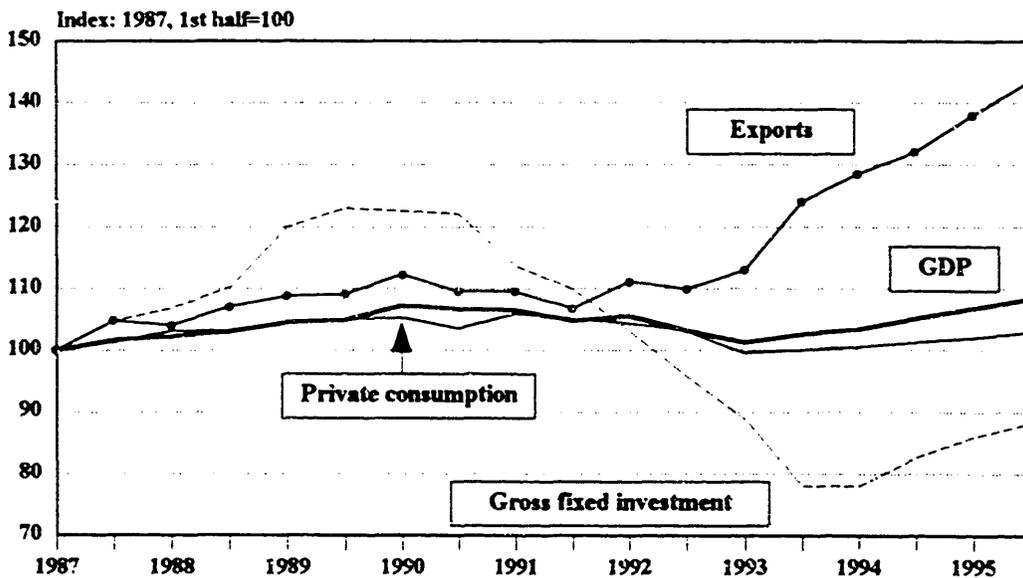
Source: Statistics Sweden, N.I.E.R. and Ministry of Finance.

## Production



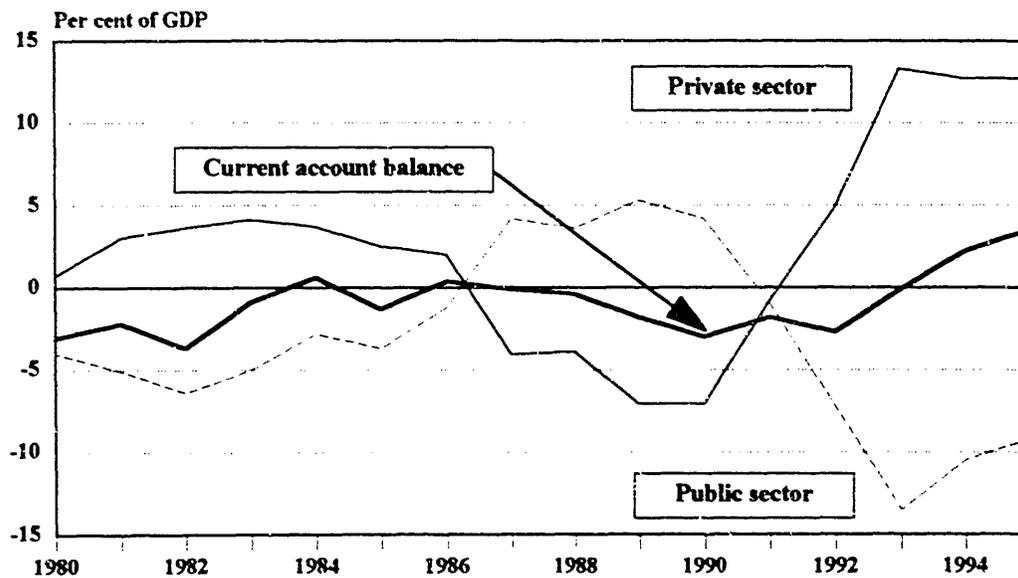
Source : Statistics Sweden and Ministry of Finance.

## GDP, exports, private consumption and gross fixed capital formation



Sources : Statistics Sweden, N.I.E.R. and Ministry of Finance.

### Private and general government financial balances and balance on current account



Sources : Statistics Sweden, N.I.E.R. and Ministry of Finance.