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GENERAL AGREEMENT ON TARIFFS AND TRADE

WORKING PARTY 5 ON BALANCE-OF-PAYMENT IMPORT RESTRICTIONS

Statement by the Representative of Sweden on 22 October 1952

1. I understand that the question before the Working Party is to determine whether the Swedish Government has since the last session taken measures which may be qualified as substantial intensification of import restrictions in the meaning of Article XII:4(b) of the General Agreement calling for compulsory consultation. I will try in the following to give the Working Party the view of my Delegation on this question.

2. It is the declared policy of the Swedish Government to try to obtain the greatest possible freedom for trade. Such an attitude is natural for a country which, like Sweden, is to such a large extent dependent on foreign trade. The imports in 1951 represented, for instance, 23.5% of our national product and the corresponding figure for our exports was 25.8%. During the years after the war until Spring 1047, the imports into Sweden were completely free also from the dollar area. As a result of a considerable reduction in our monetary reserves and because of the non-convertibility of currencies other than dollars, and a general worsening of our balance-of-payment situation, the Government felt it necessary to take a number of measures to remedy the position, and among them, a complete embargo on imports. Ever since, however, the Swedish authorites have striven to restore our imports to the conditions obtaining before 1947. We have, therefore, supported the liberalization excercise within the OEEC and we have fulfilled the various targets fixed in this connexion. This year has seen considerable further relaxation of import restrictions and as a result, 86% of the Swedish imports from this group of countries are now free of import restrictions. I think it is very important to keep in mind here that this free list is not only in force in relation to the OEEC group but extended to a great number of contracting parties. Thus, also the following contracting parties have the benefit of this large free list: Australia, Burma, Ceylon, Finland, India, Indonesia, New Zealand, Pakistan, South Rhodesia and the Union of South Africa, plus a few countries outside the contracting parties. The importance of this free list can easily be gathered from the fact that 75% of our total imports come from this area. As regards the imports from those countries in relation to which the free list is not formally applied - leaving aside for a moment the dollar area - the import quotas for such commodities which are included in the free list are only of a nominal character. Moreover, most of the import quotas left in our bilateral treaties are quite ample as to provide for almost unlimited imports. Already at the last session there was a very large measure of freedom as regards imports into Sweden and since that session a further considerable relaxation of imports has been made both formally by including more commodities in the free list and in practice by a liberal application of import quotas.

3. I have now been dealing with the overall position. We, of course, like many other countries, have our payment difficulties in relation to the dollar area. I have already said that after a period of free imports from the dollar area we were forced to impose import restrictions on imports from this area and these restrictions were, of course, at the time of a discriminatory character and, as a matter of fact, still are. This aspect of the matter was at first covered by bilateral arrangements between the United States and Sweden which expired when we acceded to the GATT and became members of the IMF respectively. We are, at present, engaged in consultations with the Fund on our discriminatory application of our import restrictions in relation to the dollar area.

4. We have already circulated a paper giving information about the factors governing our import policy in relation to the dollar area. The general principle of our import policy in this respect is to try to adapt the imports to our dollar earnings. Now, it does not seem possible to increase Swedish exports to the dollar area to such an extent that the imports can be left free. We are making great efforts to increase our exports by different measures but the difficulties are great. They are great both on the Swedish side and on the dollar area side. Our exports to that area consist of approximately 90% of three commodities: pulp, iron/steel and iron ore. All these commodities are very sensitive from the market point of view, especially pulp which by itself represents between 55% and 60% of our total exports to the dollar area. We are trying to get away from this dependence on a few commodities by promoting the export of a wider range of commodities, but that takes time and is also a very uncertain business as the results depend to a very great extent on market conditions in the United States. Our dollar earnings will therefore remain a very precarious matter with ups and downs and insufficient to provide for the imports we should like to take from the dollar area and, in particular, from the United States which provide 90% of our total imports from the dollar area if we had enough dollars. Our dollar deficit is therefore a structural problem and cannot be solved by Sweden alone. If possibilities are not created to permit us to use our surplus in relation to other currencies to offset our deficit against the dollar area our payment difficulties will no doubt remain, together with, as a corollary, the continuance of import restrictions on imports from this area.

5. It is against this general background the import policy pursued by Sweden during the present year should be seen. When at the beginning of this year we had to make a prognosis of our possible dollar earnings during 1952, we had to calculate with reduced export proceeds mainly attributable to reduced exports of pulp but also, for instance, to reduced invisible earnings because of a weaker freight market. The reasons for this reduction in the pulp sales are no doubt complex, but the main factors are the expansion of pulp production in the United States which, incidentally, presents a serious structural problem to us, the high prices for pulp on markets other than the United States and the price limits imposed by the American authorities on imported pulp. This, as developments have shown, has meant a reduction in export proceeds by approximately 120 million kronor, that is, about half of the value of exports of pulp in 1951. Together with reductions in the exports of a few other commodities and in reduced invisibles the reduction in income was, therefore, calculated to approximately 150 million kronor. Because of this

development, caution had to be exercised when framing the Swedish import policy for 1952. I wish to say, in this connection, that we do not have any fixed import plan with commodity lists. Technically it is in essence an export prognosis and the income arrived at is divided up in three lump sums plus a reserve corresponding to the three Agencies issuing import licences with the general proviso that only licences for commodities essential to Swedish economy or advantageous from, for instance, the point of view of their ability to increase productivity and which cannot be obtained from other markets , may be granted. Every application is then considered on its merits. What happens in this field when the currency availabilities decrease, is only that the essentiallity test is more strictly applied and this application is carried through in a fairly uniform manner over the whole commodity field. No commodity group is cut out altogether. It is, therefore, only a question of a stricter application of the standards applied in granting and denying individual applications. By this system it is always very difficult to say whether, in fact, the imports will be in the end reduced or not. There is always a very large stock of unused licences outstanding - the value of the outstanding valid licences can, at present, be estimated at about 400 million kroner - which may result in imports at any time. Unused licences are thus never cancelled from year to year. Even if the standards in principle are to be applied in a stricter way, the import can, therefore, very well be as high as before or even higher. The development during 1951 and the first half of 1952 (for which period preliminary statistics are now at hand) gives a clear illustration of the difficulties confronting us when trying to determine whether a given import policy will result in a reduction in imports or not. Last year import licences were issued to an amount of 1,077 million kronor. This year we planned to issue licences to an amount of 850 million kronor corresponding more or less to the expected reduction of our dollar earnings. During the first six months this year, licences have been issued to an amount of 440 million kronor. The figure for the same period last year was 480. There has thus been very little intensification so far. Furthermore, and that seems of importance in this context, the actual imports during the first half of the year amounted to the high figure of 675 million kronor. Therefore, if we take into account the fact that both the licencing and the actual imports are normally higher during the latter part of the year than during the first six months it is very well likely that the final actual imports during the year will run at a level not much lower than in 1951.

6. To sum up the Swedish position, as regards the question whether there has been a substantial intensification of import restrictions or not, I should like to say that the overall position shows an important relaxation of imports from most of the contracting parties outside the dollar area. As regards our imports from the dollar area it has been necessary for reasons I have explained, to apply the standards for granting or denying import licences in a stricter way this year than last year because the dollar earnings have gone down due to factors outside our control. Actual imports are, however, so far running on a higher level this year than during the same period last year. It is therefore, Mr. Chairman, the view of my Delegation that there has been no substantial intensification of import restrictions in the meaning of Article XII:4(b) of the General Agreement in Sweden. There is admittedly an element of discrimination against dollar imports and on that aspect we are now engaged in consultations with the International Monetary Fund.