



30 June 2022

(22-5056)

Page: 1/12

Working Party on State Trading Enterprises

Original: English

STATE TRADING

NEW AND FULL NOTIFICATION PURSUANT TO ARTICLE XVII:4(A) OF THE GATT 1994 AND PARAGRAPH 1 OF THE UNDERSTANDING ON THE INTERPRETATION OF ARTICLE XVII

EUROPEAN UNION

The following communication, dated and received on 28 June 2022, is being circulated at the request of the delegation of the European Union.

Pursuant to Article XVII:4(a) of GATT 1994 and paragraph 1 of the Understanding on the Interpretation of Article XVII of the GATT 1994, and in response to the call for notifications set forth in document G/STR/N/19, the European Union notifies the following state trading enterprises.

I. ENUMERATION OF STATE TRADING ENTERPRISES

A. Identification of state trading enterprises

Systembolaget AB.

B. Description of products affected (including tariff item number(s) encompassed in product description)

Alcohol beverages (spirituous drinks, wines, strong beer and other fermented alcoholic beverages) and non-beverage alcoholic preparations (Sw. alkoholdrycksliknande preparat).

II. REASON AND PURPOSE

A. Reason or purpose for establishing and/or maintaining state trading enterprise

Systembolaget AB is a state-owned limited company that conducts retail sales of alcoholic beverages and as from 1 July 2019 also non-beverage alcoholic preparations, to the general public in Sweden; a retail monopoly. The reason for the monopoly is that the alcohol-related problems are reduced if alcohol is sold in the absence of a profit motive. Systembolaget aims to reduce the total alcohol consumption by limiting availability. Systembolaget further strives to help limit the medical and social harm caused by alcohol, and thereby improve public health.

B. Summary of legal basis for granting the relevant exclusive or special rights or privileges, including legal provisions and summary of statutory or constitutional powers

Systembolaget's mandate is governed by the Swedish Alcohol Act (2010:1622), by Systembolaget's contract with the government (2019:552) and by the directives issued by the government in its capacity as the owner of Systembolaget.

III. DESCRIPTION OF THE FUNCTIONING OF THE STATE TRADING ENTERPRISE

A. *Summary statement providing overview of operations of the state trading enterprise*

Systembolaget has a nationwide retail network comprising approximately 450 stores and 475 agents (in smaller communities with an insufficient customer base for a store of their own). The agents act for and by authority from Systembolaget; they are not themselves selling the items but instead delivering the items on behalf of Systembolaget. The agents account for approximately 1% of Systembolaget's turnover and carry no items in stock, instead the consumers order the goods for collection. Systembolaget is responsible for ensuring that people shall have the option of purchasing alcoholic beverages and non-beverage alcoholic preparations wherever they may live in Sweden and thus Systembolaget is represented in all municipalities in Sweden. The Swedish Parliament sets the guidelines for the opening hours of Systembolaget's stores.

According to Systembolaget's contract with the government, Systembolaget shall inform the public in Sweden about the risks combined with the consumption of alcoholic beverages and non-beverage alcoholic preparations. This undertaking is also mentioned in Systembolaget's Articles of Association. As one way of fulfilling this undertaking, Systembolaget has formed the subsidiary IQ-Initiativet AB. IQ-Initiativet works to persuade people to reflect on their attitudes towards and behaviour in relation to alcohol. The aim is to reduce alcohol consumption and thereby the harm caused by alcohol.

B. *Specification of exclusive or special rights or privileges enjoyed by the state trading enterprise*

Systembolaget holds the retail monopoly for alcoholic beverages and non-beverage alcoholic preparations in Sweden.

C. *Type of entities other than the state trading enterprise that are allowed to engage in importation/exportation and conditions for participation*

As stated above, Systembolaget holds the retail monopoly for alcoholic beverages and non-beverage alcoholic preparations in Sweden.

Other (non-state) entities are allowed to import and export alcoholic beverages. As described in section III.H below, wholesale activities may be conducted by an authorised warehouse keeper or registered consignee of alcoholic goods.

D. *How import/export levels are established by the state trading enterprise*

Systembolaget may not export any alcohol to other countries. Systembolaget is only entitled to import alcohol upon the request of individual consumers and provided that the product is not already included in Systembolaget's range. If a customer wishes to buy a product that is not included in the range, Systembolaget shall according to the Swedish Alcohol Act import the product requested by the customer within the framework of Systembolaget's private import service.

E. *How export prices are determined*

As stated above, Systembolaget may not export any alcohol according to the Swedish Alcohol Act.

F. *How the resale prices of imported products are determined*

The resale price of an imported product from Systembolaget's supplier, at Systembolaget, is determined by adding the following mark-ups to the supplier's price to Systembolaget before Excise Duty on Alcohol and, if applicable, recycling fee: (i) a variable mark-up (currently 17%) and (ii) a fixed mark-up (that is added on all items sold by Systembolaget and varies according to type of item). Excise Duty on Alcohol and, if applicable, recycling fee, as well as VAT is then added.

G. Whether long-term contracts are negotiated by the state trading enterprise. Whether the state trading enterprise is used to fulfil contractual obligations entered into by the government

Systembolaget has, as explained under section II.B, a contract with the government (Sw. Tillkännagivande (2019:552) av avtal mellan Systembolaget Aktiebolag och staten) dated 19 June 2019.

As Systembolaget is a monopoly; it is obliged to treat all suppliers of spirituous drinks, wines and strong beer and non-beverage alcoholic preparations in a non-discriminatory manner. The principle of non-discrimination means that Systembolaget must apply the same terms and conditions to all such suppliers at any given time, and is not at liberty to negotiate the wording of them with one or several individual suppliers. The purchasing terms are reviewed – and updated – in general twice each year in accordance with a pre-set procedure.

H. Brief description of market structure

Systembolaget has a monopoly for off-premise retail sale in Sweden - for all alcohol beverages and non-beverage alcoholic preparations containing more than 2.25% alcohol by volume (with the exception of beer where the limit is 3.5% by volume). Beer with alcohol content between 2.8% and 3.5% by volume is taxed in Sweden by the same general rules as stronger beer whereas beer containing 2.8% or less alcohol by volume is exempted from alcohol taxation. Beer with no more than 3.5% alcohol by volume can be sold in general stores and gasoline stations also selling food (and do not need a special license). Further, on-premise sale of alcoholic beverages takes place in restaurants, bars and cafés. A special license is required for on-premise sales of alcoholic beverages stronger than 3.5% alcohol by volume.

The Alcohol Act permits wholesale trade in spirit drinks, wine, strong beer and other fermented alcoholic beverages as well as non-beverage alcoholic preparations to the retail monopoly, holders of serving licenses and other wholesalers. Wholesale activities may be conducted by an authorized warehouse keeper or registered consignee of alcoholic goods. The authorization and registration is conducted by the Swedish Tax Agency. A seller and/or importer of alcoholic products that are not beverages such as for example denatured alcohol used for cooking, food additives and/or food products such as "pears in cognac" must notify the Public Health Agency of Sweden of its business.

The legal age limit for buying alcoholic beverages in Systembolaget stores is 20 years. The legal age limit for buying beer in general stores is 18 years. The legal age limit for on-premise purchase of alcoholic beverages is 18 years for all alcoholic beverage categories.

IV. STATISTICAL INFORMATION (SEE ATTACHED TABLES I - III)

V. REASON WHY NO FOREIGN TRADE HAS TAKEN PLACE (AS APPROPRIATE)

According to the Swedish Alcohol Act, Systembolaget may not export alcoholic beverages.

VI. ADDITIONAL INFORMATION (AS APPROPRIATE)

TABLE I

STATE TRADING: SYSTEMBOLAGET AB

STATISTICAL INFORMATION – IMPORTS: 2020-21

Year	Description of product(s) including HS	Total quantity imported (litres)	Quantity imported by state trading enterprise (litres)	Average import price (SEK incl. VAT)	Average representative domestic sales price (SEK incl. VAT)	Mark-up	National production¹
	1	2	3	4	5	6	7
2020	Alcoholic beverages; spirituous	332.098.673	194.256	462,27	80,63	n/a	444.000.000
2021	drinks, wines and beer	333.798.794	200.487	510,29	82,56	n/a	n/a

¹ Statistics compiled by the Swedish National Institute of Public Health.

TABLE II

STATE TRADING: SYSTEMBOLAGET AB

STATISTICAL INFORMATION, EXPORTS

NOT APPLICABLE²

Description of product(s) (including HS number(s))	Total quantity exported³	Quantity exported by state trading enterprise³	Average procurement price⁴	Average representative domestic sales price	Average export price	National production
1	2	3	4	5	6	7

² According to the Alcohol Act, Systembolaget may not export alcoholic beverages.

³ In cases where no exports have taken place under columns 2 or 3, provide an explanation under Section V of this questionnaire.

⁴ In cases where the initial procurement price is augmented by other payments, additional payments should also be reported.

TABLE III

STATE TRADING: SYSTEMBOLAGET AB

STATISTICAL INFORMATION - DOMESTIC ACTIVITIES: 2020 – 21

Year	Description of product(s) including HS numbers	Domestic purchases by state trading enterprise (SEK excl. Excise Duty on Alcohol)	National production (litres)⁵	Domestic sales (litres) by state trading enterprise	National consumption⁶
	1	2	3	4	5
2020	Alcoholic beverages; spirituous drinks, wines and beer	17.778.808.590	233.873.230	565.973.738	61.457.000.000
2021		18.691.705.639	239.968.242	573.775.217	n/a

⁵ Sales by Systembolaget of nationally produced items.

⁶ n/a = National consumption 2021; statistics as compiled by the Swedish National Institute of Health is not available yet. The latest figure concerns statistics regarding year 2020.

I. ENUMERATION OF STATE TRADING ENTERPRISES

A. Identification of state trading enterprises

Alko Oy (Alko Inc.).

B. Description of products affected (including tariff item number(s) encompassed in product description)

Alcoholic beverages (spirituous drinks, wines and strong beer over 5.5%).

II. REASON AND PURPOSE

A. Reason or purpose for establishing and/or maintaining state trading enterprise

Alko Inc. is a state-owned limited company having an exclusive right (monopoly) stipulated in the Finnish Alcohol Act to the retail sale of alcoholic beverages containing over 5.5% alcohol.

Alko's monopoly and operations are based on the social and health policy objective of mitigating the adverse effects of alcohol consumption. The objective of the operations of Alko Inc. is to limit alcohol consumption and alcohol-related harms. The company is steered and supervised by the Ministry of Social Affairs and Health.

B. Summary of legal basis for granting the relevant exclusive or special rights or privileges, including legal provisions and summary of statutory or constitutional powers

Alko's mandate is governed by the Finnish Alcohol Act (1102/2017) and the Government Decree on the enforcement of the Alcohol Act (151/2018).

Alko Inc. belongs to the administrative branch of the Ministry of Social Affairs and Health and the State's special assignment companies, "which have been assigned a certain task by the State".

III. DESCRIPTION OF THE FUNCTIONING OF THE STATE TRADING ENTERPRISE

A. Summary statement providing overview of operations of the state trading enterprise

The sole purpose of Alko Inc. is to organize retail sales of above mentioned alcoholic beverages. It has a nationwide retail network comprising 356 stores and 60 order points.

The aim of the arrangement is to reduce alcohol consumption and thereby the harm caused by alcohol in several ways:

- the system limits physical availability of alcoholic beverages (the amount and the opening days and hours of retail stores);
- the system limits marketing and sales promotion activities of alcoholic beverages in Alko's retail customer service (however Alko Inc. does not restrict the possibilities of producers and importers to advertise their products independently outside Alko's premises); and
- the system safeguards responsible sales of alcoholic beverages (informing the public about the health risks of alcohol consumption, ensuring age checks and no sales to intoxicated persons).

B. Specification of exclusive or special rights or privileges enjoyed by the state trading enterprise

Alko Inc. has the exclusive right to the retail sale specified in the Alcohol Act for above mentioned alcoholic beverages in Finland. Alko's exclusive right for retail sale does not cover any restrictions of import or export of alcoholic beverages, but it forbids any other retail sale of alcoholic beverages to consumers in Finland regardless of the origin of the seller.

C. Type of entities other than the state trading enterprise that are allowed to engage in importation/exportation and conditions for participation

According to the Alcohol Act all domestic and foreign enterprises, which include at present Alko Inc. itself, about 200 producers, about 360 wholesalers of alcoholic beverages, about 6,400 retail shops selling alcoholic beverages of 2.8% to 5.5% and about 9,600 on premise restaurants, have the right to import and export alcoholic beverages without any licenses or quotas.

However, Alko Inc holds the monopoly for retail sale of alcoholic beverages above 5.5%. Furthermore, the 6,400 retail shops selling alcoholic beverages of 2.8% to 5.5% and the 9,600 on-premise restaurants need a license to sell alcoholic beverages to customers in Finland. No licence is needed for the sale of alcohol beverages of less than 2.8% to customers in Finland.

D. How import/export levels are established by the state trading enterprise

The sole purpose of Alko Inc. is to organize retail sales of above mentioned alcoholic beverages.

Any domestic or foreign producer or seller of alcoholic beverages may apply for a listing of the product to Alko's general selection (currently 7,600 products are displayed and sold in the stores). Procedures for listing alcoholic beverages for retail sale in Alko apply similarly for domestic and foreign operators. Information is published in Alko's website:

<https://www.alko.fi/en/alko-inc/for-suppliers/>

Additionally any domestic or foreign producer has the right to list their products to Alko's sale-to-order selection (currently 3,800 products to be transported to the nearest store for the consumer) by announcement only. Alko Inc. does not affect or limit the quantities of alcoholic beverages to be sold in general selection or sale-to-order selection, i.e. the products may stay in the selection as long as customers want to buy them.

Alko Inc. does not export any alcoholic beverages.

E. How export prices are determined

Alko Inc. does not export alcoholic beverages; hence it does not influence their pricing.

F. How the resale prices of imported products are determined

The retail prices of all domestic and imported products are determined in equal terms by adding the following mark-ups to the "back-door price" determined by the supplier:

- Alko's margin (coefficients for different beverage categories currently between 1,50 and 1,81);
- possible bottle or can deposit;
- excise duty calculated according to the Council directive 92/83/EEC¹ of 19 October 1992 on the harmonization of the structures of excise duties on alcohol and alcoholic beverages;
- environmental tax on retail containers; and
- VAT, 24%.

Alko's margins and other pricing information are openly published in Alko's website:

<https://www.alko.fi/en/alko-inc/for-suppliers/prices/price-calculator>

If a foreign producer does not want to deliver the products to Alko shops, it may use any contractor/importer to do this or request the service from Alko (freight, insurance, warehouse and shop delivery costs are added).

¹ O.J. L 316, 31.10.1992:

<http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1491894841970&uri=CELEX:31992L0083>

G. Whether long-term contracts are negotiated by the state trading enterprise. Whether the state trading enterprise is used to fulfil contractual obligations entered into by the government

According to 25§ of the Alcohol Act (1102/2017), it is obliged to treat all domestic and foreign beverage suppliers equally. The principle of equal treatment means that Alko Inc. must apply the same terms and conditions to all beverage suppliers at any given time, and is not at liberty to negotiate different terms with one or several individual suppliers.

The general purchasing terms are reviewed and updated twice each year.

H. Brief description of market structure

Alcoholic beverages, including spirituous drinks, wines and strong beer, over 5.5% are sold to customers in 373 Alko shops. Additionally Alko has around 150 delivery points in the rural areas, where customer's orders are transported to be picked by customers (no beverages on display in delivery points).

Alcoholic beverages of 2.8% to 5.5% are sold to customers in about 6,400 licensed retail grocery shops and all beverages under 2.8% freely without any license requirements.

All alcoholic beverages are served to customers in about 9,600 licensed restaurants and pubs.

The total number of alcohol products in the market is around 21,500.

IV. STATISTICAL INFORMATION (SEE ATTACHED TABLES I - III)

V. REASON WHY NO FOREIGN TRADE HAS TAKEN PLACE (AS APPROPRIATE)

Not applicable.

VI. ADDITIONAL INFORMATION (AS APPROPRIATE)

TABLE I

STATE TRADING: ALKO INC.

STATISTICAL INFORMATION, IMPORTS 2020 - 21

Description of product(s) (including HS number(s))	Total quantity imported (litres)	Quantity imported by state trading enterprise (litres)	Average import price	Average representative domestic sales price	Mark-up	National production (litres)
1	2	3	4	5	6	7
Alcoholic beverages	2020: 142 136 303 2021: 141 113 013	2020: 1 528 145 2021: 1 554 572*	2020: 16.01 EUR/l 2021: 16.37 EUR/l		2020: 2.35 EUR 2021: 2.42 EUR	2020: 530 969 449 2021: 527 753 070

* This amount corresponds to the imported alcoholic beverages by Alko, as requested by the foreign seller. (Alternatively all foreign producers and sellers have the right to import alcoholic beverages to Finland by themselves without any prior licenses or quotas – see III C.).

TABLE II

STATE TRADING: ALKO INC.

STATISTICAL INFORMATION, EXPORTS

NOT APPLICABLE

Description of product(s) (including HS number(s))	Total quantity exported	Quantity exported by state trading enterprise	Average procurement price	Average representative domestic sales price	Average export price	National production
1	2	3	4	5	6	7

TABLE III

STATE TRADING: ALKO INC

STATISTICAL INFORMATION, DOMESTIC ACTIVITIES 2020 - 21

Description of product(s) (including HS number(s))	Domestic purchases by state trading enterprise	National production (litres)	Domestic sales by state trading enterprise (litres)	National consumption (litres)
1	2	3	4	5
Alcoholic beverages	2020: 92 726 921 2021: 89 039 047	2020: 550 300 000 2021: 555 100 000	2020: 92 726 921 2021: 89 039 047	2020: 550 518 000 2021: 555 145 000