Quantitative Restrictions
Consultations Committee

DRAFT REPORT ON THE CONSULTATION UNDER ARTICLE XII(4(b)) WITH SWEDEN

Introduction

1. In accordance with the Decision taken at the plenary meeting of the CONTRACTING PARTIES on 17 November 1956, the Consultations Committee has conducted the consultation with Sweden under paragraph 4(b) of Article XII.

2. The Committee had before it:

(a) a basic document prepared by the secretariat in collaboration with the Swedish authorities describing the system and methods of the balance-of-payments import restrictions in operation in Sweden. The document also contains a statement under Part II - "Effects on Trade", submitted by the Swedish authorities;

(b) documents provided by the International Monetary Fund.

All these documents should be deemed to be supplementary material annexed to this report.

3. In conducting the consultation the Committee followed the Plan recommended by the CONTRACTING PARTIES for the consultations. The present report summarizes the main points of the discussion during the consultation.

Consultation with the International Monetary Fund

4. Pursuant to the provisions of paragraph 2 of Article XV of the General Agreement, the CONTRACTING PARTIES had invited the International Monetary Fund to consult with them in connexion with this consultation with Sweden. As a part of this consultation between the CONTRACTING PARTIES and the Fund,
the latter transmitted the results and background material from its recent consultation with Sweden concluded on 5 June 1957. The results of the Fund's consultations with Sweden are reproduced in document QRC/4/Add.1.

5. In accordance with the procedure agreed upon by the Committee, the representative of the International Monetary Fund was invited to make a statement supplementing the Fund's documentation with respect to the position of Sweden. The statement was as follows:

"The International Monetary Fund has transmitted to the CONTRACTING PARTIES the results and background material from its 1956 consultation with Sweden which was concluded on June 5, 1957. This documentation has been distributed to the members of this Committee.

"With respect to Section I of the Plan for Consultations, relating to balance-of-payments position and prospects, the Fund draws the attention of the CONTRACTING PARTIES to the results of its recent consultation with Sweden under Article XIV of the Fund Agreement, and particularly to paragraph 4, and to paragraph 5 which read as follows:

'5. During 1956 and early 1957 there has been a further relaxation in restrictions and the degree of discrimination against the dollar area has been reduced. The transferability of the Swedish krona has been extended, the dependence on bilateral agreements has been diminished, and the scope of the transit dollar scheme has been reduced. The Fund welcomes these steps and hopes that Sweden will further reduce reliance on bilateral agreements and will find it possible to extend formal dollar-liberalization. The Fund does not object to the continuation of the transit dollar scheme on a temporary basis, but hopes that Sweden will progress toward the elimination of this scheme.'

"With respect to Section II of the Plan, relating to alternative measures to restore equilibrium, the attention of the Committee is drawn to the results of the last Fund consultation with Sweden. The Fund has no additional alternative measures to suggest at this time."

Opening Statement by the Representative of Sweden

6. In opening the discussion the Swedish representative referred to the "Introductory Statement" made by the Swedish Government in the basic document circulated by the secretariat (MST/42/57) and he called attention to the salient points therein. It was noted that at present practically no restriction existed on imports from OEEC and other countries to which the OEEC free list
applied; imports from these countries of goods not included in the free list were being licensed automatically. As for imports from the dollar area, the dollar free list covered about 70 per cent of import goods from that area in 1956, whilst most other items were being admitted under licences issued without limitation. Since the drawing up of the Introductory Statement in the basic document further liberalization measures had been taken whereby the number of items subject to restriction had been further reduced. As from 1 July 1957 the following items in the agricultural sector will be exempt from licensing requirements when imported from the dollar area. Consequently, these items should be deleted from the list of restricted products in Annex I to the basic document:

- certain live animals;
- wheat and rye;
- flour;
- sugar;
- copra;
- salted horse meat;
- edible parts of sheep, horse, cattle and swine;
- butter dyes and cheese dyes containing oil;
- certain sauces;
- grains other than rice;
- soya beans, oil cakes, feeding stuffs;
- peanuts and certain other oil seeds;
  (other than linseed)
- beans and peas;
- olive and cotton seed oil;
- margarine and other butter substitutes;
- certain seeds;
- fish oils.

7. These imports would remain subject to the conditions described in the basic document; that is, the commodities will be admitted freely provided the domestic prices are within certain predetermined limits. The Swedish representative also announced that licensing requirements for salt herring from CEEC countries had been suspended for a further period to 15 July 1957. Several members of the Committee expressed gratification concerning this new development.
8. A member of the Committee, referring to the "transit-dollar list" of commodities which were in principle admitted freely from the dollar area subject to certain special conditions, enquired as to the criteria whereby commodities were placed on or taken off that list. The Swedish representative explained that the transit-dollar procedure might be regarded as an intermediate step towards formal liberalization. The large number of imports previously included in the "negative list" had been gradually transferred first to the transit-dollar list and subsequently to the free list. No particular criteria guided the moving of products from one category to another, such action being taken in the light of the dollar payments position, and the general purpose being to make as much progress as was deemed possible in the direction of liberalization of dollar imports.

9. Referring to the statement in the basic document that "imports from dollar countries not free-listed or automatically licensed under the transit-dollar scheme are permitted for some commodities corresponding to Swedish requirements, for others according to directives periodically drawn up with due regard to dollar currency availabilities and import needs", a member of the Committee requested information on the criteria and methods used in the issue of licences for goods in this category. The Swedish representative replied that only a few commodities fell within this category and that these were being licensed very liberally. The major items under restriction were oil, ships and aircraft; these commodities were licensed in accordance with internal requirements and it was difficult to describe the precise criteria determining the licensing of such imports. It should be noted, however, that there was in principle no total prohibition of any import commodity.

10. It was pointed out by a member of the Committee that the importation of motor cars was still subject to licence and that quotas for this product were generally established through bilateral negotiation. On this point the Swedish representative explained that the general policy of his Government was to reduce reliance on bilateral arrangements. In the case of motor cars
large quotas were provided in the trade agreements with EPU countries and imports had been freely licensed in the past years. In 1956 imports had been over 100,000 units and it was expected that they would increase to more than 120,000 or 130,000 units in 1957. As for motor cars of dollar origin, practically no limitation existed in the past year; as imports had been admitted under the transit-dollar scheme. The Government had not, however, found it possible to include this item on the free list both because of the balance-of-payments implications and because of the general economic effects resulting from these big imports of motor cars. As to the nature of these economic effects the Swedish representative, in response to a question put by a member of the Committee, explained that the rapid "motorization" of the country affected the economy in many ways: increased imports of petroleum products to meet the new demand would introduce an additional burden on the balance of payments; additional road-building required to meet the increased traffic demand would place a further strain on the labour market; the maintenance and servicing of motor transport would drain the resources of skilled labour, possibly to the detriment of essential export industries. These considerations were in addition to the concern over the effects of further increased imports of cars on the balance of payments. In effect, however, the restrictions on the importation of cars had been avoided and the Government had instead tried to hold back consumption through taxation.

11. The representative of the United States called attention to the fact that according to information supplied by a trade association in the United States, no United States whisky could be imported into Sweden except under barter arrangements involving tied purchases of similar products from Sweden, and enquired as to the policy governing the purchase of this product by the government monopoly. The Swedish representative stated that in principle the Swedish monopoly administration took due note of the demands of domestic consumers and that imports of such alcoholic beverages were permitted. He undertook to obtain further information and would discuss the matter again with the United States and any other delegations expressing an interest in the matter. The Canadian representative indicated that his delegation had a special problem in this field which it would wish to take up with the Swedish delegation.
12. The United States representative wished to know what action had been taken regarding the removal of seasonal restrictions on the import of apples and pears, a measure which had been considered by the Swedish Agricultural Marketing Board. The Swedish representative informed the Committee that such seasonal restrictions had been in force since 1952 and affected imports from all countries without discrimination. From 1947 to 1952 the imports were subject to quotas, and thus the regime introduced in 1952 represented a step towards liberalization. Under the present system, the Government consulted annually representatives of growers, consumers, and of the import trade, and decisions were taken on the basis of such consultations. No decision had been taken this year, and in fact one was not likely to be taken before September when the size of the crop would be known. The Government did not consider it advisable to liberalize entirely the importation of these two products as long as other Western European countries maintained restrictions on them; elimination of restrictions on these products might create a situation in which substantial surpluses resulting from the restrictive policies of other countries would be concentrated on the Swedish market. This was not to say, however, that changes had not been made in the direction of freer imports. In the interest of both producers and consumers the "closed period" had been shortened as much as possible. In the case of apples the period was in general about four and a half months and in the case of pears between one and a half and two and a half months. As a result of this seasonal liberalization, imports had been increased by 100 per cent over the level obtaining at the time of the introduction of this system. Compared with pre-war, when imports were completely free, the present level of imports was also about 100 per cent higher.

13. In reply to a question whether apples and pears and other non-liberalized products were being restricted for non-payments reasons, the Swedish representative confirmed that as noted in the basic document, the restrictions on apples and pears did have a protective effect on local production, although producers had been constantly warned that the system would not be continued indefinitely. The balance-of-payments considerations were therefore not the over-riding ones in the case of these restrictions.
Prospects for further liberalization

14. In discussing the prospects for further removal of restrictions on imports from dollar countries, the representative of Sweden referred to the structural trade deficit with the dollar area which had to be covered by earnings from shipping and by trade surpluses with EPU countries. In 1956 the trade deficit with dollar countries had amounted to $180 million. As Swedish exports to the dollar area consisted principally of items which were particularly sensitive to fluctuations in the level of economic activity in North American countries, the dollar balance-of-payments situation was basically uncertain. Further steps in relaxing dollar restrictions would, therefore, have to be taken with due caution. In the view of the Swedish Government it would be most undesirable to take further steps without due regard to the future situation, which in the event of the favourable payments situation being reversed might require retrogression. The few items liberalized from OEEC sources but remaining under restriction when originating in the dollar area were such that the elimination of the discriminatory treatment might entail heavy expenditures on the dollar account, and therefore must remain restricted for the time being, although it was fully realized by the Swedish Government that their liberalization might be beneficial to Swedish industries. The representative of Canada wished to know whether the Swedish Government consider that further liberalization of dollar imports was dependent on Swedish current dollar earnings or whether such liberalization would be undertaken if and when considered possible in the light of the payments and reserves position as a whole. The Swedish representative confirmed that the basic import control policy of the Swedish Government was to aim at liberalization to the fullest possible extent permitted by the foreign exchange situation.

15. Members of the Committee expressed gratification concerning the progress made by the Swedish Government in relaxing import restrictions and in particular the recent addition of commodities to the free list, to be effective on 1 July 1957. The United States representative observed that these developments would have favourable effects on various groups in the United States at a time
when its foreign trade policy was under review. Other members expressed the hope that the recommendations made by the International Monetary Fund at the conclusion of its 1956 consultation with Sweden which were based on a careful review of the Swedish balance-of-payments situation, its import restrictions and its internal fiscal and monetary policies, and which represented sound basic judgements, would be fully taken into consideration by the Swedish Government.

16. The Swedish representative undertook to bring the views expressed at this Committee Meeting to the attention of his Government and expressed the hope that the favourable effects referred to by the United States representative would ultimately benefit Sweden's exports to the North American market.