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THE EUROPEAN COMMUNITY AND SWEDEN

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On 29 June 1981, at Stockholm, the first regular meeting held at Ministerial level between the European Community and Sweden will be attended by the Commission Vice-President responsible for external relations, Mr. Wilhelm Haferkamp. This information note reviews the state of Community-Swedish relations.

THE EUROPEAN COMMUNITY AND SWEDEN

A common heritage

Sweden, which is not a member of the European Community, is a Scandinavian country of 8.3 million inhabitants characterised by a high degree of industrialisation, by an advanced social welfare system and a deeply-rooted democracy at every level. With the ten Member States of today's European Community, Sweden has a long history of interdependence. Indeed there are far more political, economic, social and cultural affinities between Sweden and the Community than there are differences.

The course of Sweden's relations with the European Community as such has been in line with that of many other West European countries forming the European Free Trade Association (EFTA) to which Sweden has belonged ever since the Saltsjöbaden Convention created it in 1960 (1). But whereas Denmark and Norway, the two other Scandinavian kingdoms also in EFTA, applied for a negotiated full Community membership at the start of the 1970s (though it will be recalled that a national referendum subsequently kept Norway out), Sweden never requested such negotiations. True, some Swedish business interests considered full Community membership more advantageous; it was the prevailing Government view, however, shared also by strong segments of the then opposition, that full membership was not compatible with Sweden's self-chosen policy of neutrality.

The EEC-Sweden Free Trade Agreement

Instead, the bulk of Sweden's relationship with the Community since the latter's enlargement (effective 1 January 1973) through the accession of the United Kingdom, Denmark and Ireland, has been governed by the same principles and rules which apply to most other EFTA states also (2). At their base is the Community's 1969 decision that there should be negotiations also with EFTA members unwilling to enter the EEC: their objective would be to regulate the future relations between them and the enlarged Community. These negotiations duly took place and led to the conclusion of bilateral Free Trade Agreements, setting up a free trade area between the Community as a whole and individual EFTA states for industrial as well as for certain processed agricultural products.

Agriculture as such was not included. The contracting parties expressed their readiness, though, to encourage the harmonious development of agricultural trade while respecting each other's agricultural policies. Furthermore, when signing the agreements, the principal EFTA members (Sweden among them) autonomously granted certain reciprocal concessions in the agricultural field: at that time they contributed less than 8 % of their total trade with the Community. In Sweden's case they affect exports of beef to the Community and imports of wines, certain fruit and vegetables, and fishery products from the Community.

(1) A separate note on "The European Community and the EFTA countries" is available in this series (N° 35/80).

(2) Member countries of EFTA are, in addition to Sweden: Austria, Finland (associate), Iceland, Norway, Portugal and Switzerland.

The majority of these Free Trade Agreements, including that with Sweden, also came into effect on 1 January 1973. The transition periods they stipulated have mostly run their course since then so that by mid-1977 free trade in the industrial field had been achieved on the whole, as nearly all customs duties had then been abolished. A longer transitional period for Community imports of aluminium and some other metals ended in turn (on schedule) on 31 December 1979. Still remaining Community import duties on pulp and paper products from Sweden (and other EFTA countries) will continue to be dismantled gradually, as they have been since the Free Trade Agreement entered into force, and will have disappeared completely by 31 December 1983.

To all intents and purposes there thus now exists in Western Europe a free trade area of some 300 million persons in which the flow of industrial goods is no longer hampered by tariff duties or quantitative restrictions. Once Spain and Portugal, which are currently engaged in membership negotiations, have joined the Community of which Greece became the tenth member on January 1, 1981, this area will encompass some 350 million inhabitants, that is to say virtually all of Western Europe.

The trading interdependence of the European Community and EFTA

Statistics show unambiguously how close and vital the trade relationship between the Community and the EFTA has become to either side. On the one hand the EFTA states constitute the Community's largest trading partner by far (3). In 1980 25.4 % (1979:24.3) of the Community's total exports to the outside world went to the EFTA countries, and from them it obtained 18.0 % (18.7) of its overall imports. By comparison, in 1980 the Community sent 11.8 % (12.9) of its exports to the United States and 2.0 % (2.4) to Japan, while it brought in from the United States 16.3 % (15.8) and from Japan 4.6 % (4.9) of its total import needs.

Comparatively speaking, trade with the Community is more important still to the EFTA countries(4). Thus in 1980 these countries (excluding Portugal) sent 52.4 % of their world exports to the Community against only 4.8 % to the United States. From the Community came 54.6 % of their imports from the outside world, compared with 6.3 % from the United States.

What applies to the EFTA's close as well as growing trade links with the Ten in general likewise fits Sweden's in particular. Roughly one half of Sweden's 1980 exports went to the Community against a little over 5 % to the United States, and in the same year Sweden bought from the Community more than 49 % of its total imports, compared with 7.3 % from the U.S.

Swedish -Community trade

Actual trade figures tell an even more impressive story. At 10.3 billion ECUs (5) the Community's 1979 imports from Sweden (which subsequently rose by another 14 % in the first ten months of 1980) were just over two and a half times the 4.1 billion ECUs they had totalled in 1972, the year before the Free Trade Agreements came into force. In a matching development the Community's 1979 exports to Sweden of 10.4 billion ECUs, likewise due to rise by 14 % in the first ten months of 1980, were also slightly more than two and a half times their 4.0 billion ECUs 1972 amount. It is another noteworthy feature of Community-Swedish trade that it has been very nearly in equilibrium all this time. Not once since the beginning of the 1970s did the balance in either direction exceed one billion ECUs. In most years it was well below 400 million ECUs.

(3) See Table A

(4) See Table B

(5) 1 ECU (European currency unit) = Skr 5.4

These figures reflect at one and the same time the success as well as the necessity of the ties which the Free Trade Agreements fashioned between the Community and the EFTA in general and with Sweden in particular. Those Agreements, however, did not limit themselves to the overall trade flow. For one thing, they incorporated some other relevant matters also; for another they set the pace, too, for an extension of cooperation over and above trade as such.

Other main features of the EEC-Sweden Free Trade Agreement are:

- an evolutive clause which never has been utilized formally, although cooperation has nonetheless developed rapidly;
- a safeguards clause which has in fact been applied for a few products without, however, causing serious problems between the partners.

The EEC-Sweden Joint Committees

The Free Trade Agreements also created the mechanisms which would ensure their proper functioning. These centre on the Joint Committees established between the Community and the individual EFTA countries. They must meet at least once a year, and have in fact met regularly twice a year since the Agreements came into force. The most recent EEC-Sweden Joint Committee meetings took place on 3 June and 9 December, 1980. The Committee's task is to supervise the proper implementation of the Agreements, especially as regards customs questions, rules of origin, and the application of safeguard clauses. They also consider any request made to extend the scope of the Agreements, and formulate recommendations for entering into negotiations, where required. In addition to examining the working of the Agreements and airing whatever difficulties may have emerged on either side the Committees provide a forum as well for the regular review of the general economic situation. As the only separate committees set up to date the Customs Committees have made possible numerous technical simplifications of the rules of origin and have facilitated administrative cooperation in the application of customs formalities.

A new departure: meetings at Ministerial level

Reflecting both the satisfactory functioning of the joint committee operations and the growing degree of cooperation over and above the basic framework of the Free Trade Agreement, the European Community and Sweden decided in 1980 that in future one of the two annual sessions, normally attended by officials, would be replaced by a meeting bringing together high-ranking representatives of the European Commission and national Ministers. This should permit discussion of major policy issues of interest to both parties. The first such high-level meeting is scheduled for 29 June 1981 when Commission Vice-President Wilhelm Haferkamp, responsible for external relations, will go to Stockholm.

Other sectors of trade

Special situations have developed in other sectors:

Steel

Following the steel crisis measures which the Community was forced to take some years ago (known as the "Davignon Plan"), and more especially the setting of some minimum prices, it became necessary to obtain the cooperation of steel-producing third countries so that the effect of the Community's scheme might not be undone by imports at lower prices. Arrangements to that end were made between the Community and Sweden (as well as other EFTA countries) in February 1978 for a one-year period. They were renewed subsequently for the years 1979, 1980 and 1981. In essence, while containing no quantitative limitations, these arrangements see to it that (i) traditional trade flows and market patterns are maintained; and (ii) the Community's price regulating measures are observed by the EFTA, as indeed also by other, states.

Fisheries

A framework agreement between the Community and Sweden, negotiated, initialled and signed in 1977, is based on the emerging Law of the Sea. It calls for annual arrangements whereby both parties (i) concur to manage together the conservation of joint fish stocks in those areas of the Baltic and Kattegat which are outside either side's territorial waters; and (ii) grant each other reciprocal fishing rights, meaning above all permissible catch quotas, in their respective territorial waters. Such implementing annual accords were concluded for 1978, 1979 and 1980. An accord has also been negotiated for 1980, but has not yet been approved by the Community's Council of Ministers. In the fishing sector, too, and on the basis of the 1966 Tripartite (between Sweden, Denmark and Norway) agreement on fishing rights in the Skagerrak region, the Community (inheriting as it were Denmark's rights now that that country had become a member) negotiated tripartite agreements with Sweden (and Norway) in 1978, 1979 and 1980. No such agreement has as yet been reached for 1981.

Cooperation in other fields

A glance at the development since 1973 of the relationship between the Community on the one hand and Sweden (as well as its EFTA partners) on the other reveals a certain similarity to what happened within the Community itself in the late 1960s and throughout the 1970s. As the dismantling of tariff walls proceeded smoothly and was ultimately completed without any significant hitch, attention and interest started focussing more and more on the multitude of other facets (rather than simply the exchange of merchandise) of economic and related policies which govern the "coexistence" of Western European nations. They came the more to the fore the more as tariff aspects waned.

For Sweden and its EFTA partners the Free Trade Agreements provided the infrastructure through which to extend the relationship with the Community into new fields. In the event, however, the EFTA and Community Governments took deliberate action to strengthen the basis for creating additional links.

At their summit meeting in Vienna in May 1977 EFTA Heads of State and Government expressed their readiness not only to maintain the achievements of the Free Trade Agreements, but to complete and expand them by supplementary cooperation with the European Community. In turn the Community's Council of Ministers one year later deemed it desirable to improve and round out those agreements in all sectors where this might be useful. In Sweden's case the practical consequences to date of the process of drawing together thus initiated have been mainly that:

- new areas of cooperation have since been, and continue to be, added to those already provided for in the original Agreement;
- the frequency of contacts between Swedish and Community personalities has been stepped up markedly.

As regards additional areas of cooperation:

- Following an agreement signed in 1976 Sweden participates in the Community's controlled thermonuclear fusion research (JET) programme;
- Sweden participates in the Community's COST (cooperation in the field of Scientific and Technical Research) programmes, covering the areas of data processing, telecommunications, meteorology, oceanography, transport and metallurgy. In June and July 1980 Sweden signed memoranda of understanding regarding COST projects 72, 82, 85, 204 and 205. In January 1981 Sweden signed agreements regarding COST projects 11 bis and 91.
- Sweden initialled (in November 1980) an agreement on the inter-connection of the Community's data transmission network (EURONET) for the transmission of scientific and technical data with the Swedish data network for information retrieval purposes;
- Sweden and the Community have agreed on regular meetings for the purpose of exchanging information and discussing questions relating to sea and air transport;
- Expert discussions have taken place with a view to Swedish participation in the Community's research programmes in the field of climatology and the recycling of urban and industrial waste.
- Exchanges of information and views have come to take place regularly in areas as diverse as the protection of the environment; consumer protection; public aids; the paper and forest industries; short and medium term economic prospects and related economic policy topics.

In this connection it should be noted that Sweden was associated with the Community's internal monetary accord which in 1972 set up the so-called currency "snake", but decided to withdraw from the arrangement in August 1977. The European Monetary System (EMS) which was created by Community Heads of State and Government in December 1978 and came to replace the "snake" has provisions for associate status. So far, however, neither Sweden nor any other EFTA country has made use of this facility.

Political and official relations

From the very beginning the implementation of the Free Trade Agreement has meant regular meetings between Swedish and Community officials. To these the above-mentioned extension of cooperation into various novel areas naturally has added further. Over and above this, however, the recent past has brought with it not only an increasing number of visits by senior officials from either side, but of political leaders in growing numbers as well. Thus, during the past few months Commission headquarters in Brussels have received the following Swedish visitors of Cabinet or sub-Cabinet rank:

- the Minister of Industry Nils Åsling (December 1980);
- Under-Secretary for Trade Ulf Dinkelspiel (February 1981);
- Under-Secretary for Agriculture Olof Nilsson (May 1981);
- the Minister of Foreign Affairs Ola Ullsten (June 1981). This incidentally, was the first time that a Swedish Minister for Foreign Affairs has visited the European Commission. Political issues as well as economic ones were discussed. During his visit, Mr. Ullsten talked with Commission President Gaston Thorn, Energy and Industry Commissioner Etienne Davignon and External Relations Commission Wilhelm Haferkamp. The talks involved such subjects as the Middle East, Poland and the North-South dialogue. In addition, the meetings also turned to commercial contacts between the Community and Sweden. Mr. Ullsten said the visit was an expression of Sweden's satisfaction with the way relations between the two were functioning. Trade has been in balance since the free trade agreement between Sweden and the Community came into effect in 1973. There were also discussions with Commissioner Davignon on energy and steel and with Commissioner Haferkamp on enlargement of the Community.

In turn, the following Commission members have visited Stockholm in the recent past:

- Vice-President Wilhelm Haferkamp (June 1980) in connection with the celebration of the 20th anniversary of the Saltsjöbaden Convention;
- President Roy Jenkins (November 1980);
- Vice-President Etienne Viscount Davignon (March 1981);
- Mr. Claude Cheysson (March 1981).

Towards a closer partnership between Sweden and the Community

It is hardly a coincidence that top level contacts should have attained a level which would have been very unusual, if not indeed inconceivable, in the early years of the Free Trade Agreement. Taken in conjunction with the countless positive statements made by either side on the Community-Sweden relationship for one thing and with the evolution of this relationship to date for another, they justify the expectation that the links created throughout the past eight years will not only be maintained in good order, but will successively be added to in the years to come. More particularly, it is not unreasonable to anticipate that the already existing process of consultation might be extended into areas not so far covered. This conclusion appears to be the more warranted inasmuch as the Community's second enlargement, which has already incorporated Greece and should later bring about the membership of both Spain and Portugal as well, implies both fresh challenges and new opportunities for countries which, like Sweden, enjoy even now strong and comprehensive ties with the European Community.

THE EUROPEAN COMMUNITY'S TRADE IN 1980 WITH EFTA COUNTRIES, THE UNITED STATES AND JAPAN

COUNTRY	EC-IMPORTS		EC-EXPORTS	
	in 1.000 ECU (1)	%	in 1.000 ECU (1)	%
ICELAND	288.258	0,10	323.764	0,14
NORWAY	8.376.524	3,08	5.136.198	2,28
SWEDEN	11.474.131	4,22	11.663.123	5,19
FINLAND	4.427.117	1,63	3.456.212	1,53
SWITZERLAND	15.418.885	5,67	22.276.375	9,92
AUSTRIA	6.936.923	2,55	11.272.187	5,02
PORTUGAL	1.960.635	0,72	2.895.387	1,29
TOTAL EFTA	48.882.474	18,00	57.023.245	25,40
UNITED STATES	44.250.187	16,29	26.563.911	11,83
JAPAN	12.462.213	4,58	4.569.397	2,03

(1) 1 ECU (European currency unit) = US \$ 1.39

Source: EUROSTAT

TABLE A

GEOGRAPHIC DISTRIBUTION OF EFTA TRADE

(1980)

	EFTA		European Community		United States		Eastern Europe		Rest of World		World Total	
	\$ mill.	Percent change	\$ mill.	Percent change	\$ mill.	Percent change	\$ mill.	Percent change	\$ mill.	Percent change	\$ mill.	Percent change
<u>Imports (c.i.f.)</u>												
Austria	1,912.2	13.1	15,095.4	15.5	819.4	27.9	2,355.6	32.9	4,075.9	35.3	24,258.5	20.2
Finland	2,748.0	20.7	5,222.0	33.6	904.3	58.0	3,807.8	46.1	2,931.8	50.9	15,613.9	38.1
Iceland	213.2	13.4	440.5	14.8	93.9	74.2	111.3	6.5	141.9	47.8	1,000.8	21.1
Norway	4,068.1	14.1	8,119.3	25.7	1,357.5	37.5	369.2	-7.0	3,038.0	30.9	16,952.1	23.5
Portugal*	643.8	29.7	3,360.5	23.7	946.2	23.2	226.8	8.5	3,478.8	48.0	8,656.1	32.3
Sweden	5,365.9	17.1	16,450.7	12.3	2,432.3	17.3	1,618.5	-8.4	7,544.5	37.9	33,411.9	17.1
Switzerland	2,515.7	19.7	24,344.6	20.3	2,450.7	33.5	1,420.0	25.2	5,602.9	40.3	36,333.9	24.0
Total EFTA	17,466.9	17.2	73,033.0	18.9	9,004.3	29.9	9,909.2	24.0	26,813.8	39.7	136,227.2	23.4
% share in total (1979 in brackets)	12.8	(13.5)	53.6	(55.6)	6.6	(6.3)	7.3	(7.2)	19.7	(17.4)	100.0	(100.0)
<u>Exports (f.o.b.)</u>												
Austria	2,157.2	14.4	9,444.8	14.3	378.6	-3.5	2,093.7	5.1	3,296.6	13.7	17,370.9	12.6
Finland	3,330.8	23.4	5,466.2	19.5	446.9	-5.9	2,814.7	55.8	2,095.3	31.5	14,153.9	26.9
Iceland	141.0	30.8	353.3	15.9	200.5	-9.3	82.5	28.9	152.2	65.4	929.5	17.7
Norway	2,335.0	14.8	13,133.2	52.8	552.4	1.5	265.7	8.1	2,202.0	8.4	18,483.3	37.4
Portugal*	635.5	38.2	2,482.7	25.1	249.4	20.0	95.1	-4.5	1,020.6	39.2	4,483.3	28.6
Sweden	6,394.6	16.0	15,143.6	12.3	1,653.9	1.0	1,195.5	1.7	6,528.9	14.1	30,916.5	12.3
Switzerland	2,709.0	12.7	14,877.1	13.2	2,120.6	16.7	1,062.6	-0.5	8,847.2	9.9	29,616.5	11.9
Total EFTA	17,703.1	17.2	60,900.9	21.0	5,602.3	5.8	7,609.8	18.0	24,142.8	14.3	115,958.9	17.9
% share in total (1979 in brackets)	15.3	(15.4)	52.5	(51.2)	4.8	(5.4)	6.6	(6.5)	20.8	(21.5)	100.0	(100.0)
Trade balance	+236		-12,132		-3,402		-2,299		-2,671		-20,268	

* Estimated data for Portugal (October - December) - Source: EFTA

THE STRUCTURE OF TRADE BETWEEN THE EUROPEAN COMMUNITY AND SWEDEN

Class of product	EC imports from Sweden (1980 - 9 months estimate) in millions of ECUs (1)	EC exports to Sweden (1980 - 9 months estimate) in millions of ECUs (1)
0,1 Food products, beverages and tobacco	169	510
3 Energy products	658	1,568
2,4 Raw materials	2,061	410
5 Chemical products	569	1,228
7 Machinery and transport equipment	3,313	4,070
6,8 Other manufactures	4,313	3,518
9 Non-classified items	165	158
0-9 Total	11,248	11,462

(1) 1 ECU (European currency unit) = US \$ 1.39

Source: EUROSTAT

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