Sweden: The Swedish Negotiations with the EEC

1. Introduction

On December 12, 1972, almost unnoticed and in a sparsely attended session, the Swedish Riksdag debated and ratified the free trade agreement for industrial goods with the European Economic Community and with the European Coal and Steel Community. The four major parties supported the government's bill. Only the Communist Party, Vänsterpartiet Kommunisterna, rejected it on the grounds that the agreement constituted 'a first step into the EEC.' The vote was 298 for and 15 against. Two separate reservations on the part of the Liberals and the Conservative Party (Moderate Samlingspartiet), and a special statement by the latter, do not alter the picture of relative consensus and unity. These two parties have long been the most active proponents of the EEC course, and they now reiterated well-known party positions on the desirable form and content of any accommodation with the Communities.

The Liberal Party called for an immediate internal preparation that aimed at new deliberations on a convenient occasion as to the form of affiliation and also to renegotiate the terms for exports of agriculture and fish. The Liberals were also dissatisfied with the conditions circumscribing invocation of safeguard clauses and construction of rules of origin.

The Moderate Party's leader, Mr. Bohman, argued that Sweden should seize every opportunity to open new negotiations about furthering collaboration with the final aim of achieving membership in the Communities. Both parties indicated that the demands were conditional on arrangements safeguarding Sweden's neutral foreign policy. Kjell Olof Feldt, the Minister of Trade and also the minister in charge of the negotiations, countered that the Conservatives' minority proposal was neither a politically nor a practically feasible solution. A similar plea was made by the majority of the Committee on Foreign Affairs (*Utrikesutskottet*), who maintained that the experiences on connection with the bargaining between Sweden and the EEC had practically demonstrated that a free trade agreement – when neutrality policy was taken into account – was the only formal framework possible for the evolution of cooperation between the two parties.¹

The national decision thus lacked the drama and political upheaval that the ratification procedures in Norway and Finland produced. Prime Minister Olof Palme declared that he was happy that it had been possible to keep the nation united and that a confrontation between classes and groups, between the urban and the rural areas had been avoided. But in Sweden as in other Nordic countries relations vis-à-vis the European Communities has been a hotly debated and persistent theme for more than a decade. It is a complex issue made up of several strands, of an economic as well as a foreign nature.

This limited survey covers Swedish policy toward the EEC for the last five years. The focus is on international development rather than the domestic scene. It offers a brief description and account of the fate of Sweden in the context of the enlargement negotiations – the Swedish case. A few comments are also made on the outcome of the deliberations and on the domestic reactions and assessments.

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2. Chronology

Background. In the wake of the second British application for membership, Sweden presented a new letter to the President of the Council of Ministers, July 28, 1967. It

applied for 'negotiations with the Community with the aim of ensuring Sweden's participation in the enlargement of the European Economic Community in a form that allowed fulfillment of the Swedish neutrality.' The government also declared that it was prepared to negotiate with the European Coal and Steel Community as well as Euratom.

The exact nature of the future link was left open. When the Swedish Ambassador, Mr. Lindh, delivered the letter, he called attention to the fact that already in 1962 Sweden had given prominence to the creation of economic relations with the EEC of a 'comprehensive, close and enduring' kind. It was similarly mentioned that for her part, the Swedish government did not discount any one of the forms of admission to an enlarged Community provided for in the Rome Treaty. In the same subtle mode of diplomatic communicating it was added that 'membership is a form that from some points of view had been regarded as advantageous already in 1961-62.'

The application was not dealt with, except in passing, in connection with the Commission's remarks on the applications for membership by Great Britain, Ireland, Denmark, and Norway in September 1967. It was noted that the letters for accession had been followed by a Swedish démarche whose objectives were not precise and were mixed with certain political reservations.

A temporary deadlock on the enlargement question ensued as a result of the French declaration that the time was not ripe. The proposals for interim solutions discussed by the Six in 1968 were endorsed by Sweden, and during this period, it was repeatedly proclaimed that membership had not been ruled out. In a new statement made public in Autumn 1969, the Commission noted the preconditions for admission, and then, in a slightly different tone called attention to the proper way to achieve this aim: 'Dans ces conditions, la Commission éstime que l'adhésion de la Suède ne devrait être envisagée que dans le cas où les négotiations avec ce pays démontreraient qu'il est en mésure d'accepter sans restriction les finalités politiques de la Communauté telles qu'el-les ressortent des préambules des Traités.'²

At the meeting in The Hague in early December 1969 the Heads of State of the six member states resolved to reopen negotiations with the candidates, which implied, further, the possible future inclusion of the other members of EFTA. The communiqué clarified that as soon as the negotiations with the candidate nations had opened, discussions were to start with other member states of EFTA who might request it on their position vis-à-vis the EEC.

Exploratory talks. On August 5, 1970, Sweden accepted the invitation of the Communities to 'enter into discussions at Ministerial level in the autumn on Sweden's relationship to the Common Market.' The formal opening of the talks was marked by the declaration of the new Minister of Trade, Mr. Kjell-Olof Feldt to the Council of Ministers on November 10. The Swedish Minister's speech was attached to the application delivered in 1967, still in quiescence.

In accordance with the practice established by the Communities, the proper negotiations were preceded by fact-finding or exploratory talks, starting on December 17. For two and a half months Swedish experts led by the chief negotiator, Ambassador Sverker Åström, met with officials of the Commission. Two meetings were held by delegations and several contacts were established among the experts.

A unilateral declaration by the Swedish Government on March 18, 1971, ruled out membership or an association agreement leading to a future membership as realistic forms of affiliation so far as Sweden was concerned.

The Commission's opinion on the relations between the enlarged European Community and those members and associated members of EFTA who had not submitted applications for membership, was published on June 16. The Commission argued that the Communities faced an option between two alternatives: one possibility suggested that exist-

ing trade barriers remain at status quo between the Communities and the non-candidates for a tentative two-year period, to be followed by negotiations. A second alternative was to solve the problems caused by the enlargement immediately by special relations agreements in the context of the enlargement. The Commission itself favored the first proposal.

Two days later the Swedish government released a declaration stating that the free trade proposal for industrial goods implied in the second proposal constituted a good basis for the forthcoming deliberations.

The Council of Ministers decided at their meeting on July 26-27 to base the future negotiations on the free trade area proposal. On September 6 Sweden delivered a memorandum stating clearly the Swedish view on the character and scope of the envisaged agreement. In November, the Commission was authorized to negotiate with Sweden, Austria, Switzerland, Finland, Portugal, and Iceland.

Real negotiations. The first meeting at the representative's level took place between the Commission's Mr. Wellenstein and Sweden's Mr. Aström on December 4. Those whom Sweden met this time did not act solely on the instructions from the Six qua Council. Special consultation procedures established on November 10, 1971, had guaranteed that no new decisions would be made by the Council of Ministers without taking the candidate's opinion into view. Consequently, the mandate was established on behalf of the Ten. At that time the deliberations with Great Britain, Denmark, Norway, and Ireland were entering a decisive stage, and it was generally felt that accommodation was possible. The treaties and acts of admission were signed in the Palais d'Egmont in Brussels on January 22, 1972.

The agreements with the rest of EFTA had to wait another half a year. They were finally drafted during dramatic sessions in July, a bare month later than the original timetable proposed by the Commission. A complication arose in Sweden's and Finland's final negotiation stage: Great Britain intervened calling for a reconsideration of the level of duty-free contingents on paper she might be able to import after the transition period. The Communities preferred to submit the issue to trilateral talks, although a settlement on this subject was a precondition for resolution of the entire treaty.

The final draft was officially initialled on July 21 after a 'stop of the clock' in the established manner. The following day, exactly six months after the enlargement decision, a trade agreement was signed on behalf of Sweden by Mr. Wickman, the Foreign Minister, Mr. Aström, and the new Ambassador to the EEC, Mr. von Sydow.

As a part of the enlargement, and adjusted to the same transition period, a comprehensive free trade area was created, composed of sixteen European nations.

3. Prenegotiations: Unilateral Search and Procedure

The marginal adjustment possible between the fundamental principles of neutrality policy and welfare aims pursued within trade and economy was a very delicate one. The task Sweden set for herself in the beginning of 1970 was to define and achieve a role in the enlargement. Already in 1967 the EFTA countries had indicated their 'strong interest in safeguarding, as an important part of an enlarged Community, the free trade market already established in EFTA.'3 The position was reiterated on several later occasions. Within the Nordic arena, similar commitments not to re-erect tariff barriers were announced. Among the Six, it was the French, surprisingly, who took the lead in the first part of 1970 insisting that no new trade barriers should be raised between the EFTA applicants and the other members or associated members. But the Swedish wish went beyond this.

The EEC countries made a crucial distinction between those states applying for

membership under the terms of article 237 (the candidates) and the other members of EFTA.

'Non-candidates' denoted a heterogeneous group of countries: Austria, Finland, Iceland, Portugal, Sweden, and Switzerland.

En raison la diversité de leur situation économique et politique, les Etats en question ont exprimé, lors des rencontres au niveau ministeriel et ensuite au cours des conservation éxploratoires, des conceptions assez différentes au sûjet des rélations qu'ils souhaitent établir avec la Communauté élargie.⁴

Sweden used a number of diplomatic channels to argue its case. On the top level, Prime Minister Palme visited the major European capitals in the spring of 1970. He justified and explained the Swedish application by maintaining:

... the fact that the political objectives of the Rome Treaty were interpreted in different ways by the member countries. It was not easy in advance to assess how far Sweden's neutrality was compatible with these aims. This could hardly be clarified without discussions with the EEC countries themselves.⁵

The Swedish government followed up the argumentation implicit in this by proposing a negotiating procedure favorable to the Swedish point of view. The suggestion was not confined to which procedure should be adopted for her own discussions. It was generalized to include the whole of the deliberations. Because the division of the EFTA group into two groups of nations and of the negotiations into two sets of deliberations characterized by separate procedures was outside the scope of Sweden's influence, an effort was made in another direction. Sweden tried to synchronize the timing of the two sets of discussions, in order to change the context of the talks and influence the bargaining process, thereby turning the other parties' attention to different problems.

In March 1970 at a meeting in Brussels between representatives of the Commission and the then Minister of Trade, Mr. Lange, Sweden pointed out that many of the problems involved were common to all of the EFTA countries and the Nordic countries in particular. This fact spoke in favor of the talks being conducted simultaneously when possible. When it later appeared that the British negotiations set precedents and somewhat delayed the deliberations with the other candidates, Sweden specified her proposal at the ministerial talk in November:

... for our wish to conduct, as far as possible, our discussions parallel with Norway and Denmark. We believe that such an arrangement would be of great practical value for all the parties concerned. Many of the substantial problems are similar or identical.⁶

It is conceivable that the effort was founded on confidence that the economic prospects of a *Community of Eleven* would be attractive, and that strict adherance to the economic principles could facilitate an accord sui generis.

We might reach a much closer view on this problem (i.e. the adequate form of a relationship) when all the economic implications in connection with an enlargement of the market to include also Sweden have been discussed.⁷

It could be added that the Communities seem not to have prepared themselves in advance for this possibility. Indications of the economic consequences and the institutional arrangements in such a situation had not been taken into account; the balance sheet embraced only a Community of Ten.⁸

Thus, parallel negotiations were not possible because of the form and timing of the talks that the EEC chose, principally because it would have meant negotiating on a subject not yet politically defined and whose legal implications were uncertain. It was also contrary to the Six's internal prior commitment to speak with one voice and to hold a common position. Politically, one important objective for the Six seems to have been first to assure the participation of the candidates. The French delegate argued that rigorous parallelism could delay British entry. Also there was a practical reason: the comprehensive decision process within the EEC is very time-consuming. It took almost half a year from the publication of the Commission's opinion for the Council to entrust the Commission with its negotiating mandate.

The large number of countries involved contributed toward extending the process. Given the earlier commitment by all the governments, that any agreement should come into force at the same date as the enlargement, time pressures were present. These pressures were felt even more, as no government wanted a postponement that might push the whole question into wider world negotiations with the USA in 1973.

All EFTA countries had agreed in advance on the exchange of information to ensure better coordination and synopsis of views.¹¹ From their more advantageous position within the Ten, the candidates pressed for terms to be given to the non-candidates, but this consultation vehicle seems to have delayed the beginning of the real negotiations even further. In the end Sweden, to avoid further delay, formally asked the others not to argue too hard.¹² Finally, another important consequence of the negotiating procedure was to group Sweden together with other outsiders, where the lowest common denominator lay very far from Sweden's targets. Considering the international implications, the nature of the proposed free trade area seemed to have taken the special problems of Austria and Finland into account. Almost uniform agreements were then offered. The important exceptions concerned only the rather special cases of Portugal and Iceland.

4. Sweden's Objectives and Proposals

The Swedish government announced in March 1971 that two facets of the Communities' development were in conflict with the demands for national freedom of action derived from the policy of neutrality. The statement referred to the decision to institutionalize a system of foreign policy consultation (the Davignon Report) and the partial adoption of the Werner Report outlining an economic and monetary union. The central principles for future agreement, participation in the customs union for industrial and agricultural goods and the acceptance of the common agricultural regulations, were not abandoned. Thus it was not the economic content of the Rome Treaty per se that was judged incompatible with neutrality, but the Six's determination to 'advance and deepen' European integration beyond that.

Despite the unilateral elimination of membership and an association leading to membership as realistic alternatives of affiliation, Sweden continued to press for a far-reaching agreement. The Commission had argued that it was only possible for members to take part in the common agricultural policy. The point was noted by Sweden and subsequently the demand in agriculture was dropped. Having accepted the proposal for free trade in industrial products, the Swedish government suggested that in order to 'maximize the mutual advantage of cooperation,' any agreement ought to fulfill three criteria:

An agreement should be drawn up in such a way that cooperation would rest on a stable and durable foundation creating favorable conditions for planning by governments and enterprises.

Cover other important fields besides customs duties and trade regulations.

Permit further development so that cooperation could be widened and deepened. 18

The memorandum then went on to argue that 'an agreement based on industrial goods would function at its best if the signatory countries all apply the same customs duties in trade with third countries.' Accordingly, the agreements should include a commitment for Sweden to adapt to the common external tariff and quota regime on industrial goods on the same timetable as that to be followed by the new Members of the Community. Given the similarities between Sweden's goals and the objectives of the Rome Treaty, few difficulties were foreseen. For the future, the partners should agree on contractual forms to aim toward a harmonization of trade policy vis-à-vis third countries. Therefore, Sweden ought to cooperate in a convenient form with the 'Committee of 113' in future trade negotiations.

To achieve this aim, Sweden would have been willing to make a number of unilateral concessions: to adapt other trade regulations if necessary, to provide for uniformity in tariff legislation, to cooperate in eliminating non-tariff barriers and border control. It seems that Sweden by this proposal – comparable to the rules on a custom union of the GATT – tried to eliminate the EEC's possibilities for demanding extensive exceptions from free trade and imposing a complicated system of certificates of origin on Sweden. Sensitive sectors of trade should be resolved within the framework of regular transitional periods. Paper and pulp were especially mentioned; the Swedish government suggested that any sectional problems foreseen could be left to the branches in question to settle.

Concerning rules of competition, Sweden declared that she was prepared to accept the Community regulations and principles, and an institutional arrangement corresponding to this obligation had to be worked out. In agriculture Sweden called for a quid pro quo bid, possibly by a system of mutual preferences.

In the ECSC sector, Sweden could accept substantial regulations of the Paris Treaty. Cooperation with Euratom was also desirable. Among other fields, participation in consultations on short-term and stabilization policy, medium-term economic planning, and monetary questions was desirable. Other areas suitable for cooperation, such as industry, human environment, and technological research, were also mentioned. According to the Swedish view, the scope and application of any escape clauses should be very limited, and the conditions for resorting to protective measures firmly circumscribed and clearly defined.

An instrument of cooperation that would function at ministerial and official levels was suggested. Sweden proposed that she be given the opportunity to study the Commission's proposals concerning the agreement as soon as these had been presented to the Community Council. For her part, Sweden would keep the Communities informed of any measures planned within the agreed scope of cooperation. It was also believed that some cooperation between the Swedish Riksdag and the European Parliament would appear to be of mutual interest.

The realization of this proposal would have led to a rather unique situation: Sweden would in effect have become an annex of the Communities, but an annex in which its formal independence would have been retained.

Such an agreement would allow Sweden to apply the same rules and policies as the Community but by her own decision. However, the proposal perhaps ought not to be taken at its face value. It depended on a number of concessions from the other side. Furthermore, the proposals were put forward as a negotiating move within a very complicated political process, possibly with the idea of testing the third parties' reaction to the range of maneuvering freedom they considered compatible with a credible neutrality policy.¹⁴ On the other hand, the memorandum reflected the structure of goals for the deliberations to which most leading Swedish politicians were publicly committed.

5. Europe: Menu or à la Carte?

The Commission's report was to a large extent formulated as an indirect response to Swedish proposals. Three specific areas were mentioned that would create problems. A non-member could not adopt the agricultural policy. The Commission admitted that the free exchange of goods and economic expansion could be achieved by allowing Sweden to reach the necessary conditions and harmonization unilaterally. However, the Commission was not willing to take any political responsibility for this knowledge, as it could disturb the Communities' autonomy.

Second, there was the problem of a special institutional arrangement for Swedish membership. This would certainly create insurmountable problems for the already very extended processes of decision-making. Sweden's desire to participate was noted with some skepticism:

... En ce qui concerne l'application de principe de l'harmonisation aux actions futures de la Communauté, la Suède considère comme normale qu'elle soit informée, consultée et qu'elle participe éventuellement aux travaux, preparatoires avant que des décision definitives soient prises.¹⁵

A third counterargument was that the application of a general safeguard clause based on neutrality could never be controlled in the absence of a firm institutional framework.

The issues raised by Sweden's proposals were not only of a technical nature. On the contrary, they challenged current Continental views of the nature of the Community. A specific formula for Sweden – general harmonization and sectorial integration – might have undermined the new-found European spirit of the other countries seeking full membership, given the powerful and vocal anti-Market opinion existing in Great Britain and Norway. Such a formula would furthermore have altered the symmetrical relationship between rights and obligations.

...On ne pourrait pas réaliser d'équilibre entre avantages et obligations qui est le résultat naturel de l'engagement total et sans réserves en vue de l'unification économique. Par ailleurs, on purrait porter atteinte à la crédibilité de la cohésion et de la finalité de la Commmunauté, en admettant que l'intégration économique, qui n'est que l'un de ses objectifs, se réalise par des actions de caractère partiel et en dehors d'institutions disposant d'un pouvoir propre. 16

The Negotiations

The Commission took the lead in arguing the importance of the institutional considerations and their point of view was adopted by the Council.¹⁷ The proposals in the Swedish memorandum and the later arguments at the negotiating meetings do not seem to have received much attention in the Communities' decision-making, however logical and orderly. The process continued on its own momentum. Very general guiding principles were established at an early stage; exceptions lists on commodities corresponding to the members' different interests were introduced; the risks that certain high-competition sectors in the other EFTA countries posed were evaluated; adjustments were made; and a common position was hammered out.

At the level of the Council of Ministers, national interests among the Six were taken into account. The Commission had originally suggested a clear and straightforward agreement: free trade on industrial goods, no agriculture, avoidance of any dynamic evolutionary clause that could take the form of a permanent revision. Italy and Holland thought that such an arrangement would be unfair to the balance sheet they would

receive and favored making an exception for certain agricultural products, e.g. fruits, vegetables, and wine. The Ministers also generally favored a development clause.

In the actual bargaining, Sweden reserved the right to return to the ideas she had presented earlier, should it prove impossible to find satisfactory solutions within the free trade framework. However, the strict definition of the negotiating mandate that the Council's agent – the Commission – was given made it impossible to expand the range of the talks. While her earlier suggestions provided the Swedish delegation with counter-proposals and a reservoir of arguments, a possible customs union was nevertheless officially abandoned in early June.

Most of the difficulties arose concerning sensitive products. The Swedish delegation argued against the three-year tariff freeze on steel and pulp and paper products, and opposed any special arrangements on special steel. They also felt that a twelve-year transition period on paper would penalize then unfairly. The complete freeze was later abandoned by the Six plus Four and replaced by small annual reductions over the first four years. The transition period on paper was later shortened.

Further disagreement concerned which products to include in the accord on processed foodstuffs. With respect to an eventual break of the rules of competition, Sweden fought hard for prior consulations and for invoking safeguard clauses and for the inclusion of an arbitration clause in the agreement. The former was not met entirely; the latter was turned down.

All the remaining EFTA countries worked hard together to modify the Communities' approach toward and definition of rules of origin, and they finally achieved a certain measure of success.

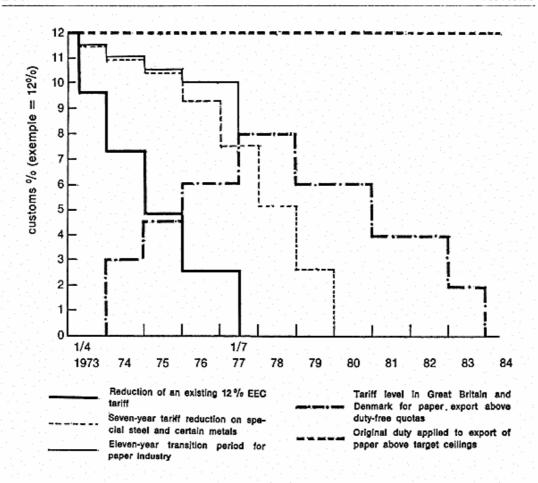
During the last weeks, the negotiations became more complex, with bilateral talks being held alongside Sweden's own talks with the Communities. Separate negotiations were held by the Swedish government with the Danes and Norwegians.

In addition, Sweden, together with Finland, entered into discussions with the British government on the level of tariffs that were to be temporarily re-imposed and on the size of the duty-free import quota on paper and pulp into to U.K. At a very late stage a number of concessions on agricultural products were granted to the Communities. Sweden also agreed to suspend duties on frozen fish fillets on condition that the Danes maintained the current landing right for Swedish fishermen and that the EEC did not introduce any tariffs on Swedish herring exports. Within the coal and steel sector, Sweden agreed to apply provisions on prices and transport rates on the lines of the ECSC system.

To counter the special arrangement on steel, Sweden extended the transition period for the abolition of tariffs on the import of special steel from five to six years. In exceptional circumstances, Sweden reserved the right to apply indicative ceilings on alloy steel, high carbon steel, and steel tubes and pipes. These moves were hardly economically motivated. They were rather politically justified and revealed a certain irritation with the bureaucratic features hidden in the form of the rules of origin and toward EEC's protective measures.

The main content of the tariff agreement for Sweden is summarized in Figure 1.

The agreement finally reached corresponded to Sweden's officially declared expectations neither in substance nor in form. The comprehensiveness of the agreement was watered down to nothing more than an evolutionary clause, which covers a procedure to be fulfilled 'if one contracting party considers that it would be useful in the common interest to develop the relations and extend it to new fields.' A joint committee is responsible for the administration of the agreement and for its proper implementation and is also to act on instructions from the parties to examine any request and to make recommendations. An extension of collaboration presupposes negotiations and ratification in accordance with national legislation.



Economically the abolition of tariffs means that within five years Sweden's benefits will amount to about five hundred million Swedish kronor, while she will lose about six hundred million kronor in revenue. According to Mr. Feldt, the Minister of Trade, the elimination of tariffs gives the Swedish export industry both greater opportunities than any other agreement on tariffs and trade and duty-free access to the free-trade area. It must be added that the creation of such a comprehensive market has been a consistent Swedish objective since the breakdown of the Maudling negotiations in 1958. But the shaping of the European Market did not grow out of the intergovernmental strategy of integration that Sweden had vindicated. The reconstruction of economic and trade relationships was entirely dictated by the Communities' interests, rather than by those with whom she was negotiating. And this relationship characterized the negotiations: They were the 'givers,' Sweden the 'asker.'

7. Domestic Reactions

In party politics, the controversies, since Sweden's pragmatic and open application was submitted in 1967, were confined to negotiating tactics within the restraining parameters of neutrality policy and a reluctant public opinion. Faced with the prospects of a free trade agreement for industrial goods in 1971, party cohesion diminished and attitudes and evaluations covered by the earlier unifying formulation came into the open.

Public opposition to membership mounted in 1970. In the economic sphere, the decline and recession in the rate of economic growth in 1970 and 1971 underlined Sweden's dependence on the international economy and on foreign trade. Prior to the negotiations, the general public debate and press opinion was occasionally heated in

contrast to the official party truce. Views crystallized and standpoints proliferated on the basis of well-known and persistant arguments, echoing the earlier discussion in 1961 –1962. However, in the nature of searching public policy, it took a long time for the public to reconcile with and appreciate the clear-cut option that the international environment and the structure of the European Communities presented. In the foreign realm, Sweden was to a certain extent unable to influence and modify the factors that accounted for this development. A successive retreat from the initial positions vis-à-vis the EEC followed.

A side effect of the negotiations was the creation of sharper and more accurate Swedish perception of the European Communities. In signing the treaty, the Swedish Foreign Minister, Krister Wickman, declared that his government had underrated and misjudged the will of the member countries to guard their creation and that it had been a mistake to believe in a general harmonization and an agreement confined to farreaching cooperation within certain sectors.¹⁹

To what extent this experience is also shared by the political parties and the people themselves, remains to be seen.

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