

6 January 1987

SWEDEN

POLITICAL FACT SHEET

General

Sweden is a Constitutional Monarchy with a unicameral parliament called the Riksdag. King Carl XVI Gustaf has only titular authority as Head of State. The Head of Government is Prime Minister Ingvar Carlsson, a Social Democrat. Parliamentary elections are held every three years, and political party representation in parliament is proportional to the number of votes received in the general election. The 1985 election yielded the following results:

	<u>Seats in Parliament</u>	<u>Percent of Vote</u>
<u>Socialist Parties</u>	<u>178</u>	<u>50.1%</u>
Social Democratic Party	159	44.7%
Left Party Communists	19	5.4%
<u>Nonsocialist Parties</u>	<u>171</u>	<u>47.9%</u>
Moderate Party	76	21.3%
Liberal Party	51	14.2%
Center Party	44	12.4%
<u>Other Parties</u>	<u>--</u>	<u>2.0%</u>
<u>TOTAL PARLIAMENT</u>	<u>359 SEATS</u>	<u>100.0%</u>

Key Cabinet members are:

Prime Minister.....Ingvar Carlsson
 Foreign Minister.....Sten Andersson
 Defense Minister.....Roine Carlsson
 Finance Minister.....Kjell-Olof Feldt

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SWEDEN - - FOREIGN POLICYNeutrality - - Relations with East and West

"Nonalignment in peacetime with a view toward neutrality in war" has been the thrust of Swedish foreign policy for over 170 years. In the postwar era, this has meant avoiding the appearance of being too closely associated with the West and not allowing differences with the Soviet Union to become inflamed.

- Sweden often pairs criticism of Soviet and US policies in order to speak out yet remain neutral. Although Palme was particularly critical of the United States, Carlsson apparently wants to deal with Swedish-American relations principally through private discussion--rather than public denunciation--of US foreign policies.
- Swedish relations with the Soviet Union have been strained since 1981, when a Soviet submarine ran aground near a Swedish military installation. Carlsson, however, appears determined to play down continuing territorial violations, the Baltic Sea border dispute, and revelations of East-bloc espionage in order to maintain a stable dialogue with Moscow. 25X1
- Sweden keeps strong defenses in order to protect its neutral status in wartime. Recognizing that these efforts can hardly match those of the Warsaw Pact, however, Stockholm believes that East-West stability provides a better guarantee of security and neutrality than confrontational posturing. In addition, Swedish officials hope that a strong defense paired with support for regional stability will bolster Finland's hold on independence and neutrality. These concerns underlie Stockholm's support for confidence-building measures in Northern waters and for at least continuing to discuss a Nordic nuclear-weapons-free zone. 25X1

Nicaragua

Sweden will provide approximately \$23 million in humanitarian and development assistance to Nicaragua in the next fiscal year. 25X1

- Stockholm blames Washington for many of Managua's economic and political problems. Although disappointed with the state of democracy in Nicaragua, Sweden believes that foreign aid not only helps meet basic human needs, but opens a channel for influencing Sandinista policies. 25X1

South Africa

Sweden has already imposed limited sanctions and may impose a full boycott in 1987.

- The government fears that boycotting South Africa without a UN recommendation would open Sweden to criticism that it was not acting as a neutral. 25X1
- Almost 45 percent of Swedish bilateral aid goes to the frontline states and Tanzania. Stockholm also provides substantial amounts of humanitarian assistance to the ANC. 25X1

SWEDEN - - DOMESTIC POLITICSThe New Prime Minister

Ingvar Carlsson became Prime Minister after Olof Palme was assassinated in late February 1986. His Social Democratic Party has formed a minority government, usually counting on the Left Party Communists for the additional votes it needs to win parliamentary support for its policies. On defense and national security issues, however, the Social Democrats work with the nonsocialist parties to develop a "Swedish consensus." Since taking office, Carlsson has made only minor cabinet changes and has generally reaffirmed the policies developed under Palme.

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- Carlsson, however, encourages cooperation and compromise with the nonsocialist opposition along traditional Swedish lines, unlike Palme, who preferred a more confrontational approach to politics.

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- Carlsson also tends to focus on Swedish and Nordic regional issues. Palme preferred international high politics and left domestic policy to his advisors.

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Nuclear Power

Sweden's most important domestic political issue is the future role of nuclear energy. A 1980 general referendum requested that the government replace nuclear power with other forms of energy by 2010.

- Sweden depends on nuclear power for almost 50 percent of its energy consumption. Abandoning nuclear power by 2010, therefore, would be expensive and difficult.

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- Until early this year, momentum was building to revise the commitment to replace nuclear power, but since the Chernobyl nuclear accident support has shifted back toward dismantling nuclear power plants on schedule. The hard realities of energy consumption, however, may force the government to reconsider once again.

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SWEDEN--ECONOMIC SITUATION

The Economy and Trade

The Swedish economy features a dynamic, technologically sophisticated industrial sector, a growing service sector, and a government sector that spends over 60 percent of GDP--the highest proportion among Western industrialized nations. Sweden also has the heaviest tax burden, which most Swedes accept as necessary for the extensive welfare state they desire.

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-- Exports account for about 30 percent of Sweden's GDP and about 50 percent of total manufactured output. Because of Sweden's reliance on trade, Stockholm actively supports international efforts to expand free trade in goods and services. Sweden's leading exports include automobiles, chemicals, telecommunications equipment, and forest products.

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-- The United States is one of Sweden's largest trading partners, accounting for over 11 percent of Swedish exports in 1985. One-third of US imports from Sweden are cars and trucks; this in turn accounts for one-third of Sweden's total motor vehicle exports. US imports of Swedish steel grew rapidly in 1984 and 1985, but Stockholm is now troubled by the efforts of US producers to convince Washington to counter government financial assistance to Swedish steel manufacturers with new import duties.

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-- In June, Stockholm enacted controls on reexporting foreign-produced high-tech products and on exporting Swedish goods that use imported technology controlled by the country of origin. The Swedish controls are intended to ensure the continued flow of US high-tech components that are vital to both civilian and defense industries, including the Gripen fighter jet program.

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Economic Policy

Stockholm's main economic objective in recent years has been to spur Swedish industry--which has experienced declining competitiveness since the early 1970s--by restraining public-sector spending, controlling inflation, and reducing the current account deficit. The Carlsson government has continued Palme's efforts at the risk of alienating its labor union allies, who had increasingly criticized Palme's policies. One positive result so far has been growing business confidence, which helped rally the Stockholm Stock Exchange share index to all-time highs during second-half 1986, and surveys indicate business investment may increase by over 10 percent in 1987.

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-- The new government benefitted from an improved economy that resulted from the fall in oil prices, a large trade surplus, and lower interest rates. Although the 1986 growth rate was only about 1.8 percent, this was a marked improvement over the zero GDP growth that forecasts in late 1985 had

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projected. Stockholm remains cautious about prospects for 1987, however, and is concerned that OECD economies will remain sluggish and provide little export growth for Swedish industry over the next two years. []

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-- Unions have criticized the shift in economic policy in the past few years as a transfer of resources from potential wage increases to higher corporate profits. At the same time, unions have criticized private business--which produces about 90 percent of total industrial output--for not spending enough on investment for continued employment growth. Swedes consider the official 2.5-percent unemployment rate for 1986 too high by their standards. []

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-- The Carlsson government, meanwhile, has advocated wage restraint to control inflation--which was at a 4-percent annual rate through October 1986--and maintain export competitiveness. Although this is below the 7.2-percent rate of 1985, it is still about twice the average rate among Sweden's eight main competitor countries, including West Germany, the UK, the US, and Denmark. Stockholm worries that private- and public-sector unions may decide to invoke a contractual clause that permits them to renegotiate their contracts early in 1987 should the 1986 inflation rate exceed 3.2 percent--a likely result. The government fears that new wage talks so soon after the October 1986 resolution of protracted and tense negotiations with public-sector unions would further damage already-strained relations with its union power base. []

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