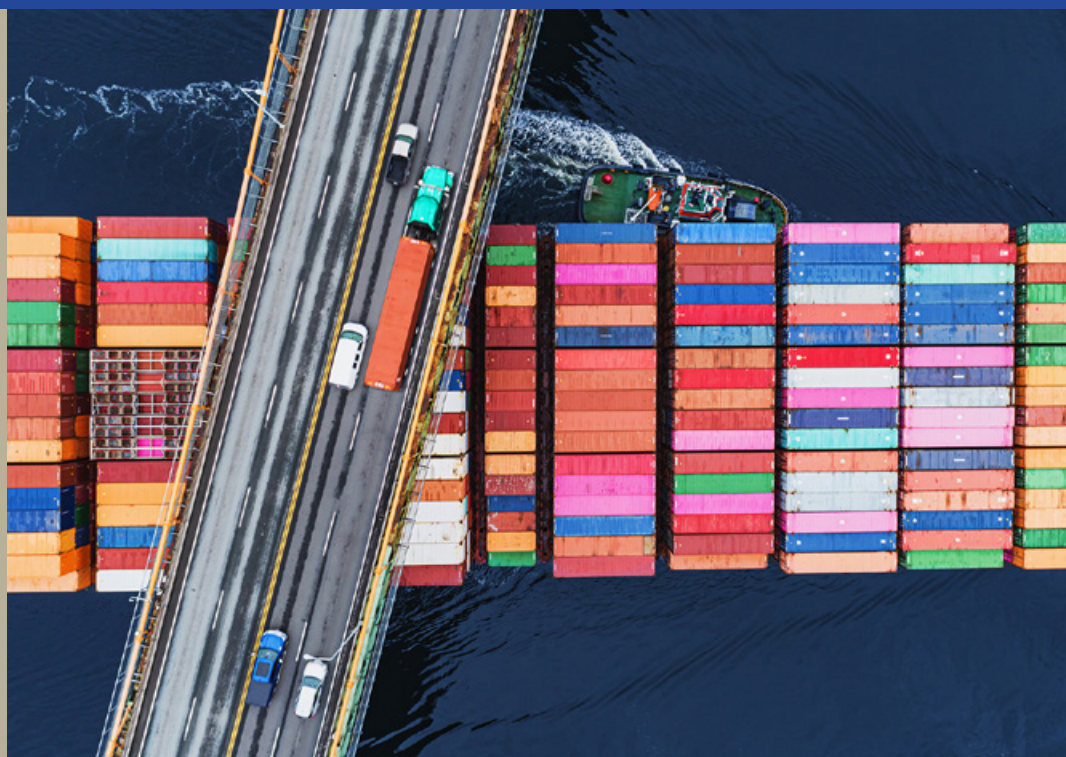
KOMMERSKOLLEGIUM
NATIONAL BOARD OF TRADE SWEDEN

A Post-Brexit Analysis

Firm and Consumer Use of the EU-United Kingdom Free Trade Agreement



2021

Preface

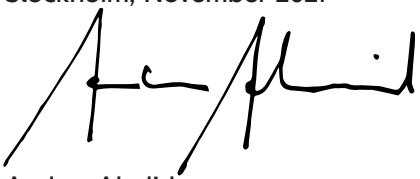
At the time of publication of this report, official analyses by the European Commission on the use of the EU's newest free trade agreement, the EU-UK Trade and Cooperation Agreement (TCA), is not yet publicly available. For this reason, based on firm- and transaction-level data from the Swedish Customs, this report is one of the first attempts to offer some insight into the business reality of firms and private consumers importing from the UK post-Brexit.

The objective of the report is to offer a comprehensive descriptive overview of the utilisation of the tariff preferences in the EU-UK TCA by Swedish importers (or, conversely, by UK exporters to the Swedish market) during the agreement's first six months in existence. The report also provides unique information on the use of the free trade agreement by firms of different sizes and characteristics, by private consumers, and for different products.

A new feature in our analysis is the presentation of preference utilisation data for new firm and product classifications, relevant for understanding preference utilisation in this and other free trade agreements. Examples of those classifications are capital goods/consumption goods/intermediate goods, direct import/customs warehousing, manufacturers/wholesale traders, and intra-firm/extra-firm trade. Additionally, an analysis of the utilisation of a free trade agreement by private consumers is provided.

The authors of this report are Jonas Kasteng and Nils Norell. Additional valuable comments and suggestions were provided by Kristina Olofsson, Emma Sävenborg, Patrik Tingvall, Johanna Weibull and Christopher Wingård. The National Board of Trade Sweden would also like to express special gratitude to the Swedish Customs and the European Commission for the contribution of customs data and detailed data on the EU's tariff structures which made this analysis possible.

Stockholm, November 2021



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Executive Summary

The EU's free trade agreement with the United Kingdom, the EU-UK Trade and Cooperation Agreement (TCA), is the deepest and most comprehensive free trade agreement the EU has ever negotiated. In contrast to other deep free trade agreements, this agreement is in some ways an inverted one. Instead of increasing the level of integration, this new trade relation between the EU and the United Kingdom requires more effort from both firms and consumers to make duty free imports compared to when the country belonged to the EU's Single Market.

The objective of this report is to provide a comprehensive descriptive overview of the utilisation of tariff preferences in the EU-UK TCA by Swedish importers during the first six months of the free trade agreement, January–June 2021. The analysis is based on firm- and transaction-level data. In addition to analysing the preference utilisation based on firm size and products, the report introduces new firm and product classifications that are relevant for understanding preference utilisation. To the best of our knowledge, the report also provides the first analysis of the utilisation of a free trade agreement by private consumers.

In order to understand to which extent firms utilise the available tariff preferences provided by the free trade agreement, this report uses 'preference savings rates' as the measure. This means the actual duty savings made by firms as a share of all possible duty savings (if preferences were always to be utilised).

Overall, results from the analysis in this report suggest a total preference savings rate for Swedish imports from the United Kingdom of 84 per cent. This implies that Swedish importers make use of 84 per cent of the potential value of available duty savings. Despite the short period of time the free trade agreement has been in place, this number is higher than for many other comparable so-called new generation free trade agreements during an equally early stage of implementation. Additionally, the level of preference utilisation seems to have increased quickly over time. During the first six months, a 12-percentage points increase was observed. The preference utilisation of UK exporters is identically high, since Swedish imports from the UK equal UK exports to Sweden, something that provides an indication of the ability of UK exporters to make use of the corresponding rules of origin and related requirements for exports to Sweden.

Importers benefit from duty savings amounting to SEK 483 million. However, when not utilising tariff preferences, duties of SEK 88 million arise, which importers did not face before Brexit.

The preference savings rate for intermediate goods is as high as 80 per cent, while consumers and capital goods show preference savings rates of 78 and 63 per cent, respectively. Interestingly, albeit not surprisingly, passenger motor cars have a preference savings rate of 94 per cent. At an even more product-specific level, the data suggest that the agri-food and chemical sectors are performing well, whereas sectors such as advanced machinery, manufacturing, electronics and textiles struggle with relatively low preference savings rates. A probable explanation for these differing results may be the varying level of complexity of different rules of origin and the values of the individual import transactions.

During the first quarter of the free trade agreement, large firms performed poorer than micro, small and medium-sized firms in terms of preference utilisation. They later improved, however, but on average a relatively low preference savings rate of 78 per cent prevailed. Medium-sized firms manage best with an average preference savings rate of 89 per cent, followed by micro firms with 85 per cent and small firms with 82 per cent.

Furthermore, the results indicate that imports through customs warehousing have higher preference savings rates than direct imports. Wholesalers, supposedly experts in trading, present an only slightly higher preference savings rate than industrial users in the manufacturing industry. Somewhat surprisingly, the results suggest that firms making transactions within the same business group have a slightly lower preference utilisation than those making extra-firm transactions.

A novel feature of this report is the analysis of private importing consumers utilising available tariff preferences, likely in e-commerce. The average preference savings rate of private consumers is only 20 per cent. In monetary terms, this implies that an individual consumer pays on average 205 SEK in duties per transaction when the tariff preferences are not utilised. On the one hand, private importers make up a relatively small share of the total imports. However, a new reality and administrative burden evolves for numerous consumers.

This report finds that the average preference savings rate of the EU-UK TCA is relatively high. A larger share of firms is likely aware of this free trade agreement since they previously benefitted from tariff free trade, something that may contribute to explain the high level of preference utilisation. Whether to view these early-stage results as a success is to some extent an open question. However, solely comparing the utilisation rates with those of other agreements may be misleading. Firstly, the new trade relations between the EU and the United Kingdom require more efforts from both firms and consumers compared to before 2021.The initial high preference utilisation may partly be due to intensive information campaigns on the consequences of Brexit that presumably reached firms to a larger extent than information about other free trade agreements. A second important feature is that the preference tariffs were set to zero from the start, which gave importers larger incentives to use the free trade agreement from day one. Thirdly, it is important to consider technical aspects, such as the one-year grace period for exporters to issue a statement of origin without having a supplier's declaration available at the time. Given the above, it may be intuitive that the ambition to use this free trade agreement should be higher than for other free trade agreements.

Initial descriptive results and trends described in this report should be seen as an indication of the state of play of the free trade agreement during its first six months. They also provide a foundation for further, more detailed research. Overall, the EU-UK TCA has had a promising start for Swedish importers (and for UK exporters to Sweden) currently participating in trade. The utilisation of tariff preferences is likely to increase further over time due to learning as more companies and private consumers start to make use of the available duty savings. In order to improve the utilisation of the tariff preferences further, the free trade agreement must be revisited at a regular basis and recommendations for different aspects should be considered by negotiators and policymakers to facilitate the highest possible use of the free trade agreement by firms and consumers alike.

Content

1. Introduction

The EU's free trade agreement with the United Kingdom, the EU-UK Trade and Cooperation Agreement (TCA), was applied provisionally as of 1 January and entered into force on 1 May 2021, and is the newest of the EU's free trade agreements.

Even though the free trade agreement is the deepest and most comprehensive free trade agreement the EU has ever negotiated, it is not comparable to the level of integration that the Single Market provides. In contrast to other deep free trade agreements, this agreement is in some ways an inverted one. Instead of increasing the level of integration, this new trade relation between the EU and the United Kingdom requires more effort from both firms and consumers to make duty free imports.

The objective of this report is to provide a comprehensive descriptive overview of the utilisation of tariff preferences in the EU-UK TCA by Swedish importers during the first six months of the free trade agreement. The analysis is based on firm- and transaction-level data. Since the Swedish imports mirror UK exports, the findings also provide an overview of the utilisation of tariff preferences by UK exporters to the Swedish market. A more detailed analysis will be left for future research when longer time series are available. It is therefore our intention to revisit the issue of preference utilisation for the EU-UK TCA with new data on a regular basis.

In addition to analysing the preference utilisation based on firm size and products, the report introduces new firm and product classifications that are relevant for understanding preference utilisation (in this and in other free trade agreements), such as capital goods/consumption goods/intermediate goods; direct imports/customs warehousing; manufacturers/wholesale traders; and intra-firm/extra-firm trade. To the best of our knowledge, the report also provides the first analysis of the utilisation of a free trade agreement by private consumers.

The focus on importers in the analysis corresponds to the understanding that importers are the main drivers of preference utilisation since they are the ones that benefit first-hand from the duty savings and incur the risk if utilisation of the tariff preference is denied. This is also in line with previous research by the National Board of Trade Sweden.

The report is structured as follows. Chapter 2 presents the data and some definitions and concepts relevant for the analysis. Additionally, some limitations are discussed. The third chapter presents the use of the EU-UK free trade agreement on an aggregate and product-specific level. The fourth chapter presents the use of the free agreement by different firm and import mode characteristics. Chapter 5 presents the use of the free trade agreement in private consumer imports. The paper closes with conclusions and recommendations in the sixth chapter.

2. Data, concepts and limitations

This chapter provides an overview of the data used in the report. Additionally, some limitations of the analysis are mentioned. Furthermore, to provide a basic understanding, various concepts such as free trade agreements, tariff preferences and rules of origin are presented. Finally, a definition of firm size and product sections is provided to identify differences between firms of different sizes and different product groups.

2.1 Data

The report is based on data on imports from the UK by Swedish firms and private consumers at import transaction level during the time period January–June 2021. The dataset covers about 254,000 import transactions on behalf of 66,261 importers. The information available for each import transaction includes firm name and identification number of the importer, name of exporting firm, import value, tariff codes at TARIC (10-digit) level, mode of import (direct imports vs. customs warehousing), and customs duties. The transaction-level data were obtained from the Swedish Customs.

An import transaction is here defined as the import of a specific product (at 10-digit TARIC level) from a specific exporter at a specific moment in time. The link with rules of origin is clear, since a proof of origin has to be attached to each import transaction, either in the form of a statement from the exporter or based on the importer's knowledge of the good in question.

The firm name and its identification number for each import transaction provides us with the possibility to trace firms over time and analyse their behaviour. This is done by matching the identification number with firm-level data obtained from Upplysningscentralen (UC), a Swedish credit reference agency. This provides us with information such as net turnover, number of employees, net profit, business group affiliation, and industry classification code (SNI).[1] Parts of this information are later used to define firm sizes.

The total import value in the sample of this analysis is SEK 16.8 billion. This includes mainly import transactions made by limited liability firms ("aktiebolag"), which amount to 14.2 billion, or 84.9 per cent of the import value. Limited liability firms are the main focus of the analysis. The sample also contains imports made by firms with foreign affiliations, amounting to SEK 2.1 billion (12.2 per cent); other Swedish firm categories ("enskild firma", "handelsbolag" and "kommanditbolag"), amounting to SEK 311 million (1.9 per cent); private consumers, amounting to SEK 95 million (0.6 per cent); and public organisations, amounting to SEK 81 million (0.5 per cent).

2.2 Limitations

In order mainly to analyse preference eligible imports, imports benefiting from other tariff regimes (such as inward processing, autonomous tariff suspension, etc.) are excluded from the analysis. Due to the limited scope of the report, transactions with specific (non-ad valorem) duties are also omitted. This exclusion amounts to an import value of SEK 378 million and mainly affects the results for agri-food products. Furthermore, private consumer import transactions below SEK 1,600 are excluded as they are below the threshold for preference eligibility (since they are duty free if the low value tariff scheme is claimed).

The analysis, exclusively focused on preference utilisation by limited liability firms (Chapter 4), is restricted to firms for which both the turnover and number of employees are known. This is necessary to accurately categorise firms by size according to the European Commission definition of SMEs. This restriction, however, still provides us with 97 per cent of all imports made by limited liability firms.

2.3 Concepts

Free trade agreements, tariff preferences and rules of origin

A free trade agreement is an agreement between one or several partner countries with the purpose of facilitating trade and economic integration between the parties. A core element of free trade agreements is the elimination of import tariffs among the partner countries—that is, the partner countries should apply tariff preferences (which are normally zero per cent) instead of so-called most-favoured-nation (MFN) tariffs (which are normally higher than zero per cent). The difference between the MFN tariff and the preferential tariff is called the preference margin. If the importer opts not to utilise the tariff preferences in the free trade agreement, the importer has to pay the MFN duty.

For tariff preferences to be granted, the products must originate from the partner countries. This means that only products that are wholly obtained or that have been subject to a substantial transformation in the partner countries are eligible for tariff preferences. In addition to fulfilling these rules of origin, the origin must also be proved by a certificate of origin or other supporting documentation. There is, accordingly, an additional administrative 'cost' for both exporters and importers for utilising preferential tariffs, which should be balanced by the duty savings. If the origin is denied by the customs authorities in the importing country, the importer must pay the MFN duty (and possibly a fine). In the EU-UK TCA, there is a provision allowing a one-year grace period for exporters to issue a statement of origin without having a supplier's declaration at the time, and the possibility to present supporting documentation after about one year (January 2022 by the latest) (European Commission, 2021a).

Duty savings, duty costs and the preference savings rate

The preference savings rate is defined as the value of the actual duty savings from utilising tariff preferences as a share of the value of the potential duty savings.

The concepts are defined according to the following.

- Duty savings = value of imports*preference margin (=the duties that importers avoid when the tariff preferences are utilised).
- Duty cost = value of import*MFN tariff (=the duty that is paid if the tariff preferences are not utilised).
- Preference savings rate = duty savings/potential duty savings (=duty savings + duty costs).

The preference savings rate is based on both the value of the actual imports and the preference margin.[3]

Product sections

The Harmonized Commodity Description and Coding System (HS) is an international nomenclature for the classification of products. It makes it possible for participating countries to classify products on a common basis for customs purposes. The HS is

divided into 21 sections, which are in turn divided into 99 chapters (HS 2-digit level). The next two digits (HS 4-digit level or heading) identify the groupings within that chapter. The following two digits (HS 6-digit level or sub-heading) are even more product-specific. On this level, intermediate, consumer and capital goods are identified according to the classification by Broad Economic Categories (BEC).[4] In the EU, imports are defined at the even finer 10-digit level, also referred to as the integrated tariff of the European Union (or TARIC code) level. The product-specific rules of origin in the EU are in most cases established at the HS 4-digit level. For the purpose of this report, the HS sections are referred to as product sections.

Firm size

In this report, we apply the EU's definition of company size—micro, small, medium-sized and large—which is based on (i) the number of employees and (ii) the turnover or balance sheet[5] total. The benchmarks for turnover, balance sheet total and employees that are used in the definition are as follows.

Firm size	Employees	Turnover	Balance sheet total
Large	>250	>SEK 500 million	>SEK 430 million
Medium	≤250	≤SEK 500 million	≤SEK 430 million
Small	≤50	≤SEK 100 million	≤SEK 100 million
Micro	≤10	≤SEK 20 million	≤SEK 20 million

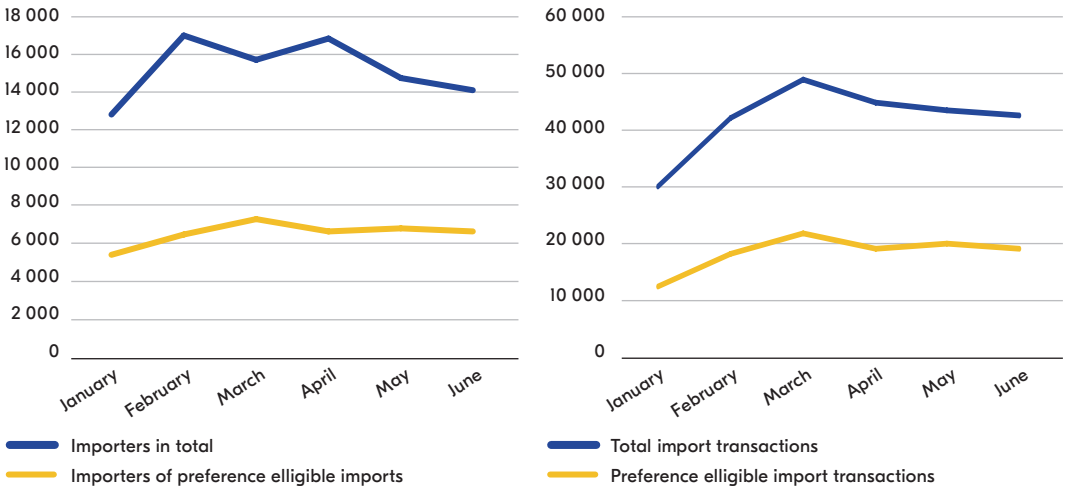
For a more detailed review of firm definition, see European Commission (2003).

3. The utilisation of tariff preferences at total and product level

This chapter provides an overview of the preference utilisation by all different types of importers during the first six months of implementation of the EU-UK TCA at aggregate level and over time. Among the importers, Swedish limited liability firms ("aktiebolag") account for 85 per cent of the import value. Other types of importer include Swedish firms other than limited liability, foreign registered firms, public organisations and private importing consumers.

Since customs data for imports from the United Kingdom to Sweden do not exist before 1 January 2021, it is not known whether the number of importers increased or decreased after Brexit. From our sample, we see that, on average, 66,700 unique importers were active during the first six-month period after Brexit. On average, about 15,300 importers were engaged in imports from the UK every month. However, the number of importers engaging in preference eligible imports was on average 6,600 per month.

Figure 1: Number of importers and transactions per month for Swedish imports from the UK, January–June 2021



Source: Swedish Customs, European Commission and own calculations.

The right-hand panel in Figure 1 displays the evolution of import transactions over the first sixth months. The total number of import transactions and the number of preference eligible import transactions seem to correlate fairly well over time. The number of preference eligible import transactions, which are the focus of this report, was about 12,500 but later rose and stabilised at roughly 20,000 per month during the second quarter. In terms of import value, all preference eligible import transactions combined amounted to SEK 9.9 billion, which corresponds to 59 per cent of the total import value in the dataset.

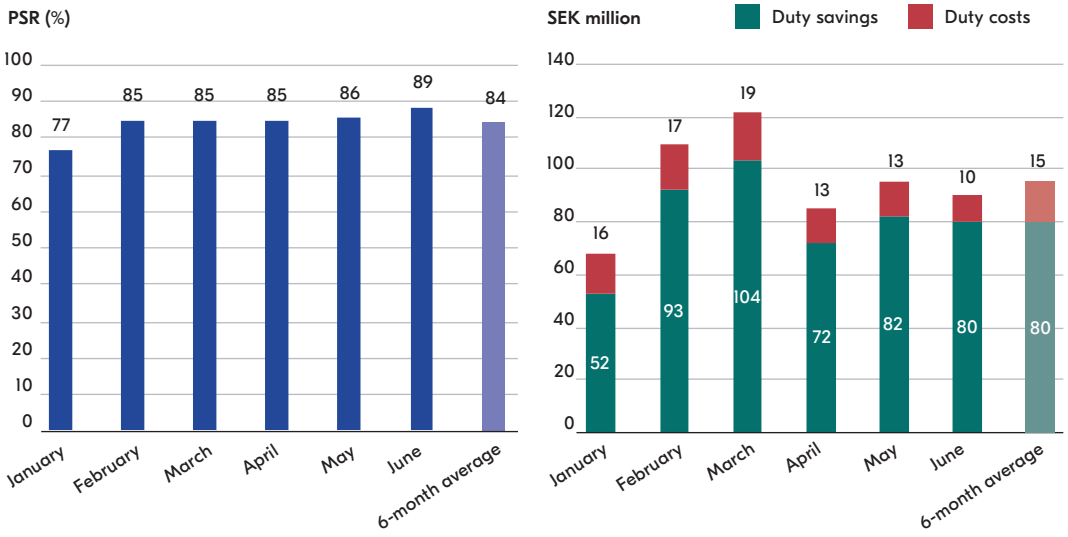
3.1 Total preference utilisation

The total preference savings rate for the first six months of the EU-UK FTA was 84 per cent.[6,7] This implies that Swedish importers make use of 84 per cent of the potential value of available duty savings. This number is higher than for many other deep and comprehensive free trade agreements at such an early stage of implementation (European Commission, 2021b).[8] This might be a result of importers (particularly firms) intending to

continue benefitting from duty-free UK imports as a way to minimise the importer-related costs caused by the UK's exit from the Single Market in December 2020, also referred to as Brexit. The relatively high preference savings rate might also be explained by the fact that a higher share of importers than is normally the case is aware of the free trade agreement, since they previously benefitted from tariff-free trade (and became aware of the customs duties after Brexit).[9] There has also been a relatively strong effort to spread information about the consequences of Brexit that most likely has reached the firms. Moreover, the preferential tariffs were set to zero from the start, which gave importers larger incentives to use the free trade agreement from day one.

During the first six months of the free trade agreement, the importers benefitted from almost SEK 483 million in duty savings, but they have still paid about SEK 88 million in duties. It is positive that the importers benefit from the duty savings to such a high degree, but the duties still represent a cost they did not face before Brexit. On top of these imposed duty costs, importers also face additional transaction costs in terms of administrating sometimes demanding rules of origin (in the case of utilising the tariff preferences). An estimation of these additional costs is left for further research.

Figure 2: Preference savings rates and duty costs over time for Swedish imports from the UK, January–June 2021



Source: Swedish Customs, European Commission and own calculations.

The preference savings rate was about 77 per cent during the first month of the implementation of the free trade agreement and increased by on average two percentage points each month to reach a preference savings rate of 89 per cent after six months (see Figure 2, left panel). The potential duty savings—the duty savings and the duty costs taken together—increased during the first three months but decreased between March and April. This might be a result of postponed imports due to the uncertainty before the free trade agreement was in place. The levels of potential duty savings seem thereafter to have stabilised. The average duty savings per month are SEK 80 million and the average duty costs are SEK 15 million (see Figure 2, right panel).

Compared to previous findings on British post-EU export from the UK Trade Policy Observatory by Ayele et al. (2021), the numbers for Swedish imports are fairly high. According to the British study, the preference utilisation rates increased from 60 per cent in January to 78 per cent in March. It seems, accordingly, that the preference savings rate is increasing over time by learning how to use the free trade agreement.

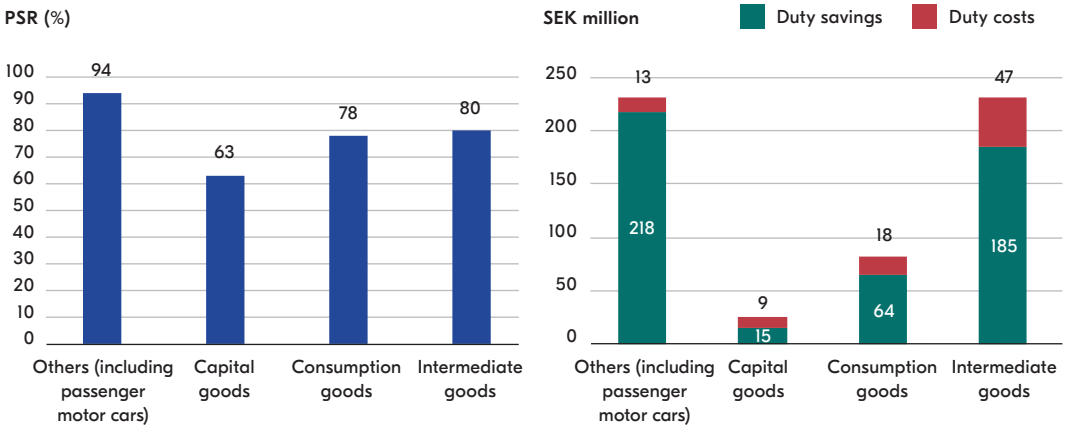
3.2 Preference utilisation by product categories

The are several industry and product classification systems available. One of the most frequently used in this context is the product classification based on BEC. The BEC system classifies goods with regard to their intended use. For the purpose of this analysis, the products are mainly classified into the categories capital goods, consumption goods and intermediate goods. Capital goods describe tangible assets, such as vehicles, machinery, buildings or tools which are used for the production of goods and services. These products are used by firms to produce final goods. Intermediate goods describe inputs contributing to the production of final goods. They are typically sold between industries. Consumer goods describe the finals goods which are purchased by consumers for consumption. They represent the end of the production process. Additionally, there is one category of goods ("other goods") that are used extensively by both industries and households.

Intermediate goods are by far the largest product category in Swedish imports from the UK, accounting for 60 per cent of the total import value. Capital goods and others account for 14 per cent each, and consumption goods for 12 per cent.

Figure 3, left panel, shows that the preference savings rates for consumption goods and intermediate goods is around 80 per cent. The corresponding number for capital goods is significantly lower. Evidently, the highest utilisation rate is among a category we refer to as other goods,[10] in which passenger motor cars account for 97 per cent of the import value. Interestingly, passenger motor cars appear to be a sector in which duty savings are extremely high. The high preference savings rate in this sector may have several explanations. Firstly, the value-added origin rule is standard across all EU free trade agreements, creating a predictable criterion to fulfil. Secondly, both the individual import transaction value and the MFN tariffs for cars are often considerably high, which implies significant incentive to use the tariff preference. This is in line with Kasteng and Tingvall (2019), who identified the import transaction value as the main driver of preference utilisation. If motor cars are excluded from the dataset, the overall average utilisation rate for the six-month period studied falls from 84 to 78 per cent. This shows the weight the motor car sector has on the overall numbers.

Figure 3: Preference savings rate and duty costs by product category for Swedish imports from the UK, January–June 2021

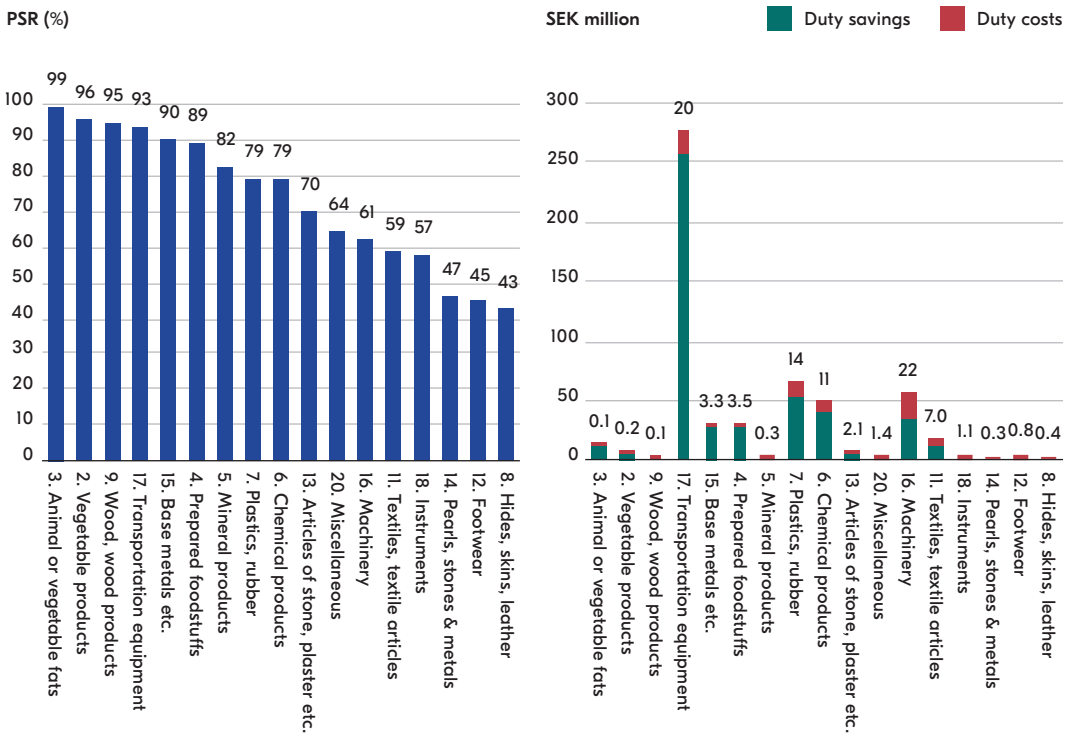


Source: Swedish Customs, European Commission and own calculations.

The preference savings rates must be placed in the context of the value of imports in order to estimate their relevance. In terms of monetary value, the right panel in Figure 3 shows that the duty costs are highest for intermediate goods at SEK 47 million, followed by consumption goods at SEK 18 million. These results for intermediate goods are troublesome in the sense that these costs likely hit downstream producers. This is particularly the case for products that are intended for export, since duties on intermediate goods affect their competitiveness negatively.

At a more detailed level, Figure 4 displays that the preference savings rate varies by product section.[11] For a large number of product sections—mainly primary products, transportation equipment and base metal—the preference savings rates are about 90 per cent or above. The preference savings rate is intermediate for plastics, mineral products and chemical products.

Figure 4: Preference savings rates and duty costs by product section for Swedish imports from the UK, January–June 2021



Source: Swedish Customs Agency, European Commission, UC and own calculations.

The right-hand panel in Figure 4 presents the duty savings and duty costs in SEK millions per product section for the period January–June 2021. The number on top of each bar highlights the duty cost. The products with the highest potential duty savings are transportation equipment (almost SEK 280 million), plastics, machinery and chemical products (each SEK 50–65 million). These are followed by prepared foodstuffs, base metals, textiles, and animal or vegetable fats (SEK 10–30 million). Additional details are found in the Appendix (Table 1).

The highest duty costs are identified for machinery (SEK 22 million) and transportation equipment (SEK 20 million), followed by plastics and rubber (SEK 14 million), and chemical products (SEK 11 million). At a lower but still significant level are the duty costs for textiles (SEK 7 million), prepared foodstuffs (SEK 4 million), base metals (SEK 3 million) and articles of stone (SEK 2 million).

The utilisation rates at sector level are in line with Ayele et al. (2021), who showed that agri-food products, automotive and chemicals benefitted more from the tariff preference than sectors such as advanced machinery, manufacturing, electronics and textiles. Part of the explanation as to why the preference savings rates among agricultural products are high may be related to the rules of origin, where the wholly obtained rule is predominant (for example, meat, fish, diary, fruit and vegetables). Wholly obtained means that a product is obtained entirely in the territory of one country without the addition of any non-originating materials. Also, oils and fats seem to benefit from generous origin rules.

In addition to the above, a number of products are subject to certain rules of origin quotas or transitional rules of origin. The rules of origin for these products can be reviewed at the request of either party before January 2024 (European Commission, 2021a). These are sensitive products such as aluminium products, fish products such as tuna, batteries for vehicles, and certain vehicles. During the first six months, the preference savings rates for these products were at levels of about 90 per cent for all products except batteries, which had a preference savings rate of 68 per cent.[12] Based on these findings, and with the exception of batteries for vehicles, UK exporters seem not to have faced particular problems with the rules of origin for these products during this period.

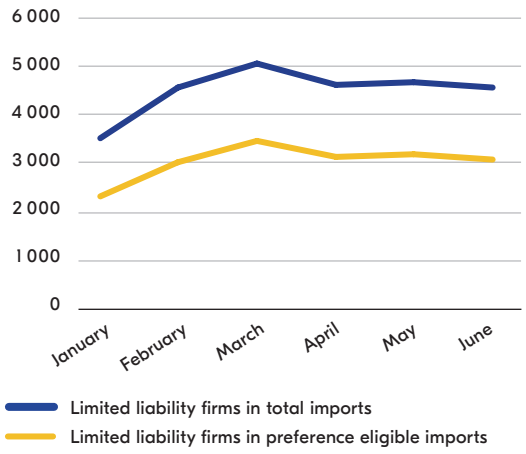
4. The utilisation of tariff preferences by firm and import characteristics

This chapter provides an overview of the preference utilisation of the EU-UK TCA by limited liability firms at an aggregate level according to different firm and import characteristics. The preference utilisation is measured by firm size, mode of import (direct imports and customs warehousing), mode of business (manufacturers and wholesalers), and firm trade pattern (intra-firm and extra-firm imports).

The sample in this chapter is a sub-sample of the total dataset for which we were able to match the customs data with our firm-level data. This restriction narrows our dataset down to a sample of roughly 153,000 transactions, which translated into value terms covers 82 per cent of the total import value. Of these 153,000 import transactions, about 100,000 were preference eligible import transactions.

In total, 10,733 unique importing limited liability firms were active during the first six-month period after Brexit. During this time, the number of firms increased by more than one thousand (from about 3,500 to 4,500). The corresponding number of limited liability firms that used the free trade agreement increased from 2,300 to 3,100 (see Figure 5).

Figure 5: Number of limited liability firms in Swedish imports from the UK, January—June 2021



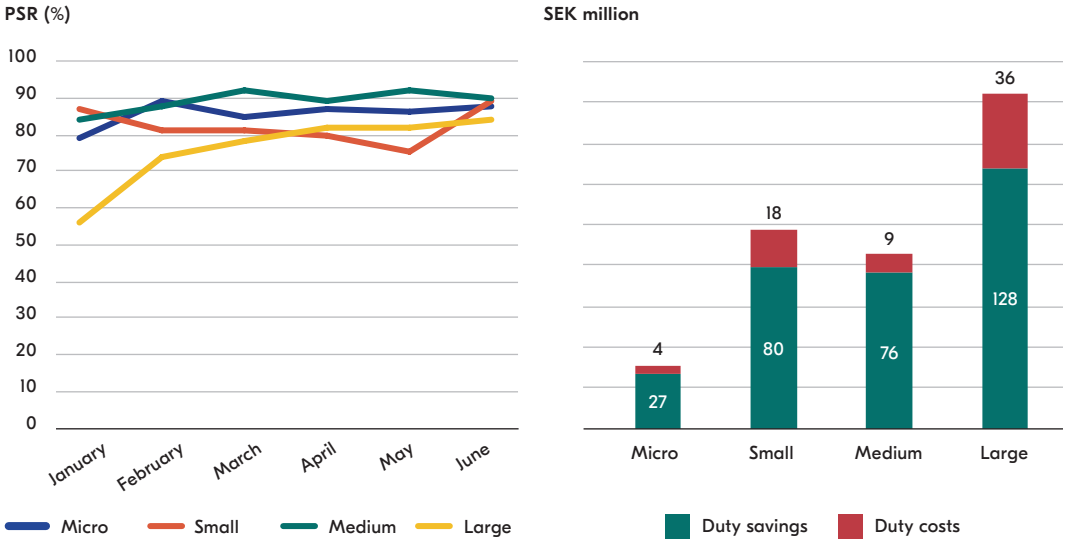
Source: Swedish Customs, European Commission, UC and own calculations.

4.1 Preference utilisation by firm size

The number of unique firms in each size category during the six-month period shows a predominance of micro and small firms (48 and 29 per cent, respectively), followed by medium-sized and large firms (about 15 and 8 per cent, respectively).

Figure 6 displays the preference utilisation for each firm size over the first six months of the free trade agreement. During the first quarter, large firms performed poorer than micro, small and medium-sized firms. Large firms could pick up later, but on average they have a relatively low preference savings rate of 78 per cent compared to smaller firms. On average, our results indicate that medium-sized, small and micro firms utilise the tariff preferences more effectively. Medium-sized firms perform best with an average of 89 per cent, followed by micro firms on 85 per cent and small firms on 82 per cent. The average preference savings rate for limited liability firms is regardless of size is 82 per cent.

Figure 6: Preference savings rates and duty costs by firm size in Swedish imports from the UK, January–June 2021



Source: Swedish Customs, European Commission, UC and own calculations.

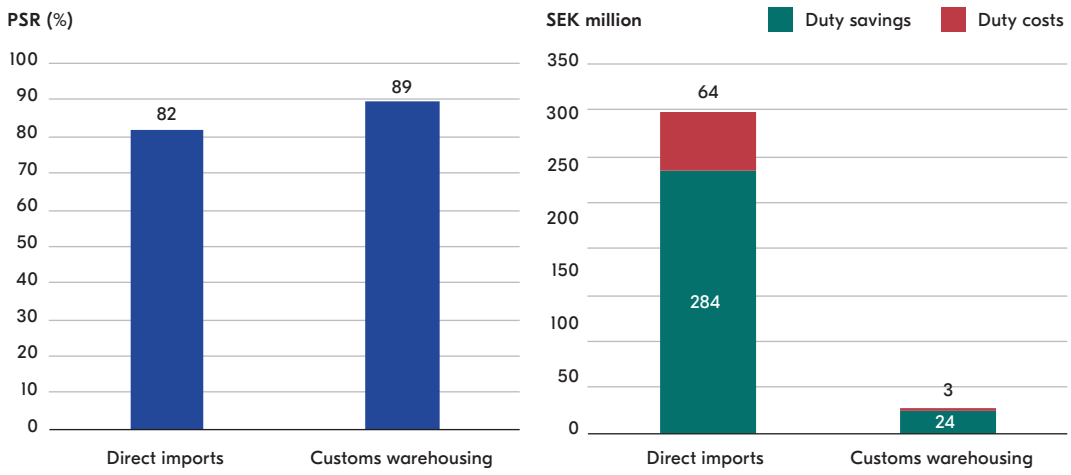
Even though large firms have the lowest preference savings rate, they benefit from the highest duty savings in absolute terms. At the same time, large firms have most to benefit from reducing the duty costs (see Figure 6, right panel). It is often assumed that large firms are better equipped than small firms to handle the costs associated with the utilisation of tariff preferences (Albert and Nilsson 2019). One reason for this is that the fixed costs associated with preference utilisation are less cumbersome for large firms to carry. However, the fact that smaller firms in this analysis—at least from a descriptive point of view—seem to perform better than larger firms is not totally surprising. A previous study from the National Board of Trade Sweden (Kasteng and Tingvall, 2019) showed that there are only minor differences in preference utilisation across micro, small, medium-sized and large firms. One reason for the insignificant difference in preference utilisation across firm sizes may be that the selection into cross-border trade is the decisive threshold. In order words, once firms have overcome the costs of international trade and established trade relations, the cost of utilising tariff preferences may be relatively small.

4.2 Preference utilisation by mode of import

There are two principal modes of import in international trade, direct imports and customs warehousing. In the case of direct imports, the products benefit from duty savings at the border. Customs warehousing, on the other hand, means that imported products are stored under customs supervision in premises authorised by the customs authorities. Products that are under customs supervision will not be subject to import duties or other charges related to the imports during the time that they remain in the customs warehouse. It is not until the item leaves the customs warehouse that the actual import is registered, and the tariff preference might be utilised or not. The delay in paying import duties and taxes might be beneficial to companies in some circumstances. For example, customs warehousing is sometimes used by firms trading in seasonal products or high-value products that are imported infrequently in larger quantities and subsequently sold on in smaller lots (Kasteng and Tingvall, 2019).

A comparison between direct imports and customs warehousing shows that about 93 per cent of all imports take place through direct imports and only about 7 per cent through customs warehousing. The reason for the low level of customs warehousing imports might be due to the products traded, but also to the close proximity to the UK that might make customs warehousing unnecessary if the importers rely on the supply chains. It is also known that a number of firms dedicated to customs warehousing have left the UK and established their operations in the EU following Brexit.

Figure 7: Preference savings rates and duty costs by mode of import in Swedish imports from the UK, January—June 2021



Source: Swedish Customs, European Commission and own calculations.

Figure 7 shows that the duty costs facing direct imports are as high as SEK 64 million and the duty costs of customs warehousing are only SEK 3 million. There is, accordingly, a significant amount of foregone duty saving in direct imports. The preference savings rate in direct imports is 82 per cent (corresponding to the total firm average); the preference savings rate in customs warehousing is slightly higher at 89 per cent, but represents significantly lower import values. About 94 per cent of all firms are active in direct imports and only 6 per cent are active in customs warehousing.

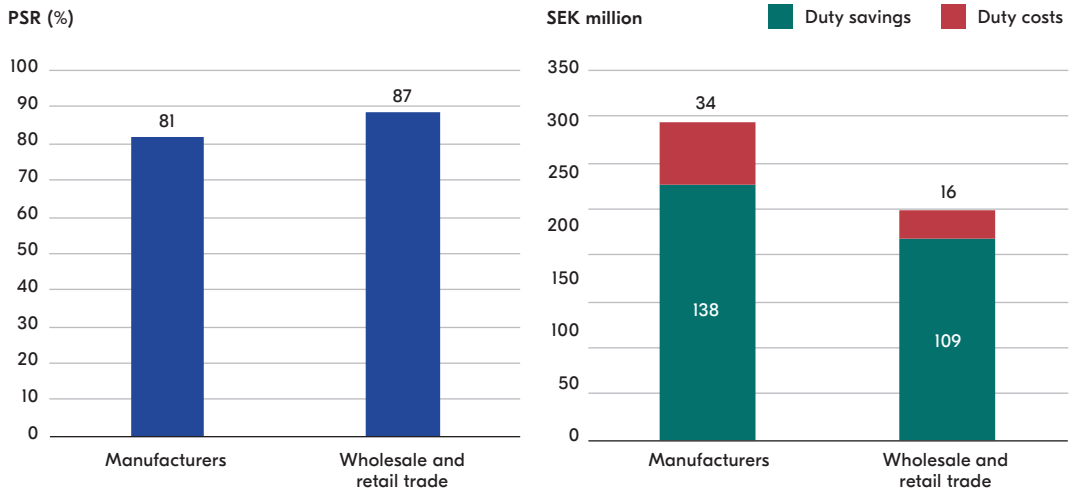
4.3 Preference utilisation by mode of business

There are several categories of firms in international trade that merit further analysis. Two of the most relevant business categories are the manufacturing industry, which might tend to focus on input materials for industrial use, and wholesalers and retailers that might specialise in importing products for consumers and final use. Firms are categorised based on their principal activity. [13]

A comparison between firms active in the manufacturing industry and wholesale and retail traders shows that about 58 per cent of all imports are by manufacturing firms and about 42 per cent take place through firms dedicated to wholesale and retail trade. When it comes to value, there is, accordingly, a slight overweight for the manufacturing industry.

As is apparent from Figure 8, however, the preference savings rate among traders in wholesale and retail trade, at 87 per cent, is slightly higher than the preference savings rate among manufacturers, at 81 per cent. Possibly, the manufacturing of products is more complex and requires additional input materials, something that might make the origin procedures more cumbersome and the preference savings rate slightly lower. Traders might also be more experienced in customs operations given their core activity.

Figure 8: Preference savings rate and duty costs by mode of business in Swedish imports from the UK, January–June 2021



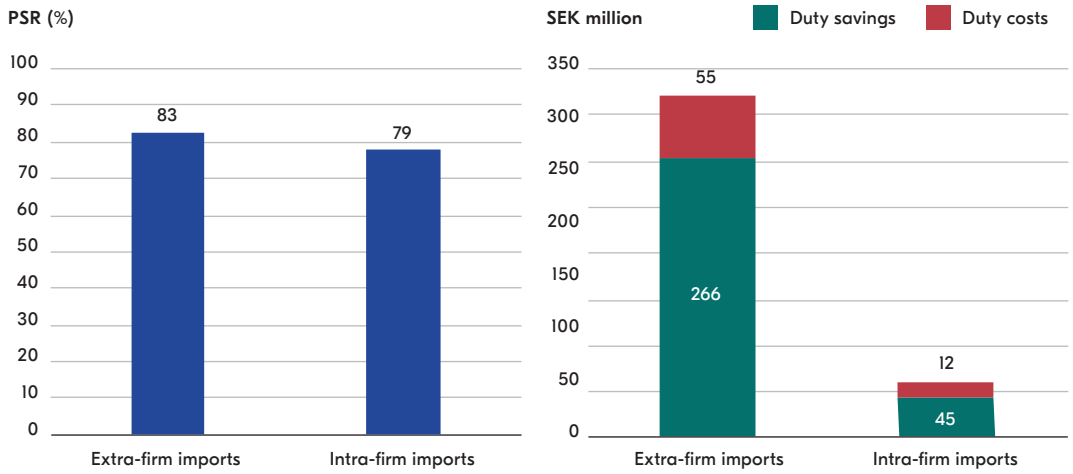
Source: Swedish Customs, European Commission and own calculations.

In line with the above reasoning, it is apparent that the highest duty costs are found in the manufacturing industry (EUR 34 million), about half as much as among traders (EUR 16 million) (see Figure 8, right panel).

4.4 Preference utilisation by intra-firm and extra-firm imports

Another interesting aspect in understanding firm behaviour is the extent to which firms within the same business group utilise the available tariff preferences compared to firms that lack closer affiliation. Our data do not perfectly reveal whether an import transaction takes place within the same business group. However, the dataset contains the names of the importing and exporting firms. By matching firm names, it is possible to create a proxy for firms that are undertaking intra-firm imports. Among the extra-firm transactions, some non-identified intra-firm transactions might remain due to unsuccessful matching or differing names.

Figure 9: Preference savings rates and duty costs in intra-firm and extra-firm imports in Swedish imports from the UK, January–June 2021



Source: Swedish Customs Agency, European Commission and own calculations.

Intra-firm imports constitute about 15 per cent of the total imports in the data. The preference savings rate for intra-firm imports is surprisingly lower than the corresponding number for extra-firm imports (see Figure 9, left panel). Despite the slight difference and the descriptive nature of our analysis, we expected firms sharing names and likely having close business ties to be more apt to utilise tariff preferences in their intra-firm transactions. Why this does not seem to occur is left for further research.

5. The utilisation of tariff preferences by private consumer imports

This chapter provides a descriptive overview of the preference utilisation by private importing consumers during the first six months of the EU-UK TCA at an aggregate level and over time.

According to the underlying data, about 50,000 unique private consumers imported from the United Kingdom during the first six months. This trade is presumably dominated by e-commerce activities. Of these importers, roughly 16,100 individuals engaged in approximately 19,000 preference eligible transactions. The total value of these import trans actions amounted to SEK 59 million. [14]

The number of importing private consumers increased during the first four months of the free trade agreement (by about 2,500 individuals from 8,300 to 10,800). Thereafter the number of private consumers decreased to 8,200 individuals. The six-month average of private consumers importing is above 9,400 individuals (per month).

Figure 10: Preference savings rates and duty costs for private consumers in Swedish imports from the UK, January–June 2021

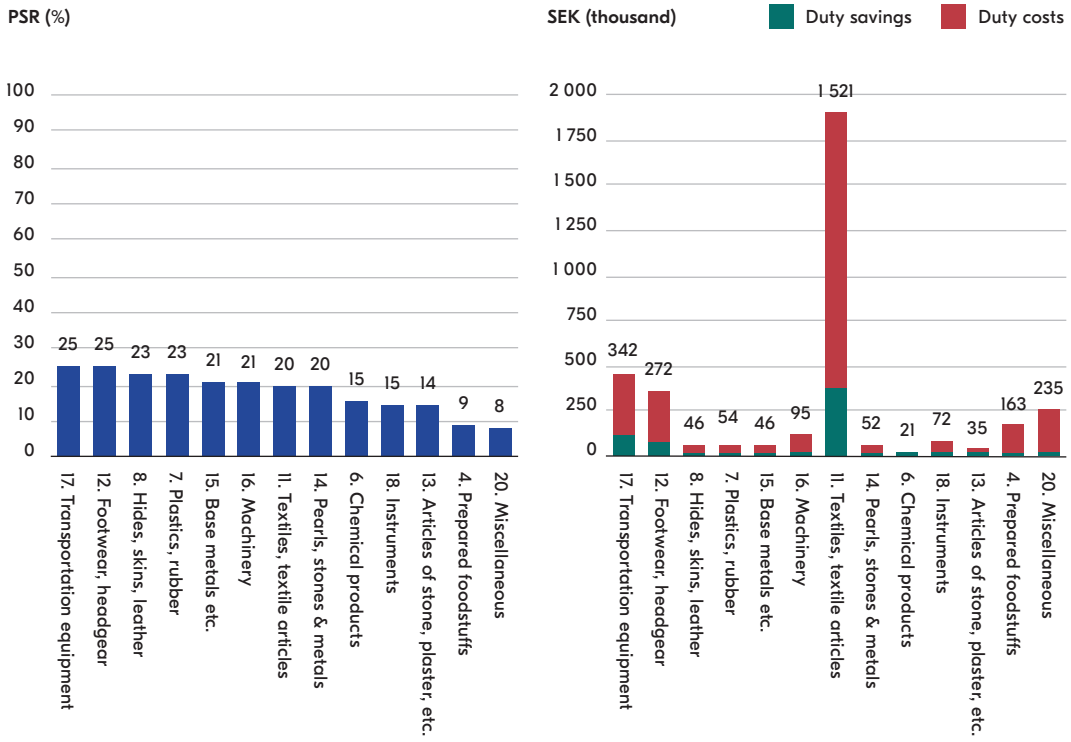
Source: Swedish Customs Agency, European Commission and own calculations.

The average preference savings rate of private consumers during the first six months of the EU-UK TCA was 20 per cent, compared to above 80 per cent for importing firms (see Figure 10). In monetary terms, considering the mean preference eligible import transaction value is 3,100 SEK and the unweighted mean MFN tariff is 6.6 per cent, a back-of-the-envelope calculation suggests that individual consumers pay on average 205 SEK in duties when the tariff preferences are not utilised.

However, these findings do not come as a surprise since free trade agreements are mainly designed for business-to-business relations where importers benefit from repeated import transactions, as well as buying from producing exporters to a higher degree than irregular low-value imports by consumers. Consumers are more likely to buy from intermediaries where the source for the requested origin declaration might be difficult to reach and consequently to include with the import transaction for the particular product.

In addition to the new duties for private consumers when importing from the United Kingdom, consumers must pay a value added tax (VAT). VAT is typically 25 per cent for all goods (except for food products, where it is 12 per cent, and certain printed matter, where it is 6 per cent). In this context, the customs duty might not be the main cost facing consumers in UK imports.

Figure 11: Preference savings rates and duty costs by product level for private consumers in Swedish imports from the UK, January–June 2021



Source: Swedish Customs Agency, European Commission and own calculations.

Note: Section 10 is omitted since the non-preferential/MFN tariffs are zero percent which implies that duty savings are not possible. Other sections (2, 3, 5 and 9) are omitted as too few transactions were covered to draw meaningful conclusions.

At the product level, preference savings rates range between 8 and 25 per cent, with footwear and transport equipment among the highest (see Figure 11). These two product categories are also rather significant due to their import values. Together with textiles, they account for approximately 73 per cent of the duty costs of private consumers. Textiles are likely to be especially susceptible to non-utilisation tariff preferences due to the largely challenging rules of origin, i.e. a specific processing rule. For a detailed overview of duty savings and duty costs by consumers, see the Appendix (Table 2).

6. Conclusions and recommendations

The United Kingdom's withdrawal from the EU's Single Market and the Customs Union has raised the barriers for trade and cross-border exchange. Firms engaged in trade with the United Kingdom have for almost five years been aware of the possible difficulties Brexit would entail. Hence, they are likely to have adapted their business models correspondingly. In order to reduce the impact of Brexit, many of them are likely to have redirected their operations into the EU in order to dodge the tariffs. Therefore, it is difficult to estimate how much import value is forgone due to the more difficult trading environment by using existing data.

Overall, results from the analysis in this report suggest a total preference savings rate for Swedish imports from the United Kingdom of 84 per cent. Despite the short period of time the free trade agreement has been in place, this number is higher than for many other comparable so-called new generation free trade agreements during an equally early stage of implementation. Additionally, the level of preference utilisation seems to have increased quickly over time. During the first six months, a 12-percentage points increase was observed, from 77 per cent to 89 per cent. The preference utilisation of UK exporters was identically high, which provides an indication of the ability of UK exporters to make use of the corresponding rules of origin and related requirements for exports to Sweden.

Importers benefit from duty savings amounting to SEK 483 million. However, when not utilising tariff preferences, duties of SEK 88 million arise which importers did not face before Brexit. In addition to the duty expenses, firms must comply with extra internal and external administration, as well as customs procedures.

Product and sector level outcomes suggest that intermediate goods accounted for 60 per cent of all imports during the first six months. Their preference savings rate was as high as 80 per cent, while consumers and capital goods showed preference savings rates of 78 and 63 per cent, respectively. Interestingly, albeit not surprisingly, passenger motor cars had a preference savings rate of 94 per cent. At an even more product-specific level, the data suggest that the agri-food and chemical sectors have performed well, whereas sectors such as advanced machinery, manufacturing, electronics and textiles have struggled, with relatively low preference savings rates. A probable explanation for these differing results may be the varying levels of complexity of different rules of origin and the values of the individual import transactions. Overall, preference savings rates at sector level are largely in line with previous research by the UK Trade Policy Observatory.

During the first quarter of the free trade agreement, large firms performed poorer than micro, small and medium-sized firms in terms of preference utilisation. They later improved, but on average a relatively low preference savings rate of 78 per cent prevailed. Medium-sized firms managed best with an average preference savings rate of 89 per cent, followed by micro firms with 85 per cent and small firms with 82 per cent. The fact that smaller firms—at least from a descriptive point of view—seem to outperform larger firms is in line with previous research by the National Board of Trade.

Furthermore, the results indicate that imports through customs warehousing have higher preference savings rates than direct imports. Wholesalers, supposedly experts in trading, present an only slightly higher preference savings rate than industrial users in the manufacturing industry. Somewhat surprisingly, the results suggest that firms making trans actions within the same business group have a slightly lower preference utilisation than those making extra-firm transactions. These three descriptive findings encourage further research.

A novel feature of this report is the analysis of private importing consumers utilising available tariff preferences, likely in e-commerce. The average preference savings rate of private consumers is only 20 per cent. In monetary terms, this implies that an individual consumer pays on average 205 SEK in duties per transaction when the tariff preferences are not utilised. On the one hand, private importers make up a relatively small share of the total imports. However, a new reality and administrative burden is evolving for numerous consumers.

Nevertheless, to conclude, this report finds that the average preference savings rate of the EU-UK TCA is relatively high. A larger share of firms is likely to be aware of this free trade agreement since they previously benefitted from tariff-free trade, something that may contribute to explain the high level of preference utilisation. Whether to view these early-stage results as a success is to some extent an open question. However, solely comparing the utilisation rates with those of other agreements may be misleading. Firstly, the new trade relations between the EU and the United Kingdom require more efforts from both firms and consumers compared to before 2021.The initial high preference utilisation may partly be due to intensive information campaigns on the consequences of Brexit that presumably reached firms to a larger extent than information about other free trade agreements. A second important feature is that the preference tariffs were set to zero from the start, which gave importers larger incentives to use the free trade agreement from day one. Thirdly, it is important to consider technical aspects, such as the one-year grace period for exporters to issue a statement of origin without having a supplier's declaration available at the time. Given the above, it may be intuitive that the ambition to use this free trade agreement should be higher than for other free trade agreements.

The initial descriptive results and trends described in this report should be seen as an indication of the state of play of the free trade agreement during its first six months. They also provide a foundation for further, more detailed research. Overall, the EU-UK TCA has had a promising start for Swedish importers (and for UK exporters to Sweden) currently participating in trade. The utilisation of tariff preferences is likely to increase further over time due to learning as more companies and private consumers start to make use of the available duty savings. In order to improve the utilisation of the tariff preferences further, the free trade agreement must be revisited on a regular basis and recommendations of different aspects should be considered by negotiators and policymakers to facilitate the highest possible use of the free trade agreement by firms and consumers alike.

Policy recommendations

- Information initiatives and campaigns should be directed towards importers in Sweden and the UK. This is particularly important since importers tend to be the drivers of the utilisation of tariff preferences, and they also tend to be less informed about available free trade agreements than exporters.
- Target and support firms importing from the UK today in order to prevent them from stopping use of the free trade agreement due to difficulties experienced. Firms in sectors with low preference utilisation might possibly learn from the other sectors, such as the car industry, with high utilisation of tariff preferences.
- Focus on products under specific origin quotas or under transitional rules, since preliminary results indicate that batteries for vehicles might need to be particularly considered as the preference savings rate is considerably low. These products should be monitored on a continuous basis, considering the possibility of reforming the corresponding rules of origin.

- Make use of intermediaries to a higher extent. The role of customs brokers merits a particular focus in efforts to increase the utilisation of tariff preferences in this new free trade agreement. It is important to understand customs brokers' knowledge and role, as well as how they might contribute to improve their clients' preference utilisation.
- Make particular use of the EU-UK TCA as a gateway for firms to use other EU free trade agreements as well. For many firms, this free trade agreement might be their first experience with tariff preferences and free trade agreements.
- Increase the use of the free trade agreement among private importing consumers with focused campaigns directed towards e-commerce customers which highlights the possibility of claiming tariff preferences at imports, possibly with a particular focus on consumer import products, such as textiles. The EU-UK TCA might be used as a free trade agreement pilot to facilitate the use of tariff preferences in private consumer imports, possibly through simpler rules of origin requirements for private consumers, such as initiatives to facilitate for exporters to include a statement on origin on the invoice in a proactive way.

Research recommendations

- Identify the reasons for the high duty costs for large firms, manufacturing firms, firms importing intermediate and capital goods, firms making intra-firm imports and firms making use of direct imports at a more detailed and product-specific level, and analyse the possible relation to cumbersome rules of origin. Initiatives to contact importers are encouraged to better understand the business reality.
- Identify the main difficulties in utilising tariff preferences for machinery, transportation equipment, plastics and rubber, chemical products and textiles on a product-specific level, and analyse the possible relation to cumbersome rules of origin. Initiatives to contact importers are encouraged to better understand the business reality.
- Analyse the effects of the one-year grace period for exporters (i.e. the possibility of issuing a statement of origin without having a supplier's declaration after about one year) to identify its effects on the level of preference utilisation for different product sectors and firms with different characteristics.
- Identify the common denominator for private consumers' imports utilising the tariff preferences (for example, on which products and at which values), with a particular focus on how they and/or their suppliers comply with the rules of origin and related administration.

Executive Summary in Swedish

EU:s frihandelsavtal med Storbritannien, handels- och samarbetsavtalet mellan EU och Storbritannien (”Trade and Cooperation Agreement”, TCA), är det mest omfattande frihandelsavtal som EU någonsin har förhandlat fram. Till skillnad från andra frihandelsavtal kan detta avtal dock ses som ett ”omvänt” sådant. Istället för att öka integrationen innebär den nya handelsrelationen mellan EU och Storbritannien ett steg bakåt med avseende på den tidigare situationen då landet tillhörde EU:s inre marknad. Nu erfordras större ansträngningar från både företag och konsumenter för att fortsatt kunna importera tullfritt.

Syftet med denna rapport är att ge en deskriptiv översikt av svenska importörers användande av tullförmåner i frihandelsavtalet mellan EU och Storbritannien under de första sex månaderna, januari-juli 2021. Analysen baseras på företags- och transaktionsdata. Förutom att analysera preferensutnyttjandet baserat på företagsstorlek och produkter, introducerar rapporten även nya företags- och produktklassificeringar som är relevanta för att förstå preferensutnyttjandet. Rapporten presenterar också, så vitt är känt, den första analysen av privata konsumenters utnyttjande av frihandelsavtal.

Resultaten från analysen visar på ett totalt preferensutnyttjande för svensk import från Storbritannien på 84 procent. Trots den korta tid som frihandelsavtalet har varit i kraft är denna nivå högre än för många andra frihandelsavtal under ett lika tidigt skede. Dessutom ökar nivån på preferensutnyttjandet över tiden med 12 procentenheter, från 77 procent till 89 procent. På motsvarande sätt är preferensutnyttjandet för brittiska exportörer på samma nivå, då svensk import från Storbritannien är identisk med Storbritanniens export till Sverige. Detta ger en indikation på brittiska exportörers förmåga att använda sig av befintliga ursprungsregler och krav för export till Sverige.

Preferensutnyttjandegraden för insatsvaror är 80 procent, medan konsumentvaror och kapitalvaror visar ett preferensutnyttjande på 78 respektive 63 procent. Intressant, om än inte överraskande, har importörer av personbilar en nyttjandegrad på 94 procent. På en ännu mer produktspecifik nivå tyder uppgifterna på att jordbruksprodukter och livsmedel samt kemikalier presterar bra, medan maskin-, tillverknings-, elektronikindustri samt textilier kännetecknas av relativt låga tullbesparingar. Den varierande komplexiteten på olika ursprungsregler samt värdet på de olika importtransaktionerna kan vara troliga förklaringar.

Under frihandelsavtalets första kvartal hade stora företag sämre preferensutnyttjande än mikro-, små- och medelstora företag. Denna nivå förbättrades dock senare, men karaktäriserades i genomsnitt av ett relativt lågt preferensutnyttjande på 78 procent. Medelstora företag klarar sig bäst med ett genomsnittligt preferensutnyttjade på 89 procent, följt av mikroföretag med 85 procent och små företag med 82 procent.

Resultaten visar även på att import genom tullager har högre preferensutnyttjande än direktimport. Grossister, som ofta anses vara experter på handel, uppvisar endast ett något högre preferensutnyttjande än företag inom tillverkningsindustrin. Något överraskande tyder resultaten på att företag som gör importtransaktioner inom samma koncern har ett något lägre preferensutnyttjande än de som gör importtransaktioner utanför koncernen.

Ett nytt inslag i denna rapport är analysen av privatimporterande konsumenter som använder tillgängliga tullpreferenser, troligen främst inom e-handel. Det genomsnittliga preferensutnyttjandet för privata konsumenter är bara 20 procent. I kronor räknat innebär det att en enskild konsument i genomsnitt betalar 205 SEK i tull per transaktion när

tullförmånerna inte utnyttjas. Dock utgör privata importörer endast en mycket liten andel av den totala importen. Men samtidigt innebär den nya handelsrelationen med Storbritannien märkbart ökade kostnader vid import för privatimportörer.

Den här rapporten konstaterar att det genomsnittliga preferensutnyttjandet i frihandelsavtalet mellan EU och Storbritannien är relativt högt. En större andel företag är sannolikt medvetna om detta frihandelsavtal eftersom de tidigare gynnats av tullfri handel, något som kan bidra till att förklara det höga preferensutnyttjandet. Om man ska se dessa tidiga resultat som en framgång är till viss del en öppen fråga. Att enbart jämföra utnyttjandegraden med andra frihandelsavtal kan dock vara missvisande. För det första kräver den nya handelsrelationen mellan EU och Storbritannien mer ansträngningar för både företag och konsumenter jämfört med före 2021. Det initialt höga preferensutnyttjandet kan delvis bero på de stora informationskampanjerna om konsekvenserna av brexit som förmodligen nått ut till företag i en större omfattning jämfört med information om andra frihandelsavtal. En annan trolig orsak till det höga preferensutnyttjandet är att förmånstullarna sattes till noll redan från början, vilket ger importörer större incitament att använda frihandelsavtalet från dag ett. För det tredje är det också viktigt att överväga tekniska aspekter, såsom den årslånga fristen för exportörer att utfärda en ursprungsförsäkran utan att ha en leverantörsdeklaration tillgänglig vid exporttillfället. Givet detta bör och ska ambitionen för detta frihandelsavtal vara högre än för andra frihandelsavtal.

De preliminära resultaten i denna rapport kan ses som en lägesbild över frihandelsavtalet under dess första sex månader. Dessa kan även ligga till grund för ytterligare och mer detaljerad forskning. Sammantaget har frihandelsavtalet mellan EU och Storbritannien haft en lovande start för svenska importörer (och tillika för brittiska exportörer till Sverige) som valt att handla med Storbritannien. Utnyttjandet av tullförmånerna kommer sannolikt att öka ytterligare med tiden på grund av lärandeeffekter när fler företag och privata konsumenter börjar efterfråga de tillgängliga tullbesparingarna. För att ytterligare förbättra utnyttjandet av tullförmånerna av företag och konsumenter bör frihandelsavtalet regelbundet analyseras och rekommendationer av olika slag beaktas av såväl förhandlare som beslutsfattare.

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Appendix

Table 1: Duty savings and duty costs by product section for all imports

HS sections	Duty savings (M SEK)	Duty costs (M SEK)
2. Vegetable products	4.9	0.2
3. Animal or vegtable fats	10	0.1
4. Prepared foodstuffs	28	3.5
5. Mineral products	1.6	0.3
6. Chemical products	41	11
7. Plastics. rubber	52	14
8. Hides, Skins, leather	0.3	0.4
9. Wood. wood products	1.8	0.1
11. Textiles. textile articles	10	7.0
12. Footwear	0.6	0.8
13. Articles of stone. plaster etc.	4.9	2.1
14. Pearls, stones and metals	0.3	0.3
15. Base metals etc.	29	3.3
16. Machinery	34	22
17. Transportation equipment	259	20
18. Instruments	1.5	1.1
20. Miscellaneous	2.6	1.4

Source: Swedish Customs Agency, European Commission and own calculations.
Note: Sections excluded were either MFN zero sections or had too few transactions to make meaningful calculations.

Table 2: Duty savings and duty costs by product section for private imports

HS sections	Duty savings (SEK)	Duty costs (SEK)
4. Prepared foodstuffs	16,524	163,115
6. Chemical products	3,748	21,184
7. Plastics, rubber	13,518	45,578
8. Hides, skins, leather	15,777	54,330
11. Textiles, textile articles	381,104	1,521,139
12. Footwear	88,631	271,894
13. Articles of stone, plaster, etc.	5,601	34,983
14. Pearls, stones and metals	12,964	52,074
15. Base metals, etc.	12,676	46,413
16. Machinery	24,436	94,529
17. Transportation equipment	116,688	342,135
18. Instruments	12,311	71,827
20. Miscellaneous	19,679	235,043

Source: Swedish Customs Agency, European Commission and own calculations.
Note: Sections excluded were either MFN zero sections or had too few transactions to make meaningful calculations.

Footnotes

1 SNI is a statistical standard for industry classification based on the EU's recommended standards, NACE Rev.2. For a more comprehensive description, see SCB (2021).

2 For a more detailed review of the EU's definition of company size, see European Commission (2003).

3 The traditionally used measure, the preference utilization rate (PUR) omits the size of the tariff and/or preference margin which differs among products and only considers the value of preferential imports as a share of all preference eligible imports. In other words, the preference utilisation rate implicitly considers tariffs on all products to be the same. Normally, the preference savings rate and the preference utilisation rate differ by some percentage points (to the lower).

4 The BEC are based on the fourth revision from the United Nations Statistics Division. For a more comprehensive description, see UNSD (2003).

5 The turnover, or balance sheet total, are converted/translated into Swedish krona (SEK) using the six-month average exchange rate: EUR 1 = 10.1389 SEK. However, in the firm size box, turnover and balance sheet total are rounded up to EUR 1 = 10 SEK for clarity reasons.

6 The preference utilisation rate, which only considers the import value and not the preference margin, is for the same time-period equal to 80 per cent in our sample.

7 The preference savings rates for the separate importer categories are 82 per cent for limited liability firms, 96 per cent for firms with foreign affiliations, 82 per cent for other Swedish firms ("enskild firma", "handelsbolag" and "kommanditbolag"), 20 per cent for private consumers and 20 per cent for public organisations.

8 The preference utilisation rate for imports to the EU in other comparable free trade agreements, the so-called new generation of free trade agreements, during the first year of implementation was 71 per cent for Korea (2011), 52 per cent for Canada (2018), 38 per cent for Japan (2019) and 64 per cent for Vietnam (2020).

9 The situation is, accordingly, the opposite compared to other free trade agreements. The EU-UK TCA is from analytical point of view an 'inverted' free trade agreement where the tariff levels do not improve with the free trade agreement compared to the situation before the free trade agreement (even though it is more beneficial to use the free trade agreement that not to use it).

10 In addition to passenger motor cars, also motor spirit, "goods specified elsewhere", postal packages and special transactions and commodities are included in the group referred to as "other goods".

11 Section 10 is omitted from the analysis since the non-preferential/MFN tariffs are zero per cent, which implies that that it is not possible to utilise tariff preferences. Sections 1 and 19 are excluded since they comprised too few import transactions to provide meaningful observations.

12 Tuna has been excluded from the analysis since the number of import transactions from the UK to Sweden was too low to allow a meaningful analysis.

13 The categories are based on the Swedish industry classification SNI2007. SNI is a statistical standard for industry classification based on the EU's recommended standards, NACE Rev.2. For a more comprehensive description, see SCB (2021).

14 This number does not include private consumers that make low-value transactions (below SEK 1,600) and claim the tariff reduction. These import transactions are not included as they are not eligible for tariff preferences since they benefit from another tariff scheme.

15 VAT is calculated on the purchase price, shipping cost and customs fee (Swedish Customs, 2021).

The National Board of Trade Sweden is the government agency for international trade, the EU internal market and trade policy. Our mission is to facilitate free and open trade with transparent rules as well as free movement in the EU internal market.

Our goal is a well-functioning internal market, an external EU trade policy based on free trade and an open and strong multilateral trading system.

We provide the Swedish Government with analysis, reports and policy recommendations. We also participate in international meetings and negotiations.

The National Board of Trade, via SOLVIT, helps businesses and citizens encountering obstacles to free movement. We also host several networks with business organisations and authorities which aims to facilitate trade.

As an expert agency in trade policy issues, we also provide assistance to developing countries through trade-related development cooperation. One example is Open Trade Gate Sweden, a one-stop information centre assisting exporters from developing countries in their trade with Sweden and the EU.

Our analysis and reports aim to increase the knowledge on the importance of trade for the international economy and for the global sustainable development. Publications issued by the National Board of Trade only reflects the views of the Board.

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