



SVENSKT NÄRINGSLIV
SWEDISH ENTERPRISE



A compass for EU trade policy

OPENNESS AND ASSERTIVENESS IN CHALLENGING TIMES
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Executive summary

The EU's economic model, based on trade among its member states and with the rest of the world, has made the EU prosperous.

In a rapidly changing and challenging world, the European Union (EU) is seeking to strengthen its competitiveness. The EU's economic model, based on trade among its member states and with the rest of the world, has made the EU prosperous. However, new economic security risks have emerged due to geopolitical tensions, technological development, climate change, the pandemic and Russia's war in Ukraine. The sustainability agenda also impacts trade policy to an even greater extent today. European companies contribute to the green transition and social sustainability, and without trade, the EU cannot deliver on its sustainability goals.

Trade policy should create market access and transparent and predictable rules for companies to buy, sell, and invest across borders.

These risks and challenges highlight the need for a trade policy that maintains openness while managing security and sustainability concerns. The new European Commission 2024–2029, with a Commissioner for Trade and Economic Security in particular, must minimise risks and preserve openness to trade and investment. Trade policy should create market access and transparent and predictable rules for companies to buy, sell, and invest across borders. This enables trade to contribute to competitiveness, sustainable growth and economic development.

The Confederation of Swedish Enterprise proposes the following goals for EU trade policy:

1. **Increase and preserve market access** by developing multilateral trade rules, negotiating free trade agreements, reducing regulatory divergence, and ensuring open trade in goods and services. *This is “traditional trade policy” that is still needed to ensure European firms can benefit from all the opportunities offered by global markets. Without it, Europe cannot prosper.*
2. **Address risks and distortions** while remaining open by exploring partnerships, managing security risks while keeping investment flows open, addressing distortive subsidies, and defending the EU against economic discrimination. *This is part of the new economic security paradigm in Europe, in which a combination of positive incentives and assertive measures are applied to make the world safe for EU businesses to trade.*
3. **Promote trade for sustainable development** by ensuring trade and the green transition are mutually supportive and that supply chain requirements are clear and work in practice. *This is primarily part of the green transition as the EU takes steps to transform its economy towards a more sustainable economic model, a transformation that must be led by business.*

Introduction

In a rapidly changing world, with an array of new challenges, the EU is looking at ways to lift its relative weak growth and strengthen its competitiveness. External trade must be an essential element of these efforts.

In recent years new economic security risks have emerged as a result of geopolitical tensions, rapid technological development, climate change, and shocks such as the covid pandemic and Russia's war in Ukraine. Add to that an uncertain political outlook for our main trading partner, the US, and overdependence on many products from a small number of countries, notably China. As a result, security policy increasingly affects the trading environment, and questions have been raised concerning the benefits and risks of openness to trade.

Contrary to what can sometimes be heard, the EU will not make itself secure by closing its economy to the world. Security requires economic strength and that is derived from being open, whilst at the same time being vigilant and assertive. Openness is not synonymous with being naive, as is sometimes argued. Rather, openness to trade is about being realistic: it is, and must remain, one of the cornerstones of the EU. However, since the geopolitical environment has drastically changed in recent years, trade policy must be adjusted to face a new reality. This cannot mean that we should abandon our open trade policy. If we did, we would be abandoning any chance of greater competitiveness.

The European economic model has grown successfully over the decades – a model that is based on exports to markets all over the globe. A quarter of everything produced in the EU is sold in third markets as exports¹. Imports of raw materials, components, finished goods and services are just as important. The trade/GDP ratio in the EU is around 45 per cent, much higher than other large economies. In fact, the EU is still the world's largest trader, ahead of the US and China, with a 16 per cent share of global trade in goods and services, or more than 7,500 billion euros, and a large trade surplus². Openness to foreign direct investment (FDI), in and out of the EU, is also crucial. Inward and outbound FDI accounts for 71 per cent and 81 per cent of EU GDP respectively³. International trade also requires the mobility of people, capital and data. All this creates a competitive market economy, which in turn drives productivity and ultimately prosperity. The European model is intrinsically linked to trade with other countries around the world. Our social and economic

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The EU is still the world's largest trader.

¹ Europeiska unionen och dess handelspartner | Faktablad om Europeiska unionen | Europaparlamentet

² Eurostat: World trade in goods and services – an overview – Statistics Explained.

³ Statista EU FDI stocks as a percentage of GDP 2022 | Statista

model cannot be sustained without it. Therefore, the objective of trade policy must be to create market access for companies to buy, sell, and invest across borders without unnecessary obstacles.

The sustainability agenda, just like the security agenda, increasingly affects trade and trade policy. European companies should and want to contribute to the green transition and to social sustainability, but this requires well-functioning regulations that support both trade and sustainability. Without trade, the EU cannot deliver on its sustainability goals. Trade is a necessary instrument to drive the green transition in Europe and globally.

The European Commission 2024–2029, with a Commissioner for Trade and Economic Security, has a responsibility to combine minimising risks and preserving openness to trade and investment. Companies need transparent and predictable trade rules to operate on international markets. This enables trade to contribute to sustainable growth, economic development and strength.

The Confederation of Swedish Enterprise, the main business organisation in Sweden that brings together well-known global multinationals and SMEs, wishes to make proposals on what we believe the EU should do in the coming years to develop its trade policy to build a more competitive, sustainable and secure Europe. In the following pages we summarise our view on how these goals can be achieved:

1. Increase and preserve market access

- Continue developing multilateral trade rules
- Negotiate, conclude and implement free trade agreements
- Reduce regulatory divergence
- Ensure open trade in goods and services

2. Address risks, distortions and aggression whilst remaining open

- Defend the EU against economic discrimination
- Address the issue of distortive subsidies
- Develop and explore opportunities for partnerships
- Manage risks while keeping investment flows open

3. Trade for sustainable development

- Ensure that trade and the green transition are mutually supportive
- Assure that supply chain requirements are clear and work in practice

Trade is a necessary instrument to drive the green transition in Europe and globally.

Companies need transparent and predictable trade rules to operate on international markets.

1. Increase and preserve market access

Market access, for goods, services and investment, is still a key concern for business. This is becoming increasingly important in a world where 85 per cent of economic growth happens outside the EU, and in the developing world in particular. For example, in the coming years projected growth in Thailand is expected to be double that of the EU, in Indonesia and Argentina more than three times that of the EU and in India and the Philippines more than four times that of the EU.⁴ Failing to take part in these countries' growth journeys is a huge missed opportunity, which is why we need to liberalise trade, including entering into FTAs with such countries. Increased market access and stable and predictable rules are crucial for European companies to be able to develop, compete and grow, and for the EU to become more resilient and competitive.

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85 per cent of economic growth happens outside the EU.

1.1 Continue developing multilateral trade rules

In order to maintain and create common trade rules in an increasingly geopolitical world where protectionism is on the rise, a well-functioning World Trade Organization (WTO) remains crucial. WTO members must continue developing multilateral trade rules. In today's increasingly challenging trade environment, the EU must always support the WTO's norm-setting role. Unfortunately, achieving consensus in an organisation where members have such divergent interests has proven to be very difficult. Although multilateral solutions are desirable, the option for those who wish to proceed without others in plurilateral agreements should be used. We have the following priorities when it comes to the WTO:

A well-functioning World Trade Organization (WTO) remains crucial.

- The dispute settlement system must be reformed and reactivated to more effectively ensure that members fulfil their commitments. It must not become unacceptably watered down.
- Members should make greater use of the WTO's deliberative function, including improved information sharing about domestic measures and their impacts on trade, e.g. industrial and environmental policies, including subsidies. We fully support the talks on trade and industrial policy.

WTO dispute settlement system must be reformed and reactivated to more effectively ensure that members fulfil their commitments.

⁴ IMF: World Economic Outlook, October 2024: Policy Pivot, Rising Threats. IMF (2024)

The plurilateral e-commerce agreement must enter into force as soon as possible, covering as many members as possible.

A close dialogue and engagement between the WTO and the business community is important.

- The plurilateral e-commerce agreement must enter into force as soon as possible, covering as many members as possible.
- Tariffs on electronic transfers must be banned on a permanent basis.
- Discussions on how the WTO can further facilitate trade in services should continue.
- The plurilateral agreement on investment facilitation for development should be integrated into the WTO architecture as soon as possible.
- Discussions on how to facilitate trade in environmental goods and services should continue.
- It is also crucial that existing multilateral rules are not weakened, such as the TRIPS rules on intellectual property.
- A closer and more structured dialogue and engagement between the WTO and the business community.

1.2 Negotiate, conclude and implement free trade agreements

In recent years, it has become increasingly difficult to negotiate, conclude and implement free trade agreements (FTAs). FTAs are vitally important because they provide opportunities to go beyond WTO rules in various areas. They also prevent new trade barriers and create predictability for businesses, for example by upholding intellectual property rights and keeping procurement markets open, as well as providing a forum to discuss and resolve regulatory divergences. In addition, trade agreements are an important component in making supply chains more resilient and thus contribute to the EU's economic security.

We give our full support to the European Commission to speed up the FTA agenda.

We therefore give our full support to the European Commission to continue and, where possible, speed up the FTA-agenda. The EU's trade agreements increase trade between the EU and its partners by 48 per cent on average⁵. Ideally, FTAs should be both broad, i.e. covering as many sectors as possible, and deep, i.e. go beyond trade barriers at the border. Broad agreements have the greatest effect. However, such ambitious agreements can be difficult in today's political context, and therefore ambitions must be adjusted to what is possible to achieve. To conclude new FTAs, the ambitions of the EU must be better tailored to our trading partners. Agreements should first and foremost focus on long-term competitiveness and the main objective should be market access. They must also support sustainability but should generally do so with carrots rather than sticks. Agreements should be appropriately legally limited to ensure approval by the European Parliament and the Council, without having to pass all national parliaments.

Trade agreements are an important component in making supply chains more resilient and thus contribute to the EU's economic security.

⁵ The National Board of Trade Sweden (2019), The trade effects of EU regional trade agreements – evidence and strategic choices

Agreements must also be implemented in an ambitious manner. This requires sufficient information being provided for companies and good communication between relevant authorities and companies. To facilitate maximum preference utilization of the FTAs, the process to prove origin of products should be simplified and digitized. The rules should allow for extensive cumulation.

We want the EU to focus on completing ongoing negotiations and ensuring that agreements enter into force as soon as possible. The FTA with the Mercosur countries is first in line, but negotiations with Australia, India, Indonesia, the Philippines and Thailand should also move ahead at pace. We also believe that the EU should follow in the UK's footsteps and explore the possibility of joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) to improve trade opportunities with countries that are parties to the agreement. If new opportunities to negotiate or update FTAs emerge, the EU should pursue them. In particular, the EU-UK Trade and Cooperation Agreement should be updated.

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1.3 Reduce regulatory divergence

Many trade barriers are of a regulatory nature. These may be technical requirements in regulations, standards or processes to show that the requirements are met. Although they usually serve a legitimate purpose, e.g. protection of health or the environment, there is a risk that rules, intentionally or unintentionally, create trade barriers. Rules are also sometimes implemented and controlled in an uncoordinated, slow and contradictory manner by different authorities. All such bureaucracy causes problems for companies, regardless of whether they are domestic or foreign. The biggest problem from a trade perspective is often that rules differ between countries. Companies must prove that they meet the same kind of requirements many times with various tests, certificates and registration of data.

We believe that the EU should vigorously pursue measures that limit technical barriers to trade and lead to increased regulatory convergence and harmonisation.

We believe that the EU should vigorously pursue measures that limit technical barriers to trade and lead to increased regulatory convergence and harmonisation, through steps such as dialogue on rules, FTAs or mutual recognition agreements (MRAs). Even seemingly narrow technical agreements can have positive economic effects that should not be underestimated. In particular, we want an MRA on conformity assessment for industrial products, covering machinery and electrical equipment, between the EU and the US as soon as possible. That would be a win-win for the transatlantic trade relationship – an agreement covering these sectors has the potential to reduce trade costs by between 2 and 6 per cent, thereby increasing bilateral trade by up to US\$ 75 billion⁶. Similar agreements to remove technical barriers to trade with trusted trading partners should be considered. Such agreements can have a particularly significant impact in large volume sectors.

We want an MRA on conformity assessment for industrial products, covering machinery and electrical equipment, between the EU and the US as soon as possible.

⁶ European Centre For International Political Economy (2024), Calling on the EU-US Trade and Technology Council: How to Deliver for the Planet and the Economy |

Standards are important tools for harmonisation and should be developed in an open manner with all stakeholders welcome to the negotiating table.

Standards are important tools for harmonisation and should be developed in an open manner with all stakeholders welcome to the negotiating table. Industry experts should have influence and be included in the process. Global standards provide access to the world market. Therefore, we believe that global standards should always be the first-choice option also when developing harmonised European standards that can be used as voluntary tools to show compliance with EU legislation. To avoid standards being viewed as legislation, it is crucial that there is a clear distinction between mandatory regulation and voluntary standards.

1.4 Ensure open trade in goods and services

1.4.1 Trade in goods

Many firms, especially SMEs, view customs procedures as the most cumbersome and costly aspect of doing international business⁷. Tariffs are still seen as a problem for many companies. In addition, technical barriers to trade in the form of unjustified or unharmonised technical regulations, standards, and conformity assessment procedures also create unnecessary obstacles.

When it comes to tariffs and other border measures, such as export restrictions and quotas, developments are going in the wrong direction⁸. Tariffs have not been reduced in the WTO for many years, fewer FTAs are being concluded by the EU, and some countries are increasingly using tariffs as a trade policy tool as they pursue unilateral policies to manage trade. There is a considerable risk that this situation could spiral out of control, with massive tit-for-tat tariffs hikes across the globe.

We believe that the aim should be to remove all tariffs as they increase costs and distort markets.

In principle, we believe that the aim should be to remove all tariffs as they increase costs and distort markets. It is important that the EU works with third countries to eliminate tariffs and avoid new tariffs being imposed. Furthermore, the EU should unilaterally reduce tariffs where appropriate. The Generalized System of Preferences (GSP) should be continued to allow tariff-free imports from developing countries. Tariffs on vital imports should also be eliminated, both with tariff suspensions on a case-by-case basis and potentially also more systematically to allow EU firms access. We also believe that more simplification and digitisation to facilitate trade and customs procedures is required. The ongoing reform of the Union Customs Code (UCC) is set to have an important role in the implementation of trade facilitation measures.

Quotas, like all forms of managed trade, are in principle more distortive than tariffs.

Quotas are sometimes used as remedies in conflicts. Nevertheless, quotas, like all forms of managed trade, are in principle more distortive than tariffs. They can have major negative effects for individual companies as well as for the efficiency of the economy as a whole as they undermine the normal demand and supply logic in the marketplace. The same goes for price undertakings.

⁷ According to our survey from 2023, about a third of Swedish companies consider that high customs duties and/or complicated administration of customs rules are a problem for their international trade.

⁸ Global Trade Alert (2024), New Interventions per year, Global Trade Alert

Export restrictions are very negative as they prevent companies from importing products they want to buy and hence damage supply chains. Unfortunately, such restrictions are becoming more common. We believe that export restrictions, except in cases where they concern military goods or sensitive dual-use technology, must be countered. The EU should pursue FTAs and plurilateral agreements in which countries bind themselves to refrain from using export restrictions.

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1.4.2 Trade in services

Technological development, especially digitalisation, has driven rapid growth in trade in services in recent decades. Trade in services is today growing faster than trade in goods. Trade in commercial services grew strongly between 2019 and 2024, with more than a 20 per cent increase in US dollar value⁹. Despite this, some countries focus almost exclusively on trade in goods, which is unfortunate as services trade has great potential to continue growing and contribute to economic growth.

Unfortunately, trade in services is surrounded by a large number of rules and obstacles. These include direct trade barriers, including in the form of quantitative restrictions on the number of suppliers in a certain sector, and other rules that do not directly exclude foreign service providers but make it difficult to set up a local presence or deliver services. Increased market access and common rules on trade in services between countries are therefore important. The WTO plurilateral agreement on domestic regulations is beneficial in this regard.

Increased market access and common rules on trade in services are therefore important.

The EU FTAs should cover as many service sectors and as many modes of supply as possible. Commitments to openness are particularly important in “newer” sectors, such as environmental services. To facilitate the temporary mobility of people for work and to ensure seamless travel, the EU should ensure that FTAs with third countries include as many sectors as possible and thus guarantee market access. This includes prohibition of quotas and labour market testing. The EU should cooperate with other countries to recognise academic degrees and professional qualifications of the parties’ citizens.

1.4.3 Digital trade and data

The increasing digitalisation of the economy is having a huge impact on businesses and consumers worldwide. A significant trend in the global policy landscape is the rise in domestic regulations on digital services and data, often for security reasons, resulting in greater regulatory fragmentation. Despite the rapid growth of digital trade, there are currently no multilateral rules governing digital trade and data.

The EU has been active in regulating data and the digital economy in recent years. Impact assessments of some of these regulations have been inadequate, by among other things neglecting regulations’ effects on trade and trade policy. In future, appropriate impact assessments – analysing the effects on EU trade and investment – should always precede any proposals.

⁹ World Trade Organization (2024), trade_outlook24_e.pdf

The EU should pursue negotiations for digital partnerships and include ambitious provisions on digital trade in FTAs.

We fully support the plurilateral e-commerce agreement within the WTO. The agreement should be implemented as soon as possible by as many countries as possible. It is very positive that the deal includes a provision to permanently ban customs duties on electronic transmissions, without which digital trade would be seriously impeded. Provisions on data flows and data localisation are unfortunately not included in the agreement. These issues should be dealt with within the WTO in the near future.

We also believe that the EU should pursue negotiations for digital partnerships and include ambitious provisions on digital trade in FTAs. These could include provisions on digital trade facilitation (including paperless trading and electronic contracts), source code, data flows, and prohibition against data localisation. Ambitious provisions are important to ensure that data can be moved across borders and that illegitimate data localisation requirements are removed and prohibited. The text on data flows used in the agreement with the UK should be used when the EU negotiates trade agreements with other countries. The European Commission should also pursue adequacy decisions when other countries are considered to have an adequate level of protection, as these facilitate the transfer of data.

1.4.4 Government procurement

European companies should be given more access to public procurement in foreign markets, and the EU market for public procurement should remain open to competitors from other countries.

European companies should be given more access to public procurement in foreign markets, and the EU market for public procurement should remain open to competitors from other countries. Public procurement requirements that not only focus on price but also on quality, safety, security and sustainability are legitimate, but requirements that distinguish companies based solely on their national origin should be prohibited. Protectionist policies such as “buy local” rules and/or price preferences for domestic companies are very negative as they reduce competition in Europe. As a complement to the WTO Agreement on Government Procurement (GPA), FTAs should open up procurement markets in third countries and prohibit local content requirements. Where applicable, both federal government and state/province procurement should be covered.

It is of the utmost importance that the EU does not introduce local content requirements in procurement rules.

EU procurement markets should remain open to tenders from third countries, as long as they do not threaten legitimate security interest. It is of the utmost importance that the EU does not introduce local content requirements in procurement rules. The instrument for international public procurement (IPI) should be used with caution and only in cases where other countries, despite negotiations, do not open up for European companies who want to participate in public procurement.

2. Address risks, distortions and aggression whilst remaining open

In a world with rising geopolitical tensions, some argue for “friendshoring”, i.e. developing trade relations only with friendly countries. However, trading only with close allies would create a more closed European economy, severely restricting EU businesses’ ability to operate and causing considerable economic damage. Furthermore, history has made it abundantly clear that your “friends” of today might not be friends tomorrow, just as former “foes” might become constructive and crucial partners. Some countries may be regarded both as foes and friends at the same time.

This does not mean we should do nothing in the face of economic security risks, market distortions, risky dependencies and hostile trade policies of other nations. The EU, and its member states, have a role to play when it comes to risk mitigation, addressing unacceptable trade practices of third countries and counter aggressive policies that harm our interests. Vigilance and assertiveness are paramount. It is vital, however, not to overreact. All trade measures must be precise and carefully balanced to address specific issues without resorting to unnecessary protectionism.

It is in the self-interest of business to be vigilant and pay attention to geopolitical risk when trading in goods and services and investing. Diversified supply chains dilute risk, thereby decreasing dependencies and establishing more long-term sustainability and robustness.

2.1 Defend the EU against economic discrimination

To assert its rights, the EU needs to defend its legitimate economic interests from aggressive trade policies of other nations. Trade conflicts should be avoided as far as possible, as measures employed tend to end up hurting the interests they are intended to protect. However, this does not mean the EU should not respond to outright aggression. Non-response can lead to abuse and discrimination of EU business interests. Consequently, any action needs to be taken based on careful analyses of how to best achieve desired outcomes on a case-by-case basis.

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The EU, and its member states, have a role to play when it comes to risk mitigation, addressing unacceptable trade practices of third countries and counter aggressive policies that harm our interests.

Trade conflicts should be avoided, as measures employed tend to end up hurting the interests they are intended to protect. However, this does not mean the EU should not respond to outright aggression.

With the newly adopted anti-coercion instrument, as well as the updated enforcement regulation, the EU now has more options to defend its economic interests in complex trade conflicts using an array of non-traditional measures beyond tariffs. These include restrictions on the trade in services and the imposition of barriers to investment and cutting firms off from the EU capital market etc. However, these new opportunities should primarily be seen as a deterrent and any action taken must be WTO-compatible and not undermine fundamental rights of businesses, such as intellectual property rights.

Anti-dumping duties and safeguards duties may be warranted but should only be used after a careful analysis of the consequences for the entire EU economy.

Anti-dumping duties and safeguards duties may be warranted but should only be used after a careful analysis of the consequences for the entire EU economy (public interest test) and not to protect individual firms. The application of measures must be transparent and legally secure. Such measures can harm other businesses, including firms that import goods affected by such measures and manufacturing firms that use those imported goods in their production. Competitiveness may improve for those firms that are protected by such measures but at the expense of other firms. Ultimately, consumers are likely to be worse off.

All decisions regarding trade protection should be preceded by an analysis of how possible measures may affect other EU policy goals. In principle, measures must strive to have the smallest impact possible on the EU's climate ambitions or its overall competitiveness, for example.

2.2 Address the issue of distorting subsidies

European businesses face global competition from companies from many different countries, in Europe and on third country markets. This is very positive.

European businesses face global competition from companies from many different countries, in Europe and on third country markets. This is very positive. Competition ensures that consumers enjoy lower prices, higher quality and greater choice. It also ensures that companies strive to maximise efficiency and productivity. However, in the event of public interventions such as state subsidies, competition can be distorted, leading to the crowding out of efficient companies and a suboptimal use of resources. This can cause distortions in the EU home market and in third countries. The extensive use of subsidies primarily in China, but also in the US e.g. through the IRA, is a matter of concern¹⁰.

However, in the event of public interventions such as state subsidies, competition can be distorted.

Ideally, the WTO should have restrictive and binding agreements on industrial subsidies, as it has with agricultural subsidies. In the absence of such agreements, WTO members should at least use the WTO to increase transparency of subsidies and as a discussion forum for industrial policy and subsidies to a greater extent.

Countervailing measures on subsidised goods, as well as measures within the regulation on foreign subsidies (FSR), may be necessary for the EU to use on some occasions.

We believe that countervailing measures on subsidised goods, as well as measures within the regulation on foreign subsidies (FSR), may be necessary for the EU to use on some occasions. However, it is of great importance that these instruments are only used when it can be proven that distortive and harmful subsidies exist. The measures must not be used to protect against market-based international competition and should not be used in cases where it undermines the overall economic interests of EU.

¹⁰ Svenskt Näringsliv (2023), IRA Analysis

Furthermore, the EU's own state aid rules should continue to ensure that state aid is used to a limited extent and primarily to remedy market failures, whereby distortions of global markets and trade friction with third countries are avoided.

2.3 Develop and explore opportunities for partnerships

In parallel to FTAs, the EU should develop other forms of partnerships and regulatory co-operation in areas such as digitalisation, sustainability, and raw materials.

Critical minerals have become a major political issue in recent years. Currently, most of these minerals are neither mined nor refined in Europe, and recycling efforts within the bloc are nascent. The EU needs to ensure access to such minerals for its green and digital transitions, as well as for the defence industry. Access, however, is not enough as we find ourselves in a situation of dependency on a few countries. The EU should therefore strive for diversified access and security of supply from suppliers all over the world.

When it is not possible to procure such materials on the world market, new instruments and partnerships will have to be explored. The EU should therefore use the instruments it has at its disposal, and consider new ones, to enter into tailor-made partnerships with resource-rich countries both to secure our import needs but also to speed up sustainable development in our partner countries. Technical assistance, attractive financing and development assistance may be used to assist countries in extracting and refining their resources in a sustainable manner, as well as create new trade routes which diversify supply chains and benefits both the EU and partner countries. The Global Gateway and the proposed Clean Trade and Investment Partnerships (CTIPs) are examples of instruments that may be used for this purpose.

The EU should also, wherever politically possible, continue to work on developing co-operation forums created between the EU and other countries, such as the Trade and Technology Councils (TTC) with the US and India. Such forums are important to increase bilateral co-operation and facilitate bilateral trade and investment particularly in the absence of FTAs.

2.4 Manage risks while keeping investment flows open

Foreign direct investment (FDI) is both an alternative and a complement to trade for companies wishing to operate on international markets. FDI brings benefits to countries of origin and recipient countries. Barriers to investment, sometimes applied in a discriminatory manner, are still a problem for European companies. We strive to increase market access for investments and end discrimination against foreign investors, including in FTAs and in the WTO. The plurilateral agreement on investment facilitation within the WTO is positive in this regard.

In parallel to FTAs, the EU should develop other forms of partnerships and regulatory co-operation in areas such as digitalisation, sustainability, and raw materials.

The EU should use the instruments it has at its disposal, and consider new ones, to enter into tailor-made partnerships with resource-rich countries both to secure our import needs but also to speed up sustainable development in our partner countries.

FDI brings benefits to countries of origin as well as recipient countries.

We reject the introduction of outbound investment screening.

In recent years, openness to foreign direct investment has begun to be called into question in the EU and in other countries. The EU framework for inward investment screening will be reviewed with the aim of further strengthening the protection of the EU's security and public order through more harmonised rules. It is important that this review identifies concrete security threats from an EU perspective and, as far as possible, contributes to harmonising the members states' systems while minimising the negative effects on desirable investments.

With a well-functioning system for export control in combination with sanctions on a temporary basis, we do not see a need for screening of outbound investments.

We reject the introduction of outbound investment screening. Instruments to manage unwanted technology leakage should focus on the product or technology and not the flow of capital. Permanent instruments to control the flow of capital may unduly restrict legitimate business operations. With a well-functioning system for export control in combination with sanctions on a temporary basis, we do not see a need for screening of outbound investments. Consequently, if further measures are needed to control sensitive technology leakage, further strengthening the export control regime should be explored before any general restrictions on investments are contemplated.

3. Trade for sustainable development

Trade is an important instrument for achieving all three dimensions of sustainable development: economic, social and environmental. According to Agenda 2030 and the UN's Sustainable Development Goals, trade is an engine for inclusive economic growth, poverty reduction and sustainable development. Ambitious sustainability goals can translate into reality by firms operating on a global market, but requirements need to be transparent, proportionate and easy to implement.

Trade can support the green transition by improving the efficiency of resource use and serving as a major channel for the international diffusion of goods and services with a lower CO2 impact.

Trade and trade policy can also promote social sustainability by generating jobs and promoting and upholding ILO standards and agreements.

3.1 Ensure that trade and the green transition are mutually supportive

The green transition promises to create opportunities for European companies in many industries to export technology and develop innovative solutions and more resource-efficient goods. In several areas related to the green transition, the EU has decided to be a first mover as regards regulations. This has the potential to benefit the environment and lessen the adverse effects of climate change¹¹. However, it is important to mitigate the combined effects of the legislation on companies' compliance costs. The EU also needs to ensure a fit-for-purpose focus and conduct thorough impact assessments, including on the effects on international trade, the environment and on companies' competitiveness, before proceeding with the EU's 2040 climate targets and other new sustainability initiatives.

The global competitiveness of EU companies is weakened if foreign companies have significantly lower CO2 emission mitigation requirements than those in Europe. Therefore, we support the ambition of the Carbon Border Adjustment Mechanism (CBAM). It is a necessary, albeit unfortunate, instrument to facilitate the green transition. However, CBAM must be implemented in a manner that does not

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We support the ambition of the Carbon Border Adjustment Mechanism (CBAM). It is a necessary, albeit unfortunate, instrument to facilitate the green transition.

¹¹ Svenskt Näringsliv (2023), Klimatnytta_Export_2020_WEBB.pdf

To develop a circular economy, it is important that materials and products, including waste, can be exported and imported.

overwhelm companies with compliance costs. Developing standards to measure embedded emissions is vital. Any possible extension of CBAM to new sectors must be very carefully analysed before being pursued. Furthermore, the competitiveness of EU firms external exports must be taken into account.

To develop a circular economy, it is important that materials and products, including waste, that still have value and that can be further processed or recycled, can be exported and imported. Trade policy should facilitate trade in materials to be recycled and goods to be repaired, upgraded or remanufactured. Without trade, there is a risk that the high ambitions of developing these business models will be “locked in” in different national markets, which risks leading them to not being profitable and not surviving.

3.2 Assure that supply chain requirements are transparent and work in practice

When European businesses follow ethical practices in their supply chains, they can positively impact society and the environment beyond EU borders.

Global supply chains help lower costs, open new markets, spur innovation, manage risks, and boost competitiveness. Additionally, when European businesses follow ethical practices in their supply chains, they can positively impact society and the environment beyond EU borders.

Several EU laws aimed at increasing the positive impact of European companies and banning unsustainable business practices have come into effect, with implementation planned in the coming years. Some of the most notable are listed below:

- The Corporate Sustainability Due Diligence Directive (CSDDD)
- The Corporate Sustainability Reporting Directive (CSRD)
- The Forced Labour Regulation (FLR)
- The Regulation on Deforestation-free Products (EUDR)
- The product passports prescribed under the Ecodesign for Sustainable Products Regulation (ESPR).

An overly complex web of administrative requirements may lead to a situation where organisations are unable to prove compliance even when their operations are ethical and sustainable.

While we fully endorse the objectives of this legislation, it is crucial that its implementation does not disproportionately disrupt global supply chains. The simultaneous implementation of multiple sets of legislation requiring transparency and/or traceability though the supply chain is challenging and risks harming the competitiveness of European companies. An overly complex web of administrative requirements may lead to a situation where organisations are unable to prove compliance even when their operations are ethical and sustainable. There is also a real risk that buyers turn to larger firms, more capable of filing the paperwork needed to prove compliance, thereby putting smaller firms at a disadvantage.

Improving traceability and transparency in supply chains can boost the competitiveness and sustainability of European companies. A well-managed supply chain helps streamline operations and identify areas for improvement or savings. However, collecting and reporting data is expensive. Therefore, lawmakers should consult

businesses to ensure required data is relevant, available, and can be obtained efficiently. Requirements should always be limited to what's essential to achieve the purpose of the legislation, and be carefully analysed to avoid unintended economic, environmental or societal consequences. As a fitness check, we recommend mandatory review of new legislation a few years after implementation to ensure that requirements are appropriate and proportionate.

To ensure that supply chain regulations support sustainable business practices without overwhelming EU companies with bureaucracy, a holistic approach is needed. Legal frameworks must integrate seamlessly, sufficient implementation time and clear guidance must be given to companies, and market surveillance across the EU should be harmonised. The objectives of supply chain legislation can only be met if requirements are fit for purpose and can be understood and implemented by companies and controlled and enforced by authorities.

The objectives of supply chain legislation can only be met if requirements are fit for purpose. Legislation must be understood and implemented by companies and controlled and enforced by authorities.

4. The way ahead

Trade and the green transition, and sustainability in a broader sense, are mutually supportive.

To be competitive and grow, European businesses need the opportunities offered by trading on global markets. Keeping markets open, including the EU's own, therefore must remain the key focus when it comes to the EU's external economic policies. If we cannot trade freely with fast-growing markets around the world, and if we cannot access vital imports or allow investment into and out of the EU, we cannot expect to improve productivity or our overall competitiveness, and hence our prosperity.

Trade and the green transition, and sustainability in a broader sense, are mutually supportive. Transforming the economy into a sustainable model is vital for our future and holds great opportunities for businesses, but it is not possible without open trade and a reduction in red tape.

The EU can only be secure if it is strong and it can only be strong if it is competitive, and that requires openness. Therefore, an approach that is open and assertive is the way forward.

Keeping markets open in these challenging times unfortunately carries risks. Proper attention needs to be paid to a range of growing and multifaceted risks, including discriminatory policies, economic aggression, geopolitics and outright security risks. Companies need to navigate an increasingly risky environment, but the EU, and its member states, also have a role to play to mitigate and address risks assertively. Measures should always be introduced in such a way as to minimise negative trade effects. Ultimately, the EU can only be secure if it is strong and it can only be strong if it is competitive, and that requires openness. Therefore, an approach that is open and assertive is the way forward.

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