



**SVENSKT NÄRINGSLIV**  
CONFEDERATION OF SWEDISH ENTERPRISE

# Advantage Europe

A program for a Competitive  
European Union



 **Fördel Europa**  
Advantage Europe



The Confederation of Swedish Enterprise was founded in March 2001, as a result of the merger between Swedish Employers' Confederation and the Federation of Swedish Industries.

The Confederation of Swedish Enterprise is a pro-business, non-profit organization representing close to 55 000 Swedish companies, of which 98% are SME companies.

The Confederation consists of 50 trade and employer association members, representing 70 % of the Swedish private sector. The Confederation's member companies employ roughly 1.7m people.

The role of the Confederation is critical in protecting and supporting the interests of businesses as well as creating broad popular support for the value and importance of enterprise. A key Confederation position is that businesses are crucial for the enhancement of the quality of life in Sweden.

The Confederation of Swedish Enterprise has its headquarters in Stockholm, Sweden, 21 regional offices all over Sweden and an EU office in Brussels.



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European cooperation started off with the right intentions; to secure peace and stability on a war-ravaged continent through economic exchange and integrating markets. Since then, many other areas have been added to the agenda, not all necessarily conducive to enhancing European competitiveness and possibilities to create growth and jobs.

Peace, democracy and market economics cannot be taken for granted and must always be nurtured and safeguarded from internal and external threats. The role of companies in this regard is key and often underestimated. Only through a business climate in Europe that facilitates and promotes the free movement across borders will it be possible to create the growth and jobs that are necessary for continued peaceful coexistence, stability and prosperity on our continent.

Today, more than half a century after the conclusion of the Rome Treaty, Europe is at a decisive crossroad. Not denying the enormous achievements such as eastern and southern enlargement, the introduction of the euro and a more business-friendly environment including the aim to reduce administrative burdens and red tape, things are not going well for the old continent. Sluggish growth and even recession as a consequence of the financial crisis, persistent high unemployment, lack of skilled people in an ageing and shrinking workforce, diminishing global competitiveness and an absence of clarity as to the Union's future governance and borders are highly unfortunate and lingering characteristics of the EU.

A well-functioning single market that operates to its fullest potential and thereby contributes to growth and job creation is key for a prosperous and thus social Europe. A liberal market economy, open to the outside world and prepared to take on the enormous opportunities that globalization offer, creates the arena in which the EU will prosper. An environment where the diversity of ideas and models, so much a constituent part of Europe, can develop and flourish, generates a competitive edge on the global markets. To focus EU policies on these fundamental strengths is, in our view, the best way to successfully take on the many challenges ahead. And will truly give Europe the advantage.

Signhild Arnegård Hansen  
President  
Confederation of Swedish Enterprise





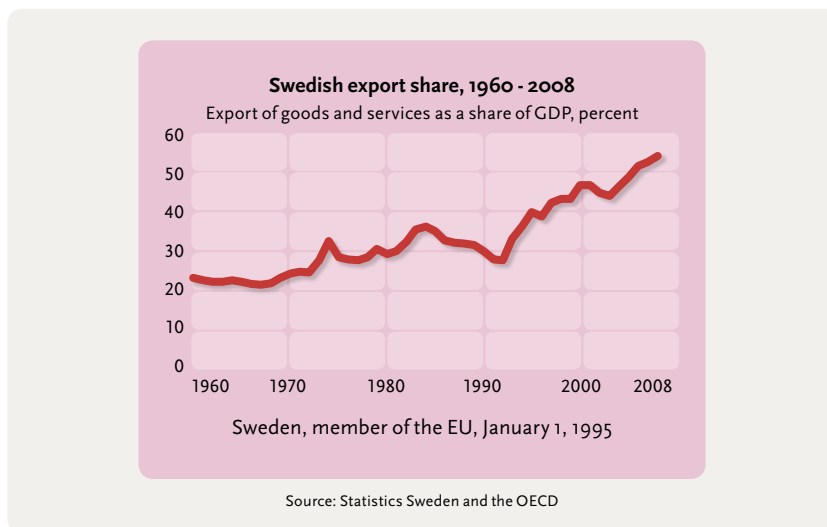
A program for a Competitive European Union

# Sweden and the EU

A well-functioning European cooperation is not only a guarantee for continued peace and prosperity on our continent, but also of the greatest importance to Sweden and its companies. Sweden's prosperity has been built around companies gaining access to markets in other countries and thereby being able to grow into global operators. The EU is an important home market, especially for the small and medium-sized companies, and we are dependent on a competitive, prosperous EU.

Exports' share of Swedish GDP has increased from 24 percent in 1970 to 54 percent in 2008. The competition that Swedish companies have faced as they opened up to the world around them has driven necessary rationalisation and structural change. This, in turn, has resulted in increased productivity and greater prosperity for the country's citizens.

The EU has contributed strongly to this development. As a result of companies being given the possibility to compete on the same terms throughout Europe, we get lower prices and a greater supply of goods and services, while resources are earmarked for the development of those companies that are the most competitive. As always when borders open up, this also leads to adjustments that place demands on flexibility and mobility. Thus it was when Sweden joined the EU, and thus it is at each enlargement. In the short term, this may entail hardship. In the longer term, however, this leads to greater prosperity, not just for us, but for all citizens of Europe.





# The challenges

The critical issue for the EU is how we are to successfully handle the challenges facing Europe in an increasingly globalised world. The overarching goal is to ensure the EU's competitiveness and thus jobs, growth and prosperity.

Globalisation is becoming ever more widespread and the pace of change is gaining speed. World trade's total share of global GDP has increased from just under twelve percent in 1970 to over 30 percent today. Accelerating technical developments place great demands on both the organisation of working life and individual competence. Our ageing population means that fewer and fewer will have to support more and more. All this means increasingly tough competition both for our companies and for our social systems.

Moreover, the global economy is in the midst of a serious economic downturn from which Europe has not been spared. The stock market has plummeted dramatically, credit approvals have slowed down considerably and the labour market has geared down rapidly.

Particularly in times of crisis, criticism of the market economy and free trade increases. Support measures and national regulations for investments, as well as increasing demands for import restrictions and rules that put a stop to labour immigration, are examples of increasingly protectionist currents in the wake of the crisis.

Increased protectionism leads to stagnation and the great challenges of our times, such as global climate change and the long-term supply of raw materials and energy, can not be addressed on a national basis or by reducing our ability to create more economic resources. It is by keeping the threatening, and now in many cases increasing, protectionism in check and instead actually opening up markets, that we will lay the foundation for continued competitiveness and prosperity.

New York and London are no longer alone in their positions as financial centres. Singapore and Shanghai, for example, may soon seriously compete with them. In those countries that have recently switched from a planned economy to a market economy, there is a strong desire for economic development. The strong economic growth of the last decade in these countries may to a large extent be explained by the key to increased competitiveness: improving the conditions for starting, running and owning companies.

The greatest challenge that Europe and Sweden faces is meeting the competition from the new growth markets at the same time that we take advantage of the opportunities created by their rapid economic development.

# Advantage Europe

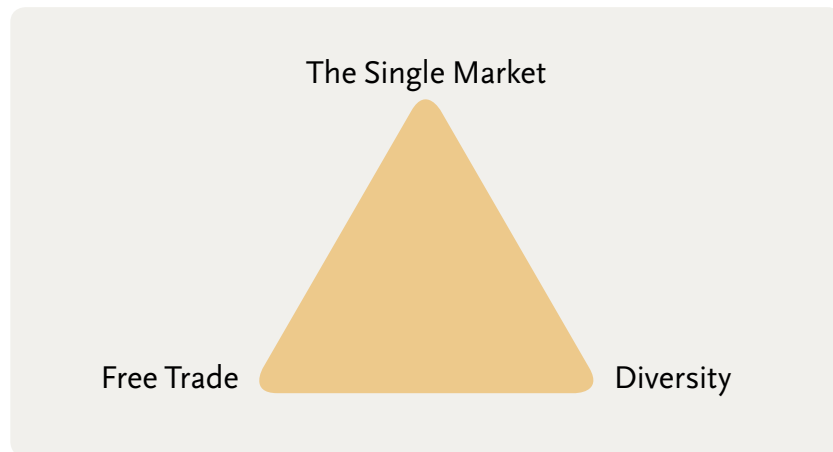
The EU is the world's biggest economy. In order to also become the world's most competitive economy, we need to build on Europe's strengths: a well-functioning internal market, openness toward the world around us and on the rich diversity of solutions and ideas that characterise Europe.

The single market is a collective term for the free movement of goods, services, capital and people. It is a cornerstone in European cooperation and a pre-requisite for the efficient use of resources and consequently for better living conditions for the citizens of Europe.

It is not, however, only a matter of tearing down obstacles to mobility within the boundaries of the EU. The external dimension, working for an increased exchange of knowledge, goods, investments and services with the rest of the world, is necessary in order for us to – also in the long run – develop our competitive strength and our prosperity.

Also within Europe, different new ideas and solutions must be stimulated and measured against each other. It is through institutional competition, by allowing different countries' solutions to compete with each other, that we create the dynamics that are essential to becoming internationally competitive. Europe's diversity is a competitive advantage that we must use to its fullest.

If we accept the fact that these three values comprise the foundation on which Europe's future competitiveness will build, it will have consequences for the way European cooperation should develop in the future.



# Maximizing the single market

A well-functioning internal market is the single most effective means by which to increase the EU's competitiveness and create growth and prosperity. Completing the single market and combating protectionism in all its forms must continue to be a major task for the EU.

The success of the EU may to a large extent be measured by its exchange of goods, services, capital and people. The four freedoms and the ensuring of competition on equal terms constitute the foundation on which companies can develop new ideas and find new markets and thus create jobs, growth and prosperity. By functioning as an economic engine, a true single market can also in a significant way show the advantages of EU membership and thus ensure wide support for the European project.

Politically, the single market is often presented as if it were already completed, at least with regard to goods. However, much remains to be done with regard both to the content of and compliance with the common body of regulations for the single market and to its application at the national level. Continued harmonisation of rules, a stronger common level in compliance control and combating new obstacles to the free movement must henceforth be given the highest priority in the EU's efforts.

The services sector is still the greatest challenge. This is the sector in which we find a number of areas with great growth potential and in which the EU has lagged significantly behind the USA. 80 percent of all start-ups in Sweden operate in the services sector. And it is in the services sector that the greatest political obstacles to the completion of the single market are found. The services sector represents today 75-80 percent of the EU's total production, but only 20-25 percent of trade between its member states. Education, research, preventive healthcare and medical care are heavily regulated areas at the national level. An opening in these areas would be an important step towards a more dynamic economy.

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# Open borders, open markets

The companies of Europe need market access on equal terms both within the EU and globally as well as open relations with the world at large. The EU must engage internationally based on the principles of openness, free trade and competition on equal terms.


The socio-economic benefits of freer trade go beyond the EU-borders. While it is important to remove the obstacles that exist within the EU, the aim must also be to minimise restrictions that exist in trade in goods and services with non-member states.

We are today at an impasse in the WTO's Doha negotiations on continued multilateral market openings. There are several reasons for this. The EU's inability to reform its agricultural policy and restrictive posture towards expanding global trade in services have contributed to the fast-growing economies' refusal to open their markets for industrial products. Defensive interests that benefit the few have in this manner foiled the offensive interests at the negotiations that benefit the many. A more successful external policy for free trade can be established through reforms of the EU's common budget and the full realisation of the single market.

The EU's trade policy also needs to focus more on our most important trading partners. The ongoing regulatory cooperation with the USA must be strengthened and the possibilities of creating a future transatlantic free trade area should be explored. The dynamic effects of such an agreement on trade, growth and job creation would be considerable.

A strong and coordinated international engagement is important in other areas as well. Real and global reductions of emissions to combat climate change can only be achieved by all developed economies meeting the same demands on emissions. An international climate treaty ensuring that European companies can compete on equal terms with their counterparts in the rest of the world must be given the highest priority.

For companies it is not only open borders for goods, services and investments that determine competitive strength and growth. The need for both skilled and less skilled labour is also great in many places. Continued reforms that facilitate companies' recruitment needs are essential. The EU must begin to attract individuals and not just countries.



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The most recent enlargements have contributed to positive and dynamic effects, both politically and economically. The expansion of membership has provided companies with new markets and with more consumers. Competition has increased, to the benefit of all. Continued enlargement is a prerequisite for political stability and economic prosperity on our continent.

The common currency should also be viewed in this light. The euro has contributed to stability and credibility. Without the euro, it is very likely that the economic repercussions of the financial crisis in Europe would have been magnified. Exchange rate turbulence is no recipe for lasting economic success.

# Europe's diversity is its strength

There is no intrinsic value in making Europe's countries and regions uniform. On the contrary, it is by different ideas and solutions being measured against and competing with each other that we create the conditions for global competitiveness.

Europe was undeniably the dominating continent during the four centuries leading up to the Second World War. This favourable technological and economic development could largely be attributed to the competition between Europe's many unique, independent states. European social development was characterised by a constant quest for technological and economic progress as well as cultural innovation and improved legislation.

This so-called institutional competition is driven by the fact that different countries offer different packages in terms of institutions, regulations and taxes. For the individual country, there is value in attracting investments, for example in form of an influx of capital or the establishment of foreign companies. However there is also a value in attracting labour, both highly skilled and less highly skilled. One consequence of the gradual enlargement of the EU is that the number of unique packages, which in turn provide different bases for economic



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policy, gradually increases within the Union. This results in stiffer competition between countries, which put on pressure on member states to improve their political packages.

It is important for a competitive EU to strike the right balance between institutional competition and harmonisation. Harmonisation should be striven for where it is needed to ensure the free movement, in other words where it is necessary for the proper functioning of the single market. In other areas, supranational regulation should be avoided unless there are compelling reasons. In these latter cases, one should normally strive for the greatest possible flexibility in order to avoid unnecessary restrictions on new initiatives and solutions.

In the area of taxation, it is obvious that there is room for international competition. While the tax burden in EU countries amounts to approximately 40 percent of GDP, the variation between member states is great. In countries such as Slovakia and Lithuania, the tax burden is just under 30 percent of GDP, while the tax burden in countries like Denmark and Sweden amounts to almost 50 percent.

In this case, the EU may play an important role in demonstrating the effects of the choice of different taxation systems and thus stimulate reform in different member states. On the other hand, there is reason for regulating at the European level in areas that directly affect the way the single market works,

Another area in which there are great differences between member states is the institutions and functionality of the labour market. There is considerable variation with regard to the degree of regulation of the labour market, not least when it comes to the rigidity in employees' protection. Also in this case, the EU plays an important role in stimulating, by way of open comparisons, national reforms in the various member states.

# Jobs, growth and competitiveness after 2010

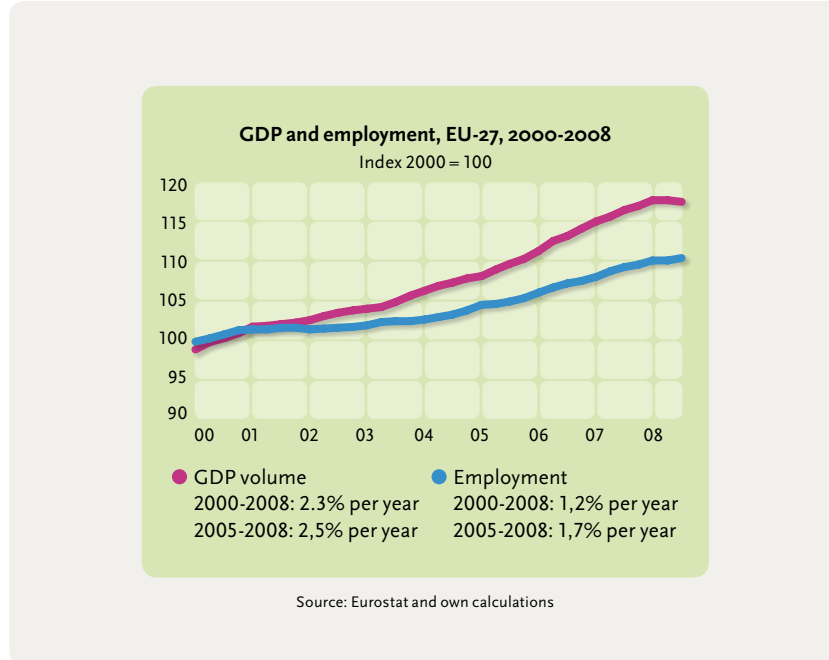
The capacity for renewal is always the basis for growth and prosperity. Europe is in a good position to develop innovative strength in the knowledge-economy. In times of economic crisis, the EU needs more than ever a powerful strategy for growth and jobs focused on openness, free trade and the liberalisation of the single market.

The strength of Europe's economic regeneration is not to be underestimated. European companies have adapted well to changes such as globalisation, new technology, enlargement and – for most of the EU's member states – the new dynamic that the euro signifies.

At the end of 2008, 19 million new job opportunities had been created since the year 2000. Employment increased during the same period from 62 to 66 percent. The main part of these positive effects must be attributed to the previous economic upturn. This generally coincided with the renewed Lisbon strategy, the EU's agenda for jobs and growth. To make a direct link between these positive trends and the Lisbon strategy would be to be careless with the facts, but the improvements in the EU's reform agenda have nonetheless had positive effects in recent years.

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<sup>1</sup> *The increase in employment is with regard to the difference between the third quarter of 2000 and the third quarter of 2008 for the current 27 EU countries. Employment is with regard to the increase between the second quarter of 2000 and the second quarter of 2008 for the 27 EU countries' population in the ages of 16-64.*



Nowadays, growth issues are at the centre of the EU agenda. The Commission's annual labour programme has, among other initiatives, been structured in accordance with the Lisbon strategy with positive results. Impact assessments that take into consideration competitiveness and the companies' costs, are conducted regularly, which has resulted in an improved quality of new EU legislative proposals. Identifying common reforms and following up on implementation have been strengthened through the Open Method of Coordination. The heated discussion of recent years regarding the concept of flexicurity is a good example of mutual learning and the framing of an issue that is primarily of national competence.

However, deficiencies and shortcomings are still too apparent. These consist in particular of national reforms not being implemented, due primarily to a lack of political will and assumption of responsibility. But also to an inability to reassess and change legislation that is not in tune with the times. Political leadership is also needed at the European level. Reforms are needed in a number of policy areas in order to meet the challenges of the future and global competitive pressure. The EU budget should be infused with the goal of bolstered competitiveness. Both agricultural and regional support must therefore be fundamentally reformed. A large EU budget has no intrinsic value. When common funds cannot be proven to generate added value, they should be returned to the member states in the form of reduced EU membership fees.

The emphasis of the EU's efforts should be on the completion of the single market and on combating protectionism in all its forms. In this perspective, the efforts of the national governments should be aimed at strengthening the dynamics of the market economy, so that their citizens may reap the greatest possible benefit from the single market. Providing all citizens with the opportunity to work, for example, is not a matter of preserving old structures, but rather of creating favourable conditions for new structures. A flexible, well-functioning labour market is not a matter of saving old jobs at all costs, but rather of making it profitable for both old and new companies to hire and making it profitable for people to get new jobs.

Development in the services sector is also inhibited in many EU countries by unwieldy regulation of the labour market combined with heavy taxation of labour and excessively generous social insurance systems. If working is not more profitable than it in many cases is today, the growth of employment slows down in the generally very labour-intensive services sector.

If Europe is to become the world's most competitive and knowledge-based economy, its citizens must also become the world's most competitive individuals. Europe must compete high up in the value chain in an innovative, knowledge-based economy. It is all about high-quality research, innovation, the dissemination of technology and about a knowledge-based industrial and services sector where companies and people are allowed to grow. But it is also about better capacity for renewal and adaptation, about changed attitudes and regulations, about schools and an educational system that delivers the right knowledge. Furthermore, the highly progressive taxation scales (brackets) found in many EU countries tend to reduce the citizens' incentive for higher education.

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“There is a pressing need to review the entire legislative process”.

# Better and more effective rules

Common rules are necessary to ensure the proper functioning of the single market. Quality and effectiveness are keywords. In other areas, the advantages of common regulation must be carefully weighed against possible disadvantages. The principle of subsidiarity – by which decisions should not be taken at a higher level than necessary – must be applied with greater vigour and more uniformity.

The single market is a cornerstone in the building of Europe. The EU’s regulation of business must take aim at those issues where common rules clearly make for added value, in other words where they are needed to guarantee and develop the free movement of goods, services, capital and people. In this area, full harmonisation should be the guiding principle. Where added value is less clear, better and clearer criteria are needed to determine what should be dealt with at EU-level and what is more suitably handled by the member countries themselves.

The ongoing efforts to simplify existing legislation, to reduce the administrative burden and costs for companies and to improve new rules through more extensive and improved impact assessments are welcome. But the pace and scope of reform efforts must increase.

There is a pressing need to review the entire legislative process. From the formulation of goals and decisions at the European level to implementation and consistent application in the member states. Measures must be limited to identified problems and be better adapted to those who are affected by the legislation. In order to ensure that rules are necessary, proportional and effective, improved collaboration between EU institutions and national authorities on the one hand and stakeholders on the other is needed. The EU cannot become the world’s most competitive economy unless the process of decision-making and resulting legislation also are world-class.



Our vision is a European Union where the focus is on the full completion and safeguard of the single market. As long as legal obstacles remain to the four basic freedoms, European competitiveness will continue to be held back.

Moreover, the four freedoms should to the greatest possible extent extend beyond the Union. This can be achieved through continued enlargement of the EU, but also through the mutual elimination of customs duties on services with non-member states and by removing restrictions on labour migration to the EU. Establishing bilateral trade agreements, for example between the EU and the USA, is a way to move forward if obstacles arise to multilateral trade agreements.

The EU budget should focus on the creation of growth and be limited to areas where common spending provides Europe with added value. A pre-requisite is that both the common agricultural policy, which today accounts for almost half of the EU budget, and the regional policy, in the form of the so-called structural funds, are fundamentally reformed.

The EU's jobs and growth agenda must be infused with the capacity for renewal as the basis for growth and prosperity. Long-term perspective is the keyword here.

EU legislation should be limited to areas where it will provide proven added value and have clarity and adaptation to today's realities as its guiding principles. Rules must be necessary, proportional and effective. The principles for better regulation and simplification of rules must encompass all EU institutions that participate in legislative decision-making and cover the entire legislative process – including implementation.

Finally, the EU's role as a catalyst for national reforms should be strengthened. By developing benchmarking between countries and their different solutions, institutional competition will be encouraged within the EU. Systems and institutions that promote positive socio-economic development create the conditions needed for sustained competitiveness.

Read more about Confederation of Swedish Enterprise at:  
**[www.swedishenterprise.se](http://www.swedishenterprise.se)**

