

Europe under challenge



**A programme for a prosperous
and competitive EU**

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Foreword

We live in a time of change. Migration, vast technological developments and political transitions. The challenges are many.

The original purpose of the European Union- the idea that trade and economic integration would result in peace and prosperity, is a success story that has lasted for over six decades and is just as true today as it was at the time of the foundation of the European Coal and Steel Community in 1952. This idea provided the fundament for a Europe built on democracy, freedom, trade and openness; a union that has managed to create a great deal of value and prosperity for its citizens. The same values that once paved the way for Sweden's economic development.

We do not believe that the response to the challenges of today lies in tearing down the European Union, building walls against the rest of the world and nostalgically eyeing a supposedly prosperous past. Instead we must safeguard and continue to build on the strengths of the EU. The Single Market with its freedoms of movement of capital, goods, services, people. Openness to and trade with the rest of the world. The vast diversity of ideas and solutions that makes Europe unique. We must make full use of the platform that EU provides, to tackle the common challenges that no Member State can handle on their own.

In this globalised world, the long-term objective must be to provide the Member States, citizens and companies with the best possible prerequisites to succeed amid fierce international competition. The best possible conditions for creating jobs, growth and social security. By focusing on removing barriers for enterprising people and competitive companies, the EU can become a real driver for continued and sustainable prosperity for all its citizens, which is what Sweden and Europe need.



Carola Lemne, Director General,
Confederation of Swedish Enterprise

Europe under challenge

Sweden and the European Union

Sweden is an export-dependent country. Approximately half of the country's GDP can be attributed to export income. The competition that Swedish companies faced when they opened themselves to the world has driven efficiency gains, and necessary structural change. This, in turn, has led to greater productivity and more prosperity.

The EU has contributed significantly to this development. Within it, Swedish companies gain the opportunity to compete on equal terms across Europe, and access to global markets through EU trade agreements. The rest of the EU is Sweden's largest trading partner by far. Over 70% of our trade is with our European partners.

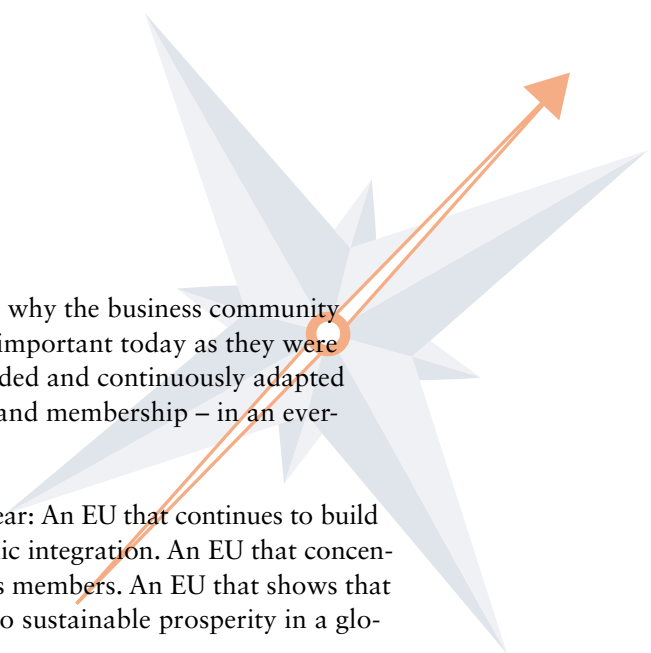
Sweden needs a well-functioning EU: For security and stability. For access to the Single Market – the world's largest integrated economy. For global influence. And to address the growing number of issues that cannot be resolved on a national level.

Business and the EU

The original idea behind what has developed into today's EU was to secure peace through trade and economic integration. That idea has proven successful for over six decades. By guaranteeing the free flow of goods, services, capital, and people throughout the Single Market and by staying open for trade with the world, the EU has provided the conditions for what businesses do best: creating jobs, innovation and growth. This provides the very foundation for Europe's global competitiveness and, thus, for our prosperity.

EU cooperation is also a platform for finding common solutions to problems that cannot be addressed nationally or locally. Cross-border challenges related to the environment and climate change, migrant flows, and security are all examples of areas where common solutions provide tangible added value. As the world's largest trading bloc, the EU has much greater possibilities to influence world developments than each country individually. The legal structure of the EU establishes a strong defence of the rule of law, which is a prerequisite for a well-functioning market economy.

In addition, the institutionalised cooperation in the EU enables us to take advantage of the diversity of ideas and solutions found throughout Europe. The exchange between all Member States within this framework contributes to spreading good ideas, thereby promoting a positive development of national solutions, decision-making and regulation. The treaty-based principle of subsidiarity also provides the legal basis for restricting EU-wide decisions to areas that provide real added value.



These clear advantages provide the background to why the business community so strongly supports the EU project. These are as important today as they were when Sweden joined the EU, but must be safeguarded and continuously adapted to a Union that is expanding – in both substance and membership – in an ever-changing world.

For the business community, the road forward is clear: An EU that continues to build on its original idea of openness, trade and economic integration. An EU that concentrates on measures that provide added value for its members. An EU that shows that competitiveness – not protectionism – is the path to sustainable prosperity in a globalised world.

Challenges

EU cooperation faces significant challenges brought on by several transformative changes arising in a short period.

A wave of nationalism and protectionism is sweeping across Europe and putting several core EU values under hard pressure. Many see globalisation, openness, and free trade as threats rather than drivers of prosperity that have raised millions of people out of poverty, providing the conditions for sustainable economic growth, rising living standards and prosperity. Great Britain's path out of the EU will cause significant strains on European cooperation. Developments relating to Russia's actions along the EU's eastern boundaries, greater threats of terror attacks, and the current refugee streams have brought security issues to the top of the agenda. Financial trends in some Member States and the effects these have on financial stability and the future of the Euro raise questions about cohesion and economic growth.

Many businesses are concerned that the EU is heading in the direction of heavier regulatory burdens and administrative red tape, rather than eliminating barriers to trade and investment. In many cases, this is caused by Member States' diverse application of EU rules, but it undermines trust in the EU nonetheless. Moreover, the efficient use of common funds is an absolute necessity for building continued confidence in European institutions.

These developments have caused opposition within the EU, bringing the question of the future of European cooperation to a head. Responses to these challenges must not involve further splintering or building walls against trade and economic integration. Still, the creation of this "new Europe" demands a common vision that ensures broad, continued support for the European project.

The road to a more competitive Europe

Vision of the Confederation of Swedish Enterprise: A prosperous and competitive EU with the overriding objective to strengthen the ability of individuals, companies and Member States to assert themselves against ever increasing global competition.

The only way to ensure long-term European prosperity in a globalised world is to maintain our competitiveness. If the countries and economic actors of Europe cannot hold their own globally, they will not be able to create the necessary jobs, growth and social security. Only by building competitive businesses and communities can we create the resources necessary to maintain and improve our welfare, and successfully tackle the challenges of our time.

Even if the EU itself, like individual Member States' governments, cannot generate prosperity, the European framework of rules is crucial in setting the conditions that enable companies to create jobs and growth. Consequently, the EU should emphasize measures that strengthen the competitiveness of Member States, businesses, and individuals. The decisive long-term factor is to ensure that our society's resources – the workforce, capital, entrepreneurship, innovation – are continually upgraded and transferred from stagnating to growing enterprises. European rules must be supportive of this continuous process of improvement of knowledge and structural reform. And conversely, the EU must refrain from establishing regulatory systems that restrict Member States and companies from improving their competitiveness.

This means that the EU should focus on its core strengths and areas where common solutions bring real added value. This includes making full use of a well-functioning Single Market, a market economy that is open to the world and prepared to take advantage of the enormous opportunities offered by globalisation, and taking full advantage of the diversity of ideas, solutions and models that exist in Europe.

These areas have the greatest potential for delivering results and, consequently, focusing on them is the best way to ensure enduring support from Member States and citizens for the European project.



The European Single Market must be completed and implemented.

A well-functioning Single Market - Economic engine of the EU

The original purpose of the Single Market was to create a more favourable environment for entrepreneurship, the movement of people, competitiveness and trade. Achieving this would stimulate economic growth and increase prosperity for European citizens. This must remain the point of departure for future efforts to develop the Single Market. A market where common rules are introduced and applied to ensure that a level playing field is guaranteed throughout the EU. Thus, European competitiveness will be held back as long as there are barriers to the freedom of movement for goods, services, capital and people across the EU.

Restrictive national processes, rules and standards must be removed.

Unfortunately, significant barriers still exist. Companies report national requirements for adapting goods to regulatory frameworks despite the existence of harmonized EU legislation and the principle of mutual recognition. Equal opportunities for domestic companies in relation to cross-border trade in services or establishment would not be a problem, should all Member States fully implement and apply the Services Directive. It is therefore important to concentrate on continued harmonisation of rules and their application in the Single Market to achieve equal conditions for all businesses.

European legislation must be applied uniformly and consistently.

The necessary frameworks are largely in place, but much work remains to realize the full potential of the Single Market. Certain principles should, however, guide these efforts. Common legislation must be appropriate for its purpose, prepared in consultation with affected companies, and must be implemented and applied to provide equal terms for companies throughout the EU.

European digital infrastructure needs improvement.



The digital dimension of the EU market is weighted by national regulations and out-dated legislation.

Data must be allowed to flow freely in and out of the EU.

New digital solutions should not be prohibitively regulated before their technological development is complete.

The Single Digital Market – prerequisite for data-driven growth

A Digital Single Market is crucial for the EU to make use of ever faster technological developments and achieve economies of scale, as well as innovation and growth opportunities both in Europe and globally. Harmonisation of digital rules, not least relating to consumer rights and VAT systems, is necessary to build such a market. Digitalisation is changing society and the rule book for both old and new business models. The opportunities afforded by technological developments have a significant impact on entrepreneurship and growth. The design and implementation of legislation in this area are therefore of great importance for unlocking the possibilities of digitalisation, allowing it to contribute to the competitiveness of European companies.

Today, the Digital Single Market still suffers from fragmented rules and heavy regulatory burdens that impede economies of scale and cross-border commerce. The current tendency is to view e-commerce of goods, services and digital content as something markedly different from regular commerce, leading to distorted competition. To avoid unnecessary barriers to innovation and technological development, regulation of the Digital Single Market should generally be imposed only when a clear market failure can be demonstrated. Regulations must be easy to comply with and remain technology-neutral to allow for future solutions. The access and use of data constitute a critical source of innovation and growth for companies. A fair balance between privacy measures and companies' access to data is therefore vital. If no special reason for restrictions exist, then the default rule should be that non-personal data shall be permitted to flow freely between Member States and into and out of the EU.

The physical digital infrastructure must be expanded to ensure capacity to manage the new services made available through 5G and the Internet of Things. Here, the EU has a vital role to drive development in Member States and to facilitate the creation of internationally competitive standards.



The EU should lead the way for more free trade globally.

Leadership in global free trade

European companies need access to markets and open relations with the rest of the world. The EU must use its position as the largest trading bloc in the world to push for free trade, openness and competition on equal terms.

The socio-economic benefits from more trade do not stop at the EU's borders. While it is important to remove the barriers remaining within the EU, the goal should be to minimize restrictions to trade in goods and services to third countries. The four freedoms should be extended as much as possible beyond the European Union borders, by mutual agreements to lift unnecessary trade barriers with third countries.

Multi-lateral trade agreements are preferable. When obstacles to such multilateral agreements within the World Trade Organization (WTO) arise, finding partners in other fora is important. The EU has already successfully established mutually beneficial agreements with South Korea and Canada. These successes should be followed by many more. When multilateral agreements cannot be achieved and free trade agreements with specific countries are not viable, plurilateral agreements in achievable areas should be attempted, such as with services and environmental products. The EU also has an important role to play in investment and investment protection – primarily in relation to large commercial partners.

European businesses depend on strong relationships with the rest of the world.

Trade barriers against third countries should be kept to a minimum.

The EU should primarily work for multilateral trade deals, and secondly for bilateral deals with our most important trade partners.

*Better regulation
leads to stronger
competitiveness.*



*The EU should set clear
targets on reducing
regulatory costs for
companies.*

Better regulation creates competitiveness

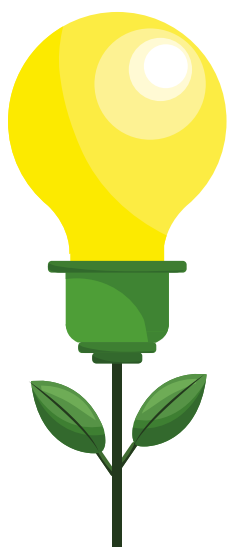
Improving the quality of European legislation is crucial to strengthening businesses' competitiveness. This involves optimizing the regulatory framework and ensuring it brings cost-effective results and contributing to more growing businesses and jobs.

*Common rules should be
implemented uniformly
across Member States.*

The EU should set clear objectives for reducing the regulatory cost of business with concrete improvements, establishing consultation with affected stakeholder, increasing transparency, improving impact assessments and evaluation of legislation. Regulations must be appropriate and proportional, and should be applied equally in all Member States. Better regulation efforts should have the central objective of enabling companies to grow, so they can create more jobs and greater prosperity. These principles for improving regulation should cover all institutions participating in the EU legislative process and be applied throughout the entire process – including implementation and monitoring.

*All regulation should be
necessary, proportional
and effective.*

This is equally important when EU legislation is implemented and applied on the national level. Gold-plating, or 'excessive implementation', must be avoided when it leads to greater costs, unnecessary red-tape, when it creates unfair competition and leads to fragmentation of the Single Market. Much remains to be done with respect to how regulatory frameworks are applied in each Member State. The priority issue for the EU must be removing existing barriers and preventing new ones.



The EU plays an important role in combating climate change.

Climate and energy policy for sustainable growth

Climate change is one of the greatest challenges of our time, and so demands a global commitment and comprehensive solutions. The EU plays an important role in driving global measures and ambitions under the Paris Agreement of the UN Framework Convention on Climate Change. Businesses can contribute to new solutions – making use of research and innovation – and it is important that such solutions are not impeded by regulatory obstacles. If the EU were to raise its level of ambition, without similar action by other countries and regions, competitiveness between actors in the EU and in third countries would be distorted. Single-handed action should only be allowed after thorough impact assessment. The EU's focus in international climate diplomacy should therefore be equal pricing of GHG emissions globally, enabling fair competition between European companies and their global counterparts.

European companies must be able to compete on the same terms as their competitors around the globe.

The EU should concentrate on formulating common objectives that lead global developments. These should be few, easy to monitor, and not overlap. Member States should be allowed to formulate policy instruments that are appropriate and cost efficient in their national context. Therefore, common EU legislation in this regard should not be too detailed, but rather function as a flexible framework. This is necessary for cost effective implementation of common EU legislation, where each Member State contributes to the common objectives. This is particularly important since Member States' development in terms of fully functioning energy markets, energy efficiency and emissions reduction vary a great deal.

Europe needs common targets, but regulations should not be too detail-oriented on how to achieve these targets.

The EU has a vision of integrating electricity markets and establishing a single common market over time. This is a promising vision that, if implemented well, can contribute to security of supply, ensure competitive electricity prices, and reduce dependency on fossil fuels in the European energy sector. Still, problems arise when some Member States fail to implement existing EU legislation in this field, where some still have regulated markets and where electricity prices as well as quality and function of these markets vary widely. All EU legislation in this area must be based on the principle that every market can continue to develop. Progress in well-functioning markets should not be held back by those countries that are lagging behind. A way to manage the wide variation in these markets is to begin on the regional level, with the aim of developing all markets to equal maturity over time.

Member States must have the flexibility to shape incentives adjusted to national contexts.

*Europe needs growth
in order to prosper.*



High employment is a prerequisite for achieving good living conditions for all. This requires competitive companies and a balanced economy, not increased social regulation.

The EU should stimulate national reforms so that all Member States reach a healthy macro-economic balance.

Before adding further regulation of labor markets, the existing 70 EU-directives must be critically reviewed.

No Social Europe without jobs

High employment levels are a prerequisite for providing European citizens with strong social rights and good living standards. The only way to achieve this is through competitive companies and healthy economies in the EU Member States. These conditions are linked; improved living standards cannot be created without growth.

The living standards of citizens in and between Member States vary significantly today. These differences are primarily the result of differing levels of economic development and diverging levels of unemployment. Employment is a basic condition for the creation of good living conditions for citizens. Employment does not only provide income, but is also a way to inclusion in the social insurance structures.

Many EU Member States need improved labour markets in order to create employment. Changes to indirect labour costs, minimum wages, employment protections, types of employment, tax and social security systems are necessary to stimulate employment in these countries. But the responsibility for making the necessary changes lies, and should remain, with each Member State.

The European Union's responsibility is to stimulate Member States to implement structural reforms and to keep their economies in good macro-economic balance. The EU should primarily work to make the many parallel processes with these same objectives more efficient.

The Council's common principle on flexicurity from 2007 is a sound basis for achieving this. The open co-ordination method in the areas of employment and social inclusion must be reinforced and made more efficient within the framework of the European Semester. This would stimulate national reforms that promote competitiveness throughout Europe. The country-specific recommendations should remain the channel used to support and give recommendations to Member States. Any additional regulations of labour law and work environment at the EU level should be critically scrutinized in view of the over 70 EU directives already in force.



*Respect the
subsidiarity
principle.*

European Diversity is a strength

A central component of European cooperation is the diversity of ideas and solutions available to address the common problems of our time. Diversity serves the EU well and is vital for generating new approaches and innovation. In this time of increasing criticism of the European project, we must make use of this diversity to make decisions and prioritize among different solutions and choose those that add the most value. The space for Member States to generate their own ideas to solve problems in the areas of national competences must be respected as long as these are in line with European treaties.

The EU should not take action unless it is more effective than action taken at national, regional or local level.

The EU Single Market offers a crucial platform for scaling up solutions generated through the efficient use of European diversity. In areas where EU-level regulation provides tangible added value – such as ensuring a level playing field or greater resource efficiency – harmonisation is an effective approach to strengthening EU competitiveness and support entrepreneurship. From a business perspective, a fundamental starting point should be to limit national requirements that restrict companies' competitiveness within the Single Market. The free movement of goods, services, people, and capital – and to a growing extent, data – is a basic principle of the Single Market which will guarantee the long-term sustainability of the EU.

European legislation is crucial in some areas – such as the Single Market. In other areas it may have negative impact on competitiveness.

The benefits of harmonisation are not always self-evident in other areas. Corporate governance, minimum wage, social security systems, and broad portions of taxation systems are examples of areas where harmonisation at the EU level can negatively impact competitiveness. The many unique local and national models permitted within the framework of the EU can act side by side to offer the best living conditions, opportunities for jobs and entrepreneurship, and drive economic growth.

The principle of subsidiarity – taking decisions at the lowest effective administrative level – must be fully respected. This is necessary to ensure that institutions and national rules are well adapted to the conditions prevalent in each Member State – based on their history, culture, economy and structure. Moreover, subsidiarity supports a dynamic where good ideas spread and create a more competitive and successful EU overall.

Therefore, the continued development of the European project should not be focused only on expanding common legislation. The EU should play a more prominent role in bench-marking and the spreading of policy solutions to stimulate national reforms that promote competitiveness.

The recipe for a competitive EU



The success of the EU's can be measured largely in the level of exchange in goods, services, people, and capital. The complete implementation of the Single Market is key. Much remains to be done in many areas, such as the free movement of services and labour, eliminating restrictive national processes, regulations and standards, and ensuring that common legislation is applied uniformly and consistently. As long as barriers to the four freedoms remain, European competitiveness will continue to be held back.



The digital dimension of the Single Market is hampered by national regulations and out-dated legislation. The legal and physical infrastructure throughout the EU needs improvement and it is imperative that data can flow freely between Member States and into and out of the EU. Moreover, unless market failure is shown, new digital solutions should not be prohibitively regulated while rapid technological development is on-going.



The socio-economic benefits from free trade will not stop at the European borders. While it is important to remove the barriers remaining within the EU, the goal should be to minimize and preferably eliminate restrictions to trade in goods and services with third countries. Moreover, the EU has a central role in taking global leadership in promoting free trade, and, in the absence of multilateral agreements, in securing trade deals with our most important trading partners. This external dimension of the Single Market is necessary for the EU to be able to sustainably increase growth and create more jobs.



EU-wide legislation should be reserved for areas where it demonstrably provides added value. The principal of subsidiarity should be strictly applied. Any regulation must be necessary, proportional, and effective. These principles for improving regulations must apply to every EU institution that participates in legislation and be applied throughout the legislative process – including implementation and monitoring. The EU must set clear objectives for reducing the regulatory costs of business, increasing transparency, improving impact assessments of planned legislation and evaluating existing ones. These objectives must be monitored more consistently and effectively.



Climate change is one of the greatest global challenges of our time. It calls for a strong international commitment and global solutions. The EU plays an important role under the Paris Agreement within the UN Framework Convention on Climate Change. If the EU raises its level of ambition without similar action by other countries, the competitiveness of European business could be undermined and, thus, their ability to contribute to a better environment globally. It is of great importance that European companies can compete on equal terms with their global competitors.



A Social Europe can only be built with high employment levels laying the foundation for better living conditions. This cannot be achieved through additional EU level social regulations, but through competitive companies and healthy economies in all the Member States. The EU has a responsibility to stimulate national reforms that contribute to increasing employment levels. Given the wide variation socially, economically and institutionally across the EU and the need for attention to national context, social policy should essentially remain a national competence. Benchmarking within the framework of the European Semester may be a way for the EU to promote positive progress in the Member States.



The EU's role as a catalyst for competitiveness-enhancing national reforms can be strengthened in other areas as well. By benchmarking Member States' different solutions, the EU can stimulate the exchange of ideas and spread of best practice. Europe's diversity is a competitive advantage that should be better utilized.