SVENSKT NÄRINGSLIV
SWEDISH ENTERPRISE

EU Free Trade Agreements:

Impact on Trade and Growth

SEPTEMBER 2026

In recent years, the European Union has successfully negotiated a number of important new free trade agreements, including with Mercosur, India, Indonesia and Australia. Negotiations are also under way with several countries in Southeast Asia and with the United Arab Emirates. What impact will these agreements have on trade and growth? The Confederation of Swedish Enterprise commissioned Copenhagen Economics (CE) to analyse the effects of the agreements. The report was written by Henrik Isakson, Ingrid Serup and Asees Ahuja, and the analysis made by CE is included as an appendix to this report.

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Summary

In recent years, the European Union (EU) has negotiated and is in the process of finalising a number of new free trade agreements (FTA) with important growth markets, including India, the Mercosur countries (Argentina, Brazil, Paraguay and Uruguay), several countries in Southeast Asia (the Philippines, Indonesia, Malaysia and Thailand), Australia and the United Arab Emirates. Together with already existing agreements, the EU soon has trade agreements with around 80 countries worldwide.

This report analyses the trade and growth impacts of the new agreements for the EU, assuming full implementation by 2035. The analysis draws on experience from the EU's previous trade agreements and a model-based estimate of how lower tariffs and reduced non-tariff barriers affect trade and GDP.

All trade agreements included in the analysis increase trade between the parties. The agreement with India generates the largest growth gains, followed by the agreement with Mercosur. This is mainly due to the size of these markets and their high initial trade barriers. In total, the EU's new trade agreements:

- increase EU exports to these countries by approximately 26–33 per cent, or EUR 136–173 billion
- increase EU imports from these countries by approximately 21–35 per cent, or EUR 108–130 billion

This increase in trade leads to a rise in EU GDP of up to EUR 108 billion per year. As a comparison, that is four times the EU's collected customs duties in 2024, or approximately three quarters of total EU budget expenditure in the same year.

The trade agreements also benefit the EU's partner countries, often to a greater extent than the EU itself. The effects are particularly large in India and the Mercosur countries, where reductions in their domestic trade barriers have a substantial impact on trade and growth.

The EU's new free trade agreements offer significant opportunities for European growth. They improve companies' market access, increase trade and investment and contribute to long-term economic development. The agreements help broaden the EU's trade relations and strengthen diversified value chains, which is particularly important considering increasingly challenging trade relations with the United States and China. The agreements are not only economically important – they are also strategically important for strengthening partnerships, increasing resilience and creating stability in a more uncertain global environment. To realise the potential, the agreements must be fully implemented. European policymakers must also be prepared to make the case for the benefits of the agreements to build public support in Europe. In practice, there are few other reforms or policy measures that, on their own, can contribute as much to growth.

1. Introduction

Trade contributes to economic growth through several interacting mechanisms. Exports enable economies of scale and generate income, while imports provide access to the world's supply of goods and services and contribute to competition, thereby improving the efficient allocation of resources. Open borders enable the diffusion of technology and know-how, which strengthens productivity and creates incentives for innovation and investment.

In recent years, the EU has successfully negotiated several important new free trade agreements, including with the Mercosur countries, India, Indonesia and Australia. Negotiations are also under way with several countries in Southeast Asia and with the United Arab Emirates. The EU already has free trade agreements with more than 70 countries[1], and with the new agreements this means in practice that the EU has agreements with all economically significant countries except the United States and China.

The market openings and common rules provided by the agreements improve European companies' opportunities to trade with fast-growing parts of the world. When these opportunities – through exports, imports and investment – are utilised, they contribute to Europe's growth. There is therefore a clear link between the EU's free trade agreements and the European economy. Europe's prosperity would not have been possible without open trade. An analysis by the European Commission shows that EU goods exports grew twice as much with countries with which the EU has free trade agreements as with countries without agreements.[2]

The purpose of FTAs is to remove trade barriers, both tariffs and so-called non-tariff barriers, meaning different forms of rules or requirements that create costs for companies. Tariffs can often be reduced to zero under an agreement, while non-tariff barriers can be reduced but not eliminated entirely. Such barriers can sometimes be protectionist, but often serve legitimate objectives such as protecting the environment, public health or safety. While such rules cannot be abolished entirely, they can be simplified and made more efficient, including through greater transparency or regulatory cooperation. The agreements also aim to prevent new trade barriers from arising, creating stability and predictability for companies. In addition, FTAs may contain a wide range of rules and mechanisms, such as access to each other's public procurement markets, stronger intellectual property rights and cooperation on sustainability-related issues that bring markets closer together.

1 Trade agreements | Access2Markets

2 EU trade agreements accelerate EU export growth and support diversification

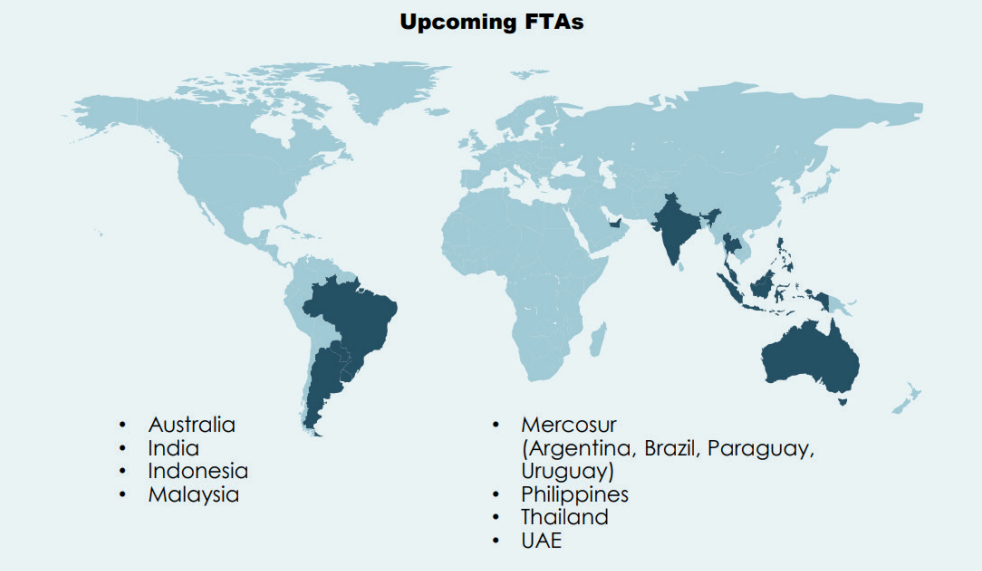
In this report, we present the potential trade and growth impacts of the EU's new FTAs using a method based on evidence from the effects of previous agreements.

Section 2 describes the methodology used and the assumptions made, followed by an assessment of the impacts of the individual agreements for the EU in section 3. Section 4 provides an overview of the combined effects of all the agreements, and section 5 presents the trade and growth impacts for the EU's partner countries. The following section, number 6, includes a discussion on how the agreements help reduce risks and uncertainty and increase the EU's opportunities for diversification. Section 7 places the growth generated by the agreements in a broader economic context by comparing it with EU expenditure and revenue. The report concludes with policy recommendations. The underlying calculations carried out by Copenhagen Economics are included in the appendix to the report.

2. Methodology

The Confederation of Swedish Enterprise commissioned Copenhagen Economics (CE) to analyse the impacts of the EU's upcoming free trade agreements on exports and imports of goods and services, as well as on GDP.[3]

The impacts are calculated for the EU as a whole, as well as for the partner countries.[4] The study covers the agreements with Mercosur (Argentina, Brazil, Paraguay and Uruguay), India, Indonesia, the United Arab Emirates, Australia, Thailand, the Philippines and Malaysia (see figure below). These agreements are currently particularly relevant, meaning that they are either under negotiation, about to enter into force or have recently entered into force.[5]



The question addressed in the report is: What would be the impact on trade and economic growth by 2035 if these agreements had been in force for a decade, relative to a baseline without the agreements?

Trade between two parties would most likely increase even without an FTA, which is considered in the calculations. The question is how much more trade would increase

3 The appendix to this report contains the analysis Economic Assessment of Upcoming EU Free Trade Agreements, Background Report for the Confederation of Swedish Enterprise, Copenhagen Economics. The analysis includes a detailed methodology section.

4 In the appendix, there is also a specific section on the effects of these agreements on Sweden.

5 https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/negotiations-and-agreements_en

with an agreement. Estimating the impact after ten years is reasonable, as agreements take several years to phase in and markets need time to adjust. The increase in trade, in turn, leads to a higher level of GDP. The report shows both how much exports and imports increase as a result of an agreement and how much GDP increases as a result of the additional trade in 2035.

The EU's agreement with Mercosur entered into provisional application on 1 May 2026 and the agreement with India may possibly enter into force later in 2026 or in the beginning of 2027, but the rest will not enter into force this year and several are still under negotiation. In addition, many of the liberalisation measures are phased in over time. The assumption that markets will have fully adjusted by 2035 is therefore hypothetical. The purpose of the calculations is not to show exactly when the growth gains arise, but how large they can become. This does not mean, however, that the figures present an overly positive picture of the effects of the agreements. On the contrary, several other positive effects of trade agreements are not included in the analysis. This includes both economic effects, such as investment flows, and more non-economic effects, such as strategic effects and resilience. These effects may nevertheless become important much earlier, sometimes as early as when an FTA is signed.

The impacts of the FTAs have been estimated by studying the effects of the EU's agreements in place, using this information to quantify the effects of the new agreements. The variables studied are tariffs, non-tariff barriers (NTBs) for goods and restrictions on trade in services. As information on the content (provisions/rules and tariff liberalisation levels) of several agreements is unavailable, and some are still being negotiated, certain assumptions had to be made. In addition, the agreements have been assumed to have similar structures. However, because the starting points differ substantially, the countries vary greatly in economic size and some are considerably more protectionist than others, the effects of the FTAs still differ.

Trade with the rest of the world has not been considered. The calculations are based on a bilateral analysis in which only trade between the agreement partners changes as a result of an agreement.

The analysis assumes that tariffs are fully eliminated under the FTAs, an assumption that is broadly consistent with other agreements. The effects on non-tariff barriers are more difficult to estimate. The data are weaker and we do not know to what extent these barriers will be reduced as a result of the agreements, as much depends on how well the agreements are implemented. The effects may therefore be either over- or underestimated. The analysis assumes that non-tariff barriers to goods and services are reduced by around 60 per cent, an assumption in line with other estimates.[6]

The results have been calculated in ranges. The report primarily presents the upper end of the range, i.e. the maximum effect that the calculations estimate an agreement could generate. As mentioned before, since several important effects of FTAs are not included in the analysis, the risk that the figures overestimate the impacts of an agreement is low.

6 See Economic Assessment of Upcoming EU Free Trade Agreements, Background Report for the Confederation of Swedish Enterprise, Copenhagen Economics, in the appendix.

3. Trade and Growth Impacts of Each Trade Agreement

All free trade agreements studied in this report are expected to increase trade and GDP for the EU and the partner countries. This section presents the impact for the EU of each agreement, ranked by their economic growth impact in absolute terms. All values are expressed in 2024 prices.

Effects of the FTA with India

EUR 15–44 billion increase in EU GDP

Given India's rapid economic development and large market size, trade between the EU and India is expected to increase significantly also without a trade agreement. India is the fastest-growing G20 country, has the world's largest population at 1.4 billion people and benefits from a favourable demographic situation. India's traditionally protectionist trade policy is gradually giving way to a more open approach to international trade.

In January 2026, the EU and India announced the successful conclusion of negotiations on an FTA. The agreement will deliver significant tariff reductions, phased in over the next years. It will also reduce non-tariff barriers through simplified rules, more efficient customs procedures, greater regulatory transparency, and improved conditions for services trade and the mobility of professionals, making it easier for businesses to operate across both markets.

With the agreement, EU exports to India are expected to increase by 47 per cent compared with a situation without an FTA. The corresponding figure for imports is 22 per cent; the lower figure reflects the fact that the EU is already a relatively open market towards India. The agreement helps open the Indian market to European exports, primarily by reducing the high tariffs India applies today. As tariffs are reduced and trade barriers lowered, European companies gain greater access to the Indian market, which is reflected in the estimates.

Effects of the FTA with Mercosur

EUR 11–32 billion increase in EU GDP

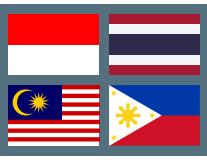
Mercosur consists of two large economies, both members of the G20 – Brazil and Argentina – and two relatively smaller economies, Uruguay and Paraguay. The four countries have a combined population of 275 million, and their aggregate GDP would make them the world's sixth-largest economy. Economic growth in the region has long been relatively weak, and although trade is substantial, it remains constrained by high trade barriers.

The EU and Mercosur negotiated for many years on a trade agreement that was finalised in 2019. Due to political circumstances on both sides, it has not yet received final approval. Since May 2026 it is provisionally in force, pending final approval by the European Parliament. Provisional application gives the EU access to this very large market – access that the United States and China do not have – and creates new export opportunities. The agreement will eliminate tariffs on more than 91 per cent of EU exports to the region, although many tariffs will be phased out gradually. The agreement will also make it easier for EU companies to sell services in Mercosur, both by facilitating establishment in the countries and by enabling cross-border trade in services.

EU exports could increase by up to 40 per cent compared with a situation without the trade agreement. The calculations show that the agreement is expected to increase imports by 32 per cent. Exports increase more than imports because the Mercosur countries open their markets to a greater extent as a result of the agreement, while the EU market is already relatively open. The EU will phase out most tariffs over a ten-year period. For sensitive products such as beef, poultry, sugar and ethanol, the EU will apply tariff-rate quotas.

The Mercosur countries have good access to raw materials and minerals the EU needs for the green and digital transitions. The agreement improves and secures the EU's access to these resources, including by restricting the possibility of introducing export restrictions.

Effects of the FTAs with Southeast Asia (Indonesia, Malaysia, Thailand and the Philippines)



EUR 6–18 billion increase in EU GDP

The ASEAN countries (Association of Southeast Asian Nations) are, as a group, the EU's third-largest trading partner outside Europe, after China and the United States. Many Southeast Asian economies are experiencing rapid growth and generally have lower trade barriers than India and Mercosur, but remain relatively protectionist compared with the EU. The countries cooperate through ASEAN, but unlike Mercosur they do not negotiate as a bloc; negotiations take place with individual countries.

The EU already has free trade agreements with the regional hub Singapore and with fast-growing Vietnam. The EU and Indonesia concluded negotiations in September 2025. The main benefits of the agreement stem from tariff reductions. According to the European Commission, the agreement will eliminate tariffs on more than 98 per cent of tariff lines. Many tarriffs will be eliminated immediately, while others will be reduced gradually, often over three or five years, which is fast compared with India and especially the Mercosur agreement. The agreement can also improve the EU's access to critical raw materials that are critical to the green and digital transitions. Indonesia has significant reserves of critical raw materials, including nickel, cobalt and lithium.

Negotiations are ongoing with Thailand, Malaysia and the Philippines, but have not yet been concluded, and the content of the agreements is therefore not yet known. The objective is to conclude comprehensive agreements covering not only tariff elimination but also other types of trade barriers, customs procedures, trade in services, investment, digital issues and sustainable development.

In the analysis by Copenhagen Economics, the Philippines, Indonesia, Thailand and Malaysia are analysed individually. In this report, we present the combined impacts for the four countries.[7]

The EU's combined exports to the four countries are expected to increase by 20 per cent and imports are expected to increase by approximately the same amount, 21 per cent.[8] There is, however, a possibility that a significant share of production currently located in China may shift to Southeast Asia. Geopolitical developments may increase the desire to diversify away from China, which could make the trade agreements more impactful than can currently be estimated.

7 The combined effect is obtained by summing the individual effects of each free trade agreement. This does not take account of broader economic effects (general equilibrium effects), such as trade diversion.

8 We have calculated an average of the increase in trade for the four Southeast Asian countries included in the report. These figures are not weighted by import and export value. For more precise figures for each agreement, see Economic Assessment of Upcoming EU Free Trade Agreements, Background Report for the Confederation of Swedish Enterprise, Copenhagen Economics, in the appendix.

Effects of the FTA with Australia

EUR 4–11 billion increase in EU GDP

Australia is a wealthy, resource-rich and services-based economy, although growth has been more modest than in the other countries included in this study. Australia is already an open market in most respects and relations between the EU and Australia are strong. Combined with the geographical distance, this limits the scope for an FTA to significantly increase trade between the EU and Australia. At the same time, Australia is a strategically like-minded partner in the Indo-Pacific region.

In March 2026, negotiations on an FTA between the EU and Australia were concluded. The text of the agreement is not yet public, but almost all tariffs will be removed. This will facilitate exports of, among other things, motor vehicles, engineering products and chemicals. The EU will gain better and more cost-effective access to premium food products from Australia, such as wine, nuts and seafood. The agreement is also important from a strategic perspective: it creates predictability for companies and demonstrates that the EU and Australia remain committed to international trade rules and cooperation.

Trade between the EU and Australia is expected to increase even without a trade agreement. With the FTA, EU exports to Australia are expected to increase by 17 per cent. EU imports from Australia are expected to increase more than exports, by 26 per cent.

Effects of the FTA with the UAE

EUR 1–2 billion increase in EU GDP

The United Arab Emirates (UAE) is a prosperous and relatively open economy with low tariffs. At the time of writing, regional instability linked to the conflict in Iran is having a significant impact on the UAE economy.

The EU previously attempted to negotiate a trade agreement with the Gulf Cooperation Council (GCC). These negotiations were unsuccessful, and in May 2025 the EU and the UAE instead launched negotiations on a separate FTA. The negotiations cover areas such as tariff reductions and rules to facilitate trade in services, digital trade and investment.

Trade between the EU and the UAE is expected to increase substantially even without an FTA, but the agreement could increase EU exports by a further 11 per cent. Imports are expected to boost more than exports, by 23 per cent, compared with a situation without an agreement.

Summary of the Trade Effects

Figures 1 and 2 below illustrate the expected increase in the EU's exports to, and imports from, the countries covered by the analysis under scenarios with and without the free trade agreements. In the figures, Southeast Asia refers to the Philippines, Indonesia, Malaysia, and Thailand.

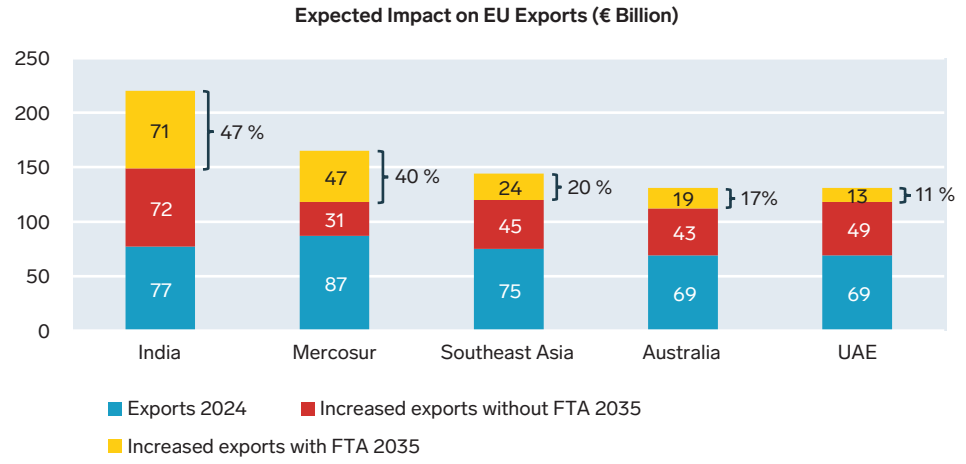


Figure 1. The EU's Exports to the FTA Partners (EUR billion). The blue bar shows the EU's exports to each country or country grouping in 2024. The red bar shows the projected increase in export 2035 in the absence of an FTA, while the yellow bar shows the additional increase in exports resulting from the FTA. The percentages show the additional export growth generated by FTA, calculated as the yellow bar divided by the sum of the blue and red bars.

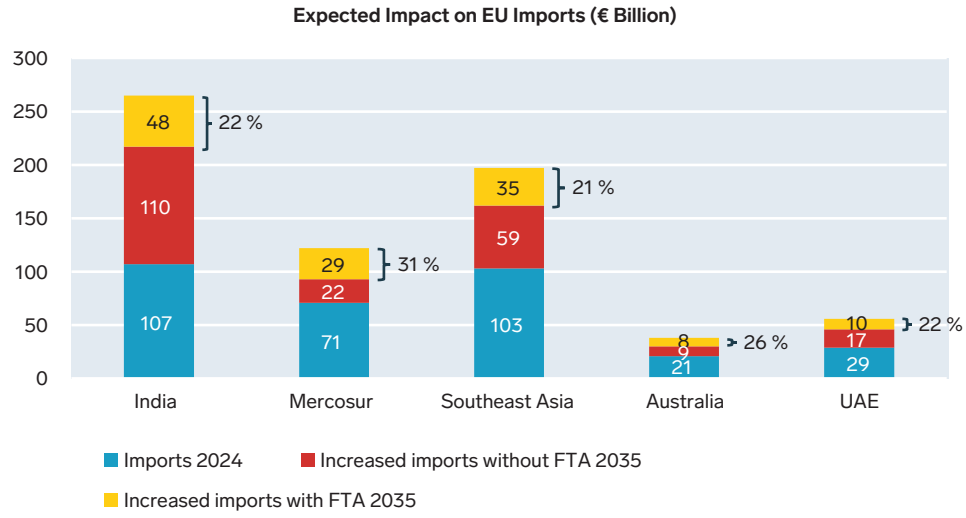


Figure 2. The EU's Imports from the FTA Partners (EUR billion). The blue bar shows the EU's imports from each country or country grouping in 2024. The red bar shows the projected increase in import 2035 in the absence of an FTA, while the yellow bar shows the additional increase in imports resulting from the FTA. The percentages show the additional import growth generated by the FTA, calculated as the yellow bar divided by the sum of the blue and red bars.

The total growth impacts

Figure 3 summarises the growth in GDP for the EU from the respective agreements. The figures show how much larger EU GDP is expected to be in 2035 as a result of the additional trade generated by all new trade agreements, expressed in 2024 prices.

Expected GDP impact from the FTAs on the EU (EUR billion).

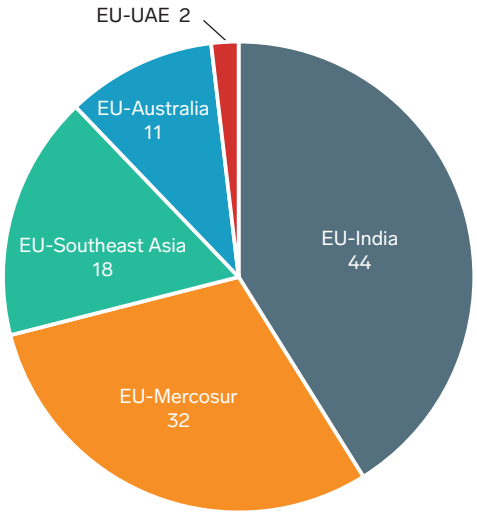


Figure 3. The growth effects of FTA on the EU (EUR billion, expressed in 2024 prices). For the purposes of this analysis, Southeast Asia includes Indonesia, Thailand, Malaysia and the Philippines.

4. Aggregate Trade and Growth Effects

Chapter 3 presented the individual results for each free trade agreement in terms of EU exports, imports and GDP growth. This section aggregates the impacts of all free trade agreements covered by this study. The results answer the question: how large will the growth effects of all the EU's new free trade agreements be once they have been fully implemented by 2035?

The estimates show that, by 2035, the agreements will increase both EU exports to and imports from these countries by around one third compared with a scenario without the agreements.

Table 1 below presents the total results of the FTAs for the EU. The table shows the estimated increase in exports, imports and total trade, as well as the impact on growth.[9] All values are expressed in 2024 prices.

Table 1. Total increase in exports, imports and GDP resulting from the free trade agreements in 2035, expressed in 2024 prices.

Trade and GDP	Increase 2035
Increase in exports to the partner countries, absolute values	136–173 EUR billion
Increase in exports to the partner countries, per cent	26–33 %
Increase in imports from the partner countries, absolute values	108–130 EUR billion
Increase in imports from the partner countries, per cent	21–35 %
Total increase in trade with the partner countries	303 EUR billion
Increase in GDP	36–108 EUR billion
Increase in GDP in per cent	0.2–0.5 %

The increase in trade resulting from the covered agreements contributes to a GDP increase of up to half a percentage point. In percentage terms this may appear small, but in practice there are few other reforms or policy measures that, on their own, can contribute as much to growth.

9 The combined effect is obtained by summing the individual effects of each free trade agreement. This does not take account of broader economic effects (general equilibrium effects), such as trade diversion. Percentage increases in trade are weighted by each country's export and import values.

It is important to note that the effects of these agreements are permanent in nature. The gains are not a one-off increase in growth, but a permanent increase in the level of EU GDP.

Section 7 places the additional growth in relation to EU expenditure items. The purpose is to give the reader a better understanding of the economic significance of the agreements.

5. Trade and Growth Impacts for the Partner Countries

The partner countries already have substantial trade flows with EU countries and, irrespective of the FTAs, trade is expected to continue increasing as a result of economic growth both in the partner countries and in the EU. The FTAs are expected to generate additional increases in trade, although the effects vary across countries. The largest increases in trade are expected for India and Mercosur.

The FTAs also have a very positive impact on growth in the partner countries. Most of the countries are expected to benefit more than the EU; the only exceptions are the UAE and Malaysia. India and the Mercosur countries are expected to gain substantially, in both cases by up to almost one percentage point of GDP. The impact on their economies is therefore expected to be twice as large as for the EU.

In absolute terms, India is the main beneficiary. Around half of the combined GDP increase for these countries occurs in India, amounting to EUR 72 billion. The growth effects for each country are illustrated in Figure 4.

Growth effects of the free trade agreements for the partner countries (EUR billion).

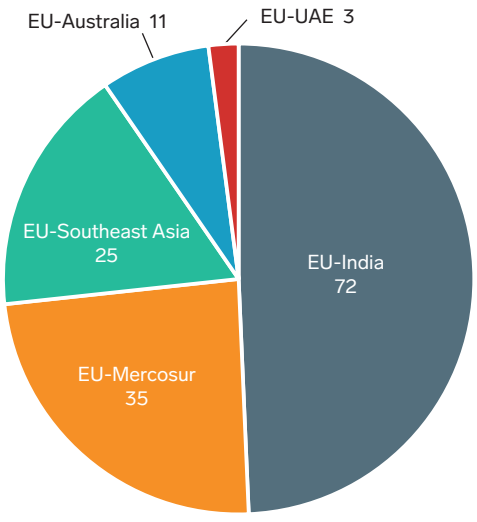


Figure 4. Growth in the partner countries, in EUR billion, resulting from the FTAs in 2035.
All values are expressed in 2024 prices.

The benefits of free trade agreements are typically greatest in countries with relatively high trade barriers, where there is more scope to reduce trade costs and improve market access. As a result, the effects of trade liberalisation tend to be larger in more protectionist economies, such as India and the Mercosur countries, than in the EU, which is already a relatively open market. Importantly, a significant share of the gains from trade arises from imports. The growth effects in India and the Mercosur countries therefore stem largely from the benefits of opening their own markets to international trade.

6. Reducing Risks and Diversifying Supply

The "insurance effect" of the agreements

An important aspect to bear in mind is that FTAs trade agreements also provide a form of "insurance effect" – they prevent new trade barriers from emerging. In other words, their effects extend beyond the results presented in the previous sections. The calculations are based on a scenario in which a country does not introduce new protectionist measures. If such measures were introduced, market access could deteriorate and the actual outcome could be worse. In the worst case, exports could even decline.

Trade agreement help prevent this. The rules in an FTA make it more difficult for countries to pursue protectionist policies. The agreement also works as a platform for discussion and cooperation between countries, which also prevents new barriers to trade. Thus, the effect of an agreement is not limited to the additional trade opportunities generated by reduced trade barriers, but they also help keep economies open. Equally important, it provides businesses and investors with greater certainty that market access conditions will not deteriorate over time.

Can reduced trade with the United States and China be offset?

The sucessful conclusion of new FTAs can partly be explained by strained trade relations with the United States and China, which are the EU's largest and third largest trading partners respectively.[10] During President Trump's term in office, the United States has become more protectionist, a more difficult export market and has pursued policies that often conflict with the interests of European companies. At the same time, many view China as an increasingly unreliable partner that competes with the help of distortive state support. If trade with the United States and China declines, can the loss be offset by new opportunities with the countries covered in this study – our "new free trade partners"?

Trade with the countries covered by this analysis accounts for approximately 9–10 per cent of the EU's total trade. This can be compared with trade with the

10 The United Kingdom ranks second.

United States, which accounts for around 20 per cent of the EU's total trade, and China, which accounts for around 11 per cent. A substantial increase in trade with the FTA partners could perhaps, at least in theory, make trade with them larger than trade with China, particularly if trade with China declines. The gap between 9 per cent and 11 per cent is not very large. China's exports are, however, growing at an extraordinary pace, including to the EU, and it is difficult to estimate how the situation will develop.

It is less likely that the much greater dependence on the United States can be replaced by trade with other countries. Trade with the United States is currently twice as large as today's trade with the countries covered by the analysis. In purely theoretical terms, it therefore appears easier to reduce dependence on China than on the United States.

The extent to which this is possible in practice depends on several factors, including which products and services can be replaced by alternatives from other countries and how global trade policy develops. These should therefore be seen only as opportunities. However, the outlook is promising, as most of the economies covered in this study are set to grow faster than the United States and China, creating new opportunities for trade and investment. For the EU, it is very important that these opportunities are realised. Diversified trade with more countries around the world is preferable to excessive dependence on two countries.

7. Growth Gains Compared with Expenditure and Revenue at EU level

The previous sections have shown that the increase in trade expected as a result from the agreements leads to additional growth of up to EUR 108 billion for the EU by 2035. This corresponds to an increase in GDP of 0.5 per cent. Figures of this magnitude can, however, be difficult to interpret – what do they actually mean and what can they be compared with?

To put the figure into perspective, it can be compared with expenditure and revenue at the EU level. Table 2 provides some examples. For example, the growth gains are four times higher than the EU's collected customs duties in 2024[11], or approximately three quarters of the EU budget's total expenditure in the same year.[12] The additional growth also corresponds to 125 per cent of the entire budget for Horizon Europe, the EU's research and innovation programme, for 2021–2027.[13]

Given how much larger these growth gains are than various EU budget items, it is reasonable to conclude that EU cooperation delivers substantial economic value.

Table 2. Growth gains compared with expenditure and revenue at EU level.

EU expenditure and revenue	Expenditure and revenue (EUR billion)	Growth contribution of the agreements compared with expenditure and revenue
Customs revenue 2024	26,8	400 %
Horizon Europe 2021–2027 (research and innovation)	86,8	125 %
Common Agricultural Policy (CAP) expenditure 2024[14]	56,2	192 %
EU administrative expenditure	12,0	900 %
Total EU budget expenditure 2024	142,6	76 %

11 Customs duties – a source of revenue – Taxation and Customs Union

12 EU budget for 2024: Council and Parliament reach agreement – Consilium

13 Horizon Europe – Performance – European Commission

14 CAP expenditure – Agriculture and rural development – European Commission

8. Policy Recommendations

Based on this analysis, demonstrating the economic benefits of free trade agreements, a number of policy recommendations can be made for EU trade policy going forward.

First, it is important to fully implement the agreements that have been concluded. The economic potential of FTAs will depend on effective implementation. Without proper implementation of the agreements, the economic gains will not materialise. Efficient customs procedures and predictable regulatory frameworks are among the conditions needed to import and export effectively. There is also a possibility of going further than the agreements require. Countries can use the agreements as a building block for more far-reaching liberalisation than they have formally committed to.

Second, the agreements can be deepened and broadened to cover additional areas. In some cases, further tariffs can be removed and more non-tariff barriers, for both goods and services, can be reduced. New chapters can be negotiated on issues that are currently not covered, or are covered only to a limited extent, for example public procurement or digital issues. The recently renegotiated agreement with Mexico is one example. Concluding other types of agreements, such as digital trade agreements or agreements on critical raw materials, can also increase trade.

Third, it is important that the EU continues to negotiate FTAs with more countries. As this analysis has shown, they matter for trade and growth. Beyond the countries included in this study, there are still countries with which agreements could be concluded. Many of these economies are small, but they are often fast-growing and, as a group, could become significant over time. Africa in particular still offers opportunities for new agreements, where trade agreements could be combined with various forms of development cooperation. Renewed efforts to conclude more FTAs with countries in the Gulf region would also be positive.

Fourth, it is important not to focus solely on export gains. The largest economy-wide gains from trade arise on the import side when a closed economy opens up to the rest of the world. If the EU instead reduces import opportunities into Europe through a series of unilateral measures, part of the purpose of the agreements can be diluted and growth will not reach the level it otherwise could. One example is the EU's tariff-rate quotas on steel, which erode part of the gains for FTA partners seeking to export steel to the Union. Measures of this kind may be justified, but they should

be carefully calibrated and proportionate so as not to undermine the purpose of the new agreements.

Finally, open trade and trade agreements should remain a central part of the EU's growth agenda. The estimated impacts capture only part of the overall potential: in addition to increased trade and higher GDP, there are dynamic effects through investment, competition, productivity and more resilient value chains. To build on this potential, the EU must broaden and deepen cooperation with partner countries. European policymakers must also be prepared to make the case for the benefits of the agreements in order to build public support in Europe. This requires clearer political leadership. European decision-makers must be willing to explain why openness, trade and economic cooperation are crucial to Europe's competitiveness, prosperity and global influence.

Appendix: Analysis by Copenhagen Economics

Executive summary (1/2)

Free trade agreements (FTAs) are an important tool that the EU uses to boost economic growth, enhance trade, collaboration, and strengthen geopolitical ties worldwide.

In the past decades, the EU has implemented FTAs with several countries, and there are plans to continue implementing FTAs with partners globally (upcoming FTAs).

In this background report, we analyse the economic impact on EU, Swedish, and the partner countries' exports, imports, and GDP for potentially upcoming FTAs, namely:[1] Australia, India, Indonesia, where negotiations have been concluded; Mercosur (Argentina, Brazil, Paraguay, and Uruguay)[2], which is being provisionally applied; and Malaysia, Philippines, Thailand and the UAE, where negotiations are ongoing.

Since some of the contents for some the FTAs are not yet finalised, this analysis relies on certain assumptions, see below.

Considerations when interpreting the results

The purpose of the analysis is to estimate the potential impact from these FTAs, not subject to their exact timing of implementation. To show this potential, we present the impacts of the FTA for 2035 under the assumption that all FTAs are ratified today and are fully implemented by 2035.

Thus, we base our calculations on a *crude* assumption, where all upcoming FTAs have been in place for 10 years by 2035. We only estimate potential impacts in 2035 for each FTA, but the impacts will also continue annually after 2035. We add the impacts together without considering trade diversion and that one FTA may have on the effects from other FTAs.

To estimate the impacts, we rely on findings from ex-ante and ex-post impact assessments carried out by the European Commission from already implemented EU FTAs. We use the relative measure between the trade cost reduction and the impact on exports, imports, and GDP.

We consider that each FTA aims for trade liberalisation by eliminating all import tariffs and lowering non-tariff measures.[3]

All analyses of future impacts are uncertain. There are other factors than costs reductions in FTAs that influence the impacts of an FTA, such as income levels, current trade patterns, composition of goods and services traded, transport costs etc. To acknowledge these uncertainties, we present the results in ranges based on the variation of impacts found for the implemented FTAs.

FTAs create benefits for the EU and Sweden

The EU and Sweden already have large trade flows with several of the upcoming FTA partners. Irrespective of potential EU FTAs, this trade is expected to increase towards 2035 due to expected economic growth in the partner countries and in the EU.

The upcoming FTAs are expected to increase trade further due to lower trade costs from lower tariffs and lower non-tariff barriers.

FTAs offer benefits for both the EU and Sweden with most benefits accruing from the FTAs with the largest economies and from partner countries that currently have the most protected economies.

Benefits are driven by increased productivity through economies-of-scale, learning-by-exporting, and greater import competition, generating positive economic impacts. These impacts arise from increased innovation, access to technologies, and competitive pressures.

In addition, FTAs aim to foster not only trade but also broader bilateral cooperation, including investment, technology, and sustainability.[4]

The EU is expected to benefit from upcoming FTAs

Adding up the combined impacts, we find that the eight FTAs are expected to:

- Increase EU exports and imports to all FTA partner countries.
- Increase EU exports by EUR 136–173 billion (2024-prices) to the eight FTA partners in 2035[5], equating to a weighted average increase in exports of 26-33 per cent to the partner countries (weighted with export value)
- Increase EU imports by EUR 108–130 billion (2024-prices) from the eight FTA partners in 2035, equating to a weighted average increase in imports of 21-35 per cent from the partner countries (weighted with import value)
- Boost EU GDP by EUR 36–108 billion (2024-prices) by 2035, equating to an increase in EU GDP of 0.2-0.5 per cent

The largest impacts are expected from FTAs with Mercosur and India, due to current high trade barriers and the size/growth of these economies.

1) All forecasts are subject to uncertainty due to economic growth rates, trade patterns, and the scope of implementation. / 2) The Mercosur FTA was signed on January 17th, 2026. Bolivia is in the transitional phase of its accession to Mercosur and is not presently included in the EU-Mercosur negotiations, therefore we leave it out of our analysis. / 3) By 63 per cent in our analysis, see appendix A. / 4) We do not examine these in this analysis. / 5) Measured in 2024-prices for all values.

Executive summary (2/2)

Positive impacts are expected for Sweden

Sweden is also expected to benefit from the upcoming FTAs, with:

- Increased exports by SEK 62–79 billion (2024-prices) to the eight FTA partners in 2035[1], equating to a weighted average increase in exports of 26-33 per cent to the partner countries
- Increased imports by SEK 39–47 billion (2024-prices) from the eight FTA partners in 2035[2], equating to a weighted average increase in imports of 21-35 per cent from the partner countries
- Swedish GDP is projected to increase by SEK 13–40 billion (2024-prices) by 2035, equating to an increase in Swedish GDP of 0.2-0.5 per cent[3]

As with the EU, the largest impacts are expected from FTAs with Mercosur and India.

The partner countries are also expected to benefit

All partner countries are expected to benefit from upcoming FTAs with the EU, with the largest impacts expected for India and Mercosur:

- Exports to the EU are projected to increase by EUR 40–48 billion for India and EUR 24–29 billion for Mercosur (2024-prices)
- Imports from the EU are projected to increase by EUR 56-71 billion for India and EUR 40-48 billion for Mercosur (2024-prices)
- GDP is expected to rise by EUR 31-72 billion in India, and EUR 15-35 billion in Mercosur (2024-prices)

For GDP, the largest relative impacts are expected for India and Mercosur, with GDP expected to rise by 0.4-1.0 per cent for India and 0.4-1.0 per cent for Mercosur. This is because India's and Mercosur's import tariffs are relatively high today (14 per cent and 15 per cent, respectively[4]), and FTAs are expected to lower these significantly.

1) We use a EUR-SEK exchange rate of 11.4325 based on the average exchange rate in 2024 from the ECB. / 2) We take steps to account for the "Rotterdam effect" to avoid underestimating Sweden's actual imports from non-EU countries, see Appendix A. / 3) We rely on impact assessments conducted at the EU level and therefore assume the same relative impacts for both the EU and Sweden. Only one study, an ex-post assessment of South Korea, models the impact on Sweden separately. This study finds very similar results for Sweden and the EU, which is why we consider the same relative impacts for both Sweden and the EU. / 4) Based on weighted average MFN tariffs on goods imported from the EU.

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Introduction

Against the backdrop of ongoing EU negotiations on FTAs and given Sweden's status as a highly trade-dependent economy, the Confederation of Swedish Enterprise (Swedish Enterprise) asked Copenhagen Economics to analyse the impacts from upcoming FTAs for *Sweden and the EU*.

The study covers eight potentially upcoming EU FTAs with Australia, India, Indonesia, Malaysia, the Philippines, Thailand, and UAE (see figure), as well as the already agreed FTA with Mercosur (Argentina, Brazil, Paraguay, and Uruguay). Swedish Enterprise is interested in quantifying benefits for the EU, Sweden, and for the partner countries from three channels:

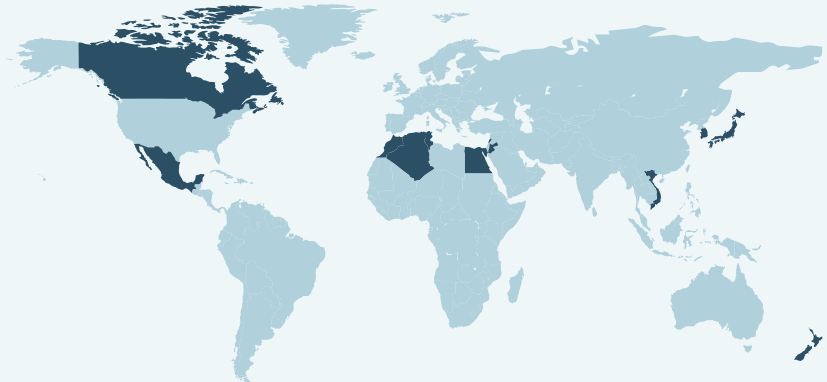
- **Exports:** capturing the increased exports of goods and services to the country(ies) in each FTA
- **Imports:** capturing the increased imports of goods and services from the country(ies) in each FTA
- **GDP**: Capturing the impact on GDP from each FTA

We use impacts from *previously implemented* FTAs and use these to forecast the potential impacts of the *upcoming* FTAs (see below) for exports, imports, and GDP in 2035.[1]

In the following pages, we first describe the intuition behind the economic impacts of FTAs. Second, we explain our methodology. In the following chapters, we describe the impacts for the EU, Sweden, and the partner countries, respectively.

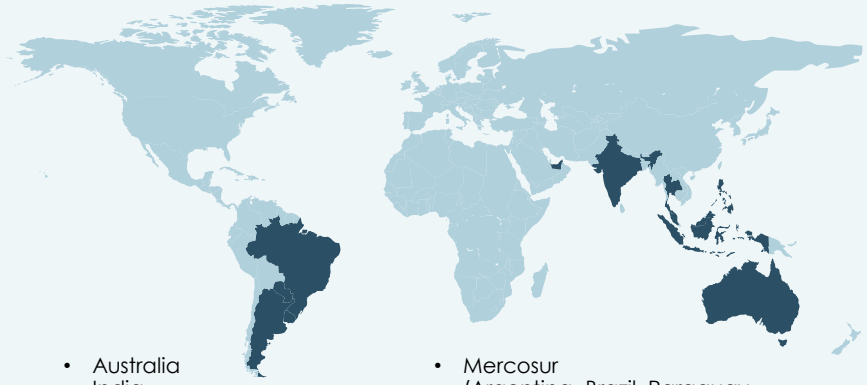
Maps of the EU's previously implemented and upcoming FTAs examined in this analysis

Previously implemented FTAs



- 1998-2006: Euromed (Tunisia, Morocco, Jordan, Egypt, Algeria, and Lebanon)
- 2000: Mexico
- 2015: South Korea
- 2017: Canada
- 2019: Singapore
- 2019: Japan
- 2020: Vietnam
- 2024: New Zealand

Upcoming FTAs



- Australia
- India
- Indonesia
- Malaysia
- Mercosur (Argentina, Brazil, Paraguay, Uruguay)
- Philippines
- Thailand
- UAE

1) Typically, we would expect diminishing returns, when reducing the frictions between two already established trade partners from lower tariffs. But some FTAs may result in new trade routes openings up, new products being traded, etc. / 2) Other typical impacts of FTAs are not covered in this analysis, such as the effect on consumer welfare, sustainability, self-sufficiency, and resilience.

FTAs foster trade, economic growth, and form ties between partner countries

Objectives of an FTA

The EU enters into FTAs to foster economic growth, secure access to foreign markets, and establish stronger ties with the FTA partner(s).

EU FTAs typically aim to lower trade barriers by removing import tariffs, simplifying customs procedures, and reducing non-tariff measures to facilitate trade between the EU and its partner countries. Lower trade costs increase trade and productivity, which generate economic impacts (see intuition on next page).

Upcoming FTAs are expected to increase trade due to lower trade costs from lower tariffs and lower non-tariff measures. A larger initial trading relationship, and larger trade cost reductions, yield larger FTA impacts on trade and GDP, all else equal.

FTAs yield benefits beyond trade

Upcoming FTAs are expected to increase trade due to lower trade costs from lower tariffs and lower non-tariff measures. A larger initial trading relationship, and larger trade cost reductions, yield larger FTA impacts on trade and GDP, all else equal.

While FTAs are often seen primarily as instruments to strengthen bilateral trade, their commitments can serve multiple additional purposes. These include fostering political and economic co-development, enhancing diplomatic relations, promoting security cooperation, advancing sustainability, increasing foreign direct investment (FDI) attractiveness, facilitating technology collaboration, and supporting social policy improvements.

EU FTAs, for example, often include dedicated chapters on bilateral FDI development. The impact of lower trade barriers on FDI, however, is nuanced.

On one hand, lower trade barriers can encourage vertical FDI, where companies invest in the production of intermediate inputs in the FTA partner country. Reduced trade costs encourage trade in intermediate goods across borders.[1]

On the other hand, lower trade barriers may reduce incentives for horizontal FDI,[2] where companies invest in local production to serve local markets. Horizontal FDI is typically more attractive when trade costs (including transportation costs and regulatory trade barriers) are high, making local production more cost-efficient.[3] Industries such as automotive and cement production commonly rely on horizontal FDI. When trade costs decrease, companies are more likely to trade goods rather than establish local production, thus lowering the incentive for horizontal investments.

1) See for example Jona & Kierzkowski (2000) / 2) See for example Helpman et. Al (2004) / 3) Sometimes called tariff-jumping FDI.

Increased trade drives productivity increases

Economic intuition

The main driver for increased GDP from FTAs is a productivity increase among domestic companies.

This does, however, not mean that all domestic companies gain from an FTA. Some domestic companies will go out of business due to increased competitive pressure from companies in the FTA partner country. But the combined impact is an overall increase in productivity.

The increase in productivity primarily happens through developments in exports and imports, as we explain below. By reducing trade barriers, an FTA helps countries more efficiently leverage their comparative advantages in goods and services production.

Exports increase scalability and learning effects, unlocking higher productivity

There are several drivers of increased productivity from exports:

1. Access to a larger market enables effects from economies-of-scale. Companies can spread fixed costs over more output, reducing average costs. This increases efficiency in production *and* enables more investment in new innovations[1]
2. Increased export opportunities also allow for domestic companies to produce a broader variety of products more effectively, i.e., experiencing economies-of-scope
3. Exporting also exposes companies to tougher competition and other standards in markets abroad. This creates learning-by-exporting effects, where companies adopt better processes, management practices, and product designs, resulting in higher productivity[2]

Increased imports, lower production costs and increased competition on the domestic market

Increased imports from lower trade barriers from FTAs enhance productivity by:

1. Lowering production costs through lower cost of input. Lower cost imported input can boost company productivity by 10-20 per cent[3]
2. Increasing the average efficiency for domestic companies. By reducing trade barriers, FTAs increase import competition in domestic markets, pushing domestic companies to become more efficient, innovate, and cut costs to stay competitive. Overall productivity will increase as the least efficient domestic companies will go out of business, and productivity improves among companies that remain
3. Exposure to import competition reallocates resources toward the most productive companies allowing for a more efficient use of resources – and thus higher productivity[4]
4. Increasing access to a larger bundle of imported goods with varying degree of quality, allowing for greater access to different qualities/technologies in the value chain

Increased exports and imports will result in increased specialisation in areas where countries have comparative advantages, which enhances positive impacts from economies-of-scale. The specialisation also increases the risks of import dependence.[5]

1) Economic theory supports, see for example Krugman (1980). / 2) See for example De Loecker (2013) and Atkin et. Al (2017). / 3) See for example OECD (2012) and Halpern et al. (2015). / 4) See Melitz (2003). / (5) The EU has a focus on lowering import dependence of energy products and critical raw materials. See for example Institute for Energy Economics and Financial Analysis (2025).

We consider potential FTA impacts relative to a baseline in 2035

Methodological approach

Estimated impacts are relative to a baseline scenario without the FTAs

We find estimates for both the relative impact and the absolute impact for each of the upcoming EU FTAs. For estimating relative impacts (in per cent), we follow four steps:

1. We assess already implemented FTAs' impact on exports, imports, and GDP based on ex-ante and ex-post impact assessments identified through desk research
2. We analyse how tariff and non-tariff barriers (NTBs) were affected by the FTAs to find the trade cost decrease for both the EU and the partner countries (see figure)[1]
3. We evaluate how tariffs and NTBs are expected to change under each of the upcoming FTAs. For the NTBs the reduction depends on the initial ad valorem equivalent (AVE) NTB. The higher initial AVE, the larger the expected reduction, see appendix A
4. We combine the insights from the previous three steps to estimate the plausible *relative impacts* of upcoming FTAs by using the following methodology:
   i. First, we find the ratio ("elasticity") between trade cost reduction and impacts for the implemented FTAs
   ii. Then, we multiply the elasticities with the trade cost reductions for the upcoming FTAs to find the expected impacts of the upcoming FTAs[2]

The interpretation of the impacts are that they are relative to a baseline scenario, i.e., relative to a scenario in 2035 without the FTA (see figure below to the right).[3] For estimating absolute impacts, we follow two steps for the EU, Sweden, and the partner countries, respectively:

1. We forecast exports, imports, and GDP to 2035 in a situation without the FTA in place (baseline), and we use these as a baseline (see figure below to the right)[4]. 2035 is used to show the impacts at one point in time. The impacts for exports, imports, and GDP also continue after 2035 as the impacts from the FTAs are continuous impacts
2. We multiply the baseline with the relative impacts to find the absolute impacts

Assumptions taken in our approach

- We present the results for 2035 under the assumption that all FTAs are ratified today, and thus have been in place for 10 years by 2035
- We do not consider sectoral differences in the trade impacts, including sectoral developments towards 2035, nor trade effects other than to the FTA partner(s)[5]
- We assume that tariffs will be eliminated in the upcoming FTAs, whilst non-tariff measures will decrease by an average of 5 percentage points, equivalent to a 63 per cent decrease
- We assume the same percentage impacts from the FTAs for the EU and Sweden in terms of imports, exports, and GDP[6]
- We present total impacts as the sum of individual FTA impacts. We do not account for trade diversion[7]

Illustration of trade cost reductions from an FTA (simplified)

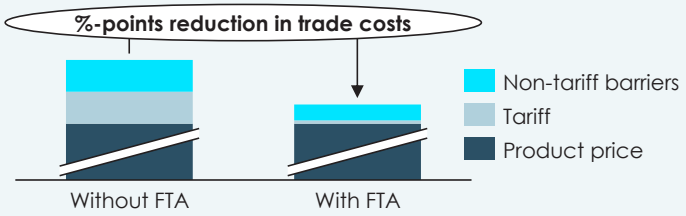
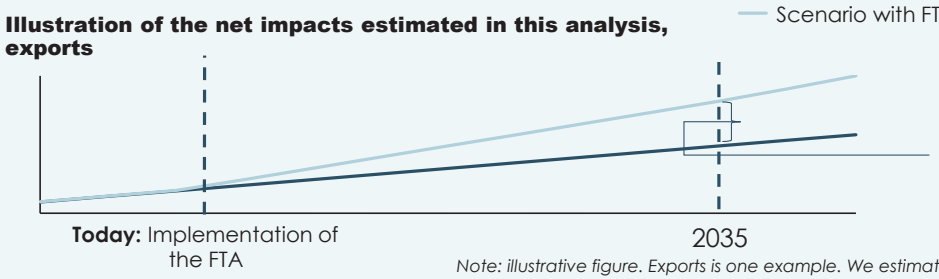


Illustration of the net impacts estimated in this analysis, exports



Net impact: We estimate the difference in exports in 2035 between the scenario where the FTA is fully implemented, and the baseline where no FTA is implemented.

Note: illustrative figure. Exports is one example. We estimate the same effect for imports and GDP.

1) We consider the change in the tariffs to get the direct price effect. To add the cost reduction from lower non-tariff measures, we will rely on academic research and previous FTA impact assessments to assume a measure reduction for those countries that we do not have data for. / 2) We weigh the GDP impact with the GDP size, such that a larger FTA partner is expected to have larger relative impact on the EU economy than a smaller FTA partner, see appendix A. / 3) With this approach, we implicitly consider that there are differences in distance, cultural similarities etc. that inherently affect trade, and we assume that these factors are constant over time. / 4) For Sweden, we also take steps to consider a potential Rotterdam effect, i.e., that Sweden's trade with non-EU countries may be underestimated due to the trade flows through European ports. Thus, this trade is not registered as Swedish trade with the non-EU country, but in another European country. / 5) Other typical impacts of FTAs are not covered in this analysis, such as the effect on consumer welfare, sustainability, self-sufficiency, and resilience. / 6) We make this assumption because we rely on EU-level impact assessments and do not always observe Sweden-specific estimates. Only one study, an ex-post assessment of South Korea, models Sweden separately. This study finds very similar results for Sweden and the EU, which is why we consider the same relative impacts for both Sweden and the EU. / 7) Thus, we purposedly do not set up CGE-models, but rather using results from other studies on already implemented FTAs to forecast impacts of upcoming FTAs.

POTENTIAL IMPACTS FOR THE EU

Chapter 1

Increased trade from FTAs create benefits for the EU

EU

Benefits from FTAs accrue on top of general increased trade with FTA partners

The EU already has large trade flows with several of the upcoming FTA partners (see tables for 2024 imports and exports on next page).

Irrespective of potential EU FTAs, this trade is expected to increase towards 2035 due to increased growth in the partner countries, particularly India (6-7 real GDP growth per cent p.a.).[1]

Additional trade will arise due to the FTAs. Adding up the individual FTAs,[2] we find an increase in EU exports to the FTA partners ranging from EUR 136-173[3] billion (2024-prices) by 2035, when the upcoming FTAs are fully implemented. Most of the impact is expected to come from the FTAs with Mercosur and India (see next page).[4]

The combined increase in EU imports from the FTA partners is expected to be EUR 108-130 billion (2024-prices) by 2035.

The combined FTA impact on EU GDP ranges between EUR 36-108 billion

Adding up the impacts of the individual FTAs,[5] EU GDP is expected to be EUR 36-108 billion (2024-prices)[6] higher in 2035 if all upcoming FTAs are fully implemented by 2035 (see tables on page 12).[7]

The largest expected GDP impact is found for Mercosur (EUR 11-32 billion) and India (EUR 15-44 billion). There are two reasons for this:

Firstly, Mercosur's and India's import tariffs are relatively high today (15 per cent and 14 per cent, respectively[8]), and FTAs are expected to lower these significantly.

Secondly, Mercosur and India are the largest economies amongst the countries examined (USD 2.9 trillion and USD 3.9 trillion in GDP in 2024, respectively),[9] and particularly India is expected to grow relatively fast towards 2035.[10] This means that more trade and purchasing power can flow from/to these economies.

By contrast, the expected impact of the FTAs with Thailand, Malaysia, the Philippines, and the UAE on the EU's GDP is relatively small (EUR 1–3 billion in 2024 prices). This reflects the relatively small size of these economies, all of which have a GDP below USD 550 billion.

The impacts are annual and will also continue after 2035.

1) We base this on the expected growth in trade from a gravity model for goods trade, and a forecast of services trade based on the historic trend, see appendix. / 2) The combined impact is retrieved by adding the individual impacts of each FTA. This does not consider general equilibrium impacts, such as trade diversion. / 3) All absolute values are in 2024 prices. / 4) Relative to a scenario without the FTA. / 5) This does not consider general equilibrium impacts. 6) All absolute values are in 2024 prices. / 7) Relative to a scenario without the FTA. Numbers in the figure do not sum to the total due to rounding. / 8) Based on weighted average MFN tariffs on goods imported from the EU. / 9) Nominal 2024-data. Based on data from the World Bank. The third largest FTA partner is Australia with USD 1.7 trillion in GDP. / 10) Based on numbers from IMF which forecast real GDP growth towards 2030. We then extrapolate the growth to 2035, see appendix A.

Expected trade impacts from upcoming EU FTAs on the EU

Expected FTA impacts on EU imports from the upcoming FTA partners, 2035
Percent

	FTA impact in 2035
EU-Indonesia	24-29
EU-Mercosur	26-32
EU-Australia	22-26
EU-Thailand	20-24
EU-India	18-22
EU-Malaysia	15-19
EU-Philippines	12-14
EU-UAE	19-23

Expected FTA impacts on EU exports to the upcoming FTA partners, 2035
Percent

	FTA impact in 2035
EU-Indonesia	17-21
EU-Mercosur	32-40
EU-Australia	13-17
EU-Thailand	16-20
EU-India	37-47
EU-Malaysia	9-12
EU-Philippines	24-30
EU-UAE	9-11

Interpretation of the table

- FTA impact in 2035: The expected impact from the FTA on EU exports to the UAE is between 9-11 per cent in 2035. This is in addition to the development in exports in the baseline without the FTA (not shown).

Note: FTA impacts in 2035 are shown in a range. Numbers are rounded.

Expected impacts on EU imports from the upcoming FTA partners, 2035
Billion EUR, 2024-prices

	Imports in 2024	Growth without the FTA 2024-2035	Additional FTA impact in 2035
EU-Indonesia	21	14	8-10
EU-Mercosur	71	22	24-29
EU-Australia	21	9	7-8
EU-Thailand	34	10	9-11
EU-India	107	110	40-48
EU-Malaysia	34	21	8-10
EU-Philippines	14	14	3-4
EU-UAE	29	17	9-10

Expected impacts EU exports to the upcoming FTA, 2035
Billion EUR, 2024-prices

	Exports in 2024	Growth without the FTA 2024-2035	Additional FTA impact in 2035
EU-Indonesia	16	8	4-5
EU-Mercosur	87	31	37-47
EU-Australia	69	43	15-19
EU-Thailand	23	15	6-8
EU-India	77	72	56-71
EU-Malaysia	24	12	3-4
EU-Philippines	12	10	5-7
EU-UAE	69	49	11-13

Interpretation of the table

- Trade in 2024: The level of EU exports to the UAE was EUR 69 billion in 2024.
- Growth 2024-2035: The expected growth in EU exports to the UAE in the baseline without the FTA is EUR 49 billion in 2035.
- FTA impact in 2035: The additional expected impact from the FTA on EU exports to the UAE is between EUR 11-13 billion in 2035.

Expected GDP impacts from upcoming EU FTAs on the EU

EU

Expected impacts on EU GDP from the upcoming FTA, 2035
Percent

	Lower bound	Upper bound
EU-Indonesia	0.02	0.05
EU-Mercosur	0.05	0.15
EU-Australia	0.02	0.05
EU-Thailand	0.01	0.02
EU-India	0.07	0.21
EU-Malaysia	0.00	0.01
EU-Philippines	0.01	0.02
EU-UAE	0.00	0.01

Interpretation of the table

The lower and upper bounds show the range of the expected GDP impact in 2035 in percentage terms, i.e., the EU-India FTA has an expected impact on EU GDP of 0.07-0.21 per cent in 2035.

Expected impacts on EU GDP from the upcoming FTA, 2035
Billion EUR, 2024-prices

	Lower bound	Upper bound
EU-Indonesia	3	10
EU-Mercosur	11	32
EU-Australia	4	11
EU-Thailand	1	3
EU-India	15	44
EU-Malaysia	1	2
EU-Philippines	1	3
EU-UAE	1	2

Interpretation of the table

The lower and upper bounds show the range of the expected GDP impact in 2035 in absolute terms, i.e., the EU-India FTA has an expected impact on EU GDP of EUR 15-44 billion in 2035.

Note: Numbers are rounded. FTA impacts in 2035 are shown in a range.

POTENTIAL IMPACTS FOR SWEDEN

Chapter 2

FTAs create benefits for Sweden through increased trade

SWEDEN

Benefits from FTAs accrue on top of general increased trade with the FTA partners

Sweden already has large trade flows with some of the upcoming FTA partners (see tables for 2024 imports and exports on next page).

Irrespective of potential EU FTAs, this trade is expected to increase towards 2035 due to increased growth in the partner countries, particularly India (6-7 real GDP growth per cent p.a.).[1]

Additional trade will arise due to the FTAs. Adding up the individual FTAs,[2] we find an increase in Sweden's exports to the FTA partners ranging from SEK 62-79 billion (2024-prices), when the upcoming FTAs are fully implemented.[3] Most of the impact is expected to come from the FTAs with Mercosur and India (see next page).

The combined increase in Swedish imports from the FTA partners is expected to be SEK 39-47 billion (2024-prices) in 2035.

The combined FTA impact on Swedish GDP ranges between SEK 13-40 billion

Adding up the impacts of the individual FTAs,[4] Swedish GDP is expected to be SEK 13-40 billion (2024-prices) higher in 2035 if all upcoming FTAs are fully implemented by 2035 (see tables on page 16).[5]

The largest expected GDP impact is found for Mercosur (SEK 4-12 billion) and India (SEK 5-16 billion). There are two reasons for this:

Firstly, Mercosur's and India's import tariffs are relatively high today (15 per cent and 14 per cent, respectively[6]), and FTAs are expected to lower these significantly.

Secondly, Mercosur and India are the largest economies amongst the countries examined (USD 2.9 trillion and USD 3.9 trillion in GDP in 2024, respectively),[7] and particularly India is expected to grow relatively fast towards 2035.[8] This means that more trade and purchasing power can flow from/to these economies.

By contrast, the expected impact of the FTAs with Thailand, Malaysia, the Philippines, and the UAE on Sweden's GDP is relatively small (EUR 0–1 billion in 2024 prices). This reflects the relatively small size of these economies, all of which have a GDP below USD 550 billion.

The impacts are annual and will also continue after 2035.

1) We base this on the expected growth in trade from a gravity model for goods trade, and a forecast of services trade based on the historic trend, see appendix. / 2) The combined impact is retrieved by adding the individual impacts of each FTA. This does not consider general equilibrium impacts, such as trade diversion. / 3) We use the same relative impacts for Sweden as for the whole of EU. There is limited information from country-specific impact assessments on EU's FTAs. The impact assessment for the FTA with South Korea finds that the relative impacts from the FTA are slightly lower for Sweden than for the EU, but there is not enough evidence to conclude that this is a general difference between impacts for Sweden and the EU. /4) This does not consider general equilibrium impacts. / 5) All absolute values are in 2024 prices. Numbers in the figure do not sum to the total due to rounding. / 6) Based on weighted average MFN tariffs on goods imported from the EU. / 7) Nominal 2024-data. Based on data from the World Bank. The third largest FTA partner is Australia with USD 1.7 trillion in GDP. / 8) Based on numbers from IMF which forecast real GDP growth towards 2030. We then extrapolate the growth to 2035.

Expected trade impacts from upcoming EU FTAs on Sweden

SWEDEN

Expected FTA impacts on Swedish imports from the upcoming FTA partners, 2035
Percent

	FTA impact in 2035
EU-Indonesia	24-29
EU-Mercosur	26-32
EU-Australia	22-26
EU-Thailand	20-24
EU-India	18-22
EU-Malaysia	15-19
EU-Philippines	12-14
EU-UAE	19-23

Expected FTA impacts on Swedish exports to the upcoming FTA partners, 2035
Percent

	FTA impact in 2035
EU-Indonesia	17-21
EU-Mercosur	32-40
EU-Australia	13-17
EU-Thailand	16-20
EU-India	37-47
EU-Malaysia	9-12
EU-Philippines	24-30
EU-UAE	9-11

Interpretation of the table

- FTA impact in 2035: The expected impact from the FTA on Swedish exports to the UAE is between 9-11 per cent in 2035. This is in addition to the development in exports in the baseline without the FTA (not shown).

Expected impacts on Swedish imports from the upcoming FTA partners, 2035
Billion SEK, 2024-prices

	Imports in 2024	Growth without the FTA 2024-2035	Additional FTA impact in 2035
EU-Indonesia	4	3	1-2
EU-Mercosur	19	8	7-8
EU-Australia	12	8	4-5
EU-Thailand	11	2	2-3
EU-India	41	54	17-21
EU-Malaysia	7	4	1-2
EU-Philippines	3	4	0-1
EU-UAE	8	11	3-4

Expected impacts Swedish exports to the upcoming FTA, 2035
Billion SEK, 2024-prices

	Exports in 2024	Growth without the FTA 2024-2035	Additional FTA impact in 2035
EU-Indonesia	9	6	2-3
EU-Mercosur	34	27	19-24
EU-Australia	35	24	9-11
EU-Thailand	11	8	3-4
EU-India	30	33	24-30
EU-Malaysia	6	5	0-1
EU-Philippines	4	5	2-3
EU-UAE	16	8	2-3

Interpretation of the table

- Trade in 2024: The level of Swedish exports to the UAE was SEK 16 billion in 2024.
- Growth 2024-2035: The expected growth in Swedish exports to the UAE in the baseline without the FTA is SEK 8 billion in 2035.
- FTA impact in 2035: The additional expected impact from the FTA on Swedish exports to the UAE is between SEK 2-3 billion in 2035.

Note: FTA impacts in 2035 are shown in a range. Numbers are rounded. We use a EUR-SEK exchange rate of 11.4325, taking the 2024 average from the ECB, see link.

Expected GDP impacts from upcoming EU FTAs on Sweden

SWEDEN

Expected impacts on Swedish GDP from the upcoming FTA, 2035
Percent

	Lower bound	Upper bound
EU-Indonesia	0.02	0.05
EU-Mercosur	0.05	0.15
EU-Australia	0.02	0.05
EU-Thailand	0.01	0.02
EU-India	0.07	0.21
EU-Malaysia	0.00	0.01
EU-Philippines	0.01	0.02
EU-UAE	0.00	0.01

Interpretation of the table

The lower and upper bounds show the range of the expected GDP impact in 2035 in percentage terms, i.e., the EU-India FTA has an expected impact on Swedish GDP of 0.07-0.21 per cent in 2035.

Expected impacts on Swedish GDP from the upcoming FTA, 2035
Billion SEK, 2024-prices[1]

	Lower bound	Upper bound
EU-Indonesia	1	4
EU-Mercosur	4	12
EU-Australia	1	4
EU-Thailand	0	1
EU-India	5	16
EU-Malaysia	0	1
EU-Philippines	0	1
EU-UAE	0	1

Interpretation of the table

The lower and upper bounds show the range of the expected GDP impact in 2035 in absolute terms, i.e., the EU-India FTA has an expected impact on Swedish GDP of SEK 5-16 billion in 2035.

Note: Numbers are rounded. FTA impacts in 2035 are shown in a range.

1) We use a EUR-SEK exchange rate of 11.4325, taking the 2024 average from the ECB, see link.

POTENTIAL IMPACTS FOR THE FTA PARTNER COUNTRIES

Chapter 3

FTAs create benefits for the partner countries from increased trade with the EU

Benefits from FTAs accrue on top of general increased trade between the partner countries and the EU

The partner countries already have large trade flows with the EU (see tables for 2024 imports and exports on next page).

Irrespective of potential FTAs, this trade is expected to increase towards 2035 due to growth in both the partner countries and the EU. The growth in trade in the no-FTA scenario is relatively higher for partner countries with stronger expected economic growth, such as India (6-7 real GDP growth per cent p.a.).[1]

Additional trade will arise due to the FTAs, with the size of the impact varying across countries. The largest increases are expected for India and Mercosur.

For India, imports from the EU are projected to rise by EUR 56-71 billion (2024-prices)[2], whilst exports to the EU are expected to increase by EUR 40-48 billion (2024-prices).

For Mercosur, imports from the EU are projected to rise by EUR 37-47 billion (2024-prices), whilst exports to the EU will increase by EUR 24-29 billion (2024-prices).[3]

The combined impacts are annual and will also continue after 2035.

The FTAs' absolute impact on GDP in the partner countries is larger for the larger economies

All partner countries are expected to have an increase in GDP resulting from the FTAs, if all upcoming FTAs are fully implemented by 2035.[4] The largest expected GDP impact is found in India (EUR 31-72 billion in 2024-prices) and Mercosur (EUR 15-35 billion in 2024-prices) (see page 20). There are two reasons for this:

Firstly, Mercosur's and India's import tariffs are relatively high today (15 per cent and 14 per cent, respectively[5]), and FTAs are expected to lower these significantly.

Secondly, Mercosur and India are the largest economies amongst the countries examined (USD 2.9 trillion and USD 3.9 trillion in GDP in 2024, respectively),[6] and particularly India is expected to grow relatively fast towards 2035.[7]

This means that more trade and purchasing power can flow from/to between these economies and the EU.

By contrast, the lowest estimated GDP growth for partner countries is expected in Malaysia (EUR 1–2 billion in 2024-prices) and the UAE (EUR 1–3 billion in 2024-prices). This reflects relatively low initial trade costs, which limit the potential gains from an FTA, as well as the smaller size of these economies. For example, Malaysia's GDP is USD 422 billion, while the UAE's is USD 537 billion.

The impacts are annual and will also continue after 2035.

1) We base this on the expected growth in trade from a gravity model for goods trade, and a forecast of services trade based on the historic trend, see appendix. / 2) All absolute values are in 2024 prices. / 3) Relative to a scenario without the FTA. / 4) Relative to a scenario without the FTA. / (5) Based on weighted average MFN tariffs on goods imported from the EU. / 6) Nominal 2024-data. Based on data from the World Bank. The third largest FTA partner is Australia with USD 1.7 trillion in GDP. (7) Based on numbers from IMF which forecast real GDP growth towards 2030. We then extrapolate the growth to 2035, see appendix A.

Expected trade impacts from upcoming EU FTAs on the partner countries

Expected FTA impacts on the partner countries' imports from the EU, 2035
Percent

	FTA impact in 2035
EU-Indonesia	17-21
EU-Mercosur	32-40
EU-Australia	13-17
EU-Thailand	16-20
EU-India	37-47
EU-Malaysia	9-12
EU-Philippines	24-30
EU-UAE	9-11

Expected FTA impacts on the partner countries' exports to the EU, 2035
Percent

	FTA impact in 2035
EU-Indonesia	24-29
EU-Mercosur	26-32
EU-Australia	22-26
EU-Thailand	20-24
EU-India	18-22
EU-Malaysia	15-19
EU-Philippines	12-14
EU-UAE	19-23

Interpretation of the table

- FTA impact in 2035: The expected impact from the FTA on The UAE's exports to the EU is between 19-23 per cent in 2035. This is in addition to the development in exports in the baseline without the FTA (not shown).

Note: FTA impacts in 2035 are shown in a range. Numbers are rounded.

Expected FTA impacts on the partner countries' imports from the EU, 2035
Billion EUR, 2024-prices

	Imports in 2024	Growth without the FTA 2024-2035	Additional FTA impact in 2035
EU-Indonesia	16	8	4-5
EU-Mercosur	87	31	37-47
EU-Australia	69	43	15-19
EU-Thailand	23	15	6-8
EU-India	77	72	56-71
EU-Malaysia	24	12	3-4
EU-Philippines	12	10	5-7
EU-UAE	69	49	11-13

Expected FTA impacts on the partner countries' exports to the EU, 2035
Billion EUR, 2024-prices

	Exports in 2024	Growth without the FTA 2024-2035	Additional FTA impact in 2035
EU-Indonesia	21	14	8-10
EU-Mercosur	71	22	24-29
EU-Australia	21	9	7-8
EU-Thailand	34	10	9-11
EU-India	107	110	40-48
EU-Malaysia	34	21	8-10
EU-Philippines	14	14	3-4
EU-UAE	29	17	9-10

Interpretation of the tables

- Trade in 2024: The level of UAE's exports to the EU was EUR 29 billion in 2024.
- Growth 2024-2035: The expected growth in UAE's exports to the EU in the baseline without the FTA is EUR 17 billion in 2035.
- FTA impact in 2035: The additional expected impact from the FTA on UAE's exports to the EU is between EUR 9-10 billion in 2035.

Expected GDP impacts from upcoming EU FTAs on the partner countries

Expected impacts on the partner countries' GDP from the upcoming FTA, 2035
Percent

	Lower bound	Upper bound
EU-Indonesia	0.27	0.64
EU-Mercosur	0.42	0.98
EU-Australia	0.23	0.54
EU-Thailand	0.25	0.58
EU-India	0.43	1.00
EU-Malaysia	0.16	0.38
EU-Philippines	0.28	0.65
EU-UAE	0.18	0.42

Interpretation of the table

The lower and upper bounds show the range of the expected GDP impact in 2035 in percentage terms, e.g., the India-EU FTA has an expected impact on India's GDP of 0.43-1.0 per cent in 2035.

Expected impacts on the partner countries' GDP from the upcoming FTA, 2035
Billion EUR, 2024-prices

	Lower bound	Upper bound
EU-Indonesia	6	14
EU-Mercosur	15	35
EU-Australia	5	11
EU-Thailand	2	4
EU-India	31	72
EU-Malaysia	1	2
EU-Philippines	2	5
EU-UAE	1	3

Interpretation of the table

The lower and upper bounds show the range of the expected GDP impact in 2035 in absolute terms, i.e., the India-EU FTA has an expected impact on India's GDP of EUR 31-72 billion in 2035.

Note: Numbers are rounded. FTA impacts in 2035 are shown in a range.

APPENDIX A

Description of our methodology

Description of our methodology

We find estimates for both the **relative impact** and the **absolute impact** for the upcoming EU FTAs, on the EU, Sweden, and the partner countries, see tables with the listed input below.

On the following pages, we first describe how we estimate the **relative impacts** of the FTA's (pages 23-26), then we describe how we get to the **absolute impacts** of the FTAs (page 27). Finally, we conduct comparisons of the results to other sources (Appendix B).

For estimating **relative impacts** on exports, imports, and GDP, we use EU impact assessments, and tariff and NTB changes to calculate elasticities for both EU, Sweden and the partner countries.

We rely on impact assessments conducted at the EU level. Only one study, an ex-post assessment of South Korea, models the impact on Sweden separately. This study finds very similar results for Sweden and the EU, which is why we consider the same relative impacts for both Sweden and the EU.

For the **absolute** impacts, we present estimates for 2035, under the assumption that the FTAs are fully implemented. The interpretation of these impacts are that they are **relative to the baseline scenario**, i.e., relative to a scenario in 2035 without the FTA.

We forecast GDP for both the EU and FTA partner countries using IMF real GDP growth forecasts (extrapolated to 2035), and we estimate exports and imports of goods using a gravity model based on GDP projections and 2024 trade data from Eurostat, see below. We forecast services trade by extrapolating historic growth.

Specifically for Swedish imports, we also adjust for goods routed through the Netherlands by estimating the share of Dutch imports from non-EU countries that are re-exported to Sweden (page 28).

Inputs needed for estimating the relative impacts

	Input	EU/Sweden exports and imports	EU/Sweden GDP	Partner country exports and imports	Partner country GDP
Previously implemented FTAs	EU impact assessments[1]	Impact on EU/Sweden		Impact on partner countries	
	Tariffs and NTBs[2]	Reduction in tariffs and NTBs for the EU and partner countries			
	Calculation of elasticities[3]	Ratio between exports/imports and tariff and NTB reduction	Ratio between GDP and tariff/ NTB reduction (weighted with partner country GDP)	Ratio between exports/imports and tariff and NTB reduction	Ratio between GDP and tariff/ NTB reduction (weighted with EU GDP)
Upcoming FTAs	Tariffs and NTBs[4]	Assumed reduction in tariffs and NTBs for the EU and partner countries			
	Estimation of relative impacts[4]	Combining elasticities and reduction in tariffs /NTBs	Combining elasticities and reduction in tariffs /NTBs (weighted with partner country GDP)	Combining elasticities and reduction in tariffs /NTBs	Combining elasticities and reduction in tariffs /NTBs (weighted with EU GDP)

Inputs needed for estimating the absolute impacts for the upcoming FTAs

Input	EU exports and imports	EU GDP	Sweden exports and imports	Sweden GDP	Partner country exports and imports	Partner country GDP
Forecasting GDP with IMF growth rate to 2025[5]		GDP forecast for the EU		GDP forecast for Sweden		GDP forecast for partner countries
2024 Eurostat trade data[4]	Exports and imports		Exports and imports		Exports and imports	
Forecasting trade using a gravity model to 2035[4]	Combining trade data, GDP and gravity model		Combining trade data, GDP and gravity model		Combining trade data, GDP and gravity model	
Relative impacts[4]	Numbers from the table to the left					
Estimation of absolute impacts[4]	Combining forecast with relative impact					

1) See page 23. / 2) See pages 24-25. / 3) See page 25. / 4) See page 26. / See page 27.

Impact assessments of concluded FTAs show that there are large variations

Method for estimating the **relative impacts** (1/4)

Before the EU commences an FTA with a potential partner country, an ex-ante impact assessment is made to estimate the potential economic impact of the agreement. The impacts are measured in net impacts (i.e., relative to a baseline without the FTA).

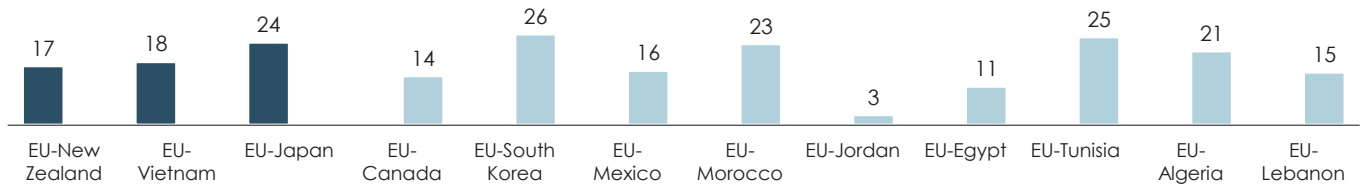
For some of the concluded FTAs, ex-post impact assessments have been made to evaluate the impacts of the FTA. We have gathered the relative impact from these assessments for exports, imports, and GDP (see figures to the right).

The impact assessments reflect bilateral trade flows, the expected increase in EU imports from an FTA partner equals the partner's expected increase in exports to the EU. This symmetry allows us to apply the same estimated impacts to partner countries. The impact assessments estimate GDP effects **for both the EU and the partner countries**, see figures.

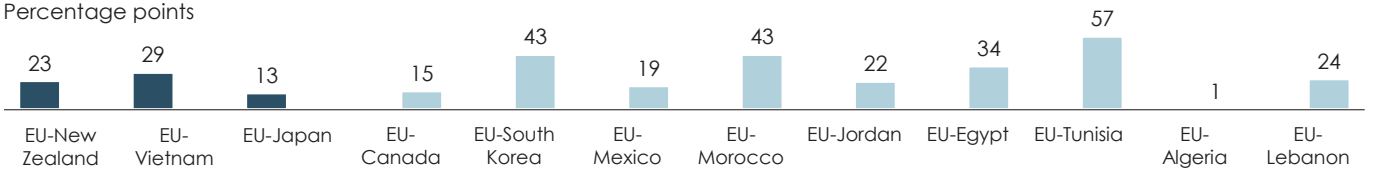
We find large variations in the relative impacts found in the impact assessments among the FTAs. Some of the variations can be explained by

- Different reductions in trade costs from the FTAs
- Different starting point for trade. There are factors that influence trading patterns up to the implementation of the FTA (cultural/historical factors, distances, export and import restrictions etc.)
- Different composition of production. Some countries produce goods that are typically more traded, whereas other countries produce relatively more products for the domestic market
- *Specifically for the GDP impact:* An FTA with a large economy will also have a relatively larger relative impact on the home economy, all else equal

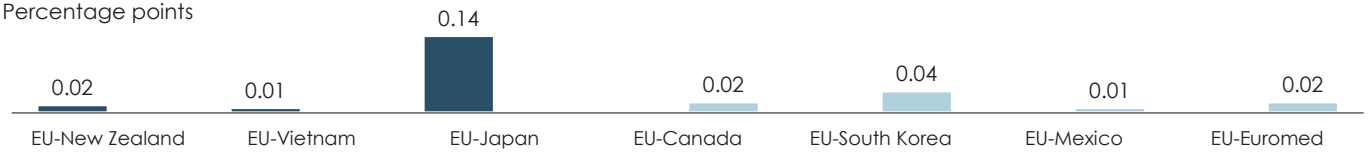
Ex ante and ex post impacts on EU imports from the FTA partner
Percentage points



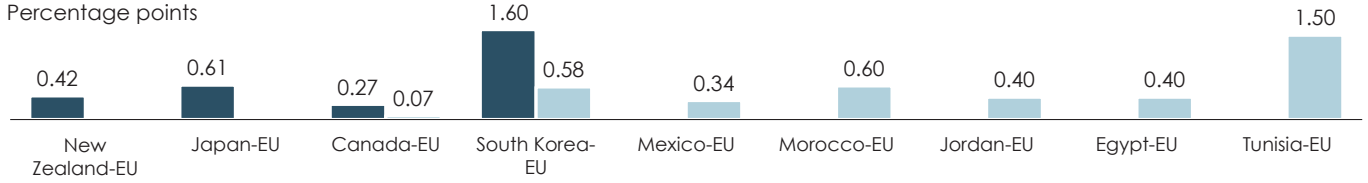
Ex ante and ex post impacts on EU exports to the FTA partner
Percentage points



Ex ante and ex post impacts on EU GDP from the FTA
Percentage points



Ex ante and ex post impacts on the partner countries' GDP from the FTA
Percentage points



Note: Euromed is the collective term for the FTA with Morocco, Jordan, Egypt, Tunisia, Algeria and Lebanon. The ex-post impact assessment estimated the GDP effect for the combination of countries only. We remove the estimates for the ex-ante impact assessments for Canada and South Korea due to missing data and implausible results. There are no estimates for the impact on the partner countries' GDP for Vietnam, Algeria, and Lebanon.

Our approach to estimating the reduction in tariff and non-tariff measures

Method for estimating the **relative impacts** (2/4)

A one percentage-point decrease in tariffs means a one per cent reduction in trade costs.[1] ***Similarly, a one percentage-point reduction in NTBs has the same effect.***

Estimating reductions in import tariffs

Where possible, we use the estimated reductions in import tariffs from the ex-post impact assessments.[2]

For the concluded FTAs without ex-post impact assessments, and for the upcoming FTAs, we *either* use publicly available information on the reduction in tariffs *or* estimates for the trade weighted average tariffs (MFN or EU specific) currently applied by the FTA partner country. For the latter, we assume a complete removal of these tariffs for the upcoming FTAs.

Estimating reductions in non-tariff measures

For non-tariff measures, there is only one impact assessment (South Korea) that estimates the reduction in non-tariff measures.[3] For the remaining FTAs (both concluded and upcoming) we employ a four-step approach, see table to the right for a breakdown of each step per upcoming trade partner:

A. For goods, we take the average of the ad valorem equivalent (AVE) of non-tariff measures, by country, using World Bank data.[4] This gives us the equivalent tariff rate that would result in the same trade impact as the presence of the non-tariff measures

B. For services, we use data from the OECD on services trade restrictiveness to estimate the AVE of non-tariff measures on services, by country[5]

C. We calculate the goods and services AVEs by taking a trade weighted average, using the goods/services ratio for each third country and for the EU in 2024[6]

D. We assume that on average an FTAs will result in an NTB reduction of 5.0 percentage points for the FTAs (equivalent to a 63 per cent reduction from the 7.9 per cent NTB average in column C), see bottom row. We allow for different reductions for the individual FTAs based on their initial level. We choose the average reduction in AVEs of 5 percentage points because:

i. It is in line with the average reduction in non-tariff trade costs estimate in the EU-South Korea ex-post impact assessment

ii. It is in line with the assumed non-tariff trade cost reduction used in the EU-Japan ex-ante impact assessment[7]

iii. It falls within the range of estimated reductions in non-tariff measures as found in the literature[8]

E. We arrive at the reduced FTA AVEs by deducting the numbers in column C with the numbers in column D

This approach implies that trade partners with a higher AVE of non-tariff measures, e.g., India, will see a larger expected reduction in non-tariff measures following trade liberalisation.

We apply the same method to estimate the reduction in non-tariff measures for the EU. The reduction in AVE is uniform EU imports across all FTAs, except for South Korea, where we have an estimate from an impact assessment.[9]

Our approach has several limitations. First, ad valorem equivalents (AVEs) are an imperfect proxy for non-tariff measures. Second, the AVE data for goods is based on the period 2012 to 2016, and non-tariff measures may have changed since then. Third, the assumed reductions in non-tariff measures are scenario-based. As a result, we cannot capture country-specific effects that may influence the true magnitude of the reduction. Finally, we do not control for differences in sector composition within goods and services.

Since the data for trade costs are symmetric between partners, we can apply the same reduction in trade costs to assess the impacts on both the EU, Sweden, and the partner countries.

Breakdown of the four-step calculation used to estimate non-tariff measure reductions for the upcoming FTA partners

Step	A	B	C	D	E	
Upcoming FTA	Goods average AVE (%)	Services AVE (%)	Trade weighted average AVE (%)	Non-tariff measure reduction (percen-tage points)	Reduced trade weighted average FTA AVE (%) *[C+D]*	Non-tariff measure reduction (%) *[D/C]*
Indonesia	4.1	12.0	6.9	-4.3	2.5	63
Mercosur	7.5	6.9	7.3	-4.6	2.7	63
Australia	14.0	5.0	9.0	-5.7	3.3	63
Thailand	2.8	11.6	7.1	-4.5	2.6	63
India	18.3	9.1	14.4	-9.1	5.3	63
Malaysia	2.0	9.1	3.8	-2.4	1.4	63
Philippines	11.2	14.2	12.4	-7.8	4.6	63
UAE	*	*	3.7	-2.3	1.4	63
EU	7.4	5.8	6.9	-4.3	2.6	63
Average	8.4	9.2	7.9	**-5.0**	2.9	63

Note: Numbers are rounded with one decimal. Therefore, reductions do not all add to 63 per cent. * Due to missing data for the UAE, we use an estimate on the overall trade restrictiveness and do not have specific numbers for goods and services, see World Bank Group (2009), link.

1) This is a mathematically approximation, i.e., tariff/(product price + tariff) is approximately the percentage points of the tariff (or AVE) level. / 2) Available for all concluded FTAs except Japan, Vietnam and New Zealand. / 3) Other impact assessments, such as the EU-Mercosur study, use modelling assumptions for the reduction in non-tariff measures. We do not consider these as estimates. / 4) Data is based on 2012 to 2016, see World Bank Group (2023). / 5) We assume that the average restrictiveness index for services is equal to the average AVE of non-tariff measures for goods, in order to estimate the average AVE of non-tariff measures for services. See OECD (2024). / 6) We do this for all trade partners, except for India and UAE, for who there is missing data. We estimate these non-tariff measures using World Bank data on overall trade restrictiveness (OTR) in 2009, which we equate to a trade weighted average using the EU as a baseline. See World Bank Group (2021). / 7) A range of 0-6.1% is used, see European Commission (2018). / 8) See EUI (2018). / 9) Additionally, due to a lack of data for the Euromed countries, we assume the average value of 5 for Morocco, Jordan, Egypt, Tunisia, Algeria and Lebanon.

Each *implemented* FTA has lowered trade costs between the EU and the FTA partner

Method for estimating the **relative impacts** (3/4)

Key components of an FTA are reductions in trade costs, primarily through lower import tariffs and non-tariff trade measures. These trade cost reductions are mainly on traded **goods**, but **services** trade can also be affected by for example non-tariff measures. To estimate these trade cost reductions, we use the methodology outlined on the previous slide. There are also large variations in the reduction in import tariffs for each of the FTAs (see figures to the right).[1] Some of the variations can be explained by

- Different starting points. Some countries have relatively high (MFN) import tariffs, resulting in large decreases in trade costs if these tariffs are removed in the FTA
- Different FTA ambitions. Even though one of the aims of the FTA is to lower trade costs, some countries may want to protect certain domestic industries and not lower tariffs evenly across all goods

The combination of the trade cost reduction and the impact assessments give us the components to calculate elasticities. For imports for FTA *i* this is:

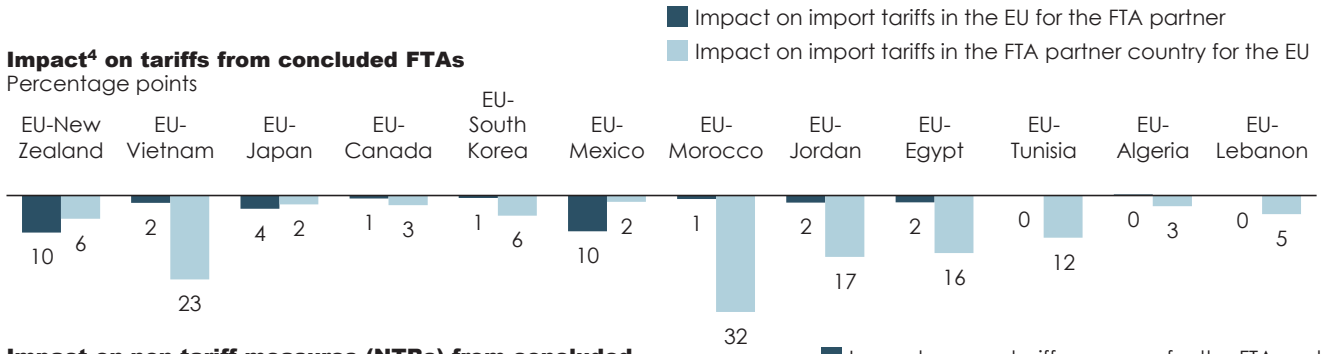
$$\text{Import elasticity}_i = \frac{\text{Impact on imports (\%)}_i}{\text{Change in import costs } (percentage\ points)_i}$$

A similar elasticity is found for exports. For the EU's GDP elasticity, we also weigh with the FTA partners GDP size to consider the economic size[2]:

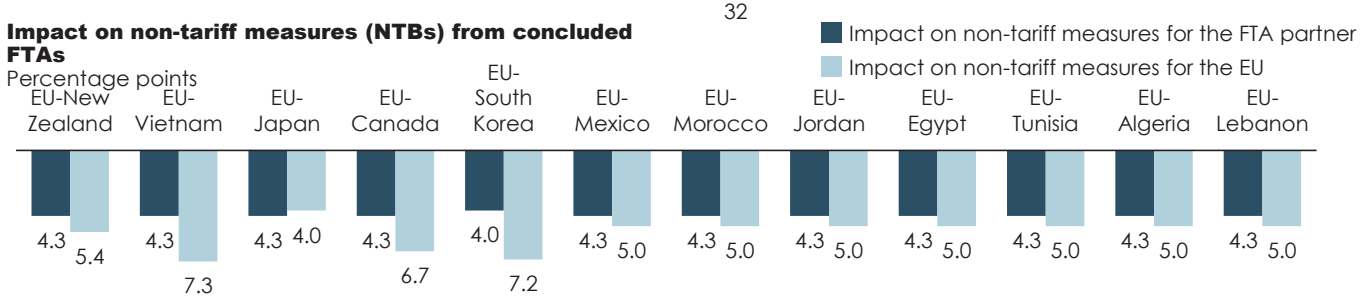
$$\text{EU GDP elasticity}_i = \frac{\text{Impact on EU GDP (\%)}_i}{\text{Change in trade costs } (percentage\ points)_i * \text{GDP FTA partner}_i}$$

These elasticities are used together with the change in trade costs to find the impact of the upcoming FTAs (see next page). We do so for a **lower bound** and an **upper bound** of the results.[3] We apply this approach from both the EU/Swedish perspective and the partner countries' perspective.

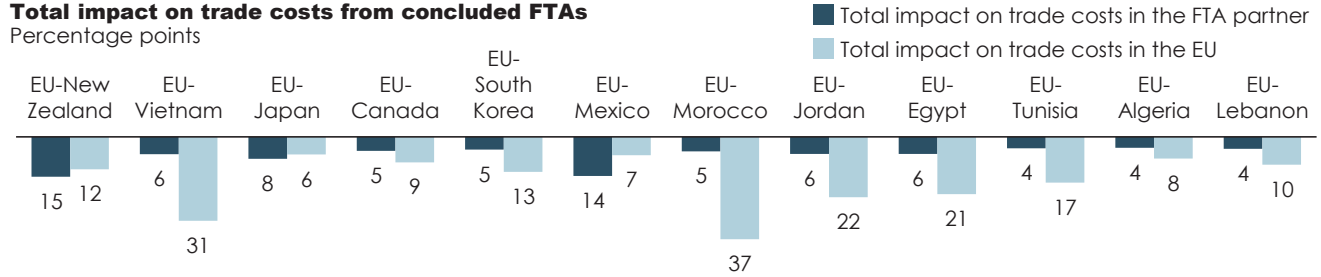
Impact[4] on tariffs from concluded FTAs
Percentage points



Impact on non-tariff measures (NTBs) from concluded FTAs
Percentage points



Total impact on trade costs from concluded FTAs
Percentage points



1) Note that tariffs are not fully eliminated in the concluded FTAs. / 2) For the partner countries, this is (Impact on FTA partner country GDP) ***divided by*** (Change in trade costs ***multiplied with*** EU GDP). / 3) In practise, we take out the three largest and three smallest elasticities for exports and imports, as export and imports to a single country are more sensitive to trade costs changes than the EU's GDP. This leaves us with six elasticities, for which we take the lower quartile as our lower bound, and upper quartile as our upper bound. / 4) Note that bars falling below the x-axis show a reduction in trade costs. Tunisia and Algeria experienced slight increases in tariffs from the Euromed FTA of 0.13 and 0.34 percentage points respectively.

Similarly, *upcoming* FTAs are expected to lower trade costs to the new FTA partners

Method for estimating the **relative impacts** (4/4)

To estimate the potential impact of the upcoming FTAs, we need the elasticity ranges from the concluded FTAs on the previous page **and the expected trade cost reduction in the upcoming FTAs**.

For reductions in **tariff** and **non-tariff measures**, we follow the methodology outlined previously.

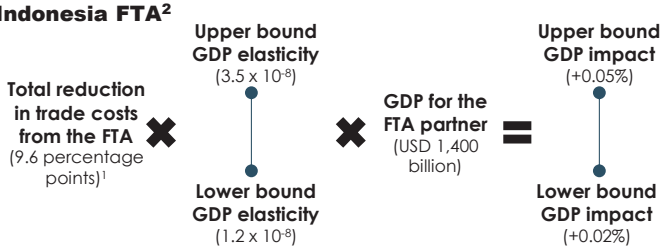
In combination, we find some variations in the trade cost reductions (see figures to the right).

To calculate the relative impacts of the upcoming FTAs, we use the elasticities and the expected cost changes, here for the lower bound for imports of upcoming FTA *j*

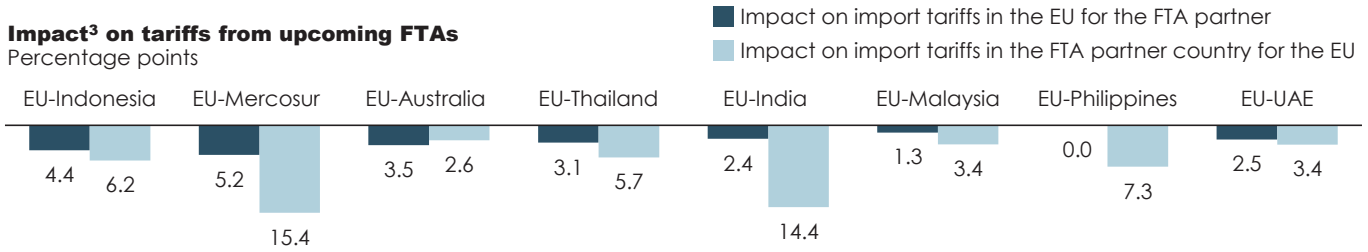
$$\text{Import impact } (\%)_j = \text{Import elasticity}_{\text{LOW}} * \text{Change in import costs } (\textit{percentage points})_j$$

Similar elasticities are found for the upper bound and for exports. For the GDP elasticity, we also weigh with the FTA partners GDP size to consider the economic size, see below for an example for the EU-Indonesia FTA. We apply this approach from both the EU/Swedish perspective and the partner countries' perspective.

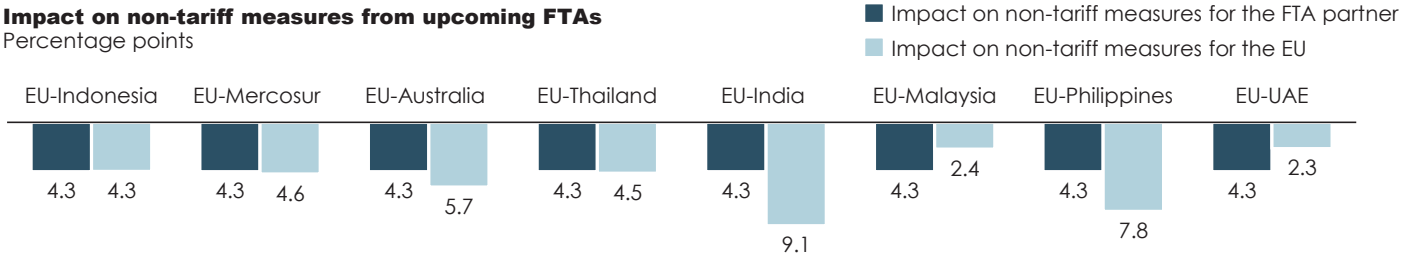
Example: Calculating the EU GDP impact for the EU-Indonesia FTA[2]



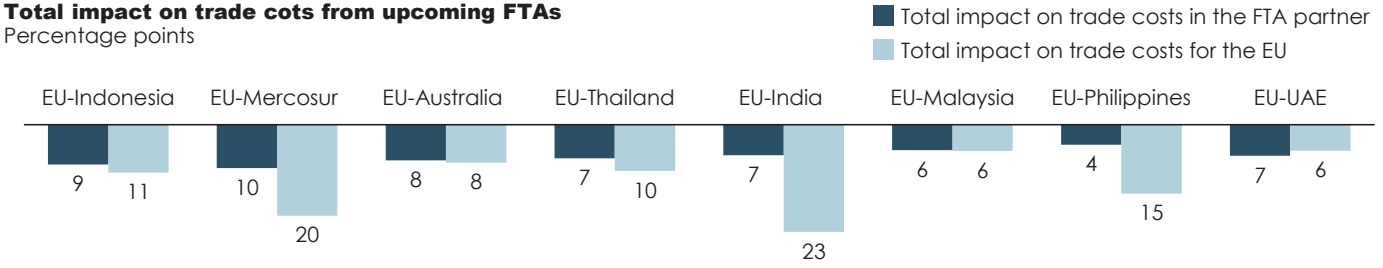
Impact[3] on tariffs from upcoming FTAs
Percentage points



Impact on non-tariff measures from upcoming FTAs
Percentage points



Total impact on trade cots from upcoming FTAs
Percentage points



Note: numbers are rounded
1) This is the average of the total reduction in trade costs for the EU (10.5) and Indonesia (8.7), note the numbers are different to the bottom right figure due to rounding. / 2) We use the same methodology to find GDP impacts for the partner countries. / 3) Note that bars below the axis represent a reduction in trade costs.

Our approach to forecasting GDP, import, and exports to 2035

Method for estimating the **absolute** impacts (1/1)

We apply the relative impacts found on an absolute measure for exports, imports and GDP. However, as we are estimating impacts in 2035, we need to forecast the trade in goods and services with each partner country as well as the GDP impacts (keeping all values in 2024-prices). We do so for the baseline situation without an FTA.

We do the forecast with the following three steps:

Firstly, we forecast the GDP for the EU *and* the FTA partner countries using real GDP growth forecast from the IMF. These forecasts only go until 2030. We extrapolate the growth rates from IMF to find the GDP in 2035.

Secondly, for each FTA partner, we forecast exports and imports of goods using estimates from a gravity model from CEPII.[1] The estimates cover the impact from **origin GDP** and **destination GDP** on the trade flow.

With these estimates, together with the trade in 2024, and the forecast for GDP, we estimate the exports and imports of goods to each FTA partner using the formula (shown for exports from the EU to partner country *i*):

$$\text{EU exports } 2035_{\text{EU,i}} = \text{EU exports } 2024_{\text{EU,i}} * (\text{Origin GDP estimate} * \text{GDP growth } (2024-2035)_{\text{EU}} + \text{Destination GDP estimate} * \text{GDP growth } (2024-2035)_{\text{i}})$$

We assume that all other factors from the gravity model stay constant (transport costs, distance, common language, etc.)

For services trade, we use the historical development in services exports and imports from 2013-2023 in current prices and deflate these value with the EU GDP deflator to find the real 2024-prices. We then forecast the numbers to 2035 using the real growth rate in services 2013-2023 for each FTA partner for the export and import flows.

We now have the forecasted GDP, exports, and imports numbers for 2035 (all in 2024-prices) for the EU, Sweden, and the partner countries.

Lastly, we multiply the relative impacts found with the GDP, exports, and imports numbers identified to arrive at the absolute impacts of the FTAs in 2035.

For Sweden, we take additional steps

We take three steps to account for the Rotterdam effect, see next slide for an explanation of the Rotterdam effect, for Swedish imports of goods from the FTA partners:

1. We estimate the share of Dutch imported goods that are re-exported for the latest available year (2023), finding this to be around 45 per cent[2]
2. We estimate the share of re-exported goods from the Netherlands that end up in Sweden, estimating this to be around 3 per cent.[3] These two numbers together imply that, in 2023, approximately 1.4 per cent of all Dutch imported goods were re-exported to Sweden[4]
3. For the latest available year (2024), we download the Netherlands' import data for all goods from each FTA partner, and attribute 1.4 per cent of these to Sweden[5]

The result of this is that the combined imported goods from the FTA partners to Sweden increase by almost 7 per cent. The combined increase in Swedish imports (goods and services) from the FTA partners is 4 per cent.[6]

While this method considers that that a portion of Dutch imported goods from FTA partner countries are ultimately destined for Sweden, we cannot be certain to fully account for the Rotterdam effect. The same effect may also be present for other EU countries with major transport hubs in Northern Europe, such as Belgium, France, and Germany. However, we are unable to observe the re-export shares for these countries.

For Swedish exports, we do not observe the share re-exported from the Netherlands to the FTA partners. However, we believe that the share of Swedish exports to the FTA partners that go through the Netherlands is negligible.[7]

For the partner countries, we assume symmetry in reported trade flows

To analyse the imports and exports with the EU from the perspective of the partner countries, we make the following assumption:

EU imports from partner country equals partner country's exports to EU

For goods, there may be systematic differences between reported imports and exports depending on the reporting perspective. This reflects differences in valuation conventions, as imports are typically recorded on a CIF basis (including the cost of insurance and freight), while exports are recorded on an FOB basis (excluding these costs).[8] As a result, import values tend to be mechanically higher than the corresponding export values, implying that our partner countries exports may be slightly higher, and their imports slightly lower than the true values.

For services, our assumption is more likely to hold, as there are no CIF/FOB differences.

1) See CEPII (2013). / 2) CBS (2025). / 3) Calculated using the value of re-exports to Sweden, and the total value of Dutch re-exports, see CBS (2024). / 4) We assume this share to be constant over time. / 5) We assume that the share re-exported to Sweden is the same, regardless of the exporting country. / 6) Services are unaffected by the Rotterdam effect. / 7) We only observe the top 15 countries in terms of re-exports in the Netherlands, none of the FTA partners are in the top 17. The 15th highest is South Korea, which accounts for 0.2 per cent of Dutch re-exports, therefore all FTA partners will have a lower share than 0.2 per cent. (8) See IMF (2020).

We estimate the Rotterdam effect using re-export estimates for the Netherlands

The Rotterdam effect refers to the systematic data accounting issue that occurs in trade statistics when goods **destined for one country are declared at customs at major transit hub** (such as the port of Rotterdam) before reaching their final market. According to EU rules, extra-EU imports are recorded by the country where the port is located, so in practice it could be any port, not just Rotterdam which lends its name to the effect.[1]

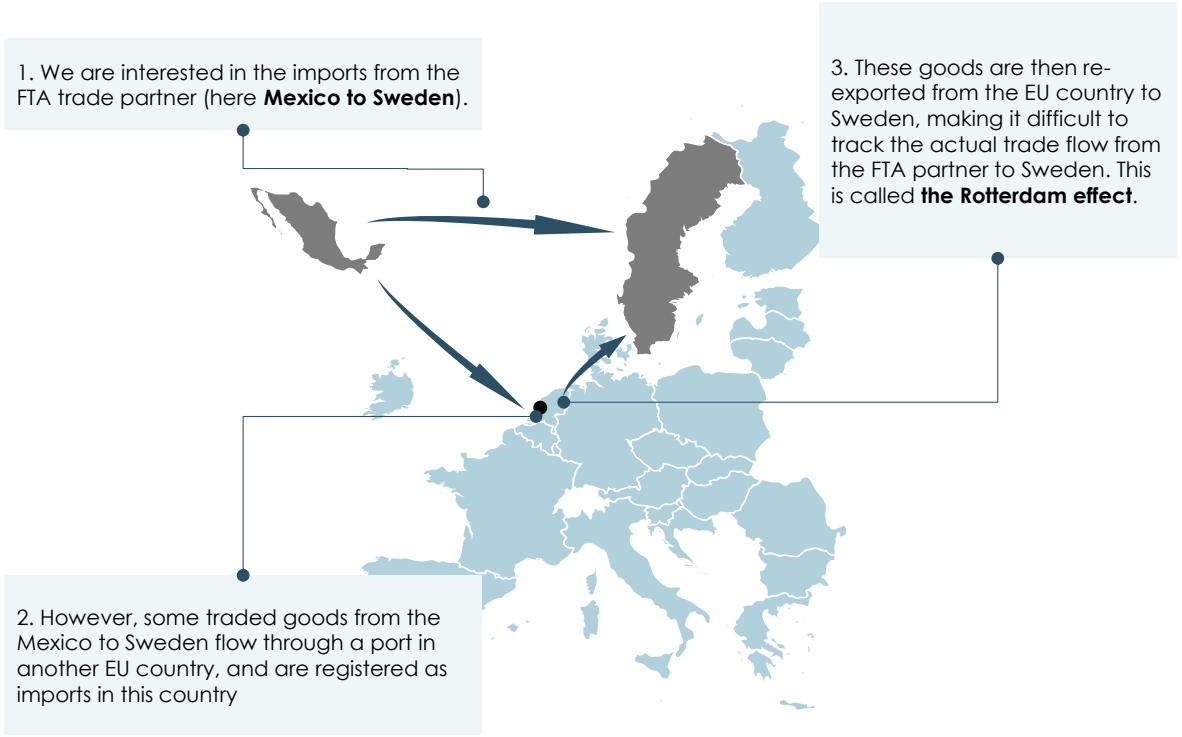
For Sweden, this means that imports from non-EU countries may appear in official data as originating from the Netherlands, even though the Netherlands is only a transit point (see figure). Because EU trade statistics record the last port of dispatch rather than the true country of origin, Sweden's imports from outside the EU can be underestimated, while its imports from the Netherlands are overstated.

The Rotterdam effect is particularly relevant for goods that commonly move through large European logistics hubs, such as energy products, machinery, and consumer goods.

We have corrected Swedish imports, considering the Rotterdam effect in this report. We only assess the Rotterdam effect for the Netherlands, as the Netherlands has the most reliable data on re-exports. Therefore, the corrections are conservative, as other ports in for example Belgium, Germany, and France are not included.

In total, the effect from the Rotterdam effect (in this case trade flowing through the Netherlands only) shows an increase in total Swedish imports from the upcoming FTA partners of 4 per cent.[2]

Illustration of the Rotterdam effect



1) Eurostat: International trade statistics / 2) Covering imports of both goods and services. The Rotterdam only affects goods trade.

APPENDIX B
Comparison of estimates

Our results differ from published ex-ante impact assessments, due to different methods and scenarios applied (1/3)

Our estimates differ from the EU ex-ante impact assessments that have been conducted, see figures on the following pages. This can be explained by different methods applied:

EU impact assessments use CGE modelling as a tool to estimate impacts of an FTA. CGE modelling considers the full economy, including trade diversion and sectoral compositions that we cannot include in our simplified method.

We estimate impacts by expected trade cost reductions, considering that *all tariffs are removed* and that NTBs decline by the same relative share. The individual EU impact assessments may consider a different cost reduction and include other sector-specific elements such as import quotas on specific products that we cannot include.

Another methodological difference is how reductions in non-tariff measures are estimated. The ex-ante impact assessments rely on assumptions on the effects on non-tariff measures, often based on conservative and ambitious scenarios, which are fed into their models.[1] By contrast, we estimate the effects using available data, as described in Appendix A.

Our estimates show lower impacts on exports and larger impacts for imports

We find that EU export elasticities are lower than EU import elasticities, see the following pages. One reason for this is that we observe relatively larger decreases in trade costs for EU exports for the implemented FTAs, compared to the impacts, resulting in our export elasticity being lower.

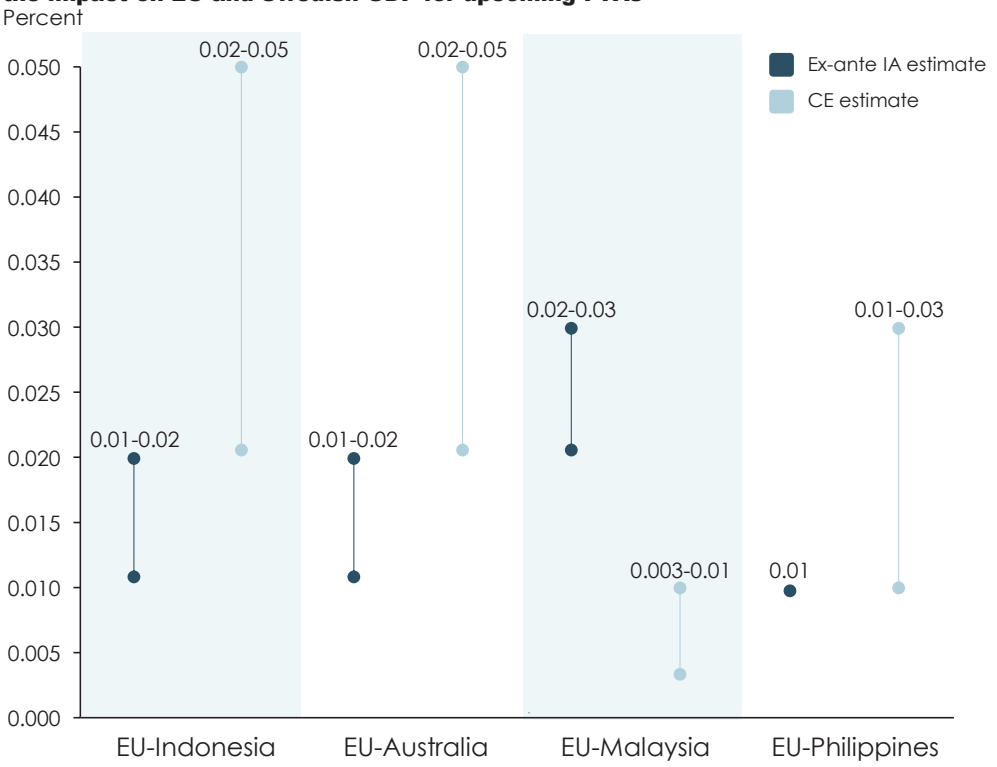
With our method, this means that we get a relatively higher impact for imports, and a relatively lower impact for exports.

These effects also affect the input to the GDP results, see the next page.

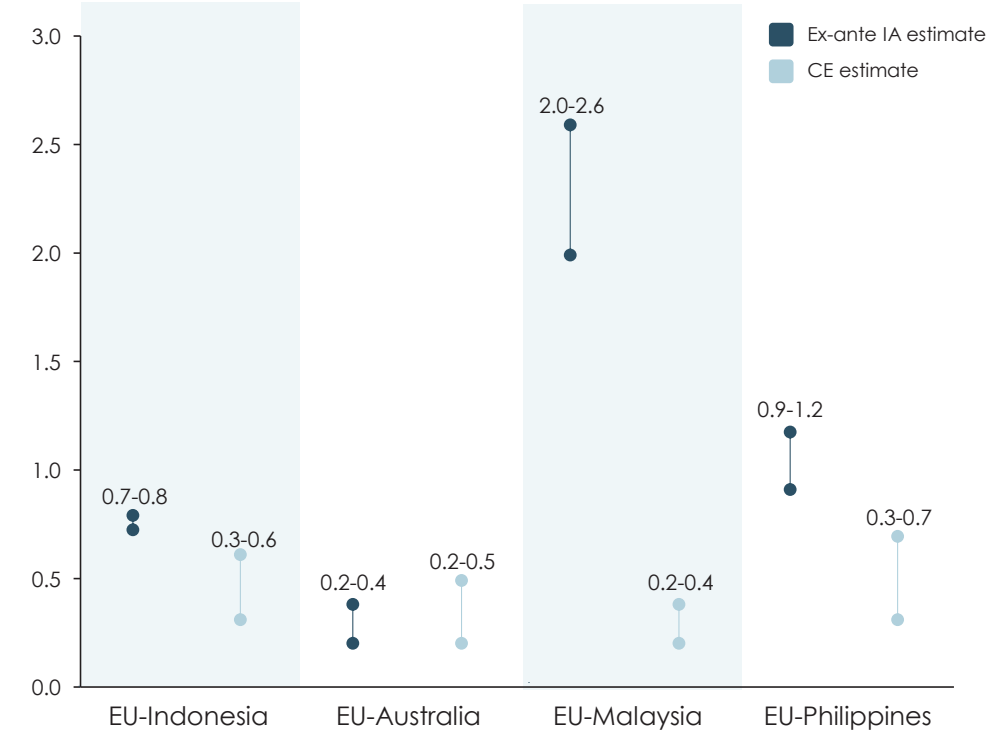
1) For example, for the EU-Mercosur FTA, the conservative scenario assumes a reduction of 5 percentage points in non-tariff measures, while the ambitious scenario assumes a reduction of 10 percentage points. The IA provides no further explanation for how these values were chosen.

Our results differ from published ex-ante impact assessments, due to different methods and scenarios applied (2/3)

Comparison of ex-ante impact assessment estimates and CE's analysis for the impact on EU and Swedish GDP for upcoming FTAs



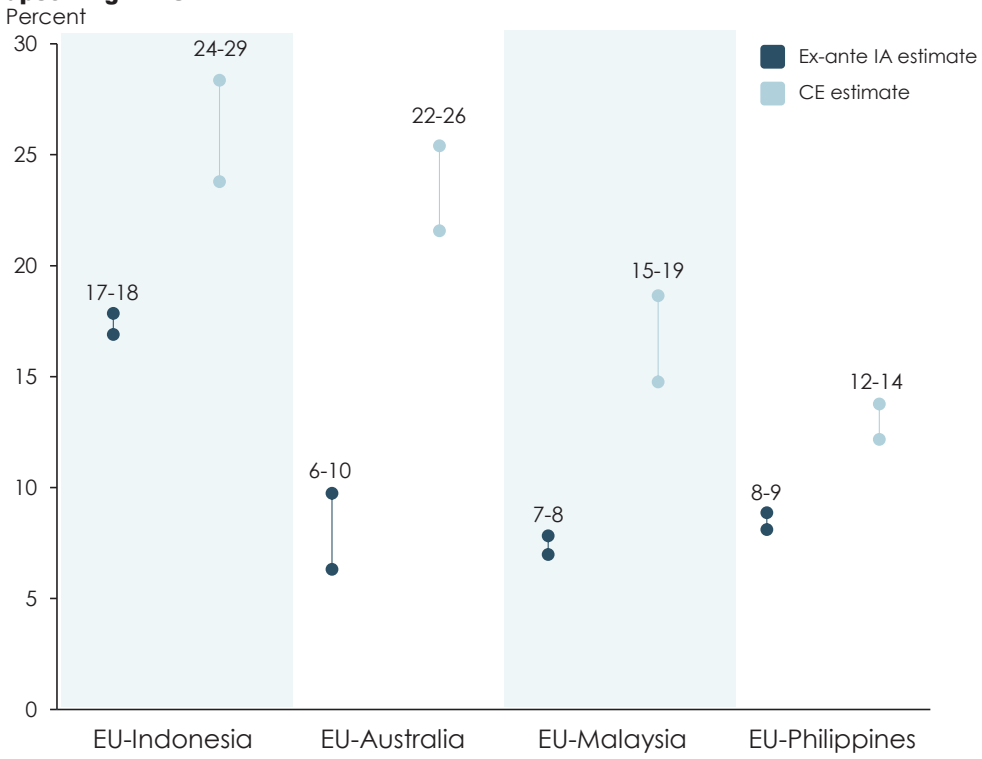
Comparison of ex-ante impact assessment estimates and CE's analysis for the impact on the partner countries' GDP for upcoming FTAs



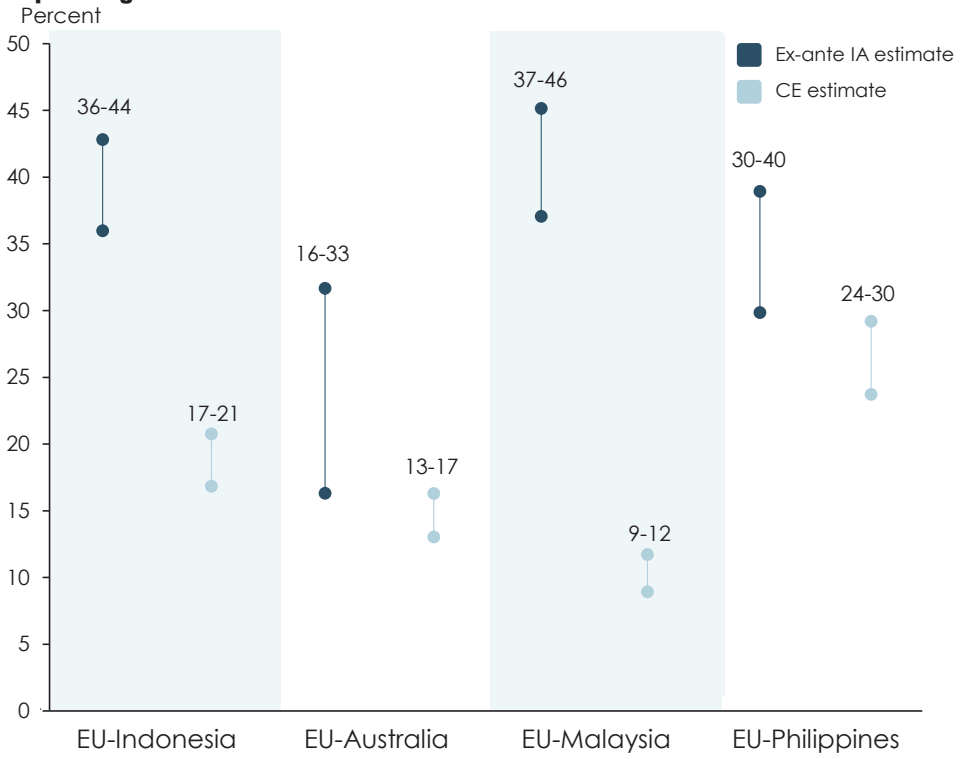
Note: we only include the impact assessments which estimate bilateral trade between the EU and the trade partner. The impact assessments estimate GDP effects at a specific point in time. We therefore use country-level GDP from the same year to calculate the relative percentage. The reference years are 2020 for Australia and 2011 for Indonesia, Malaysia, and the Philippines.

Our results differ from published ex-ante impact assessments, due to different methods and scenarios applied (3/3)

Comparison of ex-ante impact assessment estimates and CE's analysis for the impact on EU and Swedish imports from the partner countries for upcoming FTAs



Comparison of ex-ante impact assessment estimates and CE's analysis for the impact on EU and Swedish exports from the partner countries for upcoming FTAs



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Note: All links were assessed in December 2025.

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