

Confederation of Swedish Enterprise's agenda



For Free and
Sustainable Trade

Foreword

What trade policy does the EU need for the years to come? A seemingly straightforward question, but one that is increasingly difficult to give an equally straightforward answer to. Common rules that facilitate the necessary flows of modern trade – goods, services, people, capital, data, innovation, and investment – would be one answer. Transparent and predictable rules that allow companies all over the world to export, import, and invest would be another.

Because without trade with other countries, our economies simply stop. Historically, global trade has lifted many countries and millions of people out of poverty and is today widely recognised as being key for the achievement of the sustainable development goals. In European countries, trade is necessary for jobs and prosperity. In the absence of trade with other countries, the EU would have been poorer. A strong and ambitious free trade agenda for the EU should be the obvious way forward.

But with the EU in the process of developing a trade strategy for the future, there are multiple challenges. An ambitious trade policy must address them, while resisting the renewed pressure of protectionism arising from the coronavirus crisis.

A key challenge is that global trade is in transformation. Trends that we have seen in recent decades – digitalisation, servicification, global value chains – have become ubiquitous. They have transformed how we produce, trade and consume. Business models and accelerating technological development challenge regulatory frameworks, which in some cases have been around for a couple of decades. This is why it is increasingly urgent to update the rules. We need trade rules suited to the future.

Another challenge is to fully grasp that it is companies that trade, not countries. It is companies that use free trade agreements, that follow rules of origin requirements, that deal with customs formalities, and that are affected by trade disputes. This is why a future trade policy should focus on creating the necessary conditions for businesses to trade across borders.

A third challenge is that trade policy is itself in a state of change. It is extending into a growing number of areas, which is in part due to contemporary trade being so much more than goods being loaded onto ships. Furthermore, security issues and geopolitics are increasingly intertwined with trade issues. Sometimes this reinforces trade, but more and more often businesses are hit by short-term decisions taken in the heat of trade disputes. This is why an offensive agenda is needed for how the world looks today.

So what kind of trade policy is needed for the future? An ambitious European trade strategy for free and sustainable trade, that does not avoid challenges and that gives businesses – those who actually do trade – the right environment in an increasingly complex world. This agenda shows the way forward.

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Summary of proposals

An agenda for market access

Greater openness for global trade in goods and services, as well as foreign direct investment should be key aims. The EU needs to be proactive in adopting a holistic approach to trade, in which traditional issues such as customs and border obstacles are combined with processes that facilitate people's mobility, reinforce protection of intellectual property rights, open up procurement markets to international competition, and safeguard efficient dataflows.

- Update and modernise the WTO's regulatory framework, especially in terms of digital issues
- Repair and retrench the WTO's dispute resolution mechanism
- Negotiate more and far-reaching free trade agreements
- Secure an ambitious free trade agreement with the UK after Brexit
- Approve existing free trade agreements and ensure that agreements that have entered into force are used to their full extent
- Engage in robust dialogues with the EU's top trading partners to remove bureaucratic conflicts between different regulatory systems

Trade for sustainability

In its 2030 Agenda, the UN states that trade is a necessary part of the solution to ensure the world can achieve the Sustainable Development Goals (SDGs). In other words, the issue is not trade *or* sustainability, rather trade *for* sustainability.

European businesses have contributed to sustainable development for many years and have a lot to offer the world in terms of innovative products and services. Trade policy needs to ensure that opportunities for business to contribute to sustainable development are facilitated to the utmost.

- Introduce zero-rated tariffs on environmentally friendly goods and dismantle environmentally damaging subsidies
- Promote global rules for products, production systems, and recycling so that a circular economy can be developed free from restraints created by specific national requirements
- Develop the sustainable development chapter that the EU includes in all free trade agreements
- Strengthen preparedness to introduce defensive measures so that EU industry – which is reducing emissions substantially – does not lose out to considerably more carbon dioxide-heavy actors outside Europe

Improved security and a more level playing field free from protectionism

The coronavirus crisis, like other security threats, has triggered discussion about the need to increase self-sufficiency. There is talk of bringing production home from other countries. This process needs to be controlled by businesses and not by political agendas.

A more "level playing field" has been a rallying cry of recent years. With the aim of levelling the playing field, several different political initiatives are being developed at EU level. These measures include limits on foreign actors' opportunities to invest in the EU, reduced opportunities to participate in public procurement and reduced scope for state subsidised enterprises from the rest of the world to be active on the EU internal market. Each and every one of these proposals may have its merits, but their combined effect should not be allowed to create a European fortress that pulls up the drawbridge to the outside world.

- Allow businesses to control their value chains – businesses are best equipped to manage the often extraordinarily complex networks that these value chains involve
- Reject protectionism motivated by the corona crisis
- Establish a more level playing field based on openness and competition
- Defend the EU's attractiveness and reject barriers to favourable investment

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1 In support of free and open trade

The Confederation of Swedish Enterprise's approach is to support free trade and fight protectionism. This also means that we are against mercantilism that only seeks to support exports and considers imports as a loss.

Trade is something people have engaged in since time immemorial. There is something intrinsically human in trying to improve your situation by voluntarily exchanging things with others. Trade is not a zero-sum game where one's gain is another's loss. Generally speaking, trade benefits both parties involved in a transaction.

Trade policy, therefore, should not attempt to take as large a slice of the cake as possible. Rather, it should seek to bake a growing cake. This is why the Confederation of Swedish Enterprise's approach is to support free trade and fight protectionism. This also means that we are against mercantilism that only seeks to support exports and considers imports as a loss.

In this document, we discuss how the Confederation of Swedish Enterprise believes that trade policy should be formulated in the years ahead.



2 The significance of international trade for Sweden

Sweden's journey out of poverty began in earnest in the 1870s. It was at that time the economy started to be liberalised and opened up to the outside world. We had extensive resources such as forests, iron ore, and hydro power; and we had a literate workforce and skilled entrepreneurs who established companies that today are world-leading in numerous areas.

Trade is an absolutely crucial aspect of the Swedish economy. It is, in fact, impossible to imagine the Swedish economy without trade.

Trade is an absolutely crucial aspect of the Swedish economy. It is, in fact, impossible to imagine the Swedish economy without trade. Without our export success, our trade and industry would not be what it is today, and we would be a considerably poorer country. Exports create income, jobs, and welfare. Imports are absolutely crucial as well. Without exports and imports, Swedish businesses would be uncompetitive and the choice of affordable and good-quality goods and services in our country would be small. Access to imported input goods for Swedish industry is necessary to maintain production of export products. Furthermore, businesses in Sweden are dependent on being able to invest abroad and in the same way, the Swedish economy needs investment from other countries. Trade and investment flows are an integral part of the Swedish economy on a daily basis.

Sweden's economy is often described as "small and export-dependent". The fact that Sweden, with its 10 million inhabitants, is one of the world's 25 largest economies is due to trade. It is therefore more accurate to say that the Swedish economy is "medium-sized and trade-dependent".

The Swedish economy is medium-sized and trade-dependent.

Companies in Sweden are often parts of global value chains in which goods and services flow from all over the world to be assembled as finished products and solutions. Many companies are present on numerous different markets worldwide, either through subsidiaries, associated companies or other local operations or through exports. These companies, big and small, are all dependent on the transfer of goods as well as people – such as sales agents, technicians, consultants, construction workers – across borders to perform different services. Goods and services are merging as servicification continues. Sometimes it is virtually impossible to judge what are goods and what are services. Companies are also dependent on data being able to flow freely across borders. Without digital solutions, trade today is simply not possible. Goods require services, which in turn require dataflows and personal mobility. It is these flows that enable international trade.

As trade becomes increasingly complex and touches a growing number of areas more deeply, trade policy today is a broader policy area than in the past.

3 Trade policy architecture

The regulatory framework for trade policy should seek to create the best possible conditions for companies to participate on the global market by guaranteeing openness and predictable rules.

WTO's founding principles of not discriminating between countries, (Most Favoured Nation, MFN), and treating domestic and foreign companies equally, (national treatment), are positive and essential cornerstones for world trade. They provide predictability to the regulatory framework that companies need.

The option for WTO members to go forward without other members in so-called plurilateral solutions for those who so wish, should be used more frequently.

To secure the future of the dispute settlement system, it must be made more efficient.

New rules are needed in areas such as digitalisation, services, subsidies, and environmental goods and services.

The regulatory framework for trade policy should seek to create the best possible conditions for companies to participate on the global market by guaranteeing openness and predictable rules. But the regulatory framework should, to an increasing degree, also encompass other considerations, including minimising environmental impact and minimising our exposure to geopolitical security risks.

3.1 The WTO should remain the “cornerstone”

The primary forum for global trade policy is, and should remain, the World Trade Organisation (WTO), which administers key trade agreements including GATT (goods), GATS (services), and TRIPS (intellectual property rights). The WTO and its predecessor, GATT, have created stability and predictability in international trade since the end of the second world war. The WTO has been effective in creating a global market, hindering countries locking themselves into regional blocks. The WTO's founding principles of not discriminating between countries, (Most Favoured Nation, MFN), and treating domestic and foreign companies equally, (National Treatment), are positive and essential cornerstones for open world trade. They provide predictability to the regulatory framework that companies need.

The WTO should also be a forum for continued trade negotiations. However, one weakness of the WTO is its need for consensus. Achieving consensus in an organisation in which its members (currently 164) have widely differing interests has shown itself to be extremely challenging. Even if multilateral solutions are desirable, this ambition must not stand in the way of other, more realistic, objectives. The option to go forward without other members in so-called plurilateral solutions for those who so wish, should be used more frequently.

With multilateral negotiations at a standstill in recent years, the organisation's most important role has arguably become the administration of trade agreements and the arbitration of disputes. Unfortunately, not even these roles can currently be performed as, at the time of writing, the US is blocking the appointment of judges to the WTO's Appellate Body. To secure the future of the dispute settlement system, the Confederation of Swedish Enterprise believes that it must be made more efficient. In constructive dialogue with the US and other countries, the EU should identify solutions for how the system can be reformed. The interim solution initiated by the EU along with countries including Australia, Brazil, Canada, and China amounts to a temporary emergency solution.

The WTO must be modernised in a number of ways. The organisation was founded in 1995, as the product of several agreements, including GATT, but the global economy has changed fundamentally since then. Regulatory frameworks have failed to keep pace. A widening gap exists between how trade is actually conducted on the one hand, and trade rules on the other. The Confederation of Swedish Enterprise believes that new rules are needed in areas such as digitalisation, services, subsidies, and environmental goods and services, and therefore supports the following:

- The plurilateral negotiations on digital trade to conclude an e-commerce agreement that seeks to make it easier for consumers and companies that buy, sell, and do business online.
- A resumption of the plurilateral TiSA negotiations on improving rules and increasing market access for services.
- The plurilateral negotiations on domestic regulation for services to improve transparency and streamline approval procedures for services suppliers.
- The plurilateral negotiations on investment facilitation.
- An agreement on disciplines eliminating subsidies for illegal, unreported and unregulated fishing and prohibiting certain forms of fisheries subsidies that contribute to overcapacity and overfishing.
- The discussions between the EU, the US and Japan on new ways to strengthen global rules on industrial subsidies.
- It is important that the EU, the US, and Japan agree on a formal proposal that can be put forward for discussion with other WTO members.
- Discussions on how trade in environmental goods, environmental services and the circular economy can be facilitated. A resumption of the EGA negotiations would be positive.

It is important to identify ways to establish closer co-operation between the WTO and the business community.

Companies all over the world engage in trade on a daily basis that would not have been possible, or at least considerably more costly and challenging, without the WTO. But most companies are not even aware of this. They do not notice the barriers to trade that do not exist and have limited knowledge of how the WTO works. It is therefore important to identify ways to establish closer co-operation between the WTO and the business community and to strengthen interest in the WTO among businesses. If this does not happen, there is a risk for increased trade barriers.

3.2 Free trade agreements constitute a complement

The Confederation of Swedish Enterprise supports the EU's ambitions to negotiate new free trade agreements. Free trade agreements should be used to guarantee a greater degree of openness between parties than is possible within the WTO. They should be ambitious, i.e. include far-reaching commitments between the parties. They should also be wide-ranging, i.e. include a wide range of issues that affect trade, and they should be deep, i.e. go beyond the most obvious barriers to trade such as tariffs and tackle more barriers "beyond borders". Several studies have shown that ambitious free trade agreements boost trade to a far greater extent than older types of agreements which primarily focus on cutting customs duties. Insofar as is possible, agreements should also avoid discriminating against third countries and instead be used as building blocks of global free trade to support trade opportunities with third countries in the longer term.

The EU should negotiate new free trade agreements and implement agreements already concluded.

The free trade agreements should be ambitious, i.e. include far-reaching commitments between the parties.

Agreements should also include provisions about sustainability. However, it is important not to overload agreements with too many non-trade related issues. The key function of trade agreements is to facilitate economic exchange. If, at the same time, they can contribute to other societal goals, this is welcome but can never be the main aim and should not be allowed to jeopardize reaching an agreement at all.

Closer co-operation between the partner countries should be established to ensure that agreements are living documents, gradually increasing their benefit for companies through various regulatory simplifications and, preferably, prevent the emergence of new trade barriers.

The instruments the EU has at its disposal to provide preferential market access to developing countries are beneficial, especially if countries ratify and implement relevant international sustainability conventions.

It is desirable that EU internal market legislation is as friendly as possible to third countries.

The opportunities for Sweden to adopt greater economic openness with the world than the EU should be exercised.

Agreements must also be implemented ambitiously. This means that they should be used to their full extent, which among other things requires information and communication initiatives targeting companies and relevant authorities. Furthermore, closer co-operation between the partner countries should be established to ensure that agreements are living documents, gradually increasing their benefits for companies through various regulatory simplifications and, preferably, prevent the emergence of new trade barriers.

3.3 Unilateral measures by the EU

In certain cases, the EU is able to implement unilateral trade liberalisation measures without a WTO agreement or other trade agreement. The EU can also act independently, within certain limits, to introduce trade barriers against third countries. What all these measures have in common is that they only have a direct impact on imports.

The Confederation of Swedish Enterprise supports the instruments the EU has to provide preferential market access to developing countries (GSP, EBA), especially if countries ratify and implement relevant international sustainability conventions. The EU is also able to unilaterally cut other tariffs.

Unilateral trade restrictions, such as trade defence measures, may be needed but must always be proportional and appropriate to their intended purpose.

It is desirable that EU internal market legislation is as friendly as possible to third countries. Another option that makes use of the internal market to facilitate trade with third countries is by extending its rules to countries outside the EU, as has been the case in different ways with Norway, Switzerland, Ukraine, and other countries.

3.4 Sweden can also act independently

As an individual EU member state, Sweden is also able to conduct policies that support trade. There is occasionally a tendency to overlook this. Openness for trade in services, and partly investments, is largely decided at national level. Sweden can therefore be more open than the EU is in general.

In addition, there sometimes exists scope when EU directives are incorporated into Swedish law and applied in Sweden to choose to do this in such a way so as to facilitate trade with third countries. This may apply to areas such as public procurement and personal mobility where Sweden can be more open than other EU countries if we chose to be.

In general, the Confederation of Swedish Enterprise believes that opportunities for Sweden to adopt greater economic openness with the world than the EU should be exercised.

There are also more practical measures at a national level, such as active export and import support, export credits and export credit guarantees, that can facilitate trade. Also at a sectoral level, national authorities should cooperate more closely with business in order to find solutions to alleviate practical obstacles to trade.

4 An agenda for market access

The primary aim of trade policy must be to create and maintain market access, so that both exports and imports can flow freely across borders. The term market access typically refers to opportunities for companies to sell their goods and services across borders and to enter foreign markets.

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The positive economic effects of trade largely stem from allowing lower costs and/or better quality to translate into higher volumes. When countries put this at risk with agreements or other restrictions, they undermine market-based competition and the value-creating functions of trade. We therefore reject so-called “managed trade” including quantitative purchasing requirements and believes that trade policy should focus on creating opportunities for companies to engage in exports and imports without trade barriers and eliminate discrimination based on companies’ national origin.

The EU has a general market access strategy and conducts wide-ranging activities, including compiling information from companies and conducting dialogues with different countries, to combat trade barriers in third countries. This relates to illegal trade barriers as well as those that while not illegal, nonetheless inhibit trade. The Confederation of Swedish Enterprise supports these efforts and would welcome an increase in the level of ambition in this regard and the establishment of more communication channels between European companies and the European Commission. This is an area where business can play a more important role in assisting the Commission.

The following section lists key trade policy measures to create market access.

4.1 No tariffs, no quotas

As with all forms of managed trade designed to restrict companies’ imports or exports, quotas undermine normal market economic mechanisms. This may have severe negative effects for specific companies as well as the efficiency of the economy. Consequently, such measures should be avoided as much as possible, and in cases where trade restrictions are considered necessary, less invasive measures should be used.

Tariffs are also damaging. European export companies are disadvantaged by tariffs in third countries. They face cost challenges in relation to competitors. Companies that import into the EU are undermined in the same way by more expensive imports. Tariffs increase costs for consumers and protect inefficient domestic production from more efficient competition from other countries, which in turn penalises the national economy. The fact that such measures may benefit specific companies is not a price worth paying for a weakened business climate and reduced competitiveness.

In principle, the objective should be the removal of all tariffs, the EU’s tariffs as well as other countries’ tariffs. This would stimulate exports as well as imports. Tariffs that should be prioritised for removal are those on “environmental goods”, which today have higher tariffs than oil and gas (which is unreasonable), and on vital goods such as medical supplies and technologies. Furthermore, certain input goods, necessary for industry, should be exempt from tariffs altogether.

In principle, the objective should be the removal of all tariffs, the EU’s tariffs as well as other countries’ tariffs.

Certain tariffs can be removed unilaterally while others should only be reduced or removed in return for increased market access for the EU as part of negotiating free trade agreements. The EU must retain the option of increasing its applied tariffs to bound levels and should therefore only bind tariffs at zero in the context of free trade agreements.

4.2 Simple and user-friendly rules of origin

Rules of origin are needed to administer trade in goods in free trade agreements. Without them, it would not be possible to determine which goods originate within a free trade area and thereby are entitled to tariff reductions.

The rules of origin should allow a high degree of sourcing from third countries.

The rules of origin should provide extensive opportunities for companies to select subcontractors as freely as possible subject to different free trade agreements, (cumulation), and still meet origin requirements and avoid having to pay tariffs. The Pan Euro Med system (PEM), which allows sourcing from essentially all countries in Europe, North Africa, and the Middle East, is very positive. In addition to cumulation, rules should also be applied pragmatically so as to reflect companies' trade realities, and thereby allow a high degree of sourcing from third countries. If not, free trade agreements may not create new trade opportunities. Rather, they will only result in companies choosing subcontractors based on origin requirements purely to avoid paying tariffs, not on what is economically most efficient.

The EU should consider introducing reforms to existing rules taking into account that the realities of trade and technology are changing.

The EU should consider introducing reforms to existing rules taking into account that the realities of trade and technology are changing. For example, the increasing use of 3D printers may make new rules of origin necessary. One possible reform would be to include services in origin requirements to make it possible for companies whose goods have a high service component to be able to use free trade agreements to a greater extent. Another option would be to review how rules of origin could be used to promote more sustainable production and sustainable products.

It is extremely important that the rules are applied in as simple and efficient way as possible.

In addition to the design of the rules themselves, it is extremely important that they are applied in as simple and efficient way as possible. Obtaining certificates of origin and approvals must not be such a significant administrative and financial burden as to make using agreements unprofitable or to deter small companies. Therefore, a global transition to digital origin certification is desirable. Blockchain technology may facilitate efforts to monitor value chains and therefore establish the origin of goods in more secure and less onerous ways than today's methods. Such detailed control over the flow of goods would also facilitate the transition to a circular economy.

4.3 Streamlined trade procedures

Customs formalities and other administration linked to border crossings for goods need to be as easy and smooth as possible.

No trade in goods is possible without efficient transport infrastructure. It is therefore important that customs formalities and other administration linked to border crossings for goods is as easy and smooth as possible, and that VAT and other charges are administered in legally secure ways. Companies' need for fast and reliable supplies, for imports and exports, should not be undermined by unnecessary bureaucratic and sluggish border procedures. Companies can be severely affected by having their goods stuck at borders.

In general, this type of problem is more common in countries where corruption at borders occurs and general legal uncertainty prevails. The WTO's trade facilitation agreement primarily seeks to help poor countries improve and simplify border procedures and it is in companies' interests that these long-term efforts succeed. Considerable

savings lie in making this information accessible and clear and making border checks risk-based and digitalised as much as possible. Co-operation between national customs authorities is also beneficial. All these are good examples of win-win solutions. Nobody benefits from turning borders into bottlenecks in global trade flows.

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The potential benefits of fully implementing the WTO Trade Facilitation agreement may outweigh the benefits of scrapping all the world's tariffs several times over. We believe, therefore, that the allocation of resources from development co-operation to this area (aid for trade) is justified.

4.4 Open up public procurement

It should be in all countries' interests to have open public procurement processes in which companies from all over the world can participate and submit tenders. Competition keeps prices down for the public sector, at the same time as companies in many different segments consider public sector customers as extremely large and reliable. This benefit taxpayers, companies, and consumers.

It is entirely legitimate that countries, contracting authorities, and municipalities set strict criteria in public procurements, and that these do not focus exclusively on price but also quality, safety, and sustainability. However, it is not acceptable when criteria discriminate against companies based on their national origin. Such policies are protectionist and can create legal challenges, increase prices and sometimes entirely prevent foreign actors from participating in bidding for public procurement contracts. Unfortunately, protectionist policies such as "buy local" rules and/or preferential pricing for national companies are common. Opacity relating to bids and rules for submitting bids are also de facto trade barriers. All this contributes to missed business opportunities for European companies which could otherwise have submitted competitive bids.

Procurement criteria should not discriminate against companies based on their national origin. Such policies are protectionist and can create legal challenges, increase prices and sometimes entirely prevent foreign actors from participating in bidding for public procurement contracts.

The Confederation of Swedish Enterprise believes that public procurement should be transparent and non-discriminatory and would prefer to see, as a complement to the WTO GPA agreement, free trade agreements that open procurement markets in third countries. Requirements relating to local content, as well as price preferences, (which function like tariffs), should not be allowed. Agreements with Canada (CETA) and Mexico, which include both the federal government's and the states'/provinces' procurement, are models for how procurement can be liberalised.

Public procurement should be transparent and non-discriminatory.

The Confederation of Swedish Enterprise also believes that the EU's own procurement market should remain open for bids from third countries, provided that no security interests are threatened. This is positive for competitiveness in Europe. At the same time, we see that there is a need for having additional incentives to open other countries' procurement markets and that situations may arise where non-EU actors, sometimes with state support, can submit tenders which distort competition. This may motivate limitations in the openness for third country procurement in the EU market. However, measures to close the EU procurement market should only be used as a way of creating non-discriminatory competition in the EU and third countries.

Limitations in the openness for third country procurement in the EU market may be motivated. However, measures to limit the EU procurement market should only be used as a way of creating non-discriminatory competition in the EU and in third countries.

4.5 Limit opportunities to impose export restrictions

During the first phase of the coronavirus crisis, large numbers of countries all over the world introduced export restrictions. These export restrictions are extremely negative as they deny companies the opportunity to import products they want to buy and lock products and production into countries, which damages supply chains. In a more uncertain world, there is a risk that this will be a recurring problem, where

distrust between countries and calls for self-sufficiency are driving governments to weaken companies' rights to sell to customers abroad. The WTO's regulatory framework fails to prevent this. In the absence of a regulatory framework that prohibits export restrictions, the WTO should, however, monitor measures that are implemented.

Export restrictions, with the exception of those imposed on military goods or sensitive dual-use technologies, must be resisted.

The Confederation of Swedish Enterprise believes that export restrictions, with the exception of those imposed on military goods or sensitive dual-use technologies, must be resisted. This can be achieved through free trade agreements or in plurilateral agreements where countries pledge not to impose restrictions.

4.6 Liberalise trade in services

Trade in services should be open and companies in the service sector should have access to each other's markets on a non-discriminatory basis.

Trade in goods requires a raft of services, such as transport and financial solutions. However, services are also traded "independently". Because services can be sold from one country to another in several different "modes of supply", virtually all services can be traded. This might include an online digital service, a consultant who travels to another country to provide a service, or a tourist who consumes experiences abroad. It can also include a company that has established a presence abroad, for example in the retail sector.

The negotiations on the plurilateral agreement on trade in services, TiSA, should be revisited and concluded.

Trade in services is subject to considerably more rules and barriers than trade in goods. Direct barriers, for example in the form of quantitative limitations on the number of suppliers in a given sector, exist in addition to a large number of other rules that do not directly shut out foreign service providers but hamper access for all companies to certain markets irrespective of their national origin. Often, rules that include apparently legitimate protection requirements are, in fact, designed to reduce competition. Companies in Europe, which provide a wide variety of services in Information and Communications Technology (ICT), engineering, and business consultancy and training, face these challenges. Increased market access and common rules on trade in services between countries are therefore positive.

EU's free trade agreements should commit as many service sectors and as many modes of supply as possible to provide companies with a stable and long-term plan for their global business operations.

The Confederation of Swedish Enterprise believes that trade in services should be open and that companies in the service sector should have access to each other's markets on a non-discriminatory basis. The WTO's GATS agreement is a cornerstone for the global trade in services, but attempts to update the agreement are deadlocked due to the lack of multilateral negotiations at the WTO. Therefore, we back the plurilateral negotiations on domestic regulations for services that seek to improve transparency and streamline approval procedures for service suppliers. The Confederation of Swedish Enterprise also believes that the negotiations on the plurilateral agreement on trade in services, TiSA, should be revisited and concluded. The purpose of the agreement is to liberalise trade in services and improve regulations in areas such as business services, financial services, telecommunication services, digital trade, transport services and personal mobility.

The Confederation of Swedish Enterprise believes that the EU's free trade agreements should commit, (legally lock in the existing degree of market access), as many service sectors and as many modes of supply as possible to provide companies with a stable and long-term plan for their global business operations. Agreements should be based on so-called negative lists, i.e. everything which is not expressly closed for trade is considered open. The commitment to openness is particularly important in "newer" sectors, such as environmental services, since GATS does not deal with these sectors to a great extent.

4.7 Welcome foreign direct investment (FDI) - with security safeguards

Foreign direct investment (FDI) is both an alternative and a complement to trade for companies wishing to enter international markets. FDI is a positive and necessary part of openness towards the world. Europe needs companies from all over the world – they attract capital and knowledge, create jobs, and open up opportunities for co-operation. Similarly, it is important that companies in the EU have opportunities to invest freely in and acquire companies, enter into joint ventures, run associated companies, conduct R&D, and outsource factory production, back-office services and call centres to other countries. Investment in other countries is also important as a sales channel. Swedish companies sell more abroad through local operations than through exports from Sweden.

In principle, the EU is open for capital from third countries that invest in European business and this openness should continue. Other countries in the world should, in turn, be open to investment from European companies.

There is nothing unusual in different countries having differing investment and business environments. However, it can be problematic when large numbers of countries have different types of barriers to investment and when these are applied discriminatorily against foreign actors. The Confederation of Swedish Enterprise supports an end to discrimination against foreign investors globally. Therefore, a multilateral investment agreement, similar to the trade agreements the WTO administers, would be beneficial. The plurilateral negotiations on investment simplification, being conducted under the auspices of the WTO, are positive and should be supported by the EU. The EU's negotiations on an investment agreement with China should also be concluded.

In the absence of a multilateral protection agreement for investment, it is important that the EU signs bilateral investment agreements (BITs) to protect companies' assets and operations in third countries. Such agreements should be enforced with the help of tribunals to resolve investment protection disputes and prevent, for example, illegal seizures.

In recent years, openness to direct foreign investment has become increasingly criticised from a variety of stakeholders within the EU. This has been caused in part by a growing sense of security threats resulting in a reluctance to let companies from certain countries gain access to critical infrastructure or technologies, and concern that the EU should not trust technologies originating from certain third countries. The Confederation of Swedish Enterprise sees the introduction of investment screening as a positive development, but believes that investment should, in principle, only be stopped when vital security interests are threatened. Companies that pose such threats should not be given the opportunity to acquire key parts of European business.

Foreign direct investment (FDI) is both an alternative and a complement to trade for companies wishing to enter international markets.

There must be an end to discrimination against foreign investors globally.

The plurilateral negotiations on the investment facilitation, being conducted under the auspices of the WTO, are positive and should be supported by the EU.

The introduction of investment screening is in principle positive. However, foreign investments should only be stopped when security interests are threatened.

4.8 Simplify personal mobility across national borders

Transport of goods require movement of people. Limitations to free movement for critical personnel, e.g. drivers, seamen and pilots, affects trade flows negatively, as the coronavirus crisis has shown. However, almost all kinds of trade require personal mobility across borders. This might involve business trips with the aim of, for example, making an investment, attending fairs, or delivering goods and services, such as installing new technologies or maintaining machinery. It may also involve foreign postings within multinational corporations.

These issues are not easy to disentangle from questions related to migration or labour immigration; and are therefore politically sensitive in many countries. However, we

Countries should apply rules as transparently and openly as possible so that companies are able to send staff across borders without unnecessary costs and lengthy approval processes.

believe, in principle, that countries should apply rules as transparently and openly as possible so that companies are able to send staff across borders without unnecessary costs and lengthy approval processes.

To facilitate temporary personal mobility, the EU should ensure that free trade agreements with other countries apply to as many sectors as possible, thereby guaranteeing market access, including bans on quotas and economic needs tests. Other issues that should be addressed in free trade agreements include visiting duration and work permit requirements for temporary business travellers. Free trade agreements should also give rights to accompanying spouses. Furthermore, the EU free trade agreements should create frameworks for co-operation relating to the mutual recognition of academic degrees and professional qualifications.

Intellectual Property Rights (IPR) are of crucial importance to many companies.

4.9 Protect knowledge-based assets

Intellectual Property Rights (IPR) are of crucial importance to many companies. Protection of, among other things, patents, trademarks, copyright, and clinical tests, is at least as important as ownership of physical assets. At the EU level, IPR-intensive companies account for the lion's share of EU's exports to the outside world. This means that conditions for the creation and enforcement of these rights are critical. Lack of respect in some countries for IPR – such as trade mark rights and copyright – is a major problem for many companies. Another serious problem is forced technology transfer that can make it harder for companies in, for example the ICT and pharma sectors, to protect their proprietary information.

A robust protection for IPR at the global level is important.

The Confederation of Swedish Enterprise wants to see robust protection for IPR at the global level. The WTO's TRIPS agreement is a linchpin in efforts to achieve this. The EU's free trade agreements seek to achieve a higher degree of implementation of TRIPS, and, except for the least developed countries, always go further than this and apply "TRIPS Plus" provisions connected to conventions in WIPO and to commit signatories to better protection than in TRIPS. Ideally, the EU will achieve the same levels of protection in these countries as within the EU. The WTO rules as well as rules in free trade agreements are therefore important tools in increasing the level of IPR protection in countries outside the EU. We therefore welcome the European Commission's work to ensure equal conditions at the global level for IP protection and compliance.

A higher degree of harmonisation between countries in this area triggers other positive effects. One is that the knowledge-based assets that companies invest in can be taken advantage of. Otherwise, insufficient protection means that investments simply go to waste in these markets. Another positive effect of harmonisation between countries are reduced transaction costs. If substantial differences exist between rules in different countries, companies need to conduct due diligence related to knowledge-based assets, including drafting new types of agreements prior to entering each new market.

When the EU negotiates free trade agreements, "geographical indications" (GIs) on agricultural products, wine and spirits often take up considerable amounts of time in negotiations, which can create distortive effects and displace other interests. Discussions are currently ongoing regarding the extension of this protection to other products (so-called non-agri GIs). We believe that such protections should not be introduced at the EU level nor be included in trade agreements.

4.10 Enable regulatory frameworks for dataflows and e-commerce

The increasing digitalisation of the economy and the rapid growth of e-commerce has an enormous impact on companies and consumers all over the world. Despite the rapid growth of digital trade, there are currently no multilateral rules which regulate this type of trade.

The Confederation of Swedish Enterprise therefore supports the current plurilateral e-commerce negotiations within the WTO. Key issues for these negotiations include custom duties on electronic transactions, forced technology transfer, paperless trade procedures, electronic signatures and contracts, dataflows, market access for services and increased participation in the ITA (the Information Technology Agreement) and its expansion.

A particularly important issue is free dataflows. Today, trade requires the free flow of large amounts of data. This applies to all sectors, not only ICT. All companies need to transfer payment information, technical specifications, customer data etc. The fourth industrial revolution that is underway with 5G, which is set to underpin AI, IoT, and 3D production and more, requires even more data.

At the same time, the free flow of data can clash with other concerns, in particular protection of privacy, but also security issues such as the risk of espionage. However, a balance must be struck that does not unnecessarily undermine business and trade. Dataflows should not be impeded for anything other than legitimate reasons. Barriers that limit international dataflows, or that regulate where data may be stored, must be proportional, justified, and create as little friction as possible to trade.

The Confederation of Swedish Enterprise believes that the EU's free trade agreements and the plurilateral e-commerce agreement should include ambitious provisions to ensure that data can be transferred across borders and that illegitimate data localisation requirements are eliminated and prohibited. We therefore support the EU's trade and investment agreements that enable cross-border dataflows, at the same time as those rules should not be allowed to undermine the EU's data protection directive. However, present EU proposals on data flows are insufficient to address digital barriers that exist in countries outside the EU and should be revised.

The plurilateral e-commerce negotiations are important and should be concluded.

Barriers that limit international dataflows, or that regulate where data may be stored, must be proportional, justified, and create as little friction as possible to trade.

The EU's free trade agreements and the plurilateral e-commerce agreement should include ambitious provisions to ensure that data can be transferred across borders and that illegitimate data localisation requirements are eliminated and prohibited.

4.11 Transparency and regulatory co-operation

Many trade barriers are regulatory. This may involve technical requirements, standards, or processes to demonstrate that certain criteria have been met. In contrast to, for example tariffs, it is not possible to simply remove such barriers. The rules often fulfil a legitimate aim, such as protecting the environment, public health, security, or quality requirements. Such criteria are often developed with the help of business; European standards are even often drafted at the initiative of business.

Rules can however be easily formulated as intentional or unintentional protectionism and they can be hard to access and hard to understand. They may lack an evidence base and be administered in uncoordinated, slow, and contradictory ways by different authorities. Opportunities to appeal decisions may be non-existent. All such bureaucracy affects companies, irrespective of whether they are national or foreign, although the latter are more likely to be hit harder as they often lack understanding of the national context and are unable to navigate bureaucratic labyrinths. The Confederation of Swedish Enterprise therefore supports free trade agreements and other co-operation which aims for transparency, simplification and the rule of law.

Bureaucracy affects companies, irrespective of whether they are national or foreign. Foreign companies are more likely to be hit harder as they often lack understanding of the national context and are unable to navigate bureaucratic labyrinths. Free trade agreements and co-operation aiming for transparency, simplification and the rule of law, should be supported.

Measures that result in increased regulatory convergence is positive. This is an area which offers considerable opportunities for win-win solutions.

It is not about "lowering standards", which critics often claim. Rather, it is about building bridges where it is possible to do so, i.e. in cases where the EU and a country have common objectives but different approaches to achieve those objectives.

It is positive that the EU and its member countries, together with business, continue to develop world-leading standards and norms.

However, the most severe problem from a trade perspective is often that rules differ between countries. This results in variations in different countries, duplicate testing, and adaption of products multiple times for different markets. This takes time, is costly and make life difficult in particular for small, export-driven companies.

The Confederation of Swedish Enterprise is therefore supportive of measures that result in increased regulatory convergence. This is an area which offers considerable opportunities for win-win solutions, where signatories to different free trade agreements can improve the transparency of existing rules, (preferably by more countries establishing something similar to the EU's *Access2markets* database), or establish regulatory dialogues and co-operation related to new rules. Or, as with more established trade partners, more ambitious measures around mutual recognition of each other's products and methods. This is not about "lowering standards", which critics often claim. Rather, this is about building bridges where it is possible to do so, i.e. in cases where the EU and a country have common objectives but different approaches to achieve those objectives, there are opportunities to make life easier for companies.

The EU is perhaps the world's leading "norm provider" in areas such as the environment, health, and quality standards. The regulatory frameworks adopted in the EU, and the standards that the European standardisation organisations, CEN, CENELEC and ETSI, develop, are applied voluntarily all over the world by states, organisations, and companies. This often benefits European companies, which may have been involved in the development of these norms, and which have based their products and production methods on them. In a general sense, it is therefore positive that the EU and its member countries, together with business, continue to develop world-leading standards and norms. However, the European Commission should refrain from attempts to micro-manage the development of European standards.

It is at its most ambitious when countries sign up to the EU's regulatory framework and in doing so harmonise certain rules with the internal market, for example as Switzerland and Ukraine have done. This is the best possible way to ensure that regulatory divergence does not result in barriers to trade.



5 Trade for sustainability

International trade affects all three dimensions of sustainability – economic, social, and environmental. The free exchange of goods and services has shown itself to be the most effective way to create economic resources and support technological development, which in turn are necessary for social and environmental sustainability. As the UN states in the 2030 Agenda, trade is a necessary component to achieve the Sustainable Development Goals (SDGs), i.e. addressing the most fundamental economic and social human needs as well as climate change and other environmental challenges. In other words, it is not a question of trade *or* sustainability, but trade *for* sustainability.

The 2030 Agenda states that trade is a necessary component for the world to achieve the Sustainable Development Goals (SDGs).

International trade creates prosperity and jobs. It has contributed significantly to reduced global poverty and helped many developing countries achieve impressive growth rates. Trade also enables the spread of new technologies and innovations that can help solve health and environmental problems and create resources for society with which to tackle social problems.

Trade also increases competitiveness and thereby economic efficiency. It strengthens some companies, while others fail. This is a natural feature of a market economy, where the economy is faced with constant structural change and rapid economic development. This can create fertile ground among those who perceive that they have lost out for populist political forces that seek to stop globalisation. But reduced trade is not the answer. Less trade, with slower technologic development and stalled structural transformation, leads only to reduced prosperity and new tensions in society.

Trade increases the need for transport, which can have negative impacts on the climate and environment. At the same time, efficient transport is necessary for production to take place where it is most beneficial for the climate. This highlights the importance of a holistic approach and a sustainable transport system in which trade and increased prosperity combines with green modes of transport. It is emissions, not transport in and of itself, which is the problem.

Attempting to stop trade does not result in sustainable solutions to societal challenges. On the contrary, to do so only reduces the resources we have at our disposal to address these issues.

Attempting to stop trade will not result in sustainable solutions to societal challenges.

5.1 The sustainability agenda in trade policy

Many companies contribute to sustainable development extensively in different areas, such as environmentally friendly production methods and certifications, social responsibility, and zero tolerance of corruption. But in parallel to the growing importance of companies' voluntary commitments, political initiatives relating to laws, fees, taxes, subsidies, public procurement, and new regulatory frameworks are increasingly driving the sustainability agenda. Binding trade policy measures designed to promote sustainable development are therefore set to influence trade opportunities to an increasing extent going forward.

Trade policy can and should contribute to sustainable development.

Trade policy can and should contribute to sustainable development. At the same time, it is important that measures are not counterproductive by undermining trade opportunities and thereby the potential for sustainability. We believe that the primary aim of trade policy must remain to facilitate trade with measures that create and maintain market access. Trade policy measures for sustainability must be non-discriminatory, proportional, and designed so as to restrict trade as little as possible while achieving their objectives.

From a trade perspective, the most effective way to manage sustainability issues is through international agreements and institutions, for example in the context of the UN system and the ILO. It is important that such institutions are developed and used to their full extent rather than building up parallel trade policy structures.

EU's model for co-operation in free trade agreements should be maintained and developed.

The Confederation of Swedish Enterprise believes that the EU's model for co-operation on sustainable development in free trade agreements should be maintained and developed. This form of positive co-operation is more effective than sanctions and creates room for successive improvements in terms of respective trading partners' prospects. Unnecessarily tough or one-sided demands from the EU can result in countries refusing to sign agreements with us, which benefits neither trade nor sustainability.

5.2 Ambitious trade policies for a green transition

The green transition creates opportunities for innovative European companies in many sectors to export technologies, innovative solutions, and more resource-efficient goods. In this way, European exports can help solve important global environmental challenges. But the transition also makes demands on how goods and services are produced and transported.

The Confederation of Swedish Enterprise supports the multilateral environmental agreements (MEAs) within the framework of the UN and is calling for the EU to be climate neutral by 2050. We are also prepared to discuss a tightening of the 2030 goals and look positively on the European Green Deal as the overarching strategy for Europe to achieve climate goals and other environmental targets. Its focus on the green transition and improved competitiveness is very much welcomed.

Trade policy can be used to promote a positive environmental agenda and to avoid major differences in environmental ambitions between the EU and the rest of the world.

However, large parts of the world do not share the EU's ambitious environmental and climate agenda. If the rest of the world's environment and climate policy is less ambitious than the EU's, demand for European solutions and European companies' competitiveness is eroded on the global market where certain companies have considerably lower environmental requirements than those in Europe. It is therefore in European companies' interests to strengthen global environmental requirements, not only because that would be beneficial to the companies, but also because climate change is a global problem that requires global solutions. We therefore support the establishment of a global price for CO₂ emissions.

An agreement to remove all tariffs on environmental goods, (the WTO's plurilateral Environmental Goods Agreement, EGA) would be positive and should be supported.

Trade policy can be used to promote a positive environmental agenda and to avoid major difference in environmental ambitions between the EU and the rest of the world, but this should be done in proportional and balanced ways, be evidence-based, and not be used as a cover for protectionism. Below we mention some ways of how this can be done.

The Confederation of Swedish Enterprise backs an ambitious agreement which would remove all tariffs on environmental goods, (the WTO's plurilateral Environmental Goods Agreement, EGA). The agreement should, if possible, be expanded to include environmental services and certain non-tariff barriers.

The Confederation of Swedish Enterprise also supports unilateral environmental requirements on developing countries in exchange for market access. It could also potentially be an alternative to linking EU tariff-free access in the General System of Preferences scheme not only to the ratification and implementation of international environmental conventions but also directly to relevant initiatives in the EU's Green Deal.

Unilateral environmental requirements on developing countries in exchange for market access to the EU is positive.

If carbon dioxide prices differ considerably between the EU and the rest of the world, there is a high risk of CO₂ and investment leakage and distorted global competition. In the absence of progress towards a global CO₂ price, carbon border adjustments ("climate tariffs") may therefore be necessary. We believe that any such measures need to be compatible with WTO agreements, be non-discriminatory, and be simple to administer. Furthermore, they should also avoid weakening European companies' export opportunities to third countries.

In the absence of progress towards a global CO₂ price, carbon border adjustments ("climate tariffs") may therefore be necessary.

A large proportion of the world's state aid goes to activities that are damaging to the environment. This means that European companies face competition that is distorted and harmful to the environment, at the same time as they face increasingly greater pressure to reduce their own negative environmental impacts. Therefore, attempts to limit global state support will contribute towards improving European companies' competitiveness and reducing emissions at the same time.

To prevent environment-related regulatory frameworks from diverging between countries, which would be damaging for both business and the climate, wide-ranging regulatory co-operation should take place. Technical co-operation, collaboration on R&D, and capacity building in poor countries is positive and can be conducted within the framework of free trade agreements.

To prevent environment-related regulatory framework from diverging between countries, which would be damaging for both business and the climate, wide-ranging regulatory co-operation should take place.

To promote the development of a more circular economy, it is important that materials and products that still have value and can be further processed or recycled can be managed as a resource, and thereby exported and imported efficiently. Trade policy should facilitate trade in materials that can be recycled and goods that can be repaired, upgraded, or remanufactured. It is important that opportunities such as these are not limited by restrictive policies previously introduced with the aim of preventing waste being managed poorly and disposed of wrongly. It is also important that waste can be classified in harmonised ways and that national regulations are co-ordinated. Without trade, there is a risk that the bold ambitions of developing these business models become "locked in" on different national markets, which risks them becoming unprofitable and thereby also threaten their survival. Furthermore, we must avoid barriers to trade in services. Bans on sharing services or subscription services inhibit the emergence of new more effective business models.

5.3 Trade for social sustainability

The most important contribution of trade policy to social sustainability is to support conditions for job creation and welfare. More specifically, companies' own actions are drivers of social development. Companies in Europe have come a long way in this regard and the Confederation of Swedish Enterprise backs the OECD's guidelines and UN's guiding principles in this area.

The most important contribution of trade policy to social sustainability is to support conditions for job creation and welfare.

Other important systems that contribute to social sustainability are the rules (conventions), compliance criteria and dispute resolution mechanisms that exist within the ILO. Trade policy can have a role to play by including references to the ILO's core conventions in free trade agreements. The EU should continue to require all countries to ratify and implement these conventions as conditions for entering into

Trade policy can have a role to play by including references to the ILO's core conventions in free trade agreements.

Capacity building in developing countries, both in terms of countries' capacity to participate in trade and their ability to make production more sustainable, is positive.

free trade agreements with the EU. These conventions prohibit unacceptable working conditions that constitute human rights abuses, such as child and forced labour. Within the framework of free trade agreements the EU can, together with partner countries, ensure that these conventions are implemented in practice. This may be done through projects, knowledge exchange, and development co-operation initiatives. Trade policy thereby contributes to ensuring decisions are in fact implemented.

However, caution should be exercised in terms of setting requirements in trade agreements that deal with national distribution issues. The social contract (taxes, wages, education, social safety net etc) available to citizens is determined by different countries' economic, historic, cultural, and political circumstances, and lies close to the heart of national sovereignty. We believe, therefore, that the allocation of resources to achieve social sustainability should – within the framework of internationally accepted rules – be decided at national level.

5.4 Aid for trade

The Confederation of Swedish Enterprise believes that capacity building in developing countries, both in terms of countries' capacity to participate in trade and their ability to make production more sustainable, is positive. It helps poor countries to enter the global market and to participate in the global exchange of goods and services in such a way that is sustainable and is considerably preferable to penalising them. To resist increasingly vocal calls for sanctions, development co-operation should be the incentive of choice. This also creates the best possible long-term trade conditions for companies in the EU.



6 Security and competition on a level playing field

In addition to the debate about the relationship between trade and sustainability, there are many other separate discussions in which views critical of trade emerge. This is in part due to open trade sometimes exposing us to security risks, something which is discussed above in relation to, for example, foreign direct investment and public procurement. The Confederation of Swedish Enterprise believes that security threats must always be taken extremely seriously, irrespective of whether they relate to military threats, cyber-attacks, industrial espionage, or public health. However, this does not mean that the answer to all security threats is less trade, even if in certain cases restrictive trade measures may be necessary.

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There are also other aspects to security, given new life by the coronavirus crisis, of the need for self-sufficiency and crisis preparedness. In terms of self-sufficiency, we do not believe that this is an aim in itself. On the contrary, we believe that using international division of labour and diversification is more effective to secure critical supplies. A basic level of self-sufficiency in certain vital products may be desirable, but the EU should not pursue an active agenda – contrary to market logic – for agriculture, industry, or the ICT sector to be forced to produce in the EU. There may, however, exist reasons to improve crisis preparedness and emergency stockpiling of different types, but not in ways that conflict with an open trade policy.

A parallel discussion relates to competition on equal terms and the need for a level playing field. In essence, competition on equal terms is about non-discrimination. Companies should be able to operate based on normal market principles regardless of origin and without biased state intervention. Trade policy can be a tool used to address shortcomings in these respects. The principle should be that all companies should play by the same non-discriminatory rules, but not that all companies have the same conditions. That certain companies for different reasons cope with competition better than others is not a problem as long as the rules of the game are the same for all. The expression “level playing field”, however, often includes many different factors that affect companies’ competitiveness. Determining which factors trade policy should attempt to address, and which it should avoid as part of normal market economic competition, may require challenging trade-offs.

Competition on equal terms is about non-discrimination. Companies should be able to operate based on normal market principles regardless of origin.

All companies should play by the same non-discriminatory rules, but not that all companies have the same conditions.

6.1 No to forced reshoring

The coronavirus crisis has sparked discussion about the need to increase self-sufficiency, on bringing production home or to countries closer to home instead of offshoring production to third countries. There may be reasons for this in certain segments, and there may be reasons to move production closer to the EU (nearshoring) and to diversify production between a number of countries to minimise risk in supply chains.

Nevertheless, the Confederation of Swedish Enterprise believes that relocation decisions should be made by companies themselves. Policies can provide incentives, such as free trade agreements or tax relief, to encourage companies to consider relocating. But governments should not adopt measures that force companies to relocate production

Relocation decisions should be made by companies themselves.

against their wishes. Such political initiatives must be forcibly rejected. Everyone would lose from a process of “deglobalisation”, especially companies in Europe that benefit from opportunities offered by using global value chains effectively.

However, it may be wise to take policy decisions on increased stockpiling to secure readiness for different catastrophes, but this has nothing to do with where *production occurs*. Such decisions are not protectionist. There may also be reasons to earmark special goods and services which are “vital” to guarantee that they can flow smoothly even in a crisis situation when borders are closed.

International exchange and trade is necessary to be at the cutting edge of technological development.

The concept of technological sovereignty has also been discussed at EU-level as a part of trade policy. This is interpreted by some that the EU and its member states should be self-sufficient in terms of critical technologies, for example 5G, AI, and biotech. Such an interpretation risks leading to protectionism, which in practice would hamper technological development in Europe. We believe that international exchange and trade is necessary to be at the cutting edge of technological development. Therefore, the discussion should instead focus on increased technological capacity through research, innovation, and free trade.

6.2 Secure access to raw materials and energy

Guaranteed access to raw materials and energy is crucial to Europe's development. It is therefore important that the EU's trade policy seeks to secure Europe's access to raw materials and energy. This can be achieved, for example, by counteracting export restrictions and subsidies in third countries.

If the EU is to achieve its ambitious climate goals, electrification will be key. Reliable, competitive, and fossil-free electricity will replace fossil fuels and fossil-based raw materials in many sectors. Trade policy must support these efforts and trade barriers must be avoided. Increased production of fossil-free electricity will improve Europe's own production flexibility in terms of energy and will reduce dependency on imports of oil and gas.

6.3 Agriculture and food

For sustainability and security reasons, the issue of European agriculture and European food production will continue to dominate the debate for the foreseeable future. The Confederation of Swedish Enterprise believes, however, that it is important that this does not take up disproportionately large amounts of time or block the interests of other parts of the business community.

The EU's agricultural policy, CAP, should be reformed further towards being as sustainable and as supportive of trade as possible. This creates the best conditions for competitiveness.

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The EU must be ready for periods of uncertainty but should not attempt to be self-sufficient in food or other vital products. This would neither be a resource-efficient nor necessarily effective way of guaranteeing security of supply. Instead the EU should develop good conditions for agriculture and food production within Europe and for open international trade to reach this goal.

6.4 Trade defence measures

The dumping of products from third countries in the EU or, sudden, massive increases in imports can damage business interests. Anti-dumping and safeguards exist to prevent this. The Confederation of Swedish Enterprise believes that there may be situations when these tools are needed but that they should only be used following careful analysis of the consequences their use would have for the EU economy as a whole (public interest test), and not with the aim to protect specific business interests. Although beneficial for some companies, such measures may damage others, for example importers and companies in the retail sector. Any measure must be applied transparently and proportionally and must not be used with protectionist intentions. Furthermore, they should avoid undermining Europe's climate agenda.

In 2020, the EU introduced the new role of Chief Enforcement Officer. The aim of this new function is to ensure the implementation of EU trade agreements by our partner countries. We believe that this role may be necessary, but that it should not be used to pursue a protectionist agenda. Rather, it should operate within the rule of law and be evidence-based.

6.5 Counter distortive subsidies

European business faces tough global competition, in particular from large state-owned and/or subsidised companies. At the same time, the coronavirus crisis has resulted in a dramatic increase in the amount of state support globally, especially within the EU, with the aim of saving hard-hit business sectors. This leaves the entire global market less market-orientated and the emergence of distortion of competition increases in line with the growth in the amount of state support and ownership.

The Confederation of Swedish Enterprise believes that WTO rules on industrial subsidies need to be updated and strengthened. These need to go considerably further than the WTO Agreement on Subsidies and Countervailing Measures (ASCM), for example by expanding the definitions of subsidies and strengthening opportunities to evaluate effective sanctions against countries that fail to follow the rules. We are therefore positive towards discussions between the EU, the US, and Japan on agreeing on new rules. The hope is that the countries can table a formal proposal for discussions within the WTO.

In the absence of effective multilateral agreements on subsidies, the EU needs to act unilaterally. In contrast to anti-dumping and safeguards, anti-subsidy measures, (countervailing measures), may therefore be more justified to protect the EU from state-supported competition and unreasonable distortions to competition. Measures may also need to target companies in other countries than those that pay the subsidies.

Countervailing measures can, however, only be used on goods and not services, and not against state-supported third country competition on the EU's internal market. Therefore, a new regulatory framework is also being discussed that would target cases in which such support results in distortions to competition for European companies. The Confederation of Swedish Enterprise believes that rules to prevent state-supported third country companies distorting competition within the EU may be necessary. But it is important that future rules in this area are not protectionist. Rather, they should be non-discriminatory, proportional, and transparent, and thereby minimise the risk for harmful investment barriers.

WTO rules on industrial subsidies need to be updated and strengthened.

Anti-subsidy measures, (countervailing measures), may be justified to protect the EU from state-supported competition and unreasonable distortions to competition.

Rules to prevent state-supported third country companies distorting competition within the EU may be necessary.

7 Focus countries

Some markets are more important than others as export destinations or as sources of imports. Below, we briefly outline the most significant challenges facing key markets. Geopolitical contexts change rapidly and affect the realities of international trade, but here we focus on a number of countries and negotiations which, irrespective of short-term trends, will continue to be of strategic interest to the EU.

7.1 The United Kingdom

It is important to have an ambitious and far-reaching agreement with the United Kingdom.

It is important to have an ambitious and far-reaching agreement with the United Kingdom. An agreement should create the greatest possible market access, while also preventing extensive dumping of, for example, environmental requirements in such a way that would create unfair competition. As many co-operation areas as possible should also be included in any agreement.

Irrespective of an agreement's ambition level, trade with the United Kingdom will be substantially harder due to the UK's departure from the EU. It would therefore be desirable to build on new components successively and gradually attempt to bring the UK closer to the EU over time. If possible, the UK should be partially included in the internal market in the future and should be welcomed into a customs union with the EU if they wish later.

7.2 Our European neighbours

The EU should seek the closest possible trade policy relationships with countries in its immediate vicinity.

The EU should seek the closest possible trade policy relationships with countries in its immediate vicinity. This includes Norway and Iceland, which should continue to be bound to the EU through the EEA agreement. Swedish companies encounter many barriers on the Norwegian market and there are reasons to raise ambitions to tackle these problems with a structured approach.

Relations with Switzerland are more complicated in terms of trade policy, with a large number of different agreements in place, but the EU should minimise de facto differences in trade opportunities between Switzerland and Norway. The closer Switzerland can be to the EU the better.

Ukraine, Georgia, and Moldavia have far-reaching free trade agreements, Deep and Comprehensive Free Trade Agreements (DCFTA), with the EU. These agreements, which partly seeks to ensure that these countries are de facto included in the internal market, have considerable potential but requires extensive implementation work to function as intended. It is in the EU's interests to support these countries with implementation. Ukraine could be a large future market for EU companies and could also be an important supplier of industrial and agricultural goods.

If politically possible, the trade policy relationship with Russia should be improved over time. However, currently, it is only possible to address specific trade barriers on an ad hoc basis. The long-term ambition should, however, be to gradually improve economic relations with Russia.

The customs union with Turkey is dysfunctional and needs to be renegotiated, deepened, and expanded. Above all, however, it needs to be implemented as it was intended and multiple barriers to trade should be removed. However, all this depends on positive political conditions in Turkey. In the long-term, the potential of an open and growing Turkey, tightly bound to the EU, is extremely large.

The customs union with Turkey is dysfunctional and needs to be renegotiated, deepened, and expanded.

Countries of North Africa and the Middle East should, to the extent to which security and political considerations and other issues allow, also be more closely aligned to EU trade policy. Some of these countries could, just like Turkey and Ukraine, become important suppliers for EU companies in any nearshoring of production. The EU should focus on the modernisation of the older free trade agreements with, first and foremost, Morocco and Tunisia.

7.3 The United States of America

In recent years, the EU's relationship with the US has at times been complicated, not least in the area of trade policy. There is considerable room for improvement. Conflicts should be resolved within the WTO rather than the countries introducing measures targeting one another. Neither should the countries introduce, nor threaten to introduce, measures outside these WTO disputes. The EU and US should never find themselves anywhere near anything approaching a trade war with one another. Tension damages trust and the predictability needed for trading companies.

The EU and US should never find themselves anywhere near anything approaching a trade war with one another.

But the US and EU should not settle for returning to how things were before relations became complicated by the trade conflicts of recent years. Even though it may be politically difficult to resume talks about a Transatlantic Trade Investment Partnership (TTIP) where talks ended, the partners could reasonably focus on those parts of the deal that were close to finalisation and negotiate a smaller agreement, or a number of sub-agreements. Regulatory co-operation in different areas could be extremely positive in preventing and removing technical trade barriers and would thereby facilitate trade.

Furthermore, the EU and US, together with other like-minded countries, should work to drive the multilateral trade system forward. This includes identifying a solution to the crisis in the WTO's Appellate Body, for reform of the WTO, for new rules on subsidies for industry, to drive plurilateral negotiations forward, and to pursue trade policy constructively.

EU should seek to use different channels to open up the Chinese market.

7.4 China

In many ways, China represents the greatest opportunity for and threat to EU trade policy for the foreseeable future. The country's vast and fast-growing market is attractive to European companies. China is open to European companies in many sectors. But in some areas market access remains worse and/or competition is distorted to the benefit of state-sponsored Chinese companies. The EU should seek to use different channels to open up the Chinese market and make it more market economic. This should, among other things, be done through negotiations in the WTO, for example regarding new rules for subsidies to industry, state-owned companies, and forced technological transfer.

EU should prioritise the bilateral negotiations on an investment agreement between the EU and China.

The Confederation of Swedish Enterprise supports and believes that the EU should prioritise the bilateral negotiations on an investment agreement between the EU and China. It is important that the agreement achieves access to the Chinese market for European companies and that discriminatory criteria and limitations are removed from as many sectors as possible.

There are valid reasons to closely follow developments in China and that the EU and/or its member states develop tools – for example in public procurement, IPR and subsidies – to prevent Chinese policy undermining European companies' competitiveness.

At the same time, China and its companies are key competitors with European companies in a large number of segments in EU and the rest of the world. State-owned Chinese companies, and private companies that receive state support, compete with EU companies in a way that cannot be considered as acceptable. There are valid reasons to closely follow developments in China and that the EU and/or its member states develop tools – for example in public procurement, IPR and subsidies – to prevent Chinese policy undermining European companies' competitiveness. However, it is important to avoid trade war with China.

7.5 Association of Southeast Asian Nations (ASEAN)

A free trade agreement between the EU and ASEAN would be a positive development. In the meantime, there is an agreement with Vietnam that has considerable potential to be an alternative, on a smaller scale, to China for European companies' production. Negotiations with other countries should be concluded and continue as political conditions allow.

7.6 Latin America

The agreement with the Mercosur countries should be approved and implemented.

The agreement with the Mercosur countries should be approved and implemented. This would be the EU's largest trade agreement in terms of population and will, together with other agreements with countries in the region, create considerable business opportunities on a continent of relatively developed middle income countries.

7.7 India

A free trade agreement with India would be welcome. But in the absence of such a deal, more modest but pragmatic measures are needed on different levels to open up the Indian market.

India is a country with a long history of protectionist traditions and to which it is hard to gain market access. At the same time, the Indian economy is growing fast, and the country is gradually becoming a large and interesting market. We would welcome a free trade agreement with India. In the absence of such a deal, different, continuous, more modest but pragmatic measures are needed on different levels to open the Indian market. It is possible that bilateral contacts may encourage India to adopt a more open approach. Even if countries are reluctant to sign trade agreements, unilateral liberalisations do happen, for example in terms of opportunities for foreign companies in retail trade.

7.8 Africa

The African free trade area is also positive for the EU and European companies active in Africa.

The African countries in the African Union (AU) has launched a process to create a pan-Africa free trade area. It is positive for the EU and European companies active in Africa. The number of barriers to trade that need to be dealt with are considerable, particularly in terms of border checks, and it will take some time before most of these countries become more economically significant. But growth is strong and the trajectory clear.

The EU is not currently able to negotiate a free trade agreement with the AU. Africa needs to reform internally before that happens. But the EU can support this process in different ways and the EU can also upgrade and implement Economic Partnership Agreements (EPA) with certain African countries.

7.9 Other significant countries

The EU has good trade policy relationships with the majority of countries in the world and we should seek to ensure that remains the case. The bloc's free trade agreements with Canada, Japan, and South Korea are especially important and should be used and developed ambitiously. Similar agreements should be concluded with Australia and New Zealand.

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