

A competitive European industry

The creation of the internal market and free trade has provided EU companies with access to the opportunities resulting from increasing globalisation and rapid technological advances. However, international competition is growing, therefore conditions for EU companies must be continuously improved.

In addition, world trade is increasingly threatened by growing protectionism and the continuous erosion or breach of international trade rules. We also see examples of how companies from countries outside the EU benefit from unfair advantages when competing with their European counterparts.

These developments have seen the emergence of industrial strategies at both national and EU level. There is now an intense debate underway over how best to support the competitiveness of European industry. The European Commission intends to present its new industrial strategy on 4 March 2020.

The ongoing work on an industrial policy strategy should therefore contain the following elements:

- 1) The competitiveness of companies is primarily determined by the general business climate. Therefore, it is vitally important to work continuously to strengthen the business environment for companies. This should include improving rules and regulations that govern them and well-functioning systems for skills provision.
- 2) Any industrial policy strategy should be based on market economy principles, where targeted public interventions is restricted to addressing market failures, for example by supporting efforts in climate action and research and development.
- 3) When industrial policy is developed, it needs to be created through an inclusive, transparent and evidence-based approach.
- 4) In the modern business world, production of goods is closely linked with service provision, which in turn presupposes data flows and personal mobility. Without services, the industry halts. Therefore, measures

that take into account both the production of goods and the provision of services are essential components. Broad measures that impact a large part of the business sector and the economy are preferable to selective or sectoral measures, which often create short-term effects.

- 5) "Level Playing Field" is a recurring concept in industrial and commercial contexts. The principle is defined, inter alia, by the WTO as well as the OECD as a market or industry where all players compete on equal terms and no one is discriminated against. The term is assigned varying meanings in different contexts; however, the Confederation of Swedish Enterprise believes that what should guide industrial strategy is respecting the principles of non-discrimination (competition on equal terms), proportionality (not weighing in on aspects that are not relevant or are too far-reaching) and "rule of law" (compliance with existing rules and regulations). Measures taken to deal with unfair competition from third countries need to be well-balanced, apply equally to all companies and be designed in such a way as to not adversely affect the internal market.
- 6) An industrial policy must not lead to protectionism and a selective, discriminatory benefit to one's own industry. Europe must continue to be characterised by and advocate open trade with the outside world and assent to global value chains, where companies have the opportunity to drive efficiency and growth by structuring their production based on what is most effective.
- 7) When increasing numbers of markets are concentrated on a few players, efficiency, innovation and customer benefit can be undermined. Continued active and competent competition supervision is needed in order to secure well-functioning markets and to follow market development, particularly in digital services.

Swedish Enterprise's proposal for a competitive Europe

1. Internal market

The internal market provides Europe's competitive advantage and is the centre of our cooperation. It provides the foundation for our global competitiveness. Protecting and developing the internal market must be at the heart of any new industrial policy, and this should only measure that improve its development and efficiency and that of the four freedoms. Of particular importance will be to take advantage of the enhancements to service delivery that digital advancements will bring.

2. Research and development

An industrial strategy should focus on providing a positive environment for business and industry to undertake research and innovation. Stronger financial incentives linked to research funding encourages cooperation between academia and business as well as individual mobility between different educational institutions. Research funding, particularly in those large projects important to the internal market, should be prioritised within the EU budget. Particular attention should be paid to instruments and infrastructure that promote innovation, such as open testbeds and so-called 'sandboxes'. The term "technological sovereignty" should be used to describe work to improve the technological capacity and competitiveness that already exists within the EU, not to undermine global value chains and technological cooperation. Managing research results, such as knowledge-based assets, should be given priority.

3. International trade

Predictable and transparent rules are a prerequisite for international trade. The EU should continue to pursue ambitious negotiations both multilaterally as well as plurality and bilaterally. Any obstacles, discrimination or other unauthorised trade restrictive measures should be dealt with under the WTO, bilateral free-trade agreements or other appropriate trade regulations. Establishing standards is key to being part of, and defining, future global markets. Thus, EU legislation must be designed to be able to adapt to those developments currently underway and to developing new standards.

4. Competition

Europe needs new, thriving companies, both large and small. Well-functioning competition creates efficient and innovative companies capable of competing globally. Size is not always a competitive advantage; in today's globalised and digitised world, even smaller companies can compete in the world market.

When revising the competition rules, it is important that competition itself is not weakened. The goal must be to provide companies with better guidance on how to collaborate in order to - for example - undertake research or meet the challenges posed by climate change.

Greater harmonisation of how competition rules are applied by the different national competition authorities is another important objective. The authorities need to develop methods and definitions that address the specific characteristics and increased market power of digital markets. The industrial strategy needs to highlight this and outline the proposed direction. The application of newly-introduced regulations, both nationally and at EU level, should be evaluated before developing any further related legislation.

5. State aid

The possibilities for providing state aid should remain restrictive. Business will be better helped by general efforts that do not disturb the market. The focus in the ongoing review of the regulations should be on improving transparency and legal security.

Swedish Enterprise is sceptical of the proposals for new rules to counteract state subsidies from third countries. These are associated with major application difficulties, thus leading to low profits and high costs. Such rules must be focused, objective and capable of being applied in practice. Business should be given a central role in their design.

6. Better Regulation

Simple, clear and predictable rules are a prerequisite for allowing fair competition in a global economy. The bases for 'Better Regulation' should be effective impact assessments, follow-up and evaluation; these should permeate any future strategy. The proposed "one rule in - one rule out" should be implemented. The problem of Member States' over implementation of EU law - so-called 'gold plating' - needs to be addressed at EU level by the Commission.

7. Intellectual property

Knowledge-based assets, and companies operating in knowledge-intensive industries, are a vital part of Europe's competitiveness, and their importance is growing as the global economy develops. Unlike other sectors, these assets are created through regulation. These regulations need to be adapted to the reality in which they will function, both now and in the future. The principal focus should be on intellectual property rights, both as protection against plagiarism and as the basis for commercialising innovations. Swedish Enterprise sees the requirement for a comprehensive intellectual property strategy within the framework of the industrial strategy.

8. Digital policy

Information and communication technology – ICT – is continuing to develop at a rapid rate and is fundamental to industrial competitiveness. However, there are clear restraints, both in transmission capacity within the digital infrastructure and in access to those employees with relevant expertise.

Europe needs the highest-possible quality of data communications infrastructure, and this must expand in line with speed and bandwidth requirements. The EU should therefore focus its investment support on superfast broadband.

Employees with ICT skills will prepare Europe for the future. Therefore, public interventions and strengthened financial incentives are required for employers to investment in training and development to meet the need for relevant skills.

Within AI and emerging technologies, Europe has a strong position in products and services aimed at companies, i.e. B2B. Industry is already well-advanced in service provision linked to producing and developing products delivering climate-smart solutions. A principle-based technology-neutral regulatory framework, research and a favourable investment climate will be central to ensuring competitiveness in the digital field and to strengthening innovation and technology development.

Data protection rules need to be further harmonised and aimed at supporting digital and technological development. This can be done in part through guidelines from the European Data Protection Board, EDPB, as well as through collaboration and the sharing of best practice between Member States.

Work on data usage agreements and standards to ensure interoperability will be important for business data sharing. International data flows need to be secured in trade agreements, and work must continue to prevent protectionist measures.

9. Environment, climate and energy

Halting climate change requires solutions that are not limited by national borders. The EU's joint efforts are therefore crucial. In order to pursue a truly successful climate policy, the EU must reduce emissions, boost growth and increase competitiveness and welfare. The goal of net ton emissions to 2050 is a vital part of this work.

At the same time, it is vitally important that EU climate policy does not shift emissions and industry outside the EU borders. The circular economy is an important tool for achieving net zero emissions, and the Swedish business community is driving progress towards a more circular approach. It welcomes the EU's strong leadership role, as the internal market is central for ensuring growth of the circular economy. The European Green Deal represents a great opportunity for Swedish companies, provided that it focuses on effective environmental and climate policy as well as strengthening the conditions for a competitive business sector.