Transatlantic Partnership
– What, how and why

SVENSKT NÄRINGSLIV
SWEDISH ENTERPRISE

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It requires no more than a hasty glance at everything we need, at everything which we every day, every moment make use of, at all the exertions, all the displacements necessary to this end, to convince us that millions of people have worked hard to provide us these benefits. It is very nearly vertigo-inducing, trying to run through all the countless combinations that have occurred to that end.

And yet all of this happened without violence, without oppression, without anyone suffering injustice. But how should any such thing have been possible, if not a great, powerful and true principle had been the active force, the guiding thought that ordered it all?!

And this great principle, this fruitful thought which alone has been capable of bringing forth all this, is called: freedom – freedom of contract – freedom of action.

Finance Minister Johan August Gripenstedt
in the parliamentary debate of 7 February 1866 concerning
Sweden's affiliation with the European free trade system.

Author: Anders Johnson

The vision of the Confederation of Swedish Enterprises is: "Enterprising people and competitive companies in alliance leading Sweden to greater prosperity."

We represent 50 member organizations and some 60,000 Swedish companies, 98 percent of them small or medium-sized. Our member companies employ some 1.6 million people, approximately 70 percent of Sweden's private sector workforce.

The organisation's role is to advocate for the interests of the companies, and to create broad popular support for the value and significance of private enterprise. The foundation of our operations is that private enterprise is essential to the increased growth and welfare of Sweden.

The Confederation of Swedish Enterprise is headquartered in Stockholm. It has 21 regional offices throughout Sweden and an EU office in Brussels.

Transatlantic Partnership – What, how and why?

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Foreword

Sweden has one of the most globalised economies in the world. Our prosperity is highly dependent on keeping trade as free as possible.

Sweden's biggest trading partner outside the EU single market is the USA. Swedish corporate investments in the US and American investments in Sweden are also of great economic significance.

Between the EU and the US runs the world's largest flow of trade, worth two billion euros a day. Since July 2013, negotiations have been under way between the EU and the US on a Transatlantic Trade and Investment Partnership (TTIP). The objective of TTIP is to increase the amount of interchange between the EU and US economies on a broad front. This would boost trade, prosperity and employment on both sides of the Atlantic.

Since 2007, the Confederation of Swedish Enterprise has worked actively to promote the success of these negotiations. At issue are a variety of complicated problems, and there is a pressing need for discussion of these issues, both in companies and in the public debate.

We have therefore asked writer Anders Johnson to provide an overview of the background of the discussions on transatlantic partnership. We hope it will inspire many enriching conversations on the issues.

Februari 2016

Carola Lemne
CEO, Confederation of Swedish Enterprise

Timeline of Swedish commercial history

1250 (ca)	Birger Jarl signs an agreement with Lübeck on exemption from customs duties and fees.
1605	Customs duties begin being assessed on goods transported across Sweden's national borders (previously, duties were only payable on transports by sea).
1636	The cities are divided into staple ports and cities without staple rights. Only the former are entitled to engage in foreign trade. The cities of the northerly province of Norrland are prohibited from engaging in foreign trade.
1724	The Product Act takes effect, prohibiting foreign ships from bringing products from countries other than their own into Sweden.
1765	Most of the cities of Norrland are granted the right to engage in foreign trade with their own ships.
1771	Mercantilist protectionist policy reaches its apex with a tariff schedule specifically prohibiting the import of 871 different types of goods.

1783	By establishing a free trade agreement with the USA, Sweden becomes the first neutral country to recognize the new state.
1812	The cities of Norrland gain full staple rights, also including the right to welcome foreign ships.
1816	Increased tariffs and new export and import bans are introduced.
1825	The Product Act is abolished.
1855	Some liberalisation of trade policy begins.
1863	The last export duties are abolished.
1865	Sweden joins the European free trade system.
1888	The protectionists triumph in a major conflict over customs duties, leading to new duties on grain and industrial products.
1950	Sweden signs the international General Agreement on Tariffs and Trade (GATT).
1960	Sweden joins the European Free Trade Association (EFTA).
1972	Sweden establishes a free trade agreement with the EC (now the EU).
1992	Sweden establishes a free trade agreement with Estonia, Latvia and Lithuania.
1993	Sweden joins the EEA.
1995	Sweden becomes a member of the EU and the newly reconstituted World Trade Organisation (WTO).
2003	In a referendum, Sweden votes no on adopting the euro as Sweden's legal tender.
2004	The EU gains ten new member states, including Estonia, Latvia, Lithuania and Poland. Since then, the EU has gained three additional member states, most recently Croatia in 2013.
2013	The EU enters negotiations with the US on TTIP. A free trade agreement between the EU and Canada has been negotiated (but not yet ratified). A WTO agreement on simplified trading procedures also passed.

Sweden – a trading nation

Sweden is one of the world's most globalised economies. Sweden's exports currently account for about 50 percent of its GDP, up from about 25 percent in 1970 and 40 percent in 1995.

A growing percentage of its exports consist of intermediate goods that have been imported to Sweden. A different measure of the significance of exports to an economy is national value added in exports as a percentage of GDP, i.e. exports minus the imported contents of the exports. The difference between these measures is not insignificant. The percentage of exports (gross) currently corresponds to about 50 percent of Sweden's GDP. Value added in exports is about 30 percent of GDP. Corporate services accounted for 20 percent of total imports of intermediate goods in 2009.

The service sector grows in importance if you measure its percentage of the value added to exports. With traditional trade statistics, service exports accounted for 34 percent of Sweden's total exports in 2009. Measured in terms of value added, service exports accounted for 40 percent of the total.

Besides that, various types of services are making up an ever-larger portion of industry's value add. For one thing, more and more services are needed in the areas of research, development, design, logistics, etc. in order to produce goods. In addition, sales of many industrial products (such as advanced machinery) often lead to demand for services such as installation, training, service, maintenance and upgrades.

At two classic Swedish industrial companies, Atlas Copco and Ericsson, services account for about 40 percent of their earnings.

Between 70 and 80 percent of Sweden's foreign trade occurs within the EU's single market, which consists of the EU member states plus Norway, Iceland and Liechtenstein. This applies to both exports and imports, of both goods and services. Sweden's greatest trade flow outside the EU's single market is with the USA.

” No nation was ever ruined by trade.

BENJAMIN FRANKLIN: Thoughts on Commercial Subjects.

Wänskaps och Handels Tractat
Emellan
Hans Maj:t Konungen af Swerige
Och
The Förente Staterne i Norra America,
Afsluten i Paris then 3 April 1783,
Ratificerad Stockholms Slott then 23 Maji 1783,
Och uti Congressen af Förente Staterne i America
then 29 Julii samma år.

Traité d'Amitié et de Commerce
Entre
SA MAJESTÉ LE ROI DE SUÈDE
Et
LES ÉTATS UNIS DE L'AMÉRIQUE SEPTENTRIONALE,
Conclu à Paris le 3 d'Avril 1783,
Ratifié à Stockholm le 23 Mai 1783,
Et au Congrés des Etats Unis de l'Amérique
le 29 Juillet la même année.

Cum Gratia & Privilegio S:æ R:æ Maj:tis.

STOCKHOLM, Tryckt i Kongl. Tryckeriet, 1785.

Swedish-American ties

On Wednesday, 3 April 1783, an important meeting took place in Paris between Gustaf Philip Creutz and Benjamin Franklin. Creutz was Sweden's envoy in Paris. Franklin was the USA's Resident Minister in the city, and since 1782 also the Minister Plenipotentiary to Sweden, a country he was never to visit, however.

Though the Revolutionary War was not yet over, it didn't prevent Creutz and Franklin from signing a Treaty of Amity and Commerce between Sweden and the USA. Sweden was thus the first non-combatant nation to recognise the new United States federal government.

In the past hundred years, the USA has made its mark on the world – economically, militarily, politically, scientifically, culturally. Obviously Swedes, like other Europeans, are in daily contact with American companies and products.

Examples of products that have come from the USA in the post-war era include the shipping container, the credit card, frozen foods, the hamburger, communications satellites, laser technology, the LP, nylon stockings, stock options, contraceptive pills, supermarkets, mutual funds and television technology.

American dominance in medicine is evidenced by the fact that 60 percent of all new pharmaceuticals in recent years have been developed by American researchers. In the post-war era, American scientists have dominated the Nobel Prizes in the sciences and economics.

The US has long had great influence across the cultural board, with Hollywood movies, Broadway musicals, musical artists like Madonna and Bruce Springsteen, and visual artists like Roy Lichtenstein and Andy Warhol.

The US is Sweden's biggest export and import market outside the EU's single market. In terms of value added, trade with the US accounts for twelve percent of Swedish exports and seven percent of imports. About 60 percent of Sweden's trade with the USA consists of trade in services.

The US is the leading foreign corporate investor in Sweden. American companies employ some 70,000 people here.

On Wednesday, 3 April, 1783, Sweden and the United States established the Treaty of Amity and Commerce.

Photo: Pablo Martinez Monsivais/AP/TT

Though Sweden is a relatively small country, Swedish companies and Swedish emigrants are not without their significance to the USA. Many major Swedish companies serve a large US market.

Sweden is the twelfth largest nation when it comes to corporate investments in the US, making Sweden one of the largest per capita investors. Some 1,200 companies associated with Sweden employ almost 200,000 Americans.

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A good free trade agreement with the USA enhances both the business community and labour in the long term. It's well worth uniting behind such a future!

KARL-PETTER THORWALDSSON, Chair, Swedish Trade Union Confederation
EVA NORDMARK, Chair, Swedish Confederation of Professional Employees
GÖRAN ARRIUS, Chair, Swedish Confederation of Professional Associations

di.se, 18 February 2014

Swedish corporate successes in the USA

The following are a few examples of Swedish products and companies that are successful in the USA. All offer proof that the free movement of people, ideas, knowledge, information, goods, services and capital across the Atlantic have contributed to the economic development of both Sweden and the USA:

ABB was founded in 1988, when Swedish ASEA merged with Switzerland's Brown Boveri. ABB's biggest market is the USA, where the group has 27,000 employees.

Many of the leading engineers at ASEA in the early twentieth century had previously worked in the US, usually at General Electric or Westinghouse. In particular, this applied to J. Sigfrid Edström, ASEA's legendary Chairman and CEO from 1903 to 49.

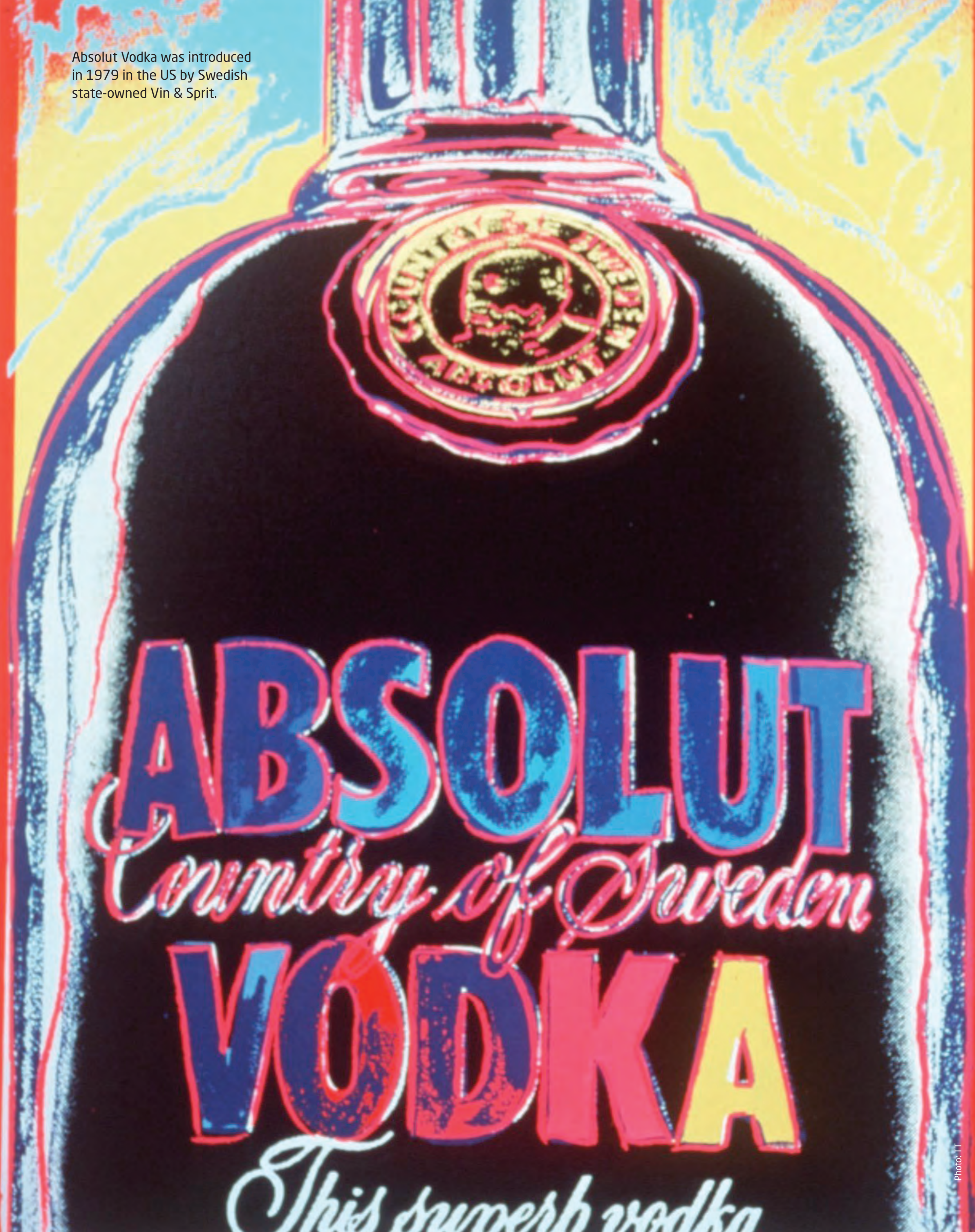
The world's first transmission of high-voltage direct current by underwater cable started between the Swedish mainland and the island of Gotland in 1954. The equipment was developed by ASEA under the leadership of Uno Lamm. In 1961, Lamm headed up a joint project between ASEA and General Electric to develop alternating current and high-voltage direct current transmission from the northwestern US and British Columbia to California. In 1964, Lamm moved to California.

Absolut Vodka was introduced in 1979 in the US by Swedish state-owned Vin & Sprit. It quickly became a major success there. In 1986, Vin & Sprit started commissioning well-known artists to do Absolut advertisements. The first was American artist Andy Warhol. In 2007, Vin & Sprit was purchased by French wine and spirits giant Pernod Ricard. However, the bottle is still produced in Limmared and the vodka in Åhus.

Autoliv is the world's largest car security company. Today based in Stockholm, it was founded in 1952 as Lindblads Autoservice in Vårgårda by two brothers, Lennart and Stig Lindblad. In 1997, Autoliv merged with the leading company in the US, Morton ASP (Automotive Safety Products). The North American market currently accounts for 35 percent of the group's sales.

Dice. Sweden has become a leader in the field of computer games. Dice (Digital Illusions Creative Entertainment) was founded in Växjö in 1992. Its big break came in 2002, when the first version of Battlefield was introduced. The game was a huge hit, especially in the US, where it topped game charts. In 2006, Dice became a wholly owned subsidiary of the American game company Electronic Arts.

EF Education First is the world's largest private educational company. It was founded as Europeiska Ferieskolan by Bertil Hult in Stockholm in 1965. In the 1980s, EF expanded



Absolut Vodka was introduced in 1979 in the US by Swedish state-owned Vin & Sprit.

Photo: TT

Photo: Media Punch/TT

In 2000, H&M opened its first US store on Fifth Avenue in New York City.

its operations to the USA, starting high school exchange and educational tour programmes. Today the US is one of EF's biggest markets.

Electrolux was founded in Stockholm in 1919 by Axel Wenner-Gren. He had gained valuable experience working in sales in the US in the early twentieth century. In 1921, he founded an American company, Electrolux Corporation. US production got under way in 1931 in Old Greenwich, Connecticut. During Hans Werthén's years as Electrolux's CEO and Chairman, from 1967 to 91, the company began a period of extensive international growth during which it bought a variety of other companies, including several in the US. In 1986, for example, it acquired the third-largest US white goods company, White Consolidated, whose brands include Frigidaire, Gibson, Kelvinator and White Westinghouse.

Ericsson was founded in 1876 and opened a sales office in the US in 1902. Since the deregulation of the American telecoms market in 1983, Ericsson has enjoyed great success in the US, which is now its biggest market. Ericsson is the leading supplier of mobile telecoms systems on the US market. After the flooding in New Orleans in the autumn of 2005, Ericsson was the first company there, setting up a temporary mobile network. Ericsson has 15,000 employees in North America, including over 1,000 in Silicon Valley. The company's global headquarters for IP and broadband is in San Jose.

H&M was founded by Erling Persson in 1947. The year before, he had travelled to the US to sell Christmas ornaments. He got nowhere with that, but while he was there, he discovered Lerner, a new kind of ladies' fashion chain with high volume and low prices. In 2000, H&M opened its first US store on Fifth Avenue in New York City. Today the US is H&M's second-biggest market after Germany, with over 200 locations in almost 30 states.

IKEA was founded by 17 year old Ingvar Kamprad in 1943. Its big break in the Swedish market came in 1965, when the store at Kungens Kurva, south of Stockholm, opened. The building was inspired by the Guggenheim Museum in New York City. IKEA opened its first American store in Philadelphia in 1985. Today the US is the company's second biggest market after Germany, with 38 stores and 12,000 employees.

NASDAQ OMX Group was established in 2008 through the merger of Swedish OMX with the American Nasdaq Exchange. OMX was founded by Olof Stenhammar, who first came in contact with option trading when he was working in the US in the 1970s. After returning to Sweden, he founded OM Gruppen in Stockholm in 1984. It was Sweden's first options exchange, and later became an international pioneer in the use of electronic systems for securities and commodities exchanges.

"Miss Liberty" Penny England at the opening of New York's first IKEA, 18 June 2008.

Photo: Shannon Stapleton/Reuters/TT

Sandvik has deep roots, going back to an ironworks founded by Göran Fredrik Göransson in 1862. The Sandvik brand name (which became the name of the company in 1972) was first used at the Philadelphia Centennial Exposition in 1876, when the company began US sales. A US subsidiary, Sandvik Steel Inc, was founded in 1919. For the first several decades of the twentieth century, Sandvik employed many prominent engineers with years of experience in the USA, primarily at the Carnegie mills in and around Pittsburgh. Today Sandvik has some 4,000 employees in the US, which is its biggest market.

Sapa was founded in Vetlanda in 1963 by Lars Bergenhem and Nils Bouveng. They had been working in the US, where they saw the opportunities aluminium profiles had to offer and learned how to produce them cost-efficiently. In 2007, Sapa merged with Alcoa Soft Alloy Extrusions' aluminium profile business to form the world's largest aluminium profile company. The company has a 14 percent market share in Europe and 29 percent in North America.

Securitas is today Sweden's biggest company, with over 300,000 employees in 52 countries. It was founded in Helsingborg in 1934 by a Dane, Erik Philip-Sörensen, and began moving into the US market in 1999 by acquiring Pinkerton – the leading US security firm. The following year, Securitas acquired the second-largest firm, Burns, along with several regional companies. In 2001, Securitas acquired Loomis, Fargo & Co, making it a leading player in the US armoured car business. In total, Securitas has over 100,000 employees in North America (USA, Canada and Mexico) and has an 18 percent share of the US market.

Skanska was founded in 1887 as Skånska Cementgjuteriet. It entered the US market in 1971, and today the US is Skanska's biggest market. Skanska is one of the leading players in the US home and commercial construction industry, with over 9,000 employees.

Skype is an IP telephony company founded in 2003 by Niklas Zennström and his Danish partner Janus Friis. Few innovations in recent years have done more to facilitate low-cost transatlantic contacts than Skype. Skype had over 50 million users as of 2005, when it was acquired by eBay. Six years later it was acquired by Microsoft. In 2012, some 250 million users a month were using Skype.

Volvo was founded in 1926. Gunnar Engellau was CEO and Chairman from 1956 to 78. In the 1950s, he wanted to start exporting cars to the US. Social Democratic Trade Minister Gunnar Lange thought the idea was ridiculous – like trying to sell refrigerators to Eskimos. A variety of economic experts also called the project unrealistic. Engellau stuck to his guns, however, and Volvo wound up becoming a prestige car in the US. It started with the US introduction of the Volvo Amazon 1956.

Today the US is the biggest market for Volvo, which has six production plants and over 12,000 employees.

Photo: Bosse Nellhag / TT

Today the US is the biggest market for Volvo, which has six production plants and over 12,000 employees. Volvo has acquired the truck manufacturers White and Mack. It sold its passenger car production to Ford in 1999, which sold the business to a Chinese company, Geely, in 2010. For Volvo Cars, too, the US has long been the biggest market.

There are many other examples of Swedish–American ties to be found besides these industrial and service companies. Many Swedish actors and directors have made their way to Hollywood. Singers and conductors from Sweden have appeared in American opera and concert houses.

Ice hockey was introduced to Sweden in 1919 by American businessman Raoul Le Mat. Sweden has since returned the favour, sending a long list of prominent players to the NHL. In 2007, Pia Sundhage became head coach of the US women's football team. She led the team to Olympic gold in 2008 and 2012, and a silver in the World Cup in 2011.

Nadir Khayat moved from Morocco to Sweden in 1990 aiming to become a rock star. Instead he became an internationally successful songwriter and producer, known under the stage name RedOne. Today he is based in Los Angeles. RedOne has worked with artists like Cher, Michael Jackson, Lady Gaga and Jennifer Lopez. Hard rock guitarist Lars Johann Yngve Lannerbäck from Stockholm is active in the US under the stage name Yngwie Malmsteen.

The great migration

Over 30 million Europeans emigrated to the USA between 1850 and 1930, including 1.2 million Swedes. The era of Swedish-Americans reached its peak in 1910, when 665,000 Swedish-born parents had 700,000 children born in the US. A fourth of the parents had been born in Sweden in the 1860s and reached adulthood abroad, most in the USA.

At least 200,000 of the Swedish emigrants to America ended up returning. They and all the other Swedes who visited the US to work, study or otherwise soak up knowledge and ideas came back and put their ideas into practice at home. This had effects in every segment of society: business, education, science, culture and politics, particularly through the impulses that came in via the religious revivals, temperance movements and other popular movements.

Today almost 550,000 Swedes live abroad. The biggest destination for emigrants is the US, where an estimated 100,000 Swedes currently reside. Over four million Americans report having Swedish ancestry.

Trade creates prosperity

The arguments for free trade in goods and services between countries are essentially the same as the arguments for why different cities or regions within a country benefit by trading with one another.

Perhaps the most important effect of international trade is that it enables consumers to buy goods and services even in places where they cannot be produced locally. Correspondingly, international trade enables companies in Sweden to produce goods and services based on raw materials, intermediate goods or services that cannot be produced in this country.

International trade also creates bigger markets, making it possible to benefit from division of labour, specialisation and economies of scale. This enables more types of goods and services to be produced and cuts the costs of production.

The word competition derives from Latin *concurro*, meaning 'running together'. Where trading routes run together, competition arises. This brings prices down and provides companies greater motivation to keep developing better and cheaper products.

The arguments for international capital markets hang together with the arguments for free trade in goods and services. Companies that trade internationally in goods and services have to take loans and make payments in multiple countries, deal with various currencies, hedge against currency exposure, etc. International financial markets thus serve as a lubricant for trade.

Establishing companies with subsidiaries in many countries is a way of spreading technology and expertise and creating efficient international production, distribution and sales organisations. Through international capital markets, capital can be transferred from countries that are rich in capital to countries that are rich in investment opportunities. This increases global economic growth.

International trade is most important for small countries. Large countries have large internal markets where it's easier to benefit from specialisation and division of labour. Free international trade makes size a less important factor in creating prosperity for the citizens of a country. Even small countries can be highly prosperous, as Sweden exemplifies.

Through international trade, people come in contact with other cultures, promoting openness and curiosity. It's no coincidence that countries with much international trade are often innovators in science and culture. This was true of Athens in the 5th century BC, 9th century Baghdad, 15th century Florence, 17th century Amsterdam, 19th century London and 20th century New York. Trade contributes to both the material wealth that can finance science and culture and the open social climate that stimulates creative thinking.

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Commerce is a cure for the most destructive prejudices; for it is almost a general rule, that wherever we find agreeable manners, there commerce flourishes; and that wherever there is commerce, there we meet with agreeable manners. --- Peace is the natural effect of trade. Two nations who traffic with each other become reciprocally dependent; for if one has an interest in buying, the other has an interest in selling; and thus their union is founded on their mutual necessities.

The French Enlightenment philosopher MONTESQUIEU: The Spirit of Laws, 1748.

Misunderstandings about trade

International trade is not a zero-sum game, where one person's gain is another's loss. An economy based on free trade within and between countries is a non-zero-sum game in which everybody can be a winner.

Nevertheless, throughout history and even today, there are many who wish to limit trade – especially in order to protect domestic production from "threatening" imports.

Behind such attempts is a common misunderstanding, namely that exports are more beneficial and worthier than imports. In fact, the situation is the reverse. The only sensible purpose for a country's exports is to finance imports. It is the imports that give a country's residents a chance to consume what they want. Exports are the price we pay for that privilege.

International trade makes it possible for Swedish consumers to buy foods that can't be grown in Sweden, and buy clothes, shoes, electronics and other capital goods at every lower prices.

There's another important reason not to undervalue the importance of imports, too. A large percentage of a country's exports are based on the ability of the exporting companies to import intermediate goods and component services. Swedish exporters would not be as competitive if they couldn't import intermediate goods.

Imports also stimulate the local economy by sharpening competition in the domestic market. A country can't create a successful export industry if its own companies live in a protected world.

The fact that millions of people in China, India, Eastern Europe and elsewhere have become part of the global economy in recent decades is not a threat to Swedish prosperity. Quite the opposite. The fact that more countries are becoming involved in the global economy and becoming more and more competitive is something that everybody can benefit from.

Of course, if the US had not developed into a leading economy, European companies would not have to compete with the likes of IBM, Microsoft, Ford, McDonald's, Coca-Cola or Walt Disney. But neither would Europe have:

- Had access to the enormous market that North America constitutes for European companies.
- Had access to the enormous range of goods and services that American companies provide to European consumers and companies.
- Had access to the huge range of expertise, new ideas and creativity that come out of North America, benefitting people in every region of the world.

It will obviously have the same effect if a couple billion people in Asia, Africa and Latin America are lifted out of poverty to prosperity:

- It will create bigger markets for Swedish companies – if we manage to develop the right products for the new markets.
- It will create a bigger range of good, cheap products for Swedish consumers and companies.
- More ideas and expanded expertise are being developed by well educated, creative people all around the world.

Have you properly understood what a marvellous thing a great department store actually is, and how all the countries of the world have had the opportunity to contribute to its riches? After just five minutes spent browsing through it, you will have seen silk from China, Japan and Lombardy, knits made of wool from Australia and Argentina, furs from Siberia, Alaska and Australia, fish bones from the Ross Sea, bird-of-paradise feathers from New Guinea and Borneo, rice from the Malay Peninsula, ivory from Sudan, diamonds from South Africa and tobacco from Cuba and Sumatra, not to mention fruit and groceries from Sicily, Asia Minor, Tasmania, California, the Indian subcontinent, the Moluccas, Java and the West Indies.

SIGFRID SIWERTZ: Det stora varuhuset (The Great Department Store), 1926.

Rederi AB Nordstjernan archives, Engelsbergs archives.

Two waves of globalisation

Since the mid-nineteenth century, Sweden's per capita GDP has increased by a factor of twenty while working hours have essentially been cut in half. Average longevity has almost doubled. Both housing and the working environment have been improved.

One of the most important drivers of improved welfare is globalisation. Swedish foreign trade grew an average of 6 percent annually in fixed prices between 1850 and 2000. The volume of trade expanded by a factor of 600 in the space of 150 years.

The first wave

The first major wave of globalisation occurred between 1860 and 1914. Flows of goods increased. Capital moved relatively unimpeded between countries. In certain respects, there was greater financial integration than there is today. International migration was greater, too.

Important drivers of globalisation included new technology – such as steamships, railways and the electric telegraph – which bridged geographic distance, as well a political transition in many countries from protectionist to more liberal trade policies.

The epoch of the World Wars, from 1914 to 45, was a setback for globalisation. Trade barriers were erected. The international financial system collapsed. Free international mobility for individuals was abolished. The years between 1920 and 40 are the only period of peace in modern times when world trade grew more slowly than world production (0.5 and 2 percent annually, respectively).

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The canals, the steamboats, the railways, everything that industry has achieved through world trade, all of this peaceful community encompassing all the peoples of the world – is it really only goods they carry? It seems to me that, in the question of exchange of ideas and development of ideas, one may be seeing a glimpse of the next great epoch here. What a world of intelligence has been set in motion! In truth it is bootless to imagine that one, with eyes squeezed shut and antiquated demands, could stem the tide and the flow of life.

Author ERIK GUSTAF GEIJER, 1837.

The second wave

After the Second World War, international rules and organisations were established to promote economic integration at the global level. This cooperation was based on the Bretton Woods Agreement, named for the conference held in 1944 in Bretton Woods, New Hampshire in the USA.

In one important respect, the post-war global economy is more closed than the economy prior to the First World War. At that time, global capital flowed freely. The Bretton Woods system was based on governments controlling international capital flows.

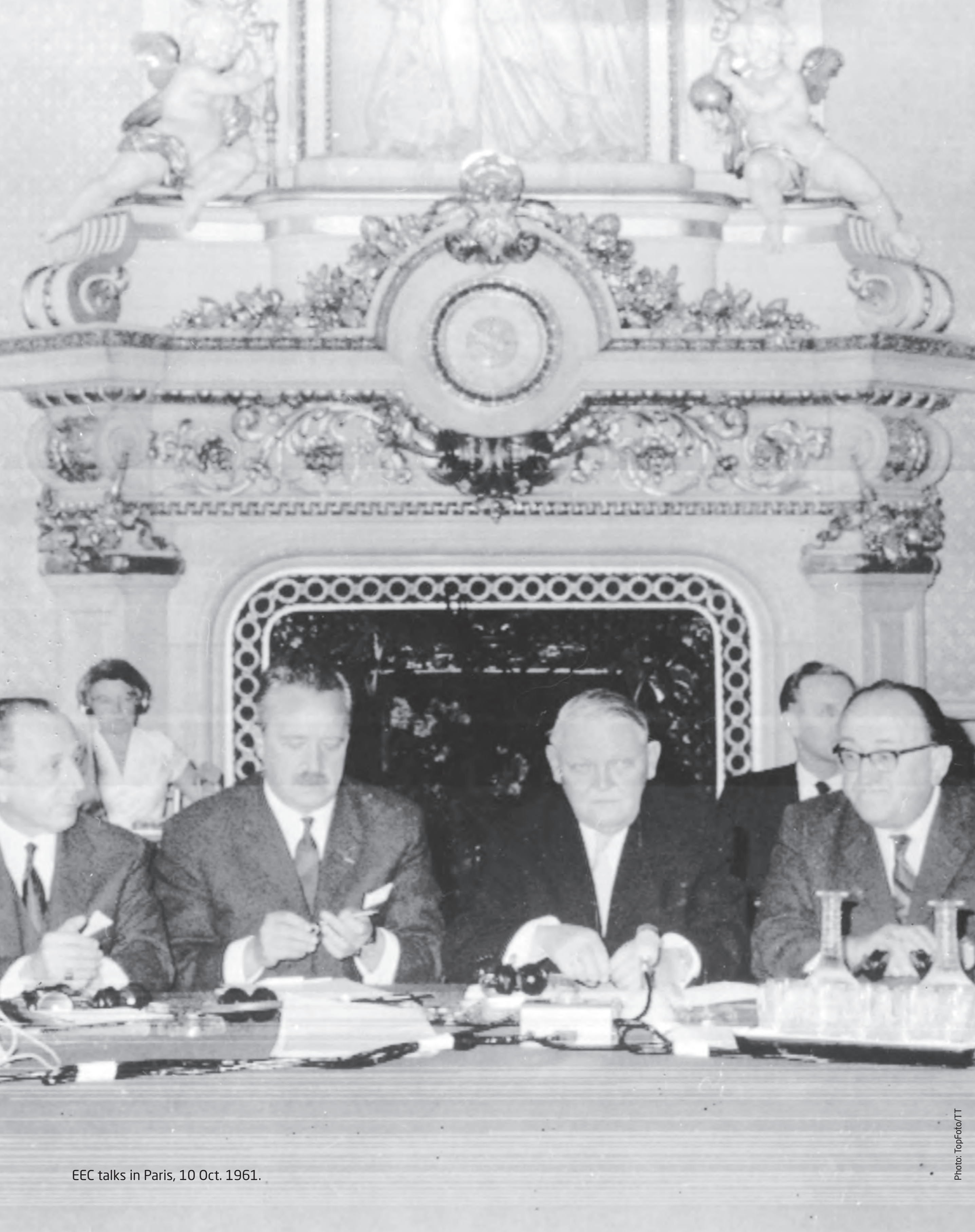
Two organisations were established, the World Bank (IBRD) and the International Monetary Fund (IMF). The International Trade Organisation (ITO), which was also part of the Bretton Woods Agreement, never became a reality, however, due to resistance by the US Congress.

Instead, a special arrangement was made, the General Agreement on Tariffs and Trade (GATT), taking effect in 1948. In practice, GATT became an international organisation providing a framework in which several important steps towards increased global free trade could be taken, primarily through successive lowering of industrial tariffs.

A united Europe

In 1952, the European Coal and Steel Community was established by Belgium, France, Italy, Luxemburg, the Netherlands and West Germany. Its purpose was to place the countries' coal and steel industries under transnational leadership in order to make war between Community nations impossible.

In 1958, these six states also established the European Economic Community (EEC). The idea was to create a customs union and a common market with free movement of goods, services, capital and people. In 1967, the European Communities (EC) were established, which became a collective institution for several cooperative organisations, including the EEC. From 1973 onwards, there was a successive expansion of the EC to include more and more of the nations of Europe.



EEC talks in Paris, 10 Oct. 1961.

Photo: TopFoto/TT

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The purpose of European integration is not to unite nations, but to unite peoples.

JEAN MONNET, French diplomat and originator of the idea of European integration.

Sweden as a free trade nation

Among Swedish politicians, trade unions and business organisations, widespread support for free trade grew during the post-war period. In talks on international trade cooperation, Sweden has almost always stood on the side of free trade.

In 1950, Parliament decided to bring Sweden into the Bretton Woods system and GATT. The only party opposed were the Communists. However, Sweden decided, primarily in deference to its policy of neutrality, not to join the EU's predecessor organisations. Sweden had stayed out of European wars for nearly 150 years, and thus the peace-promoting efforts behind the European project did not seem like a pressing issue for it.

Instead, Sweden was part of the establishment of the European Free Trade Association (EFTA) in 1960. Both the EEC and EFTA eliminated tariffs between member states. While the EEC was a customs union with a common external boundary, EFTA limited its scope to establishing a free trade zone, allowing each member nation to decide its own tariffs relative to outside countries. EFTA cooperation was limited to industrial goods, while the EEC also included agricultural products.

In 1961, Sweden applied for EEC associate status. In 1967, it submitted a new application. This time the issue of the form of association was left an open question. Membership was also a possibility if it could be combined with a policy of neutrality. This alternative was later dropped, however, officially because the issue of closer foreign policy cooperation was in play within the EC. The issue was instead dealt with through a free trade agreement between EFTA and the EC in 1972.

The third wave of globalisation

Around 1970, the Bretton Woods system began to crumble. The primary reason was that the Vietnam War and civil rights reforms were raising public expenses in the USA, leading to budget deficits and inflation.

The year 1971 was a historic inflection point for the international economy. US President Richard M. Nixon decided to suspend redemption of dollars for gold. The following year came the first devaluation of the dollar. The post-war international monetary system finally collapsed after the oil crisis of 1973.

During the 1970s, the industrialised world ended up in the deepest economic crisis since the 1930s. Many Swedish companies and industries were hard hit, especially export industries such as mining, steel and shipbuilding. The domestic clothing, textile and shoe industries were almost completely destroyed by the growth of imports.

Once the crisis was past, a new wave of globalisation began in the 1980s. The break between the second and third waves was not as distinct as the break between the first two. Many second-wave institutions survived into the third. As we shall see, however, there are several important differences between the globalisation processes of the two most recent waves.

The information revolution

At the same time the gold standard was going to the grave, an even more dramatic development was under way that would revolutionise both the way people live on the individual scale and the world economy at large – though few people understood it at the time.

This was the third great technological breakthrough since the industrial revolution began. The first was based on the steam engine, the second on electricity and the internal combustion engine. Now it was all about electronics.

Since the 1970s, the costs of processing, storing and transmitting information have been reduced dramatically. Brand new opportunities have thus been created for international trade and international business.

For products that can be converted to electronic signals, it enabled global trade at low cost. This affected banking, insurance, consulting, advertising, research and education. Information that previously had to be distributed in books and magazines and on discs or videotape can be partially replaced by electronic media. Even for other types of goods and services, electronic trade gives consumers and companies easy ways of finding, ordering and paying for products.

A trader on the New York Stock Exchange.

Photo: Brendan McDermid/Reuters/TT

There are growing opportunities to organise global production systems in which many different companies around the world contribute their particular expertise. This means the advantages trade brings in terms of division of labour and specialisation can be put to even more effective use. In particular, it increases the opportunities of small companies to take part in international corporate networks and do international business.

At the same time information technology has been making huge contributions to increasing integration of the global economy, political barriers to trade have been reduced in many respects. The latter is partly an effect of the information revolution. Some barriers to trade are hard to maintain in the information era.

A new world economic order

In recent decades, international trade has grown significantly faster than total production. Exports of goods accounted for 12 percent of world GDP in 1970, as compared with 31 percent in 2012. Foreign direct investment (new start-ups or acquisitions of companies in another country) has grown at twice the rate of trade. Even faster has been the growth of foreign portfolio investments (investments leading to acquisition of a controlling interest in foreign companies).

Besides the development of information technology, there are several other powerful drivers changing the face of international trade:

Free movement of capital. Until the 1980s, there were many legal barriers, both in Sweden and in other countries, to moving capital across national borders and buying foreign companies. Today, there are open international markets in stocks, bonds and currencies. A company can be listed on exchanges in several countries. Many barriers to purchasing foreign companies have been eliminated.

Reduced barriers to global trade. Throughout the entire post-war period, customs duties on industrial products having been successively reduced. In recent years, other political barriers have been eliminated, too, such as barriers to trade in services. An important step in this process was the establishment of the World Trade Organisation (WTO) in 1995, with Sweden as a member.

Deeper and wider European cooperation. The European Union (EU) was established in 1993 as an expanded and deeper cooperation between the EC member states. Today, 28 countries are members of the EU, including 18 that use the euro as their official currency. Within the EU, there are constant efforts to reduce barriers to the mobility of goods, services, capital and people between member states.

Large low-cost countries enter the global market. The old industrialised world included just under a billion people. The new countries that have opened to international trade in recent decades have over three billion residents.

Reduced transport costs. Geographic distance becomes less important when transport costs go down. Three factors are behind the reduction: progress in transport technology, deregulation of the transport industry and the fact that many of the goods that are part of the international trading system keep getting smaller and lighter. This applies especially to electronic equipment.

The driving forces above have by no means had their full impact yet. We are probably only in the beginning stages of a comprehensive transformation of the world economy.

International production chains

Traditionally, analyses of why various types of companies establish a presence in a particular country have involved sorting the companies into different industrial categories. Industries requiring high levels of staff expertise have often located in developed economies with relatively high wage levels. Examples of such industries include pharmaceuticals and telecoms. Industries with less demanding staff requirements have often located in less developed economies, where wage levels are relatively low. Examples of such industries include clothing and shoe manufacturers.

This pattern is changing today. The development of information technology is making it possible to locate different parts of a production process in completely different parts of the world. Reduced barriers to trade and lower transport costs are contributing to this, too. All the steps required to manufacture a car or a garment don't necessarily have be carried out in the same place.

International production chains (also known as global value chains) can include both manufacturing (i.e. of a component of a car) and services (such as accounting). Even many highly qualified services can be contracted to companies in low-cost countries, and there are many examples of this being done in India.

This means that Swedish exports consist in part of goods and services that are first imported to Sweden. A particular chainsaw model from Husqvarna may include 130 components from 30 countries. A Volvo truck is obviously much more complex. Swedish retailers like H&M and Ikea, as well as many service companies, are also based on far-reaching international production chains.

Photo: Specialstock/TT

The petroleum industry is one of the few Swedish industries that exports a product with an extremely high import content. Preem has refineries in Göteborg and Lysekil whose production is based entirely on imported oil. About two-thirds of these oil-based products are exported to other countries.

We can construct an example to show how a particular product goes through several value-adding processes, crossing many national boundaries along the way:

Iron ore pellets from the mine at Kiruna are sent to a steel mill in the USA, where they are an input to production of a particular steel alloy. This bulk steel is then turned into sheet-metal at a Spanish rolling mill. The sheet-metal is sent to a factory in the US, which uses it to manufacture a particular car component. The component is then sent to a German auto factory. The car is exported to a dealer in Luleå, who ends up selling it to a mine worker in Kiruna.

The splitting-up of the production chain means that international trade is growing quickly. For some services, it's possible to create an interactive global network, such as an analysis department at a bank or a medical clinic at a virtual hospital. Network participants in Europe, Asia and America can work together, discussing issues and developing proposed solutions. In cases like this, it is scarcely meaningful to try to define what is an export and what is an import in the countries where network participants are working.

Companies and countries are no longer competing on where it's most profitable to produce a finished product or service; they're competing on where it's most profitable to locate a particular process. Such competition also occurs within companies, where different production facilities and workplaces compete with one another. This creates new challenges for individuals, companies and politicians.

It is getting tougher and tougher to be competitive. At the same time, opportunities for small companies and poor countries to participate in global trade are growing, since it's easier for them to become competitive in particular processes than it is to build up a complex production apparatus. Most important of all, though, international production chains are enabling more efficient production and thus bringing better, cheaper products to consumers.

The growth of international production chains is making traditional trade statistics misleading in certain respects. And it is creating new challenges for trade policy.

One consequence of the rise of production chains is that many import tariffs and other trade barriers or costs of importing indirectly affect exports. Calculations show that almost 60 percent of the tariff costs affecting imports of Swedish intermediate goods end being added to goods that are exported. These import tariffs thus end up being an indirect tax on exports.

Even relatively low tariffs on intermediate goods can end up constituting a major barrier to trade. A tariff that has to be paid several times over the course of several stages of production can result in a high tariff cost for the end product.

Not only that, but intermediate goods are more price-sensitive than consumer goods. First of all, intermediate goods are less differentiated than consumer goods. Second, the intermediate goods aren't visible in the final product, and thus price is a more important factor influencing the choice of inputs. Finally, professional buyers at companies often have a better overview of the market than private consumers.

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Governments are not necessarily aware of the impacts of prevailing policies on SCT [supply chain trade] investment incentives and operations. Moreover, existing trade agreements and similar forms of international cooperation usually are not designed with a view to minimize negative SCT spillovers. Nor are they designed to assist governments to put in place a policy environment that will support SCT specialization and greater use of SCT opportunities.

BERNARD HOEKMAN, Professor, European University Institute, Florence.

The WTO and new trade policy challenges

The World Trade Organization (WTO) was founded in 1995 with Sweden among its members. Since then, the number of member states has grown from 123 till 159. China became a member in 2001 and Russia joined in 2012. Today its member states account for 99 percent of world trade.

The WTO is built on three pillars:

- GATT (General Agreement on Tariffs and Trade), which along with related agreements regulates world trade in goods.
- GATS (General Agreement on Trade in Services), an agreement on trade in services which took effect in 1995.
- TRIPS (Trade Related Aspects of Intellectual Property Rights), a trade agreement on patents, copyright and trademarks that took effect in 1996.

The WTO was created as part of the Uruguay Round of trade negotiations, carried out between 1986 and 94. The next major phase of multilateral trade negotiations, the Doha Round, began in 2001. It includes regulation of agricultural products, textiles, services, intellectual property, non-tariff barriers to trade and subsidies.

The Doha Round came very close to a breakthrough in July 2008, but collapsed due to a disagreement between the USA and India on temporary protection for agricultural goods. The difficulty of reaching a new major trade agreement results from the requirement that all member states must be in agreement, and the negotiating principle that "nothing is agreed until everything is agreed".

To make it possible to achieve anything at all, a separate phase of negotiations was undertaken in order to reach more limited results. In December 2013, the WTO agreed to adopt the Bali Package, which simplifies trade procedures. The Package takes effect on 31 July 2014, but will take several years to implement.

Once the Bali Package is fully implemented, it is expected to save between 400 and 1,000 billion dollars annually by reducing administrative costs 10–15 percent.

Though the WTO's concrete negotiation successes have been limited over the nearly 20 years of its existence, the organisation plays an important role, in part as a forum for discussion and dialogue, and in part by keeping an eye on the basic ground rules of world trade and providing a structured process for dealing with international trade disputes. The WTO's mechanisms for resolving disputes are internationally respected and are obviously of particularly great significance for small and poor countries that would have a hard time defending their interests without the support of an internationally accepted regulatory system.

Ministerial summit on trade liberalisation negotiations at WTO headquarters in Geneva, Switzerland, 29 July 2008..

Photo: Salvatore Di Nolfi/EPA/TT

The WTO system has been important in preventing a wave of protectionism in the wake of the 2008 financial crisis.

Two factors have made it particularly difficult to achieve comprehensive new negotiating successes within the WTO. First, the growing number of member states and the addition of important new players on the world market, such as India, China and Russia, has made it more difficult to reach unanimity.

Second, the GATT system had already picked the low-hanging fruit of tariffs and quotas on industrial products. Many industrial tariffs were cut from 40 percent in the 1950s to four percent today. The problems today's trade negotiators are facing are much more complex, both because they involve more politically sensitive areas and because they involve systems of regulations that are not primarily justified by trade policy concerns.

One consequence of the deadlock in WTO negotiations is that many countries have sought to reduce barriers to trade through bilateral or regional trade agreements instead. The number of regional trade agreements has increased from about 100 to about 250 during the 21st century.

One example of this is the effort to establish a Trans Pacific Partnership (TPP). It originated in a free trade agreement established between Brunei, Chile, New Zealand and Singapore in 2005. Since then, negotiations have begun with several other countries in the Pacific region, including Australia, Japan, Canada, South Korea, Taiwan and the USA.

Since 1994, there has been a North American free trade zone including Canada, Mexico and the US and regulated by the North American Free Trade Agreement (NAFTA). On 18 October 2013, the EU and Canada completed negotiations on a free trade agreement that will eliminate tariffs on industrial goods traded between the EU and Canada and eliminating over 90 percent of tariffs on agricultural goods. However, the agreement has not yet gained final approval by the parties.

Another example of a regional trade cooperation in the making is the Transatlantic Trade and Investment Partnership (TTIP) between the EU and the USA.

New trade policy challenges

There are a number of areas in which the WTO lacks or has only a weak regulatory structure, such as public procurements, public subsidies and cross-border investments. Another area that is currently weakly regulated by the WTO is export restrictions.

Trade in services is growing fast. Goods production, too, is growing ever more dependent on cross-border services. The WTO has an agreement on trade in services, GATS, that establishes a minimum level of openness in international trade in services. However, there is a crying need for further liberalisation in this area.

One comprehensive change that has occurred in the international economy since the Uruguay Round was concluded in 1994 is the growth of the Internet and electronic trade. In this area, there are needs for regulations covering localisation requirements, intellectual property and cross-border data transmission.

The emergence of international production chains and the integration of production of goods and services are also causing more people to need to move across borders.

It is easy to understand that continued technical and economic development is going to create brand new types of business models. Digitalisation means goods can be replaced by services – in the form of apps, for example. Ever more products can be connected to the Internet for reporting, monitoring or control. Another exciting development is 3D printers, which are dramatically increasing opportunities for local production. The result of all this is that geographic distances have ever less significance.

As much as possible, trade policy and other regulation should be neutral with respect to choices between different forms of international economic activity, such as the choice between local production or importing; between direct sales, wholly owned subsidiaries or cooperation with local companies; or between hiring local labour or temporarily sending employees from another country.

Technical trends are making it easier for small and medium-sized companies – as well as individuals – to participate in international production chains. Yet we know that smaller companies have a harder time dealing with administrative barriers to trade. For this reason, it is important for trade policy to give special consideration to their needs.

Transatlantic Trade and Investment Partnership

The EU and the USA are the world's two largest economies, with a combined total of over 800 million residents. The EU accounts for 25 percent of the world's total production and the USA for 22 percent. Together, the two regions account for approximately 30 percent of the world's international trade in goods and 40 percent of its trade in services.

The EU is the biggest player in world trade. Its trade with other countries constitutes over 15 percent of global trade in goods and about 25 percent of global trade in services. The EU is also the world's biggest investor and recipient of investments.

The world's largest flow of trade is the one between the EU and the USA, worth two billion euros a day. The largest goods segment is machinery and vehicles, the second-largest chemicals. The USA is the biggest recipient of direct investments from the EU, and the EU the largest recipient of direct investments from the USA.

In terms of value added, 23 percent of EU exports go to the USA and 20 percent of its imports come from the USA. Services account for 60 percent of the trade in terms of value added.

Though the EU and US economies are already highly integrated, reducing barriers to trade could provide major economic benefits to both Europeans and Americans – and to residents of the rest of the world. Several analyses of the potential benefits of the TTIP have been carried out. The results vary depending on who's doing the analysis. However, all serious studies show:

- That trade between the EU and the US would increase.
- That it would improve the prosperity of both the EU and the US.
- That it would create more jobs and reduce unemployment, both in the EU and the US.
- That the effects for the world as a whole would be positive.

Building a transatlantic partnership

On 28 July 2006, the General Council of the WTO decided to suspend negotiations on the Doha Development Agenda. Despite an unsuccessful attempt to pass the Agenda two years later, the breakdown of negotiations in 2006 ended up being the starting point for discussions between the EU and the US on a transatlantic trade agreement in the ensuing years.

The Confederation of Swedish Enterprise played an important role in getting such discussions going between the EU and the US. The organisation began promoting the issue in 2007. Its office in Brussels had a major hand in convincing various players of the advantages of such an agreement.

Initially, the resistance was intense, both in the European Commission and among leading members of Businesseurope, Europe's largest organisation of companies, ordinarily a proponent of transatlantic initiatives.

A couple of analyses done by a Brussels-based think tank, the European Centre for International Political Economy (ECIPE), and commissioned by Confederation of Swedish Enterprise, pointed out the potential benefits of an agreement. These turned out to be an eye-opener for people on both sides of the Atlantic.

At the EU–US Summit in November 2011, the parties agreed to establish a High-Level Working Group on Jobs and Growth, headed by US Trade Representative Ron Kirk and EU Trade Commissioner Karel De Gucht. The Group was charged with identifying policies and measures that would increase trade and investments between the EU and the US in order to create new jobs and increase the economic growth and international competitiveness of both.

In its final report, submitted on 11 February 2013, the Working Group recommended launching negotiations on a comprehensive agreement that would encompass all sectors. The following day, President Barack Obama announced in his State of the Union speech that the US was prepared to enter negotiations on far-reaching transatlantic trade liberalisation. One day later, European Commission President José Manuel Barroso announced that the EU was on board, too.

The European Commission proposed negotiating directives for member states on 12 March 2013. In May, the EU Parliament passed a resolution expressing Parliament's intention of follow the process closely and help work towards a successful conclusion. On 14 June, the Council of Europe approved a mandate greenlighting Commission negotiations on a trade and investment agreement with the US.

Negotiations on the Transatlantic Trade and Investment Partnership (TTIP) began in July 2013. They encompass a wide range of issues, including tariffs, trade in services, regulations, investments, intellectual property, public procurement and subsidies of state-owned companies, the mobility of labour, sustainable development, regulations om functional trade controls and customs cooperation, competition, energy and raw material issues, trade-related aspects of small and medium-sized companies, movements of capital and payments, and an institutional framework, including a mechanism for resolving disputes.

The purpose of TTIP

The purpose of TTIP is to increase integration of the EU and US economies on a broad front. The idea is that these two parties, both highly developed politically, economically and technologically, and already having extremely strong economic ties, should be able to find solutions to some of today's most difficult trade policy challenges.

TTIP is not a competitor to WTO, but rather a complement to it. Experience shows that it is very difficult to bring together some 160 countries to implement comprehensive reforms of world trade. However, if the world's two largest economies can arrive at common trade policy solutions, it might serve as a template for other international trade agreements, such as the upcoming bilateral agreement with China.

TTIP may also be a stimulus to negotiations at the global level. It has happened before. The Uruguay Round in the GATT framework, which led to the establishment of the WTO, could be brought to successful conclusion in 1994, in part due to pressure exerted through the creation of the European Union in 1993 and establishment of the NAFTA free trade area between Canada, Mexico and the US the following year.

TTIP should be designed in a way that facilitates trade with countries outside the agreement, too, enabling them to sign on to all or parts of the agreement. If the EU and the US can agree on issues relating to standardisation and various regulations, it will make things easier for other countries wishing to export goods to the EU or the US. Nor is it out of the question that common standards and regulations adopted by the world's two largest economies would gain global acceptance.

It is important to ensure that TTIP does not include complicated origin rules, since regional or bilateral regulations on the origins of products could lead to a tangled spaghetti of regulations that would result in high administrative costs for cross-border trade.

Tariffs, standards and regulations

The most easily implemented part of TTIP, technically speaking, is eliminating all tariffs and other direct barriers to trade between the two economies.

Even though tariffs are currently quite low – on average around four percent – they still have an impact. Some products are still burdened by high tariffs. For example, both the EU and the US have high tariffs on certain foodstuffs. The EU has high tariffs on motor vehicles.

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In short, this deal will be about streamlining our economies where it makes sense to do so by making it easier and faster for our companies to do business together. In turn, that will have the knock-on effect of real savings for consumers as well as the creation of tens of thousands of jobs for Europeans.

At the same time, Europe is going into these negotiations enthusiastically, but realistically. Domestic environmental, labour, privacy or safety standards, and policies to protect consumers cannot and will not be lowered as a means to promote trade and investment.

EU Trade Commissioner **KAREL DE GUCHT** on 14 June 2013.

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To ensure that TTIP negotiations yield an agreement that provides broad economic benefits and is in line with common transatlantic values, including high standards of health, consumer safety and environmental protection, we need to facilitate dialogue between the negotiators and a wide range of stakeholders. Both sides have therefore introduced new methods of engaging civil society in the process of working out the goals of the negotiations.

MARK F. BRZEZINSKI, US Ambassador to Sweden, in the business daily Dagens Industri, 9 November 2013.

Even a minor reduction of tariffs makes quite a bit of difference, given the huge volume of trade across the Atlantic. Much of this trade involves price-sensitive intermediate goods, many of which are part of long production chains in which tariffs are added at every border-crossing. Every year, European companies pay almost 100 billion kronor (nearly 14 billion dollars or 11 billion euro) in tariffs to the US, while American companies pay a comparable sum to the EU.

According to estimates, some 20 percent of the gains that would result from an ambitious TTIP would be the result of reducing tariffs. The major potential gains would come in areas not directly related to trade policy, such as various types of standardisation and regulations relating to the environment, safety and health. Corporate costs of compliance with these regulations can correspond to tariffs of 10–20 percent.

The idea is not to lower standards in these areas, but rather to systematically review existing regulatory structures in the EU and the US with an eye to reducing the burden of compliance. Both the EU and the US have ambitious goals in the areas of the environment, safety, health and other categories. However, their regulatory structures and methods of applying them have typically grown up independently. Thus different standards have been established in the EU and the US, even though the standards are generally on par with each other.

Motor vehicles may have thousands of components from hundreds of suppliers in dozens of countries. Standards and testing procedures vary from country to country. The EU and the US have different yet similar safety standards applicable to things like lights, door locks, brakes, steering, seats, belts and power window lifts.

Take the example of an American manufacturer of light trucks that wanted to sell a particular model in Europe. Compliance required 100 unique parts, 42 million dollars in design and development work, and 33 new vehicle systems tests, without yielding any differences in the vehicle's safety or environmental performance.

Or take the example of companies importing acetyl to the USA, a chemical used in the manufacture of aspirin and paracetamol. They have to deal with four similar sets of regulations from five different regulatory agencies whose internal coordination and communication is often less than optimal. As a result, every third delivery is delayed.

In the service sector, there are a variety of barriers to trade, such as the requirements placed on architects, engineers and other professional categories to be permitted to work in a particular country.

There are often practical problems involved in reforming regulatory structures. One problem is that the regulations were not established with trade policy in mind, and they are administered by agencies that have other goals than promoting trade, such as food safety or traffic safety. Nor are these problems made any easier by the fact that, in some areas, the regulations are established individually by the EU's 28 member states and the fifty states of the USA.

The situation needs to be reviewed area by area. One possibility, where EU and US standards are deemed more or less equivalent, is to promote mutual recognition: a product that's approved under EU regulations would automatically be approved in the US, too, and vice versa. It would be even better, of course, if new regulatory structures could be developed or existing structures updated, with the EU and the US working together to structure the regulations.

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The business community would prefer to see the negotiations quickly work through the issues where our positions are similar and get behind a mutual recognition agreement with an eye to the long-term harmonisation of technical regulations in sectors like pharmaceuticals, electronics and motor vehicles. This is where the major benefits lie for companies.

HANS STRÅBERG, former CEO of Electrolux and current board member of Investor. He heads up the European section of the Transatlantic Business Dialogue (TABD), an association of major companies on both sides of the Atlantic that is playing a central role in work on TTIP.

We need to break down the silo mentality some of the regulatory agencies have; often, they only look at direct effects that impact their own area of responsibility, without taking into consideration indirect effects on international trade. It is especially important to analyse effects on international production chains.

The reform efforts are not a battle between European and American regulatory systems or agencies, but rather a joint process that offers an opportunity to share experience and learn from each other while finding the solutions that are best for all parties. It will end up saving unnecessary expenses for regulatory agencies (and thus the taxpayers), companies and consumers alike.

One should bear in mind that the EU and many of its individual member states, including Sweden, are carrying out regulation-simplifying efforts of their own with an eye to reducing the regulatory burden on companies. Streamlining and harmonisation of regulatory structures might thus have positive effects on international trade, trade within the EU and domestic trade.

Benefits of TTIP

Several attempts have been made to calculate the economic effects of a TTIP agreement. The results vary considerably, partly depending on the assumptions made about the final form of the agreement and partly due to differences between methods of economic analysis. The tendencies are the same in all the analyses, however: increased trade, increased prosperity, more jobs and lower unemployment, both in the EU and in the US.

An analysis by the OECD concludes that a thorough reform of the regulations would increase per capita GDP by over 3 percent in the EU and the US.

Swedish National Board of Trade

The Swedish National Board of Trade presented an analysis of the potential effects of a TTIP agreement on Sweden in 2012. They examined two scenarios based on eliminating all tariffs between the EU and the US. The difference between the scenarios was the percentage by which other barriers to trade were eliminated: 25 and 50 percent.

In the scenario with more limited elimination of trade barriers, trade between the EU and the US was expected to increase 20 percent in both directions. Swedish exports to the US would increase 17 percent and imports 15 percent. In the scenario involving more ambitious elimination of trade barriers, the effects on trade would be approximately twice as big.

In the two scenarios, Sweden's GDP would increase 0.1 or 0.2 percent, respectively, while the effects on the EU as a whole would be marginally greater, and the effects on the US would be significantly greater (0.2 and 0.5 percent, respectively).

One industry that contributes strongly to this effect is corporate services, which account for a large percentage of the trade in both directions between Sweden and the US. Since this sector is an important supplier to many other industries and generates many high-skill jobs, TTIP may end up creating important dynamic effects that are not captured by the Board of Trade's study.

Centre for Economic Policy Research

The Centre for Economic Policy Research (CEPR), a British think tank, presented its TTIP analysis in 2013. One scenario it examined was based on eliminating 98 percent of tariffs and cutting regulatory costs 10 percent. The other was based on eliminating 100 percent of tariffs and cutting regulatory costs 25 percent.

The CEPR determined that the more ambitious scenario would increase GDP in the EU by 0.5 percent, which would mean 545 euro to an average four-person household. A family in the US would gain 655 euro. The effects on the rest of the world would be positive, too, thanks to wealth-spreading dynamic effects, including increased exports to the EU and the US. The total GDP of the EU would increase by 120 billion euro, of the US by 95 billion and of the rest of the world by 100 billion.

The sectors TTIP would have the greatest effect on were pharmaceuticals, agriculture and financial services. An estimated 0.2–0.5 percent of the EU labour force would eventually have to switch jobs for the trade benefits to kick in fully.

Objections to TTIP

Weaker protection of health, safety and environment?

Some have expressed fears that TTIP will end up weakening protections of health, safety and the environment. However, the EU's negotiation mandate clearly states that this is off the table.

Both the EU and the US have high ambitions with respect to the environment, safety, health and other social areas. The intent is not to weaken requirements in these areas, but rather to systematically review the various regulatory structures in the EU and the US to see how the regulatory burden of companies can be reduced through better coordination of regulations and their application.

In the pharmaceutical sector, the EU and the US have cooperated in recent years in efforts to reduce unnecessary overlap and duplication of work in the drug approval process. Costs have been greatly reduced while maintaining a high level of consumer protection or even strengthening it.

TTIP will not supersede national or EU legislation. The basic legislation that exists to cover protection of health, safety and the environment is not affected by the negotiations. Thus EU regulations on genetically modified crops and hormone-treated meat, for example, are not affected by TTIP.

Compromises to the working environment or labour law?

The Swedish labour unions – the Trade Union Confederation, the Confederation of Professional Employees and the Confederation of Professional Associations – have all endorsed efforts to reach a TTIP agreement. However, they insist that it must not lead to exploitation of people through competition based on unfair terms of employment. The unions emphasise that any TTIP agreement must be grounded on respect for the fundamental rights of employees.

According to the EU negotiating mandate, TTIP must not result in lowering the level of protection of employees and the working environment provided by national legislation. The mandate also says that the agreement should ensure that the laws and legislation of the EU and its member states governing terms of employment shall remain in effect.

It is worth noting that Sweden, through its membership in the EU, is already participating an extremely far-reaching economic integration with countries that have different conditions as regards contracts and labour market legislation without it threatening the Swedish labour market model.

The system for protecting corporate investments will encroach on the democratic institutions of the countries?

One of the hottest topics of debate on TTIP revolves around Investor-State Dispute Settlement (ISDS). The provisions of ISDS would enable companies to sue a country that they believe has broken the rules of the trade agreement. According to ISDS, such disputes must be settled in a special venue, since local courts may be partisan or lack a mandate to deal with such disputes.

The reason ISDS regulations are being proposed is that the WTO system lacks the kind of dispute settlement mechanisms for corporate investments that exist for trade disputes. Thus this issue has been regulated through bilateral or regional agreements.

Taken together, the EU member states have already passed ISDS regulations in 1,400 trade agreements. Sweden currently has such provisions in some 60 agreements we have signed, primarily with developing countries. Nine of the newest EU member states have ISDS agreements with the US that they signed before joining the EU. This has caused no problems for these member states as they adapt to EU regulations. Neither has it led to any disputes with American companies.

According to its TTIP negotiating mandate, the EU must seek to secure the greatest possible degree of protection for European investors in the US. Whether and, if so, how ISDS regulations will be included in a TTIP agreement has not been decided yet. The EU is working to ensure that such regulations are designed so as not to encroach on the democratic functions of the states that are party to the agreement.

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We agree that increased trade between the EU and the US is good for the Swedish economy and good for our members. Competition on equal terms between two developed economies promotes necessary structural transformation and creates job opportunities in organisations with the strength to endure. However, it must not lead to the exploitation of people through competition based on unfair terms of employment. --- A good TTIP agreement has the potential to do more than just increase the prosperity of the US and the EU. It may also help improve other agreements currently being negotiated, especially the pending agreement between the EU and China. --- In the long run, a good agreement with the USA will benefit both the business community and employees. It is well worth standing behind such a trend.

Swedish Trade Union Confederation Chair KARL-PETTER THORWALDSSON, Swedish Confederation of Professional Employees Chair EVA NORDMARK and Swedish Confederation of Professional Associations Chair GÖRAN ARRIUS in the business daily Dagens Industri, 18 February 2014.

There are shortcomings in the ISDS provisions included in some of the agreements with respect to transparency, democratic self-determination and codes of conduct for multinational companies. The EU member states and the USA have well developed democratic systems. One ambition of the TTIP negotiations is to create within it an ISDS regulatory structure that can serve as a model for other agreements.

Effects on the environment and climate?

Calculations carried out in the studies suggest that TTIP's effects on carbon dioxide emissions and sustainable use of resources are limited. The European Commission has nevertheless decided to carefully study how TTIP might affect sustainable development. This work will be carried out by independent experts in consultation with stakeholders and representatives of civil society in both the EU and the US.

Since threats to sustainable development are best dealt with through new, more environmentally sound technology, any negative environmental effects of TTIP may be largely counterbalanced by the increasing economic integration of the EU and the US, which will lead to faster development and spread of environment-friendly technology.

In addition, better coordination of standards and regulations will lead to more efficient use of resources, which also contributes to more sustainable development.

Unnecessary secretiveness?

Some critics of TTIP claim the negotiations have been carried out in a much too secretive way.

Negotiations can never be carried out with complete openness. This is true of political parties and parliamentary committees, as well as the labour market and other areas of society. Given this basic limitation, the TTIP negotiations have been carried out with a relatively high degree of openness.

Both parties have given an account of their initial positions in the negotiations, and regular progress reports are provided. The European Commission is doing its best to maintain a dialogue with various organisations and interest groups while the negotiations are under way.

Once a final agreement has been negotiated, it still has to be approved by the EU Parliament, the EU Council (consisting of the governments of the 28 EU member states) and the United States Congress.

Anders Johnson is a writer specialising in business history. His books include Globaliseringens tre vågor, an account of Sweden's internationalisation during the past 150 years and Från Absolut till Zorn, a survey of 101 historical links between Sweden and the USA.

In 2009, Johnson received the Socrates Prize from the adult continuing education association SV for his service to public education on the industrial history of Sweden. In 2010, he received the Confederation of Swedish Enterprises' Curt Nicolin Memorial Award for writing on the history of Swedish business.

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It is possible, one might think, in a populous, flourishing nation whose morals are uncorrupted, to permit free trade, but in our nation, about which none of these judgements can fairly be made, it would hazard the entire society's best interests. This hobgoblin has long been used to frighten us. Let us see how reasonable it is. Is there not compulsion in businesses and firms that hinders the growth of workers? Shackles that no populous nation in the world bears or can bear, without becoming, within a half-century, as poor in population as we are?

Anders Chydenius
Källan till Rikets Vanmakt (The Source of the Nation's Frailty, 1765).