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Revitalize the EU's open trade agenda – a strategic imperative

The Technology Industries of Sweden (Teknikföretagen) represents companies at the forefront of the technological advancements that are key to achieve the EU's highly set political objectives – whether it be economic prosperity, climate ambitions, the energy transition and digital transformation, or safeguarding our collective security and defense interests. This position paper sets out the organization's trade policy priorities for this institutional mandate at EU level, from 2024 to 2029.

The importance of international trade in an era of geostrategic competition

An innovative and long-term competitive industry is acknowledged as a prerequisite for leadership in the global race to control the development of key technologies. Increased geopolitical tensions and less trust in the global trading system have given rise to a proliferation of unilateral trade measures and active industrial policies to favor domestic production and reduce reliance on imports. The development may exacerbate a politically driven regionalization process that limits the benefits of international trade.

This can be especially detrimental to European interests. This year, 85 percent of global growth will be generated outside the EU – and 60 percent of EU imports are inputs needed for industrial production in Europe. This illustrates the need to secure access to external markets for Europe to be prosperous. International trade drives efficiency and specialization, and in turn the development of more advanced technological solutions that can address today's and tomorrow's societal challenges. By enabling diversification, trade is also an imperative to strengthen security of supply and with that the resilience of the European industrial base.

Yet, a prominent feature of EU policymaking has become addressing strategic dependencies on imports from third countries by subsidizing domestic production capacity. An inherent risk with import substitution is that it can lead to displacement effects through a reallocation of resources from areas that are competitive to those that are not, resulting in a less vibrant and dynamic European economy. It can also lead to centralized supply chains that are less resilient to disturbances to international trade.

Rather, a process to strengthen security of supply and limit overreliance that could potentially be weaponized for economic coercion should center around broadening the base of available suppliers for industry to source from. Thus, creating the conditions for companies to be able to optimize the supply chains by both diversifying risk and maximizing efficiency. The EU needs to enable both supply chain resilience and cost-efficiency in sourcing for the European industry to be globally competitive.

This requires a revitalized EU trade agenda that actively pursues trade liberalization and economic integration with key industrial countries, strategic partners, and growth markets.

To unleash the potential of EU trade, we put forth the following recommendations:

- Unburden the negotiations and ratification of free trade agreements
- Pursue mini deals for increased market integration in strategic areas
- Ensure a regulatory framework compatible with global markets
- Ease reporting obligations on supply chains that limit sourcing
- Ensure that defensive instruments are balanced and well-calibrated
- Leverage development policy to strengthen security of supply
- Safeguard the functioning of the multilateral trading system

Executive summary

Unburden the negotiations and ratification of free trade agreements

To conclude new agreements, the ambition of EU free trade negotiations must be better tailored to our trading partners. The agreements should first and foremost focus on long-term competitiveness and the main objective when negotiating agreements with third parties should be market access. To promote the ratification and entry into force of new free trade agreements it has become a necessity to split the agreements into EU-only agreements, rather than as part of mixed agreements. This means focusing the free trade agreement on trade and investment liberalization, an exclusive EU competence, while investment protection provisions are covered by the broader framework agreement that is subject to ratification by the Member States.

Pursue mini deals for increased market integration in strategic areas

In parallel to free trade negotiations, the EU should pursue targeted agreements to remove non-tariff barriers through so-called mini deals. The taxonomy of mini deals includes a broad range of legal instruments that can be applied in areas where regulatory requirements diverge leading to unnecessary trade and administrative costs. Mini deals can have a particularly significant effect among major trading partners, in large volume sectors, and sectors where there is a high potential for trade growth because of increasing regulatory costs. In addition, they are an effective tool to address regulatory challenges in areas where domestic developments around the globe lead to new regulatory requirements.

Ensure a regulatory framework compatible with global markets

The EU must take action to simplify legislative requirements and address regulatory barriers. To safeguard an innovation-friendly regulatory framework, the EU should set the essential requirements for health, environment, and consumer safety in EU legislation but leave the technical solutions to voluntary standards developed by stakeholders. The EU also needs to ascertain that harmonized European standards can be developed in close cooperation with international standardization. This will limit diverging technical requirements in European and international standards. In addition, due time and resources must be given to standardization organizations to allow for them to develop standards while maintaining a bottom-up, consensus-based way of working. Mandatory third-party certification should be avoided if possible, and all new EU-legislation must be subject to a competitiveness check.

Ease reporting obligations on supply chains that limit sourcing

It must be made sure that new legislative requirements and reporting obligations regarding industrial supply chains are fit-for-purpose. Companies must be provided with guidance and appropriate time for the implementation of the legislative requirements. Double reporting must be avoided. In case new legislative requirements cannot be effectively implemented within the set transition period, the EU should postpone the implementation until the conditions are met. The implementation of new initiatives should also be followed by a mandatory review to ensure that they are fit-for-purpose and adjusted if necessary.

Ensure that defensive instruments are balanced and well-calibrated

The EU must ensure that new defensive instruments are well-calibrated as in proportionate, precise, and predictable. This will prevent undue restrictions from being imposed on business operations and an overly cumbersome administrative burden on companies. Defensive instruments must be applied based on security considerations or evidence-based to address non-market behavior, and not to protect uncompetitive industries from global competition. In addition, the emergence of diverging technical requirements must be avoided by ascertaining that EU level instruments do not go beyond corresponding requirements in other important markets, such as key industrial countries and trading partners.

Leverage development policy to strengthen security of supply

The EU should continue to strive to use international development more strategically by connecting projects closely to EU policy objectives. This includes utilizing international development projects in combination with strategic partnerships to facilitate trade and strengthen security of supply. In addition, the EU should deepen its neighborhood policy to secure a reliable and sustainable supply of critical raw materials, including by granting preferential access for raw materials processed in neighboring countries. The EU should also utilize international development and capacity building to help suppliers in third countries comply with EU legislation with extraterritorial effects.

Safeguard the functioning of the multilateral trading system

The EU must continue to work to support the functioning of the World Trade Organization (WTO) and be a constructive voice in reforming and modernizing the organization so that it can operate better. Notably, this includes restoring a functioning dispute settlement system and appellate body. The mediator role of the secretariat should be strengthened to be a driving force in negotiations. The secretariat should also be given a greater mandate to launch new initiatives and develop compromise proposals. Plurilateral agreements should be supported in areas where multilateral consensus is not possible. Compliance with existing rules on industrial subsidies should be improved and consensus be found on acceptable subsidy regimes at the WTO level to ensure a fair, stable and predictable international trading environment.

Recommendations

Unburden the negotiations and ratification of free trade agreements

The EU has built an impressive network of trade agreements, providing market access for its trade-dependent industry and thereby strengthening its global competitiveness. However, in recent years the pace of market liberalization has stalled as the progress on achieving new free trade agreements with third countries has been limited. Reasons for this include pursuing ambitions in the negotiations that third parties do not necessarily agree on – meaning the EU having to make concessions in other areas – and concluded agreements failing to be ratified due to opposition in national or regional parliaments, as agreements covering Member State competencies require ratification according to domestic procedures.

To conclude new agreements, the ambition of EU free trade negotiations must be better tailored to our trading partners. The agreements should first and foremost focus on long-term competitiveness and the main objective when negotiating agreements with third parties, including in the World Trade Organization (WTO), should be market access. That is, increased opportunities for exports, imports and investments, for both goods and services. Therefore, the EU should not overburden bilateral or regional free trade agreements with political objectives relating to other policy areas, including legally binding sanctions for violations to the Chapter on Trade in Sustainable Development. Otherwise, third countries are unlikely to conclude new agreements with the EU. The ambition can differ for likeminded countries with a development status comparable to the EU, however economic sanctions should still be avoided.

To promote the ratification and entry into force of new free trade agreements it has become a necessity to split the agreements into EU-only agreements, rather than as part of mixed agreements. A mixed agreement covers both EU and Member State competencies and is therefore subject to ratification according to the legal procedures in each Member State. As such, a mixed agreement can be effectively blocked by national or regional parliaments, whereas an EU-only agreement is limited to EU competencies and only requires the approval of the Council of the EU and the consent of the European Parliament. This means focusing the free trade agreement on trade and investment liberalization, an exclusive EU competence, while investment protection provisions are covered by the broader framework agreement that is subject to ratification by the Member States.

Apart from negotiating new agreements and facilitating the swift ratification of concluded agreements, the EU should also evaluate the possibility of joining existing trade agreements, notably the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Regionwide agreements, such as the CPTPP, are particularly important in order to shape the terms and conditions that will evolve in global trade relations.

In addition, there is significant potential in the modernization of existing free trade agreements. Existing agreements vary in quality and ambition, and many have inadequacies or were incomplete even when they were concluded. Since they entered

into force, the economy and trade restrictions may also have changed. Therefore, there is a need to modernize existing agreements to maintain relevance and ensure predictability in trade.

Pursue mini deals for increased market integration in strategic areas

The primary trade barriers facing companies today are often behind the border, non-tariff barriers that arise from diverging regulatory and technical requirements. Limiting technical barriers to trade through market integration can remove costs often higher than tariffs. In parallel to free trade negotiations (that include chapters on technical barriers to trade), the EU should pursue targeted agreements to remove non-tariff barriers, through so-called mini deals.

The taxonomy of mini deals includes a broad range of legal instruments that can be applied in areas where regulatory requirements diverge leading to unnecessary trade and administrative costs. Examples include strategic partnerships on raw materials value chains to strengthen security of supply; digital partnerships that tackle specific obstacles impeding the free flow of data, foster mutual recognition of digital standards, and facilitate cross-border e-commerce; or memorandums of understanding granting reciprocal access to public procurement.

Additionally, mutual recognition agreements can be an especially effective tool to reduce cost from regulatory compliance on exporting markets, by allowing conformity assessment bodies to certify that products conform with the requirements to be placed on the other party's market without altering the relevant regulations, standards, or other normative documents. Agreements on conformity assessment can eliminate the need to ship products to target markets for testing, enable exporting companies to use the same testing facility in the home market for all products regardless of whether they are intended for the domestic or export market, and drive down prices of conformity assessment by increased competition. Thus, reducing the cost of regulatory compliance.

Mini deals can have a particularly significant effect among major trading partners, in large volume sectors, and sectors where there is a high potential for trade growth because of increasing regulatory costs. In addition, they are an effective tool to address regulatory challenges in areas where domestic developments around the globe lead to new regulatory requirements, such as new sustainability and digital requirements. Such developments increase the need for regulatory cooperation to avoid a corresponding increase in non-tariff barriers. They can also be used to complement or find synergies with existing free trade agreements.

From a geoeconomic perspective, mini deals can be leveraged as a strategic instrument among likeminded countries to pursue joint policy objectives. For example, a reduction in trade costs for industrial products needed for the development of key technologies will increase production and trade among the parties to the agreement, enabling diversification and limiting reliance on imports of similar products from other markets.

Increased market integration can drive industrial policy objectives by cutting costs, rather than through costly subsidy schemes that place a burden on the taxpayers.¹

To deliver the expected outcomes of mini deals, it is essential to ensure proper governance through annual meetings of the joint committees and regular updates of the legal scope. The EU should also work to extend existing mini deals and ensure more consistent sectoral coverage across trusted partners that fulfil the requirements for such regulatory cooperation and engagement.

Ensure a regulatory framework compatible with global markets

Limiting technical barriers to trade starts at home, with an innovation-friendly regulatory framework that is responsive to the latest technological advancements and that enables technical requirements to develop in harmony with those on other markets. For this, a well-functioning European standardization system is key, with systemic links to global standards developing organizations such as through the Vienna and Frankfurt agreements. This ensures identical technical requirements in European and international standards and strengthens European leadership in global standards setting. Having a strong impact on international standards creates a competitive advantage for European companies in the global marketplace and limits the need for costly market specific product adaptations.

In this regard, we are concerned by the increasingly prescriptive character of EU legislation and political management of the European standardization system. Ultimately, this may hamper innovation and lead to a divergence of technical requirements in the EU and global markets, thereby limiting market access and inhibiting sourcing for the European industry. To ensure an innovation-friendly regulatory framework, the EU must safeguard the principles of the New Approach² by setting the essential requirements for health, environment, and consumer safety in EU legislation but leaving the technical solutions to voluntary standards developed by stakeholders. The EU also needs to ascertain that harmonized European standards can be developed in close cooperation with international standardization. In addition, due time and resources must be given to standardization organizations to allow for them to develop standards while maintaining a bottom-up, consensus-based way of working. Mandatory third-party certification should be avoided if possible.

One of the main challenges facing the competitiveness of the European industry is high regulatory burden³. The EU must take action to simplify legislative requirements and address regulatory barriers. Despite the increasing flow of regulatory requirements, the EU still lacks a quantitative framework to analyze the costs and benefits of new

¹ See study “Calling on the EU-US Trade and Technology Council: How to Deliver for the Planet and the Economy” by the European Centre for International Political Economy, [here](#).

² More information on the New Approach can be found [here](#).

³ See report on “The future of European competitiveness” by Mario Draghi presented on September 9th, 2024, [here](#).

regulations. We strongly support the ambition to reduce the regulatory burden and subject all new EU legislation to a competitiveness check.

Ease reporting obligations on supply chains that limit sourcing

Barriers to sourcing often stem from countries themselves, rather than trading partners. In recent time, the EU has passed several pieces of legislation that are likely to increase costs and limit the available markets companies can source from competitively. The extensive and often overlapping reporting obligations regarding industrial supply chains have led to an exponentially increased administrative burden on companies located in the EU, and in turn also foreign suppliers that may find European companies increasingly cumbersome to work with. In addition, extensive requirements on supply chain documentation can create lock-in effects that make supply chains less agile to adapt when disturbances occur.

Some of these legislations include the Carbon Border Adjustment Mechanism, the Corporate Sustainability Due Diligence Directive, and the Deforestation Regulation. While supportive of the objectives of the legislations, it must be ensured that they are fit-for-purpose, that companies are provided guidance and appropriate time for the implementation of the legislative requirements, and that double reporting is avoided. In addition, it is important that affected trading partners are consulted during the legislative process, especially when requirements have extraterritorial ambitions to affect industrial supply chains. The European Commission must also provide relevant information and support to suppliers in third countries so that they can provide the required information needed for companies in the EU to be able to fulfil their obligations.

In case new legislative requirements cannot be effectively implemented within the set transition period because uncertainties remain regarding how the provisions should be interpreted and implemented, or the practical conditions to fulfil the obligations of the legislative requirements do not exist, the EU should postpone the implementation until the conditions are met. The implementation of new initiatives should also be followed by a mandatory review to ensure that they are fit-for-purpose and adjusted if necessary.

Ensure that defensive instruments are balanced and well-calibrated

In response to increased geoeconomic competition and the securitization of technologies, the European Commission has presented several initiatives to protect the EU's economic security against unfair competition and technology leakage. The initiatives include strengthening foreign investment screening, assessing risks of outbound investment, and more effective control of dual-use goods exports. The European Commission also intends to make more rigorous use of trade defense instruments.

The EU must ensure that new defensive instruments are well-calibrated as in proportionate, precise, and predictable, in order not to impose undue restrictions on business operations and an overly cumbersome administrative burden on companies. Defensive instruments must be applied based on security considerations or evidence-based to address non-market behavior, and not to protect uncompetitive industries

from global competition. This is essential in order to avoid costly retaliatory measures that can limit or restrict sourcing for the European industry. In addition, the emergence of diverging technical requirements must be avoided by ascertaining that EU level instruments do not go beyond corresponding requirements in other important markets, such as key industrial countries and trading partners.⁴

While the EU must take action to defend its economic interests by addressing non-market behavior that distorts competition, investigations into unfair practices should be initiated upon request by industry and not be politically motivated. Trade defense instruments must be applied in accordance with EU and WTO rules and regulations, including due consideration for potential retaliatory actions that can have a negative impact on the industry in Europe. If evidence of damage is found, the EU should seek a negotiated outcome through consultations to avoid punitive tariffs being imposed.

In this context, the EU and China should refrain from escalating the trade conflict following the EU's anti-subsidy investigation into electric vehicles produced in China. The parties should seek a broader negotiated solution that prevents new measures and retaliatory actions that can harm the global trading system and European companies engaging in trade or have located operations in China. The EU and China should engage constructively to develop a roadmap to increase transparency and address overcapacities resulting from industrial subsidies to avoid corresponding countervailing measures, with a governance structure to facilitate discussions to limit trade irritants. The governance structure for the economic relationship could include new working groups for overcapacities and tariffs, in addition to the existing groups on critical raw materials and export restrictions.

Leverage development policy to strengthen security of supply

There are several ways that international development policy can be used to further EU trade policy objectives. It can complement free trade agreements by assisting countries in implementation, remove barriers to trade through capacity building to strengthen quality infrastructure, and enable access to both new consumers and suppliers of input materials for industrial production in Europe.

The EU should continue to strive to use international development more strategically by connecting projects closely to EU policy objectives. This includes utilizing international development projects in combination with strategic partnerships to facilitate trade and strengthen security of supply, particularly regarding critical raw materials. It can encompass working with the regulatory framework, development of the value chain, and fostering cooperation in research, innovation and international standards setting.

In addition, the EU should deepen its neighborhood policy to secure a reliable and sustainable supply of critical raw materials, including by granting preferential access for

⁴ For more detailed positions on the initiatives, please find the Technology Industries of Sweden's comments on the European Economic Security Strategy presented by the European Commission and the High Representative on June 20th, 2023, and related new initiatives presented on January 24th, 2024, [here](#).

raw materials processed in neighboring countries. By leveraging the Eastern Partnership and the Union for the Mediterranean, the EU can enhance access to diverse sources of minerals and metals, while boosting local processing, refining, and recycling capacities. Neighborhood policy can be used to diversify imports of raw materials and energy, as many of the countries are rich in important minerals that the EU currently relies heavily on China for.

Finally, the EU should also utilize international development and capacity building to help suppliers in third countries comply with EU legislation with extraterritorial effects, that in turn enables companies in the EU to fulfil their obligations.

Safeguard the functioning of the multilateral trading system

The WTO is the primary forum for global trade policy and a cornerstone of the multilateral trading system. The WTO agreements are the foundation for rules-based trade and investment, and they create predictability and transparency for international trade. The WTO rules and principles have delivered tremendous benefits for trade between the members, which in turn has created jobs and prosperity. As such, the EU must continue to work to support the functioning of the WTO and be a constructive voice in reforming and modernizing the organization so that it can operate better. Notably, this includes restoring a functioning dispute settlement system and appellate body. The mediator role of the secretariat should be strengthened to be a driving force in negotiations. The secretariat should also be given a greater mandate to launch new initiatives and develop compromise proposals. Plurilateral agreements should be supported in areas where multilateral consensus is not possible.

Compliance with existing rules on industrial subsidies should be improved. This could be done by strengthening notification obligations to increase transparency and by sanctioning countries that do not comply with these requirements. To counteract market distortions, other types of subsidies should be included as prohibited subsidies, and rules on state-owned enterprises need to be developed. In the context of a rise in unilateral measures such as tariffs to offset industrial subsidies that distort competition, we stress the need to find consensus on acceptable subsidy regimes at the WTO level to ensure a fair, stable and predictable international trading environment.

In addition, the EU must strive to the extend and find a permanent solution to the WTO Moratorium on Customs Duties on Electronic Transmissions and work to facilitate the entry into force of the plurilateral agreement on e-commerce (Joint Statement Initiative on Electronic Commerce) as well as expanding the parties to the agreement.

Finally, the EU should make sure to consult with the other members of the WTO during the drafting of legislation or technical requirements that can affect trade with third countries, before implementing new policies. Suggestively, this can be done through the Committee on Technical Barriers to Trade that provides a forum for members to discuss specific trade concerns related to laws, regulations or procedures that affect trade, or in other relevant committees of the WTO.

About us

The Technology Industries of Sweden (Teknikföretagen) represents more than 4,500 member companies that constitute one third of Sweden's exports. Our member companies comprise both major, renowned, global corporations as well as micro, small and medium-sized enterprises. A common denominator is that they are knowledge-intensive and export-oriented companies competing on a global market.