

*Dr Ewa Björling,
Minister for Trade*

The Government's Declaration on Trade

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REGERINGSKANSLIET

Government Offices
of Sweden

Mr Speaker,

“The world needs more, not less, free trade”.

This was the introductory sentence of the free trade chapter in the Alliance for Sweden’s foreign policy report prior to the 2006 elections. This conviction is also the basis of the free trade policy pursued by the Government.

Today, we stand at a crossroads. While the Swedish economy still stands strong, the international economic climate is marked by greater instability. Ever stronger protectionist winds are blowing – within and outside Europe. Over the coming year we will face a number of major challenges. This is why it is important for the Government, and for me as Minister for Trade, to present this Declaration on Trade.

Mr Speaker,

Trade with the wider world has built, and is still building, Sweden’s prosperity. Over the past 150 years, Sweden’s development, from poverty to a welfare society, is the history of deregulation and free trade. With the

help of capital, ideas and entrepreneurs from other countries, it was possible to exploit and further process Sweden's natural resources and to extend transport routes. International trade made it possible for Swedish innovators to develop into entrepreneurs and build the basis of many of today's major Swedish corporations.

Today globalisation is a fact of life, and international trade is growing. An increasing number of countries are emerging on the trade policy map, which is changing more and more rapidly. Thanks to increased trade, many countries have lifted themselves out of poverty, or are in the process of doing so. This means that entirely new markets and opportunities are opening up for Swedish companies.

Growth in trade leads to more jobs and greater prosperity. Foreign investments in Sweden are creating new business opportunities, bringing in new skills and increasing the exchange of technology and technical expertise.

Making it easier for small and medium-sized enterprises (SMEs) to trade with the wider world is an important task for the Government. Most countries primarily trade with the countries in their immediate vicinity and with their neighbours. Sweden is no exception. Our most important

trade partner is Germany. For smaller companies, the Nordic countries' markets are often the first step towards international expansion. The Government is deepening economic cooperation with our Nordic neighbours. During the Swedish Presidency of the Nordic Council of Ministers in 2008, the focus will be on competitiveness issues. The dynamic growth of the Baltic Sea region provides major opportunities for Swedish exporters. More intensive Baltic Sea cooperation will be of the highest priority before, and during, the Swedish EU Presidency in 2009. I am very pleased to note the Council of Ministers' decision to draw up a Baltic Sea strategy aimed at stimulating trade and growth in our immediate vicinity.

Three quarters of Sweden's trade is conducted in the EU single market. EU membership means that Swedish companies have free access to the world's largest common market, comprising 30 countries, half a billion people and 20 million enterprises. The Government's ultimate ambition is for Sweden to belong to the core of the European Union and to be an active and constructive force in EU cooperation. We shall nurture the EU single market and make it more efficient so that it meets the needs of our business sector to be able to compete and grow in the best possible way. The single market serves as a springboard for our companies and provides benefits for the consumer in terms of goods and services that are

better, safer and more value for money. The ongoing review of the single market provides an excellent opportunity to remove the weaknesses that remain, dismantle trade barriers and harness the single market's full potential.

Just recently, the European Parliament and the Council agreed on the Goods Package, which will improve the free movement of goods in the EU single market. Sweden has played a proactive role in these negotiations. Not only will this agreement benefit consumers and companies, it will also promote trade, growth and employment throughout Europe.

The single market must constantly change and improve through increasingly free trade. Today, the services sector is the most important growth sector, and we are currently working on implementing the EU Services Directive. Service companies are often SMEs that primarily look to neighbouring countries when they want to export. For these companies it can be crucial that formalities and contacts with authorities are straightforward and as uniform as possible throughout the region. The effective implementation of the Services Directive is therefore a priority. The export market for services is growing at an increasingly rapid pace, and here there is great potential for Swedish companies. I intend to

initiate special measures this year to support the export of services and to stimulate the services sector in Sweden.

The EU single market is ultimately about each country living up to its responsibility by adopting the principles of free movement for goods and services. If we are to be credible when we advocate a strong single market, we must live up to these commitments. For this reason, and to help simplify laws and regulations, the Government will shortly be deciding on the appointment of an inquiry to undertake a survey of overall legislation involving goods and services in Sweden. This inquiry will present its report in May 2009.

The single currency, the euro, is an important part of the single market machinery. The euro has helped to give EU citizens and companies a simpler and more effective means of payment in the single market. At the same time, it constitutes a symbol of a united Europe.

The purpose of the EU Lisbon Strategy is to achieve sustainable growth and increased employment levels, but above all to make the EU the world's most competitive economy. Ever since the Lisbon Strategy was adopted, Sweden has claimed that a crucial piece of the puzzle is missing for it to be successful. The Lisbon Strategy does not take sufficient

account of the EU's trade relations with the rest of the world. The Government is working to change this.

Our goal is for the EU to become the world's most open economy. Today, the EU is already one of the world's most open markets for industrial goods, but voices are being heard more and more frequently in the EU demanding that we protect our market. That we close the door to trade, investments, companies and even people. That trade policy be used to stop imports rather than promote trade. We come across this type of argument more and more frequently, especially when Sweden presses for reforms of the EU Trade Defence mechanism, which is all too often used for protectionist purposes. We come across them when Sweden wants to see reforms of the EU rules of origin that today create problems for a large number of companies in the EU that have manufacturing plants in many parts of the world and depend on the import of components for their own production.

Mr Speaker,

Protectionism leads to resources being locked in activities that are not viable in the long term and to consumers being affected by more expensive goods and less choice. Moreover, it is often goods and

investments from developing countries that are excluded. If we shut the door to our markets, we are often shutting the door to development, to the possibility for millions of people to lift themselves out of poverty. Being the strongest defender of free trade is therefore one of Sweden's most important tasks in the EU.

The best way of opening up trade globally is via multilateral agreements. This is also the only way of ensuring a fair, stable and predictable international trade system. Completing the current trade round in the WTO, the Doha Round, is therefore one of the Government's most important trade policy priorities.

The Doha Round has been underway since 2001, and has been pronounced dead by the media several times. But today, there is support from all WTO members to concentrate efforts with the aim of completing the Round this year. The first step is to reach a breakthrough in negotiations this spring. The instability of the world economy has made many countries aware of the need to reach an agreement as soon as possible. If we fail, we run a serious risk of having to wait for several years before we get another chance.

Mr Speaker,

The EU Neighbourhood Policy aims to deepen the EU's relations with the countries in its vicinity. One of the points of departure for this policy is that the EU has a strong interest in promoting deeper democracy, economic development and stability in its neighbourhood. Here, economic integration and increased free trade are vital.

Bilateral and regional free trade agreements can never replace multilateral agreements, but they can nonetheless act as an important complement. Their added value lies in the possibility to achieve more far-reaching trade liberalisation; to take serious action to tackle trade barriers that are built into various national regulatory frameworks; and to deal with the concrete problems confronting our companies in these markets. Sweden is therefore a clear voice in the EU, advocating as ambitious, comprehensive and advantageous free trade agreements as possible, while taking into account the development levels of partner countries.

Ukraine was recently welcomed as a new member of the WTO. We also hope that Russia will soon be able to follow suit. Our trade with many of the countries in central and eastern Europe has been rapidly increasing for several years, and for our SMEs as well. Poland and Russia are already

among our largest export markets today. A recurring problem is, however, the lack of predictable, transparent and stable regulatory frameworks. This has recently had a negative impact on Swedish importers of pulpwood from Russia. Membership of the WTO means greater stability. The EU has already taken the next step and initiated negotiations on a bilateral trade agreement with Ukraine. We hope that the EU will soon be able to do likewise with Russia.

Trade creates ties that reduce the risk of armed conflict. Sweden is strongly committed to the Western Balkans, where work is focusing on these countries' EU integration process, the development of democracy and a market economy. Greater trade with the EU can contribute to stability in the Western Balkans, while providing new openings for our companies to export, import and invest.

The global economic balance has shifted towards a rapidly growing Asia, and it is crucial that Swedish companies do not lag behind when it comes to establishing themselves in this dynamic part of the world. I will be visiting India, China and Japan myself in the spring to further strengthen our economic relations. Our economic ties with Japan, our second largest export market in Asia and the second largest economy in the world, have long been of key importance.

It is natural for the EU to forge closer ties with this region, and several important free trade agreements are currently in the process of being negotiated. A bilateral agreement with South Korea, the world's eleventh largest economy, should be in place shortly. I also hope that an agreement with India can be reached in the coming years, since both Swedish and Indian companies see great potential in increased trade. Better terms for Swedish companies in a market of over a billion people will contribute to more jobs and stronger growth in Sweden. Negotiations with the trade organisation ASEAN have also been initiated, and although an agreement with China is not feasible, other initiatives are being taken to deepen our trade.

Today, China is the world's third largest trade nation, the world's fourth largest economy, and second to the USA in terms of purchasing power. China is often described as the world's factory floor – and it is also making extensive strategic investments of its own in cars, telecommunications and biotechnology, in competition with countries like Sweden. We see great potential and interest on the part of China in Swedish green technology, and a special green technology office has been set up at our embassy in Beijing.

I am very optimistic that it will soon be possible to conclude the EU negotiations with the countries of the Gulf Cooperation Council (GCC). Given the economic strength of the GCC countries and their key role in issues of the future such as energy and climate, this is an agreement that may be enormously important. Moreover, the Gulf states are increasingly active with regard to investing in Sweden. But I also want to stress the importance of the EU and Sweden increasing trade and investments in the Middle East and North Africa. Here, there is both an important political dimension and mutual economic potential. Greater Swedish presence in Iraq will open up new opportunities for Swedish companies. Another positive factor is that the EU and the countries in this important region have agreed to establish a free trade zone around the whole of the Mediterranean by 2010. Most of the countries in this major region are currently showing sound growth. I am working to help more Swedish companies become involved and successful in this region. Sweden has a major advantage in all the skills that immigrants from this part of the world possess.

The Government attaches great importance to transatlantic relations. The aim is to further strengthen cooperation with North America. The United States is Sweden's third largest export market and the leading country in our investment exchange. After the EU-US Summit last year, economic

cooperation has intensified at Community level. A high-level exchange forum has been established to solve the trade problems that exist between the EU and the United States. It is crucial that trade barriers between the United States and the EU be reduced and eventually eliminated – both sides stand to gain from this.

The EU is also strengthening its ties with Latin America. Negotiations on regional trade agreements are underway with Mercosur in Latin America. We are negotiating association and free trade agreements with the Andean Community in Central America. Stronger economic ties and new opportunities for Swedish companies are a natural part of these negotiations as well; but it is, of course, also crucial that the agreements reached contribute to the development of the Latin American countries.

There is broad consensus here in the Riksdag on the importance of Sweden pursuing a coherent policy for sustainable and equitable global development. Trade policy can, and should, be designed to strengthen the ability of developing countries to become better integrated into the world economy and to benefit more from growing trade. Sweden is taking a consistent line in negotiations between the EU and countries in Africa, the Caribbean and the Pacific Ocean – the ACP countries – on Economic Partnership Agreements (EPAs). Trade reforms are important for

increased growth and poverty reduction. Sweden has played a proactive role in EU circles to ensure that the agreements are designed in a pro-development spirit. Thanks to interim agreements, the overwhelming majority of the ACP countries have gained full access to the EU market; at the same time, they have the option of excluding particularly sensitive products from market access over long transition periods. I now look forward to continued negotiations for broad agreements.

The greatest development potential of the Economic Partnership Agreements lies in areas such as competition, services, investments and trade facilitation. An important force is also to be found in the strengthening of regional cooperation and the enlargement of local markets. In this context, I would like to stress that in negotiations such as these, form can certainly be as important as content. The watchword is respect. During the spring, I will be meeting the ambassadors of the African ACP countries to discuss how we can work together to move this process forward.

However, despite progress, many developing countries are still facing difficulties in the international trade system. They lack the resources needed to identify and pursue their negotiation interests and to implement agreements. Moreover, potential gains from trade often fail to materialise

because of inadequate national regulatory frameworks, weak infrastructure and difficulties in providing financing for entrepreneurs. Through development cooperation we are helping to create the conditions necessary for developing countries to become integrated into the global economy.

Sweden is working proactively on the international stage to achieve increased and more effective trade-related aid – Aid for Trade. The EU has adopted an ambitious strategy, and in a few years' time it will be in a position to offer EUR 2 billion per year in trade-related aid. In September, the Minister for International Development Cooperation and I hosted a successful international donors' conference to promote opportunities for the least developed countries to use trade as a way of fighting poverty. The countries that participated pledged to contribute a total of USD 170 million. We are also continuing to intensify our own efforts in this area. As part of the next stage, the networks built up in many countries through our development cooperation should be used when cooperation takes on new forms. The expertise and experience of Swedish companies and institutions play an important role in this work.

In the action plan for business promotion in Africa – that will be presented later on in the spring – a great deal of attention is given to

making use of the skills that Swedish companies have in such areas as infrastructure and green technology. In today's complex world, it is not viable to conduct traditional foreign, trade and development assistance policy as separate pillars. The implementation of the Policy for Global Development demonstrates how the Government is taking practical action to achieve coherence between various policy areas.

Mr Speaker,

Combating and dealing with the consequences of climate change is of the highest priority for the Government. As Minister for Trade, I have taken the initiative to make better use of trade policy instruments in climate efforts. At the climate summit in Bali in December last year, a group of trade ministers met for the first time to discuss our contribution. It is my view that tariffs and other trade barriers for climate-friendly goods, services and technologies must be eliminated. We are working towards a situation where international systems for certification, labelling and standards can help to increase the spread of climate-friendly products throughout the world. I hope to present new initiatives for this area shortly. Freer trade in biofuels, based on sustainability throughout the chain from production to consumption, is of the highest priority for me as Minister for Trade. We must point out the absurdity of supporting ethanol

production in industrial countries that is, in many cases, inefficient and expensive; while at the same time, tariffs and other trade barriers obstruct the potential of many developing countries to export more climate-friendly ethanol that is also more competitively priced. I was therefore pleased to see that the EU recently took a decision on tariffs for ethanol as a fuel, meaning that Swedish owners of environmentally friendly cars can fill up their tanks more cheaply than would otherwise have been the case. At the same time, the discussion conducted on this specific tariff issue reveals the need to argue more determinedly for free trade, both in general terms and where climate-friendly goods are concerned.

Innovation has long been one of Sweden's strongest competitive advantages, and Sweden is currently the most innovative country in the EU. This is why I believe that Swedish companies have a unique opportunity to find a profitable niche in creating climate-friendly products. Sweden has a strong position with regard to green technology – a sector in which the opportunities for international growth have, in recent years, attracted increasing attention in pace with more stringent environmental requirements, the climate debate and rising energy prices. One area in which Sweden stands particularly strong is systems expertise in the 'sustainable city'. An example that has received a great deal of international attention is the area of Stockholm called Hammarby Sjöstad.

Using this and other Swedish examples the Government has recently created the 'SymbioCity' concept to market Sweden's world-class green technology abroad as well. This has the potential to be a huge export success. In this way, Sweden can also help to launch environmentally friendly and energy-efficient solutions that can be used in these countries' development strategies, helping them to make better use of their own resources. Another aspect is water and air cleaning technologies that improve the environment. At the Expo2010 world exhibition in Shanghai, Sweden will also have excellent opportunities to present itself and its environmental expertise, which is world-leading in many respects.

Mr Speaker,

We must also have an international regulatory framework that favours and encourages innovation. Today, it is all too often the case that new products run into difficulties in the form of different kinds of technical trade barriers or unnecessarily high tariffs. The IT sector provides the clearest example of this. Certain mobile telephones are put at a disadvantage, for example when they are imported into the EU. This is a growing problem. What we need here are multilateral solutions to support innovations and new products. The Government intends to raise the issue of eliminating tariffs on new technology.

Swedish companies, not least SMEs, may need support to overcome different forms of trade barriers, some of which are politically motivated. Work to remove trade barriers may require patient efforts in international negotiations, but also quick intervention to help Swedish companies. Especially in difficult markets, we often need the extra push that EU membership can give.

Common standards are another important issue for the internationalisation of Swedish companies. The Government intends to return shortly to the Riksdag to present a written communication on standardisation.

Initiatives to promote trade and investment are key instruments in improving the chances for Swedish companies to take advantage of the opportunities that globalisation offers. This has also been affirmed in the review of measures to promote trade and investment that the Government has initiated.

The Government is working towards greater and closer cooperation between the agencies and organisations that are active in the area of business development and internationalisation. A concrete step was taken in 2007 with the 'Export Loan', a collaboration between central

government actors, making it easier for smaller companies that want to expand into export markets to cover risks and obtain financing.

Success on export markets does not come overnight. Despite growing export figures over a period of several years, there are studies that suggest that Sweden is losing market shares in the export of goods more rapidly than competing countries. This trend has been primarily observed in the European market. In light of this, the Government has appointed an inquiry to study the causes of this loss in market shares, to examine the problems experienced by companies when exporting, and to propose remedies.

Swedish project exports of world-leading technology and systems solutions in the areas of infrastructure, green technology and energy help to create jobs and to further technological developments in Sweden. Project exports also generate business for SMEs which often act as subcontractors in larger deals. Business opportunities for Swedish companies in the area of procurement within the UN system will be strengthened. Sweden also continues to support UN efforts to give greater consideration to aspects such as the environment, quality, ethics and social issues in the area of procurement.

Many Swedish companies are among the best in the world with regard to corporate social responsibility, which is partly a matter of working conditions, environmental consideration and anti-corruption measures. For me as Minister, this in principle comes down to respect for and observance of human rights.

In areas of conflict, it is even more important – but at the same time more difficult – for companies to take social and environmental responsibility. The Government encourages companies to follow the OECD Guidelines for Multinational Enterprises and to respect the principles contained in the Global Compact, wherever in the world they happen to be active. However, it is important that companies themselves feel a sense of ownership and pursue these issues.

Our future prosperity is dependent on our ability to harness our strengths and develop cutting-edge expertise. Green technology is one example; medical technology and biotechnology can also be developed into major export successes. In the services sector, Sweden is well positioned to achieve international success.

Our defence equipment industry is among the best in the world. Export promotion in this area only takes place when a permit for marketing and

exportation has been granted. Sweden is supporting the EU initiative to develop and maintain a competitive European defence industry. Measures must be taken to create uniform market conditions and healthy competition in this area.

The Government will continue to take new initiatives in trade and investment promotion. One under-utilised resource in this context is Swedish entrepreneurs with foreign backgrounds who have contacts and unique knowledge of the business culture, politics, religion and language in the countries where they previously lived. The Government is committing itself to making better use of the expertise of Swedes with foreign backgrounds so as to make it easier for more companies to increase their trade with markets that offer interesting development potential.

Mr Speaker,

During the Swedish Presidency of the EU in 2009, all eyes will turn to Sweden. Our Presidency priorities – with a focus on climate policy, growth, a more open Europe, the Baltic Sea and continued EU enlargement – reflect the image of Sweden that we wish to communicate to the rest of the world.

In times of mass communication and increased globalisation, a country is extremely dependent on its image abroad. A positive image of Sweden is very important to our ability to attract foreign investments to our country and to strengthen the successes of the Swedish business sector in foreign markets. It is important to spread the word that Sweden encourages free trade, has companies that are experienced in international business, and a long tradition of respecting agreements and producing high-quality products. Sweden's prominent position in science, research and culture, its strong infrastructure and efficient public administration are other factors that can make a strong contribution to interest in Sweden, Swedish companies and Swedish products. A joint platform to strengthen Sweden's image was recently presented. Innovativeness, openness, authenticity and caring are the forward-looking watchwords agreed by the central Swedish promotion organisations for how Sweden is to be presented abroad.

As Minister for Trade, I will continue to work actively to strengthen Sweden's position as an advocate of free trade, both in the EU and in other international forums. I will promote Swedish interests abroad and raise awareness in Sweden of the challenges and opportunities that globalisation presents. Above all, my job is to be an active Minister for

Trade in Sweden so as to support and encourage opportunities for SMEs to increase their international trade.

Mr Speaker,

The Government's overarching goal is to create the conditions for getting more people into jobs. This is something that runs through all of our policies. In order for us to succeed in this task, international trade is crucial.

Trade with the rest of the world is a fundamental instrument for creating growth and prosperity. This awareness lies at the core of Sweden's free trade policy. A policy that the Government will continue to pursue intensely throughout this electoral period.



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