

INDUSTRIARBETSGIVARNA'S EU POLICY

“A Europe Focused on Growth and Competitiveness”



Swedish Industry Needs a Well-Functioning EU

The EU is our **biggest** and most important market. Around three quarters of Sweden's exports go to other EU countries. The EU's internal market and its four freedoms – the free movement of people, goods, services and capital – are Europe's greatest success in modern times.

Industriarbetsgivarna is convinced that an EU that continues to develop in a direction focused on growth and competitiveness is beneficial for Swedish industry, all those employed in Swedish industry and, by extension, for Swedish prosperity too.

At the same time, we note that the EU is changing. The European cooperation that began in 1957 is different to the EU that Sweden joined in 1995, which in turn is different from EU cooperation today. When the UK left the EU in 2020 a strong voice for free competition in an open market disappeared. A close ally has exited from the EU. In this new context we need new partners and to create new alliances for the purpose of defending free trade, growth, an open economy and competition on equal terms.

Industriarbetsgivarna is an employers' organisation that was formed for the purpose of strengthening the international competitiveness of our member companies, which operate within Swedish primary industry.

Our member companies are heavily dependent on the EU. Their operations are based on primary products, they are export-dependent and skills-intensive, and they are directly affected by the decisions taken within the EU. If the EU does not focus on growth, greater free trade and strengthening the ability of industrial companies to contribute to the green transition and the global climate targets, this will have a negative impact on both employment and prosperity in Sweden.

Against this background Industriarbetsgivarna has produced an EU Policy¹ that is based on key positions concerning how we see the EU's future direction: *a well-functioning internal market, an expansion of global free trade, an EU that works towards global climate targets, and limited supranational decision-making on social aspects*. This revised policy no longer includes the previous section on the euro².

1 Produced in May 2019 and revised in December 2021.

2 We note that introduction of the euro in Sweden is not relevant as things stand at present and that Sweden has no formal legal exemption to remain outside the eurozone but has chosen not to introduce the euro since a referendum clearly rejected changing the currency. This has been accepted by other EU countries as an informal political exemption. Discussion of whether Sweden and primary industry would benefit from the euro being introduced is irrelevant at the current time.



Figure 1:
Enhanced competitiveness is at the heart of the EU's future focus.

How Industriarbetsgivarna Works on EU Matters

Industriarbetsgivarna exerts its influence on EU matters at various levels and through multiple organisations. Our advocacy consists of direct contacts with EU politicians and civil servants, collaboration within industry, through the circles provided by Svenskt Näringsliv (the Confederation of Swedish Enterprise) and with industry organisations for different sectors of primary industry, as well as dialogue with our trade union counterparts on EU matters. We also influence the EU through our European industry organisations *Cepi*, *Cei-Bois*, *Eurofer* and *Euromines*. In addition, we are involved in the social dialogue at EU level.

This policy forms the basis of our advocacy on EU matters.

What We Think

1. Defend the Internal Market and Safeguard the Open Economy

The internal market is the EU's greatest success factor and guarantees the free movement of people, goods, services and capital. The EU is Swedish industry's home market and its biggest trading partner.

Sweden's exports account for roughly half of GDP and three quarters of these exports go to the EU's internal market. EU membership has served both Sweden and Swedish industry well.

We need the EU, and the EU needs us. A well-functioning internal market is of the utmost importance and is essential for the global competitiveness of Swedish industry. Key to this are free movement and companies being able to compete on equal terms.

Safeguard the Open Economy

In the wake of the coronavirus pandemic large trading blocs are exhibiting increasingly protectionist tendencies. This is also noticeable within the EU – including in the industrial strategy that has been produced by the European Commission. The cornerstones of this strategy are strategic autonomy and resilience, and it aims to reduce dependencies on the outside world by boosting the degree of self-sufficiency within European industry and its resilience to disruption in the global economy. Inherent in this is a development towards more centralised control and state involvement in the European economy, but also more detailed regulation and closing ourselves off from the outside world. This is the wrong direction to take.

We note that smaller countries such as Sweden are finding it increasingly difficult to influence developments when highly influential nations such as France and Germany join forces and drive towards a greater degree of state intervention in the European economy.

The EU's industrial policy should be based on creating the best possible conditions for conducting trade and industry in Europe so that industrial companies will continue to make investments and establish new ventures within the EU.

Continue to be Ambitious as Regards Free Trade

A well-functioning internal market with access to global markets provides the basis of industry's global competitiveness. The EU's trade policy should aim to tear down trade barriers, create market access, allow companies to diversify and provide a level playing field for countries both within and outside of the EU. This can best be achieved through an active and ambitious free trade policy, primarily within the framework of the World Trade Organization (WTO) and secondarily by negotiating bilateral trade and investment agreements to liberalise trade.

- > Industriarbetsgivarna supports EU cooperation.
- > We believe that the basis of industry's global competitiveness is a well-functioning internal market with access to global markets.
- > Increased state intervention in the European economy is the wrong way to go – it risks distorting competition in the internal market.
- > Continue to safeguard free trade and the open economy.

What We Think

2. The EU Needs a New Growth Strategy

European industry is characterised by high quality, innovation and a clear drive for sustainability. Today industry is closely interlinked with other sectors, including the service sector, and industry's successes provide a foundation for prosperity in both Sweden and Europe. However, continued success requires well-functioning markets, free trade and the ability to compete on the world market.

The fact is that Europe is finding it increasingly difficult to assert itself in global competition and faces tougher competitive pressure from countries such as China and India. Since the 2008 financial crisis employment rates have not recovered to the levels that existed before the crisis, growth within the EU has not been sufficiently high and the increase in productivity has stalled. By 2024 it is estimated that 85 percent of global growth will already be generated outside of the EU. At the same time, increasing protectionism can be seen in the world around us.

The EU therefore needs a new growth strategy with a clear focus on growth-creating measures. Remaining obstacles to free movement must be removed and the internal market must continue to be deepened.

Growth in Europe is dependent on global free trade. The EU must therefore strive to achieve more free trade agreements with the rest of the world and continue to work for more open world trade.

- > Industriarbetsgivarna believes the EU must focus on enhancing the global competitiveness of European companies and therefore a new long-term growth strategy is needed.
- > We are calling for long-term stable and predictable regulation that is favourable towards both investment and innovation.
- > The EU must continue to tear down barriers to free movement in the internal market.
- > The EU must strive to achieve more free trade agreements with new countries.

What We Think

3. Competitive European Industry Contributes to Global Sustainability

The climate issue is one of the great global challenges of our time. It demands a strong international commitment with global solutions. The EU has a very important role to play within the context of the Paris Agreement and the UN Framework Convention on Climate Change by being a driving force for global action and ambitions.

Unilaterally raising the EU's ambitions without other countries and regions doing the same could undermine the competitiveness of European companies and thereby their ability to contribute, through sustainable operations, to the global climate transition. It is of great importance that European industrial companies can compete on equal terms to their competitors in the outside world and therefore it is not acceptable that, while the companies in Sweden and Europe are actively contributing to the climate transition, other countries and regions outside of Europe continue to compete using operations that increase global carbon emissions.

The EU Must Facilitate Industry's Contribution to the Climate Transition – Not Hinder It

Swedish industry has long been working with a clear focus on sustainability and productivity. It is vital that the focus on sustainable industry goes hand in hand with the companies' competitiveness. Reforms at both European and national level on sustainability aspects must create the conditions for the companies to increase their productivity.

The starting point must be that EU legislation is not to be over-implemented by legislators and authorities here in Sweden. Unfortunately, Sweden often chooses to interpret EU directives more tightly and rigidly than other countries, which makes business more difficult for Swedish industry – not least as regards its contribution to the climate transition. Instead, industry's ability to contribute to the climate transition through production in Europe must be facilitated.

The current European Commission under Ursula von der Leyen has presented various proposals that risk making it both more difficult and more expensive for Swedish industry to contribute to the climate transition. For example, there is a risk of forestry and hydropower being regulated on the basis of inadequate insight into how modern forestry is conducted and the role that our fossil-free energy production plays in Sweden's world-leading position in the climate arena. If we are unable to utilise Swedish forests it will not only make it more difficult for Swedish industry to contribute to the climate transition, but will also directly threaten jobs and prosperity in Sweden. Another example is the proposal for a taxonomy that will make investments in Swedish climate transition more expensive and more difficult.

- > Industriarbetsgivarna welcomes the EU's ambitions in respect of the Paris Agreement and the UN Framework Convention on Climate Change.
- > The EU must continue to press other countries and regions to support the climate targets.
- > Industriarbetsgivarna will work for companies' competitiveness to be given greater consideration in the reform work relating to sustainability aspects. Sustainability efforts must enable increased productivity.
- > In partnership with the industry organisations representing primary industry, Industriarbetsgivarna will support the member companies in their efforts to achieve climate and sustainability goals.
- > Where industrial production in Europe has a lesser climate impact than corresponding production in other parts of the world, the regulations must ensure that such production is promoted and its competitiveness is not counteracted.

What We Think

4. In a Social Europe There is a Focus on Growth and Jobs

A high level of employment is essential for a strong and vibrant Europe. Industrial companies are a hub for this and around 52 million Europeans directly or indirectly benefit from European industry. Only competitive companies along with a good macroeconomic approach can contribute to high employment in Europe.

To achieve more jobs, the labour markets in Europe must continue to be reformed. In some countries this may involve adjustments to the minimum wage or lowering labour overheads. In other countries it may mean introducing more flexible forms of employment or changing the social insurance systems to stimulate employment. The labour market models in the different member states vary, and it is each member state's responsibility to adjust and modify its own labour market model in the way necessary. Our model – the Swedish model – is based on collective agreements and is a unique phenomenon in which the parties in the labour market regulate most of the terms and conditions that apply there.

The cornerstone of the Swedish labour market model is that the parties, i.e. employers and trade unions, sign collective agreements on wages and general terms of employment. The state is not involved – in any part of the process – in pay determination or the making of collective agreements. Sweden has a high proportion of workers covered by collective agreements, which cover nearly 90 percent of all employees in Sweden. The Swedish legal rules around the labour market are largely semi-mandatory, which means that local or central parties can derogate from the rules through collective agreements.

We want to safeguard the Swedish model and the Industry Agreement, which have served Sweden well in recent decades – resulting in increases in real pay and few industrial disputes.

During its most recent terms of office the European Commission has made several legislative proposals that threaten this model; for example, the proposed directive on minimum wages and common criteria for pay transparency.

This goes beyond the EU's competence and most certainly contravenes the principles of proportionality and subsidiarity. This trend must be broken. The focus at EU level must in future be on cross-border matters and common measures to enhance competitiveness, improve movement in the internal market and act as an engine for reform efforts by means of benchmarking, through which the member states are inspired to reform their labour markets and social systems.

At EU level the initiatives for simpler legislation and “Better Regulation” are important measures for reducing the burden of regulation and thereby facilitating growth and job creation.

- > Industriarbetsgivarna believes that responsibility for matters of labour law should lie principally with the member states. Pay formation matters fall within the competence of the countries themselves.
- > EU regulations in the social arena – where the supranational element should be very limited – must be compatible with the Swedish model and not undermine it.
- > If the EU legislates in the area of the labour market, all new initiatives at EU level should be based on evidence; there must be proof that they are beneficial. They should also be judged according to how they contribute to Europe's competitiveness. Industriarbetsgivarna therefore proposes that a new special competitiveness check is introduced for all new initiatives. This is a control measure to avoid proposals that hamper greater competitiveness, more jobs and sustainable growth.
- > The focus at EU level must be on common measures to enhance competitiveness and inspire reforms through benchmarking.



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Industriarbetsgivarna, The Swedish Association of Industrial Employers, is an employers' association for the Swedish basic industry companies, mainly pulp, paper, sawmill, construction products, steel, metal, mining, welding and mechanical industry. We specialize in employers' issues and support our member companies in questions that concern the relationship between employer and employees. Industriarbetsgivarna has almost 1,000 member companies with around 90,000 employees.