

## **Confederation of Swedish Enterprise**

Response to the Public Consultation on the EU-US High Level Working Group on Jobs and Growth

Spring 2012

*The Confederation of Swedish Enterprise* is firmly rooted in the belief that the market economy is by far the best way of achieving both economic growth and prosperity, as well as contributing to pluralistic political systems and general political detente – in the interest of both business and the wider world community. It therefore remains firmly committed to the WTO system. In the long run the international economy cannot achieve its full potential without being based on a multilateral political trade order. Thus we strongly supported the Uruguay Round of multilateral trade negotiations, and the subsequent establishment of the WTO. We have equally strongly initially supported the Doha Round.

From the perspective of Swedish business and industry, an ideal outcome of multilateral trade negotiations cannot be awaited forever. The Doha Round has muddled along for many years with increasingly dimmer prospects. The advent of an international financial crisis has not improved the prospects of success. Even if an accord were reached sometime in the future the present negotiation parameters point to relatively scant overall gains for EU business and industry. The WTO system is not the result of some religious dogma. If progress is unattainable within the multilateral setting, progress should be sought without.

The Confederation has therefore proposed that – instead of expending energy on the stalled multilateral trade negotiations - the EU seeks an enhanced bilateral trade relationship with the US. It consequently strongly supports the EU-US summit initiative of 28 November last year.

*The rationale for an enhanced bilateral trade relationship with the US can be summarized as follows.*

\* It is time for the original nucleus of GATT to go a step further in liberalizing trade, to try to keep up the momentum of international trade liberalization.

\* The emergence of new strong players in international trade could potentially lead to a watering-down of the original principles of the GATT. It is not inconceivable that we could see the emergence of alternative frameworks. Neither the US nor the EU seem by themselves sufficiently capable of handling the trade challenges posed by increasingly strong, single-minded and confident emerging economies. Thus it is high time to strengthen the core of the GATT in an effort to keep the system afloat for the long future.

\* The EU-US trade and investment relationship is without competition the strongest in the World. It will remain so for many years to come. But in our view it lacks a solid enough bilateral framework. Only an enhanced economic and trade partnership would give the stability and institutional framework needed to overcome perennial and mutually irritating trade issues, the work in the TEC and other bilateral fora notwithstanding.

\* An EU-US enhanced economic and trade partnership would undoubtedly soon attract a number of other developed economies. Its trade liberalizing impact could thus be multiplied.

A future agreement should ideally eventually come to include Mexico and Canada and should also be open for others to join - if they accept its terms unconditionally.

\* Industrial goods tariffs between the EU and the US are already relatively low, but they affect a very large trade volume indeed. We must ask ourselves to what purpose we adversely impact bilateral trade in this way. Since tariffs to a very large extent influence related-party trade they are nothing but a nuisance to 'one's own' companies. Recent studies show unequivocally that the positive effects on transatlantic trade from a tariff reduction or abolition would be substantial.

Technical barriers to bilateral trade often pose wholly unnecessary problems and increase costs. The possibility of creating a treaty basis for the work done in the TEC should therefore not be omitted.

\* The nature of the EU-US trade relationship is such that trade diversion would be minimal, thus not impeding the growth of developing countries.

\* In view of the present financial crisis the time would seem to be ripe to once again expend some political capital on trade issues that promise some reward in a not too distant future. Thus, the 2011 summit initiative stands the chance of attracting the necessary attention at the very highest political levels in the US and in EU member countries.

\* Last but not least, an EU-US enhanced economic and trade partnership could provide the necessary impetus to revitalize WTO-negotiations.

*On the process*

We strongly support the measured approach instituted by the EU/the Commission and the US. We would prefer to see any future negotiations based on realistic assumptions of what is achievable, and with high ambitions for a speedy conclusion. From our perspective the following areas ought to be addressed.

- Trade in goods; eliminating both tariff and non-tariff barriers.
- Trade in services; covering all modes of supply.
- Investment; working towards the very highest international standards of mutual access and investment protection.
- Public procurement; opening markets in the US.
- Intellectual property; working towards the very highest international standards.
- Regulatory cooperation; institutionalizing and enhancing the TEC framework.

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