

Point of Contact

Joel Jonsson  
Director International Trade  
Email: joel.jonsson@teknikforetagen.se  
Phone: +46 8 782 08 93

## **Swedish Technology Contributing to European Economic Security**

*The Technology Industries of Sweden (Teknikföretagen) represents companies at the forefront of both civil and defense technological advancements. The organization welcomes the acknowledgement that fostering conditions for an innovative and competitive industry is paramount for European economic security. To achieve this objective, we put forth the following considerations.*

### **Remarks on the framework in the European Economic Security Strategy**

#### ***General comments***

The Technology Industries of Sweden welcomes the ambition and strategic framework presented to strengthen European economic security, with a view to maximize the benefits of economic openness while minimizing risks from economic dependencies.

We find that there is a need to establish common definitions and approaches to address risks to European economic security in critical technologies. This especially pertains to the concept of strategic dependencies, which is gaining prevalence in EU policymaking.

To reduce the risk of economic coercion, the primary focus of EU industrial policy should be to build upon strengths and generate new capabilities that foster reverse and mutual dependencies. This requires a renewed focus on competition, technology neutrality, and excellence in EU industrial policy initiatives. In contrast, an allocation of resources to compensate foreign dependencies with domestic production capacity may instead migrate resources from areas where the European industry is competitive, to areas where it is not. This could result in a less vibrant and dynamic European economy which is counterproductive for an innovative, competitive, and resilient industrial base in Europe.

When striving to ensure security of supply, it is essential to also maintain cost-efficiency in sourcing. Reliance on imports is itself not problematic, but rather an imperative for a globally competitive European industry. Strengthening the resilience of supply chains and limiting the risk of weaponization of economic dependencies should primarily be pursued by broadening the base of available suppliers for the European industry to source from, for companies to be able to optimize the supply chains by both diversifying risk and maximizing efficiency. This requires a revitalized EU trade agenda that actively pursues trade liberalization and economic integration with key industrial countries and trading partners as means of strengthening security of supply in strategically identified areas and critical technologies.

The EU will not assume technological leadership in strategic areas where the European industry currently lags behind global competitors though public interventions. Rather, it requires access to trade, value-adding research and development collaborations led by industry, and attractive conditions for companies at the technological forefront to want

to invest in the EU. While supportive of the ambitions expressed in the strategic framework, we caution against exacerbating a politically driven regionalization process. That would be detrimental to the benefits gained from international trade and collaboration, such as cost-efficiency, optimization, and specialization in European industrial value networks.

Finally, it is vital to ensure a close industry dialogue when identifying suitable means to address risks and when calibrating new instruments to ensure a proportionate and precise policy response. Such consultations could be carried out by engaging the members of the expert group on economic security under the Industrial Forum. We are looking forward to actively contributing to this process.

### ***Recommendations for the three pillars of the strategy***

#### **Promote**

- Remove barriers and strengthen key framework conditions for a well-functioning Single Market, with access to global markets, to promote competitiveness, innovation, and technological development regardless of sector or technology.
- Build upon strengths and generate capabilities to foster reverse and mutual dependencies that limit the risk of economic coercion. This can also be achieved through technological leadership in a segment of a value network.
- Safeguard the principles of competition, technology neutrality, and excellence in industrial policy initiatives to drive technological advancements.

#### **Protect**

- 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.
- Apply defensive instruments based on security considerations or evidence-based to address non-market behavior, 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.
- Avoid the emergence of diverging technical requirements by ascertaining that EU-level instruments do not go beyond corresponding requirements in other important markets.

#### **Partner**

- Reduce one-sided overreliance by broadening the base of available suppliers, enabling companies to diversify risk while maximizing efficiency in sourcing.
- Pursue market liberalization and economic integration with key industrial countries and trading partners as a means of strengthening security of supply in strategic areas, coupled with utilizing international development projects.
- Continue to promote the functionality of the multilateral trading system to safeguard the advantages to be gained from international trade on a global level.

## **Comments on the new initiatives in the Economic Security Package**

### ***Legislative proposal to strengthen foreign investment screening***

We welcome the proposal to require all Member States to establish a foreign direct investment screening mechanism, that respects minimum requirements set out in the proposal to ensure the capacity to conduct screening and enforce decisions, protect confidential information, and produce annual reports. This is important in order to safeguard national security, to avoid fragmentation and uphold a level playing field for investments in the Single Market. In addition, it may contribute to strengthening the investment climate by ensuring Europe is perceived as a safe market to invest in. Further, it is logical that technologies placed under export control in the EU cannot be acquired by other means when such exports are blocked. We also welcome the proposal for a strengthened cooperation mechanism among Member States and the European Commission to ease administrative and legal proceedings, especially in cases of investments that undergo multiple screening procedures in different Member States.

Regarding the scope of the screening, it must not go further than what is necessary for reasons of national security and its implementation should aim to minimize the costs to affected businesses and authorities. This includes clear definitions of activities concerned to avoid excessive notifications of unproblematic investments and limiting the mechanism to areas where foreign control can cause serious damage.

### ***Monitoring and assessment of outbound investment risks***

Instruments to manage unwanted technology leakage should focus on the product or technology and not the flow of capital. Permanent instruments to control the flow of capital may unduly restrict legitimate business operations and lead to costly retaliatory countermeasures from third countries. With a well-functioning system for export control in combination with sanctions on a temporary basis, we do not see a need for screening of outbound investments. In addition, there is a significant risk that the instrument will be politized to steer investments from third countries to the EU in strategic areas, to protect non-competitive industries. Such mechanism can also have a negative spill-over effect on value-adding research and development collaborations that should not be underestimated. Collaboration with third countries, while preserving the integrity of results (including research security), can also be especially important in areas where the European industry is behind global competitors. Actions that, even if unintended, limit such collaborations can have a negative impact on the long-term competitiveness of industry in Europe. Finally, the effect of potentially adding additional reporting requirements augmenting an already cumbersome administrative burden on companies in the EU should not be underestimated.

### ***More effective EU control of dual-use goods exports***

In recognition of the new geo-strategic situation and the blocking of necessary decisions in some export control regimes, we acknowledge the importance of allowing necessary and agreed export controls to be adopted regardless of this situation. If decisions in multilateral export control regimes are blocked, it is reasonable to seek alternative methodologies to adopt the export controls deemed necessary. Adoption

of new controls should proceed only if they have been negotiated by Member States within a multilateral framework and have achieved a significant level of maturity and consensus, evidenced by the support of a majority of members. They also need to meet the normal criteria.

As such, we stress that a development where export controls are used to achieve policy objectives other than the intended purpose must be avoided. Explicitly, the process by which certain products are placed under export control must be based on security considerations and not be expanded to include political considerations to restrict trade in technologies deemed to be of strategic nature. If this is not adhered to, there is a significant risk of retaliatory actions with detrimental effects to trade in legitimate products. Furthermore, it should be ensured that other members of the export control regime, especially key industrial states and important trading partners, also will adopt the same controls as the EU. Otherwise, the competitiveness of the European industry, as well as the effectiveness of export controls as such, will be severely reduced.

We encourage the European Commission and the Member States to strengthen coordination within the current regulations in force and without calling into question the existing institutional balances in this important area. If a review of the Regulation (EU) 2021/821 is to be initiated before the already agreed timeline, the scope of the review must be built on a realistic assessment of where consensus and agreements can be reached. A lengthy review process would be costly and reduce European influence in the global export control arena.

### ***Support research and development in technologies with dual-use potential***

Increased geopolitical uncertainty and fierce global technology competition calls for closer cooperation between the civil and defense sectors. We acknowledge that the coming research and innovation framework programme (FP10) could benefit from a strategic reorientation by opening up for applications with a dual-use potential. Such development could lead to stronger synergy effects and in turn faster technological advancements that are beneficial in both domains. This can also foster better resource efficiency when investments in industry-relevant research and innovation need to be dramatically increased. However, a more thorough analysis of the options presented is encouraged.

The most important factor for guaranteeing that the next research and innovation framework programme can contribute with the knowledge needed to strengthen European economic security is a renewed focus on industrial competitiveness and industry-led partnerships, with grants based on excellence in open competition. From a financial standpoint, the current budget levels for both the separate civil and defense programmes should at least be maintained, to avoid any reduction or 'cannibalization' of existing funding. The future strategy must preserve the integrity of existing funding programmes, as they are vital for developing the ecosystem. Both the forthcoming civil framework programme and the European Defense Fund necessitate substantially increased budgets.

### ***Enhance research security across the EU***

It is important to maintain international cooperation at the core of research and innovation. However, as dubious actors under false flags systematically exploit opportunities within research and innovation environments and collaborations to access key technologies and critical business information, more guidance and support actions to raise awareness and enhance resilience across Europe are necessary. We therefore welcome the European Commission's Council Recommendation on enhancing research security to address the challenges faced by the European research and innovation sector, and to strengthen research security across the European Union.

### **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.