

THE ROAD TO GLOBAL TECHNOLOGICAL LEADERSHIP
– FOR SECURITY, TRANSITION AND COMPETITIVENESS

The EU agenda from Technology Industries of Sweden



Industry is key to meeting Europe's competitiveness challenges

Strengthening European competitiveness to ensure prosperity and growth for future generations is closely linked to our ability to maintain a democratic society, to stand strong in times of geopolitical turmoil and to deliver on the promises on which the European collaboration is based. In an era of accelerating global competition, technological leaps and the need for transition, the EU's ability to achieve these objectives is being challenged.

The main challenges to the EU's competitiveness – on which there is also awareness and consensus – are:

The innovation gap, which continues to hamper the EU's ability to attract private capital and transform research and innovation investments into new products. One consequence is that fewer European innovations are reaching the market, leaving us trailing behind economies like the United States and China. The commercialisation of research and its transformation into future industries in other countries represent a major missed opportunity for European growth. It is particularly important to close the innovation gap as access to advanced technologies is a prerequisite for transition, security and total defence capabilities as well as our future prosperity.

The climate transition. The transition to a low-carbon economy requires an ambitious strategy and major investments to become a catalyst for growth. The successful implementation of a competitive decarbonisation of the economy requires initiatives in a number of policy areas.

Strategic dependencies that risk being used for political coercion by other geostrategic countries. So far, the EU has focused on replacing imports from other countries with increased domestic production capacity. The focus should instead be on building on strengths and developing capabilities that create reverse dependencies as well as to broaden the base of industry suppliers. In order to win the global race for future technology development, the EU needs to prioritise investments in research and development rather than focusing on state subsidies for already developed technologies. An ambitious trade agenda is also required that provides access to global markets, to ensure reliable and cost-effective chains of suppliers and to disseminate European industry's technology solutions worldwide.

Complicated and obstructive regulatory framework. While the EU has passed 13,000 new legislations, the United States has passed 3,500. To be able to compete with other countries, the EU needs to regulate in a simpler, better and smarter way, while also reducing the overall regulatory burden on businesses. The regulatory framework needs to be innovation-friendly and responsive to the latest developments. The policy should set out essential statutory requirements for health, environment and consumer safety, but technical solutions should be left to the market.

A competence and labour market policy that contributes to competitiveness can strengthen Europe's productivity. The EU needs to act to facilitate labour market mobility and contribute to a strong competence supply. Social reforms are most effectively initiated and implemented at national level.

The important role of Sweden and the technology industry

Sweden and the Swedish technology industry have a key role to play in shaping future EU policy. As challenges to Europe's competitiveness are now being met with a series of new initiatives, legislative proposals and strategic investments, it is crucial that Swedish industry engages more in European issues and influences the political direction.

Sweden's prosperity has been built through long-term investments in research, innovation, trade and collaboration. Swedish industry is today globally competitive, technologically leading and at the forefront of the green transition, with high ambitions and a strong presence on the world market. This puts Sweden in a unique position to contribute with tangible experiences, solutions and perspectives in the EU's work to strengthen its competitiveness and ensure sustainable growth.

Against this background, Teknikföretagen (Technology Industries of Sweden) has developed this EU agenda, with input from the Swedish technology industry on what is needed to strengthen Europe's economic resilience, innovation ability and green leadership. The agenda highlights our main initial values in relation to the competitiveness initiatives that are being developed and is linked to the European Commission's work programme for the coming mandate period.

For more detailed analyses and proposals in the respective areas, we refer to our experts.



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MARCUS DAHLSTEN, HEAD OF NEGOTIATIONS



MARIA ROSENDAHL, HEAD OF INDUSTRIAL POLICY

The EU's importance to Swedish industry's competitiveness

The Swedish economy is deeply integrated in the European Union. About half of all Swedish exports go to the EU, with a majority thereof consisting of input goods used in foreign businesses' production. Correspondingly, Sweden is dependent on imports from the Union, especially of input goods, which are then further processed by Swedish businesses. The EU is therefore not only our biggest export market – it is a key part of our production chains.

Swedish and European businesses are also closely linked through investments. Swedish businesses' assets in the EU amount to more than SEK 2,500 billion, with European businesses' assets in Sweden being of a similar size. Direct investments in both directions contribute to more efficient supply chains, knowledge dissemination and higher productivity.

Swedish industry's competitiveness is therefore closely linked to Sweden's EU membership. The single market, common regulations and a common policy towards the outside world create an important foundation for Swedish businesses to grow, invest and export. A strong and well-functioning European Union is therefore also a prerequisite for a strong Swedish economy.

EU budget should strengthen industrial competitiveness

In the upcoming negotiations on the EU budget, it is crucial that greater priority is given to fund measures aimed at strengthening the Union's long-term competitiveness. A bigger budget and closer collaboration between member states can be positive, but the most important point is that the resources are used correctly – where they are of the greatest benefit to Europe's businesses and to the ability to meet common challenges.



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MATTIAS ALMGREN, ECONOMIST

Contents

The EU agenda from Technology Industries of Sweden:

- 1 **Introduction**
Industry is key to meeting Europe's competitiveness challenges
- 3 *The EU's importance to Swedish industry's competitiveness*
- 5 **Contents**
- 7 **How do we best meet the EU's competitiveness challenges? The technology industry's response**
- 9 **Challenge:** *Closing the EU's innovation gap by getting new technologies to reach the market*
Response: *Creating a cohesive research and innovation policy as well as industrial policy – a technology policy – that covers the needs of industry*
- 13 **Challenge:** *An excessive regulatory burden*
Response: *Less and better regulation – a prerequisite for competitiveness and growth*
- 17 **Challenge:** *The transition cannot be implemented at the expense of European competitiveness – they must go hand in hand*
Response: *Advocating climate and environmental goals and organising the governance in a cost-effective way aimed at boosting European competitiveness*
- 21 **Challenge:** *Managing the EU's strategic dependencies*
Response: *The EU's economic security is based on innovation and trade*
- 25 **Challenge:** *The EU suffers a shortage of STEM competence*
Response: *The EU has a role to play in strengthening the skills supply in the Union*
- 27 **Challenge:** *A social policy that risks weakening Europe's competitiveness*
Response: *Regulating the labour market smartly – also at EU level*

How do we best meet the EU's competitiveness challenges?

Competitiveness challenge:
Closing the EU's innovation gap by launching new technologies on the market

Technology Industries of Sweden's response:
Creating a cohesive research and innovation policy as well as industrial policy
– a technology policy – that covers the needs of industry

- The EU needs to prioritise increased investments in research and innovation and to safeguard the excellence criterion to be internationally competitive in the global technology race.
- The EU needs to better link research, innovation and industrial policies to ensure that new technologies can be both developed and commercialised in Europe. To achieve this, industry needs must be highlighted in a more transparent, structured and cross-sectoral way, in particular in the coming European Competitiveness Fund and the Framework Programme for Research and Innovation. To strengthen this link and ensure a more strategic dialogue with industry, an industry-led Technology Council should be set up to improve the dialogue between European industry, the European Commission and the member states.
- Industrial collaborative research, in which industry, SMEs, academia and research institutes can work together to solve problems, must be nurtured and protected going forward. Unilateral focus on basic research (ERC) and start-ups (EIC) will not be enough. The Public-Private Partnership model is a good tool for this and should therefore be developed. It is also important to ensure the development of relevant test environments in the form of technology infrastructures at European level, where industry can rapidly test and validate new technologies.



The EU's competitor countries are investing heavily in research and innovation. The EU must therefore also increase its investments and ensure that industry has the right prerequisites for setting the agenda and collaborating with other players in the EU's Programme for Research and Innovation. The objective is to improve the EU's ability to attract R&I investments from the business sector. It is also important that investments in research and innovation are safeguarded in the EU's next long-term budget to ensure long-term and stable funding and that excellence is the guiding selection criterion. Research and innovation are the foundation of our future competitiveness, and the links with the EU's overall competitiveness and industrial policy are key to closing the innovation gap.

Technology is the foundation of Europe's defence, security and competitiveness, but today we are facing the risk of a widening innovation gap – that investments in research and development will not lead to industrial growth and new markets in Europe. In times characterised by increasing geopolitical uncertainty and rapid technological development, Europe will instead risk losing ground if we cannot translate research into industrial growth and strengthened production in the EU. To reverse this trend, research, innovation and industrial policies must be linked more effectively, and industry must be involved in designing the new programmes and structures put forward by the European Commission – for example a new Framework Programme and a European Competitiveness Fund. As the technologies and solutions in demand are developed and produced by industry, which thus has knowledge of which projects have market potential, the dialogue between industry, the European Commission and the member states needs to be improved. This should be done by setting up an industry-led Technology Council.

The sectoral industrial dialogues currently conducted by the European Commission are not sufficient to jointly identify the policy changes and investments needed to address the complex challenges faced by industry in Europe. A new cross-sectoral dialogue that

takes into account entire value chains and industrial ecosystems is crucial to enabling the European Commission to identify and prioritise the technologies and areas with the greatest potential for strengthening Europe's economic and security policy position. An industry-led Technology Council would provide more market-driven, informed and anchored recommendations to the European Commission and the member states, thus ensuring that interventions are market-oriented, strategically targeted and aligned with the real needs of industry.

The industry-led Technology Council should include representatives from industry, the member states and the Commission, and build on existing structures such as the European Technology Platforms (ETPs) and Public-Private Partnerships (PPPs). By gathering industry insights and recommending strategic initiatives, the Technology Council can contribute to more effective channelling of resources to areas where Europe needs to strengthen its position and stimulate more private investments in research, innovation and production.

The Technology Council would thus be a key tool for closing the innovation gap, creating a stronger link between research and industrial application and ensuring that Europe is not only a place for cutting-edge research, but also for industrial growth and technological leadership.

Industrial collaborative research must be nurtured in order to close the innovation gap, attract more private R&I capital to Europe and develop the technologies that are in demand. Industrial collaborative research, where different players can work together to meet common challenges, is a crucial step in Europe's technological development. Unilateral focus on basic research as well as on start-ups and scale-ups will not deliver the results that Europe needs.



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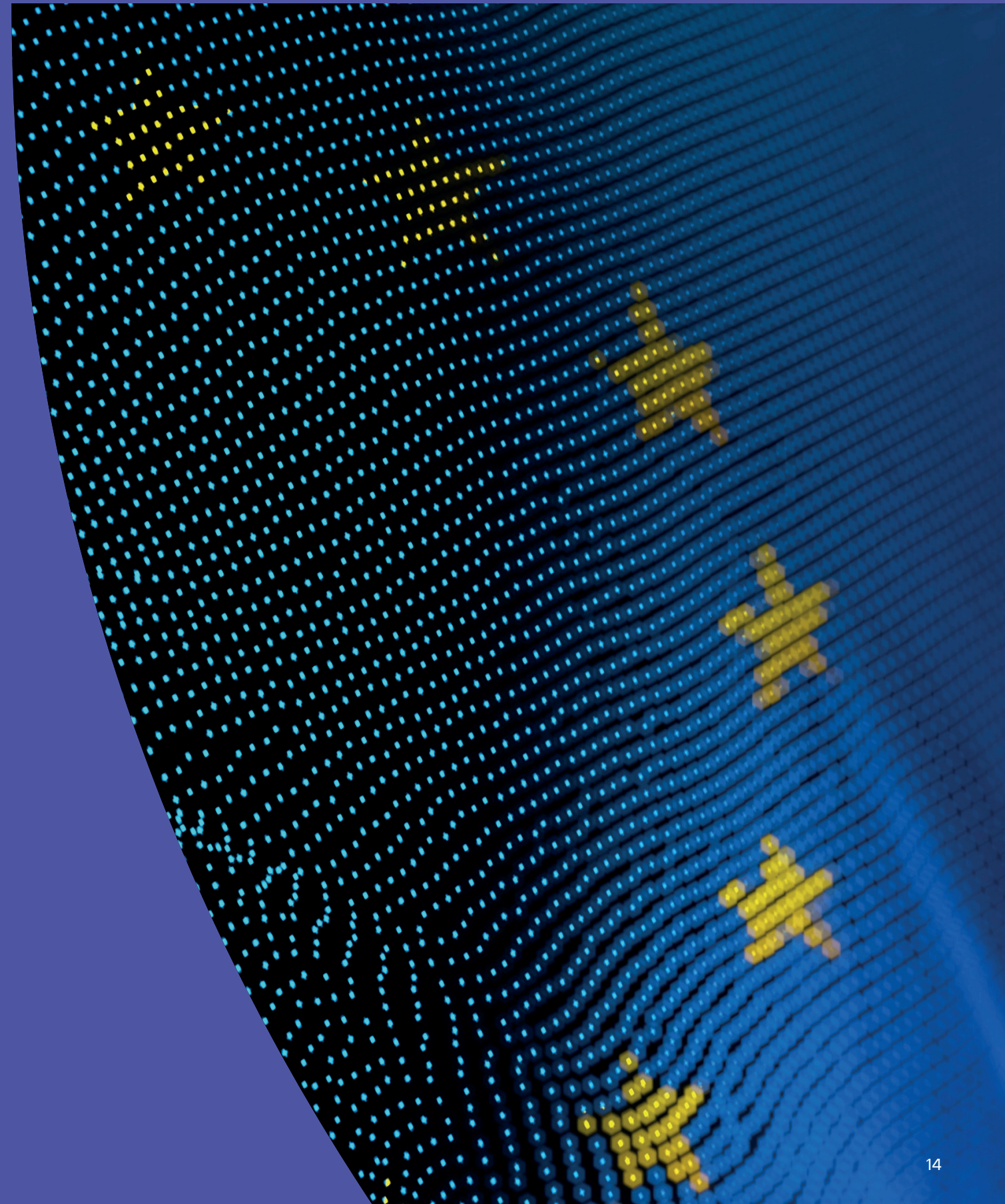


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Competitiveness challenge: Excessive regulatory burden

Technology Industries of Sweden's response: Less and better regulation – a prerequisite for competitiveness and growth

- Regulatory and administrative costs for businesses must be reduced. This is a fundamental prerequisite for meeting the EU's competitiveness challenges.
- All rules proposed must be accompanied by qualitative and comprehensive impact assessments that clearly show that the proposals are necessary and proportionate, and that they do not negatively affect European competitiveness.
- The rules that are introduced must be designed so that it is easy to understand what needs to be done, by whom and how – and that it is also easy to comply with them.
- The European Product Act need to re-establish and maintain the structure on which European product regulation and standardisation were built, which entails that product requirements are formulated in legislation and that manufacturers and other players are responsible to ensure compliance with the requirements, either by choosing to follow harmonised standards or by other means.



The large volume of new regulations adopted by the EU in recent years poses major challenges for the business sector in general and, not least, for the technology industry. The EU's political ambitions in both the green and digital transitions have led to many, often complex and sometimes overlapping, new rules. Reports from Mario Draghi and Enrico Letta show that the EU has produced far more new regulations than, for example, the United States and that this has negatively impacted European competitiveness. Disproportionate and unclear regulations also affect our competitiveness and innovation capacity.

Legislation needs to be technology-neutral to create predictability and future-proofing. To a greater extent than today, legislators must ensure corrected and harmonised implementation of already passed legislation and that such legislation is given time to achieve the expected effect before further regulation is formulated. In addition, all new legislative proposals need to be accompanied by qualitative and comprehensive impact assessments that clearly demonstrate that the proposals are necessary and proportionate, and that they do not negatively affect European competitiveness. A distinction may also need to be made here between the need for regulation of goods and services supplied to other businesses or aimed directly at consumers – where the need for protection may be greater.

The European structure for how product requirements are regulated, monitored and enforced has been very successful and needs to be safeguarded also in the new European Product Act. In short, the so-called 'new approach' (New Legislative Framework (NLF)) entails that the necessary regulatory requirements are in place to ensure that the product is safe for users and the environment. Subsequently, the manufacturer, or the economic operator that introduces the product on the European market, is responsible for ensuring that the product complies with the requirements, for example by complying with harmonised European standards. As product requirements apply to all EU member states, compliant products can be freely sold throughout the single market. We need to re-establish this system and ensure that product requirements are set out in legislation and are clearly formulated. The harmonised standards that are then prepared must provide answers to how these requirements can be achieved, but they must never become mandatory. To ensure European competitiveness, European and international standardisation need to develop in harmony. In addition, sufficient resources for market surveillance and a holistic approach are required to ensure a well-functioning system in which there is confidence.



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Competitiveness challenge:

The transition cannot be implemented at the expense of European competitiveness – they must go hand in hand

Technology Industries of Sweden's response:

The climate transition must be implemented with focus on commercial benefits, European growth and competitiveness

- Stay committed to environmental and climate ambitions and sticking to an ambitious 2040 climate target for industrial competitiveness and reduced emissions.
- Ensure that the policy instruments prepared are cost-effective and provide incentives for the climate transition.
- Revise the Carbon Border Adjustment Mechanism to reduce the administrative burden and to avoid creating competitive disadvantages.
- Commercial benefits and growth need to interact in the transition in order to strengthen Europe's industrial competitiveness while also promoting the transition to a sustainable and carbon-neutral economy. This is particularly important to consider when designing new initiatives or legislative proposals.

Swedish industry has invested heavily in the climate transition to reduce its negative impact on the environment and its climate emissions. By remaining at the forefront, the industry can position itself as a competitive and sustainable alternative as the global green transition accelerates. For the industry, it is therefore crucial that the EU sticks to its 2030 climate goals and sets a new ambitious goal for 2040, in line with the long-term goal of net-zero emissions by 2050.

The policy measures for achieving these ambitious targets must be based on cost-effectiveness and provide incentives to develop and produce sustainable, climate-friendly products, services and technical solutions. The current policy measures for mitigating climate change, with the EU Emissions Trading System (EU's ETS) at their core, generally work well because they are cost-effective, flexible and provide

important incentives to those affected, both directly and indirectly. The climate tariffs, in the form of the CBAM framework, aim to protect European competitiveness by levying a tariff on carbon-intensive products from non-EU countries with less ambitious climate policies. This is a good objective, but, at the same time, the CBAM regulations have become administratively costly for the industrial sector across Europe due to reporting requirements that are difficult to meet. In particular, reporting of the carbon content of imported basic products poses major challenges for industry, as complex products contain thousands of components from many different parts of the world where the required data is not always available. In addition, the regulatory framework creates direct competitive disadvantages for those exporting goods to non-EU markets where their global competitors neither pay carbon tariffs nor engage in carbon pricing.



Electrifying industry, transport sector and society in general

- The EU needs to take an active role in the development of the electricity system.
- This includes investing in research and innovation in the electricity sector to build a European value chain for new solutions to expand the electricity system (AI solutions, power electronics, storage and flexibility solutions as well as efficiency enhancement solutions).
- There must be focus on competitive electricity costs. Market pricing of electricity must be maintained, and state subsidies should be designed so that they do not distort price signals in the market.

By far the simplest and least expensive way to create a carbon-neutral economy is to electrify large parts of the industrial sector, transport sector and society in general using fossil-free electricity. Succeeding in this will require a comprehensive expansion of a fossil-free electricity system in which investments must be made in electricity production, grid capacity and technical solutions aimed at increasing system efficiency. It is important that the public sector shares the risk of expanding the electricity system to incentivise the market actors' willingness to invest.

Technical solutions exist, but measures are needed to reduce prices. This can include support for R&D investments and incentives for developing a European market. This will create a domestic value chain, more jobs and green growth. To enable a sustainable European industry to compete on the world market, the cost of, for example, electricity needs to decrease and become competitive. When new EU instruments are presented within the Clean Industrial Deal framework, it will be crucial to maintain market pricing of electricity, as this is the best way to achieve competitive prices.

Industry-led policy for a circular economy

- Design economic instruments which stimulate the transition to a circular economy.
- Ensure that regulatory and product requirements are harmonised and innovation-friendly. There must be particular focus on harmonising legislation on chemicals, waste and products.
- Let market forces and appropriate regulation stimulate the use of recycled materials.

- Strengthen and harmonising member states' supervision and market control to stimulate sustainable and circular solutions.

Achieving a sustainable circular economy and a successful transition requires industry-adjusted policies that promote international competitiveness. Technology neutrality, cost effectiveness and proportionality must be guiding principles.

The technology industry can play a specific role in the circular transition, as it provides high-tech products and services that often have a long lifespan and meet high safety and quality standards. The products often consist of advanced and composite materials distributed on a large number of different components. General policy proposals are therefore not always in line with the needs of the technology sector in order to achieve a circular transition.

A fundamental problem with EU legislation is that it is far too detailed, with a resulting risk of slowing down necessary innovation in the business sector. Instead, the technology industry needs governance tools that promote high quality, reuse, recycling and upgrading of materials and products and that facilitate modular design. In addition to policy development, the transition to a circular economy requires consumers and businesses to make circular product choices. Furthermore, the public sector needs to set procurement requirements that adopt a life-cycle perspective. All this needs to be done in combination with effective supervision and market control to stop defective products.

Sustainable use of chemicals is critical for the technology industry

- When revising the chemicals legislation and developing new governance instruments, sustainable use of chemicals needs to be ensured, without creating obstacles to innovation and technological development.
- A gradual phasing out of PFAS is possible, if transition periods and exemptions are provided. Applications of importance to society must not be compromised. Safe and efficient use of chemicals is important for the technology industry, as they are needed to develop safe and durable products with a long life.

When revising legislation on chemicals, it is crucial to ensure that new legislation is clear and proportionate, is supported by the latest scientific evidence and is easily adaptable to technological progress. Close collaboration with industry is needed to ensure that the results are grounded in reality and that innovation and technological development are not hampered.

Technology Industries of Sweden supports a gradual phasing out of PFAS substances, to be replaced by better and more competitive alternatives. Where alternatives already exist, the phasing out can and should be rapid, but innovation and product development will be required in many areas. The issue is complex, and finding long-term sustainable solutions require that politicians, authorities and industry work together. PFAS substances are found in many products, including in areas of critical importance to society such as healthcare, the defence industry and the energy and transport sectors. A general prohibition of PFAS substances without reasonable transition periods and exemptions would pose very high risks to society and the EU's competitiveness. A well-functioning, sustainable and competitive EU market needs to be ensured.

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Competitiveness challenge: Managing the EU's strategic dependencies

Technology Industries of Sweden's response:
The EU's economic security is based on innovativeness and trade

- Develop areas of strength that create reverse dependencies and reduce the risk of economic coercion.
- Reduce one-sided overdependencies through an ambitious trade agenda which broadens the base of available suppliers and enables businesses to diversify supply chains.
- Ensure that new defensive instruments are well-calibrated, applied on security considerations or to address non-market behaviour, and correspond with similar requirements in other key markets.



There is currently an ongoing geopolitical power struggle to secure the supply chains in technology areas identified as critical to national and economic security. The EU is actively working to limit the risk of economic dependencies being exploited by geostrategic rivals for political influence. So far, the work has primarily focused on replacing dependence on imports with domestic production capacity in strategic areas, as well as on initiatives aimed at protecting the European market. Action is now needed to harness the power of international trade and to promote technological leadership.

Reducing one-sided overdependencies must start at the bottom of the value chain by securing access to input goods and components, in parallel with creating the right conditions and acquiring the know-how necessary to become competitive in a long-term perspective. The EU needs to develop its own capabilities and create reverse dependencies that limit the risk of economic coercion. Controlling an entire value chain is not a realistic objective, and the ambition should therefore be to create the right conditions for businesses to be leaders in a specific segment. This requires an EU that safeguards competition and excellence, with focus on improving industry involvement in the identification process and governance structure of industrial policy initiatives as well as on prioritising investments in research and development to take technological leadership instead of providing state subsidies for already developed technologies. At the same time, the EU needs renewed focus on collaboration with other countries. An ambitious trade policy that facilitates market access will broaden the base of available suppliers for businesses, enabling industry to diversify supply chains and strengthen resilience to disruptions to international trade.

The EU's free trade agenda has stalled in recent years. Negotiations on agreements with important emerging markets are hampered by the EU making demands that are neither related to the trade itself nor in line with the counterparty's interests. Meanwhile, other countries are concluding agreements that create competitive advantages in the global market. Sweden should be a driving force for the EU to better tailor the ambition in free trade

negotiations to the partner country and prioritize market access over other policy areas than trade. To facilitate the ratification process, free trade agreements should be limited to areas within the EU's exclusive competences, while investment protection is covered by the political framework agreement.

In parallel with free trade agreements, Sweden should advocate that the EU enters into targeted agreements to remove technical barriers to trade. Demonstrating that products meet different requirements depending on the market can be more costly than tariffs. By removing barriers to trade in intermediate goods for critical technology areas, like-minded countries can limit dependence on other markets through reduced trade costs – rather than through subsidies that burden taxpayers. Agreements in sectors with high volumes and growing regulatory requirements can have a particularly significant impact.

A more politicised use of trade defence instruments risks restricting industry's freedom of action and attracting costly countermeasures that will impact European businesses negatively. It is fully legitimate for the EU to defend its economic interests, but Sweden must ensure that the tools are proportionate, precise and predictable. They should be applied primarily on security considerations or to address non-market behaviour, not to protect non-competitive industries from global competition.



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Competitiveness challenge: The EU suffers a shortage of STEM competence

Technology Industries of Sweden's response: The EU has a role to play in strengthening the skills supply in the Union

- Competence and skills must be seen as a competitive advantage and lead to strategic initiatives and investments in areas of strength for Sweden and the EU.
- The EU must be an attractive and accessible labour market for third-country talent.
- The EU must keep up with the development of the labour market, moving from certifications and regulations of trades to recognizing skills.



Access to the right skills is a key factor in meeting the EU's competitiveness challenge across all areas. The rapid development in fields such as AI and climate transition requires innovation and adaptability – not least on the labour market. Sweden and Europe compete with skills, and Sweden has traditionally been a leading knowledge nation. At a time when other countries and markets are investing heavily in improving the level of knowledge, skills and education of their populations, we need to make strategic investments in developing the right skills – in individuals as well as in societies – in order to remain competitive. These investments should be based on Swedish and European areas of strength, which ensure our competitiveness in areas and technologies where we are leading today – or have the potential to lead going forward. Such initiatives must target the younger population as well as working professionals and include policies that attract third-country talent to the European labour market.

More young people need to be attracted to a career in STEM. To further such a development, the EU should encourage national initiatives and objectives as well as offer support.

The EU's primary role in skills provision should be to facilitate collaboration and the exchange of knowledge and best practice between member states. Such projects

can encourage the utilization of common strengths and enable the formation of knowledge clusters across national borders.

Sweden should support the EU's progress towards fewer regulated trades and professions outside occupational categories that are regulated in Sweden today, such as doctors and teachers. This development is necessary to facilitate labour market mobility, both between EU member states and between third countries and the EU.

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Competitiveness challenge: A social policy that risks weakening Europe's competitiveness

Technology Industries of Sweden's response: Regulating the labour market smartly – also at EU level

- Labour market reforms must be implemented with focus on competitiveness – only then can sustainable social reforms be realised.
- Social reforms that affect working life must primarily be initiated and implemented where they work – by the social partners and at national level.
- EU initiatives in the social field must respect the social partners' opportunities for self-regulation through collective agreements, as these are an important element of a well-functioning labour market.

The legislative zeal in the labour market in recent years has put great pressure on the ability of businesses to compete globally and thus strengthen European competitiveness. We therefore find it positive that the 2024-2029 mandate period seems to be characterised by fewer legislative initiatives in the social field. However, a major rethink is needed, as competitive businesses are the most important prerequisite for growth and for people to have a job to go to.

The legislative zeal poses a threat to the successful Swedish bargaining model based on collective agreements where the social partners regulate most conditions on the labour market. Instead, labour markets in Europe must continue to be reformed, but in different ways and taking into account the social partners' right to self-regulation of the labour market.

Member states and social partners need to be given wide scope in the social field. EU legislation can be made more adaptable through national legislation and collective agreements. This can, for example, be done by allowing the social partners to derogate from labour market directives in collective agreements. This ensures harmonised protection of fundamental rights while safeguarding competitiveness.

Initiatives are also needed in the social field to ease the administrative burden on businesses. The EU must deliver on its promise to reduce reporting obligations by 25 per cent in the social field as well. Impact assessments and competitiveness checks also need to be performed in connection with the final negotiations of a legislative proposal – not just before the European Commission presents the proposal.

The EU also needs to further facilitate the mobility of workers within the Union. The administrative obstacles when businesses send out workers within the EU need to be removed, for example by exempting short business trips from the reporting obligation under the social security rules. In addition, the rapid introduction of ESSPASS will make it easier to predict and utilise the social security status of workers, reducing uncertainty in cross-border work.

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Technology Industries of Sweden's 4,500 member businesses account for a third of Sweden's exports and over a million jobs. Our mission is to strengthen our members' competitiveness and drive the sustainable development forward. Together with businesses located throughout Sweden, we are shaping the future of the technology industry – because we are technology Sweden.

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