

Teknikföretagen's EU-agenda:

The competitiveness of European tech industry
as a key for a prosperous Europe



Teknikföretagen

Introduction

A competitive European Union with a well-functioning single market is the foundation for prosperity, welfare, and sustainability. It is therefore essential for Sweden, our industry and Teknikföretagen to promote cooperation within the EU.

The EU depends on industry to secure prosperity and welfare through investments, jobs and growth. Thus, the competitiveness of European businesses is key for a prosperous Europe. Thriving companies and their trading are also important for the peace for which the EU was founded. In addition, companies are crucial to achieve other important policy goals, such as the green and digital transition, as well as poverty reduction.

The EU single market and its four freedoms – free movement of goods, services, people, and capital – have contributed to economic growth and strong competitiveness for all EU member states. This applies not least to Sweden, where exports correspond to half of the country's GDP and most of these exports are to the EU single market.

The EU is in a formative phase and is promoting an ambitious agenda in many areas, with potentially major implications for the single market and the future of the European Union. It revolves around the development of internal market and the European industrial policy, which is moving towards increased state involvement in European business and economy. Furthermore, the social pillar promotes harmonisation without considering some of the major achievements for social issues in individual members states and the differences amongst labour market models.

The EU policy for environment and climate is also under revision. It is important that the proposed legislative changes and action plans are correctly designed without overly prescriptive requirements to ensure innovation, continued growth and transformation to a green and sustainable Europe.

To reach the EU's ambitious goals, the path of prosperity must continue and to that end the proposals from the EU must focus on making Europe the most competitive region in the world. We believe that a renewed focus on the foundation of the European Union is needed: the four freedoms, economic cooperation, and competitiveness.



Klas Wahlberg,

CEO, Teknikföretagen

Summary of recommendations

Industrial policy

EU industrial policy shall ensure the best possible conditions for industry to thrive and prosper in Europe. It should attract investments and enterprises to locate production in the EU. Competition and international trade are key factors for innovation and technological advancements. This is necessary for the twin green and digital transitions, as well as resilient value chains.

An increased state intervention in the European economy, prescriptive requirements in EU legislation and political management of industrial supply face the risk of working against EU policy objectives. Rather than targeted investments in politically identified technologies, the focus should be to strengthen framework conditions on a systemic level, for a well-functioning Single Market, with access to global markets.

- An increased state intervention in the European economy that is characterized by targeted investments in politically identified sectors and technologies can distort competition on the single market. This to the detriment of an innovative and long-term competitive industry.
- A renewed focus on growth and competitiveness is required. This should be done by strengthening framework conditions on a systemic level, for a well-functioning single market and access to global markets.
- Strategic dependencies, for instance Europe's dependence on semi-conductors or energy from unreliable suppliers, shall primarily be addressed through internal and external diversification. As well as generating comparative advantages which attracts investments in Europe.

Labour policy

Competitiveness is a necessary requirement to tackle social issues in Europe. Social policy is made possible by the growth in economic resources, created by a competitive industry. A lack of competitiveness is in many times the root cause of social unrest. And in the case of Europe, social problems are rarely due to a deficit of social policy. Thus, the overall aim of EU labour policy must be increased productivity, competitiveness, growth, and employment.

The EU also has a role in safeguarding basic labour rights for all European workers and facilitating the free movement of workers and services by abolishing regulatory barriers and ease transnational exchange. The EU labour market model must acknowledge that independent social partners on equal footing ensure national collective agreements that uphold workers' protection. This does not hide the fact that the most appropriate and

most efficient level for regulating labour is at national level, in line with the subsidiarity principle.

- Competitiveness is the only way to achieve sustainable social reforms and must be the driving force behind all labour policy reforms.
- Social reforms concerning the labour market shall primarily be initiated and carried out at national level
- All employment legislation in EU must allow for independent and equal national social partners to adapt, complement or deviate from EU legislation by way of collective agreements.

Circular economy

Half of total greenhouse gas emissions and more than 90% of biodiversity loss and water stress come from resource extraction and processing. This trend can be reversed by pursuing a circular economy, where economic growth and resource use is decoupled.

With circular material and product flows and business models resources can be used more efficiently, e.g. through reducing material use, redesigning materials to be less resource intensive, and recapturing waste as a resource to manufacture new materials and products. A circular economy has the potential to increase EU GDP and create hundreds of thousands of new jobs. It also opens new business cases, as the average manufacturing firm in the EU spends around 40 % on materials.

- Adapting the regulatory framework for circular material and product flows and business models is a prerequisite for a successful transition.
- Performance and information requirements under the future upcoming ecodesign for sustainable products regulation, ESPR, must be meaningful, easy to understand, comparable and verifiable. Standards and technology neutrality must form the basis for product requirements.
- Green Public Procurement should be mandatory as it boosts the demand of sustainable products and would back up EU industry's existing efforts to become a circular economy leader.
- Continued investments in technology development, innovation and research are necessary for the circular transition.

Climate and energy

Sustainability is critical for European industry's competitiveness. European companies are at the forefront of the development of new and sustainable solutions and want to remain in that position.

Cutting greenhouse gases will require effort from both industry and the rest of society. To cut emissions by 55 % by 2030, compared to the level in 1990, the EU has launched a large legislative package “Fit for 55”. Europe is committed to the Paris agreement and aims to become climate-neutral by 2050. New technologies and digital solutions will facilitate the transition to that end. The main proposals from Teknikföretagen are as follows:

- Ensure that the Fit-for-55 package delivers on climate and energy targets, without compromising on European competitiveness. This is best achieved by incentivising emission reductions via long-term, harmonised economic policy measures, rather than detailed regulation.
- Forthcoming CBAM regulation must add a down-stream user perspective. Additionally, ensuring that the regulation is thoroughly assessed before adding more sectors and completely facing out free allocation.
- Facilitate a broad range of energy production in Europe. When striving to achieve zero emissions and moving towards electrification of transport and industry, all sources of fossil free energy should be encouraged.

Trade

European industry is fundamentally contingent upon international trade and foreign sourcing to be competitive. Approximately 60 percent of all EU imports are inputs such as materials or intermediary goods that are refined or used for manufacturing in Europe; and, already by 2024, 85 percent of the global GDP is expected to come from outside of the EU. This emphasizes the need for an ambitious EU trade policy agenda, focusing on opening up market access to foreign markets and establishing a level playing field with third countries. This also enables industry to diversify and source from a broader base of suppliers, which makes it easier for industry to adapt to disturbances to global trade, leading to more resilient value chains.

- A reinvigorated, ambitious free trade agenda focused on eliminating barriers to trade and opening up market access to enable external diversification in sourcing and to facilitate exports.
- Balanced trade defence instruments that establish a level playing field with third countries, with the aim to seek multilateral or bilateral solutions.
- Limit political monitoring of global supply chains, to increase resilience by providing industry more flexibility to adapt sourcing after disturbances to international trade.

Single Market and digital requirements

The EU Single Market is Europe's competitive advantage in the global marketplace. A well-functioning Single Market is therefore a cornerstone for European industry's global competitiveness. Upholding free movement on the Single Market, a level playing field among EU member states and a legislative framework that promotes innovation is imperative for a dynamic European economy and a competitive industry in Europe.

- Strict application of EU competition and state aid rules as key to an innovative and long-term competitive European industry, and diversification on the Single Market.
- An innovation-friendly regulatory framework that can easily adopt the latest technological advancements, based on the New Approach.
- Ensure newly introduced digital safety requirements in legislative acts on AI and cybersecurity are fit for purpose and do not lead to overlapping requirements with sectoral legislation.

Research and innovation

Europe is pursuing global leadership in the implementation of the twin transitions. However, we will only succeed if the whole innovation ecosystem is committed to, and involved in, the implementation of the transitions. The increasing speed of technological development, the pressing climate and environmental challenges, and fast-changing market requirements all call for a substantial transition in the way industry operates.

To meet these challenges there needs to be rigorous monitoring of progress in R&D intensity, ensuring that the target of 3% of GDP will be reached at the latest by 2025. Teknikföretagen has these core messages to strengthen the research and innovation capabilities in Europe:

- Europe needs a solid and comprehensive Technology strategy focusing on Research and Innovation. There is a global competition on attracting investments in RDI, and Europe needs to formulate an overall idea on how to make Europe the number one choice for these investments.
- Strengthen the connection between R&I and industrial policy. The ambition should be a research policy with a long-term competitive advantage. And one that lasts regardless of political leadership.
- Ensure efficient industrial and innovation ecosystems through Public-Private Partnerships. For instance, Europe should strive for a thriving cooperation between companies, universities, and research institutes.
- Boost a European strategy for test and demonstration facilities. These facilities allow new solutions to be tested under safe circumstances, before entering the market.

Skills

Education is a key to successful re-skilling and up-skilling. Similar to the labour markets, the education systems differ significantly among Member States, both in organization and financing models. Responsibility and actions should be referred to individual member states. Our position is that European policy should contain objectives and only non-binding recommended directions, the proposals should be technology neutral and not particularly promote any particular technology or solution.

- Responsibility and actions for skills and education systems should be referred to individual Member States, while policy at EU-level can contain objectives and directions if the proposals are technology neutral and do not promote any particular technology or solution.
- We encourage exchange of experience between member states and efforts to increase mobility, such as Erasmus+ and Marie Skłodowska Curie Actions.
- We support initiatives between Member States that facilitate the transferability of individuals' skills, such as the EQF and the development of Micro Credentials.

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About Teknikföretagen

Teknikföretagen (the Association of Swedish Engineering Industries) represents over 4,300 member companies that constitute one third of Sweden's exports, making Teknikföretagen the primary representative of Swedish industry. Our member companies comprise both major, renowned, global corporations as well as a majority of micro, small and medium-sized enterprises. A common denominator is that they develop technologically advanced products and services exported in fierce global competition. Our member companies include Volvo, Saab, Scania, Ericsson, Electrolux, Assa Abloy, Atlas Copco, TetraPak, NorthVolt, ABB and AFRY.



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