

Swedish – Finnish non-paper on European Strategic Competitiveness

Let's tell it as it is – Europe is in a tough spot. In a geopolitical climate characterised by growing uncertainty, diminished trust, eroding rules and trade conflict, the EU must harness its own strengths. And the **EU has every possibility to be competitive**. We are home to leading pharmaceutical companies, biotechnology, clean tech and green innovation, as well as digitalisation and space technology. We have a strong Single Market and deep global partnerships. We need to take bold action to ensure long-term, sustainable productivity growth, built on solid framework conditions and a market environment that rewards innovation.

Strengthening the Single Market

As the world's largest integrated market, the Single Market forms the foundation of the EU's geopolitical and economic strength. The Single Market accounts for 18 percent of global GDP, has 450 million citizens and consumers, and 26 million companies employing nearly 128 million people.

Yet, new figures point to worrying signs that trade in goods between Member States is declining. In recent years, crises, geopolitical tensions, economic security measures and traditional protectionism have led to increased national rules and regulatory burdens. In turn, this has contributed to more trade barriers and a more fragmented Single Market. The IMF and ECB estimate that internal market barriers correspond to tariffs of around 100–110 percent on services and 45–65 percent on goods.

Business as usual is not enough anymore. Europe needs another historic push for deep Single Market as a bridge to brighter future. To accelerate this work, we propose concrete action to increase political ownership, remove barriers to trade with products and services, and to make sure that new barriers are not introduced. The Commission should considerably step up their work on enforcement and as guardian of the treaty. All legislative institutions and member states must commit to the swift removal of the **“Terrible Ten”**, the most problematic barriers in the Single Market. The coming Roadmap on the Single Market must include concrete measures and timelines, focusing on the proposed measures below.

- The services sector accounts for 75% of EU GDP, yet intra-EU services trade is still no higher than services trade with countries outside the EU. The Commission should take concrete measures regarding mutual recognition of services, starting with business services. Moreover, the number of **automatically recognised professional qualifications** within the EU needs to increase, whilst looking into how mutual recognition can be expanded regarding qualifications.

- The **Digital Product Passport (DPP)** need to facilitate processes for producers and consumers and enable greater use of digital labelling. We need to move away from unnecessary complications such as long product labels and manuals in dozens of languages. The DPP should be integrated into the upcoming European Product Act and be based on the needs of businesses and consumers.
- **Extended Producer Responsibility (EPR)** for packaging should be simplified and harmonised. Responsibility for the entire product lifecycle encourages eco-design, recycling, and waste management. However, we must pay attention to administrative burden and simplify reporting obligations.
- The Commission should safeguard that the standardisation system remains **stakeholder-driven**, particularly in the review of the **Standardisation Regulation**, and actively promote standardisation as a strategic geopolitical tool for Europe's competitiveness and resilience.
- Member States must do their homework as well and sweep in front of their own doors. This goes not least for reducing the number of nationally regulated professions, stop gold plating and making relevant information easily available for companies. Additionally, Member States must work within their competencies to ensure good framework conditions for productivity growth, such as investments in education, well-developed infrastructure and efficient permitting processes.
- A **28th regime** need to allow European companies to set up, grow and operate in the Single Market with lessened administrative burdens.

Limited but well-targeted state aid

Broad or long-lasting public funding can end up doing more harm than good. It can distort the Single Market, slow necessary structural change, weaken incentives to innovate, trigger subsidy races within and beyond the EU, and put further strain on public finances. This is why state aid should be reserved for cases of clear market failure that cannot be addressed more efficiently by other means. In limited cases – such as research and development or improving access to finance for early-stage firms – public intervention may be justified, but it must be proportionate and designed to crowd in private investment rather than lock in outdated solutions or displace market forces.

Continuing the ambitious Simplification Agenda

European companies struggle to comply with burdensome and complex rules, long permitting processes, and fragmented regulation. We need to give them much-needed relief and continue an ambitious **simplification agenda** with focus on reducing burdens on businesses. It's important that the outcome is **real simplification**, together with tools and

mechanisms that ensure simplicity in all new legislation as well as legislative restraint. To avoid burdensome regulation should be a priority for all three legislative institutions. We don't want to end up in this exact spot again in another five years.

In a time of fast-paced **technological advancement**, too complicated and burdensome regulation cannot stand in the way of EU's technological leadership and sovereignty. Simplification will remain key in the digital sphere. We welcome the ambitions in the Digital Omnibus package both on AI and GDPR, but more needs to be done. To foster innovation, attract investment and realise the EU's technological leadership, we must focus on decisive reforms that achieve tangible simplification and enhance legal predictability and efficiency in the digital domain while safeguarding core values.

The Simplification Agenda is also highly relevant in connection to the recent push for **European preference**, which could risk adding **another layer of complex regulation**. A general application of European preference risks wiping out our simplification efforts, hindering companies' access to world-leading technology, hampering exchange with other markets and pushing investments away from the EU. Sometimes directed, stronger measures are needed to strengthen European independence. Such measures, however, need to be **limited, proportionate and based on a clear understanding of the consequences**.

Trade and Economic Security – the key to European prosperity

Given the uncertain geopolitical situation, we need to strengthen our resilience, not least for security reasons. Free trade agreements and trade with like-minded partnership countries can facilitate the diversification of value chains, which in turn can help reduce dependencies and strengthen economic security.

Open and rules-based trade is a corner stone for European competitiveness. Under the lead of this Commission, the EU has acted as the trade superpower it is. We have signed the Mercosur agreement – and must apply it provisionally as soon as possible. The finalised negotiations with both Indonesia and India, two very important markets, will result in significantly increased trade. Now, we must continue the ambitious free trade agenda and make progress in ongoing processes, such as Malaysia, Thailand, UAE and the Philippines, and on restarting negotiations with Australia. We strongly support deepening the EU–CPTPP dialogue to build a wider coalition for free trade.

Economic security has emerged as a key pillar for European strategic competitiveness. In a world increasingly characterized by weaponization of dependencies and economic coercion, the EU needs a sufficiently robust and versatile toolbox to deter unwelcome pressure and reduce strategic dependencies. The EU should take firm measures to strengthen Europe's economic resilience. Our approach to strategic competitiveness and economic security must form a coherent whole, where increasing economic security will also support long-term competitiveness and vice versa. We will support a balanced and carefully targeted agenda in this respect.

Capital Market – Dormant money equals dormant economy

The EU has all the prerequisites to be a global growth engine, but this requires making the right political priorities – and everything boils down to whether we can secure growth and investments in Europe. There is a reason why many European companies choose to get listed in the US, and not in the EU: access to capital. We need to mobilise more private capital, and we need to put it to good use in our companies. **Public funds will never be enough – we need private capital.** State-aid should only be used when there's a clear market failure that cannot be solved in a more efficient way.

There is great potential. More than 11 000 billion Euros is currently dormant on either saving accounts or in cash. The Commission has presented several initiatives in the last months, including a recommendation on Savings and Investment Accounts. It is now up to Member States to follow the recommendations and implement necessary reforms to strengthen our Capital Market and achieve a true Savings and Investment Union.

Clean transition and increased energy production as drivers for competitiveness

Clean transition and consistent and predictable climate and energy policies are at the core of the European competitiveness and industrial policy. In our view clean transition and competitiveness go hand in hand. Recent years have demonstrated that prioritising the phase-out of fossil fuels and building a decentralised and flexible energy system are non-regret options in times of crises. There is a need to keep strengthening both the external and internal dimensions of EU's energy system by avoiding harmful dependencies on third countries while developing EU's internal energy market. In addition to these non-regret options, we would like to highlight the importance of building energy resilience, technological neutrality and the need for increasing energy production in Member States. AI could also help the energy transition including the addition of generation capacity.