

# Statement by the Committee on Industry and Trade 2020/21:NU8

## The Commission's White Paper on levelling the playing field as regards foreign subsidies

### Summary

The Committee has examined the Commission's White Paper on creating equal terms as regards foreign subsidies, and proposes that the Riksdag file the statement.

The Committee agrees with the Commission's analysis that there may be a need to prevent unfair trade and investment practices which lead to a distortion of the single market and undermine the rules on a level playing field for competition. However, the measures taken to address this need to be well-considered, with a good balance between safeguarding European interests and a single market that remains attractive for global trade and investors outside the EU. In the opinion of the Committee, the ideas presented by the Commission in the White Paper need to be supplemented before any concrete legislative proposals can be presented.

The statement includes two explanatory reservations (from the Sweden Democrats and the Left Party).

#### *The examined document*

White Paper on levelling the playing field as regards foreign subsidies (COM(2020) 253).

### **The position of the Committee**

In order to strengthen competitiveness, growth and employment for the benefit of companies, employees and consumers in the whole of the EU, it is essential that the single market functions well.

Just as the Commission says in its introduction, openness to trade and investment underpins Europe's prosperity and competitiveness. Trade accounts for almost 35 per cent of the EU's GDP, and 35 million European jobs are linked to exports. Furthermore, at the end of 2018, European direct investments in countries outside the EU amounted to EUR 8,750 billion, at the same time as foreign direct investment stocks held by third-country investors in the EU amounted to EUR 7,197 billion, with 16 million European jobs linked to these.<sup>1</sup>

Sweden is a small, trade-dependent country competing in a global economy. Exports, imports and foreign investments are of major importance for the Swedish economy and employment. According to the National Board of Trade (2020), Sweden's total exports amounted to SEK 1,518 billion in 2019, and total imports to SEK 1,501 billion. During the same period, the total value of trade in services was SEK 721 billion for exports, and SEK 705 billion for imports of services. Sweden's direct investment stocks in other countries amounted to just under SEK 3,700 billion in the fourth quarter of 2019, and foreign direct investment stocks in Sweden amounted to just under SEK 3,200 billion at the end of 2019. Effective public trade and investment promotion which helps, in particular, the internationalisation of small and medium-sized enterprises and the companies' business activities in important markets, and also attracts foreign investments to the EU is important, not least in the light of increased global competition.

One of the objectives of Swedish trade policy has therefore long been an effective single market and transparent trade policy in the EU. For the EU, the objective should be to create fair competition, where neither European nor non-European companies enjoy any unfair advantages. For the Committee, it is important to point out that any legislative proposals should not contain protectionist elements.

Despite this basic view of a strong, open and competitive trade and single market, the Committee considers that there may be a need to be able to prevent unfair trade and investment practices which lead to a distortion of the single market and which undermine the rules on a level playing field for competition. However, the measures that are taken need to be well-considered. There needs to be a good balance between safeguarding European interests and ensuring that the EU remains attractive to global trade and investors outside the EU, by not introducing measures that obstruct trade and investments in a way that hampers development within the EU

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<sup>1</sup>White Paper on levelling the playing field as regards foreign subsidies (COM(2020) 253) p. 5.

In the White Paper, the Commission states that openness to trade based on a level playing field and the objective of seeking mutually beneficial trade relations are being challenged in the current global economic climate. The Commission further states that there is an increasing number of incidences in which foreign subsidies appear to have facilitated the acquisition of EU undertakings, influenced other investment decisions or have distorted the market behaviour of their beneficiaries. However, the Commission does not establish in the White Paper the extent of the problem of foreign subsidies, or what further measures could be justifiable on the single market.

In the opinion of the Committee, the ideas presented by the Commission in the White Paper need to be expanded. The Committee would have liked to see a more developed background, where the proposals presented by the Commission in the White Paper are supplemented with further facts. In view of this, the Committee would like to point out that it is important that the Commission presents a clearer problem definition, a more in-depth impact assessment and an account of budget implications before any concrete legislative proposals are presented.

Furthermore, the Committee would like to underline that the forthcoming legislative proposal should be as effective and advantageously formulated as possible, from a free-trade perspective, while also protecting the single market from distortive competition on account of unfair practices. It is furthermore important to ensure a positive climate for enterprise and investments, to safeguard the national authorities from an unreasonable administrative burden and not to delay or otherwise obstruct public procurement processes. In addition, it is important that the rules are formulated in a way that is easy for companies to comply with and which does not lead to a greater administrative burden. Increased costs for the Commission should be dealt with by reprioritising.

The Committee also wishes to stress that the type of distortion of competition described in the White Paper is most effectively dealt with by creating global, harmonised rules. If the EU proceeds with the proposal on a unilateral instrument, it should be formulated with the objective that it leads to a multilateral regulatory framework for subsidies. Furthermore, the Committee shares the opinion presented by the Government to the Commission that module 1, that is, ex post facto examination of foreign subsidies with the Commission as the supervisory authority, should be clarified and developed in order to make it possible to implement in practice. In the opinion of the Committee, module 1 - if correctly formulated - would also cover the problems the proposal is intended to address in modules 2 and 3. In addition, the Committee welcomes the fact that the White Paper clarifies that the EU's objective of achieving climate neutrality and protecting the environment should be taken into account. However, the Committee would like to see an analysis of whether the lack of environmental and social criteria for companies in third countries that compete with EU companies on the internal market may be considered to constitute a subsidy of the kind covered by the proposal.

Finally, the Committee welcomes proposals for improvement measures to increase competitiveness both inside the EU and globally and would like to bring to mind that it is important to strengthen the connection between various policy areas in order to promote the functioning of the internal market. In this context, the Committee would like to recall how important it is that the shift to a climate-neutral economy does not happen too late or to an insufficient extent, which in turn would run the risk of having a detrimental effect on competitiveness both inside the EU and globally.

With regard to what has been stated above, the Committee proposes that the Riksdag file the statement.