



# Focus on geopolitics at World Trade Organisation's Ministerial Conference

The 12th Ministerial Conference (MC12) of the World Trade Organisation (WTO) concluded on Friday morning. It was the WTO's first major conference in five years. Addressing the enormous challenges that have paralysed world trade – the COVID-19 pandemic, the war in Ukraine and the food and energy crisis – was on the agenda.

The final agreement which was adopted during the conference concerns areas such as a dispute settlement mechanism to manage and resolve trade conflicts between countries and regions, regulations for vaccine trade, food security, a prohibition of harmful fishing subsidies and continuing to allow free global eCommerce without tariffs.

“I would go so far as to say that we saved world trade at the eleventh hour. Russia's invasion of Ukraine has caused a global food crisis that is having a major impact on the world's poor and has foreshadowed food export restrictions by a number of states. That's why it is very gratifying that the WTO succeeded in agreeing on a Ministerial Declaration on the importance of keeping trade open. Sweden has been a strong driving force behind this,” says Ms Hallberg.

Together with the EU, Sweden pushed to limit, or preferably eliminate, export restrictions on food. Global food prices have increased dramatically due to Russia's invasion of Ukraine, a major wheat producer. This, and the fact that Russia is responsible for the situation, were some of the points that Minister for Foreign Trade Anna Hallberg stressed in her speech at the beginning of the Conference.

“That the WTO has reached an agreement is a welcome, positive sign for multilateral cooperation. Now it’s up to us to manage this mandate. As a strong proponent of free trade and inclusive economic development, Sweden will be an important actor in the coming years, starting with our Presidency of the Council of the EU,” says Ms Hallberg.

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# Impact of Russian invasion on Swedish companies and foreign trade

In light of Russia's invasion of Ukraine and the following sanctions, the Government is now strengthening preparedness for the Swedish business sector and foreign trade through close dialogue with relevant actors. The economic effects on Sweden are currently limited, but the situation concerning increased energy and oil prices, as well as the turbulent capital market, may deteriorate. There may be quite extensive and serious consequences for the world economy, which is why the Government is closely monitoring developments and is prepared to act depending on how events unfold.

The Russian invasion has led to the most serious security situation since the Second World War and is creating great uncertainty. This is illustrated by reactions in financial markets and by the fact that the price of raw materials such as oil and gas has risen, which affects the Swedish economy. The relevant Swedish government agencies are working hard to support Swedish companies by gathering information on how the sanctions against Russia may affect these companies. This can then be used to help them to navigate and make strategic assessments in this very complex situation.

“We must be prepared for both the short-term and the long-term effects of the developments we are currently seeing. Sweden has very strong public finances and so good opportunities to act if and when necessary – depending on how the situation develops. Let me emphasise that the Government greatly appreciates the work and the major efforts that companies with a

presence in Ukraine are making for their staff on the ground. I am proud to be part of a Government that, together with the EU and a host of other countries, stands up for democracy and for the right of each country to determine its own future,” says Minister for Business, Industry and Innovation Karl-Petter Thorwaldsson.

As part of the efforts to strengthen Sweden’s preparedness, the Government is now establishing closer dialogue with the business sector, trade unions and relevant government agencies to obtain an overview of the situation.

“We hope for a speedy end and a withdrawal, but we must prepare for a protracted conflict that will test us as a country and as citizens, and that will test our business sector. We are not yet able to get a full overview of the effects of the crisis. That is why the Government – and I, as Minister for Foreign Trade and Nordic Affairs – see dialogue with the business sector, trade unions and other countries as crucial – we exchange information, pool our strength and work towards a common goal. We are stronger together,” says Ms Hallberg.

### **Sweden’s trade with Ukraine**

Some 90 Swedish companies are active in Ukraine and are now being hit very hard by the war. As a result of the invasion, many of the businesses have ceased their activities. The Government is closely monitoring developments and is regularly in direct contact with Swedish companies operating in Ukraine.

Swedish trade with Ukraine is limited and amounts to less than one per cent of Sweden’s exports and imports. The current assessment is that disruptions will not have a significant impact on society but that individual companies may be affected in the form of restrictions on input products or reduced sales. In general, the impact on Swedish industry is expected to be more indirect rather than direct, i.e. value chains via other countries.

### **Sweden’s trade with Russia**

Russia is no longer an active trading partner of Sweden or of the EU. To date, four massive sanctions packages against Russia have been introduced by the EU and Sweden’s partners. Some 500 Swedish companies are active in Russia, including around 20 large companies and 13 400 employees in Swedish groups in the country (figures from 2019).

Trade with Russia has accounted for 1.3 per cent of Swedish exports. Sweden's dependence on Russian imports is also low. One of the reasons for this is that Sweden's energy sources are largely domestic. Sweden also has the EU's lowest dependence on natural gas and so on Russian energy imports. But Swedish companies and consumers may still be affected by increased energy prices and other indirect trade effects.

Regarding the need for companies to find new supplier routes and trading partners, the Government can provide assistance through Business Sweden and Swedish government agencies. Business Sweden is now redirecting its operations to support Swedish companies to leave Russia. The Nordic Council of Ministers has also decided to suspend all cooperation with Russia and Belarus.

### **New remit to Swedish Defence Research Agency**

The Government has now tasked the Swedish Defence Research Agency (FOI) with identifying Russian investments and economic interests in Sweden. The aim is to obtain a clear picture of Russian economic interests in Sweden. This can help to ensure that there is better compliance with the sanctions system, that law enforcement authorities can obtain information for further action and that the relevant companies are made aware of the sanctions.

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# Work from the innovation partnership programme sparked concerted action on climate transition via standardisation

As a result of the Government's innovation partnership programme Climate neutral industry, the National Board of Trade Sweden was recently tasked with establishing an advisory body with key skills to promote innovative and climate-focused standardisation, and Vinnova has been commissioned to support this work.

“The assignment is a real opportunity for Sweden to concentrate efforts and work strategically in areas in which Sweden is strong and highly innovative, such as fossil-free steel, green hydrogen, sustainable batteries, non-toxic and bio-based products and sustainable cities, particularly since standardisation is also a top priority on the European Commission's agenda for 2022,” says Minister for Business, Industry and Innovation Ibrahim Baylan.

“Sweden will continue to be at the forefront and lead the way for global standards. Standardisation is highly significant for Sweden's foreign trade and competitiveness,” says Anna Hallberg, Minister for Foreign Trade with responsibility for Nordic affairs.

The transition to a circular economy is of the utmost importance in achieving environmental and climate objectives. Proposals regarding the role of standardisation in this work have also been submitted in several roadmaps linked to Fossil Free Sweden and by the Circular Economy Delegation.

“This will bolster the transition towards a circular economy. Standardisation can be an important tool in ensuring resource-efficient, circular and non-toxic product design, and it's something we should promote,” says Minister

for Environment and Climate, Per Bolund.

### **A result of the innovation partnership programme**

The National Board of Trade Sweden has today been tasked with working with Swedish stakeholders to monitor the development of EU standardisation policy and with keeping the Government informed of important factors in standardisation that will impact on the Swedish economy. This new assignment is part of the implementation of the Government's strategies on standardisation, the transition to a circular economy and the export and investment strategy, and has emerged from the work of the Government's innovation partnership programme Climate neutral industry.

Viveca Bergstrand is the project manager of the innovation partnership programme Climate neutral industry, and is delighted that their work resulted in an assignment.

“Since it came into being just before Midsummer 2020, the working group has been working tirelessly, drawing on lots of different skills and experiences, in several different areas, all relating to definitions and measurability to improve clarity, in order to increase the pace of the climate transition. All the initiatives and dialogues within the group are directly or indirectly linked to standardisation.”

**“Unique opportunity for innovative, climate-focused standardisation”**

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# Minister for Foreign Trade Anna Hallberg convenes trade policy expert group

Anna Hallberg has launched a trade policy advisory group to discuss how to shape future trade policy in light of the way the pandemic has changed international trade conditions. The members of the group have a wide range of experience from business, public authorities, trade unions, civil society and academia. The aim is to come up with new and different initiatives to enable trade to be an instrument of change.

The topics for the first meeting held in October 2020 were EU trade policy review and Trade for Health. The second meeting in February 2021 discusses trade and sustainability in a broad perspective, encompassing environmental, climate, economic and social sustainability.

## **Core Members of the group are:**

- Carl-Henric Svanberg, Board Chairman of Volvo Group AB, Chair of the European Round Table for Industry and Chair of the Royal Swedish Academy of Engineering Sciences
- Frédéric Cho, Vice Chairman of the Sweden-China Trade Council and founder of Frédéric Cho Advisory AB
- Hanne Melin Olbe, Global Competition Counsel at eBay Inc and member of the European Commission's Strategic Policy Forum on Digital Entrepreneurship
- Johan Kuylenstierna, Chair of the Swedish Climate Policy Council and former Executive Director of Stockholm Environment Institute
- Mattias Perjos, President and CEO of Getinge
- Rune Bjerke, Member of Norsk Hydro's board, member of the Norge mot 2025 committee and former CEO of DNB ASA



- Susanna Gideonsson, President of the Swedish Trade Union Confederation (LO)
- Anders Ahnlid, Director General of the National Board of Trade and former Ambassador of Sweden to Finland
- Carin Jämtin, Director General of the Swedish International Development Cooperation Agency (Sida)

**The international experts connected with the group are:**

- Deborah Elms, founder and Executive Director of the Asian Trade Centre and President of the Advisory Board of the Asia Business Trade Association
- Gabriel Zucman, Associate Professor of Economics at the University of California, Berkeley
- Gordon Brown, UN Special Envoy for Education and former Prime Minister of the United Kingdom
- Martin Sandbu, European Economics Commentator at the Financial Times
- Susan Schwab, Strategic Advisor in Mayer Brown's International Trade Practice and Trade Representative under President George W. Bush

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# Necessary preparations ahead of UK withdrawal from EU customs union

The United Kingdom's transition period ends at the end of this year and will then have fully withdrawn from the EU. It is still unclear what trade conditions will apply, but trading with the UK will in any case be more difficult. Preparations ahead of next year by both public authorities and businesses in Sweden are of central importance, say Hans Dahlgren and Anna Hallberg during a digital visit to Swedish Customs.

Negotiations between the UK and the EU on a future agreement are now in an intensive final phase. Regardless of whether or not an agreement is reached, it will be a new situation for both Swedish businesses and public authorities. On Friday 6 November, Minister for EU Affairs Hans Dahlgren and Minister for Foreign Trade and Nordic Affairs Anna Hallberg paid a digital visit to Swedish Customs to learn about the agency's preparations ahead of the UK's complete withdrawal from the EU at the end of this year.

“What the exact conditions will be remain to be seen. From Sweden's perspective, our sincere hope is that the negotiators succeed and reach an agreement. This can be resolved – and it would be good for all parties involved,” says Mr Dahlgren.

Swedish Customs is a key actor in the trade chain and one of the public authorities whose work to a great extent will be affected by the UK's withdrawal. Their preparations have long been under way and on Friday, the ministers were informed of this work.

“A major transition can be expected in the new year, regardless of whether

or not an agreement is reached. It is therefore important that our public authorities are well prepared ahead of these changes, no matter the scenario. Swedish Customs is definitely a central authority for dealing with the changed conditions for the flow of goods between Sweden and the UK. And my distinct impression is that Swedish Customs is well prepared for this,” says Mr Dahlgren.

#### **Difficult situation for Swedish businesses**

The UK is one of Sweden’s most important trading partners, and the end of the transition period will affect many Swedish businesses.

“It will no longer be possible to take common regulations, standards and freedom of movement for granted. Goods that are currently automatically approved in the entire EU will no longer have this approval,” says Ms Hallberg.

Ms Hallberg points out that companies that do not have experience of trading with countries outside the EU – often small and medium-sized companies – will need to ensure that they apply for the necessary permits and review their delivery chains, etc. Even if an agreement between the UK and the EU is reached, there will still be customs formalities that must be observed.

“My advice is that all companies should set aside time – a whole or half day – to analyse current trade patterns and identify the measures that need to be taken. Good guidance is available on the Swedish Customs and National Board of Trade websites,” says Ms Hallberg.

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# Minister for EU Affairs Hans Dahlgren and Minister for Foreign Trade and Nordic Affairs Anna Hallberg ahead of the UK withdrawal from the EU

The UK left the EU on 1 February. What happens now and what does the transition period that begins entail? What form will future relations between the EU and the UK take? Minister for EU Affairs Hans Dahlgren and Minister for Foreign Trade and Nordic Affairs Anna Hallberg discuss some of the details in an interview.

**The UK will leave the EU at midnight on 31 January. What is your view on this?**

**Hans Dahlgren, Minister for EU Affairs:**

“They have taken a democratic decision and now it’s a matter of making the best of the situation. We have a great deal of contact with the UK. We buy and sell a lot of goods from one another. There are many Swedes who work and study there, and we have many UK nationals living in Sweden. We need to maintain a good relationship moving ahead, and that’s what we will focus on in the coming year.”

**Anna Hallberg, Minister for Foreign Trade and Nordic Affairs:**

“Now we really have to look to the future. The UK is one of our most important trading partners. We have 30 000 companies that trade daily with the UK. This affects jobs and welfare throughout the country. Now we really have to make sure we have a really good basis to maintain good trade relations with the UK in the future.”

**After the UK leaves the EU, there will be a transition period until 31**

## **December 2020. What does this entail?**

### **Hans Dahlgren, Minister for EU Affairs:**

“Throughout the year, up until 31 December, essentially the same conditions will apply as when the UK was a member. This means that they are still in the single market. They are still in the customs union. The same regulations apply regarding travel and visits. The only difference is that they will no longer have any influence over what we decide in the EU. They cannot be involved with the European Council, the European Court of Justice or the European Parliament. But this only applies this year, and we must make the best possible use of this time to reach a new relationship and new agreements with the UK.”

### **Anna Hallberg, Minister for Foreign Trade and Nordic Affairs:**

“The Government gives priority to jobs and welfare, and so the UK represents an important partner for us when it comes to creating jobs and welfare among all the 30 000 companies that trade with the UK. For us, it is important to reach a good trade agreement and to prioritise issues such as trade in goods and services, and that we can continue our successful research cooperation with the UK.”

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# Drive for Democracy takes shape

Strengthened engagement for democracy was announced in the 2019 Statement of Foreign Policy and in the Swedish Foreign Service's strategic vision for the electoral period. Sweden will stand up for democratic principles and support democracy in all contexts. On 21 November 2019, the Drive for Democracy was presented to the Riksdag Committee on Foreign Affairs by Minister for Foreign Affairs Ann Linde and Minister for International Development Cooperation Peter Eriksson.

In brief, the Drive for Democracy makes it clear that Sweden will stand up for democratic principles in all contexts, work to help strengthen democracy, and voice criticism against democratic deficits or risks of backsliding. Like the feminist foreign policy, the idea is for the democracy perspective to permeate the work of the Swedish Foreign Service and cover all foreign policy and Ministry for Foreign Affairs areas of activity: foreign and security policy; international development cooperation policy and international trade and promotion.

## **The term 'democracy'**

Sweden bases its work on a broad definition of term 'democracy', which means much more than free and fair elections. This definition and its components guide the work on the Drive for Democracy.

**Citizen participation:** a vibrant civil society, national and local elections.

**Representative governance:** free and fair elections, universal suffrage, independent political parties.

**Rights:** access to justice, enjoyment of human rights – not least freedom of expression, social and economic rights, and equality.

**Separation of powers:** well-functioning parliaments, independence of judicial systems, free and independent media.

**Independent institutions:** predictable execution of decisions, absence of corruption.

### **Framework of strategic objectives**

A special framework of strategic objectives has been drafted to set out the direction of the Drive for Democracy.

Examples of concrete activities within the framework of the Drive for Democracy include the levelling up democracy assistance, the creation of a new network for enhanced dialogue with other countries and actors on democracy and the development of the feminist foreign policy through activities that contribute to improving women's enjoyment of human rights, and increased influence of women in democracy.

The Drive for Democracy also has a particular focus on engaging young people. As a part of this, missions abroad have been asked to hold local discussions on democracy, called Democracy Talks, with young people throughout the world. The ambition is for the participants' ideas and reflections to be funnelled into a larger Democracy Talks event to be held in Sweden in 2021 in connection with the centenary of Swedish democracy.

### **Priority areas**

The following areas may be seen as starting points and inspiration for how the Ministry for Foreign Affairs and missions abroad are to continue working on the Drive for Democracy:

- Promote and strengthen civil society, including human rights defenders. Trade union organisations also play a crucial role in strengthening people's opportunities to influence their everyday lives and must be supported.

- Strengthen free and independent media and democratic voices (such as cultural workers), including on the internet, to combat disinformation.
- Support democratic processes and election authorities.
- Promote the growth of effective and independent institutions, including the absence of corruption.
- Promote equality.
- Strengthen political systems with competing political parties (including parliaments).
- Support the strengthening of respect for the rule of law.
- Promote and protect the enjoyment of human rights by all.
- Strengthen women's political participation.
- Promote young people's democratic engagement.

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