



Government Offices of Sweden

Speech from Ministry of Finance

Speech by Magdalena Andersson at Conference on carbon pricing and aviation taxes

Published 20 June 2019

The Hague, 20 June 2019. Check against delivery.

Ladies and gentlemen,

Dear colleagues,

Thank you for the invitation to speak here today. Special thanks to the Government of Netherlands for bringing the climate impact from aviation to the forefront of the international agenda. Thank you for taking initiative to this very important conference. Seeing so many of you here today makes me hopeful of what we can achieve together. Because, as you all know, taxing emissions from international aviation cannot be achieved unless we do it together.

But before we dig into the tool box - why are we here? Why am I speaking to you today? After all, I am a Minister for Finance - not environment. Is climate change important to a Minister for Finance? I am here today, on the brink of our Swedish midsummer festivities, because it is. Let me give you three reasons.

First of all, our children and grandchildren. Greta Thunberg, our Swedish 16-year-old climate activist, has grasped what very many of us adults have not. She calls climate change an "existential crisis" and is urging us to listen to the scientists.

When the young generation is urging leaders of the world to stop ignoring facts, what could be more important? There is still a long line of powerful and influential people who deny the need for change. This may be

discouraging, but there is no time to give up. This is what Pope Francis, the spiritual leader of over 1 billion people, did in May when he gathered finance ministers from all over the world. He said to us:

“Time is of essence. We await your decisive action for the sake of all humanity.”

His message is loud and clear. We need to take action. Now. And that’s why we’re here today.

Second of all, we must understand that climate change means huge costs. Human costs for sure, whether they are caused by droughts in Australia, cyclones in Mozambique or fires in Portugal and Greece. But also costs for our treasuries.

I know that for the Netherlands the struggle against climate change has been present and concrete for a long time. The amounts of money you have had to invest in fighting the flooding is something I, as a Minister for Finance, am not envying for a second.

Last year also Sweden got a real feeling of what threat climate change is posing to us. As you may know, summer tourists in Sweden are generally spending their vacation budget on coats and umbrellas. But last summer, we were suddenly experiencing the warmest summer since measurements started 260 years ago. Only kilometres from where I live, woodland caught fire and burnt down as my neighbours and I were standing on the cliffs watching the skilled Italian firefighter planes from EU’s Civil Protection Mechanism. The drought continued throughout the whole summer and led to the most widely-spread forest fires in modern times.

All the damage from last summer has cost the Swedish Government over two hundred million euros to relieve local governments and to forest owners for increased costs and to farmers for increased costs and income losses. Money we could have spent on health care and education.

My third reason for being here today, is that Ministers for Finance have the money to invest in actions against climate change. And we need a lot of money – because building a climate-friendly society will cost a lot of money. Because we need to do a lot of investments: to electrify our transports, to have green electricity, to isolate our buildings etc etc

I am part of the “Coalition of Finance Ministers for Climate Action” which

was started exactly for this reason. So, for these good reasons, Ministers of Finance should be working hard on replacing fossil fuel in our societies.

But the investments require something else. Something more. It requires financing.

There is only one way to finance these costs created by climate change – this is through taxes. The structural changes that are required to stop climate change will not happen through voluntary contributions or market solutions. We cannot rely on goodwill or corporate social responsibility actions. Or, as the Dutch historian Rutger Bregman said at Davos this year: “Taxes, taxes, taxes, and all the rest is bullshit in my opinion”.

Particularly interesting is environmental taxation. Such taxation can serve multiple purposes; it raises revenue for climate investments and at the same time changes behaviour. Market externalities are priced better. A win-win situation.

To put a price on carbon can make people change their behaviour. It may get them to choose wiser.

Carbon pricing also makes investments in biofuels technologies economically beneficial and ensures that fossil fuels are priced fairer and therefore used efficiently. To me, this is also smart economics. The polluter pays principle is favoured by economics. It's a wise principle.

But –in a democracy, we also need to win the hearts of the people. This is very much the case when it comes to environmental taxes. Why, well first because environmental taxes tend to be regressive rather than progressive. Second because it often takes an investment to lower your carbon print. For people with low incomes it can therefore be difficult to participate. Environmental taxes therefore require careful analysis to make sure the consequences are fair.

Sweden has a long and good experience of carbon taxation. We have applied a carbon tax for more than 25 years. I hear that the Netherlands and Germany are discussing a carbon tax. It makes me hopeful. The Swedish carbon tax has been an effective instrument for decreasing emissions of greenhouse gases while maintaining economic growth. The Swedish example shows that decoupling between emissions of greenhouse gases and economic growth is in fact possible. One large adjustment has been to phase out oil heating in our Swedish homes. Carbon tax was one reason. We also

introduced an incentive when installing alternative, climate-friendly, heating. And I can assure you, no Swede misses oil heating anymore.

Swedes don't miss it, because we still do heat up our houses in Sweden. Just not using very much oil anymore.

Pollutions by oil heating or driving a car are bad. Pollutions by air plane are worse – since emissions have a doubled effect in high altitude. And still there is no carbon tax for aviation. This is the reason why last year, the expression “fly shaming”, in Swedish “flygskam”, was acknowledged as a new expression in the Swedish language. It is described as “a feeling of that it, from an environmental point of view, is reprehensible to fly”. I am not here to give you (or me!) this. I am here to propose concrete actions – we want the world to be connected. Just not by fossil fuels. That is why we are here today.

So what do we do? Well, we should simply have the possibility to introduce a carbon tax on fossil aviation fuel.

The obstacle that Ministers for Finance all over the world have when it comes to taxation of aviation fuel, is the Convention on International Civil Aviation and the policies of the ICAO connected to this convention.

The convention is old; much older than myself and Greta Thunberg together. It was designed in another time; in a time where the second world war was about to end and aviation was in its cradle. Don't get me wrong, it made sense at the time. Aviation has brought us closer and has been a driver of trade and economic growth. But we now have new challenges.

As I see it, the convention itself is not as big of a problem as the policies from the 90's of the ICAO. These policies are the real problem when it comes to taxing aviation fuel the way we want. Sweden, as well as Norway and the Netherlands and some other countries, have made reservations to the policies. We made reservations because we did not agree with the policies. And our disagreement is even stronger today.

To tax aviation fuel would make a lot of sense. Just as the carbon tax on other fossil fuels. But not only would it address climate change. It would also address imbalances that exists between different means of transportation today, where we have taxes on fuel in our cars – but not in airplanes.

So, in addition to environmental reasons, a tax on aviation fuel would also

benefit competition. Because today, all we have is a huge exception for the aviation sector when it comes to fossil fuel. This is a harmful subsidy.

Just like the carbon tax, a tax on aviation fuel would meet the polluter pays principle and raise public funds that could be used for necessary investments, not least in the climate. It would also be easy to administer for both authorities and companies.

A tax on aviation fuel can change people's behaviour. It would be a reminder that what they are dealing with is polluting our climate. And that someone needs to pay for it.

And one of the most important impacts, is that a tax on aviation fuel would stimulate both energy efficiency and the reduction of fossil fuels. Taxing the fossil component of the fuel could also stimulate the much-needed production of bio fuels for airlines.

Since high-income households fly more frequently and longer distances than households with lower incomes a tax on aviation fuel is to a greater extent paid by high income earners.

As I have already said; there are challenges. Let's be clear about that.

If we are going to make progress when it comes to the policies of the ICAO, we are much stronger together than alone. This is part of the agreement that forms the basis for the Swedish Government following last year's election. It seems to me this should be part of the tool-box for the "Coalition of Finance Ministers for Climate Action

But to be honest, this could take time. So what steps can we take in the meantime?

We of course have trading schemes in the form of EU ETS. The EU ETS provides further regulation of flights within the EU but it does not replace the need for taxes. Also, the level of ambition of the EU-ETS needs to be enhanced to ensure that aviation contributes sufficiently to the 1.5 degree objectives of the Paris Agreement.

When it comes to CORSIA, it can only become a relevant policy tool if it is ambitious enough. What is outlined in CORSIA so far is by no means sufficient in order to tackle the climate challenge. Thus, we need stronger actions internationally, bilaterally and nationally.

Since we cannot base our taxation of international aviation on fuel tax yet, several countries have tried other measures. But to tax the aviation sector has been proved very hard. Several countries have introduced aviation tax and then abolished it. It has been hard also in Sweden.

During 2006, when I was State Secretary for taxation, the Swedish government proposed a tax on air travel. But since certain parts of Sweden were to be exempted we needed a state aid approval from the Commission. And before such an approval was obtained we had an election, where my party lost power. And the new government decided not to go ahead with the tax.

Then in 2017, now as a Minister of Finance, I started to work on that tax again. During these discussions there were even threats from the political opposition to carry out a vote of no confidence against myself in parliament if we went ahead with the tax. We did anyway, and it was introduced.

Then we had elections again and it was close to being abolished but earlier this week Parliament confirmed that it stays. So, both I and our aviation tax are still going strong.

And now, public opinion polls even show a majority approval of the Swedish aviation tax. People seem to be ok with paying a few more euros when they buy their ticket. And perhaps some of them choose to take the train instead.

The tax is an important signal to our citizens that we need to phase out fossils fuels and that every sector needs to take its responsibility. Even if the tax is not high, it is a nudge from the state that if you can choose some other mean of transportation, please do so. If you don't, we want you to pay for your emissions.

From MY perspective, as the Minister for Finance, the tax on air travel is a well-motivated source of money and since the airline that carries out the flight is liable to the tax, it is easy to collect.

If we are going to be serious about the Paris agreement, and we are, it is obvious that no sector can be totally without economic measures and in that sense not paying for at least a part of their climate costs. To all of you who don't tax air travel I, can just say that it works for us.

The tax on air travel in Sweden now stays. But this is not our preferred option, because it would make much more sense to actually tax the fuel and

the emissions than to tax the journey itself.

So, one way that is taking this further while we are working on a global change of the ICAO policies, can be agreements between EU member states on taxing aviation fuel. This is explicitly allowed according to the EU energy tax directive.

I can see bilateral agreements as a way forward or why not a convention for more and more member states to enter into?

This way we could to provide good examples to show that this is possible. Agreements on taxation have worked well in other areas. One example is heavy goods vehicles where Sweden and the Netherlands are working together with Denmark and Luxembourg. We have a common system for levying taxes and sharing costs. Before it was introduced, many people who said it was not realistic to levy tax this way. This is now a stable system that has been running for a long time.

Maybe it's time to start discussing if we could do something similar when it comes to aviation.

This is one of the things I hope you will discuss during this conference.

To wrap this up: US Supreme Court Justice Oliver Wendell Holmes Jr stated in 1927: "Taxes are what we pay for civilized society". In a civilised society we have to address the consequences of climate change. For this, we need Ministers of Finance that take responsibility. In a preventive way, through environmental taxes, investments to replace fossil fuel and adjustments that will protect us better through extreme weathers. But also, that are ready when there is an emergency.

This is the most fundamental issue for our generation. This is what our youngsters urge us to do. This is what we owe them.

We need to fill up the tool box for aviation taxation and it is urgent. Let's get to work.



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Speech from Ministry of Finance

Speech by Minister for Finance Magdalena Andersson at Stockholm Tax Conference Concerning Capacity Building

Published 01 June 2018

Stockholm, 30 May 2018 Check against delivery

His Excellency President Mbeki,

Excellencies,

Distinguished delegates,

I would hereby like to welcome you to the Stockholm Tax Conference and to the intensive and important work on capacity-building that we have ahead of us.

Seeing so many of you here makes me hopeful of what we can achieve together. But the agenda is long and our time is short – so let me get right into the topic.

I would like to focus on what, in my experience, is important to create an effective tax administration.

First of all, let me take a step back and talk briefly about taxation as a concept.

What is tax? As US Supreme Court Justice Oliver Wendell Holmes Jr stated in 1927: "Taxes are what we pay for civilized society".

I agree. To achieve a society where we do not resort to the rule of force, but

instead can rely on the rule of law, we need taxation.

Our people and property need protection, regardless of income. Police is necessary and territories must be secured, and we must ensure equal justice for everyone.

Taxation is the only way to guarantee this for each of our residents.

But tax is more than that. Tax can also be smart economics. Paying taxes will make us richer in the long run. If – and I mean IF – taxes are spent well and levied well.

To me, tax is spent well when it is providing businesses with infrastructure and helping to educate the workforce. Then taxes are good for our companies and for innovation.

Tax is spent well when it is creating growth that is inclusive – economic growth for the benefit of a good society.

Inclusive growth is created when boys and girls have the right to attend high quality schools, when higher education is accessible regardless of your parents' income, and when affordable healthcare is available for all.

And taxes can have a role in creating a structure that benefits economic growth. Let me give you an example.

Even if we in Sweden have high taxes from a global perspective, our employment rate is the highest that has ever been measured in an EU country.

High female labor force participation is an important explanation.

How did we achieve this?

First, we abolished joint taxation in 1971. With separate income taxation the marginal tax decreased dramatically for families when women started to work. And more women entered the labor market.

Number two, publicly funded parental leave and high-quality child care, and number three – often forgotten – publicly funded elderly care.

This structure makes it possible for women and men to combine family life

and working life.

To fund this structure with taxes is smart economics. A structure where women can work increases economic growth and makes it more inclusive.

So, what does spending taxes well have to do with capacity-building? Well, it's about trust.

Trust between the legislator and the taxpayer.

As a taxpayer, not only do I want to know where my money goes, I also want to support this use of the tax money. I want to know it is spent carefully and wisely on things that benefit our society. Then I'm willing to comply with the tax rules.

But not only do I want to support the use of the taxes; the levying of the taxes itself also needs to be fair.

So, let me move on to fair taxation.

When there is a call for tax breaks from a certain group or interest, theories in the field of behavioural economics are useful to test against the broader aim of fair taxation.

Let me explain this by painting a picture.

Imagine two children who you suddenly decide to serve a glass of fruit punch on a sunny afternoon.

One child gets half a glass, while the other's glass is filled to the brim.

Behavioural economics and the prospect theory, developed by Nobel laureate Daniel Kahneman, were crucial in explaining in economic theory what every parent has known for generations.

Namely that you would end up comforting an upset child.

In the same way, the tax system must be fair to maintain its legitimacy.

Everyone needs to pay their fair share of the taxes, which means that we have broad tax bases and few exceptions.

Basically, my aim is to have as neutral a tax system as possible.

As soon as you give one person, company or interest group a tax break, you need to consider the other one standing next to it with a half-empty lass of fruit punch.

This is also the one explanation of my commitment and determination to fight tax evasion. If someone slips through the system, it is very difficult to keep other taxpayers motivated. Fighting tax evasion is crucial for the legitimacy of our tax system.

Quite simply, you need to distribute the fruit punch in a way that is fair and accepted, or you will end up spending a lot of money buying more fruit punch.

But even if the spending of the taxes is supported and tax legislation is fair, there is still one factor left: the relationship between the taxpayer and the tax authority.

And this relationship is also about, yes, trust.

This is something we have spent much time and effort on. In Sweden, in fact, even though we have high taxes, I am very proud to say that the Tax Agency is the most popular government agency in Sweden.

It has been a long journey from a feared tax collector to a popular service agency whose motto is: "Our vision is a society where everyone is willing to pay their fair share."

This journey has happened thanks to its service oriented attitude and professional services to the taxpayers – their pre-printed, simple tax returns and easy access to the Agency by phone.

Few people need to pay for legal advice on their tax return in Sweden.

One key aspect has been the clear context for employees of the Tax Agency that they are working to create a better society. And that citizens who contact the Tax Agency do so because they want to pay their taxes.

So again, it comes back to mutual trust.

This is all capacity-building in practice. Spending taxes carefully and wisely, creating a fair tax system and well-functioning service oriented tax agencies.

Capacity-building is high on the international agenda. The 2015 Addis Ababa

Action Agenda on Financing for Development and the 2030 Agenda identify domestic resource mobilization as a key area.

Sweden was one of the signatories of the Addis Tax Initiative that was launched in Addis in 2015.

Sweden offered to host this international conference to contribute to stronger tax administrations across the globe.

The aim is to strengthen the capacity of low-income and middle-income countries and facilitate the implementation of effective tax policies through dialogue and experience exchange.

The conference will feature case studies for mutual learning in plenary as well as working sessions. The emphasis will be on best practices and technical and administrative expertise.

I hope this conference will bring forward the work that started in Addis in 2015.

I hope that we can take with us a lot of good examples to pave the way for more inclusive and efficient work on capacity-building. The base for a civilized society.

Thank you, and welcome once again to the Stockholm Tax Conference.



Government Offices of Sweden

Speech from Ministry of Finance

Speech by Minister for Finance Magdalena Andersson at the Policy Networks conference" "Beyond Brexit: Can the EU-27 re- engineer growth?".

Published 24 October 2016 Updated 24 October 2016

London, 24 October 2016. Check against delivery.

Thank you so much for the invitation.

Today we see worrying tendencies towards beliefs in simplified solutions, in Europe and elsewhere. Quick fixes and promises without substance are abundant in the debate. The political landscape is getting more difficult for responsible politicians.

And so are the policy challenges such as large migration flows, rapid technological change, and the continued rise of income and wealth inequalities. Policy challenges we know only can be addressed by collective solutions and international cooperation. Yet, the debate is often going in the other direction.

But one thing is clear, both the real challenges and the political debate would benefit greatly if we would see better growth. So the theme for this session is well chosen. We need a growth agenda for Europe...

I'm going to talk a lot about the European Union. And I will be critical. And Sweden is often seen as an EU-sceptic country, together with the UK. So let me just make clear that Swedes are in general in favour of the EU. In fact, Swedish public opinion towards the EU has become more positive after the Brexit vote.

And I agree. We need a well-functioning European cooperation. Without for a moment forgetting problems and deficiencies, the EU single market is the world's largest domestic market, we have the four freedoms, applying to 500 million citizens and to our firms. For a small and open economy like Sweden – being part of this market is a great advantage.

But let's now turn to problems, challenges, and hopefully some potential solutions, that is the job of politicians.

We know that growth has been low ever since the financial crisis. When it hit, it became painfully obvious that we were not prepared for it. We simply did not have our house in order. A lot has been done since then, both at the national level and at the EU level, but we are still confronted with serious problems.

Trend growth is low. So is productivity. Unemployment is very high in several Member States. The banking system has weaknesses. Public debt levels are high, implying no or limited room for manoeuvre for national fiscal policy. Underlying some of these problems may be structural changes that have led to a fall in the natural interest rate and thereby difficulties for monetary policy to support growth and employment.

Our economies are also burdened by recent shocks. We have seen an unparalleled inflow of migrants, where a few countries shouldered most of the responsibility. Sweden for instance. The referendum here in the UK to leave the EU did not have the outcome I think most of us in this room were hoping for. Furthermore, there is not enough progress with the important free trade agreements with Canada and the USA.

There are a lot of challenges. And I see people having very different solutions to those challenges.

Some say that now is the time for further EU integration. For new grand projects in Europe. A fiscal capacity or a Eurozone finance minister, for instance.

Others, including Sweden, think that we should focus on well-needed structural reforms, implementation of the frameworks we have already agreed on and on policy areas where there is a clear added-value of working together.

It is clear that the EU has a confidence problem. I believe the European

Union needs to focus on those tasks that generate value for the citizens. Where there is a clear added value of acting together. Active collaboration against terrorism and organized crime, effective supervision of our external borders and a shared responsibility for asylum seekers, joint efforts against climate change and, the further initiatives to promote more and better jobs within Europe.

But we need to be careful going forward. For some challenges EU-institutions and bodies are best suited to address common cross-border challenges, whereas for others national authorities are far better at identifying challenges, as well as shaping and executing policies at national level. Striking the right balance between EU and national responsibilities is therefore key.

Frankly, I have seen many demonstrations across Europe the last years. But I have very seldom heard demonstrators shouting – more power to Brussels.

So –what do we do instead? What should a growth agenda look like? Well, I think we should do four things. We clean up our public finances and the European banking sector, we implement already agreed on measures such as the investment plan for Europe, we renew our efforts to finalize trade deals with Canada and USA and we carry out structural reforms on a national level.

First – I cannot see how we can renew growth and become an investment-friendly continent as long as many countries run large deficits and have very high public debt.

But, this is not only me. We have agreed on the Growth and Stability pact. A pact that stipulates no more than 3 percent deficit and a maximum public debt of 60 percent of GDP. And we have agreed on this for a reason. Namely that it is sound economic policy – not an unwelcome constraint. So we have a pact that we have all agreed on. Why don't we just stick to it.

Don't get me wrong - I did not join the social democratic party some 35 years ago because of my deep conviction of sound public finances or my love for fiscal policy frameworks. I wanted to change the world, like many of us - I still do. But one crucial thing has changed. With age and experience comes the insight that the world cannot be changed without the responsible use of our common resources.

Too often we hear of a false contradiction between sound public finances on

the one hand and growth and employment on the other hand. I do not agree with that. Sound public finances are a prerequisite for growth and employment. Jobs and growth must be built on a solid foundation. Investments are not drawn to countries with unstable macroeconomics.

We are therefore deeply worried about the disrespect for the rules in the Stability and Growth Pact. The tendency to make the rules more and more flexible and to create additional loopholes is a cause of concern. We have endless EU discussions among ministers and technical experts on creative accounting, on extra time for complying, on bending the rules in ever more inventive ways. The countries which are fighting hardest for changes in this direction, do they have the best growth and employment record? No, they certainly do not. Deficit and debt is not the road to sustainable growth and employment.

The euro would be a stronger project with sounder public finances. One effect is that there is less room – or no room – to use fiscal policy in a downturn. When the next crisis comes – and it will come – the Eurozone is more vulnerable. History tells us that this will hurt the weakest in society. Basically, it is time for each Member State to do its home work. There are no shortcuts. Weakening the Growth and Stability Pact is not a shortcut. Nor is a fiscal capacity for the Eurozone or Euro finance minister. We simply need more budget discipline.

But we also need to clean up the balance sheets of the European banking sector. As with public finances, we can't really talk about growth before we've done that. Banks not only play a key role in financing the private investments, worries around banks also tend to spill back on the country itself. For instance by pushing government borrowing rates higher or decreasing foreign investment because of fears of an unstable banking system. In my view, stabilising the European banking sector could deliver more investments and growth within the Eurozone than a further deepening of the monetary union ever could.

And, to be fair, a lot has been done since the financial crisis in this area. The introduction of a Banking Union. Higher capital requirements, a new resolution framework, a single supervisory mechanism.

But still, the latest update from the European Banking Authority showed that the non-performing loans of banks in the EU remain up to three times higher than in other global jurisdictions.[1] That's just not sustainable. More has to be done.

So, sound public finances and stable banks. The second thing we need to do is to implement the investment plan we decided on last year. The plan, called the Juncker plan, rests on three pillars.

- The European Fund for Strategic Investments, or Efsi, which is supposed to mobilise investments of at least €315 billion in three years.
- A list of projects as well as an advisory hub supporting investment.
- And the third pillar of the investment plan is creating an investment friendly environment.

This is to me the most important pillar. We need to do more here. Because, given the low interest rates – why doesn't private companies decide to do more investments? How can Europe become more attractive for private investments?

For a start, we should continue to strengthen the single market. Here, the EU has launched a number of interesting initiatives. We are very supportive of Frans Timmerman's better regulation agenda. We are also supportive of the aim of the capital market's union, to provide a complement to bank funding. The digital single market is another important priority. We need to harness the growth potential of increased eCommerce through harmonised regulations as well as simplified and more secure online payments and data flows. We will also work for an energy union with forward-looking climate policies.

The third thing we do is finish the trade agreements with Canada and the USA. We will fight for them.

But we know that globalisation and free trade are currently coming increasingly under fire, paradoxically in some countries that benefit tremendously from free trade.

The fact that countries on the whole benefit from free trade and globalization doesn't automatically make each and every one better off. The last decades of world growth have improved living-conditions for millions and millions of families. At the same time, working class families in several OECD-countries have not had the same experience. As an example, the bottom half of the income distribution in the US has only seen 8 percent increase in real wages since 1979.

Their jobs have moved to Asia, or have been taken over by robots. They are worried about their future and many feel insecure.

So they are, not only in the US, rather skeptical towards more globalization, more free trade. Some see no point in being part of the European Union any more.

If we, as politicians are to reverse this trend, if we want to increase global trade, and see new free trade agreements we have to make sure that all our citizens are winners in the globalized economy. That means more redistribution. Of possibilities. And of outcomes.

I see two structural reforms on the national level that provides a base if we are to act against anti-digitalisation and anti-globalisation sentiment. The first one is creating a stronger safety net. Where a decent unemployment insurance is number one. An unemployment insurance on a level that ensures that you don't need to sell your house the first month of being unemployed. Preferably an insurance with requirements on the unemployed to be active.

The second is an active labour market policy. Life-long learning. When I'm unemployed because my job is now done by a machine – or has moved to China – I must have the possibility to re-educate and re-train for another job. It is obvious. It is a smart way to use human capital. But it is too often not done.

Here I see a lot of reform potential and this is an area my government has been very active.

But, it's not only about providing adult education - because we know that people who have a good educational base to stand on have an easier time learning new things when older. So it goes all the way back to having good pre-schools. Basically, it goes back to Tony Blair, and politicians' world wide's most important task. Education, education, education.

A modern labour market can never protect jobs. But it can protect workers through decent unemployment insurance and a good opportunity to re-train. If we as politicians don't provide that – we cannot expect citizens to be enthusiastic about globalization.

But to be honest. This will not be enough. We will have to work more on redistribution. If the rising inequalities are not dealt with by serious political alternatives – other, sometimes frightening alternatives will pop up. And we already see it happening.

Other obvious growth-enhancing structural reforms are the ones that increase women's labour force participation rates. Publically financed child and elderly care as well as paid parental leave are examples of such reforms. Gender equality, through women's increased labour participation, will increase national growth prospects. This is will be important, not least given the demographic situation we are facing in Europe. In McKinsey's Global Gender Gap Report 2015 advancing women's equality is estimated to add 12 trillion US dollars to global GDP by 2025 (11 percent). In a "full potential" scenario in which women play an identical role in labour markets to that of men, as much as 28 trillion US dollars (26 percent) could be added to global annual GDP by 2025. In the words of Christine Lagarde, "women's empowerment is not just a fundamentally moral cause; it is also an absolute economic no-brainer"

To sum up – do I think we can revamp growth in Europe? Absolutely.

Number one: We have to get the basics right.

Sound public finances and a well-functioning banking sector.

Number two: Implement the third pillar of the Juncker plan by strengthening the single market.

Number three: strengthen Europe as an open and free-trade oriented continent by and renewing the efforts to finish negotiations on trade agreements with the outer world.

Number four: Structural reforms on the national level to protect workers, invest in education and increase female labour force participation.

This would at least be a good start for a European growth agenda.

Let me finish by saying a few words about the relationship between the UK, Sweden and Europe after the referendum

The overarching goal for Sweden is to preserve a strong and effective EU for the future, while at the same time preserving a close relationship between the EU and the UK. I think the focus should be on minimizing the joint loss of this separation

That being said, I think there needs to be awareness that there can't be cherry-picking. With access to the single market comes regulation, and the four freedoms are closely interlinked.

But my premise is that we should work towards a deal that is as beneficial as possible for both the UK and the European Union. And I think that will be important for future growth – in the EU and the UK.

In many respects, Sweden and the UK have had similar views on the EU cooperation. Together we have advocated a strong EU agenda on climate issues which contributed to a new, ambitious climate agreement in Paris.

Along with the UK, Sweden has worked to develop the EU's single market and an open trade to the outside world. At the last hearing on the EU's long-term budget, we succeeded to not only defend and preserve our rebates, but also for the first time reduce the total EU budget and redirect the money to more growth enhancing measures.

The UK also has safeguarded the interests of those member states, including Sweden, that have not adopted the single currency.

So, from a Swedish perspective, you will be greatly missed. At the same time – I'm certain that we will find new ways to cooperate after Brexit.

Thank you.

[1] 5.7% in EU, 1.7% in the U.S. and 1.6% in Japan.



Government Offices of Sweden

Speech from Ministry of Finance

Speech by Minister for Finance Magdalena Andersson at "Finanz im Dialog" in Vienna

Published 18 October 2016 Updated 18 October 2016

Check against delivery.

Speech by Minister for Finance Magdalena Andersson at "Finanz im Dialog" in Vienna, 17 October 2016.



Government Offices of Sweden

Speech from Ministry of Finance

Speech by Minister for Finance Magdalena Andersson at the EU Budget Focused on Results Conference in Brussels

Published 28 September 2016 Updated 28 September 2016

Brussels, 27 September 2016. Check against delivery.

Ladies, Gentlemen

I wish to thank Kristalina Georgieva – for the invitation and the possibility to speak today.

The EU-budget in general

Let me start by two remarks on the EU-budget in general.

Firstly, the European Union and our Member States face a number of challenges. When talking about the EU-budget, I think it is important to start thinking about which ones ought to be addressed by the EU-budget and which ones shouldn't.

For some challenges EU-institutions and bodies are best suited to address common cross-border challenges, whereas for others national authorities are far better at identifying local challenges, as well as shaping and executing policies at local level. Striking the right balance between EU and national responsibilities is therefore key.

One of the most urgent challenges we are facing is the low growth in our union. This is however not a challenge that to any larger extent either can or should be solved by the EU-budget. Instead this calls for national structural reforms that can permanently increase potential growth in the Member

States.

The problem today is that too much of the EU-budget is used to conserve economic structures and hamper structural change. In order to change this we ought to reduce the CAP and parts of cohesion policy considerably in the medium term.

At the same time, there are areas of genuine common interest that are more important than ever before.

We need to refocus the spending profile in order to better address common challenges such as security and external relations, for example finding sustainable solutions to the root causes of irregular migration.

So, we need national structural reform to increase growth potential. The EU-budget should to a larger extent focus on genuinely common problems rather than conserve old economic structures. Because, in the long run public spending can never substitute structural reform.

Secondly, in all Member States we are working hard to have control over our national budgets. We have to make difficult choices to prioritize between important areas when something needs extra spending. Or between lobbyists that want new tax-cuts.

Furthermore, many Member States have spent the last years making incredibly difficult decisions consolidating their budgets.

From this perspective I believe it is more important than ever that the EU-budget is managed in a budget-restrictive way. No trying to go around the rules through new flexibility or innovative financing schemes, instead true reprioritization when new challenges turn up.

It is more important than ever that the European level acts as a role-model when it comes to budget discipline.

Enough of the general remarks.

The MFF review

Regarding the MFF review, the focus on migration, growth and external policy in the Commission's proposal is well balanced given current challenges.

But as I said, it is absolutely crucial that an agreement respects the expenditure ceilings of the current MFF. Financing of new priorities through a depletion of margins, increased budget flexibility and/or new flexibility mechanisms is not obviously in line with this - which is deeply concerning and clearly comes with risks for increased national contributions.

A key to achieve sustainable financial development is re-prioritisation. Increased expenditure for one purpose should be off-set by correspondingly lower expenditure in other areas. This principle is transparent, simple and key to sustainable development of public finances.

As for Sweden, we will be prepared to make sacrifices in our areas of priority in order to make both ends meet, should this be required. Naturally we expect equally constructive attitudes from all Member States.

The next MFF

Moving on to the next MFF. I believe we should continue to build on the progress made back in 2013. That means being restrictive on the level of spending and set priorities based on European added value.

Fair burden sharing has been a guiding principle for as long as Sweden has been a member of the EU and should continue to be so. A system of reductions is necessary to achieve this objective. This will be equally valid in the next MFF.

Brexit

When we shape the next MFF we have to base our analysis and reach an agreement with a different union in mind. The outcome of the UK referendum will sadly mean that the EU for the first time will lose a member state.

Brexit will mean the loss of an important net contributor. Accordingly we need to adjust the budgetary ambitions of the union downwards in order to avoid increases in Member States contributions to the EU-budget. So, when UK leaves, the EU-budget has to shrink accordingly.

That a result of Brexit would be that other net contributors with an EU-skeptical opinion would need to pay even more to the EU-budget – well that is simply unthinkable.

This is particularly relevant for my country. Last year we received more than

163 000 asylum seekers to Sweden – and we are a ten million people country. That is more asylum seekers per capita than any OECD-country has received in modern times. This will for a long time affect our country and our public finances.

The support we have seen from the European Union has been varied, and particularly some countries have been reluctant to even implement decisions we have taken together. The lack of solidarity shown by certain Member States during the migration crisis does not correspond with the solidarity that the big net contributors – and their tax-payers - show regarding the EU-budget.

To ask us to show even more solidarity as a net contributor than we do today would be, to say the least, difficult to explain to the Swedish public.

Let me instead quote President Juncker's State of the Union speech two weeks ago.

"When it comes to managing the refugee crisis, we have started to see solidarity. I am convinced much more solidarity is needed. But I also know that solidarity must be given voluntarily. It must come from the heart. It cannot be forced."

End of quote.

I agree – and I presume the same is valid for net contributions to the EU-budget. Solidarity within the EU has to be a priority for all Member States, not just a few. This can not be a club where some only gives and others only receive. It has to be mutual. Because, as in all relationships – it takes two to tango.

Thank you