



WINNING ON THE EUROPEAN STAGE

*How to leverage opportunities and
mitigate risk in the European Union*

EXECUTIVE SUMMARY

STAYING AHEAD OF THE REGULATORY CURVE

Swedish companies operate within a legal, economic and social framework that is to a large extent shaped by the European Union. How regulations are formulated or what sectors are prioritised can make or break companies' entire existence. Swedish businesses are increasingly recognising the need to strengthen their capabilities within public affairs and boost their external engagement to fully leverage opportunities and mitigate risk stemming from the EU.

In this *Executive Global Insight*, Business Sweden has closely examined Swedish companies' engagement with the EU to uncover the key elements of an effective public affairs strategy. To underpin the study, we have conducted a series of interviews targeting public affairs executives in key Swedish industries, as well as interest organisations, political representatives and market experts.

As a next step, we have carried out secondary research to contextualise the interview findings, mapping out major programmes, policies, investments, and funding streams.

A CHANGING LANDSCAPE

Staying on the front foot is the best way of ensuring success in the EU and avoiding pitfalls as the regulatory landscape changes. From our interviews, we conclude three key considerations and best practices for companies looking to establish an effective approach to navigate EU policies, influence decision-making and maximise the benefits of the Single Market. These are presented [on page 13](#).

The *Carbon Border Adjustment Mechanism* and *Corporate Sustainability Reporting Directive* are just two examples of recent legislation that will have direct and indirect impact on the way companies operate, encompassing everything from supply chains to financial reporting.

In today's digitally driven economy, legislation such as the *European Data Governance Act* and the *Data Act* are important steps to bolster Europe's digital sovereignty. This presents a major opportunity for Swedish companies within data-driven product innovation as the EU clarifies who can create value from data and under which conditions.

KEY TAKEAWAYS

Based on our research and role as a partner for Swedish companies in their public affairs strategies, Business Sweden recommends five actions for any company that wishes to initiate or strengthen their position within the EU framework.

- Understand who and what will impact your business: Monitor the regulations, fundings and stakeholders that will impact your company.
- Focus on what matters: Pick your top 2–5 issues and leave the rest to interest groups or other external parties.

- Understand your timeline and be proactive: Plan ahead as EU policies and regulations evolve.
- Identify your partners and allies: Build internal and external alliances to facilitate monitoring and influencing.
- Now is the time to act: Build your public affairs strategy to prepare for new policies and business opportunities as EU elections get underway in 2024.

See full description [on page 18](#).

INTRODUCTION

WHY A PUBLIC AFFAIRS STRATEGY MATTERS

Europe is Sweden's economic heart, representing 74% of our exports¹. Europe is also a regulatory centre as 70% of all legislation impacting Swedish companies originates from the European Union². The EU sets the framework within which Swedish companies operate. How regulations are formulated or which sectors are prioritised can make or break companies' future prospects. In short, taking a backseat is not an option. Swedish companies need to understand, manage and influence the EU.

However, since Sweden joined the European Union in 1995, EU affairs are oftentimes viewed as separate from domestic issues. To a large extent, Swedish businesses have not been engaging actively and strategically with European institutions.

But in the past years something has begun to change: Swedish businesses have increased their focus on Brussels, and this trend will only continue³. Topics such as competitiveness and a green and digital recovery from the recent pandemic have seen the EU embrace trends resonating with Swedish priorities and competences.

Alongside this, an increasingly complex world with new geopolitical tensions, the pandemic, supply chain disruptions, climate change and economic power shifts have changed the reality in which companies operate. Business interests and the regulatory landscape are growing ever more intertwined, meaning it is increasingly fundamental for companies to have a well-defined public affairs strategy. For Swedish companies, this also means having a dedicated EU affairs strategy.

There is a common sentiment that more can be done – Sweden is not fully engaging the EU to the point where opportunities are fully captured and

risks are managed. A long-term, proactive, systematic approach will be key to leveraging opportunities and managing risks emanating from the EU. 2024 is especially important given that the European elections will bring in a new Parliament, new Commission, and new priorities.

To understand the opportunities and risks in the EU, this *Executive Global Insight* investigates three key questions:

- What are the main EU priorities, programmes and regulations that can have both positive and negative impact on Swedish businesses?
- How do Swedish companies go about managing risks and capturing opportunities, and what should they consider for future engagement with the EU to fully benefit from business opportunities?
- How do Swedish companies collaborate with external parties to best position themselves in the EU, be it value chain allies, other Swedish companies, consultancy firms or trade associations?

To uncover the answers, we have interviewed key Swedish export companies who are notably impacted by EU regulations. We have also interviewed interest organisations, political representatives and market experts active in the EU to get their perspective. Our aim is to give companies with public affairs teams as well as SMEs relevant insights into ways of expanding their capabilities.

“In Sweden, there is not a real sense that Brussels is part of domestic policy and politics.”

Public affairs executive representing a larger group of industrial companies

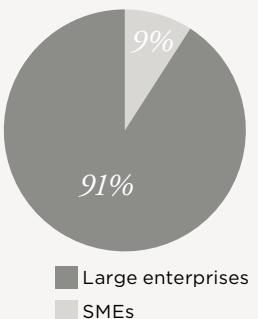
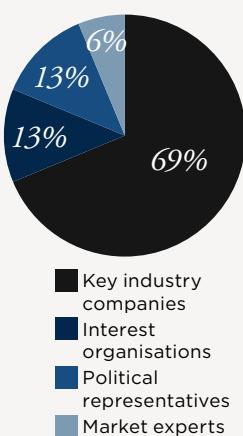
INTERVIEW SUBJECTS

11 KEY INDUSTRY PLAYERS
5 EU EXPERTS

INDUSTRIES

- Healthcare & Life Sciences
- Materials & Industrials
- Energy & Transport
- Defence & Security

DISTRIBUTION OF INTERVIEWEES



¹ Entering the Global Slowdown, Global Economic Outlook, Business Sweden, September 2023

² [Häng med till Bryssel med Svensk Handels Martina Elfgrén, Svensk Handel](#)

³ In the EU Transparency register, out of the 102 Swedish companies currently registered, 25% registered in 2023 and 50% between 2020 and 2023. The first company to register was Scania AB in 2009.

HOW THE EU SHAPES TODAY'S WORLD

The European Union is a unique partnership between 27 European member countries, home to nearly 450 million people and with a global GDP share as well as a world trade share both of around 15%. The EU has an impact on the daily lives of its citizens, businesses and institutions in practically all realms of society. The EU of course exists in a larger context, and external forces also have a strong impact on both the EU as an institution as well as its businesses, not least the likely upcoming enlargement.

THE GEOPOLITICAL CONTEXT

The EU went through some years of inward-looking focus, with Brexit and wilful East European member countries requiring political attention, but this came to an end with the brutal wake-up call as Russia invaded Ukraine. The war has had far-reaching consequences for the political and economic landscape on the European continent. Meanwhile, geopolitical tensions have steadily been growing as Europe, the US, and China compete for influence, against a backdrop of rising economies such as India, Brazil, Indonesia, South Africa, Türkiye and the UAE.

Many of the large Swedish companies interviewed for this study have global operations and the public affairs executives were all well-informed

about geopolitical tensions and considered it something crucial to constantly monitor and feed into business strategies and decision-making.

The USA and Europe both agree on a need to decouple from China. Many companies seem to have embarked on a scaling back of their operations in China – or scaled down expansion plans. But after decades of interdependence, it is no easy task. Meanwhile, new markets like India are growing in importance on the global stage. The EU leverages free trade agreements and our interviews identified substantial economic benefits for Swedish companies if the EU were to conclude a free trade agreement with India.

Large pandemic recovery packages funded by the EU and the recent launch of an ambitious industrial policy aim to strengthen the EU's international competitiveness. This is a major point of discussion and, during its presidency in 2023, Sweden made competitiveness as one of the key priorities on the political agenda. Moreover, the EU Commission will compile a report on how to revitalise the EU economy in the face of competition from China and the US. The business community is tightly involved in this work and the hope is that companies will benefit in the next few years from the EU's renewed focus on competitiveness.

"I absolutely think India is where you need to be. India will eventually outperform China in economic growth... The timing is now basically to be there and to start facilitating things for businesses."

Swedish Member of the European Parliament



IMPLICATIONS OF ENLARGEMENT

With the aim of ending the frequent and bloody conflicts that culminated in the Second World War, European politicians began the process of building what we know today as the European Union. Through successive enlargements, the EU has grown from the six founding countries to 27 Member States. An additional ten countries are aspiring to become members, and pressure is building to bring in new members by 2030.

An enlargement of the EU would have a major impact on how the union operates – including the budget. While additional members would increase the total EU budget, this would also lead to geographical shifts. Ukraine, for example, is an agricultural powerhouse and would be eligible for a major portion of Common Agricultural Policy funds as a potential member state – but under the current policy framework, this would lead to major cuts in farm subsidies for EU countries.

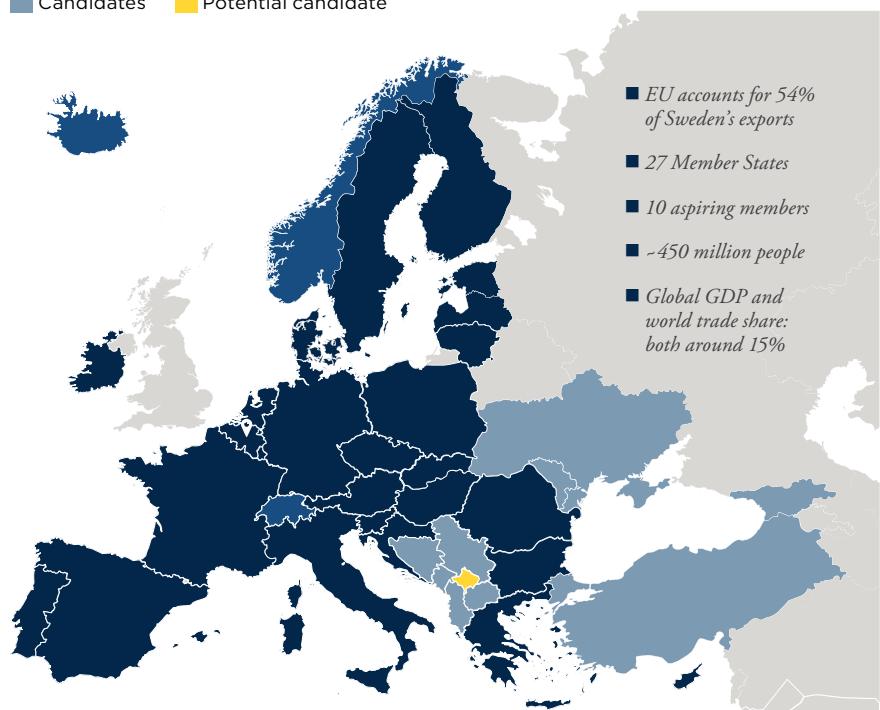
The EU would also face institutional challenges. In terms of decision-making, the use of qualified majority has been expanded, but some policy areas like foreign policy require unanimity among all Member States. Structurally, the EU would likely see cuts to the number of Commissioners and members of the European Parliament and reconsider the national veto. Enlargement would also shift the EU's centre of gravity to the east, which might dilute the traditional influence of larger economies like France and Germany, and periphery countries like Ireland, Portugal and Sweden may become even more isolated.

Alternatively, a larger internal market can also offer new and relevant business opportunities for companies, allowing for faster product launches, new customers and easier regulatory paths to operate in these markets.

While EU enlargement and EU reform will likely go hand in hand, stronger political and commercial relations are also expected between the EU and neighbouring countries who are not members. The United Kingdom's withdrawal

from the EU in 2020 resulted in a loss of an important ally for Sweden in the European Union, and interviewees pointed to greater complications when conducting governmental affairs because of this. However, the political relationship between the EU and the UK is still strong. Swedish companies are notable exporters and have quickly adapted to the new business landscape that the UK offers, and the country remains one of Sweden's most important trading partners.

■ EU27
■ Candidates
■ Non-EU states which participate in the single market via the EEA or are in bilateral agreements with the EU
■ Potential candidate



PAVING THE WAY FOR A GREEN AND DIGITAL ECONOMY

This chapter outlines the EU's main priorities, key regulations and funding schemes, starting with the broader picture, and then diving into four selected industries where Swedish companies have strong competencies and account for a major part of our exports abroad.

A key priority of the 2019–2024 European Commission has been to work towards the vision of achieving climate neutrality by 2050. This long-term goal, set out in the European Climate Law, is complemented by the commitment of all EU Member States to reduce emissions by 55% by 2030, compared to 1990 levels. The European Green Deal is the core strategy of the EU for reaching these goals including policy packages such as Fit for 55 which revise climate-, energy- and transport-related legislation to align with the climate goals.⁴

SWEDEN IN POLE POSITION

Swedish companies commonly identify the Green Deal as one of the most relevant EU packages of policy initiatives with major cross-sectoral impact

on operations within the EU. With Sweden's long-term commitment to sustainable development and collaborative focus on climate-smart technologies, the Green Deal represents a key opportunity for Swedish companies. With more than 60% of Sweden's national energy supply coming from renewables and the aim of being fossil-free by 2045, Sweden acts as a role model in sustainable energy. Swedish companies and their services and products are well-positioned to accelerate the green transition across the EU. This is also reflected in the support that Swedish companies have shown towards the Green Deal.

However, the speed and complexity of regulations can be perceived as overwhelming, and failure to respond to the EU institutions in a timely manner can result in legislation that threatens the existence of some business areas⁵. While creating clear advantages in terms of fighting climate change, stricter sustainability standards also create transitional costs and require new emission-free technologies. In the short-term, this may

CALLS FOR PROPOSALS

CALLS FOR PROPOSALS

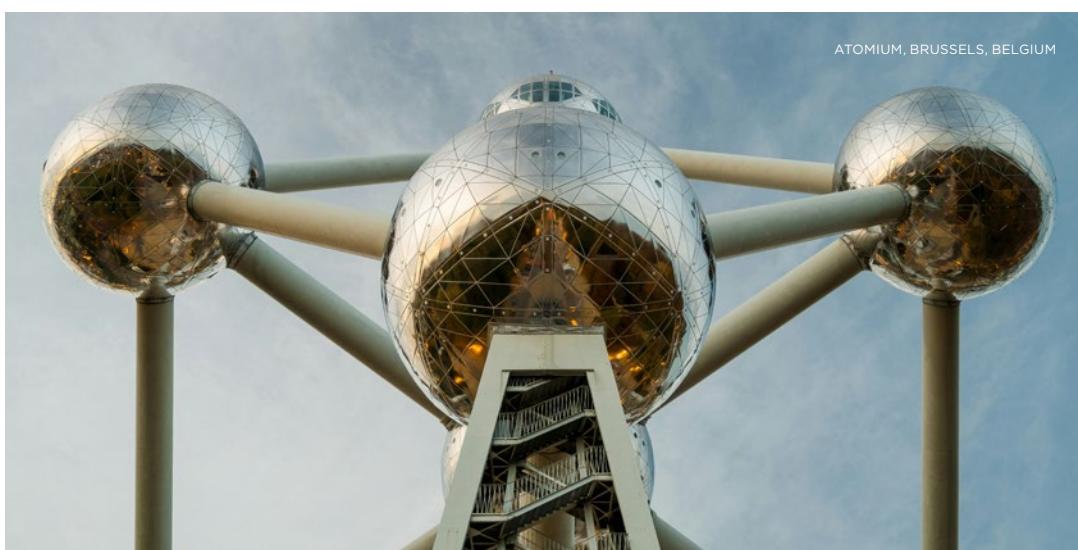
Open invitations for funding issued by the EU to strengthen actions and projects supporting the EU's goals

STEPS

Each call for proposal or tender has its own criteria, requirements and steps to follow, they could be single or two-stage proposal processes, require partners or co-financing

SUCCESSFUL APPLICATION

Important to closely follow the guidelines for your chosen call and take time for the necessary preparation, competition is high



⁴ [The European Green deal, Striving to be the first climate-neutral continent](#), European Commission
Iceland, Liechtenstein, and Norway

“Overall, there is great support for the objectives of new regulations such as the Corporate Sustainability Due Diligence Directive, but the reporting requirements can be a burden and affect international competitiveness.”

Representative of Swedish business' interests in the EU

lead to an increase in prices which can affect international competitiveness.

Looking ahead, a key initiative that has captured the interest of the largest European trade associations and businesses in Sweden is the *Corporate Sustainability Due Diligence Directive (CSDDD)*. While most companies are supportive of this objective, a key request of leading trade associations such as Business Europe is to keep a manageable scope and leave no room for legal uncertainty and fragmentation within the EU.⁶

Alongside the green transition, the Commission has placed digitalisation at the top of its agenda to strengthen Europe's digital sovereignty and set clear standards regarding data, technology, and infrastructure.⁷

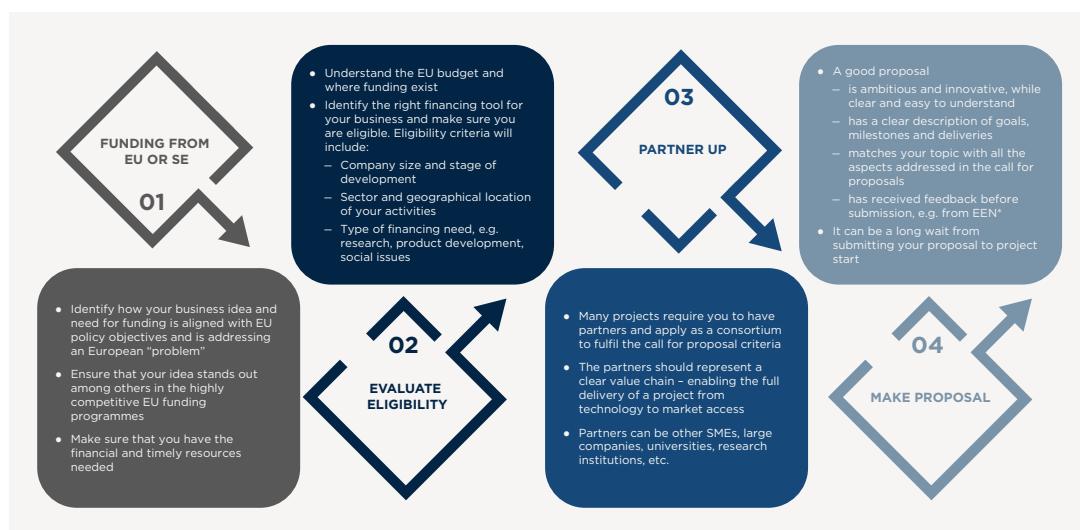
Sweden has a unique collective view of sharing public data and has leveraged this open source for innovative companies to utilise and combine with private data. This has positively influenced

Sweden's maturity and readiness in fields such as Artificial intelligence (AI) – an area which has gained increasing regulatory attention from the Commission.

Most EU funding is processed through the Member States, but companies can apply for EU funding in response to calls for proposals. This presents major opportunities that are often overlooked, particularly by SMEs who stand to gain immensely. Besides the obvious financial support, a successful application can unlock significant advantages as specific technologies or sectors get more attention and priority from the EU, which can help grow industries and have positive ripple effects.

The table (see next page) provides an overview of current EU programmes. It is important to remember that regulations and policies are subject to rapid changes, which is why companies need to constantly monitor developments.

ACCESSING EU FUNDING REQUIRES A GREAT IDEA, A STRONG TEAM OF PARTNERS, AN EXCELLENT PROPOSAL – AND MOST OF ALL PATIENCE



* Public affairs interview, Business Sweden, 2023

[A Europe fit for the Digital age: Empowering people with a new generation of technologies](#), European Commission

CURRENT EU PROGRAMMES

PROGRAMME	OBJECTIVE	ENTRY INTO FORCE	TIMELINE	BUDGET	IMPLICATION
Fit for 55 Package	Set of proposals to revise, update and put in place new EU legislation to reduce greenhouse gas emissions by 55% by 2030	July 2021	By 2030	N/A	Revision of climate-, energy- and transport-related legislation to align with climate targets affecting companies
The Emissions Trading System (ETS)	Reducing greenhouse gases cost-effectively through a “cap and trade” system via a carbon market	January 2005	2024 – maritime transport	N/A	Affects companies operating in industries in the EU's carbon-pricing system incl. energy, manufacturing, aircraft, and maritime transport
Border Adjustment Mechanism (CBAM)	Encourage partner countries to decarbonise production Prevent carbon leakage	October 2023	31 Jan 2024 – first reporting 2026 – certificate purchase	N/A	Importers to purchase certificates equal to EU carbon price for cement, iron/steel, aluminium, fertilisers, and electricity
Sustainability Reporting Directive (CSRD)	Create a reliable and comparable way for sustainability reporting	Financial year 2024	Without time limitation	N/A	Large companies and listed SMEs required to report on social and environmental risks, how activities impact people and the environment
Programme for the env. and climate action (LIFE)	Assist companies to bring green products, technologies, services and processes to the market	2021	2021–2027	€5.4 bn	Companies can apply for funding every year in response to the Commission's call for proposals
NextGenerationEU (NGEU)	EU post-pandemic recovery and resilience fund to strengthen the union's economy through historically large loans and grants	January 2021	Until 2026	Total - €807 bn Sweden: €3.3 bn	Companies providing e.g., environmentally friendly technologies and digital solutions can benefit
European Data Governance Act	Creation of European data spaces in sectors such as health, environment, energy, agriculture, mobility, finance manufacturing	June 2022	Applicable from September 2023	N/A	Key opportunities for Swedish services & products to unlock potential of data-driven innovation Value of the data economy in the EU27 is expected to grow from €301 billion to €829 billion by 2025
Data Act	Data availability, increased legal certainty, fair data-sharing and efficient data interoperability	January 2024	Applicable from September 2025	N/A	Key opportunities for Swedish services & products to unlock potential of data-driven innovation Value of the data economy in the EU27 is expected to grow from €301 billion to €829 billion by 2025
Artificial Intelligence Act	Encourage the development and uptake of AI in Europe that is safe, respects fundamental rights and EU values	Provisional agreement December 2023	Next step: formal adoption by Parliament & Council	N/A	Concerns over technological limitations Unique competitive advantage – Sweden's open AI approach
The Digital Europe Funding Programme (DIGITAL)	Supporting projects that accelerate the EU's digital transformation	December 2023	Beginning of 2024 – new calls for proposals	Total -€7.5 bn 2024 - €763 mn	Funding for projects using technologies such as data, cloud, and advanced digital skills, and concerning cybersecurity
Corporate Sustainability Due Diligence Directive (CSDDD)	Identifying, ending, preventing, mitigating, and accounting for negative human rights & env. impact across entire value chain	Provisional agreement December 2023	Next step: formal adoption by Parliament & Council	N/A	Reporting requirements can be a burden and affect international competitiveness

FOUR WINDOWS OF OPPORTUNITY

The EU initiatives outlined in the table above open up a new horizon of opportunity for Swedish companies in the following four sectors.

1

HEALTHCARE AND LIFE SCIENCE

The healthcare sector is intrinsically local – healthcare is developed, funded, and delivered at a local level within each country in Europe. However, the EU does have some very ambitious targets, programmes, and funding schemes available both for Member States and companies. The EU is also expanding its regulatory framework for the healthcare sector which is reflected by the growing number of dedicated lobbyists in Brussels⁸.

In 2021 the EU established a programme for the Union's action in the field of health ('EU4Health Programme'), targeting the period 2021–2027 with an unprecedented budget of €5.3 billion⁹. Funding opportunities under the EU4Health Programme are published by the Health and Digital Executive Agency (HaDEA), which is also the implementing body¹⁰. The EU is prioritising several areas such as cancer, digitalisation, health security and infectious diseases, pharmaceuticals, antimicrobial resistance, and vaccines¹¹.

Two regulations with a major impact on business operations, are the *Medical Device Regulation* and the *European Health Data Space*. The latter is a key pillar of the European Health Union, launched by the current Commission in 2020 amid the pandemic, and it is the first common EU data space in a specific area to emerge from the European strategy for data. The aim is to foster a true single market for digital health services and products, where industry players and other stakeholders will have access to large amounts of high-quality health data.

Swedish companies can reap major rewards in their product development and commercial agenda if they can access data across the EU¹².

In fact, the EU estimates that the digital health market can grow 20–30% in the next few years thanks to this initiative¹³. But there is some lack of clarity regarding who has the right to use data, common standards for research and for developing products based on shared data, and companies also want Sweden to take a central and leading role when it comes to data policies in the EU.

The health sector is, for natural reasons, a heavily regulated sector and Swedish companies express no opposition towards this. Indeed, several interviewed companies requested more regulation – but not in a way that will prevent them from providing solutions for patients. An example that stood out in the interviews was the Medical Device Regulation. Several interviewees argued that it in effect hinders innovation and market access – resulting in new solutions being launched in other markets and not being able to help patients in Europe.

"The Medical Device Regulation is hindering innovation for many smaller startups or medium sized companies. You end up at the back of the line with your new innovative product, waiting years and years to bring it to market. So many go to the US instead for an FDA certification, or launch the product in Asia."

Public affairs executive, medtech industry

⁸ Public affairs interview, Business Sweden, 2023

⁹ EU4Health programme 2021–2027, a vision for a healthier European Union, European Commission

¹⁰ Calls for proposals, European Commission

¹¹ EU4Health programme 2021–2027 – a vision for a healthier European Union, European Commission

¹² The Road to Personalised Medicine, Executive Global Insight, Business Sweden, November 2023

¹³ EHDS-factsheet-EN.pdf (1).pdf

“It is important that regulations are technology neutral and leave room for a broad approach to technology and innovative solutions.”

CEO, mobility industry

2

ENERGY AND TRANSPORT

Under the *Green Deal*, renewable energy and environmentally friendly transport are essential pillars to fulfil the EU's climate goals. Key policy measures within the Fit for 55 package inevitably focus on the energy and transport transformation. The revision of the *Renewable Energy Directive*, which entered into force in November 2023, is the main instrument to drive cross-sectoral use of clean energy making it mandatory for Member States to raise the share of renewable energy to at least 42.5% by 2030¹⁴. To foster energy security and affordability in the context of decreasing the EU's dependency on fossil fuel imports from Russia, the EU has further set saving targets in the Energy Efficiency Directive making it mandatory for EU states to ensure 11.7% reduction in energy consumption by 2030.¹⁵

Sweden currently derives 60% of its energy from renewable sources thanks to extensive use of biofuels, district heating and electricity generation from hydropower and wind power. The strong expertise that Swedish companies have built in the renewable value chain as component manufacturers or in smart grid technologies gives them a unique position to enter renewable energy projects within Member States at an early stage. Besides this, the Swedish ecosystem has advanced competence in energy efficiency for buildings and industrial processes through hard- and software

solutions including electrical motors, such as heat pumps, compressors, and robotics.¹⁶

Given this in-depth market competence Swedish companies are well equipped to support other Member States in reaching the goals of the Renewable Energy and Energy Efficiency Directive. In doing so, Swedish companies can benefit from EU funds such as LIFE Clean Energy Transition programme a sub-programme of LIFE with a budget of €1 billion over the period of 2021–2027.¹⁷

Ambitious goals have also been set for the transport sector, which currently accounts for around 25% of the EU's total greenhouse gas emissions. Key initiatives include the *Regulation on CO₂ emission performance standards for cars and vans*, setting a 100% CO₂ reduction target for new cars and vans from 2035 onwards as well as the *Regulation for the deployment of alternative fuels infrastructure (AFIR)*¹⁸. The latter sets up targets for electric recharging and hydrogen refuelling infrastructure on roads, shore-side electricity supply in maritime and inland waterway ports as well as electricity supply for stationary aircraft¹⁹. The use of petrol and diesel in Sweden has decreased by more than 25% over the past fifteen years and innovative companies in green mobility are paving the way towards a net-zero future²⁰. The mandatory targets set by EU regulations present key opportunities for Swedish OEMs or battery manufacturers to export their electric vehicles and batteries within the EU²¹.



DALARNA, SWEDEN

¹⁴ Renewable Energy Directive, Energy, Climate change, Environment, European Commission

¹⁵ Energy Efficiency Directive, Energy, Climate change, Environment, European Commission

¹⁶ Unlocking the global green transition, Executive Global Insight, Business Sweden, 2023

¹⁷ Clean Energy Transition, European Climate, Infrastructure and Environment Executive Agency, European Commission

¹⁸ CO₂ emission performance standards for cars and vans, Climate Action, European Commission

¹⁹ Alternative fuels infrastructure: Council adopts new law for more recharging and refuelling stations across Europe, press release, European Commission, 25 July 2023

²⁰ Energy in Sweden 2022, Swedish Energy Agency, September 2022

²¹ Unlocking the global green transition, Executive Global Insight, Business Sweden, 2023



3

INDUSTRIALS AND MATERIALS

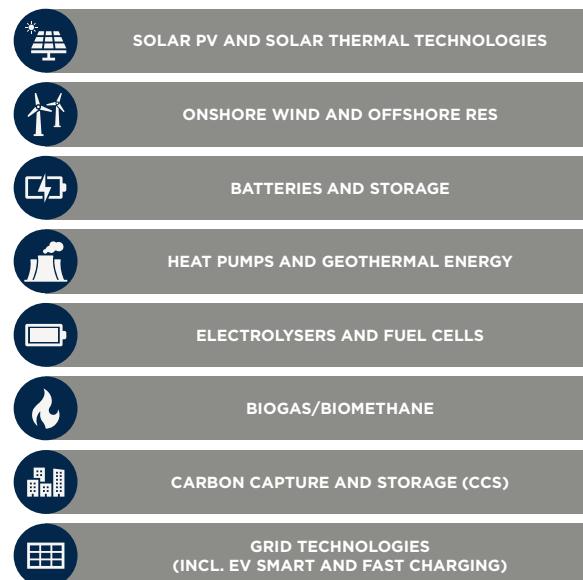
The net-zero goals under the Green Deal aim to unlock a great industrial transformation. To equip EU Member States for this transition, the Commission has developed the *Green Deal Industrial Plan* which was announced in January 2023 with the aim of creating a more supportive environment to scale up the EU's manufacturing capacity for net-zero technologies²². As part of the Green Deal Industrial Plan, the Commission proposed the *Net-Zero Industry Act (NZIA)* and the *Critical Raw Materials Act (CRM Act)* in March 2023.

The NZIA supports eight strategic net zero technologies that are eligible for a variety of support including faster permitting procedures, financing and advice from the Net-Zero Europe Platform or access to test environments, so-called net zero regulatory sandboxes²³. The CRM Act complements the NZIA by following the goal to ensure access to materials for manufacturing the technologies. The Act proposes benchmarks to improve capacities for extraction, processing and recycling of critical raw materials and guide diversification efforts²⁴. Both proposals are currently running through the EU's legislative procedure. While the European Parliament and Council concluded a provisional agreement in the CRM Act in November 2023, negotiations on the NZIA are ongoing.

If implemented, Swedish manufacturers of strategic net-zero technologies could greatly benefit from faster permitting procedures, financing and advice under the NZIA. Swedish SMEs are well positioned in smart grid technologies and have extensive experience, both in pilot projects and full commercialisation in Sweden and the rest of Europe. In addition, Sweden manufactures key technologies to enhance energy efficiency in manufacturing processes such as electrical motors, including heat pumps, compressors, and robotics. Finally, Sweden is considered a leader in recycling key raw materials, with projects to increase recycling of iron and aluminium which is crucial for emission reduction. There is also major potential for Sweden in supplying the future of electrification and European strategic autonomy should the CRM allow for extraction of the significant amounts of rare earth metals discovered in the Kiruna mine in Northern Sweden²⁵.

In addition to upcoming opportunities under the currently negotiated NZIA, Swedish companies can apply for funding from the *Innovation Fund* financed by EU Emissions Trading System revenues. The Fund's total funding amounts to approx. €40 billion and focuses on major light-house demonstration projects in energy-intensive industries, renewables, energy storage, net-zero mobility and buildings, hydrogen, and carbon capture, use and storage, to mention a few areas.

NZIA SUPPORTS 8 STRATEGIC NET ZERO TECHNOLOGIES



"The Nordics are sustainable and at the forefront of the green transition. This is very beneficial for our business, but other European Member States are catching-up and get a lot of support to become greener."

Public affairs executive, energy industry

²² The Green Deal Industrial Plan, European Commission

²³ The Net-Zero Industry Act: Accelerating the transition to climate neutrality, Internal Market, Industry, Entrepreneurship and SMEs, European Commission

²⁴ Critical Raw Materials Act, Internal Market, Industry, Entrepreneurship and SMEs, European Commission

²⁵ Unlocking the Global Green Transition, Executive Global Insight, Business Sweden, Olov Hemström, 23 October 2023

“Defence policies are no longer confined to national borders. We see that the European Commission has started to take a more proactive approach in this regard.”

Public affairs executive, defence industry

4

DEFENCE AND SECURITY

Collectively, Europe is the world's second largest military spender, after the US. Brussels is both the seat of the EU and of NATO. However, the EU was never envisioned as a military alliance and itself is prohibited from funding military activities²⁶, so defence and security are a national responsibility and the purview of individual countries. In 2016, however, the Commission launched the European Defence Fund (EDF)²⁷, linking funding to EU's initiatives to encourage cooperation with the aim of maximising output and quality of Member States' investments in defence. The EDF incentivises joint research and development of products and technologies, fosters investment into SMEs/startups, and ultimately complements national funding, acting as an incentive for Member States to cooperate and invest more in defence²⁸. For the period 2021–2027, the EU has dedicated EUR 8 billion towards defence²⁹.

The 2021 establishment of the European Peace Facility further broadened funding for defence and security by linking it to the EU Common Foreign and Security Policy and efforts to preserve peace, prevent conflicts, and strengthen international security. The Facility finances operations and assistance measures, including e.g. reimbursement

for Member States who have donated ammunition to Ukraine. The European Peace Facility has a budget of EUR 12 billion between 2021 and 2027³⁰.

Despite agreement on boosting production and helping Ukraine, numerous points of contention remain to further develop defence funding³¹. Should EU-negotiated contracts only go to EU companies? Who will manage the assignments – EU agencies or countries themselves? How can structures ensure fair competition between countries in the defence domain where supporting domestic industries is often a top priority?

The European defence landscape can largely be described as having a high number of national defence companies operating in small markets, producing levels far below current demand. EU estimates put the cost of this fragmentation at between EUR 25 and 75 billion annually³².

By contrast, Sweden's defence industry is highly international, with global supply chains and a high degree of exports. It has an especially research-intensive defence-industrial base, and thereby highly competitive and advanced solutions. This makes the Swedish defence industry uniquely positioned to tap into opportunities as the European defence industry increases spending.

KEY STAKEHOLDERS



DG SANTE (with 8 sub-DG)

HERA - The Health Emergency Preparedness and Response Authority

HaDEA - The European Health and Digital Executive Agency - implementing body

DG ENER - responsible for the EU Commission's policies on energy

DG MOVE - responsible for policy on transport for private and professional purposes

DG ENV - responsible for the EU Commission's policies on the environment

DG GROW - responsible for the EU Commission's policies on the single market, industry, entrepreneurship and small businesses

DG DEFIS - responsible for EU policy on defence industry

DG FPI - responsible for enacting EU foreign policy including the Common Foreign and Security Policy



ENVI - Committee on Environment, Public Health and Food Safety

ITRE - Committee on Industry, Research and Energy

AFET - Committee on Foreign Affairs

SEDE - Subcommittee on Security and Defence



CDSP - European Health Committee (CDSP)

The Environment Council - made up of ministers responsible for matters specifically relating to the environment

The Transport, Telecommunications and Energy Council - made up of transport, energy, and telecommunications ministers

The Competitiveness Council - works to enhance competitiveness and increase growth in the EU

The Foreign Affairs Council - made up of foreign ministers and responsible for matters relating to the European common foreign and security policy



EMA - The European Medicines Agency - decentralised EU agency responsible for the scientific evaluation, supervision and safety monitoring of medicines



ECHA - The European Chemicals Agency - responsible for implementing the EU's chemicals legislation

²⁶ Article 41(2) Treaty of the EU.
²⁷ European Commission 2016.
²⁸ European Commission 2023.
²⁹ European Commission 2023.

³⁰ European Council 2021.
³¹ Politico, 20 March 2023.
³² European Parliamentary Research Service 2023.

THREE STEPS FOR A WINNING PUBLIC AFFAIRS STRATEGY

A common sentiment in all the interviews for this study was true optimism towards the EU as a political, social and economic partnership and the potential it holds for its Member States and businesses. Based on these insights, we dive deeper into three key takeaways and best practices for companies looking to establish an effective approach to understand and influence the EU decision-making processes, outputs and networks.

BEST PRACTICE 1: *A focused strategy to influence key issues*

There are countless EU legislations, programmes and investments that will impact Swedish companies to a varying degree. Keeping track and influencing all of them is a tall order. That said, Swedish decision-makers need to carefully select which developments to monitor and act upon based on an assessment of the issues that could have a crucial impact on their business.

A STRONG STRATEGY IN BRUSSELS FOCUSES ON 2-5 KEY ISSUES.

These key issues should be “owned” by the company’s public affairs team. A company needs to be cautious in fully outsourcing business crucial public affairs work to external parties as there is no guarantee that your own business interests will be represented in a bigger group of collected interests.

In terms of key issues, companies and their public affairs strategies should focus on:

- Building topic awareness: This implies long-term work that is costly to pursue as results are not immediate, but it is necessary for companies to ensure that the future direction of the EU is aligned to key corporate and Swedish values such as sustainability, competitiveness, free trade, innovation, protecting the Single Market and better regulation.

Examples of advocacy efforts: Public campaigns and events, publications, influencing larger alliances and industry groups, shaping manifestos, meeting with high-level representatives, ministers etc.

- Building the company brand: efforts should focus on either positioning the company towards key stakeholders, by for example highlighting the European footprint, or positioning the company in specific topics and discussions around sustainability and quality. Our interviews show that this supports companies’ long-term efforts, so in the future when companies decide to engage with stakeholders, their message has more strength.

Examples of advocacy efforts: Company specific events and workshops, personal meetings, position papers and more.

- Influencing concrete policies and output of the EU: This is the most hands-on work that is also easier to follow-up on (not being said that it is easy work to pursue).

Examples of advocacy efforts: drafting reports for legislators, industry or company positions, drafting amendments or recommendations and sharing these broadly within their network and with politicians, personal meetings.

“We are not a big player and the public affairs domain is new to us. We need to lobby and build our brand in Europe.”

Public affairs executive, medtech industry

“Having a seat at the table is valuable – it gives you access to opportunities that you would not have had otherwise. We measure this as a success factor.”

Public affairs executive, medtech industry

FOLLOWING-UP ON PUBLIC AFFAIRS WORK

All interviewed companies agree that setting KPIs in public affairs is notoriously difficult. The main challenge lies in the fact that the work is often long-term and is not directly related to the commercial agenda of the company, the ROI is difficult to measure. To overcome this, the interviewees highlighted several key learnings:

- Senior management and business units must be aligned and cooperate when choosing key issues to focus on and define together what success looks like regarding those issues.
The business units themselves should assess the risk impact of one or more scenarios that may play out as a consequence of a policy direction
- Teams with more well-developed and focused public affairs strategies can tailor KPIs and guide advocacy efforts, ensuring efficient use of company resources and better prioritisation of business-critical efforts.
- Although personal relations and encounters are fundamental in public affairs, measuring activity such as ‘amount of meetings’ does not say anything about the efficacy of the meetings and is not a strong KPI.

Specific KPIs identified in our interviews range from more to less tangible, measuring for example:

- If and when suggested language is picked up in legislation, and tracing the source to identify potential new allies/partners
- Number of times a company's position is picked up outside of its own writings – to identify a successful diffusion of company ideas
- Overall company marketing/branding – to identify potential changes from negative to more positive image in certain topics
- Who is speaking about the company, and connected to which context – e.g. in articles, forums, speeches
- Visibility of the company in external forums – e.g. sponsorship display, space in a panel discussion, keynote speech
- How many opportunities the company has to have a seat at the table, i.e. participating in forums which allow them to influence key issues, either directly with a company representatives or indirectly, through for instance a trade association

EXAMPLES OF PUBLIC AFFAIRS ACTIVITIES



“We partner with companies or trade associations and have a spreadsheet of over 30 different working groups we can turn to for different policy areas.”

Public affairs executive, medtech industry

BEST PRACTICE 2: *Team up for impact*

While key issues need to be owned by the internal public affairs team, it will be very difficult for any company to manage their public affairs efforts on their own. Swedish companies benefit from teaming-up to achieve their objectives. The EU policy environment includes a wide range of stakeholders (see table).

Partnerships and collaboration can help to:

- Ensure a broader representation of interests:** Collaborative efforts are often seen as more balanced and less self-serving, potentially carrying more weight with policymakers. This is also important as politicians tend to not want to engage with individual companies, but a group of companies carries different weight and influence.
- Drive a collective message:** Joint advocacy campaigns can also be more effective in raising awareness and influencing public opinion, which in turn can impact policy decisions. It also saves time to work with organisations that have established credibility and networks within the EU as it takes years to build contacts on your own.

■ **Navigate the complexity of the EU:** Partnering with organisations that have established networks within Brussels can provide valuable insights into the relevant EU stakeholders to engage on upcoming policy changes, political dynamics, leaks and legislative priorities, including niche technical areas. This facilitates efforts to stay ahead of regulatory changes and understand the policy landscape better.

■ **Scale resources and expertise:** this is especially important for startups and SMEs, but also bigger companies as doing everything inhouse can be a drain on resources. Swedish companies typically have very small public affairs teams (1–5 people) and often only one person focused on Europe/EU affairs – and SMEs often only have the CEO. Hence collaborating with external partners for things like monitoring and lobbying will free up time for the more strategic work and can be more cost efficient.

Finding the right partner can be challenging for disruptors or companies with diverging positions, who may find it difficult to identify likeminded voices driving similar policy issues and a lot of time needs to be spent on influencing the partner organisations. This is not to be underestimated.

EU POLICY KEY STAKEHOLDERS

 COMPANY ALLIANCES	Peer companies or companies within the same value chain	 THINK TANKS	Provide analysis, research, and policy recommendations on EU affairs
 BUSINESS AND INDUSTRY LOBBY GROUPS	Represent specific industries or corporations, advocating for favorable regulations and policies	 RESEARCH INSTITUTIONS	Conduct research and often engage in policy debates, providing expertise and analysis
 TRADE ASSOCIATIONS	Represent various professional sectors, lobbying on issues affecting their members	 PR & COMMUNICATIONS FIRMS	Assist other organizations in shaping and communicating their messages to EU institutions and stakeholders
 TRADE PROMOTION ORGANISATIONS (TPOS)	Agencies promoting and stimulating trade by e.g., providing information, linkages, technical advice, marketing and policy advocacy	 CONSULTANCY SERVICE PROVIDERS	Offer expertise in navigating EU policies, legal frameworks, and funding opportunities
 TRADE UNIONS	Advocate for workers' rights and interests at the EU level	 EU-FOCUSED MEDIA	Cover EU news and affairs, influencing public opinion and policy debates
 NGOS AND CIVIL SOCIETY ORGANISATIONS	Focus on a wide range of issues from human rights to environment, influencing policy and raising awareness		

*“Big companies see sustainability as a threat.
Swedish companies see it as a door opener.”*

Public affairs executive, medtech industry



LEVERAGING BRAND SWEDEN

The “Swedish brand” is something companies may choose to leverage to further their public affairs objectives. The wider Swedish identity resonated with many of the interviewed companies, especially related to topics such as sustainability, which Swedish companies see as a door-opener.

Some companies find that partnering with other Swedish players helps to drive common interests for Swedish industries – often partnering across the value chain or even working together with competitors on important policy areas.

Beyond Brussels, the Swedish government is also an important stakeholder. The interviewed companies often noted that a close government relationship is highly beneficial to ensure that legislation favours both political and commercial goals, especially when leveraging broader themes such as competitiveness, research and development, or innovation.

Key export industries such as life science, forestry, transportation, and energy are aware of the benefits of politics and business working hand in hand for optimal impact. Countries such as Finland, France, Germany and the Netherlands were highlighted as examples of successful business-government working relationships, especially in their proactive and open approach to support key industries.

Several interviewed companies also argued that Sweden may benefit from a fresh approach in this domain, arguing that the old way of working does not match the world of today. They call for more transparency and openness in the ongoing efforts regarding key legislation.



STOCKHOLM, SWEDEN

“For our company it became important to look at European affairs from a proactive perspective, not just reacting to whatever regulation comes our way. Sweden is genuinely quite reactive when it comes to EU and global policy.”

Public affairs executive, medtech industry

BEST PRACTICE 3: *Be proactive, not reactive*

When pursuing the task of influencing key issues it is fundamental to start engagement at the earliest possible stage and plan well ahead – i.e. be proactive.

Proactivity enables companies to stay compliant, competitive, and innovative while also boosting chances of shaping the regulatory landscape in which companies operate and helps them make informed decisions and investments. This approach is not only beneficial for the companies themselves but also contributes to the development of relevant and balanced EU policies.

However, our interviews highlight how often companies are not aware of EU legislation until the later stages, where it becomes more difficult to make any changes. Companies find themselves putting out fires instead of methodically planning their engagement.

In short, when being proactive a company can maximise its opportunities, whereas reactive work naturally turns into mitigating risks. The illustration below outlines the legislative process that should be monitored to understand where you need to place your focus in order to be proactive.

A proactive public affairs strategy implies:

- Working on a topic for at least 5 years, anything less than 5 years means you are reactive and rather working on influencing the current debate and policies.
- Focusing on influencing policies that do not exist yet or are in the very early stages, which means engaging with the European Commission during the proposal stage, prior to it reaching the European Parliament.
- Pinpointing the right people: within the Commission companies should ideally engage and build long-term relationships with key policy officers for more technical work whereas setting the priorities and understanding the direction of the Commission is best done with more high-level representatives of the Commission.
- Building relationships over time: relationships will be crucial for future advocacy and influence, companies that regularly and with a long-term scope participate in policy discussions can position themselves as thought leaders in their industry. This enhances their reputation and credibility, both with policymakers and within their industry and are more likely to see their interests represented in future policies.
- In some cases it will be necessary to focus your efforts on the member states directly. Many decisions are taken at the national level and it then becomes just as important to influence at an early stage how national governments interpret and implement EU directives.

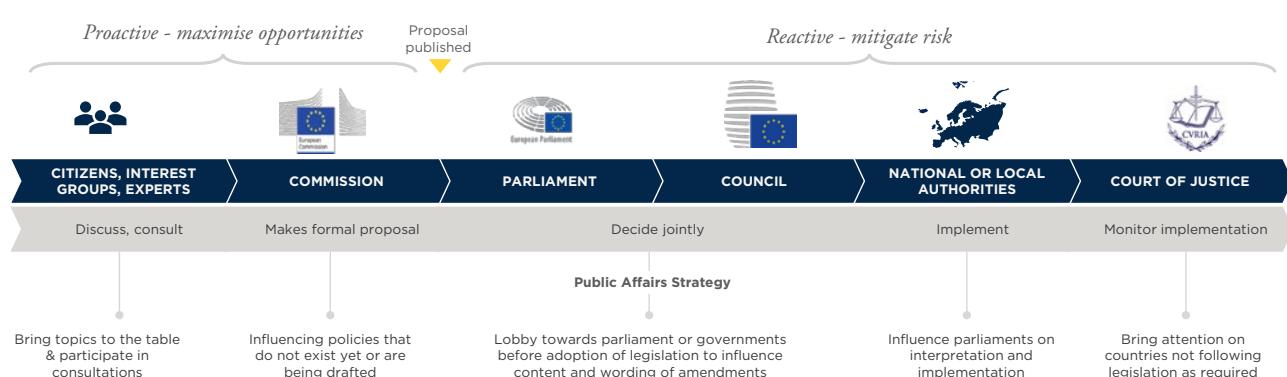
EU LEGISLATIVE PROCESS

REGULATION
Immediately applicable and binding in all Member States once passed

DIRECTIVE
Binds Member States to a result, not how to achieve it. Must be adopted in national law before a certain date

DECISION
Binding in its entirety, can focus on a Member State, companies, individuals, e.g. for proposed mergers

EU'S LEGISLATIVE PROCESS AND KEY INSTITUTIONS



ELECTION YEAR CALLS FOR STRONGER ENGAGEMENT

This interview-based study shows that the geopolitical context of European countries and their business sectors is growing increasingly complex due to political tensions, war, power plays and a change in trade and business dependencies. Swedish companies see a real need to monitor and manage risks (and opportunities) arising on the global stage.

A future enlargement of the EU would imply a shift in how the EU is managed and financed, but also unlock new business opportunities when it comes to a growing economic market. There is a multitude of priorities, investments and

regulations originating from the EU that impact Swedish companies and navigating this landscape is challenging but equally crucial for success.

As the EU elections usher in a new Parliament and Commission this year, 2024 is set to have a major impact on future developments. The election outcome will determine new priorities for the European economy.

As such, Swedish companies should not waste any time and actively take steps to better understand, monitor and engage with EU stakeholders to ensure that both risks and business opportunities are managed and captured.

FIVE RECOMMENDED ACTIONS

Business Sweden recommends the following key actions for any company that wishes to initiate, increase or improve their position within and towards the EU:

1 Understand who and what will impact your business

There are a multitude of regulations, fundings and stakeholders that will impact your company. With this knowledge you have a higher chance of managing to adapt, innovate, invest and comply – while also reaping the benefits. Regular monitoring of policies and stakeholders through in-house mapping or using a network of partners will allow you to stay up to date.

2 Focus on what matters

Don't focus on too many issues at once – pick your top 2-5 issues and leave the rest to interest groups or other external parties. Manage your core issues in-house as you are best positioned to defend your key interests in bigger groups.

3 Understand your timeline and be proactive

Knowing about what impacts you too late is not a good way to do business – make sure you plan ahead and understand what's upcoming. This gives you a chance to influence the output of the EU so you do not risk having to do costly adaptations or, worst case, fold your business.

4 Identify your partners and allies

Building relations both externally and internally will be key to achieving your public affairs goals. Externally you need to be part of the right alliances and build contact networks and relationships with your key stakeholders. Internally, you need to make sure to have your CEO on board, to collaborate closely with your technical and commercial teams and set public affairs objectives that fully resonate with your business strategy.

5 Now is the time to act

With EU elections looming, define the priorities that are important for your company. Build a public affairs strategy that will help you influence the future shape of Europe and bring attention to the topics that matter for your business. Meet new stakeholders and tap into potential business opportunities as new policy developments emerge.

The EU has in the past five years focused on the green and digital transition, which on paper suits Swedish companies very well, but Swedish companies still have to fully leverage the advantages of engaging with the EU.

To safeguard the future of their operations and adapt their business to a changing environment, Swedish companies need to understand where to focus their efforts and engage early with the new Commission members and MEPs.

Through our extensive interviews with companies, EU policy and lobbying experts, trade associations and political representatives, we have found that Swedish companies all recognise the benefits of teaming up in Europe to bring elevate their voices and influence the direction of future policies.

The interviewed executives express a clear willingness to be more proactive in their public affairs work, to pinpoint the most pressing issues and dedicate resources (time, money and competence) wisely.



BUSINESS SWEDEN CAN SUPPORT YOU

Business Sweden's public affairs specialists have helped many Swedish companies, of different sizes and in diverse sectors, to maximise the impact of their strategies on the European stage.

We complement companies' public affairs teams and help them accelerate efforts to build relationships and communicate their point of view to relevant stakeholders and decision-makers. We are a natural partner for reaching out to policymakers, multilateral institutions and agencies governing funding, grants and tenders.

With a unique mandate from the Swedish government and the business sector, our global team offers strategic advice and practical support in more than 40 markets worldwide.



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*We help Swedish companies grow global sales and
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