



White Paper - Policy Priorities

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American Chamber of Commerce in Sweden

This white paper serves as a principal guide to the priorities for AmCham Sweden's policy agenda. The Chamber focuses on the improvement of Sweden as an investment and industry location for U.S. business. The Chamber also does advocacy work on behalf of member companies in specific matters where an entire industry is, or might be, affected by Swedish rules and regulations. In addition, the Chamber serves as a facilitator of discussions addressing misconceptions of U.S. policies among Swedish policymakers, or vice versa.

The role of the Government Relations Working Committee (GRWC)

Within the topics listed below, the GRWC will focus on free trade, smart regulation for growth and a robust exchange of ideas between U.S. business and Swedish policymakers. In addition to the proactive agenda, AmCham through the GRWC also serves its members by monitoring, analyzing and, when necessary, providing education on policy developments. The following priorities have been identified by the Board of Directors of AmCham Sweden:

Focus and Activities for GRWC 2019

Key topics for 2019, as established by the Board of Directors following input from members are:

- Competitiveness & Innovation
- Digitalization
- Sustainability
- Workplace of the Future
- Governance

POLICY PRIORITIES & KEY TOPICS

I. Competitiveness & Innovation

The future of American business in Sweden is closely linked to the future of all business in Sweden. The overall competitiveness of Sweden's economy depends on a few key factors: the education system and the workings of the labor market, physical infrastructure, intellectual property rights, R&D, foreign investments, taxation, regulations and access to markets.

Sweden holds a leading position within international rankings on competitiveness and innovation. But competition is fierce, and there are areas where improvements can be made.

1. *Economic and Tax Issues*

a. *Taxation of Stock Options*

There is a recurring debate in Sweden on tax levels for start-ups, that wish to use stock options as a means of recruiting talent. Some welcome adjustments were made in 2018, but are limited to small companies (maximum 50 employees) and only fresh start-ups (not including companies that have been operating prior to these adjustments).

b. *Swedish Aviation Tax*

The aviation tax threatens jobs, connectivity and competitiveness.

There is a clear link between air connectivity, employment and GDP. Experts claim that the reduction in passenger volumes as a result of the tax would mean up to 7,000 fewer jobs within the first year and a reduction in GDP of up to SEK 6 billion.¹ This is in line with the experience of other countries that have introduced a national aviation tax.

The Swedish Agency for Economical and Regional Growth (Tillväxtverket) and the Swedish Agency for Growth Policy Analysis (Tillväxtanalys), highlight that connectivity could be reduced in many locations, which would threaten local development. Hardest hit would be those parts of Sweden where air travel is the only realistic alternative for reaching other parts of the country and the rest of the world. What is more, the aviation tax has had an adverse impact on the planning and establishment of a preclearance facility at Arlanda Airport, thus further reducing connectivity with the U.S. and other countries.

We recognize the need for comprehensive global, European and national policies to combat climate change, but an aviation tax limited to Sweden only raises questions around efficiency. Also, fewer jobs, reduced accessibility and weaker competitiveness outside of the big cities is a high price to pay.

Good flight connectivity between the U.S. and Sweden is key to promoting trade between our countries. However, carbon emissions associated with flying is a significant challenge for the airline industry and the transportation sector. The Chamber therefore supports initiatives to tackle greenhouse gas emissions associated with flying. Several promising initiatives have been launched in both the U.S. and in Sweden. Some of those initiatives focus on new innovative technologies, while others promote the use of bio-fuels to replace fossil jet fuel.

The Chamber firmly believes that any policy initiatives to reduce emissions associated with flying need to focus on promoting new technologies and new types of fuel, while preserving, and even increasing the flight connectivity between the U.S. and Sweden. The current Swedish flight tax doesn't meet those requirements and could therefore be replaced with more efficient instruments.

¹ Source: Föreningen Svenskt Flyg: <https://www.svensktflyg.se/aviation-tax-without-climate-benefit-threatens-jobs-connectivity-competitiveness/>

2. Trade Policy and Trade Agreements, including World Trade Organization reform

Trade agreements contribute to economic growth on both sides of the Atlantic. AmCham is a strong proponent of agreements that drive growth and job creation. Moreover, we believe these agreements strengthen ties between the U.S. and Europe/Sweden in broader ways as well.

Notably, Sweden's National Board of Trade (Kommerskollegium) has determined that when the full economic value of trade relations is taken into account, the U.S. is Sweden's most important trading partner. Accordingly, AmCham is eager to promote increased trade between Sweden and the U.S. and to engage in a dialogue to enhance the understanding of the benefits of trade agreements, as well as explaining, for instance, how the U.S. regulatory system works.

AmCham wishes to underline the usefulness of a rules-based international trade order, with reliable and predictable institutions such as the Bretton-Woods institutions (WTO, World Bank, IMF), as well as access to legal recourse such as the WTO Panels.

3. Preclearance at Arlanda Airport

Among the more specific issues of vital interest to AmCham is the possibility of establishing U.S. Customs and Border Protection (CBP) Preclearance operations at Arlanda Airport. With such an arrangement, U.S. CBP officers would conduct immigration, customs and agriculture inspections of international air travelers at Arlanda, instead of upon arrival in the United States.

Apart from facilitating international travel for both work and leisure between Sweden and the U.S., a preclearance facility would increase the attractiveness of Arlanda Airport as a connecting hub for travelers from other locations. AmCham therefore encourages the interested parties, such as Swedavia and the Swedish government, to facilitate the introduction of preclearance at Arlanda Airport.

4. Research and development (R&D): Fostering climate for cross-border collaboration, including fintech, cleantech, ICT, pharmaceuticals, medtech, and cancer research

The IT, dotcom, pharma and biotech sectors in Sweden continue to be highly competitive in a global context. Several leading U.S. companies have either acquired or invested in Swedish cutting-edge companies in these fields.

The axis between Silicon Valley/ Silicon Alley and Stockholm is worth studying as an example of how a dynamic exchange can promote competitiveness and innovation, both in Sweden and the U.S.

Another area where Sweden historically has been at the forefront of innovation and excellence is healthcare and pharma. A strong private sector

with world-class R&D, combined with a highly respected public health care program and first-class state institutions such as Karolinska Institutet, contribute to Sweden's high-ranking position among developed nations. Sweden is a world leader in register-based health research, and the freedom of data flows between Sweden and the U.S. is of vital importance.

Today, Sweden is at a critical point, with private healthcare companies being targeted for closer regulation and regional authorities challenging and criticizing innovative pharmaceutical companies for producing high-cost medicines. Despite successful reforms that lower the budget impact of pharmaceuticals on the public healthcare system, the resources set aside for highly innovative drugs and orphan drugs have not been increased. The evaluation and approval processes for these innovative and costly outliers are problematic for many leading U.S. companies and present market access issues.

The ongoing development of administrative cooperation to develop joint procedures for GMP/Good Manufacturing Practices/ between EU and U.S. agencies EMA and FDA – through for example, the Mutual Recognition Agreement and the confidentiality commitment, both from 2017 – is encouraged.

5. *Smart Regulation*

Deregulation for growth is a proactive agenda. Wherever AmCham Sweden member companies identify a compelling reason for deregulation to drive innovation, investment and growth, the Chamber stands ready to assess and advocate for the proposal.

There is also a need for a watchdog, highlighting regulations that hamper growth or legislative propositions that might damage the business environment.

This is especially true whenever there is a risk that U.S. businesses would be disproportionately impacted by new regulations. As with any advanced market economy, Sweden must continuously review the regulatory burden on businesses.

One aspect of special concern is the ongoing uncertainty regarding the taxation of incentives programs for key personnel.

6. *Digital Taxation and Platforms*

Sweden has been skeptical towards the idea of a special European “digital tax” to be levied at platform companies and other tech companies. This is a most welcome position, which is to be encouraged.

Likewise, Sweden played a constructive role in finding an equitable solution in the EU negotiations on the “Platform-to-business Regulation”.

II. Digitalization

Digitizing information and processes have become core to successful business transformation. Many U.S. and Swedish firms are industry leaders that have been in the forefront of adapting to changing business models.

1. *Internet of Things (IoT)*

Gradual implementation of the next generation mobile network (5G) will enable a new level of connectivity with greater performance which has the potential to transform businesses, create new services and change the way public services are provided.

AmCham welcomes and will support debates on complementary policy issues, such as security and standards, as well as vertical policy initiatives where IoT plays a vital part, such as smart cities, eHealth, and industry 4.0.

2. *Artificial Intelligence (AI) and Machine Learning*

A growing part of the global economy, and Swedish-American trade volumes, is comprised of digital services that utilize cloud computing and big data technologies to create increasingly advanced services.

Many U.S. and Swedish firms are at the frontline when it comes to advanced algorithmic and AI services. Advanced cloud computing services such as AI are in the long term exceptionally powerful technologies with implications for all fields of society, with far reaching opportunities and challenges for both our nations and the global economy.

New, powerful technologies also need well-crafted principles and guidelines for responsible business practices in order to harness the full potential of their applications.

Given the global reach of AI, the Chamber aims to facilitate knowledge sharing and cooperation between firms, academics and policy makers, which is particularly important at this critical phase of the development. AI and Machine Learning may bring advanced threats to critical infrastructure, and the Chamber supports international cooperation within Cybersecurity to protect businesses and individuals from undue interference.

3. *The future of manufacturing*

Alongside the public discussion of AI, a related conversation concerning automation and robotics is ongoing. Automation is not new, and firms in the U.S. and Sweden have long been world leaders in innovative manufacturing. However, the combination of AI and the rapid acceleration of automation and robotics brings the promise of more cost effective and sustainable industrial manufacturing. However, it also raises concerns about potentially massive impacts on labor markets.

For AmCham, a flexible labor market ready for change, with reforms in education, taxation and social safety nets, as well as retraining, will serve to prepare our economies to be more competitive. U.S. and Swedish companies, with a proud tradition of innovation and high productivity, are well-equipped

for this transition. However, governments and regulatory agencies must begin work to create the right conditions to support them.

4. *Protecting individuals' rights to privacy*

Digitization processes open endless possibilities for new business and innovation models, but they may bring new challenges to uphold individuals' right to privacy. GDPR, the ePrivacy regulation and data transfer agreements are examples of complex regulation to protect the individuals' rights while enabling an open and free internet.

Free flow of data between the U.S. and Sweden is vital to harness the benefits of digitization. Data transfer needs to be underpinned by trust in each other's data privacy and data security standards. The Chamber will work actively with Swedish decision makers to support efforts at the EU level to continue to develop efficient and secure data flows between the U.S. and the EU.

The Chamber will closely follow the ongoing evaluation of the GDPR as well as the ongoing legislative process on ePrivacy. The latter regulation, among other things, aims to strike a balance between online advertising and consumer protection. This should aim to be future-proof and avoid limiting the ability of businesses to develop new innovative services.

III. Sustainability

1. *Corporate Social Responsibility (CSR)*

Many of AmCham's members offer cutting-edge knowledge and solutions that contribute to a more sustainable society. And Sweden is a global center of knowledge and excellence in this field. The entire value chain, from financing to distribution of commercial solutions, is vital. AmCham will promote sustainable solutions by encouraging enhanced R&D in the area, as well as the commercialization of solutions.

In the field of social sustainability, AmCham is aware of the challenges Sweden faces and the need for more social inclusion. In this respect, the Chamber aims to play an active role, and share the experience and expertise our member companies can provide, including CSR activities. AmCham also acknowledges today's great environmental and climate change challenges. The Chamber aims to be a solutions- and opportunity-driven stakeholder in facilitating knowledge sharing and cooperation between our countries and businesses in addressing and finding solutions to these challenges.

2. *Environment and climate change*

Sustainable development and clean environment are prerequisites for expanding economies and growing business communities. It is important for the Chamber that national policy makers see the potential that

entrepreneurship and foreign investments can bring about for the energy supply, transport systems, manufacturing processes and waste management.

Sweden has set its ambitions high when it comes to reducing greenhouse gases and promoting sustainable production. This can lead to new business opportunities as well as encourage transatlantic cooperation. It is important to foster an approach that does not harm the economy but promotes efficiency and new technologies. To achieve this, focus must be on good regulation and tax incentives rather than ineffective taxes and harmful bans.

3. *Smart Cities*

Supporting Smart City initiatives is a good way to promote sustainable development by using new technologies and creating business opportunities. Further development of Smart Cities would encourage increased transfer of knowledge between Europe and America, and be mutually beneficial to both U.S. and Swedish companies.

4. *New materials & plastics*

The use of different plastic materials increases as we develop new products and change our consumption patterns. More packages, on-line-shopping and take-away-food also create more plastic waste that must be taken care of in a proper way.

Sweden is already in the forefront in regard to waste management and recycling. But it is crucial that national policymakers create incentives for the development and the use of more eco-friendly alternatives by encouraging new standards for bio-degradable plastics and beneficial treatment for such alternatives.

Sole implementation of consumption reduction targets or extended producer responsibility schemes would only hamper business and growth, whereas schemes for development and production of more sustainable products can be of benefit for consumers, the environment and business – in Sweden as well as in the U.S.

IV. Workplace of the Future

Representing foreign companies in Sweden and being highly appreciative of Sweden's openness regarding labor immigration, AmCham supports Sweden in its efforts to remain open for businesses and people who desire to relocate to work here.

1. Talent attraction and retention

Immigration and successful integration are key to long-term economic growth, creativity and competitiveness, but several different goals must be balanced and met to achieve these results.

a. High-skilled labor, including talent mobility and high-skilled immigration

A highly competitive nation must find solutions to attract and retain high-skilled labor, as well as create paths for labor market participation for high-skilled immigration, while addressing massive integration challenges for migrants of all backgrounds.

b. Migrant integration

Refugees, economic migrants, and foreign experts must all find opportunity in the Swedish economy.

2. *Education, training and development, and adapting to jobs of the future*

Encouraging American companies to choose Sweden for their foreign direct investment – and highlighting the reforms needed to simplify life for foreign talent and investment.

The broader question of the economic climate for individuals in Sweden is of great interest for the Chamber. This includes taxation (for residents, and expats), access to housing, the quality and availability of schooling (in English), and the overall quality of life in Sweden.

Sweden is an attractive place to be regarding talent. The workforce is well educated, highly motivated and internationally experienced. AmCham is keen to contribute to making Sweden even stronger in this respect and is particularly concerned with the following:

1. The housing market. For member companies, it is a challenge to provide housing for employees, especially for those who are here on temporary contracts. Over the last few years, AmCham has noted that Sweden, on the national level as well as on the municipality level, is experiencing a heightened housing shortage, especially in major urban regions.
2. Laws and attitudes regarding qualified labor immigration. American companies establishing a presence in Sweden often want key management to move to Sweden to assist in building the business. Rigid rules and bureaucratic attitudes toward highly educated, employable labor immigrants are hurting the economy as well as the overall reputation of Sweden as a career destination.
3. Education for children. International pre-schools and schools are an absolute necessity for many families moving to Sweden – either permanently or for a set number of years.
4. Job opportunities for spouses.

V. Governance

1. *Intellectual property rights, including combating illegal streaming*

Intellectual property is becoming increasingly important for business, trade and investment.

Intellectual property rights affect nearly every business from the entertainment industry and pharmaceutical companies, to consumer goods and the high-tech industry. Many of these issues are decided on an EU level, but Sweden also plays a role by promoting its own agenda. Intellectual property rights currently face several challenges, from piracy and other violations, and from a regulatory perspective. Among these challenges, AmCham is concerned with mandatory plain packaging proposals, and the effects such measures might have on business generally, in the currently targeted industry, and with the illegal streaming and downloading of content.

2. *Anti-corruption*

In recent years, ethical issues and business codes of conduct have become more important for companies. Business leaders are expected to integrate ethical business practices and values into their business operations.

AmCham is dedicated to the fight against corruption, for example through the *Tillsammans Mot Korruption* initiative. Through this initiative, in partnership with Transparency International Sweden and the Swedish Anti-corruption Institute (IMM), we highlight ethical issues and corruption, arrange seminars, and share knowledge and best practices on how to combat corruption.

3. *Diversity and inclusion*

Governance also relies on sound values that allow for diversity and inclusion, where prejudice, misogyny and racism are not allowed to hinder individuals from growing and achieving their goals. The U.S. and Sweden have different historical backgrounds, but migration, tolerance and integration are proud parts of both nations' heritage. In a time of increasing migratory flows, travel and globalization, we must find ways to use these experiences to meet the challenges ahead.