

## **Speech by the Minister for Trade of Sweden Ewa Björling**

### **Seminar on "Investment for economic growth, social inclusion and environmental sustainability"**

**ECLAC, Santiago, Chile, 4 October 2012**

Ladies and gentlemen, distinguished guests;

Thank you for inviting me to this seminar. It is a great honour and a true pleasure for me to deliver some remarks on the theme "Investment for economic growth, social inclusion and environmental sustainability". I am very pleased to be back in Latin America, a region of impressive cultural, economic and historical characteristics.

Ladies and gentlemen;

No issue which deals with inclusive and sustainable economic growth can be seriously addressed without having in mind that we live in a globalized world. Globalization has changed the ways in which all economic and social matters develop.

One key aspect of globalization is that it has made the world increasingly more flat. Thanks to globalization, old impediments no longer determine our possibilities to interact with people in other countries, or to buy and sell goods over long distances. Indeed, the barriers that throughout history have kept nations and people apart are diminishing in importance.

However, not even in this relatively flat and globalized world, are contacts, trade, and investments across national borders totally free from obstacles. The nature of these barriers may have changed, but they are still there. In this regard, as a true free trader, I'm convinced that the success of achieving inclusive and sustainable growth depends on our ability to make the world even more flat!

Sweden, the EU, and Latin America have gained substantially from the more interdependent global economy created by globalization.

Sweden's journey throughout history – from a small, poor country in the outskirts of Europe – to the most creative, one of the most innovative and competitive countries of today, is a story about the benefits of openness and free trade.

It was by abolishing quotas and tariffs that Sweden's economy was able to integrate with the world economy. Together with progressive public policy in other fields, the true potential of Sweden's spirit of innovation was transformed into world leading companies. Thanks to trade, Sweden went from one of the poorest countries in Europe, to one of the wealthiest, in just a few decades. At the European level, the European Community launched the common market 20 years ago, which has been a tremendous success in terms of openness and free trade within the EU.

Similarly, as many Latin American countries opened up to the world economy, hundreds of millions of people have been lifted out of poverty by reaping the benefits of international trade and investments.

My take-away from the lessons of history is this: We must all work together for more open and predictable markets. We must support the idea of free trade. It means opportunities for Sweden, opportunities for the EU, and opportunities for Latin America.

Having said this, it is no surprise why I am so deeply disturbed that protectionist tendencies are on the rise. In fact, they are much stronger today than in 2008. The latest protectionism monitoring reports from the WTO and OECD are indeed alarming.

World trade is expected to grow by only 3.7 percent this year. This is well below the long-term annual average of 5.4 percent for the last 20 years. At such a time, we should be doing everything we can to boost trade. Instead, we see that the pace of introduction of new trade restrictive measures has accelerated. Around 3 per cent of total world imports are today affected by different import restrictive measures erected by G20 countries. It is completely unacceptable that these new barriers are erected at a time when global economy is in dire need for more open markets.

I believe protectionism is on the rise because vested interests have managed to sell the idea that "protectionism" is really about legitimate protection of countries' economic interests. Nothing could be more wrong.

Raising barriers to trade protects not the economic well-being of countries in the long run. Instead, we end up with high costs defending non-innovative domestic businesses that are unable to compete on the international stage.

In today's globalized world, where complex supply chains span the entire globe, the costs of closing our borders are becoming even higher. More than 36 million jobs in Europe depend, directly or indirectly, on the ability to trade with the rest of the world. A study on Swedish exports has shown that about one third of the value of our exports comes from imported goods and services.

If we limit our ability to import, we also limit our ability to produce and export. This is all the more reason to tear down trade barriers. Products and services are today produced "globally"— not in Sweden, not in the EU, not in Latin America— but in the world!

Ideally, we would use the multilateral track to remove barriers and create freer markets. Unfortunately, and for various reasons, a major package deal in the WTO is not possible at the moment. However, the WTO is the cornerstone of international trade. Dispute settlement, trade policy reviews, rules and transparency are all vital to the system that has enabled us to prosper as trading nations. And that will not change.

We could choose to bide our time and wait for a moment in the future when the log jams in Geneva have been resolved. As I see it, we must do our outmost to reach an ambitious global trade deal, but we must also look for new ways of opening up markets.

This is why, Ladies and gentlemen, closer ties between the EU and Latin America is so important. The EU is Latin America's number 2 trading partner. Trade between the EU and Latin America amounts to around 200 billion Euros, and foreign direct investments from the EU make up close to 40 percent of the region's total inflow of FDI.

These data show one thing very clearly: trade and investments between the EU and Latin America is beneficial for countries, companies and investors. Still, we must ask ourselves how to act and where to go in order to facilitate for even more international commerce. How do we proceed to spur the prospects for inclusive and sustainable growth? And what other avenues are at our disposal?

As we all know, we have no time to spare. The world economy is facing tremendous challenges and is performing well under capacity. Therefore, more open trade and investments should be at the top of our agendas because it would contribute to jobs and growth when we need it the most, without the need of printing money or raising taxes.

In this regard I welcome the fact that a number of free trade agreements are now being implemented or are currently under negotiation between the EU and Latin America. The FTAs between the EU and Colombia and Peru, as well as Central America, will soon be ratified. We already have broad and well-functioning agreements with Chile and Mexico and we have high hopes for the EU–Mercosur negotiations. Our ambition is to have free trade agreements with all countries in the region. In addition to this, FTAs among Latin American countries are another important way to encourage investment.

Another area which provides an underutilized source of trade and growth is migration. Migrants have a good knowledge of the business culture, politics, belief systems and languages of their former home countries. Their contact networks put them in a particularly good position to personally stimulate trade with their countries of origin. Moreover, they can serve to show the way for other firms that want to engage in trade with the former home countries of people born abroad.

Research shows that migrants can facilitate trade between their country of residence and country of birth. Sweden has seen this in practice. We have a big and flourishing Latin American diaspora, which contributes to creating jobs and prosperity by starting companies and building commercial bridges between Sweden and Latin America. But more can be done to maximize the benefits of migration.

Ladies and gentlemen;

As you probably have noted, I speak of trade and investment as engine for both growth and social inclusion, as well as for environmental sustainability. Let me be clear on this: international trade and investment, inclusive economic growth and a cleaner environment are not mutually exclusive concepts.

This is because there is a clear potential for positive linkages between trade, development, and the climate. All countries must together face the challenges posed by both global warming, and the global economic downturn. What is clear is that all areas of public policy need to step up for the climate, and trade is no exception!

With this in mind, Sweden has proposed trade deals that are specifically targeted at liberalizing trade in environmental and climate friendly goods, services, and technologies. We think this should be a central theme in the EU-Latin American trade relations. Further, information and communication technology plays an important role in this context. ICT products and services lower the carbon footprint and enhance the prospects for social inclusion. In other words, to support trade in these goods/services/technologies is to support the inclusive growth and the climate in tandem.

Ladies and gentlemen, distinguished guests;

Let me conclude by saying that in order for us to be able to enhance the possibilities for inclusive growth, sustainable development, and a healthy environment, we need to put free trade and a more open global investment climate at center stage in discussions on how to deal with the most pressing global issues of today. To succeed in unlocking the full potential of our economies, we must utilize the capabilities of all important and relevant actors. Cooperation between the EU and the Community of Latin American and Caribbean States can play an important role in this regard.

Thank you!