

Center for Strategic and International Studies

The Trade Guys Podcast

“Sweden”

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SCOTT MILLER: I'm Scott.

WILLIAM ALAN REINSCH: I'm Bill.

MR. MILLER and MR. REINSCH: (Together.) And we're The Trade Guys.

(Music plays.)

H. ANDREW SCHWARTZ: You're listening to The Trade Guys, a podcast produced by CSIS, where we talk about trade in terms that everyone can understand. I'm H. Andrew Schwartz. And I'm here with Scott Miller and Bill Reinsch, the CSIS Trade Guys.

This week on The Trade Guys we're lucky to have with us Sweden's ambassador to the United States, Karin Olofsson. The ambassador is going to help us break down the latest Brexit news and explain why Sweden's relationships with the United States goes beyond Spotify and beyond Ikea.

Ambassador, we're so excited to have you here. Let me just start by asking: Are you the coolest ambassador in D.C. right now? I think you might be.

AMBASSADOR KARIN OLOFSSON: I think I am.

MR. SCHWARTZ: Yeah, I think you are too. I mean –

AMB. OLOFSSON: There is a stiff competition, though.

MR. SCHWARTZ: There's some pretty cool ambassadors.

AMB. OLOFSSON: Yeah.

MR. SCHWARTZ: But, like, you're by far – like, you're off-the-charts cool, and we're really glad to have you here.

AMB. OLOFSSON: Thank you.

MR. SCHWARTZ: I mean, who else's country has companies like Spotify, Ikea, Volvo? I mean, you really – you know, and plus, of course, you're a trade expert, so.

AMB. OLOFSSON: Who builds the 5G net of the United States?

MR. SCHWARTZ: Right. Tell us about that.

MR. MILLER: Ericsson, yeah.

AMB. OLOFSSON: That's Sweden. That's Ericsson.

MR. SCHWARTZ: Yeah, that's right.

MR. MILLER: Ericsson, yes.

AMB. OLOFSDOTTER: Yeah. So that's extremely cool. So we are everything from, like, the coolest coffee shop in New York, called Fika, to Ericsson, ABB, Ikea, H&M.

MR. SCHWARTZ: H&M.

AMB. OLOFSDOTTER: Everything.

MR. REINSCH: I remember them.

MR. SCHWARTZ: I'm a big Spotify guy. Bill just got Spotify, and we haven't activated it yet, Trade Guy Bill.

MR. REINSCH: It's there, I just haven't used it. But I'm a big fan of your annual Santa Lucia party. Anybody who can come up with seven different kinds of herring deserves great respect. (Laughter.)

AMB. OLOFSDOTTER: Yeah. Actually, it was – you know, honestly, it was 12 last year.

MR. REINSCH: It was 12? I wasn't invited last year. I'm two years old, when there were seven.

AMB. OLOFSDOTTER: I think maybe we can work on that. (Laughs.)

MR. SCHWARTZ: Well, now that you're a Trade Guy –

MR. REINSCH: Although I'm not – I'm not trying to wrangle an invitation here, but I'm just –

AMB. OLOFSDOTTER: And actually –

MR. SCHWARTZ: Now that you're a Trade Guy, you don't need an invitation.

MR. REINSCH: And – (inaudible) – deserves respect.

AMB. OLOFSDOTTER: But if we talk about herring and trade, Ikea is actually Sweden's largest food exporter.

MR. SCHWARTZ: Is it?

AMB. OLOFSDOTTER: Yes.

MR. MILLER: Of the processed food that's in the stores, right.

AMB. OLOFSDOTTER: Yeah, exactly.

MR. MILLER: Cookies and cakes and herring.

AMB. OLOFSDOTTER: Yeah, the herring and the salmon, the chocolate, and everything.

MR. MILLER: Yeah. Walk through an Ikea, you'll see a lot of processed food.

MR. SCHWARTZ: Sure.

MR. MILLER: Most of it is from Sweden.

AMB. OLOFSDOTTER: Yeah.

MR. MILLER: And I didn't realize they were the largest, but that's impressive.

AMB. OLOFSDOTTER: They are the largest.

MR. SCHWARTZ: So, Ambassador, most Americans don't probably know that there's a trade relationship between the United States and Sweden, and certainly the EU. Can you tell us a little bit about that and why it's so important?

AMB. OLOFSDOTTER: Well, of course, Sweden is a fairly small country, even though we are now extremely happy to be double-digit: We are now 10 million instead of nine (million).

MR. SCHWARTZ: Right, OK, so you've grown up.

AMB. OLOFSDOTTER: So that's – we have grown up. We all remember –

MR. REINSCH: Is that because of the immigrants, or is that because of actual babies?

AMB. OLOFSDOTTER: Actually, both. We have one of the highest fertility rates in Europe because most women work and we have excellent daycare. But we can talk about that in another program.

MR. SCHWARTZ: See, this is why Sweden's the coolest country with a cool ambassador.

AMB. OLOFSDOTTER: Yeah.

MR. REINSCH: This might move us from PG into R. I don't know that we can do that.
(Laughter.)

MR. SCHWARTZ: No, I was excited about the daycare. I mean, like, that's what's cool.

AMB. OLOFSDOTTER: Yeah, yeah. Yeah, yeah.

MR. REINSCH: That's OK.

MR. SCHWARTZ: That's what's cool. I mean, that's amazing.

AMB. OLOFSDOTTER: And, no, it's a very good system.

Anyway, so, given that we through history have been an exporting country, and manufacturing since, you know, beginning of industrialization, we have some very cool big companies because we

have been innovative for so long. And, of course, all those companies have been here for the last 150 years or so.

So the U.S. is actually our fourth-largest market. We are the 14th-largest investor in the United States. And then, for those of you who are interested in numbers, we are the 84th-largest country in the world.

MR. SCHWARTZ: Eighty-fourth.

AMB. OLOFSDOTTER: Eighty-four. And we're the 14th-largest investor in the United States.

MR. SCHWARTZ: In the United States.

AMB. OLOFSDOTTER: Yes.

MR. REINSCH: So you punch above your weight.

AMB. OLOFSDOTTER: You can say that.

MR. SCHWARTZ: Right. So tell us what that means. So you're the 14th largest. What do you invest in in the United States?

AMB. OLOFSDOTTER: Oh, everything. Have factories here. Volvo cars just opened a new factory in South Carolina.

MR. MILLER: That's their second factory, right?

AMB. OLOFSDOTTER: No, it's their first.

MR. MILLER: Oh, I thought there was one for SUVs and now one for cars.

AMB. OLOFSDOTTER: No.

MR. MILLER: At the same facility?

AMB. OLOFSDOTTER: Yes, same facility.

MR. MILLER: OK.

MR. SCHWARTZ: South Carolina.

AMB. OLOFSDOTTER: Yes.

MR. MILLER: I see.

AMB. OLOFSDOTTER: Volvo Group, the trucks, have several factories. We have –

MR. SCHWARTZ: They're exporting a lot of Volvos to Bethesda, Maryland, I noticed.

AMB. OLOFSDOTTER: They are. (Laughs.)

MR. SCHWARTZ: Yeah.

AMB. OLOFSDOTTER: No, but so, you know, we have everything. We create about 360,000 jobs in the United States.

MR. MILLER: So Ericsson, AstraZeneca –

AMB. OLOFSDOTTER: Ericsson, AstraZeneca, ABB, Volvo as we talked about, H&M. The biggest security company in the U.S., Securitas, is actually Swedish. They employ 100,000 people.

MR. SCHWARTZ: This is personal security, or?

AMB. OLOFSDOTTER: No, you know, security if you go to a hotel or a store or whatever.

MR. SCHWARTZ: Yeah.

AMB. OLOFSDOTTER: You know, where there's, like, security guards.

MR. SCHWARTZ: Yeah, security. OK.

AMB. OLOFSDOTTER: Yeah, Securitas. That's Swedish.

MR. SCHWARTZ: And that's a – that's a Swedish company?

AMB. OLOFSDOTTER: Yes.

MR. SCHWARTZ: OK. So literally 360,000 jobs. That's nothing to sneeze at.

AMB. OLOFSDOTTER: No.

MR. SCHWARTZ: That's a lot of jobs.

AMB. OLOFSDOTTER: Yeah. And indirectly it's a million, so we'd rather talk about the million.

MR. SCHWARTZ: Tell us about the million.

AMB. OLOFSDOTTER: (Laughs.) No, it's, of course, everyone who is providing – subcontractors, et cetera – to all these – all these companies.

MR. SCHWARTZ: Got it. So it's a – it's a big part of the U.S. economy.

MR. MILLER: It is. And you mentioned the innovation, because what interests me is, you know, little – a little country, 10 million people, and you've produced Skype, Spotify, and DICE, which is part of Electronic Arts, so videogaming.

AMB. OLOFSDOTTER: Yeah.

MR. MILLER: Very cutting-edge industries. Not to mention Ericsson was a big company and very successful. But you have these ideas that come out of this little country. It's amazing. How does that happen?

AMB. OLOFSDOTTER: Well –

MR. REINSCH: I think the Estonians would claim Skype.

AMB. OLOFSDOTTER: Well, it was a Swede.

MR. MILLER: It was a Swede?

AMB. OLOFSDOTTER: Who then moved to Estonia.

MR. REINSCH: To Estonia, a-ha.

AMB. OLOFSDOTTER: I'm sure it's a great Swedish and Estonian collaboration.

MR. SCHWARTZ: (Laughs.) Don't go giving it away to the Estonians. It's a Swedish thing, man. Come on! (Laughs.)

AMB. OLOFSDOTTER: No, but I think it comes out of several things. First of all, it's kind of, you know, the Bjorn Borg effect, if you are familiar with that.

MR. SCHWARTZ: Of course.

AMB. OLOFSDOTTER: If you have a really good tennis player, 15 years later you have another bunch of really good tennis players because they get inspired.

MR. MILLER: I see.

MR. SCHWARTZ: Right.

AMB. OLOFSDOTTER: And also, our school has been set up in the way – first of all, we've had schooling since – for everyone since 1860s, so we've always had quite educated people in my country. Plus, school has been – there's a lot of criticism towards Swedish school system, but it's creative. People are allowed to be creative. And also, given the egalitarian system, everyone gets a shot. It's kind of like America. Same idea as building the United States, but just doing it a different way, with a social network. But the whole idea is about the individual being its utmost. So that creates that kind of –

MR. MILLER: Wow.

AMB. OLOFSDOTTER: You're allowed to try.

MR. MILLER: Hadn't thought of that. That's –

AMB. OLOFSDOTTER: Yeah. No, it's very interesting, I think.

MR. SCHWARTZ: Well, Bjorn Borg was the most stylish tennis player of all time.

AMB. OLOFSDOTTER: He was, he was. You should see the film if you haven't seen it.

MR. SCHWARTZ: Well, I saw it live when I was a kid.

AMB. OLOFSDOTTER: Yeah. Yeah.

MR. SCHWARTZ: But yes, the film I want to see it. I hear you.

AMB. OLOFSDOTTER: No, but so I think given our size – someone joked the other day it's so dark – (laughs) – so in the wintertime people sit around thinking good ideas to make life more fun. No, but I think we have just created this environment. Plus, we are a small economy that's always been trade-oriented and manufacturing and innovation, so it kind of comes through our DNA, I think.

MR. SCHWARTZ: So tell us about the bilateral relationship before we get into the larger U.S.-EU relationship. Why is the bilateral relationship with the U.S. and Sweden so strong?

AMB. OLOFSDOTTER: Well, for the reasons I said. This is one of the largest markets in the world. Swedes are very positive to the United States. We basically all speak English. We are one of the countries in the world that adopts to U.S. culture really quickly.

MR. SCHWARTZ: So you all still like us.

AMB. OLOFSDOTTER: Yes, we love you.

MR. SCHWARTZ: OK. All right. Good. That's good to know.

AMB. OLOFSDOTTER: No, and I think everyone has a dream to make it in the United States, you know?

MR. SCHWARTZ: I hear that. Yeah. Sure. Of course.

AMB. OLOFSDOTTER: I mean, it's – of course, because it is such a large market and it's fairly easy. It has – I mean, all markets have – I would say troublesome to get into because it's a new system, you have to learn it, et cetera.

MR. MILLER: Sure.

AMB. OLOFSDOTTER: But they are – so many have been here, and they attract more.

But, of course, we are very worried about the trade policy coming out of the administration right now. We think it's counterproductive to who we are and what the world is right now, and what the world has developed into when it comes to global value chains, effective production lines, et cetera, et cetera. And also, the more we work together, the more creative we are and the more things we can come up with.

And, you know, just the car industry, if you look at that, a Volvo car, if you have an XC90, it's about 10,000 parts –

MR. SCHWARTZ: Great car.

AMB. OLOFSDOTTER: Great car. Ten thousand parts from, like, I don't know, 50 to 70 different countries.

MR. SCHWARTZ: Right.

AMB. OLOFSDOTTER: You can't source that from one place. It becomes impossible.

MR. SCHWARTZ: We had an XC90. That was, like, our first SUV. It had a third row. It was great for our kids.

AMB. OLOFSDOTTER: Yeah.

MR. SCHWARTZ: It was an amazing car. We actually –

AMB. OLOFSDOTTER: It is a really good car.

MR. SCHWARTZ: It's hard to give away, actually, when –

AMB. OLOFSDOTTER: You should buy a new one.

MR. SCHWARTZ: Well, you know, now the kids are a little older and they don't – the third row thing doesn't even work because they're just big boys, so – yeah.

AMB. OLOFSDOTTER: (Laughs.) No, but so, you know, this is problematic. We are really, I would say, almost upset with the steel tariffs, aluminum tariffs put on Europe out of security reasons. We are the closest allies.

MR. MILLER: Sure. And this – the complexity that you pointed out of modern supply chains

AMB. OLOFSDOTTER: Yes. Yeah.

MR. MILLER: – there's a tendency with a lot of American politicians and certainly this administration to view the world as a chain of islands that are somehow disconnected when, in fact, production is a matrix. Things are made on planet Earth and we make things together worldwide. And

AMB. OLOFSDOTTER: Yeah. No, and also, I mean, this is a huge country, so it's easy to understand why you can think like that. But when you know how integrated we all are – and look at all the investments we have done. If we are the 14th-largest investor in your country and this country becomes more protectionist, there are already Swedish companies that are hesitant about making more investments here.

MR. MILLER: Sure.

AMB. OLOFSDOTTER: And that's very serious for your economy and for our economy, and for growth overall. I read somewhere that United States and European Union together consist of 50 percent of the GDP of the world and 30 percent of all trade globally. We are each other's greatest partners, so we must solve this together.

MR. MILLER: Now, how do you – I'm sorry.

MR. SCHWARTZ: Bill – when you hear this, Bill, as a former senior United States trade official, you hear this – you hear concern on one of our largest trading partners – what does this make you think?

MR. REINSCH: What I was thinking about while the ambassador was talking about it is yet it's a complicated, rocky relationship, particularly – not with individual countries, where there's a long history – there's a lot of – there's a lot of people that have Swedish roots that live in the United States; the same is true of all the European countries – but our relationship with the EU is – on trade is complicated. And that's one of the things that I hope we can talk about.

We didn't get to the finish line in the Obama administration on TTIP. There's now talk about doing something that's different, and I'm not quite sure what it will be yet. And yet, we don't seem – we have so much in common and we have so many interests in common, particularly as we've been talking here in past weeks about the China challenge that we both face, it seems that the obvious thing to do would be to be working together more than we are. So what's the problem?

AMB. OLOFSDOTTER: Yeah. Of course it is complicated, and there are so many details if you really want to go for a deep agreement like we wanted to with TTIP. But it doesn't mean that we shouldn't try, and we shouldn't raise more barriers than we already have. We should lessen the ones we have because if you –

MR. REINSCH: And that's the problem on our side, yes.

AMB. OLOFSDOTTER: No, I – somehow on our side, too. But if, for instance, car tariffs are put on Europe for – you know, to be rumored at about 25 percent, that would kill 4,000 jobs in Sweden and I don't know how many jobs it would actually end in the United States. That's very serious.

MR. REINSCH: There's a report just out about that that suggests how many thousand.

MR. MILLER: Don't recall the number. I think –

MR. REINSCH: Sixty-odd thousand, something like that, yeah.

MR. MILLER: It's in that range, yes.

AMB. OLOFSDOTTER: Yeah.

MR. SCHWARTZ: Sixty thousand job losses.

AMB. OLOFSDOTTER: In the United States.

MR. MILLER: In the United States.

MR. REINSCH: In the United States.

MR. SCHWARTZ: All right. Let's back up for a second. Tell our listeners who don't know, what is TTIP?

MR. REINSCH: It was – well, still is. It's not dead; it's on life support. It was the Transatlantic Trade and Investment Partnership. It was invented by President Obama and mostly Chancellor Merkel at the time and the French president, Sarkozy, when he was the president. So it's kind of a top-down thing, as opposed to some agreements that were – that were bottom up. And it was an effort – it was in theory to try to get to a comprehensive bilateral trade agreement between the United States and the EU.

MR. MILLER: And while it was operating, it was always a little more popular here than it was in Europe. It was one of those things. Working on both the Trans-Pacific Partnership and TTIP, TTIP caused very few ruffles with the Congress. They were – they embraced it. They thought it was a good idea. It didn't have the – sort of the strident opposition that TPP had for a long time. And yet, when I traveled to Brussels, I went to the Grand-Place and saw the TTIP Trojan Horse in – you know, rolling around on the Grand-Place. And it seemed to be this focus of – whether it was anti-Americanism or anti-globalization or whatever the sentiment was, it drew a lot of – a lot more negative sort of perspective from the NGO community in Europe than it ever did here.

MR. REINSCH: Is that like the giant inflatable rat that rolls around Washington?

MR. MILLER: It was a little more attractive than the inflatable.

MR. REINSCH: Than the rat. You've seen the rat. (Laughter.)

But this is – this is a question that I really wanted to ask you. I agree with Scott. My view was that TTIP was always more popular in the United States than it was in Europe. I think part of that was because all of our trade skeptic folks were busy opposing TPP and they didn't have time to oppose –

AMB. OLOFSDOTTER: TTIP, yeah.

MR. REINSCH: – both of them at the same time. And had we finished TPP, then they would have moved over and been anti-TTIP. But at the same time, clearly it has problems in Europe. And I guess what I'm really interested in, one is sort of, why? And has anything changed? Or are we going to have the same problems with civil society, even on a more modest approach now, than we had two years ago, three years ago?

AMB. OLOFSDOTTER: Well, when it comes to TTIP, I guess there are always some circles in Europe who are – who are worried about the really big American corporations and what that will mean if they would have, you know, a foothold in Europe. So in a way, you can say it's a kind of anti-Americanism, but I would say more anti-huge corporations.

MR. REINSCH: Anti-big company, yeah.

AMB. OLOFSDOTTER: Yes, exactly, and what would that entail. And we had the same discussions actually when we had – when we discussed a deal with Canada, EU and Canada. Those who were really skeptics always pulled out the fact of Canada being a backdoor for U.S. companies coming into Europe. So, of course, maybe it wouldn't have been easy, but I think we would have gotten it through in Europe in the end. Of course, one can never say for sure.

Yes, I think now it is fairly difficult, but in Europe, actually, people have become more and more positive to trade agreements given the rhetoric coming out of the United States with protectionism. So we, you know, we have now deals with so many more countries than we had before.

MR. MILLER: So this would be exactly the opportunity to reframe a U.S.-EU trade agreement.

AMB. OLOFSDOTTER: We have to try.

MR. REINSCH: If Trump is against it, can't be bad.

MR. MILLER: How could it possibly be a bad idea, right? (Laughter.)

AMB. OLOFSDOTTER: No, but we have to try. And it is extremely important because, you know, if we are going into an economic recession slowly – and I read that some economists in Europe –

MR. MILLER: Risk of a slowdown, yes.

AMB. OLOFSDOTTER: – in Europe are already not –

MR. REINSCH: Is that right, you're beginning to see that in Europe?

AMB. OLOFSDOTTER: Yeah, I just read that the other day. And most economists talk about that 2020, 2021 we will start going into a recession.

MR. REINSCH: Yes.

AMB. OLOFSDOTTER: Of course, we need to do everything we can to protect jobs, to create more jobs. And if we can do that through a trade agreement, that's, of course, extremely good. But it won't be easy. So if we can start out in a slim manner, maybe start on – I know the talks with Commissioner Malmström and Lighthizer yesterday or the day before was on regulation. Of course, when we go for new standards, for instance, in areas, if we can set them together, that would be extremely beneficial. So there are a lot of areas where we can do progress.

MR. REINSCH: So tell me, are we ever going to be able to solve the chicken problem?

AMB. OLOFSDOTTER: I don't know. (Laughs.) I mean –

MR. SCHWARTZ: This the chicken price?

MR. REINSCH: No, this is not the chicken price. This is – this is chlorinated chicken.

MR. MILLER: Chlorinated chicken.

MR. SCHWARTZ: OK.

MR. REINSCH: I used to have conversations with –

MR. SCHWARTZ: You've got to tell us what that is first.

MR. REINSCH: Well, the EU doesn't let American chickens in because they are – we use a chlorine wash to sanitize them, basically to remove bacteria.

MR. SCHWARTZ: So we're jive turkeys is what they're saying.

MR. REINSCH: Well, you could look at it that way.

MR. SCHWARTZ: OK.

MR. REINSCH: Those are – those would not be their words, but there is absolutely no sanitary or phytosanitary reason for the European argument. We don't have millions of Americans dying from diseased chickens.

MR. SCHWARTZ: We eat a lot of chicken in the United States.

MR. REINSCH: We eat a lot of chicken and we all survive.

MR. SCHWARTZ: Yeah.

MR. REINSCH: Yet, when I – I used to argue with the European – the previous trade commissioner on this subject, who tried desperately to put together a compromise. You know, there was this period of time in 20 – oh, I don't know – 12 or '13 when – no, it was before that because it was –

MR. MILLER: Before that because it was the first – it was the first Bush. Yeah. Yeah.

MR. REINSCH: Bush, yeah, it was Bush's second term when the idea was, can't we find one thing that we can agree on? And maybe if we do one thing, then we can move on to two and three and four and we'll grow that way. And so the one they picked, which was the EU suggested it, the commission suggested it, was let's look at chickens. And it turned into this giant nightmare because nobody could agree on chickens. And in the end, the commission came up with a, quote/unquote, "compromise," which was probably unacceptable to the United States, but it never got there because I think 27 of the 28 countries in the EU ended up opposing it. So it never got off the ground.

MR. MILLER: Wait a minute, we're back to the future now because the talks between Commissioner Malmström and Robert Lighthizer, that were reported, have to do with whether or not we're even going to talk about agriculture. OK.

MR. REINSCH: Well, yes.

MR. MILLER: And so we seem to be in the course – agriculture was a stopper back 25 years ago. Then we had a period of time when a billion people in Asia were improving their diets and

American farmers had plenty of places to sell their products. And now we're back to Europe again and ag is still the problem.

AMB. OLOFSDOTTER: No, and there are those big chunks of policies, which are very difficult. For instance, on our side, we would, of course – as our public procurement is open to foreign companies or third countries, we would, of course, like to have reciprocity on that in the United States. So there are those big, really big issues that are very hard to move on. But there are so many other things that we could move on and I think just to show that we could go ahead and find solutions step by step. And maybe we don't need a big-bang agreement, maybe we can have smaller ones or more slim ones, but at least that we get going on it because we are each other's most important markets and we share values. And it's also for security reasons.

MR. REINSCH: Are people in Europe – my sense, though, is a lot of people in Europe are worried about sort of the dumbing-down of European standards, particularly health and safety standards, that they believe that American standards are inferior and that if we're going to negotiate a trade agreement, that means yours are going to come down and that's not a good thing. Is that still a prevailing view? Because we, of course, don't think that's right.

AMB. OLOFSDOTTER: It could be. Yeah. No, I mean, we had that discussion as well when we joined – for instance, I mean, all politics is local – when we joined the European Union in the early 1990s. That was a big debate in Sweden, but that hasn't happened. So I think there are those worries among people.

MR. REINSCH: There's people – there were people then that said that that's what would happen, standards would be lower.

AMB. OLOFSDOTTER: Yes, our standards would be lowered. But the way the EU works, you can always have higher standards, but you can't have lower than a certain threshold. So I think it's something we also could probably overcome.

MR. SCHWARTZ: So let me ask you this, Ambassador. Is it possible to negotiate on trade with the Trump administration or is it not worth the effort?

AMB. OLOFSDOTTER: Oh, I absolutely think it's worth the effort.

MR. SCHWARTZ: Is it possible to negotiate with them?

AMB. OLOFSDOTTER: We will see. I mean, discussions are ongoing. There's a working group that meets. And as I said, Malmström and Lighthizer met a couple of days ago. They will meet soon again. So, of course, we will see where that leads, but we have to try because we are so important for each other.

MR. MILLER: And you have a couple of beta tests. The South Koreans found a way to conclude their agreement. Canada and Mexico with the USMCA.

AMB. OLOFSDOTTER: Yeah, exactly.

MR. MILLER: So you can – you can actually reach agreements, at least that's the evidence.

AMB. OLOFSDOTTER: Yes. Yeah. And, of course, President Trump has a bit of a different negotiation tactics. He is saying, you know, always that he is a man who wants to make deals, so I really think we should try.

MR. SCHWARTZ: Bilateral deal or a larger deal with the EU and the United States?

AMB. OLOFSDOTTER: Oh, it has to be EU and the United States. Individual EU member states cannot do trade deals. That's a competence that we have given to Brussels.

MR. REINSCH: That was an early confusion by the Trump administration.

AMB. OLOFSDOTTER: Yes. Yes.

MR. SCHWARTZ: Right. That's what I've been wondering about.

MR. REINSCH: Asking to do a deal with Germany.

AMB. OLOFSDOTTER: No, you do a deal with the European Union.

MR. SCHWARTZ: Well, that's – well, that's why I'm asking because, you know, are you on the same page as the administration? I mean, what's going on here? Is there really going to be a comprehensive deal between the two?

AMB. OLOFSDOTTER: I think it will be very difficult, to be honest, but I think we have to try really, because as I said, we are too important for each other not to try. And to go into a trade war between the European Union and the United States, that would be detrimental. As I said, we are 50 percent of the world's GDP, 30 percent of world trade. If we go into a trade war, that can end in a very bad state for both of us.

MR. REINSCH: The motivator, I think, is – well, we talked about it a couple of minutes ago – is China. We both have the same challenges from China. If we can – and I think this is what drove Obama on both TTIP and TPP, which was, how do we – how do we create a large consumer-based, rules-based trading system into which the Chinese will have to fit if they want to access those markets? Europe and the United States together are the biggest consumer market, middle-class consumer market in the world.

AMB. OLOFSDOTTER: Exactly.

MR. REINSCH: If we could agree on standards and rules and health and safety standards, then if China wants to access that market, they're going to have to meet these standards, they're going to have to meet those disciplines on state-owned enterprises, they're going to have to meet those rules on intellectual property. And if we don't do that, what's going to happen is already happening, which is China is selling its standards and its rules to the rest of the world.

AMB. OLOFSDOTTER: Exactly. We totally agree with you. You can become an honorary Swede. (Laughter.)

MR. SCHWARTZ: See? All you need is the two of you to get together and we'll have an agreement.

MR. REINSCH: Well, that's a good honor.

MR. MILLER: But then that's – but that's why the negotiations that are going on now regarding the scope of the talks between Europe and the United States are so important.

AMB. OLOFSDOTTER: Yes.

MR. MILLER: Because you start with industrial goods. Industrial goods, while not without controversy, is probably the easiest thing to agree on.

AMB. OLOFSDOTTER: Yes.

MR. MILLER: There's massive amounts of trade going on, high volumes, very low current tariffs. There's a deal to be made on industrial goods that's pretty straightforward.

Then you get into services, OK, which is more of the rules. And you mentioned big companies. I would note that, of the five largest companies in the United States by market capitalization, only one of them makes things, Apple. But the other four are Amazon, Alphabet or Google, Microsoft and Netflix, all services companies. And in fact, Apple, the company that makes goods, doesn't make them here.

MR. REINSCH: Makes them in China, ironically.

AMB. OLOFSDOTTER: Yeah, makes them in China.

MR. MILLER: Right, right. So the services is the next big chunk where a lot of the sort of the rules really matter. And then of course, I don't know of anybody – any politician in the United States who has an idea how to pass a trade agreement without the farm community. Which means agriculture is always a subject of discussion. So where do we go from here?

AMB. OLOFSDOTTER: No, but I agree with you. We have to – we can start with industrial goods, try to achieve some results. But as you say, and as you said, Europe and the United States, if we set the standards, the rest will follow. And, of course, China is an enormous market with lots of people, of course, who want to have a stronger economy, a better life. And if then it's our rules that are fair, and good for labor and so on that are setting the rules, of course, that would hopefully lead to a better world for many people.

So I think that's extremely important to always remember, that Europe or the EU and the United States, there are no – there are no partners in the world who are closer than us. (Laughs.) and it may sound a bit superficial, but it is true. If you look at the exchanges between our countries and our histories together, both when it comes to trade and security and so on, it's all connected. So it is extremely important.

MR. SCHWARTZ: So why do you think we can't reach a deal right now, given all that?

AMB. OLOFSDOTTER: Well, I think both the United States and Europe, we are in a – you know, for instance, in Sweden, we haven't been able to form a government for 70 days. So there are tensions within our societies. We are probably in a quite large shift when it comes to how we live, all

of us, because we have a technological shift that creates uncertainty. We have lots of industries that have disappeared. People feel worried and frustrated because they don't know what their future work life will be. They live in areas where the industry has closed down. And it's not so easy to move. I mean, there are lots of these kind of factors both in Europe and in the United States that creates tensions and anxiety.

And of course, then it's easy to think that, oh, it's better we just close everyone else out – (laughs) – and we will be prosperous in our own little bubble. But the world doesn't work like that anymore. It's not possible to turn back time and create that kind of environment.

MR. MILLER: And we're better off for the world that we have. This is a better world in terms of living standards.

AMB. OLOFSDOTTER: Yes. Yeah. And, you know, our economies are booming. The Swedish economy is going great. The U.S. economy is going great. Unemployment has never been so low. So this is – when your economy is doing great, this is the time when you move ahead and invest in the future. and that's what we need to do. So it's really important for us, I think.

MR. REINSCH: I'll tell you a story. I had a conversation yesterday with one our – with one of our American trade negotiators. And I was asking – who shall remain anonymous –

MR. SCHWARTZ: Why do they have to remain anonymous?

MR. REINSCH: Because of the story. (Laughter.)

MR. SCHWARTZ: OK.

MR. MILLER: Because Bill would never get another story if they weren't anonymous.

MR. SCHWARTZ: Got it. OK. Got it. Got it.

MR. MILLER: This would be his last story.

MR. REINSCH: And I said, what are we going to do first with Europe? Are we going to do tariffs – industrial tariffs? Are we going to do regulations? Because I've been hearing from Europeans that we were going to do tariffs first. And he said, well, we're moving ahead with regulations. And that was a meeting the other day that Ambassador Lighthizer had with Commissioner Malmström. And I said, but I think aren't – tariffs are easier, because they're just about numbers, you know? I say 10, you say zero, there's some number we can agree on. But his comment was, well, you might think so, but can you imagine what Congress would do – the U.S. Congress would do – if we bring an agreement back that has nothing in it on agriculture? And even though the agreement with Juncker in July left agriculture out –

MR. SCHWARTZ: That's because Juncker is the trade whisperer.

MR. REINSCH: He is the trade whisperer. And he whispered really – he did a good job for his side.

MR. SCHWARTZ: Yeah.

MR. REINSCH: I mean, what did he get? He got no agriculture and no car tariffs for the time being. And what did we get? A negotiation. We got kind of played. But what's going on now is an effort to claw that back and say, oh, we need to talk about agriculture. And Malmström, of course, is saying no. Not in the document. We're not going to do that. That doesn't give me a lot of optimism about the path forward. I'm not entirely sympathetic to the U.S. side. We gave that away and now we want to get it back. But, you know, it's going to be a complicating factor.

AMB. OLOFSDOTTER: No, I agree with you. It is a complicating factor. Absolutely.

MR. REINSCH: And you see no possibility on agriculture on the short term?

AMB. OLOFSDOTTER: Short term, I think it's very difficult. I think one has to – I mean, because these are issues that are tricky within the union as well, between the member states. Our agricultural policy and so on, it's always sensitive because it goes to people – to the nation's hearts, in a way. So that is difficult. For my own country it's not so difficult because we have kind of a more large-scale agricultural sector, not like in France and Italy and some other countries where it's more, like, family farms and so on. So that is quite different. But I really – it is one of the most difficult areas. It's extremely sensitive.

MR. REINSCH: We should translate. Very difficult is Japanese for not in a million years.
(Laughter.)

MR. SCHWARTZ: Right. Well, I was going to say another thing that's very difficult that we haven't talked about yet is Brexit. What's your – what's your view of the current situation with Brexit?

AMB. OLOFSDOTTER: We are, of course, extremely sad that the U.K. is leaving. This is one of our closest allies in the European Union. Like us, a staunch supporter of free trade. So for us, it's really bad. And it's our sixth-largest market as well. One hundred thousand Swedes live in the U.K. Over 1,000 – how many companies was it – 4,000 – no, 1,000 companies in the U.K. We have 3,000 – over 3,000 companies that export to the U.K. So it's not just, of course, about trade. It's that we are losing one of the biggest partners in the European Union. That is sad. And we also believe that what we have built in the European Union for so long, it is a peace project. That's what it is. It's not a trade organization. And of course, the U.K. is an extremely important partner in that. So we are – we are sad that they are leaving. But that's the decision of the British people.

MR. SCHWARTZ: But what does it specifically mean for Sweden?

AMB. OLOFSDOTTER: Well, lost job opportunities. You know, three big countries – Germany, France, and the U.K. – are very influential in the European Union. And now we are losing our closest partner in many issues. So of course, that's –

MR. REINSCH: Are you concerned they're going to throw your people out?

AMB. OLOFSDOTTER: Yes, of course. We don't know what the end deal will be, of course. We are happy with this transition deal. And it's very important to remember that the deal that now the British government and the commission has come to, that's an interim agreement before they – I mean, they exit, but then it gives them and everybody else time to sort out what will the future agreement be with the European Union and the United Kingdom. So this is not the future agreement. This is an

interim solution to making them leave. And then in December 2020, we have to find a final agreement with our future relationship.

So we feel that what was reached now gives stability and predictability for companies to phase out, or phase into whatever the new situation will be, as well as for people, for citizens. And also, a good construction on the border issue between Northern Ireland and Ireland, because of course we are also concerned that there could be tensions, like political tensions and so on, that's been in the past. So we were happy with this deal that was reached now. Then we will, of course, see how that plays out in the United Kingdom. Right now, it looks like it will be very difficult to get that through the British Parliament.

MR. SCHWARTZ: So how is Sweden preparing for Brexit?

AMB. OLOFSDOTTER: Well, we have done a lot of studies on what it would mean for us, even when it comes down to our customs services because, you know, given that we joined the European Union we basically – I think we had 12,000 people working in customs, now we have 2,000 people. And as the U.K. is our largest market, we have to look into that again, for instance. So that's one way of preparing. So we are looking into different sectors of our business life to see how that will work. Of course, we are not shy. We are also trying to get companies that are in the U.K. to move to Sweden. (Laughter.) For instance, if you are – I read an article –

MR. SCHWARTZ: Now, that's preparation.

AMB. OLOFSDOTTER: That's preparation. For instance –

MR. MILLER: As an American politician once said, never waste a crisis.

AMB. OLOFSDOTTER: Yeah. No, but a long time ago I read – a couple of years ago when this happened there was an interview, I think, with the Japanese, who have all their car research in Europe they have in the U.K. Well, where's the best place to do research for cars? Well, that's Gothenburg in Sweden, of course, where Volvo is. So I hope we can attract companies that want to still be in the European Union, but then don't want to operate in the U.K. anymore, to come to Sweden instead.

MR. SCHWARTZ: Ambassador, this is fantastic. Thank you for coming on The Trade Guys today and giving your insights.

MR. MILLER: Before we close, we should give a shameless plug to the website of the embassy of Sweden, because it has a fantastic – in fact, the ambassador brought the brochures. We've been looking at them here. But it shows Sweden's contribution to the American economy, and the number of Americans who work for Swedish firms or export to Sweden. And state by state. It's all available on the website, a wonderful sort of .pdf version of it. The full-color shiny version is really impressive.

MR. SCHWARTZ: Yeah. So, like, you can find out on the website how many jobs specifically in each state – kind of like our Trade Guys graphic that breaks down state-by-state what each state does trading-wise with Europe, with China, with Canada, with Mexico. So here you can look up – so, the state of Maryland, for instance, has over 6,000 jobs that are directly attributed to Sweden.

AMB. OLOFSDOTTER: Yeah. And we want – we want to create more jobs here.

MR. SCHWARTZ: I want you to create more jobs here too.

AMB. OLOFSDOTTER: Yeah.

MR. SCHWARTZ: So, Bill, what are we going to do about that?

MR. REINSCH: Well, if things work out, we're going to have an agreement between the EU and us. I think the reason to do it is so strong, I think – I'm hoping that in the end that will prevail. I think the administration – our administration is slowly – very slowly – coming to the realization that when it comes to taking on China, that can only be done successfully with a coalition. We cannot do it successfully by ourselves.

AMB. OLOFSDOTTER: And neither can we.

MR. REINSCH: Well, exactly. This is a president who has so far has no interest in coalitions. Everything is going to be bilateral. I think this is a case where they are beginning to understand – and, heaven knows, they've been told by enough people – that you can't do that. You can't succeed with China on your own. You need help. There is no better help than if we can get a united Europe with the United States moving in the same direction. I hope that will be sufficient motivation. We'll see.

AMB. OLOFSDOTTER: Hear, hear.

MR. SCHWARTZ: Well, I should conclude by saying The Trade Guys is now officially on Spotify.

AMB. OLOFSDOTTER: Excellent.

MR. SCHWARTZ: So you can listen to The Trade Guys – you can listen to this episode on Spotify.

AMB. OLOFSDOTTER: Which is Swedish.

MR. SCHWARTZ: Which is Swedish.

(Music plays.)

MR. SCHWARTZ: To our listeners, if you have a question for The Trade Guys, write us at TradeGuys@CSIS.org. That's TradeGuys@CSIS.org. We'll read some of your emails and have The Trade Guys react to it. Thank you, Trade Guys.

MR. MILLER: Thanks, Andrew.

MR. REINSCH: Thank you.

MR. SCHWARTZ: You've been listening to The Trade Guys, a CSIS podcast.

(END)

