



# Rethinking Trade with Asia

Strategies for Sweden and the EU  
in trade with emerging markets

2025



## Preface

As the global economy evolves, Asia's emerging markets are playing an increasingly significant role. Emerging markets such as Bangladesh, the Philippines, India, Indonesia, Malaysia, Thailand, and Vietnam demonstrate strong economic development, creating both opportunities and challenges for trade relations with Sweden and the EU.

In this report, the National Board of Trade analyses opportunities for deeper trade with these markets, based on the region's economic dynamism and in the context of a changing geopolitical landscape. In addition, concrete proposals are presented on how trade can be developed in the emerging markets analysed and across various sectors. The analysis shows that although Sweden's trade with the region remains modest, there are substantial opportunities for increased presence and strategic cooperation – particularly through free trade agreement negotiations, but also through other forms of collaboration.

This report highlights the need for a more nuanced and flexible trade engagement – one that considers each country's specific conditions, widespread regional integration, and the geopolitical reality. It also points to the difficult balance between promoting free trade and avoiding harmful dependencies – not least in relation to China's central role in the global economy.

Our hope is that this report will contribute knowledge, perspectives, and ideas for future trade strategies – where greater openness and increased resilience go hand in hand.

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Anders Ahnlid  
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## Summary

This report presents an analysis of Bangladesh, the Philippines, India, Indonesia, Malaysia, Thailand, and Vietnam, with a particular focus on the opportunities for Sweden and the EU to deepen trade with these emerging markets.

Strong economic growth in the region offers potential for increased integration with these markets. At the same time, geopolitical tensions influence both the conditions and the prospects for deepening existing trade relations. The analysis shows that Sweden's trade with these markets is currently limited. Thus, a significant increase in trade would have only a marginal impact on total volume in the short term. However, it is important that Swedish companies maintain a presence in these markets, where the long-term potential for increased trade is substantial and where ongoing free trade agreement negotiations open new opportunities.

Emerging markets in Asia should not be viewed as a uniform group of countries; each country has its own specific conditions, regulations, and interests, which require varying approaches to trade strategy. Regional integration in Asia is deeply rooted, with an extensive network of trade agreements – including with China – which has created strong economic and security policy ties. This regionalism provides an important context for the EU's ability to establish itself as an attractive trade partner.

It is important that free trade agreements are negotiated between the EU and several of the emerging markets analysed. Legally binding commitments in a wide range of important trade policy areas establish a framework that prevents barriers and other obstacles, such as those related to market access. Moreover, free trade agreements provide a vital foundation for developing trade relations. However, several of the countries analysed are at an early stage in free trade negotiations. Given the current turbulent global environment, it is justified for Sweden and the EU to explore other forms of cooperation in parallel. Considering the regional concentration and differences between the countries, flexibility and pragmatism will be required in negotiations with the emerging markets.

The National Board of Trade's analysis has resulted in a number of proposals for cooperation opportunities with individual countries and in specific areas. These include proposals for the use of Swedish expertise in the field of sustainability, strategies to enhance digital trade and Swedish collaboration in talent attraction efforts to accelerate free trade negotiations with India.

We recognise that there is an inherent conflict in this assignment, i.e., presenting proposals that simultaneously promote free trade and diversification to avoid dependencies on individual countries. China is currently deeply integrated into global production and the economies of the emerging markets. This may limit the possibility of achieving strategic resilience through increased integration with these markets. However, India, with its large domestic market and clear ambition to serve as an alternative to China, presents a particular opportunity for diversification aimed at reducing dependencies.

In a world where trade is increasingly shaped by geopolitical power structures, Sweden and the EU need to take a balanced approach. It is essential to maintain functional trade relations with both China and other strategic partners, while harmful dependencies must be identified, analysed, and managed according to our own values and interests. Achieving this will require more nuanced knowledge about actual dependencies.

In conclusion, we find that the issue of diversifying trade and value chains with the objective to reduce dependencies requires deeper analysis. The basis for this kind of diversification must be founded on a better understanding of the needs and realities of the business sector, where we argue that it is problematic to rely solely on politically defined objectives.

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# 1 Introduction

The National Board of Trade Sweden was commissioned by the Ministry for Foreign Affairs to perform an analysis and provide proposals for developing trade relations between Sweden and the EU, and emerging markets in Asia. According to the assignment, the report should include proposals for new opportunities for free trade agreements and trade-related partnerships with individual countries, in order to increase free trade and thereby diversify trade and value chains, reducing dependencies on individual countries.<sup>1</sup>

The assignment can be seen in the context of the need to develop trade, particularly in light of the Strategy for Sweden's trade, investment and global competitiveness which includes a special focus on Asia.<sup>2</sup> The need for new partnerships and diversification is also reflected in the EU's Indo-Pacific Strategy and the EU's Economic Security Strategy. The latter highlights certain especially urgent risks, such as fragile supply chains, physical and cyber security threats related to infrastructure, technology leakage, and harmful dependencies.

Today, the greatest potential for global trade growth lies in Asia, particularly Southeast Asia and India. The emerging markets in Asia are expected to experience the highest economic growth in 2025, and in the long term, the region is expected to play a prominent role in the global economy.<sup>3</sup>

Sweden's trade with emerging markets is currently limited, and increased trade will have limited short-term effects. However, in the long term, maintaining a presence is crucial to tapping into the significant growth potential and new opportunities enabled by free trade agreements. Swedish companies are believed to have a strong interest in establishing themselves in the region.

Beyond economic aspects, geopolitical tensions – including an ongoing trade war and economic security risks – have also shifted the outlook in both the EU and Sweden. There is now stronger interest in broadening and deepening trade with new countries, where diversification could help reduce dependence on China and the US. It should be noted that the trade war between China and the US, as well as the so-called reciprocal tariffs on emerging markets, may significantly influence trade relations in Asian emerging markets. These developments may therefore also reshape future trade between Sweden and the EU and emerging markets in Asia.

## 1.1 Rationale

The objective of this report is to present proposals and identify opportunities for cooperation to develop trade relations between the EU and Sweden and selected emerging markets – specifically Bangladesh, the Philippines, India, Indonesia, Malaysia, Thailand, and Vietnam.

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1. The assignment outlined in the appropriation directive also includes a request for an analysis of China's trade policy and an assessment of synergies between development cooperation, trade promotion, and trade policy. These components will be reported separately.
  2. Strategy for Sweden's trade, investment and global competitiveness, presented in November 2023, aims to enhance Sweden's competitiveness, increase Swedish exports, and strengthen Sweden's role as a global partner in the green and digital transitions.
  3. Asia accounts for a significant share of global economic growth and is expected to expand at a rate well above the global average through 2030 (International Monetary Fund, 2025).

In addition to proposals related to specific sectors, we find it important to address horizontal issues such as sustainability, resilience, digital trade, and trade-related capacity development.

As part of the assignment to promote free trade and thereby diversify trade and value chains to avoid dependencies, we have focused on exploring businesses' views, needs, and opportunities. This question has been investigated in broad terms through discussions with various stakeholders.

## 1.2 Method and limitations

The analysis and the specific proposals presented are primarily based on a Swedish perspective. However, the trade policy dimension of the EU's trade with the emerging markets will be central to the analysis.

The analysis is based on a literature review and is complemented by interviews with Swedish embassies, representatives of Business Sweden, Swedish companies with a strong market presence in the emerging markets, and subject-matter experts from various fields.<sup>4</sup>

Our assessment is that the selected countries differ significantly from one another, making a region-wide approach impractical. Instead, this report will present an analysis and propose strategies to expand trade with individual countries in the region. Our aim is to focus on cooperation opportunities beyond free trade agreements. Where a finalised or ongoing free trade agreement negotiation exists, it is considered but not analysed in detail.

The issue of diversifying trade and value chains to avoid dependencies on individual countries is complex. We have therefore presented initial insights based on interviews with various stakeholders. However, we clearly see the need for a more in-depth analysis of the implications of diversification.

## 1.3 Outline

**Chapter 1** presents the purpose, background, method, and outline of the analysis.

**Chapter 2** explains the choice of emerging markets included in the analysis. It describes trade flows between Sweden and these markets, identifies key sectors, and outlines market conditions for Swedish companies.

**Chapter 3** presents the current trade policy landscape, explaining trade relations between the emerging markets and the EU, regional relationships, and the relationship with China.

**Chapter 4** identifies specific Swedish interests and discusses horizontal issues of sustainability and digital trade in the context of Asia.

**Chapter 5** gives an overview of the role of trade-related capacity building and technical assistance in boosting trade with certain emerging markets.

**Chapter 6** presents the conclusions of our analysis.

**Chapter 7** offers proposals for developing the EU's and Sweden's trade in specific sectors and in individual emerging markets in Asia.

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4. The National Board of Trade Sweden has interviewed six Swedish missions abroad, representatives from Business Sweden, and 14 Swedish companies with a market presence in the countries concerned (e.g., in IT, heavy industry, basic industry, textiles, and consumer goods). In addition, we have consulted a number of subject-matter experts in various fields, as well as representatives from the European Commission. Several stakeholders have chosen to remain anonymous.

## 2 Asia

Asia cannot be described as a homogeneous region from a trade perspective. It is a diverse continent with significant economic, cultural, and structural differences between individual countries. Asia can be divided into five distinct blocs:

- **Frontier Asia:** Bangladesh, Kazakhstan, Pakistan, and Sri Lanka. These countries have historically had limited integration with the rest of the region but possess large, young populations and strong potential for economic growth.
- **India:** A distinct entity and major power in Asia, with the potential to provide the region's largest workforce.
- **China:** Also a distinct entity and major power, serving as the hub of Asia's trade and growth.
- **Emerging Asia:** The Philippines, Indonesia, Cambodia, Malaysia, Thailand, and Vietnam. These countries are highly diverse, with strong regional ties and considerable potential to drive the development of regional trade.
- **Advanced Asia:** Australia, Japan, New Zealand, Singapore, and South Korea. These are mature markets characterised by high GDP per capita, urbanisation, and strong connectivity. These countries act as technology hubs, sources of capital, and markets for exclusive consumption for the rest of Asia, shaping how the region integrates into global supply chains.<sup>5</sup>

The regional intergovernmental organisation ASEAN (Association of Southeast Asian Nations) includes Brunei, the Philippines, Indonesia, Cambodia, Laos, Malaysia, Myanmar, Singapore, Thailand, and Vietnam. The organisation promotes regional cooperation and integration in areas such as the economy, politics, security, and education.

### 2.1 Selection of emerging markets

The central aspect of the assignment is an analysis of trade conditions with emerging markets. An emerging market is generally defined as a market in a country or region undergoing rapid economic development. Such markets are characterised by rapid economic growth, increasing industrialisation and urbanisation, a rising standard of living, and growing openness to the global economy.

We have chosen to analyse the following emerging markets: Bangladesh, the Philippines, India, Indonesia, Malaysia, Thailand, and Vietnam. The selection is based on parameters such as existing strategies relevant to the assignment,<sup>6</sup> Swedish business interests, trade statistics, and business climate (including significant trade barriers).

Another parameter for the selection is a mapping of existing (or ongoing negotiations of) free trade agreements between the EU and Asian markets. A concluded agreement (or an ongoing negotiation) is a strong signal of political and economic willingness to enhance trade. The analysis mainly covers countries that either have (Vietnam) or are negotiating (the Philippines, India, Indonesia, Malaysia, and Thailand) a free trade agreement with the EU.

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5. Categorisation is based on McKinsey Global Institute (2023).

6. Particular attention is given to Sweden's strategy for trade, investment and global competitiveness presented in November 2023 and the European strategy for economic security.



Bangladesh and India differ significantly from the other selected markets. However, they have been included in the assignment due to the strong interest expressed by Swedish businesses. Bangladesh has a well-developed textile industry that is particularly important for Sweden. Furthermore, India's role as the world's fastest-growing large economy is vital to acknowledge.<sup>7</sup>

## 2.2 Sweden's trade with the selected emerging markets

To identify priority areas for proposals on closer cooperation between Sweden and the emerging markets, it is essential to understand trade developments, trade patterns, and existing business interests.

Trade in goods between Sweden and Bangladesh, the Philippines, India, Indonesia, Malaysia, Thailand, and Vietnam is showing a positive and growing trend.

Sweden imports more than it exports from several of the selected countries. Imports are therefore significant, not only for consumer goods but also as inputs in Sweden's own production of goods for both domestic consumption and export. Swedish goods imports from these countries increased significantly between 2000 and 2022, but declined in both 2023 and 2024 (See Appendix 1).

Imports from Vietnam have risen markedly, particularly after 2010, but have declined since 2022 (See Appendix 1). The existing free trade agreement has boosted Vietnam's competitiveness in several sectors, including electronics, textiles, and agricultural products. Meanwhile, strained trade relations between the EU and China and corporate diversification strategies may have caused a shift in trade from China to Vietnam. These factors likely played a role in increasing Sweden's imports from Vietnam.

It is worth noting that despite their growth potential, trade in goods with these countries remains modest compared to Sweden's trade with its main trading partners

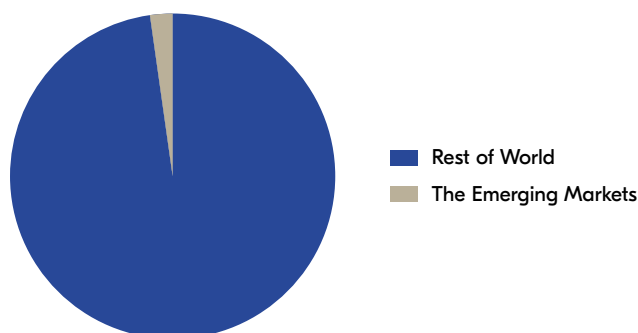
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7. By 2028, the country is expected to become the world's third-largest economy. This forecast is based on an IMF report from April 2025 (The Times of India, 2024).



(its European neighbours, the US, and China).<sup>8</sup> To put trade with these emerging markets into perspective, Figure 1 presents a comparison of Sweden's total trade with the emerging markets and the rest of the world in 2024.

**Figure 1. Comparison of Sweden's total goods trade with emerging markets and the rest of the world in 2024.**



Source: The National Board of Trade's calculations, based on statistics from Statistics Sweden (SCB).

While Sweden's goods trade with the selected emerging markets totalled SEK 91 billion in 2024, its goods trade with the rest of the world amounted to SEK 3981 billion. Combined, trade with these markets accounted for only about two per cent of Sweden's trade with the rest of the world.

When presenting trade statistics, trade in services can also be considered. However, in our selection of countries, reliable services trade statistics are only available for India and Thailand. Sweden's service exports to India amounted to SEK 12 billion in 2024, dominated by data services (SEK 8.5 billion). Sweden's service imports in 2024 totalled SEK 26 billion, dominated by data services (SEK 10 billion) and research and development services (SEK 8.8 billion). Sweden's service exports to Thailand in 2024 amounted to SEK 3 billion. Service imports totalled SEK 5.3 billion in 2024.

As with goods trade, services trade between Sweden and the emerging markets is modest compared to Sweden's trade with its most important trading partners. A significant increase in trade with the selected emerging markets would therefore lead to only a small increase in Sweden's total trade. However, such an increase could be more meaningful at the sector or product group level.

## 2.2.1 Dominant sectors and product groups

Sweden's imports from the selected emerging markets are dominated by a few product categories. Clothing is a prominent import, particularly from Bangladesh, India, and Vietnam. In addition, machinery and devices – including telecommunications equipment and electronic components such as semiconductors – make up a large portion of imports from Vietnam, the Philippines, Thailand, and Malaysia. Food products also play an important role, especially vegetable and animal oils and fats imported from

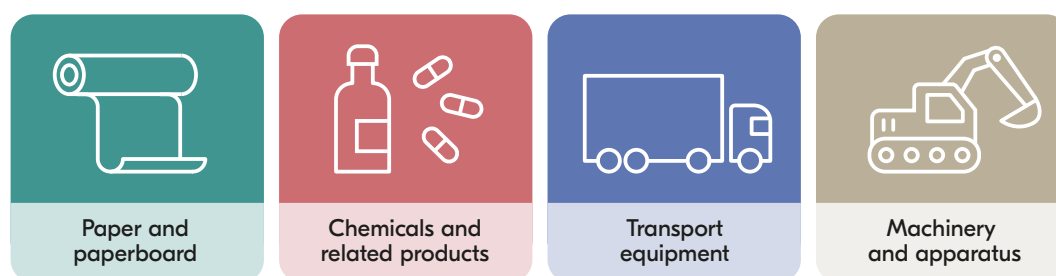
8. Together, these countries receive 2.1% of Sweden's exports and account for 2.3% of its imports. This would place them as Sweden's 14th largest export market, between Spain and Canada, and the 13th largest import source, between Italy and the Czech Republic. In 2024, exports amounted to SEK 44 billion and imports to SEK 47 billion. At the same time, there is likely a significant Swedish value added in exports from other EU countries to the region. This value chain perspective would require an analysis of the Swedish value-added content in EU exports to these countries – an area that has not been examined within the scope of this study.

Indonesia and Malaysia. Other consumer goods such as gloves, headgear, and simple manufactured products are imported on a smaller scale from some of the countries.

Sweden has an export profile similar to that of the rest of the EU, where high-tech product groups, such as the automotive industry, chemicals and pharmaceuticals, machinery, and electronics and telecommunications, dominate the market. However, Sweden differs from the rest of Europe through a greater focus on export goods linked to basic industries such as pulp and paper, steel, and wood products.<sup>9</sup>

On the export side, machinery and devices constitute the most dominant product category and are included in trade with almost all of the selected countries.

**Figure 2. Key Swedish export goods to the emerging markets.**



Transport equipment, especially trucks and special-purpose vehicles, is an important export product to **India and Indonesia**.

To countries such as **Vietnam and Malaysia**, chemical products – including medicines and pharmaceutical goods – make up a significant share of Swedish exports. Paper, cardboard, and pulp are also included in Sweden’s exports to several of these Asian markets.

Below is sectoral trade data for Sweden’s exports to and imports from each individual country in 2024.

**Table 1. Sweden’s trade in goods with Bangladesh, 2024.**

Sweden's imports from Bangladesh	Value (SEK million)	Share of imports from Bangladesh (%)	Share of Sweden's total imports (%)
Articles of apparel and clothing accessories	6 621	94.0	12.0
<b>Total</b>	<b>7 050</b>	<b>100.0</b>	<b>0.4</b>
Sweden's exports to Bangladesh	Value (SEK million)	Share of exports to Bangladesh (%)	Share of Sweden's total exports (%)
Paper and paperboard	152	29.0	0.2
Fluting paper <sup>10</sup>	132	25.0	5.0
Chemicals and related products	134	26.0	0.0
<b>Total</b>	<b>518</b>	<b>100.0</b>	<b>0.0</b>

Source: Calculations by National Board of Trade Sweden, based on statistics from Statistics Sweden (SCB).

9. Business Sweden (2024a).

10. Fluting refers to stiff paper that has been shaped into the corrugated middle layer of corrugated board.

**Table 2. Sweden's trade in goods with the Philippines, 2024.**

Sweden's imports from the Philippines	Value (SEK million)	Share of imports from the Philippines (%)	Share of Sweden's total imports (%)
Tunas, skipjack, and Atlantic bonito (Sarda spp.)	27	3.1	7.1
Tobacco, wholly or partly stemmed/stripped	42	4.8	30.0
Manufactured products	616	70.0	0.1
E.g, thermionic, cold cathode or photo-cathode valves and tubes; semiconductors; integrated circuits and parts thereof...	267	30.0	1.9
<b>Total</b>	<b>882</b>	<b>100.0</b>	<b>0.0</b>
Sweden's exports to the Philippines	Value (SEK million)	Share of exports to the Philippines (%)	Share of Sweden's total exports (%)
Paper and paperboard	311	11.0	0.3
Wood of coniferous species, sawn or chipped lengthwise, sliced...	215	7.4	0.5
Manufactured products			
Rotating electric plant and parts thereof	1 045	36.0	8.4
<b>Total</b>	<b>2 927</b>	<b>100.0</b>	<b>0.1</b>

Source: Calculations by National Board of Trade Sweden, based on statistics from Statistics Sweden (SCB).

**Table 3. Sweden's trade in goods with India, 2024.**

Sweden's imports from India	Value (SEK million)	Share of imports from India (%)	Share of Sweden's total imports (%)
Articles of apparel and clothing accessories	1 403	10.0	2.5
Textile yarn, fabrics, made-up articles, and related	1 137	8.4	7.3
Manufactured products	7 033	52.0	0.8
Telecommunications equipment and parts	2 909	22.0	3.5
<b>Total</b>	<b>13 525</b>	<b>100.0</b>	<b>0.7</b>
Sweden's exports to India	Value (SEK million)	Share of exports to India (%)	Share of Sweden's total exports (%)
Pulp and waste paper	2 118	10.0	7.2
Chemicals and related products	2 555	12.0	0.9
Manufactured products	9 180	42.0	1.0
Machinery and apparatus	5 350	24.0	1.1
Transport equipment	2 605	12.0	0.9
Trucks and special-purpose vehicles	1 572	7.2	4.7
<b>Total</b>	<b>21 971</b>	<b>100.0</b>	<b>1.1</b>

Source: Calculations by National Board of Trade Sweden, based on statistics from Statistics Sweden (SCB).

**Table 4. Sweden's trade in goods with Indonesia, 2024.**

Sweden's imports from Indonesia	Value (SEK million)	Share of imports from Indonesia (%)	Share of Sweden's total imports (%)
Animal and vegetable oils, fats, and waxes	800	28.0	0.4
Articles of apparel and clothing accessories	651	23.0	1.2
Manufactured products	557	19.0	0.1
<b>Total</b>	<b>2 871</b>	<b>100.0</b>	<b>0.1</b>
Sweden's exports to Indonesia	Value (SEK million)	Share of exports to Indonesia (%)	Share of Sweden's total exports (%)
Manufactured products	3 660	62.0	0.4
Trucks and special-purpose vehicles	1 505	25.0	4.5
Chemicals and related products	691	12.0	0.2
Pulp and waste paper	650	11.0	2.2
<b>Total</b>	<b>5 904</b>	<b>100.0</b>	<b>0.3</b>

Source: Calculations by National Board of Trade Sweden, based on statistics from Statistics Sweden (SCB).

**Table 5. Sweden's trade in goods with Malaysia, 2024.**

Sweden's imports from Malaysia	Value (SEK million)	Share of imports from Malaysia (%)	Share of Sweden's total imports (%)
Animal and vegetable oils, fats, and waxes	818	18.0	6.8
Chemicals and related products	573	14.0	0.2
Manufactured products	1 728	38.0	0.2
E.g, thermionic, cold cathode or photo-cathode valves and tubes; semiconductors; integrated circuits and parts thereof...	225	5.0	1.6
Prefabricated buildings	168	3.7	8.3
Articles of apparel and clothing accessories of other than textile fabrics: Headgear	660	15.0	14.0
Gloves, mittens, and mitts of vulcanised rubber	637	14.0	53.0
<b>Total</b>	<b>4 498</b>	<b>100.0</b>	<b>0.2</b>
Sweden's exports to Malaysia	Value (SEK million)	Share of exports to Malaysia (%)	Share of Sweden's total exports (%)
Manufactured products	1 943	56.0	0.2
Chemicals and related products	670	19.0	0.2
Medicinal and pharmaceutical products	318	9.1	0.2
<b>Total</b>	<b>3 486</b>	<b>100.0</b>	<b>0.2</b>

Source: Calculations by National Board of Trade Sweden, based on statistics from Statistics Sweden (SCB).



**Table 6. Sweden's trade in goods with Thailand, 2024.**

Sweden's imports from Thailand	Value (SEK million)	Share of imports from Thailand (%)	Share of Sweden's total imports (%)
Manufactured products	3 065	59.0	0.4
Machinery and apparatus	2 014	39.0	0.4
Motor Vehicles for the transport of goods and special-purpose motor vehicles	429	8.2	2.4
<b>Total</b>	<b>5 204</b>	<b>100.0</b>	<b>0.3</b>
Sweden's exports to Thailand	Value (SEK million)	Share of exports to Thailand (%)	Share of Sweden's total exports (%)
Manufactured products	3 933	66.0	0.4
Engines and motors, non-electric	1 755	30.0	9.1
Chemicals and related products	464	7.8	0.2
Paper and paperboard	394	6.6	0.4
Pulp and waste paper <sup>11</sup>	374	6.3	1.3
<b>Total</b>	<b>5 945</b>	<b>100.0</b>	<b>0.3</b>

Source: Calculations by National Board of Trade Sweden, based on statistics from Statistics Sweden (SCB).

**Table 7. Sweden's trade in goods with Vietnam, 2024.**

Sweden's imports from Vietnam	Value (SEK million)	Share of imports from Vietnam (%)	Share of Sweden's total imports (%)
Articles of apparel and clothing accessories	1 268	10.0	2.3
Footwear	1 155	8.9	9.2
Manufactured products	7 990	61.0	1.0
Telecommunications equipment and parts	5 040	39.0	6.0
<b>Total</b>	<b>13 008</b>	<b>100.0</b>	<b>0.7</b>
Sweden's exports to Vietnam	Value (SEK million)	Share of exports to Vietnam (%)	Share of Sweden's total exports (%)
Medicinal and pharmaceutical products	976	30.0	0.6
Paper and paperboard	406	13.0	0.5
<b>Total</b>	<b>3 217</b>	<b>100.0</b>	<b>0.2</b>

Source: Calculations by National Board of Trade Sweden, based on statistics from Statistics Sweden (SCB).

11. Pulp and paper waste are classified as raw materials, whereas paper and cardboard are considered finished or semi-finished products. Put simply, paper and cardboard can be seen as refined products derived from raw material pulp.

## 2.3 Trade conditions for Swedish companies established in the emerging markets analysed

Existing trade conditions form the basis for evaluating future trade opportunities and the need for collaborations and partnerships. Parameters used to describe the business climate include the level of corruption, burdensome trade barriers,<sup>12</sup> and views on future market prospects.<sup>13</sup> Larger Swedish companies, in particular, have had a market presence in Asia for many years, including both production and sales operations in the emerging markets. Below is a description of the business climate in each market, based on Business Sweden's Climate Surveys, discussions with Swedish embassies in all selected emerging markets, and interviews with 14 companies with a long-standing presence in the region.

### Bangladesh

Swedish companies operating in Bangladesh are mainly active in the textile sector and describe the market's competitiveness and predictability as crucial for successful business operations. Companies usually have long-term contracts with factories in the country from which they import clothing for resale. Many Swedish clothing companies operate across Asia, but Bangladesh is often their largest production market. Bangladesh has about 4,000 clothing factories employing nearly 4 million people. The textile industry is therefore the country's most important sector and source of expertise. Market prospects for the textile sector are described as positive, with expectations for future growth.

Interviewed companies describe the business climate as challenging due to corruption, including bribery, and low institutional maturity. Customs procedures and the tax system are considered complex, often leading to higher additional costs compared to other East Asian competitors. One company noted that no lasting improvements have been seen in this area during its operations in the country.

Sustainability related to textile factories is seen as the biggest challenge for future business, given the EU's sustainability legislation and the companies' own sustainability goals. A particular concern is the need for renewable energy in factories – an area where Bangladesh lags behind other markets.

### The Philippines

The Philippines is one of the fastest-growing economies in the world, with GDP growth of around 6.5 per cent. Its strategic location in Southeast Asia makes it an ideal hub for trade and commerce. Currently, 40 Swedish companies are active in the Philippines.<sup>14</sup>

The Philippine government has launched an infrastructure programme, Build Better More (BBM), which creates opportunities for Swedish companies in areas such as construction, green energy, and sustainable transport solutions. For example, the country aims to increase its renewable energy capacity and achieve a 35 per cent share of renewables in its energy mix by 2030. Since late 2022, the Philippines has allowed 100 per cent foreign ownership in the renewable energy sector,<sup>15</sup> which could open doors for solar, wind, and hydropower companies.

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12. The trade barriers discussed in this section are based on information from the Swedish missions abroad, as well as interviews with companies.

13. Naturally, the analysis also covers aspects such as market access (including licences and approvals), distributors, suppliers, the financial system, labour market regulations, the level of digitalisation, corporate taxation, and customs procedures. This analysis addresses these issues at an aggregated level. See, for example, the Business Sweden Climate Surveys.

14. Business Sweden, The Philippines – Opportunities in a Growing Market.

15. HKTDC Research (2023).



Swedish companies report higher business costs in the Philippines compared to its Southeast Asian neighbours. High logistics and import/customs fees are frequently mentioned, especially in relation to structural trade barriers (e.g., public procurement, customs procedures, and professional services). Corruption remains a significant issue. Customs procedures continue to be a major obstacle despite reforms aiming to standardise processes.

One company identified corruption within the customs authority as the biggest challenge in the business climate. Recurring obstacles also include sanitary and phytosanitary (SPS) measures, and the structural issues mentioned above, which will likely be more difficult to eliminate.

Some experts believe the mining sector (gold, copper, nickel) in the Philippines offers opportunities for Swedish companies. The current government prioritises this area, and one Swedish player noted that obtaining mining permits is now easier. This is also reflected by the presence of certain strategic Swedish projects in the country.<sup>16</sup>

## India

India is a priority market for Sweden, with around 280 Swedish companies<sup>17</sup> currently established in the country. The size of the domestic market and a growing middle class make it particularly important for consumer goods.

Protectionist trends in India have intensified in recent years, leading to more extensive trade barriers. These are used to achieve goals for increased domestic manufacturing.<sup>18</sup> In addition to high tariffs,<sup>19</sup> significant negative impacts on the business climate include bureaucracy, complex trade procedures, domestic regulations, and non-tariff barriers.

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16. Business Sweden, Green Technology & Mining – 100 Business Opportunities in Asia.

17. Business Sweden (2024c).

18. This is in line with initiatives such as “Make in India” and “Atmanirbhar Bharat” (Self-Reliant India).

19. In 2024, the average MFN tariff was 15.9% (WTO 2024a).

A trade barrier frequently highlighted in the interviews is the recent proliferation of Quality Control Orders (QCOs). QCOs involve strict certification and approval processes by Indian authorities, which hinder Swedish imports of inputs and discourage investment in the country. Since QCOs can cover both inputs and final products, Swedish companies may face multiple QCOs for a single product.

Recurring problems include the unpredictability of Indian legislation and enforcement, extensive bureaucracy, and limited-service orientation among Indian authorities. However, one interviewed company noted that the Indian government has recently taken a more active role in promoting a favourable business environment, for instance, through regulatory simplification.

One company highlighted that export opportunities to India primarily concern volume. India needs large quantities of industrial products and materials. Companies consider a free trade agreement between India and the EU to be very important. In terms of imports, companies expressed the need for mutual recognition agreements (MRAs)<sup>20</sup> to ensure that various certifications and products are accepted.

India is viewed by several stakeholders as an important trading partner for the EU (on par with China). It is characterised as a democracy with a market similar to the EU in that it consists of many internal markets. One suggestion for collaboration between Sweden/EU and India is in the sustainable energy transition.<sup>21</sup> As noted by one of the interviewed companies, Sweden could scale up its robotics sector, which is in high demand in India's food, storage, and agricultural machinery sectors.

However, one company cautioned that concluding a free trade agreement between the EU and India may be difficult. The company argued that the EU has adopted a somewhat "self-harming" approach by imposing requirements that are too high and complex for India to meet. The perception is that the EU's regulatory model fails to account for the complexity of industrial goods. Semiconductors were cited as an example of the weaknesses of focusing too heavily on bilateral trade, as they are a key component of global value chains that rely on contributions from multiple countries at different stages.

India has made significant advances in digital infrastructure. However, companies noted that increased digitalisation brings increased vulnerabilities. For example, there has been a rise in "ransomware attacks".<sup>22</sup> Nevertheless, major companies are systematically building cyber competencies to address digital threats. Companies also reported that India recently introduced stricter digital regulations, such as data localisation requirements, which could enhance digital security over time.

## Indonesia

Many of the interviewed Swedish companies perceive Indonesia as an attractive market. From a Swedish perspective, the consumer market, industry, and energy are particularly appealing.<sup>23</sup> However, the market is perceived as challenging, not least due to multiple trade barriers and increasing regulations that create unpredictability and affect companies' willingness to invest. Since Indonesia has a more inward-looking market with

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20. A Mutual Recognition Agreement (MRA) relates to the mutual acceptance of conformity assessment results. Conformity assessment includes e.g., testing, inspection, and certification activities that demonstrate that a product complies with technical regulations or standards.

21. However, cooperation already exists in the form of LeadIT. See <https://www.industrytransition.org/>.

22. An attack may result in all or part of an organisation's IT systems and data being encrypted and rendered inaccessible to staff. This is referred to as a ransomware attack – from the English words "ransom" and "software". By encrypting the information, the attackers hope that the targeted organisation will pay a ransom in exchange for a decryption key and the recovery of its data.

23. Discussion with Business Sweden, Jakarta, May 2025.



protectionist policies, the interviewed companies remain cautious in their expectations regarding the potential improvements offered by a free trade agreement with the EU.

The trade barriers raised by Swedish companies primarily concern local content requirements and the commodity balance mechanism system used for issuing import and export licences. This requirement particularly affects import quotas for products such as steel. These restrictions affect all Swedish businesses – from industries such as transport and mining to retail sectors such as clothing and furniture. Other reported problems include mandatory national standards, local content requirements, and halal certification.

Interviewees see potential for synergies between trade and development in Indonesia, particularly in supporting green and digital transitions. However, trade-related capacity building will likely be necessary to make infrastructure investments feasible.

## Malaysia

Malaysia is described as a Southeast Asian hub for assembling manufacturing industries and electronic components.<sup>24</sup> The current government has introduced initiatives such as Industry 4.0 to improve growth and increase digitalisation in manufacturing, alongside an ambitious environmental policy aiming for net zero emissions by 2050.<sup>25</sup>

Information from the embassy indicate that many trade barriers in the country are tied to structural issues, particularly policies favouring the ethnic Malay majority,<sup>26</sup> which have affected foreign companies. These policies have existed for decades and have created a distribution model based on ethnic origin. This includes a requirement for Swedish manufacturers to collaborate with local licence holders (AP licences) when importing and assembling components for the Malaysian market.

Interviews also highlight a mismatch between labour market needs and workers' skills. Labour migration from India and Bangladesh is common. The country's growing semiconductor industry requires around 60,000 additional qualified engineers.<sup>27</sup>

Other reported trade challenges include cases of corruption, long processing times when dealing with authorities, and strict public procurement requirements. Barriers concerning intellectual property rights, alcoholic beverages (taxation), and technical barriers to trade (e.g., vehicle standards) have also been reported.

## Thailand

Swedish companies have long been established in Thailand, with around 120<sup>28</sup> currently operating in the country. Thailand is considered a promising market. One interviewed company noted that the market offers favourable conditions, possibly linked to the Thai government's increasingly trade-focused agenda.

Companies reported that their presence in Thailand was a strategic move. Market evaluations consider factors such as pricing, political stability, and diplomatic relations, infrastructure (e.g., water and sewage systems), and consumer purchasing power.

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24. Business Sweden (2022).

25. Ministry of Investment, Trade and Industry Malaysia, Industry4WRD.

26. Malaysia's Bumiputra policy is a government initiative aimed at supporting the ethnic Malay majority and other indigenous groups (Bumiputra) through quotas, financial assistance, and preferential access to education, employment, and business opportunities. The aim is to reduce economic disparities between ethnic groups.

27. Business News Malaysia (2024). The Malaysian government has attempted to limit labour immigration through increased minimum wages and other restrictions. One company describes how improved education policy is essential for the country to move up the value chain through enhanced technical competence.

28. Regeringskansliet. Thailand – Sveriges förbindelser med omvärlden.



In recent years, interviewed companies have observed a shift towards greater environmental and sustainability awareness in Thailand. The country has introduced strict goals and requirements for carbon neutrality. This heightened environmental focus is seen as beneficial by both Thailand and Swedish companies, as well as by the EU. When these companies first entered the market, sustainability was not a priority, but views on green industry have shifted significantly in recent years.

In terms of trade challenges, Swedish companies generally highlight complicated customs procedures, technical regulations, and public procurement practices that affect multiple sectors.<sup>29</sup> Obstacles to public procurement noted in Thailand's trade barrier statistics are thought to impact sectors related to the state (e.g., military/dual-use), rather than all businesses. However, while Thailand may have become more cautious due to the geopolitical security situation, this has not directly affected the interviewed companies.

In terms of digitalisation, companies describe Thailand as still lagging behind more developed markets. In particular, it was noted that the Thai government does not prioritise digital security. Businesses also report awareness of data-sharing practices among certain Asian countries and emphasise the importance of monitoring data sharing and potential espionage risks.

## Vietnam

Vietnam is generally regarded as a high-interest and growing-interest market for Swedish companies. Many companies establish operations there due to relatively low production costs. About 60<sup>30</sup> Swedish companies are currently present in the country. Experts predict stability for at least the next 10 years and expect continued growth.<sup>31</sup>

29. Information from the Swedish Embassy in Bangkok also highlights high import tariffs. There are shortcomings in intellectual property protection in certain areas. Market dominance, corruption, licencing, and work permits have also been identified as challenges. The services sector is heavily regulated, which hinders foreign participation.

30. Business Sweden, Vietnam – Business Opportunities in a Rapidly Growing Economy.

31. Despite strong growth, there are clear issues related to productivity and corruption. For example, a foreign company may quickly obtain permission to establish a business, but it can then take a long time to secure the necessary operational permits (e.g., construction permits). (Based on discussions with the EU Delegation in Vietnam during the promotion meeting in Hanoi, April 2025).

Swedish companies in Vietnam face specific challenges related to market access for animal-based food products. Other challenges concern intellectual property rights, pharmaceuticals, and procurement. However, Vietnam stands out in the region, with relatively few reported trade barriers.

A specific issue raised by interviewed companies concerns customs and transparency in dealings with the authorities. Local customs authorities in Vietnam reportedly apply different HS codes to the same product, creating uncertainty and administrative challenges (including fines for Swedish firms). Companies believe that this is a significant issue that should be addressed urgently.

A company with several factories in Vietnam and global exports noted favourable trade conditions and highlighted the availability of skilled and educated labour as a key reason for establishing operations in the country.

The free trade agreement with the EU is currently in its implementation phase, and companies see substantial value in it – not only due to tariff reductions but also because of more generous rules of origin, which one company identified as their main current challenge.

However, interviews suggest that technical trade barriers have not been removed as a result of the free trade agreement between the EU and Vietnam. Imports of high-tech products from the EU still require national-level approvals by Vietnamese authorities. Companies hope that the agreement will lead to improved transparency and mutual recognition of goods.

Another concern raised was the EU's sustainability regulations, particularly CBAM, which companies view as challenging in Vietnam.<sup>32</sup>

In terms of digital infrastructure, one company mentioned that their R&D operations and digital systems are handled globally, using centralised, cloud-based data localisation and strong cybersecurity protocols. It was also noted that there are no local data centres in Vietnam.

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32. CBAM is the EU's Carbon Border Adjustment Mechanism (see further in Chapter 4.3.1). The Ministry of Trade in Vietnam has expressed interest in support and knowledge exchange with Sweden on this matter. Discussion with the Ministry of Trade during the promotion meeting in Hanoi, April 2025.

### **3 Trade policy in the selected emerging markets**

In addition to existing trade conditions, the prospects for increased trade and new partnerships are strongly influenced by trade policy – this includes agreements and commitments within the multilateral trading system, as well as diplomatic relations, which in turn can be affected by events and geopolitical factors. In this context, it is crucial to outline the ongoing free trade agreement negotiations between the emerging markets and the EU, the regional trade relationships of these markets within Asia, and the potential impact of the ongoing trade war between the US and China – such as the possibility of increased integration with the EU.

#### **3.1 Trade relations between the markets analysed and the EU**

Negotiations for a free trade agreement can be seen as the most important indication that two or more parties see opportunities for deepened economic cooperation. The EU manages trade relations with third countries through trade agreements. These are designed to create better market conditions and eliminate unnecessary barriers. The EU's free trade agreements also serve as instruments to promote European principles and values, including democracy, human rights, and environmental protection.

The EU's trade integration in Asia aims to promote a rules-based international order with open markets and a stable trade environment, accelerate the green and digital transition, and strengthen the EU's strategic reach and the resilience of its value chains. Bilateral trade and investment agreements between the EU and individual ASEAN countries are intended to serve as building blocks for a future agreement between the two regions.

Of the markets analysed, Vietnam is the only country with a concluded free trade agreement with the EU. Indonesia, the Philippines, Thailand, Malaysia, and India are currently negotiating free trade agreements with the EU. The European Commission considers the ambitious agreement with Vietnam as a model for the other negotiations with emerging markets.<sup>33</sup>

The free trade agreement negotiations with each of the emerging markets are at very different stages, which is also reflected in the core issues discussed between the EU and the individual countries at any given time. An overview of these negotiations provides a good foundation for discussing the opportunities for increased trade with the emerging markets in this analysis.

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33. European Commission, 2018.



## Current negotiation status for the emerging markets analysed:<sup>34</sup>

### Bangladesh

The EU maintains close cooperation with Bangladesh under the EU – Bangladesh Cooperation Agreement, signed in 2001. This agreement provides a broad framework for collaboration, covering trade and economic development, human rights, good governance, and environmental protection. However, there are no ongoing negotiations for an ambitious free trade agreement with Bangladesh.

As a Least Developed Country (LDC), Bangladesh benefits from the EU's Everything But Arms (EBA) initiative, which grants duty-free access to the EU market for all exports except arms and ammunition.

Our assessment is that Bangladesh prefers continued tariff concessions over entering formal negotiations, at least in the short term.

### India

In June 2022, the EU resumed negotiations with India on a free trade agreement and launched separate talks on investment protection and geographical indications (GI). There is momentum to conclude the negotiations before the end of the year, as India is actively seeking to strengthen trade relations with more partners – especially the United States, its key Western ally.

The eleventh round of negotiations took place in May 2025, and the next round is expected in July.

### Indonesia

EU – Indonesia negotiations on a free trade agreement began in 2016. So far, nineteen rounds of talks have been held.

The year 2024 saw intensive negotiations, with the EU maintaining a high level of ambition. However, it remains uncertain whether the desired level of ambition can be achieved.

### Malaysia

Negotiations between the EU and Malaysia on a free trade agreement were launched in 2010 but only resumed in 2025.

Both parties have expressed a shared ambition for a comprehensive agreement. The first round of negotiations is expected in June or July 2025.

### Philippines

Negotiations on a trade and investment agreement between the EU and the Philippines began on 22 December 2015 but were not resumed until 2024.

Despite recent positive developments, negotiations are expected to take time.

### Thailand

Negotiations between the EU and Thailand were initiated in March 2013 but paused in 2014. In 2023, the parties announced that talks would resume. Both sides aim to conclude negotiations by the end of 2025.

Since the resumption, five rounds of negotiations have taken place, all of which have been described as constructive across all areas.

### Vietnam

The EU and Vietnam have concluded a trade and investment agreement. The trade agreement entered into force in 2020, while the investment agreement is still pending ratification by the individual EU Member States.

The agreement provides for the export of European agricultural products, commitments on standards – especially for goods such as cars and electronics – market access for the services sector, protection of geographical indications, and binding commitments on labour rights, environmental protection, and climate action.<sup>35</sup>

34. This summary reflects the negotiation status as of June 2025 and is subject to change as talks progress.

35. European Commission, EU – Vietnam Agreement.

Given the EU–Vietnam Free Trade Agreement (EVFTA) and the ongoing negotiations with India, Indonesia, Thailand, Malaysia, and the Philippines, it is important to consider the future potential for trade among the selected emerging markets. For example, since the EVFTA came into effect in 2020, tariffs have been progressively eliminated. Within ten years, nearly all trade between the parties will be tariff-free, creating strong conditions for increased trade and investment in Vietnam.<sup>36</sup>

The trade gains resulting from free trade agreements between the EU and the Philippines, India, Indonesia, Malaysia, and Thailand will depend on which sectors are included in the agreements. These sectors cannot currently be determined as negotiations are still ongoing.

The European Commission has conducted impact assessments of the potential free trade agreements between the EU and India, Indonesia, the Philippines, and Malaysia. These assessments are based on modelling that includes various scenarios aiming to clarify the possible content of the agreements. Given that these models assume comprehensive agreements, it should be noted that the current global context may mean that the final agreements will differ from these scenarios.<sup>37</sup>

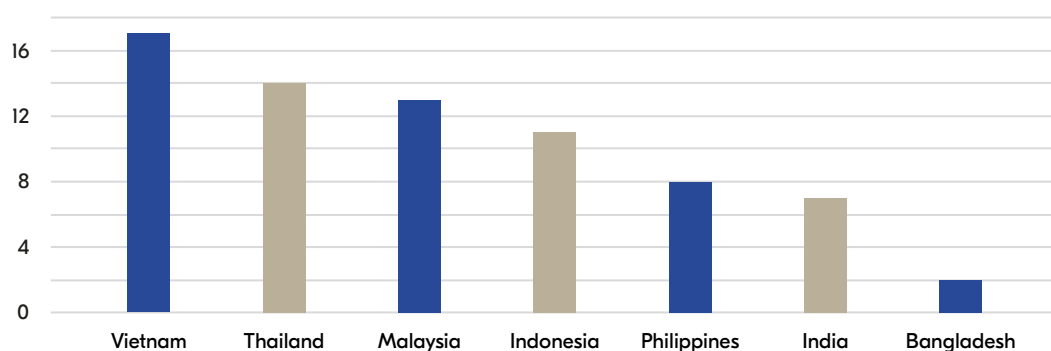
Based on the National Board of Trade’s analysis, we conclude that Sweden often benefits more from the EU’s free trade agreements compared to other member states.<sup>38</sup>

## 3.2 Regional trade relations in the emerging markets

When assessing trade prospects and the opportunities for Sweden and the EU to increase their trade with emerging markets in Asia, it is important not to overlook the trade relations of these markets with other countries. In relation to the EU’s free trade agreements, it may be useful to gain an overview of the selected emerging markets’ trade agreements with other countries.

**Figure 3. Overview of existing free trade agreements in the region.**

Number of existing Free Trade Agreements (WTO)



36. Tariffs on industrial goods such as machinery, chemicals, and equipment have largely been eliminated. Vehicles and automotive parts will be gradually exempt from tariffs within 7–10 years, as will pharmaceuticals. For agricultural products, tariffs will be phased out over a period of 3 to 10 years. This includes meat, dairy products, processed foods, and alcohol. Textiles are subject to immediate tariff elimination, while clothing and footwear will see a gradual phase-out over seven years.

37. Regarding the trade effects of agreements with India, Indonesia, and Malaysia, the National Board of Trade Sweden has compiled a summary of the European Commission's impact assessments. Kommerskollegium (2025b).

38. Kommerskollegium (2024).

- **Vietnam** has signed 17 free trade agreements, including both bilateral and multi-lateral agreements such as the CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) and RCEP.
- **Thailand** has 14 free trade agreements, including agreements with ASEAN, China, Japan, South Korea, and Australia.
- **Malaysia** has 13 free trade agreements, including bilateral agreements with Australia, Chile, India, Japan, New Zealand, Pakistan, and Turkey, as well as participation in regional agreements such as ASEAN, CPTPP, and RCEP.
- **Indonesia** has 11 free trade agreements, including bilateral agreements with Chile and South Korea, and participation in ASEAN, CPTPP, and RCEP.
- **The Philippines** has 8 free trade agreements, including bilateral agreements with Japan and EFTA, and participation in ASEAN and RCEP.
- **India** has 7 free trade agreements, including bilateral agreements with Japan, South Korea, and ASEAN.
- **Bangladesh** has 2 free trade agreements, including participation in the South Asian Free Trade Area (SAFTA) and the Asia-Pacific Trade Agreement (APTA). For a detailed list, see Appendix 2.

Figure 3 illustrates a strong regional concentration in the emerging markets' free trade agreement networks. All countries except Bangladesh have at least one free trade agreement with ASEAN countries, Japan, South Korea, and China.<sup>39</sup> ASEAN and its agreements thus form the most prominent common denominator, especially for the Philippines, Indonesia, Malaysia, Thailand, and Vietnam – and India via the ASEAN – India agreement.

India and Bangladesh have somewhat more limited agreement networks compared to the other emerging markets. Bangladesh lacks the large regional and bilateral agreements that other countries have but is in the process of developing more (e.g., with the EU, India, and ASEAN).

### 3.3 Relations with China and the US

Asia's strong regionalism<sup>40</sup> has created long-standing ties between the emerging markets and China. A shared feature among all countries in the region is that China is one of the most important trading partners. This economic presence is often complemented by significant Chinese investments, particularly in infrastructure projects, frequently as part of the Belt and Road Initiative (BRI).<sup>41</sup>

39. Data from the WTO Regional Trade Agreements Database. The information is indicative and not exact.

40. We note a general trend towards increased regionalism in global trade relations. WTO, *Regional Trade Agreements Gateway* (2024), and World Bank, *Regional Trade Agreements* (2017).

41. The Belt and Road Initiative (BRI), officially announced in 2013, also includes key elements aimed at improving delivery capacity. In addition to its well-known development dimension, which served as the foundation for the BRI, the initiative enabled China to strengthen relationships and secure economic ties with a number of countries. This often included agreements for the supply of materials and/or services that China lacked access to. As a result, the initiative helped reinforce China's supply security – a strategy that continues to be effective a decade later.

The ongoing trade war and geopolitical tensions have increased pressure on emerging markets to align with either the US or China, particularly since emerging markets have been significantly affected by the US's so called reciprocal tariffs.<sup>42</sup> This development may have reinforced emerging markets' interest in diversification – for example, by negotiating free trade agreements with the EU.<sup>43</sup>

The EU's ability to position itself as a significant actor in Asia may now depend on the stances that the emerging markets will take. It should be noted that strong regional ties could enable China to further strengthen its dominant role in the region. There is speculation, for example, that emerging markets are so dependent on China for investment, infrastructure, and technical expertise that they will not accommodate the US's demands and will prioritise relations with China.<sup>44</sup> This could mean that the EU will need to work harder to successfully strengthen its trade relations with the emerging markets.<sup>45</sup>

An overview of the selected emerging markets' relationships with China contributes to understanding future prospects:

**Bangladesh** has a generally friendly relationship with China, its second-largest source of foreign direct investment. Chinese involvement is especially strong in infrastructure, energy, and the textile industry. Bangladesh tends to support China in international forums.<sup>46</sup> **Indonesia, Thailand**, and to some extent **Malaysia** also maintain good relations with China. For Indonesia and Thailand, China is the largest trading partner, with major investments in mining, high-speed rail, and other infrastructure.<sup>47</sup> Malaysia's relationship is also strong, although occasionally marked by tensions over investment conditions.<sup>48</sup>

For other countries, the relationship with China is more complex. **The Philippines** has extensive trade cooperation with China and receives substantial development aid for infrastructure under the BRI.<sup>49</sup> However, relations are strained due to territorial disputes in the South China Sea. **Vietnam** faces a similar situation: China is its largest import partner, underlining Vietnam's role in global supply chains, particularly in electronics and manufacturing. Despite economic dependence, diplomatic relations are tense, mainly due to border and maritime disputes, though the parties maintain a pragmatic dialogue.

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42. On 2 April 2025, the U.S. administration introduced so-called reciprocal tariffs, meaning the United States imposed higher tariffs on countries running trade in goods surpluses with the U.S. This included broad tariff hikes of 46% on Vietnam, 37% on Bangladesh, 36% on Thailand, 32% on Indonesia, 26% on India, 24% on Malaysia, and 17% on the Philippines.

43. World Economic Forum (2025).

44. Reuters (2025a).

45. We also observe a shift towards a multipolar world order, where states such as China and India are gaining increased global influence. In this context, regional integration plays a growing role, with trade relationships characterised more by shared values than by rule-based frameworks. See, e.g., Dr H.C. Hagman, 3 March 2025.

46. For example, Bangladesh has explicitly reaffirmed its support for China's One-China principle, recognising the People's Republic of China as the sole legitimate government of all of China, including Taiwan. During a state visit in July 2024, Prime Minister Sheikh Hasina reiterated this support and opposed external interference in China's internal affairs. In July 2019, Bangladesh was one of 37 countries to sign a letter to the UN Human Rights Council defending China's policy in Xinjiang and opposing criticism of its treatment of Uyghurs and other Muslim minorities. Bangladesh and China have consistently expressed mutual support in international forums. For instance, China has voiced its backing for Bangladesh's development goals under Vision 2041 and has emphasised the principle of non-interference in domestic affairs.

47. Reuters (2025b).

48. For example, BRI-related projects such as the East Coast Rail Link, the cancelled oil and gas pipeline projects (2018), and Forest City in Johor (2018).

49. Speech by Mara K. Warwick, World Bank Country Director for the Philippines, World Bank (2017b).

**India** also has a complicated relationship with China. Although trade between the two countries is extensive, India has a significant trade deficit. Relations have cooled since border conflicts in 2020, although there have been recent signs of interest in improved cooperation. China and the US are India's largest individual trading partners after the EU, but political trust between India and China remains low.

### 3.4 Diversification away from China through increased trade with emerging markets

A key factor for an expanded presence in Asia is considering geopolitical changes. For example, Sweden has moved closer to the European Commission's stance regarding economic and security relations with China. In this context, the issue of diversification becomes central – that is, efforts to reduce one-sided dependence on Chinese suppliers in strategic sectors, particularly critical raw materials and advanced technology.

This presents a difficult balancing act, as Sweden and the EU have an economic interest in trading competitively priced goods from China, while the EU's economic security strategy aims to address harmful dependencies.<sup>50</sup> One example is China's willingness and capacity to exploit economic dependencies, for instance, through export controls on rare earth metals,<sup>51</sup> which impact EU industries. Another example is China's trade policy strategies, including subsidies in green industry sectors.

#### Diversification, decoupling, or de-risking?

The terms diversification, decoupling, and de-risking are frequently used in trade policy and international economics to describe different strategies that countries or companies adopt to manage risks in their trade relationships – especially in times of heightened geopolitical tension and uncertainty.

**Diversification** refers to the broadening of trade partners, supply chains, or markets in order to reduce dependence on a limited number of actors or regions.

**Decoupling** is a deliberate and often politically driven strategy in which two economies – commonly major powers such as the United States and China – consciously reduce their mutual dependence, particularly in sensitive sectors such as technology, defence, or energy. Examples include the imposition of export restrictions or efforts to achieve self-sufficiency in critical goods.

**De-risking** is a more nuanced and pragmatic approach than decoupling. It involves reducing the risks in an economic relationship without severing ties altogether. Measures include export controls, screening of foreign investments, or support for domestic production of strategic goods.

As part of this assignment, we focus on exploring opportunities for diversification.

The assignment calls for proposals to increase free trade and thereby diversify trade and value chains to avoid dependency on individual countries. However, diversification in trade policy conflicts with the principle of free trade, especially when balancing economic openness with strategic resilience. Free trade aims to minimise trade barriers,

50. Swedish Institute of International Affairs (2024).

51. On 4 April 2025, China's Ministry of Commerce and General Administration of Customs announced that exports of seven medium and heavy rare earth metals – including samarium, gadolinium, terbium, dysprosium, lutetium, scandium, and yttrium – as well as certain high-performance magnets, would require special export licences. Global Times (2025).



promoting efficiency and growth through increased specialisation and competition. Diversification, on the other hand, involves spreading risks by reducing dependence on specific countries, suppliers, or sectors. This may involve redirecting investments, building strategic reserves, or promoting domestic production in critical areas. Such strategies may create tensions with the principles of free trade, as they sometimes require selective measures that may appear protectionist.<sup>52</sup>

Increasing free trade while reducing import concentration from China can be particularly challenging in trade with ASEAN, as the Philippines, Indonesia, Malaysia, and Thailand have strong trade ties with China. China's integration with these emerging markets also creates a potential dilemma: as the EU deepens trade with these economies, new indirect dependencies on China may emerge, since many of these economies are deeply integrated into Chinese value chains. The strong economic ties that emerging markets have with China are well known, and we assess that an aggressive decoupling is unlikely.

India stands out among the selected markets because it has a stated strategy to diversify its trade away from China.<sup>53</sup> Evidence also suggests that an increasing number of Swedish companies view India as an alternative to China.<sup>54</sup> This does not necessarily mean leaving the Chinese market, but rather establishing or expanding operations in India to make supply chains more resilient and diversified.

In terms of Sweden's import dependence on China, we know that the dependence is especially significant for textiles, certain metals, and some chemical components used in products such as semiconductors. The National Board of Trade's analysis shows that Sweden's goods imports have generally become more diversified over time, meaning we now import from a broader range of countries than we have in the past. However, this pattern does not apply to goods where China is one of the exporters. In these cases, we see the opposite trend: imports are becoming less diversified and more concentrated on China. Notably, the number of product groups imported exclusively from China is increasing. This means that Sweden lacks alternative suppliers from other countries for these products. When it comes to the import of strategic goods, Sweden's direct dependence on China is still limited in terms of the number of items. However, even here we see a negative trend: diversification is decreasing for several critical products, which increases our dependence on China.<sup>55</sup>

As part of this assignment, we asked Swedish companies for their views on diversification away from China. We asked them whether they have critical dependencies on Chinese materials, machinery, or personnel in their value chains. All 14 companies interviewed reported having trade ties with China in terms of production, sales, or operations.

The companies explained that diversification is primarily about having robust supply chains rather than about security. Key factors include cost, expertise, availability, and quality. They emphasised that the EU generally stands out for quality, but in practice, other aspects – especially price and availability – are decisive for business models, where China often excels.<sup>56</sup> One company noted that even if they chose to diversify away from China, such a change would realistically take 3–4 years to implement.

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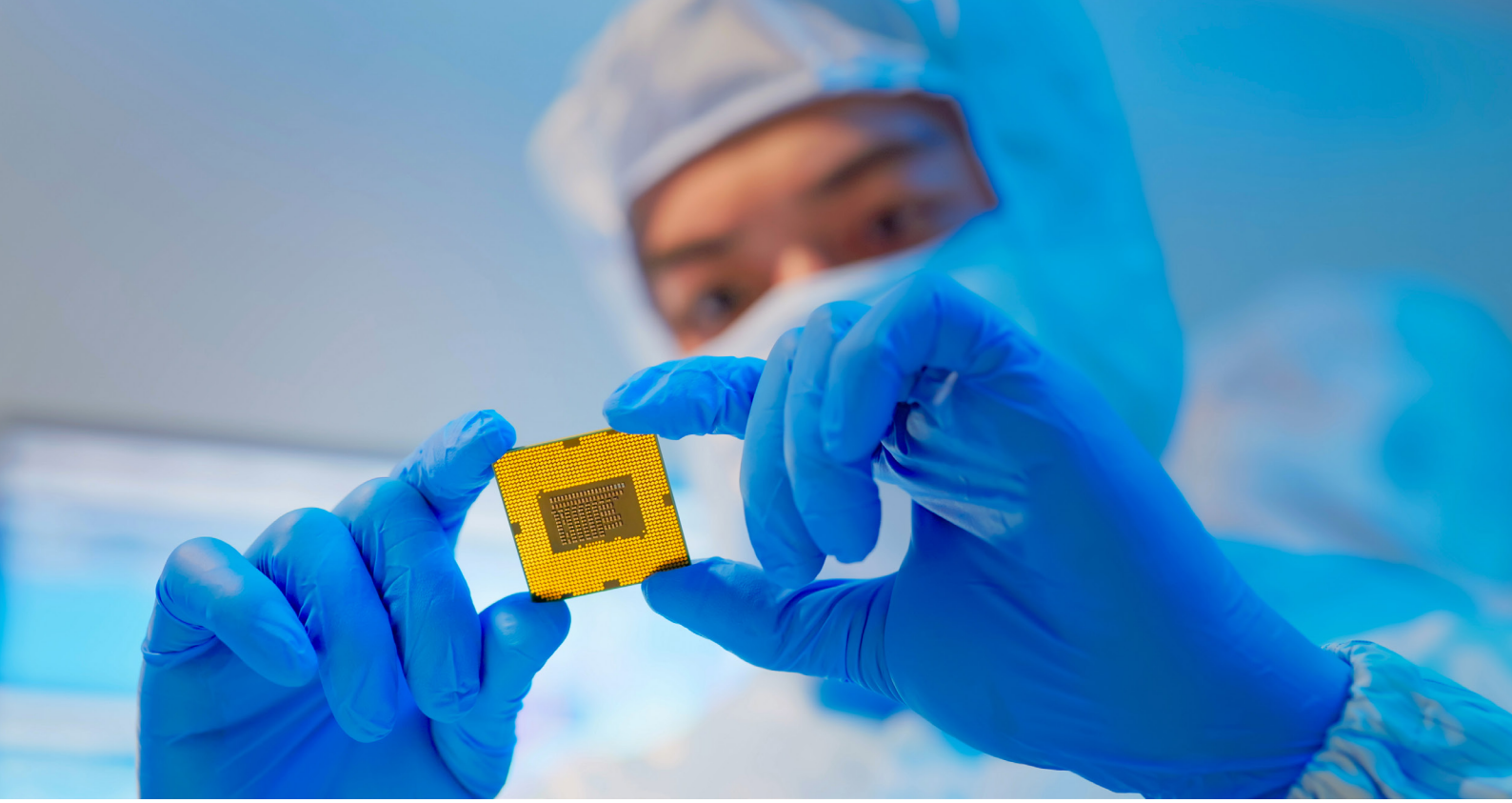
52. The EU's efforts to achieve "open strategic autonomy" are one example of this approach, aiming to reduce vulnerabilities without abandoning free trade commitments.

53. Another example is India's introduction of burdensome technical regulations in the form of Quality Control Orders (QCOs). See Section 2.3 on India.

54. Confederation of Swedish Enterprise (2023). A survey by the Confederation of Swedish Enterprise shows that 45% of the 2032 companies that responded intend to reduce business with China. Additionally, 10% plan to shift part of their business from China to India and/or Southeast Asia.

55. Kommerskollegium (2025a).

56. Several companies argue that price levels and availability – being higher in cost and slower in delivery – present a challenge for Swedish and European businesses.



The interviewed companies confirmed China's central role in their operations. For certain products, such as textiles and some metals, they are highly dependent on China, even as they strive to create resilient supply chains with suppliers from multiple countries.<sup>57</sup> Semiconductors and certain chemical components using semiconductors are vital to several companies' business models, and they noted that China is rapidly surpassing other countries in expertise. When asked about security-related risks from dependence on China, the main concern mentioned was increased costs for electronics if direct imports from China become restricted.

China's dominance and the geopolitical landscape also came up in discussions about infrastructure projects. When China invests in sectors such as railways and consumer services, we have found concerns regarding the conditions under which an individual Swedish company can enter the market and gain visibility. In such cases, companies called for partnerships among multiple stakeholders to ensure relevance and competitiveness. One company proposed that Sweden could benefit from participating in consortia with like-minded countries.

Our overview shows that the issue of diversification is complex and requires more detailed analysis – especially as the political priorities for diversification and stronger resilience appear to conflict with the realities businesses face in their operations.<sup>58</sup>

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57. The degree of dependence varies among the companies we interviewed.

58. See also Videnord & Nordström (2025), who have analysed various diversification strategies and argue that the effects of friendshoring – that is, relocating procurement to allied countries – require further analysis.

## 4 Specific Swedish interests related to emerging markets analysed

Sweden's goals in foreign trade, including a particular focus on Asia, aim to enhance Sweden's competitiveness, improve conditions for trade, investment, and innovation, increase Swedish companies' exports and international presence, and strengthen Sweden's position as a key partner in the global green and digital transition.<sup>59</sup> Sweden's foreign trade strategy also aims to enhance synergies between trade, promotion, and development cooperation. Additionally, Sweden has adopted the EU's economic security strategy and supports the goal of diversifying import and export markets through closer cooperation with global partners.<sup>60</sup> The following sections identify how Swedish interests may be interpreted and applied in relation to emerging markets in Asia.

### 4.1 Less ambitious free trade agreements between the EU and emerging markets

Sweden's ambitions in Asia are underpinned by its foreign trade strategy. In practice, we observe strong Swedish support for the EU to quickly conclude ongoing free trade agreement negotiations. Recently, the Swedish government has expressed openness to shifting from comprehensive agreements to more streamlined free trade agreements.<sup>61</sup>

The reason is that EU free trade negotiations tend to be lengthy. However, implementing less ambitious agreements may still be difficult in practice, as topics such as digital trade, sustainability, and security are often essential to secure support from certain member states and the European Parliament. Many of these issues are also priorities for the business community. At the same time, tariffs and non-tariff barriers often remain significant obstacles to concluding negotiations.

It has become increasingly evident that the EU cannot apply the same ambition level to all countries. Negotiations with India has shown considerable differences with respect to commitments on sustainability.

For developed countries, the European Commission uses a standard approach in its free trade agreements, and there is no indication that it intends to lower its overall ambition in these negotiations. However, considering the stalemates, the question remains whether the EU–India and EU–Indonesia agreements will reach the level of ambition typically pursued by the EU.

All negotiations with emerging markets have resumed after periods of inactivity. Talks with India and Indonesia are the most advanced compared to the others.

It is worth noting that even a less ambitious free trade agreement represents a formalised trade relationship that can be developed further, which is preferable to having no agreement at all. Therefore, we have identified a need to further analyse this issue, including the ambition levels currently being applied.

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59. Strategy for Sweden's trade, investment and global competitiveness.

60. Regeringen (2023a).

61. Riksdagen (2025).

## 4.2 Resilience in supply chains

The EU's economic security strategy, introduced in 2023, provides a common framework to enhance the EU's competitiveness and protect against economic security risks. As part of this strategy, the European Commission will conduct a risk mapping that includes the resilience of supply chains. This is in response to the fact that today's innovation and supply chains depend on specific components and materials, making countries interdependent.

Sweden has welcomed the Commission's goal to diversify import and export markets through closer cooperation with global partners.<sup>62</sup> The EU strategy particularly emphasises strengthening resilience in supply chains for semiconductors and critical raw materials. The aim is to reduce reliance on external actors and ensure a sustainable and secure supply of these essential resources for the EU's green and digital transitions.

To explore diversification opportunities that improve resilience through trade with emerging markets, we have chosen to examine the Chips Act and the Critical Raw Materials Act (CRMA).

### 4.2.1 Semiconductors: potential for cooperation between SE/EU and emerging markets?

The Chips Act<sup>63</sup> is an EU regulation aimed at strengthening Europe's resilience in the long-term supply of semiconductors – a central component of modern electronics and essential to industrial value chains. By 2030, the European industry's demand for semiconductors is expected to double. Events such as the COVID-19 pandemic, a general increase in demand, and geopolitical tensions between China and the US caused a semiconductor shortage from 2020 to 2022 that broadly impacted European industry, especially the automotive sector.<sup>64</sup> Today's uncertain global situation further increases the risks to semiconductor supply security.

The semiconductor sector is broad and includes complex, international production chains. Broadly, semiconductors are categorised as advanced or mature. Advanced semiconductors – used in AI, 5G/6G, and high-tech vehicle systems – require expensive, sensitive, and technically sophisticated manufacturing. In contrast, mature semiconductors used in more generic circuit boards are more robust and easier to produce. In Asia, Japan, South Korea, and Taiwan are especially capable of delivering advanced semiconductors.

The complexity of the industry lies in the fact that production involves many components, chemicals, and gases sourced from numerous countries – some of which are exclusive suppliers. Another key aspect is that the final product is often manufactured in China or Taiwan.

Sweden is a relatively small player in the advanced semiconductor industry but currently trades semiconductors with the Philippines, Malaysia, and Thailand. In 2024, Sweden's largest semiconductor trade was with Malaysia, amounting to SEK 225 million in imports and SEK 91 million in exports.

The Philippines, India, Malaysia, Thailand, and Vietnam have established or rapidly growing mature semiconductor industries. Malaysia, in particular, is well advanced in manufacturing and aims to climb higher in the value chain to produce more advanced semiconductors.

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62. Regeringen (2023a).

63. Regulation (EU) 2023/1781 of the European Parliament and of the Council of 13 September 2023, establishing a framework of measures to strengthen Europe's semiconductor ecosystem and amending Regulation (EU) 2021/694 (Chips Act).

64. The Brussels Times (2022).

## European Chips Act

The European Chips Act aims to strengthen Europe's leadership in research and technology for advanced semiconductors by increasing production capacity to 20% of the global market by 2030, building innovation capacity, improving understanding of global supply chains, and ensuring a skilled workforce. The regulation aims to reduce dependency and increase resilience in the semiconductor sector through:

- i) support for technical capacity building and innovation via the Chips for Europe Initiative;
- ii) investment incentives in manufacturing facilities to ensure supply security and resilience; and
- iii) establishment of a coordination mechanism to improve cooperation on monitoring and crisis management.

The regulation came into force on 13 September 2023.

As currently designed, the Chips Act strongly focuses on reducing dependency on advanced semiconductor deliveries from Taiwan and China. It grants some authority to individual member states to reduce dependencies through collaborations<sup>65</sup> – an area that may be of interest to Sweden. However, member states' mandates to establish partnerships outside the EU are limited under the Act. Each member state may engage in certain R&D collaborations, but not in pure trade or investment agreements that could affect the EU's common trade policy.

Expert opinions suggest that the semiconductor sectors in the emerging markets are not yet sufficiently developed to produce advanced semiconductors. Moreover, the extent of import dependencies and their impact on resilience has not been thoroughly assessed. This indicates a need to broaden the perspective on semiconductor cooperation and explore which types of semiconductors and partner countries may be relevant for further engagement. It may also be considerably easier to diversify the supply of mature (simpler) semiconductors than of highly advanced ones.

In summary, there may be potential to increase diversification in semiconductor supply through new Swedish and European partnerships with emerging markets.<sup>66</sup> However, our initial assessment is that these markets are not currently well suited for bilateral semiconductor collaboration. Current initiatives mainly focus on sharing experiences in research and innovation. Given the countries' current technological maturity, such partnerships risk being misdirected. Additionally, semiconductor value chains are spread across complex global production networks. Without a more in-depth analysis, it is difficult to assess whether trade-promoting partnerships between Sweden/EU and the emerging markets could effectively enable diversification away from China and Taiwan.

65. Currently, it is mainly academia in Sweden that has taken advantage of existing mechanisms and resources for research collaborations under the Chips Act. This is likely to benefit the business sector and Swedish industry in the relatively near future. One example is the ClassC Project (Chalmers-Lund Advanced Semiconductor System Design Centre), a Swedish research and education centre for semiconductor design. It was established in 2023 through a collaboration between Chalmers University of Technology, Lund University, and several industrial partners, including Ericsson, Saab, Axis Communications, Acconeer, Codasip, Qamcom, GlobalFoundries, and Cadence. See Lund University, *Så ska CLASSIC bli svenskt nav inom halvledardesign*. Regarding Asia, a report by RISE highlights the importance of Sweden forming strategic partnerships with countries such as South Korea, Japan, and Taiwan. See Research Institutes of Sweden, *Halvledarsamverkan med Asien – rev 2.0*. One such partnership has been led by the company SweGaN, which develops semiconductor materials that are essential for 5G.

66. A potential focus could be to explore opportunities in Malaysia, given the country's strong semiconductor industry.





#### **4.2.2 Cooperation on critical and strategic raw materials**

The purpose of the Critical Raw Materials Act (CRMA)<sup>67</sup> is to ensure the EU's secure and sustainable access to critical raw materials. This initiative is driven by the growing need for critical materials in strategic European industrial sectors such as the net-zero industry, digital industry, aerospace, and defence.

The EU currently depends on imports from a small number of high-risk countries such as China and Democratic Republic of the Congo. The regulation aims to reduce supply risks for these materials, while also improving circularity and sustainability.

The Commission states that access to these materials will still largely depend on imports, but sets a clear target that no more than 65% of the EU's annual consumption of each strategic raw material at each relevant processing stage should come from a single third country.<sup>68</sup>

Diversifying supply chains can be achieved through strategic partnerships with third countries to secure access to critical raw materials.<sup>69</sup> These are non-binding agreements between the EU and a third country to increase cooperation across the raw material value chain. In addition to integrating value chains, such partnerships can also enable increased diversification, collaboration in R&D, and the promotion of environmental standards.<sup>70</sup> These partnerships are to be discussed among EU member states in an advisory committee to the Commission, focusing on their contribution to EU supply security, cooperation across the value chain, and the partner country's economic and social development (including sustainability, labour conditions, and human rights).

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67. Regulation (EU) 2024/1252 of the European Parliament and of the Council of 11 April 2024, establishing a framework to ensure a secure and sustainable supply of critical raw materials, and amending Regulations (EU) No 168/2013, (EU) 2018/858, (EU) 2018/1724 and (EU) 2019/1020.

68. European Commission (2023a), Factsheet – European Critical Raw Materials Act.

69. See the definition in Article 2 of the EU Critical Raw Materials Act. Strategic partnerships do not appear to exclude existing bilateral agreements on raw materials between individual member states and third countries. See Article 37 of the Raw Materials Act.

70. For example, see the EU's Strategic Partnership on raw materials with Canada: EU and Canada set up a strategic partnership on raw materials - European Commission.

Other considerations include alignment with, and potential synergies between, bilateral initiatives by member states and EU measures under strategic partnerships.<sup>71</sup>

Another way to boost supply security is through projects that the Commission designates as “strategic projects,” which can also be located in third countries. These projects may receive support via relevant funds or development cooperation and must meet criteria such as economic and social sustainability.<sup>72</sup>

The National Board of Trade has not found publicly documented examples of the EU entering strategic partnerships with Asian countries under the CRMA,<sup>73</sup> nor have we identified any strategic projects in Asia.<sup>74</sup> Existing Swedish projects designated under the CRMA mainly focus on domestic extraction, processing, and recycling of critical raw materials.<sup>75</sup> Our outreach to various stakeholders has not provided further insight.

Based on this analysis, we preliminarily consider the Philippines, Indonesia, and Malaysia to be of interest for strategic partnerships or projects, as these countries have access to critical raw materials. For example, the Philippines and Indonesia possess nickel and copper, while Malaysia is a source of rare earth elements.<sup>76</sup> However, both the Philippine and Indonesian mining sectors face sustainability challenges, which may influence the perceived potential of projects, especially concerning labour rights.<sup>77</sup>

Beyond the CRMA, EU free trade agreements have begun to include chapters on energy and raw materials. Among the countries examined, the agreements under negotiation with Indonesia, India, the Philippines, Malaysia, and Thailand includes such a chapter.<sup>78</sup> Typically, these chapters prohibit import/export monopolies, ban price surcharges on exports, and mandate non-discrimination and transparency in licencing for resource exploration and production. They also allow the EU to advocate for stricter limitations on export restrictions than those required under WTO rules. Unlike strategic partnerships, these free trade agreement chapters are binding.

Another instrument under negotiation is the Clean Trade and Investment Partnership (CTIP), currently being discussed between the EU and South Africa.<sup>79</sup> For certain countries, EU offerings may be more appealing when combined with development cooperation.

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71. Article 37 of the EU Critical Raw Materials Act.

72. Articles 6 and 7, as well as the recitals related to Article 37, of the Act. The EU's designated strategic projects can be found here: [Selected strategic projects under CRMA](#).

73. These are available here: [Raw materials diplomacy – European Commission](#).

74. European Commission (2025c), recognition of certain critical raw material projects in third countries.

75. [Regeringskansliet \(2025\)](#).

76. For example, Malaysia is an important source of EU imports of rare earth elements. [Eurostat \(2024\)](#).

77. This includes weak compliance with requirements regarding workers' rights, human rights, and environmental protection. [Amnesty International Philippines \(2025\)](#) and [Amnesty International \(2022\)](#).

78. As presented in each agreement on Countries and Regions – [European Commission](#).

79. We have found no evidence that CTIPs (Clean Trade and Investment Partnerships) are being discussed specifically in relation to the selected emerging markets, likely because the focus is on free trade negotiations with the EU.

## 4.3 Cross-cutting issues – sustainability and digital trade

Sustainability and digital trade are two cross-cutting issues that should be integrated into Sweden's and the EU's trade relations with emerging markets. Sustainability is a global challenge that is prioritised differently across countries. Sweden and the EU have high ambitions, as seen in the European Green Deal, whereas these issues are not always as prominent in emerging markets.

According to the OECD, digital trade already represents a quarter of global trade. Therefore, various ways to simplify and promote digital trade with emerging markets should be explored.

### 4.3.1 Sustainability

A discussion on sustainable trade with emerging markets in Asia may begin with the European Green Deal. The Green Deal is the EU's overarching growth strategy to become the first climate-neutral continent by 2050. It provides the framework for nearly all EU regulations introduced in recent years related to sustainability, climate action, circular economy, biodiversity, and energy transition.

Many of the regulations derived from the Green Deal aim to strengthen environmental standards in the internal market but also serve as the basis for integrating sustainability into the EU's external trade policy. This shift has led to higher sustainability ambitions in EU free trade negotiations, resulting in stricter commitments and compliance mechanisms. These are complemented by autonomous measures, such as EU legislation that promotes sustainable external trade.<sup>80</sup>

#### **CBAM – Carbon Border Adjustment Mechanism**

CBAM is the EU's carbon border adjustment mechanism. It requires companies, organisations, and individuals importing goods manufactured outside the EU to pay for the greenhouse gas emissions associated with those goods.<sup>81</sup>

CBAM aims to apply a comparable price to emissions for certain carbon-intensive goods imported into the EU as for goods produced within the EU. Covered goods include iron and steel, cement, fertilisers, aluminium, hydrogen, and electricity.

The EU's unilateral sustainability regulations serve various purposes and may affect trade relations differently. Some measures apply at the EU's border and have direct trade effects, such as CBAM, which creates a level playing field by ensuring imported products meet the same carbon pricing standards as domestic products. Other regulations target the sustainability of product value chains by introducing mandatory due diligence requirements. These "beyond the border" rules have indirect trade effects. Some regulations combine both approaches. The National Board of Trade has previously flagged concerns about the cumulative impact of multiple EU regulations on

80. European Commission (2021) and European Commission (2022).

81. Naturvårdsverket (2024), CBAM – the Carbon Border Adjustment Mechanism. Starting 1 January 2026, importers bringing CBAM goods into the EU from other countries will be required to declare and purchase certificates for the greenhouse gas emissions embedded in those goods. The so-called transition period runs from 1 October 2023 to 31 December 2025. During this period, importers of CBAM goods must report the embedded emissions on a quarterly basis, but are not yet required to pay for them.

trade with third countries.<sup>82</sup> These effects could particularly affect suppliers in developing countries, who may need support in implementation to avoid barriers to participation in EU value chains.

In efforts to promote sustainable trade with Asian emerging markets, the EU's Generalised Scheme of Preferences (GSP)<sup>83</sup> should also play a key role. GSP aims to promote economic sustainability by better integrating developing countries into global trade. Preferential imports under GSP account for a large share of the EU's imports from certain Asian countries, especially Bangladesh and Pakistan. In some sectors, GSP benefits are also significant for the Philippines, India, and Indonesia. A review of the GSP system is currently underway and is expected to introduce stricter environmental and social requirements while reducing tariff benefits for countries such as India, Indonesia, and eventually Bangladesh.

Stakeholder discussions reveal significant sustainability challenges in the countries studied. While some countries have expressed high ambitions, discussions with companies and embassies suggest that concrete actions to meet sustainability goals are often lacking. Thailand stands out, with several stakeholders noting clearer government targets and positive change.

Business Sweden has noted that justifying higher prices in exchange for higher sustainability standards is to date difficult in these countries.<sup>84</sup> A point that has also been echoed in some of our interviews with Swedish companies. This is a perspective that should be taken into consideration when assessing the emerging markets interest in sustainability collaboration.

#### 4.3.2 Digital trade

Several key digital trade policy issues – such as free data flows and a ban on tariffs for electronic transmissions – are of great economic importance to Swedish and European businesses. Equally vital from an economic standpoint are robust IT infrastructure and stable, transparent regulations in areas such as cybersecurity and personal data protection. Swedish and European companies highlight the need for clear rules to protect personal and sensitive information and to foster safe and fair data sharing.<sup>85</sup>

Among the identified emerging markets, Malaysia is particularly interesting for digital cooperation due to its more advanced digital maturity and IT infrastructure. Malaysia has a strong semiconductor industry and is ahead of other emerging markets in semiconductor manufacturing. Meanwhile, Indonesia and India are large and growing markets where Swedish firms could benefit from improved market access.

Cooperation on digital trade policy with India, Indonesia, and Vietnam is more challenging. India and Indonesia played leading roles in opposing WTO negotiations on digital issues, such as extending the moratorium on tariffs for electronic transmissions. Vietnam has restrictive data protection laws, similar to those in China, that grant the state significant control over information flows.

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82. National Board of Trade Sweden (2024).

83. The EU's GSP (Generalised Scheme of Preferences) is a system through which the EU grants tariff preferences to developing countries to support their economic development and sustainability.

84. Presentation on business opportunities in Asia, Business Sweden, 26 April 2025.

85. Swedish companies have highlighted several challenges related to data sharing. These include complex regulations, lack of legal clarity on what can be shared, and concerns about exposing trade secrets and intellectual property. However, legal instruments such as the EU Data Act and the GDPR exist to ensure fair data sharing. See Svenskt näringsliv (2023a), *The EU's Data Strategy and Data Sharing – Opportunities and Risks for Swedish Companies*. See also: National Board of Trade Sweden (2023).





Bangladesh lags in digital maturity compared to other emerging markets, though the previous government strongly prioritised digitalisation.<sup>86</sup> In this case, aid focused on digital capacity building and training in trade policy could help bridge digital divides that hinder trade.

A natural starting point for EU digital cooperation is a free trade agreement with a strong digital chapter.<sup>87</sup> In such negotiations, the EU can promote alignment with its digital trade principles – rather than those of countries such as China.<sup>88</sup> EU agreements with Japan and Singapore offer strong examples, including binding commitments on data flows, bans on data localisation, protection of source code, and bans on digital tariffs.

The EU is currently negotiating digital trade provisions with the Philippines, India, Indonesia, Malaysia, and Thailand. As noted, talks with India and Indonesia are expected to be relatively limited due to their defensive positions. It is essential to push these discussions as far as possible and include review clauses to revisit unresolved issues within a set timeframe.

Sweden has an interest in promoting additional adequacy decisions<sup>89</sup> under the EU's General Data Protection Regulation (GDPR) with emerging markets. To support this, more aid resources could be dedicated to helping countries achieve adequate data protection standards.

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86. For example, the government of Bangladesh has established digital centres. The IT infrastructure mainly functions within urban areas and differs significantly from that outside of cities.

87. We note that many issues – including digital issues – are often best addressed through international cooperation, such as within the WTO. Considering that several of the identified markets are not yet participating in plurilateral discussions, this report primarily focuses on bilateral cooperation.

88. National Board of Trade Sweden (2025).

89. An adequacy decision means that the European Commission has determined that a non-EU country ensures an adequate level of data protection, comparable to that within the EU/EEA.



Another approach would be for the EU to negotiate digital partnership agreements. Such agreements could also support semiconductor trade, for example, with Malaysia.<sup>90</sup> Sweden could support the EU in exploring the feasibility of sectoral digital agreements with countries lacking free trade agreements.<sup>91</sup>

Unlike free trade or sectoral agreements, partnership agreements are soft frameworks intended for regulatory cooperation and lack binding commitments. Currently, the EU has digital partnership agreements with high-IT countries such as Japan, Korea, Singapore, and Canada.<sup>92</sup>

With India, the EU has established a Trade and Technology Council (TTC) as a collaboration platform. This council plays a critical role in strengthening strategic ties between the regions. The EU and India share a commitment to ensuring security, prosperity, and sustainable development grounded in shared values. Through the TTC, both parties are dedicated to advancing human-centred digital transformation and promoting technologies such as AI, semiconductors, high-performance computing, and 6G.<sup>93</sup>

Our discussions with embassies and companies reveal varying levels of digital maturity across the emerging markets. Some governments are reportedly underinvesting in digital infrastructure and security. India, however, stands out for its more advanced digital maturity.

In terms of data sharing, interviewed companies noted that the issue is not straightforward, especially given global digital vulnerabilities and low digital maturity in some markets. As with sustainability, trade-related aid in digital trade and security could positively influence trade relations.

## 4.4 Other potential areas relevant to trade

Discussions with Team Sweden and other experts have highlighted several other areas of interest for Sweden's trade with emerging markets. These include increased participation in infrastructure initiatives and improved market access for food and agricultural products in Vietnam and the Philippines.

### 4.4.1 Increased participation in public procurement and infrastructure projects in emerging markets

Many Asian emerging markets face extensive infrastructure needs to fuel growth and transition to high-income status. These investments create opportunities for Swedish companies to contribute technology, expertise, and sustainable solutions – which was confirmed by the companies we interviewed.

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90. The EU has included semiconductor-related agreements in its digital partnerships with Japan, South Korea, Singapore and Canada. The most far-reaching cooperation has been established with Japan, focusing on research and innovation with the aim of strengthening the semiconductor supply chain and addressing existing gaps.

91. However, it is important to ensure that such cooperation remains compatible with WTO rules.

92. With Japan, the EU has, under the digital partnership framework, signed a Memorandum of Understanding (MoU), established an expert group, and held discussions on a potential joint research initiative. European Commission (2025b)

93. In addition, the EU and India have agreed to cooperate in building resilient and future-proof value chains. This includes joint efforts in contingency planning for food security, sustainable food systems, and the development of early warning systems for supply disruptions of active pharmaceutical ingredients. Furthermore, we are exploring synergies in clean technology – such as solar energy, offshore wind power, and green hydrogen – which strengthens our cooperation for a sustainable future.

Team Sweden is already actively supporting Swedish companies in public procurement processes.<sup>94</sup> A recurring theme is that sustainability is one of Sweden's strengths and offers a unique competitive advantage in such procurements. However, this also poses a challenge, as Swedish firms often compete with providers from countries offering lower prices in bids where cost outweighs quality and environmental concerns.<sup>95</sup> Interviewed firms stressed the importance of high-level political dialogue to highlight Sweden's areas of expertise and competence. They also see cooperation with like-minded countries as a key opportunity for enabling participation in infrastructure projects.

#### **4.4.2 Market access for animal-based food products in Vietnam and the Philippines**

Sweden's food industry has long prioritised gaining market access for animal-based products in Vietnam and the Philippines, which are considered particularly important markets.

According to Sweden's updated food strategy,<sup>96</sup> global demand is growing for products aligned with Sweden's competitive strengths – such as low antibiotic use, environmental sustainability, and high animal welfare. The government aims to improve export opportunities and believes that efforts to negotiate veterinary certificates must continue to be prioritised. Such certificates are required for the export of specific food, agricultural, and forestry products associated with sanitary and phytosanitary risks.

Access to Asian emerging markets – particularly the Philippines and Vietnam – is a top priority for Swedish companies exporting food and agricultural products that require health certificates. In December 2019, Sweden was approved for pork exports to the Philippines, and exports began in March 2020 following successful negotiations between the relevant authorities. A process is underway to obtain approval for beef exports, with hopes for completion in the near future. For Vietnam, three applications are ongoing – for pork (since 2017), eggs and egg products (since 2019), and poultry (since 2020). These are all high priorities for businesses, but the process has been delayed due to a lack of response from the Vietnamese authorities. For Thailand, there are pending cases involving pork, beef, and poultry, but these are not as highly prioritised as those with the Philippines and Vietnam.

The difficulties in gaining market access are partly due to the time required to obtain health certificates.<sup>97</sup> Another issue is that individual companies cannot apply for certificates; instead, if there is export interest, Sweden's relevant authorities (the Board of Agriculture and the National Food Agency) must negotiate with the importing country's authorities. Without a health certificate for products requiring one, exports cannot proceed. In some cases – such as with China – the process has dragged on for nearly 20 years without resolution.

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94. From a trade policy perspective, a legally binding free trade agreement is the most important mechanism for improving and strengthening sustainability rules in public procurement related to infrastructure projects. Business Sweden, together with other parts of Team Sweden, possesses the experience, market knowledge, and networks needed to analyse and navigate the complex structures that often characterise public procurement and investment environments in emerging markets.

95. To increase European participation in public procurement, the EU has launched Global Gateway – an initiative aimed at enhancing the ability of European companies to compete globally in sectors such as transport, energy, digitalization, and climate resilience. By promoting principles such as sustainability, transparency, and rules-based trade, the initiative seeks to create better conditions for European stakeholders in emerging markets.

96. Food Strategy 2.0, Regeringen (2023b).

97. For the export of certain foodstuffs, agricultural products, and forest products where sanitary and phytosanitary risks may exist, negotiated health certificates between the competent authorities of the exporting and importing countries are required for exports to take place at all. Even when a certificate is in place, continuous efforts are needed to keep the market open – for example, in the event of an outbreak of an animal disease or plant pest in the exporting country, or if the importing country changes its import legislation.

The process of obtaining health certificates, especially for animal-based products, can vary between countries.



Free trade agreements are important in this context, as they can provide frameworks for how the veterinary certification process should proceed – such as designating contact points and setting timelines for responses. However, FTAs do not automatically include agreed-upon certificates that allow immediate export from EU member states upon implementation. Typically, this is a parallel track where each EU country must negotiate bilaterally, though FTAs can act as a lever for closer cooperation.

In a few agreements (e.g., with Canada), the EU has negotiated commitments to develop model certificates, enabling the Commission to later negotiate harmonised health certificates on behalf of all member states.

In conclusion, there is clear potential for increased food exports, especially to Vietnam. However, work remains to resolve market access issues linked to veterinary certification. To achieve this, it is crucial that Sweden continues raising these concerns with the Commission and ensures that Swedish interests are represented in its dialogues with the relevant countries.

## 5 Trade-related capacity building and technical assistance

Trade-related capacity building and technical assistance can contribute to stronger trade integration between Sweden/EU and developing and emerging economies. Development cooperation in this area can also help reduce gaps in trade, digitalisation, and green technology.

However, the extent of the impact largely depends on local absorption capacity, political will, and alignment with national priorities. In line with the government's strategy for foreign trade, investment and competitiveness and reform agenda to strengthen synergies between development cooperation, promotion, and trade policy, the National Board of Trade is currently exploring opportunities for capacity-building cooperation in trade policy with the analysed emerging markets – initially focusing on the Philippines, Indonesia, Thailand, and Vietnam.

One of the greatest challenges in strengthening trade with emerging markets in Asia is the gap between the EU's regulatory frameworks and those in place locally, particularly in the areas of sustainability, digitalisation, and supply chain resilience. As mentioned, many of these countries are already part of other regional agreements, such as RCEP (Regional Comprehensive Economic Partnership), which do not necessarily align with the EU's ambitions. This makes deeper legislative convergence difficult. There are shared goals – for example, there is growing interest in ESG (Environmental, Social, and Governance) and digital trade throughout the region. However, differences in how countries approach these issues remain substantial. Malaysia and Vietnam tend to align more closely with the EU, while others are more cautious or inward-looking (some pursue more protectionist or economic nationalist policies). Bridging this gap will require a pragmatic blend of regulatory dialogue, technical support, and flexibility in how the EU engages with each partner.

Conversations with various stakeholders reveal that emerging markets sometimes apply strict trade policy measures, often due to limited awareness of more nuanced trade instruments. A concrete example raised by companies was Indonesia's use of safeguard measures in a situation where anti-dumping would have been more appropriate. Since safeguards are broader and more disruptive, they can negatively impact trade between Sweden and the country. In such contexts, Swedish actors with technical trade policy expertise could engage the region by sharing knowledge, building capacity, and promoting policy dialogue. This can encourage a more balanced and rules-based use of trade policy tools.

According to Swedish embassies in the region, many emerging markets see themselves as providers with adequate resources for capacity building rather than as aid recipients. Thus, potential collaborations identified in this report should focus on mutual (peer-to-peer) exchange of experiences in specific areas. Expertise in sustainability is particularly in demand among the selected emerging markets.

## 6 Conclusions

In this report, the National Board of Trade Sweden have analysed and proposed suitable collaborations that can develop trade between Sweden/EU and selected emerging markets in Asia.

A first step in the analysis was to build a deeper understanding of the emerging markets. This has resulted in an account of trade developments, trade conditions, and ongoing trade policy processes with particular attention to Swedish interests. In addition, we note that the current global geopolitical tensions have led to several major changes in the trade policy landscape, prompting further reflection on potential consequences for Sweden's and the EU's relations with the emerging markets. Below are our most important conclusions.

### Asia and trade conditions

**Trade development between Sweden and the emerging markets shows a positive trend and creates potential for expanded trade with Sweden and the EU.** Emerging markets show strong economic growth. Sweden's trade with these markets, especially exports, is currently modest. However, the potential for increased trade is considered high in the long term. The fact that several of the countries are negotiating free trade agreements with the EU shows both a political and economic willingness to expand trade between the parties, which creates a basis for continued economic integration.

**Asia should not be regarded as a homogenous trade region.** The EU currently applies a standardised approach to its free trade agreement negotiations with the emerging markets. However, our analysis shows that the selected emerging markets should not be considered a homogeneous group of countries. To achieve expanded trade and new collaborations in different areas, it is therefore important to consider the specific interests and conditions of each individual market through a pragmatic and flexible approach.

**India, Malaysia, and Vietnam are particularly interesting for Sweden.** Based on various parameters in the trade conditions, we believe that India, Malaysia, and Vietnam are especially interesting for Sweden. India, with its large economy, offers potential both as a production country and a consumer market. Malaysia presents trade advantages through lower corruption and higher digital maturity. Vietnam creates opportunities for increased trade through the gradual implementation of an ambitious free trade agreement with the EU, with potential for growth in several sectors.

Based on our analysis, it is challenging to create a comprehensive picture of the emerging markets. However, the analysis provides a better understanding of the trade conditions. While some countries are better suited as "hubs" for assembling products (Malaysia), others are better suited as destinations for end products (India). We note that several emerging markets need to further develop their infrastructure and industry in order to sustain continued economic growth and eventually enhance their trade with the EU and its member states. This represents an opportunity for expanded trade for Swedish companies, particularly through public procurement.

A clear trend is an increasing focus on the green transition and a greater awareness of the importance of sustainability and the environment in some of the emerging markets, which is viewed positively by businesses.



## Trade policy in the emerging markets – relations with the EU and China

**Developing trade with the emerging markets is best achieved through a free trade agreement.** The fact that free trade agreements are being negotiated with several of the selected emerging markets represents a key first step. As the National Board of Trade has previously reported, the EU's free trade agreements with other countries have a significant positive effect on bilateral trade.<sup>98</sup> Legally binding commitments in a large number of key trade policy areas establish a framework that prevents barriers and other issues (e.g., market access barriers). In addition, free trade agreements serve as an important foundation for developing trade relationships. However, several of the selected countries are in the early stages of negotiations, and given the unsettled global situation, it is justified for Sweden and the EU to explore other collaborations in parallel. Given the regional concentration and differences between the countries, flexibility and pragmatism will be required in negotiations with the emerging markets.

**Regionalism – the strongest and most important parameter for Sweden and the EU to consider in enabling increased trade with the emerging markets:**

- An understanding of the regional ties, particularly to China, is an important starting point for achieving deeper trade integration with the emerging markets. In light of current geopolitical tensions, this regionalism may either intensify or weaken, which could affect the EU's opportunities to establish itself as an attractive trade partner.
- One scenario is that the emerging markets increase their participation in regional initiatives such as RCEP and CPTPP, which would decrease their incentive to engage with the EU. Another scenario is that the ongoing trade war creates a greater desire for diversification among the emerging markets, increasing the incentive to engage with the EU.
- We generally observe a trend towards increased regionalisation of trade relations.<sup>99</sup> This is reinforced by geopolitical tensions, and there is a risk that transaction-based trade may be replaced by value-based trade. This could lead emerging markets to seek stability with China rather than pursuing deeper cooperation with the EU.

**Diversification away from China through increased economic integration with the emerging markets may be an illusion. However, trade with India may create diversification opportunities.**

- We are sceptical that increased integration with the emerging markets in Asia, particularly in ASEAN, will reduce dependency on China. These countries are economically interwoven with China, particularly through trade and investment. China's integration into the emerging markets also creates a potential dilemma: when the EU intensifies trade with the region's emerging markets, new, indirect dependencies on China may arise, as many of these economies are deeply integrated into Chinese value chains.
- At the same time, diplomatic relations between the emerging markets and China vary – from friendly and strategic cooperation (Bangladesh, Indonesia, Thailand) to strained but pragmatically maintained relations (the Philippines, Vietnam, India). The Belt and Road Initiative functions as an important framework for cooperation but also as a source of tension concerning economic and political influence.
- Increased trade integration with India, however, could create opportunities for European and Swedish companies to diversify away from China.

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98. National Board of Trade Sweden (2018) and Kommerskollegium (2024).

99. Regional trade agreements have increased in both number and scope over the years (WTO 2024b) and are expected to shape trade and economic relations in the coming years (World Bank 2017a).

**The issue of diversification of trade and value chains needs to be further analysed.**

Our interviews with companies and foreign missions established in the emerging markets point to a reality in which trade is strongly tied to China. Our discussions with Swedish companies confirm that the connection to China is strong at all levels. The profile of that trade differs between companies; while some have clear dependencies on materials and components, China is an important partner in robust value chains for others. Therefore, companies' needs do not always align with the political priorities of the EU and Sweden concerning diversification.

**Maintaining trade relations with China is crucial when approaching Asia.** The global economy is transitioning from rules-based structures to geopolitical power structures. Many indicators point to both India and China taking on increasingly important roles as trade and investment partners for the EU. Access to key components, technologies, and critical raw materials is crucial for growth and competitiveness. Some of these production steps can only be performed by companies in countries such as China. If Sweden and the EU want to increase their integration with emerging markets in Asia, it may be in their interest to maintain trade relations with China. That said, it is important to identify harmful dependencies in that relationship and apply strategies that reflect our own principles and values.

## **Swedish interests: resilience, digital, and sustainable trade linked to emerging markets**

**Resilience in supply chains linked to emerging markets is still an unexplored area.**

The Chips Act and the Critical Raw Materials Act can provide a starting point for strategic partnerships with emerging markets to increase supply chain resilience.

- In the **semiconductor sector**, existing Swedish collaborations with other countries are based on knowledge exchange in research and innovation. It is difficult to assess how cooperation could be structured between Sweden and the emerging markets. Furthermore, the complex and globally dispersed value chains in the semiconductor industry make it even more difficult to evaluate the potential to diversify away from China and Taiwan, the two dominant players globally.
- For **raw material** cooperation, we consider the Philippines, Indonesia, and Malaysia to be strategically interesting due to their access to critical raw materials (nickel, copper, cobalt, chromium, rare earth elements). At the same time, sustainability challenges have emerged within their respective mining sectors. Free trade agreements are important instruments for promoting trade and investment in raw materials as they are binding and regulate trade and investments broadly. We also see that the instruments (strategic projects and strategic partnerships) in the EU's Critical Raw Materials Act can be better utilised to enhance supply security, diversification, and resilience in the supply chain. Our assessment is also that development cooperation and technical assistance play a central role in making the offer more attractive for certain types of countries.
- Our preliminary analysis shows that Sweden should better map its import dependencies to evaluate the feasibility and benefits of strategic partnerships around semiconductors and critical raw materials. Similar mapping initiatives have already been initiated at the EU level.<sup>100</sup>

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100. For critical raw materials, see European Commission (2023b).

## **Sustainability does not yet sell in Asia – but Swedish expertise may become strategically important for future trade**

Swedish companies and authorities are at the forefront of sustainability. However, this expertise does not currently provide a clear competitive advantage in Asian emerging markets. Still, this expertise could become a crucial asset in the long term, as most emerging markets have set sustainability targets and are in the process of building up their industry and infrastructure. In light of the ongoing FTA negotiations with the EU, sustainability expertise will be valuable for all parties involved. Sweden should continue to position itself in these negotiations and contribute through technical assistance.

## **Other areas of collaboration**

**Swedish participation in infrastructure projects.** Many emerging markets in Asia face extensive infrastructure investment needs to support growth and transition to high-income countries. These investments create opportunities for Swedish companies to contribute through technology, expertise, and sustainable solutions, which was confirmed by some of the companies we interviewed. In practice, Swedish companies face competition from other countries where price outweighs quality and environmental considerations. In this context, we believe it is important for Sweden to engage in dialogue with the governments of these countries when participating in infrastructure projects. In this dialogue, Sweden should highlight its expertise in sustainability and digitalisation and emphasise the importance of international trade policy frameworks – including the importance of global standards and regulations – to strengthen companies' competitiveness and reduce trade barriers. Companies see an opportunity for collaborative projects between Sweden and other countries to open more doors than purely Swedish initiatives.

**Food products in Vietnam and the Philippines.** We see opportunities for increased trade in food products, particularly in Vietnam, but work remains to prevent and eliminate trade barriers. To achieve this, it is important that Sweden increases coordination with the Commission in its dialogue with these countries to ensure that Swedish interests are clearly represented.

## 7 Proposals to strengthen the EU's and Sweden's trade with emerging markets in Asia

This section presents proposals developed in dialogue with various stakeholders. It should be noted that several of these proposals are not directly tied to trade policy instruments. Therefore, their feasibility and implementation require further assessment by other relevant stakeholders.

### Proposals for all emerging markets analysed

#### A digital chapter in free trade agreements – desirable for enhanced digital trade cooperation

A significant share of future trade potential lies in digital trade. We see a need to strengthen cooperation in this area to support trade with emerging markets. Our analysis shows that the level of digital maturity varies considerably among the selected markets.

We assess that a free trade agreement (FTA) including a dedicated digital chapter offers the best conditions for meaningful digital cooperation. As several of these countries are currently engaged in FTA negotiations with the EU, we believe it is necessary to await the potential digital commitments that may be agreed between the parties.

If consensus on digital trade cannot be reached within an FTA, digital partnerships should be explored as an alternative to deepen bilateral cooperation. At present, no digital partnerships exist between the EU and the selected emerging markets.

Should an ambitious digital chapter be included in future agreements, we also see an opportunity to work towards additional adequacy decisions<sup>101</sup> under the EU's General Data Protection Regulation (GDPR). To facilitate this, increased development assistance could be allocated to support these countries in building data protection systems that meet EU adequacy standards.

#### Trade-related assistance and import promotion

Countries wishing to export to the EU must adapt to new regulatory frameworks – such as the **Carbon Border Adjustment Mechanism (CBAM)** or the EU Deforestation Regulation. In these cases, Swedish expertise in EU legislation may be valuable in supporting the development of bilateral trade relations. Among the countries studied, Vietnam has specifically requested support related to EU sustainability regulations.

Many of the emerging markets already export food products regionally. Sweden is internationally recognised for its expertise in **sanitary and phytosanitary (SPS)** issues and could explore projects on food safety systems to build mutual trade capacity.<sup>102</sup>

It is important to continue investing in capacity-building efforts. Here, **Open Trade Gate Sweden (OTGS)** at the National Board of Trade Sweden can play a role in promoting imports to Sweden and the EU in sectors where supply in the partner countries aligns with demand in Sweden and the EU.

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101. An adequacy decision means that the European Commission has determined that a non-EU country ensures a level of data protection that is sufficiently high and comparable to that within the EU/EEA.

102. Chapter 4.4.2.

## Proposals relating to specific emerging markets

### **Strengthening sustainability in textiles – key to continued trade with Bangladesh**

The long-term presence of Swedish companies in Bangladesh will benefit from the country's progress towards greater sustainability – both at the political level and in the textile production sector. Many Swedish clothing brands rely on Bangladesh as their primary production hub, with annual imports amounting to approximately SEK 7 billion.

We therefore see proposals linked to sustainability as highly relevant. Sweden should continue to promote sustainability in bilateral policy dialogues and contribute expertise through trade-related development cooperation.

Although our analysis does not indicate openings for FTA negotiations with Bangladesh at this time, building the foundation for such talks is important for improving trade in the longer term.

### **Talent attraction and the development of a carbon pricing system – keys to progress in FTA talks with India**

#### **Talent Attraction**

India maintains significantly higher tariffs on goods than the EU. As a result, India has less to gain from an agreement focused solely on tariff reductions and the removal of non-tariff barriers.

Given Sweden's interest in attracting global talent and in advancing negotiations towards a meaningful economic agreement, we recommend exploring cooperation with India on **talent mobility**. There is clear political will in Sweden to attract highly skilled workers<sup>103</sup> – such as technicians and engineers – as highlighted in Sweden's new STEM Strategy.<sup>104</sup>

India has already signed mobility agreements with Austria and France and has an Joint Declaration of Intent on Migration and Mobility with Finland.

#### **Development of a Domestic Carbon Pricing System for India**

The EU's CBAM regulation presents a challenge for trade between the EU and India. One possible path forward in the negotiations could be to give India the opportunity to develop its own carbon pricing system, which the European Commission could accept as part of the FTA framework.

As the Swedish National Board of Trade has noted in its analysis of CBAM's WTO compatibility:

“If other countries have implemented alternative climate measures to ensure that their producers are not unfairly affected, such measures should be taken into account. In assessing national circumstances, it may also be relevant to consider differing levels of economic development, in line with the Paris Agreement principle of Common but Differentiated Responsibilities and the WTO's provisions for Special and Differential Treatment (SDT).”<sup>105</sup>

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103. Regeringen (2022) and Omni (2023).

104. For Sweden to remain a leading nation in research and technology, more people with knowledge in science, technology, engineering, and mathematics – the STEM subjects – are needed. The STEM strategy, presented in February 2025, focuses primarily on strengthening the education system in these fields. The strategy covers the entire educational pathway, from preschool to doctoral studies, and aims to increase the number of people with strong STEM skills. Key components include access to highly qualified labour, talent attraction, and incentives for companies to recruit globally.

105. WTO-related legal comments on CBAM, see Kommerskollegium (2021).



The WTO Appellate Body has been clear that the EU cannot require other countries to adopt identical measures in order to comply with environmental or climate regulations. In other words, flexibility is necessary.

India is a key trading partner, and both Sweden and the EU have much to gain from a free trade agreement. Sweden could contribute technical assistance, given its expertise in CBAM and emissions trading, supporting India in building a domestic system similar to the EU Emissions Trading System (EU ETS).

Such a proposal could include:

- Assessing what would be required for India to introduce a carbon price equivalent to that paid under the EU ETS (as referenced in CBAM articles 6 and 9) or to adopt alternative, effective climate measures.
- Given that the European Commission determines whether third-country carbon pricing mechanisms are equivalent for the purpose of CBAM deductions, the Commission should lead the design of how such a system would be recognised.
- If India implements a carbon pricing system and later wishes to introduce its own carbon adjustment mechanism, Swedish technical assistance could support this process.

We acknowledge that this proposal does not immediately increase trade with India. Instead, it aims to create the conditions for future trade with a strategically important partner for Sweden.

### **Malaysia – a promising partner for Sweden and the EU in semiconductors and advanced electronics**

Semiconductors and advanced electronics are rapidly growing sectors in **Malaysia**. The country is positioning itself as a regional hub for semiconductor operations – including design, packaging, and testing – with ambitions to move further up the value chain.

The presence of multinational companies in Penang makes this sector particularly interesting for Sweden and the EU. As for trade potential, enhanced cooperation in semiconductors and advanced electronics has already been identified as a strategic opportunity in Malaysia.<sup>106</sup>

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<sup>106</sup>. Dialogue with Business Sweden, April 2025.

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## EU legislation

- Regulation (EU) 2024/1252 of the European Parliament and of the Council of 11 April 2024 establishing a framework to ensure a secure and sustainable supply of critical raw materials and amending Regulations (EU) No 168/2013, (EU) 2018/858, (EU) 2018/1724, and (EU) 2019/1020.
- Regulation (EU) 2023/1781 of the European Parliament and of the Council of 13 September 2023 establishing a framework of measures for strengthening Europe’s semiconductor ecosystem and amending Regulation (EU) 2021/694 (*Semiconductors Regulation – Chips Act*).

## Other sources

- Presentation by Dr HC Hagman, “On the Tectonic Shifts”, National Board of Trade Sweden, 3 March 2025.
- Presentation by Johan Lennefalk and Andrea Staxberg, Business Sweden, “Business Opportunities in Asia”, Vinnova, 25 April 2025.
- Discussion with the EU Delegation in Vietnam during the Swedish Asia-Pacific Promotion Meeting in Hanoi, April 2025.
- Discussions with Business Sweden, the European Commission, and Swedish missions abroad in selected emerging markets during spring 2025.

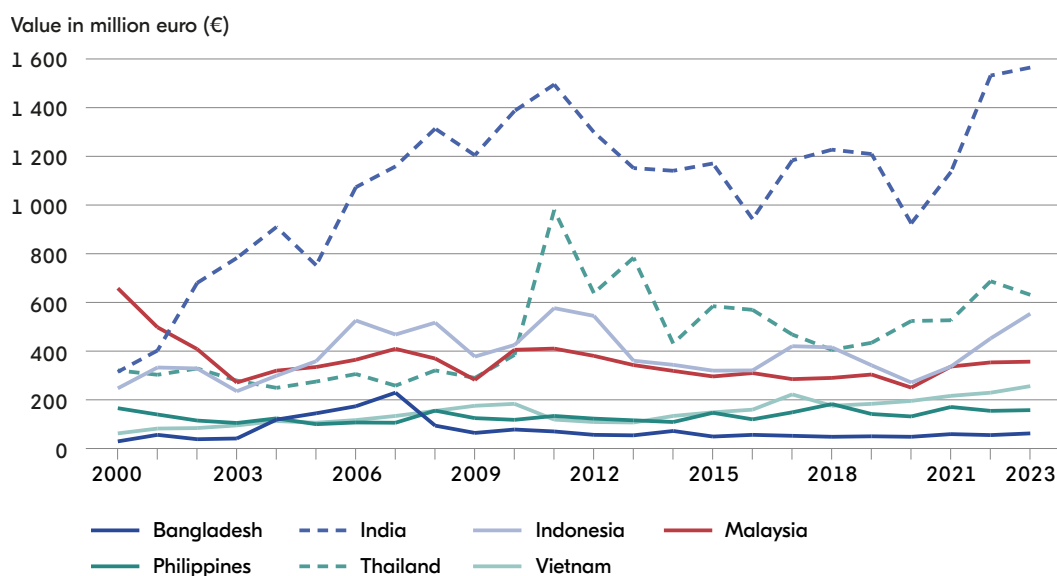


# Appendix I

## Trade developments between Sweden and emerging markets analysed, 2000–2023

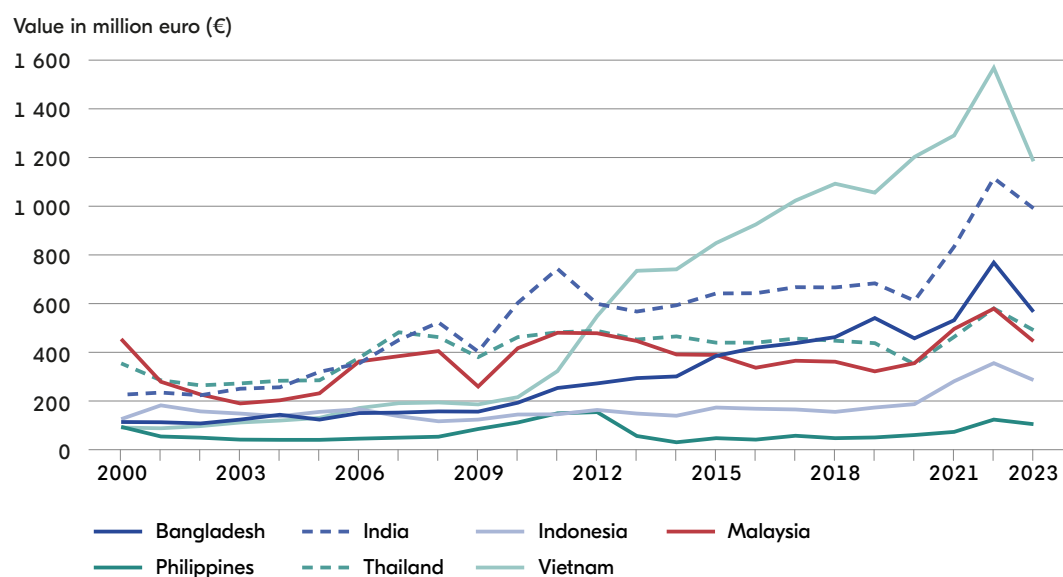
Figure 4. Trade developments between Sweden and emerging markets analysed, 2000–2023

Goods export from Sweden



Source: Calculations by National Board of Trade Sweden, based on statistics from Eurostat.

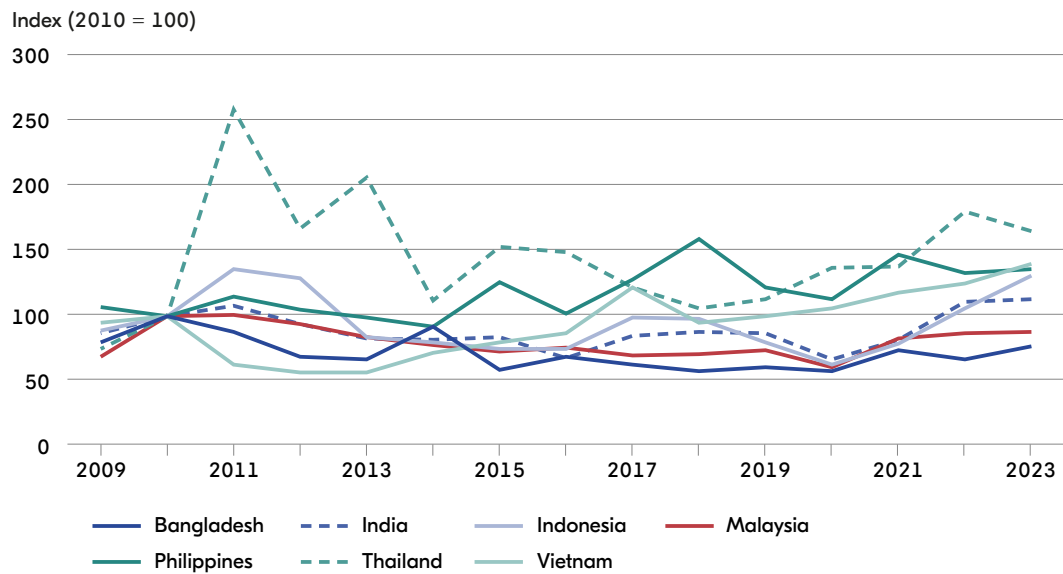
Goods import to Sweden



Source: Calculations by National Board of Trade Sweden, based on statistics from Eurostat.

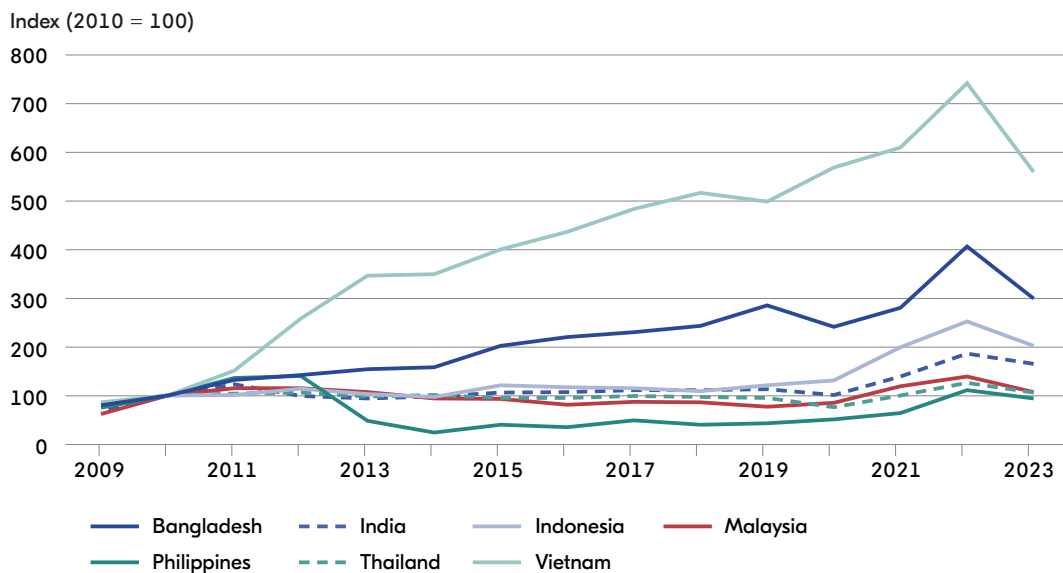
**Figure 5. Sweden's indexed import and export developments with emerging markets (2010=100)**

Goods export from Sweden



Source: Calculations by National Board of Trade Sweden, based on statistics from Eurostat.

Goods import to Sweden



Source: Calculations by National Board of Trade Sweden, based on statistics from Eurostat.

## Appendix 2

### Overview of free trade agreement networks and bilateral agreements entered by the emerging markets analysed <sup>107</sup>

#### ASEAN Cooperation (all except India and Bangladesh)

Vietnam, Thailand, Malaysia, Indonesia, and the Philippines are members of ASEAN (Association of Southeast Asian Nations).

As members, they participate in several regional free trade agreements:

- ASEAN Free Trade Area (AFTA)
- ASEAN–China FTA
- ASEAN–Japan FTA
- ASEAN–Korea FTA
- ASEAN–Australia–New Zealand FTA
- ASEAN–India FTA (India is also a party to this agreement)

#### Regional megablocks: RCEP and CPTPP

RCEP (Regional Comprehensive Economic Partnership) includes:

- Vietnam, Thailand, Malaysia, Indonesia, the Philippines
- Plus: China, Japan, South Korea, Australia, New Zealand
- India withdrew from the negotiations at the last minute

CPTPP: Among the listed countries, only Vietnam and Malaysia are members

#### India and Bangladesh – more limited FTA networks

India has FTAs with:

- ASEAN
- Japan, South Korea
- SAFTA (South Asian Free Trade Area)
- Bangladesh participates in:
  - AFTA
  - Asia-Pacific Trade Agreement (APTA)

107. Data from the WTO Regional Trade Agreements Database. The information is indicative and not exact.

## Bilateral agreements involving emerging markets

### Bangladesh

Bangladesh–Bhutan Preferential Trade Agreement (BB-PTA)

### India

- India–Sri Lanka FTA
- India–Nepal Trade Treaty
- India–Bhutan Trade Agreement
- India–Thailand FTA
- India–Afghanistan PTA
- India–Mauritius CECPA
- India–Japan CEPA
- India–South Korea CEP
- India–Singapore CECA
- India–Malaysia CECA
- India–UAE CEPA
- India–Australia ECTA
- India–EFTA FTA (with Iceland, Liechtenstein, Norway, and Switzerland)

### Indonesia

- Indonesia–Australia CEPA (IA-CEPA)
- Indonesia–Chile CEPA
- Indonesia–Mozambique PTA
- Indonesia–EFTA CEPA (with Iceland, Liechtenstein, Norway, and Switzerland)

### Malaysia

- Malaysia–Australia FTA
- Malaysia–Chile FTA
- Malaysia–India CECA
- Malaysia–Japan EPA
- Malaysia–New Zealand FTA
- Malaysia–Pakistan FTA
- Malaysia–Turkey FTA

## Thailand

- Thailand–Australia FTA
- Thailand–New Zealand FTA
- Thailand–Japan EPA
- Thailand–Chile FTA
- Thailand–Peru FTA
- Thailand–India FTA
- Thailand–EFTA FTA (signed 23 January 2025)

## Vietnam

- Vietnam–Japan EPA
- Vietnam–Chile FTA
- Vietnam–Cuba FTA
- Vietnam–South Korea FTA
- Vietnam–United Kingdom FTA (UKVFTA)
- Vietnam–US Bilateral Trade Agreement (BTA)
- Vietnam–Israel FTA
- Vietnam–UAE CEPA (signed October 2024)

## Philippines

- Philippines–Japan Economic Partnership Agreement (PJEP)
- Philippines–EFTA FTA (with Iceland, Liechtenstein, Norway, and Switzerland)
- Philippines–South Korea FTA (entered into force 31 December 2024)



# Sammanfattning på svenska

## Summary in Swedish

I denna rapport presenteras en analys av Bangladesh, Filippinerna, Indien, Indonesien, Malaysia, Thailand samt Vietnam med ett särskilt fokus på Sveriges och EU:s möjligheter att fördjupa handeln med dessa tillväxtmarknader.

Stark ekonomisk tillväxt i regionen skapar potential för ökad integration med dessa tillväxtmarknader. Samtidigt påverkar geopolitiska spänningar både villkoren och möjligheterna att fördjupa befintliga handelsrelationer med de utvalda tillväxtmarknaderna. Analysen visar att Sveriges handel med tillväxtmarknaderna är blygsam. En kraftigt ökad handel skulle därmed ha en marginell inverkan på den totala handelsutvecklingen på kort sikt. Samtidigt är det viktigt att svenska företag är närvarande på dessa marknader, där potentialen för ökad handel är stor på längre sikt och där pågående förhandlingar om frihandelsavtal skapar nya möjligheter.

Tillväxtmarknaderna bör inte betraktas som en enhetlig grupp; varje land har sina specifika förutsättningar, regelverk och intressen vilket kräver varierande angreppssätt i vilka handelsstrategier som tillämpas. Den regionala integrationen i Asien är djupt rotad med ett omfattande nätverk av handelsavtal, inklusive med Kina, vilket skapat starka ekonomiska och säkerhetspolitiska band. Denna regionalism utgör en viktig kontext för EU:s möjligheter att befästa sig som intressant handelspart.

Det är viktigt att frihandelsavtal förhandlas mellan EU och flera av de utvalda tillväxtmarknaderna. Rättsligt bindande åtaganden på ett stort antal viktiga handelspolitiska områden bygger en systematik som förebygger hinder och andra former av problem, t.ex. vad gäller marknadstillträde. Dessutom utgör ett frihandelsavtal en viktig bas att utveckla handelsrelationen. Flera av de utvalda länderna på tillväxtmarknaderna befinner sig dock i ett tidigt skede av frihandelsförhandlingarna och givet det oroliga omvärldsläget ser vi det motiverat för Sverige och EU att utforska andra samarbeten parallellt. Givet den regionala koncentrationen och skillnader mellan länderna kommer flexibilitet och pragmatism krävas i förhandlingar med tillväxtmarknaderna.

Kommerskollegiums analys har resulterat i ett antal förslag på möjligheter till samarbeten med enskilda länder och inom specifika områden. Dessa inkluderar bland annat förslag om svenskt kapacitetsstöd inom hållbarhetsexpertis, strategier för att förbättra digital handel och förslag på svenskt stöd för talangattraktion för att påskynda frihandelsförhandlingarna med Indien.

Vi ser att det finns en inbyggd målkonflikt i uppdragets ansats att samtidigt främja frihandel och diversifiering med syfte att undvika beroenden från enskilda länder. Kina är i dag djupt integrerat i världsproduktionen och i tillväxtmarknadernas ekonomier. Detta kan begränsa möjligheten att genom ökad integration med dessa marknader uppnå strategisk resiliens. Däremot ser vi att Indien, med sin stora inhemska marknad och tydliga vilja att utgöra ett alternativ till Kina, kan utgöra en särskild möjlighet för diversifiering med syfte att undvika beroenden.

I en värld där handel allt mer präglas av geopolitiska maktstrukturer bör Sverige och EU agera balanserat. Det är centralt att bevara fungerande handelsrelationer med både Kina och andra strategiska partners, samtidigt som skadliga beroenden behöver identifieras och analyseras mer noggrant för att kunna hanteras utifrån egna värderingar och intressen. För att uppnå detta krävs ett mer nyanserat underlag kring faktiska beroenden.

Avslutningsvis ser vi att diversifieringsfrågan kräver en djupare analys. Utgångspunkten för diversifiering måste bygga på en fördjupad förståelse för näringslivets behov och verklighet – att endast utgå från politiskt uppställda mål menar vi kan vara problematiskt.

**The National Board of Trade Sweden** is the government agency for international trade, the EU internal market and trade policy. Our mission is to facilitate free and open trade with transparent rules as well as free movement in the EU internal market.

Our goal is a well-functioning internal market, an external EU trade policy based on free trade and an open and strong multilateral trading system.

We provide the Swedish Government with analyses, reports and policy recommendations. We also participate in international meetings and negotiations.

The National Board of Trade, via SOLVIT, helps businesses and citizens encountering obstacles to free movement. We also host several networks with business organisations and authorities which aim to facilitate trade.

As an expert agency in trade policy issues, we also provide assistance to developing countries through trade-related development cooperation. One example is Open Trade Gate Sweden, a one-stop information centre assisting exporters from developing countries in their trade with Sweden and the EU.

Our analyses and reports aim to increase the knowledge on the importance of trade for the international economy and for global sustainable development. Publications issued by the National Board of Trade only reflect the views of the Board.

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