



Confederation of Finnish Industries EK

Towards strategic trade partnerships

EK supports a trade policy aimed at continued economic openness, support for the WTO and improved market access in exports and imports even though the existing geopolitical and geoeconomic situation challenges these objectives. In these turbulent times a need for strategic partnerships is more vital than ever.

Legitimate concerns about security, incl. economic security and unfair trading practices must be taken seriously, but these should not, as a rule, undermine the open trading system.

In this paper we raise concrete proposals important for Finnish companies.

1. Better balance between the EU's external trade and internal market regulations

There is a clear need for better balance between the EU's external trade and single market regulations. The current 'protecting' tendency in the internal market does not only create difficulties to EU companies when implementing these regulations but also causes tensions between the EU and its trading partners. It also hinders the EU ability to negotiate trade deals.

- There needs to be proper coordination within the Commission and between the other EU institutions when preparing EU legislation.
- The Commission needs to carry out impact assessments on the impact of the EU legislation on European companies' competitiveness including EU trade relations and policy.
- The overall aim must be in reducing companies' regulatory burden.

2. Trade agreements primary focus must be on trade

- EU trade agreements are important in expanding EU companies' exports and imports and they also play an important role in increasing resilience as they tighten partnerships and diversify supply chains.
- The primary focus in trade agreements must be on lowering duties and removing trade and investment barriers. They should not be overloaded with other policy objectives better pursued through other instruments.
- The EU must do its utmost in getting Mercosur, Mexico and Indonesia trade agreements into force as soon as possible and conclude the negotiations with India and Australia in the coming months. Also, ongoing negotiations with Thailand, Malaysia and the Philippines should be concluded soon.
- Trade relations in the Indo-Pacific area must be further strengthened, and the EU should create a structured co-operation with the CPTPP and investigate the possibility of concluding a region-to-region FTA.

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3. Close cooperation with the United States must continue to eliminate tariffs and strengthen regulatory collaboration

- The U.S.–EU trade deal made in Turnberry in August is not ideal, but it is still better than no deal at all. While the 15% tariff level for EU products is high, it has provided some predictability for companies and remains relatively competitive compared to other U.S. trading partners.
- However, the effects vary significantly across industries in Finland. The 50% tariff on steel derivative products poses a severe challenge for Finnish manufacturers, creating major uncertainty. In addition, the ongoing Section 232 investigations—such as those on medicines, medical devices, robotics, and industrial products—are a significant concern for Finnish companies.
- These issues must be resolved swiftly to restore stability and confidence in transatlantic trade. In addition to addressing tariff concerns, deeper transatlantic regulatory cooperation is essential. Such collaboration could enhance global competitiveness and help mitigate the disruptive impact of protectionist measures.

4. Easing trade in environmental, climate and circular goods and services must not be forgotten

- Considering a strong global need to slow down climate change and biodiversity loss, it is vital to ease trade in environmental, climate and circular goods and services by reducing their customs duties and trade barriers. Proposed ‘Clean Trade and Investment Partnerships’ are promising in this respect. When negotiations proceed, there needs to be active and transparent coordination with EU businesses.
- Currently, customs codes do not recognize environmental, climate and circular goods and it is difficult to monitor and liberalize their trade. It is important that the EU actively influences the WTO and WCO that new customs codes will be introduced for these products in the next HS code update.
- The EU must also play an active role in creating a common understanding in the WTO on definition of environmental goods and services (ESG) together with clear classification criteria.

5. Investment protection agreements deadlock needs to be resolved

- European companies need at least the same level of investment protection for their investments outside the EU as investors from other countries such as the U.S. and China. As a result of difficulties in ratification of the EU-level investment protection agreements, the investment protection of the European companies has started to weaken.
- The Commission, together with the Member States, should without delay draw up an action plan on how to resolve the deadlock in EU-level investment protection agreements. During the interim period, the Commission must be flexible in allowing Member States to negotiate investment protection agreements bilaterally with third countries.

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6. In economic security overreaction must be avoided

- Economic security and the management of critical dependencies are important for maintaining the overall safety and security of supply in the EU. However, it is important to avoid overreaction as most of the global trade and investments are safe. Attention must also be paid to trade agreements and other international partnerships as they enhance economic security.
- When considering a new EU regulation affecting companies, the Commission must carry out a careful impact assessment incl. risk assessment at an early stage.
- In principle, the EU should not restrict or monitor outward going investments. Economic security goals should be achieved through a voluntary arrangement, and it should focus only on the most critical technologies.

7. Fast-track for removal of EUR 150 duty exemption

- The current duty exemption for under EUR 150 consignments imported into the EU must be removed. This will eliminate the current unequal advantage non-EU companies have vis-à-vis the EU companies especially in consumer business.
- The proposal to abolish this unfair practice is included in the EU customs reform proposal for online stores in 2028. However, serious consideration must be given to whether it is possible to do this abolishment fast-tracked as early as possible.

8. Sanctions policies to be strengthened

- We support EU's sanction policy against Russia. The EU should move to qualified majority voting in its decision-making on sanctions.
- To better prevent sanctions circumvention, the EU must introduce end-user checks carried out in the target countries. In this regard, the EU must strengthen its cooperation with the G7 and other like-minded countries.
- When preparing sanctions, the Commission must better ensure that companies can comply with sanctions in practice. To ensure this, the Commission must carry out an article-by-article impact assessment.
- A *permanent* SME sanctions due diligence helpdesk must be set up in the EU to advise companies on how to apply sanctions and to support them in their due diligence process so that companies can identify their customers.

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9. Ukraine reconstruction needs a long-term plan and structures

- For short- and long-term reconstruction and its financing, the Commission should establish a comprehensive reconstruction plan. The European Parliament has also requested the Commission to deliver this plan in its resolution on 17 July 2024. Long-term financing for the reconstruction should be built on the Ukraine Investment Framework (UIF), which we propose to be expanded.
- In addition to the International Finance Institutions (IFIs) and national Development Finance Institutions (DFIs), Export Credit Agencies (ECAs) should also act as channels for UIF funding. This aims to accelerate reconstruction funding, ensure the participation of European companies, and support Ukraine's accession process for EU membership and reconstruction based on the EU's technical standards.
- The Commission should establish an EU Business Consortium Mechanism to coordinate and promote European projects financed from the UIF. The aim of this mechanism is to bring together, through open partnership calls, EU-based companies and provide joint European solutions for large-scale reconstruction projects in Ukraine. This will supply solutions that meet European standards to support Ukraine's readiness for EU membership.

10. Global Gateway

- The aim of the EU is to bring Global Gateway to a new level. Global Gateway is the EU's central development financing instrument aiming at mobilizing up to EUR 300 billion investments in sustainable and high-quality projects in partner countries. This will, when implemented effectively, result both as significant development impact for target countries and business opportunities for EU companies.
- In addition to the International Finance Institutions (IFIs) and national Development Finance Institutions (DFIs), Export Credit Agencies (ECAs) should also act as channels for Global Gateway funding schemes. This aims to support further participation of European companies in Global Gateway projects. The funding terms would facilitate sustainable infrastructure development.
- Global Gateway must be brought closer to EU companies incl. SMEs and increase their understanding of how companies can use the instrument. This should be done by addressing more instruments via Development Finance Institutions (DFIs) and Export Credit Agencies (ECAs) of the EU member states.
- EU Business Consortium Mechanism should be established to promote Global Gateway investment projects, to create European consortiums and competitive full-scale offerings as a Team Europe.

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Confederation of Finnish Industries EK

Petri Vuorio, Director, petri.vuorio@ek.fi tel. +358 50 323 2979

Heli Siikaluoma, Senior Advisor, heli.siikaluoma@ek.fi tel. +358 50 339 2020

Timo Vuori, Director, timo.vuori@ek.fi tel. +358 50 553 5319

Siiri Valkama, Senior Advisor, siiri.valkama@ek.fi, tel +32 494 54 92 49