



Rud Pedersen Public Affairs

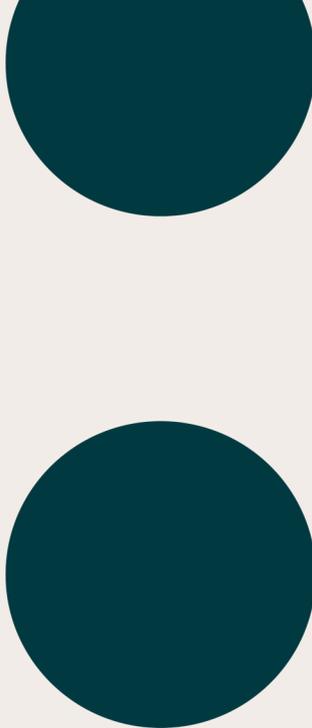
Sweden: Political Brief June 2022

A divided parliament closes, hard fought elections loom

2022-07-01

June take-aways:

- Parliament closes after dramatic votes, parties seeking to show pre-election initiative on law-and-order and helping pensioners against inflationary pressures.
- Russia's war on Ukraine continues, while Sweden's and Finland's NATO membership applications go ahead after deal with Türkiye. The devil remains in the details, influenced by voter reactions in Türkiye as well as in Sweden.
- The September elections look like becoming a very close call. A disunited centre-left/left currently holds a fragile advantage over a more united centre-right/right. Whether the Liberals and Greens are in or out will probably be decisive.
- Due to fears of inflation and following other central banks, on 30 June the Riksbank tripled its policy rate to 0.75%, the biggest hike in 22 years.
- Almedalen political week comes back to post-covid life.



Two clear government alternatives, but both lack internal harmony

Although the Riksdag – the 349-seat Swedish parliament – consist of eight political parties, just two leaders are seen as credible contenders for the post of Prime Minister after the upcoming elections on Sunday 11 September. They are the incumbent Social Democratic head of government Magdalena Andersson and the opposition leader Ulf Kristersson, heading the liberal-conservative Moderate Party.

The logic that has developed in recent years is that only these two leaders and their parties are able to lead a coalition government. A third alternative was envisioned by the Centre Party and its leader Annie Lööf, dubbed “the broad political centre” to marginalise the “extremes” of the Left Party and anti-immigrant Sweden Democrats. However, no other party fancied the concept, and neither did voters beyond the Centre Party’s core supporters.

The “broad political centre” turned out to be narrow instead, as long as Social Democrats and Moderates don’t agree to cooperate. Lööf probably nurtured hopes of being kingmaker and possibly queen herself, although she did not dare say this out loud. Instead, the Centre Party is now increasingly locked into a position as partner in a centre-left alternative, a position which it is not fully comfortable with. However, making deals with the Sweden Democrats is even more distasteful to the party.

The Social Democrats have surged from historically low levels of support following the change of leadership last November. Magdalena Andersson, Sweden’s first ever female Prime Minister, has transformed from being a cautious, calculating and rather technocratic Minister of Finance to become a leader who claims to “say how it is and do what is necessary”. In taking the front stage and being a bolder and more verbal leader than her predecessor, Andersson has been successful in showing new energy and setting clear priorities for her government – fighting gang criminality, speeding up the green industrial transformation and regulating (“taking back control”) private sector providers of core public services. Observations that she, as a 7-year Minister of Finance, shares responsibility for any shortcomings in these and other areas have not stuck.

However, Magdalena Andersson’s government relies on a historically weak support in Parliament, which has played out during June with a vote of no confidence against her Minister for Justice and Home Affairs and similar difficulties in passing amendments to the budget, which has had a debilitating effect on economic policy making. Both votes passed with a one-vote margin after much wrangling, and with a former, now independent, member of the Left Party tipping the balance. If given a new chance, Andersson needs to solve the problem of how to secure much more stable parliamentary support for the next government. The same challenge exists for Ulf Kristersson.

The parties backing a government led by Magdalena Andersson and the Social Democrats, are thus the Left, Centre and Green parties. However, there are some sharp policy differences, and these parties are currently refraining from saying what a government and its policy programme would look like. Hence everything will have to be negotiated after voters decide on the relative strengths of the parties.



After several years of experiencing a minority government and parliamentary turbulence, voters seem to largely accept this lack of certainty as the best democracy can deliver. Swedish political culture has swung away from expecting consensus and governability.

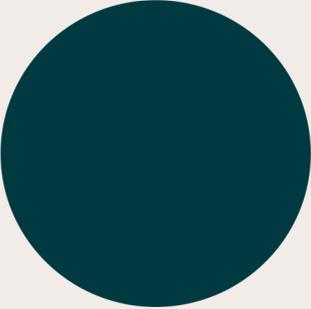
The Moderate Party, Sweden Democrats, Christian Democrats and Liberals are much more coordinated, declaring themselves to be behind Ulf Kristersson taking over and frequently making joint policy statements to show unity. However, likewise on this side, setting out a full programme is being left until after the elections, and recently they have begun arguing about which parties could be in government and the price of, instead, supporting a government from the parliamentary benches. The role of the Sweden Democrats and rivalry between the Christian Democrats and the Liberals is not settled. The party leader of the Christian Democrats clearly fancies being the only partners in the Moderate's government.

In early June, polling by Kantar Sifo on voters' degree of confidence in the party leaders showed 62% expressing very or rather much confidence in Andersson, which was even remarkably at 51% amongst Moderate Party voters. The consensus is that the Prime Minister has managed to respond to the war and its consequences in a prudent manner, despite – or thanks to – a complete U-turn by her party regarding NATO membership (as described in the May brief).

Kristersson is stable in second place at 37%, and able to take comfort in his partners, the Sweden Democrats' Jimmie Åkesson and Christian Democrats' Ebba Busch, both in third place with 30% confidence among voters.

Whether or not the Liberals and the Greens are able to pass the four per cent parliamentary threshold still remains to be seen. The change of leadership to Johan Pehrson has calmed the Liberals somewhat and provided them with much hope, which can be seen in slowly improving polling numbers, although these new voters are so far seemingly only coming from the right.

The Greens are still below the threshold but might have stabilised. Blamed for both compromising itself and being the party rejecting initiatives in national and local governments, the Greens are neither seen as fresh opposition nor as constructive partners in governing. Their best hope is probably that enough voters see them as necessary for keeping the climate crisis high on the political agenda. Also, the Greens would cannibalise their potential partners.



A stormy June with parties positioning around key issues

After manifestations of unity between the government and all five opposition parties on the right over the NATO membership application in May, June has proven very stormy, at least on the surface. Undercurrents among voters are less obvious.

The Sweden Democrats, having slipped slightly in the polls and lacking media attention for their core issues during the war, initiated a vote of no confidence in Minister for Justice and Home Affairs Morgan Johansson on 2 June. The party said that sacking the minister is the single most important law-and-order reform. Despite seemingly not having been consulted, the Moderates, Christian Democrats and Liberals immediately agreed. Equally as fast, the Prime Minister branded the move as irresponsible given the war and said that losing the minister would lead to the resignation of the whole government. On 7 June, the motion fell one vote short of succeeding. Voters seem equally divided on the matter, with some polls indicating slightly more criticism of the opposition.

Amineh Kakabaveh, currently an independent Member of Parliament of Iranian Kurdish descent, held the deciding vote and sought to use it fully to demand support for Kurdish rights and interests in the conflict with Türkiye and other powers. The sticking point was preserving an agreement between the Social Democratic Party and Kakabaveh from last year's prime ministerial vote and preventing concessions to Turkish President Erdoğan over NATO accession.

The same pattern replayed in complex budget votes later in June, this time focusing on two alternative proposals for support to pensioners. The conflict concerned the extent to which measures should target those people on low pensions or be compatible with a pension system benefitting people with higher working life incomes, thus receiving higher pensions.

The latter is another indication of growing concerns about the impact of inflation on the economy. As they should, the political parties are seeking to understand and channel voter reactions. As described in previous briefs, measures have already been taken over the price hikes on electricity and fuels both before and after the outbreak of Russia's war on Ukraine on 24 February.

Not all conflict though

However, not all politics are about conflict. There are also attempts from both the left and right to regain lost ground where the other side is seen as strong, and there have been appeals for more consensus and predictability.



On 21 June, the government said that after the elections it would invite other parties for talks to revive a broad political majority concerning Swedish electricity supply policies, arguing that setting different sources of energy – not least wind and nuclear power – against each other is detrimental. Hard-pressed by high prices, the government has become notably more open this year towards retaining and allowing new nuclear energy, while insisting that renewables are cheaper and likely to be on grid earlier. The Moderates responded that Sweden does not need further energy talks but instead needs a government that facilitates greater energy production, particularly new nuclear power.

In a somewhat similar move, the centre-right parties (which, in this case, includes the Centre Party) are, to varying extents, warming to the idea of further regulating the establishment and control of so-called free schools – all entirely funded by taxpayers (fees are prohibited even if marginal and the market is almost non-existent for privately funded schools) and operating with the same curriculum as local state-run schools. Free schools have provided choice but are accused of inflating grades as a marketing tool, contributing to social segregation, and diverting resources for private profit.

Some on the liberal right argue for regulation to save a system for which Sweden is almost unique. Their parties are now beginning to appear open to reform, not least the Liberal Party under new leader Johan Pehrson.

A crucial area of domestic political peace has been with regards to the defence and security policies in reaction to Russian aggression. As previously described, all parties rapidly agreed to immediately increase defence spending and to set it on a path to 2 per cent of GDP, and to give extensive assistance to Ukraine including military materiel. Solidarity with Ukraine has become a cause for all. Except for the Left and Green parties, all other parties with at least 80 per cent voter support supported joining Finland in applying for NATO membership.

For some days in May, it looked like smooth sailing in difficult times, until Turkish President Erdoğan stepped in and said that his country would veto any accession unless Finland and, in particular, Sweden changed its mind on arms exports and their support or at least acceptance of Kurdish “terrorism” as defined by Türkiye. Rounds of intense diplomacy, mostly behind closed doors although with much media coverage, ensued and on 28 June the three governments signed a memorandum.

On 29 June in Madrid, NATO heads of state and government unanimously welcomed initiating a membership process, which can be swift but still requires ratification by all member state parliaments. It will take at least until the end of this year and the devil is in the details, both as regards military integration and Turkish interpretation of what has been agreed and how it is applied. In the meantime, threats and actions by Russia are a huge concern along Finland's long Russian border and elsewhere around the Baltic Sea.

The memorandum with Türkiye has been strongly criticised by Kurdish leaders internationally and in the sizeable community in Sweden, as well as from the Left and Green parties, dissenting Social Democrats and others. Fears of the consequences of seeking compromise with an authoritarian leader known for not respecting the rule of law are very understandable. At the same time, the memorandum does not commit Sweden and Finland to depart from the rule of law or to make any legal changes, nor give up political support for Kurdish political and human rights.

The political consequences will be in how the memorandum is applied and, not least, seen to be interpreted. Is it the beginning of a slippery slope of compromising democratic principles or an opportunity to stand up to explain those principles and practices? The coming months will tell.



Almedalen political week comes back to post-Covid life!?

Next week, political leaders, media and a wide range of other actors in society wanting to meet, listen and be heard will converge on beautiful Visby on the island of Gotland. Visby's Almedalen park will provide the stage for televised speeches by all party leaders passed unamended.

[Almedalsveckan](#) is back in real life after two digital years, although in a shorter 4.5-day format after 30 years of one full day for each party in the park. Now lunch and evening speeches by party leaders provide the backbone around which civilised anarchy rules. Anyone can organise an event, however, most are expert seminars. 2053 public events are registered in the official programme this year, so competition is fierce. To draw attention, it is necessary to be sharp and have interesting speakers.

Many have predicted the demise of this vivid, democratic meeting place, as attendance is seen as exclusive and elitist even if open for anyone who can make their way to Visby. However, the desire to again meet and talk in person obviously has an irresistible pull on leading voices from all parts of society, maybe because of a wide sense of trust that almost everyone coming for the week are serious about making a respected and respectful contribution. Less serious figures are simply easy to ignore. The idea of the "popular" Almedalen eroded a long time ago. The ordinary summer holiday celebratory voter shines with his absence.

Public opinion in June according to polling institute Novus

| | 30 June 2022 | Since 9 June | 2018 General Election | Since General Election 2018 |
|--------------------------------|--------------|--------------|-----------------------|-----------------------------|
| Left Party | 8.8 | -0.6 | 8.0 | +0,8 |
| Social Democratic Party | 31.7 | +1.5 | 28.3 | +3,4 |
| Green Party | 3.5 | +0.2 | 4.4 | -0.9 |
| Centre Party | 5.4 | -0.5 | 8.6 | -3,2 |
| Subtotal | 49.4 | +0.7 | 49.3 | +0.1 |
| Liberal Party | 5.0 | +1.5 | 5.5 | -0.5 |
| Moderate Party | 19.6 | -1.9 | 19.8 | -0.2 |
| Christian Democrats | 6.7 | +0.4 | 6.3 | +0.4 |
| Sweden Democrats | 17.4 | -0.6 | 17.5 | -0.1 |
| Subtotal | 48.7 | -0.6 | 49.1 | -0.4 |

Politics impacting business this month

Summary of the 12-year national infrastructure plan

On 13 June the government presented the 12-year plan for investments in state-owned transport infrastructure. The framework previously adopted by parliament totals 881 billion SEK from 2022 to 2033, of which 799 billion are grants and the remaining 82 billion are track fees, congestion tax and co-financing.

165 billion SEK goes to the operation and maintenance of state railways, 197 billion to the operation and maintenance of state roads and 437 billion are for the development of the transport system, where the largest investments are made in railways.

The plan aims to contribute to increased accessibility, expanded labour market regions, regional development, increased cohesion across the country, improved competitiveness and to achieving climate goals.

Highlights:

- Cross-border traffic to Norway was mentioned, but only from Gothenburg and Stockholm to Oslo, respectively, and as special assignments.
- Regarding capacity and redundancy for transports to Denmark and the continent, the government instructed the Transport Administration (Trafikverket) to look at three different alternatives, including a tunnel Helsingborg–Helsingör. This is despite the Danish government having said no to the HH connection.
- The government has made relatively large changes compared with the Transport Administration's proposal. About 22 billion has been moved, but without being precise about where the money is taken from.
- Completion of new main lines is far in the future and are no longer referred to as "high-speed lines". The starting routes will be Järna-Linköping, Lund-Hässleholm, and Göteborg-Borås.
- Several objects start late in the planning process and are not fully funded. With that, a large part of the next plan until 2037 is locked up and risks confidence in the planning system being eroded.
- The Transport Administration continues to have problems with the rate of cost development, which affects budgets now and in the long run, making the issue a large political challenge. There are no instruments for transferring goods from road to rail and shipping.



In summary, despite projecting an increase in transportation infrastructure investments, most regions and cities are disappointed with what “they” get in the plan. In combination with everyday experiences of delayed trains, deteriorating roads and chaotic security queues at Stockholm Arlanda airport, the sentiment of a transport system gradually underperforming can have wide effects on trust in society.

What’s up to look for?

3-7 July

Almedalen political week with speeches by all eight party leaders and 2000 expert seminars open to anyone.

Early to Mid-August

Election campaigns kick into full gear as vacation period ends.

11 September

General elections for parliament as well as Sweden’s 21 regional and 290 local councils, after which formation of governing coalitions will last for weeks or longer .

Selected indicators of the month

| | Sweden | Euro area |
|------------------------------------|--------|-----------|
| Budget balance 2022, % of GDP | +0.4 | -4.4 |
| GDP change one year ago | +2.4 | +2.3 |
| Unemployment rate %, April | 8.5 | 6.8 |
| Consumer price inflation %, latest | 7.3 | 8.1 |

Forecasts by The Economist Intelligence Unit