

Trade in services – an important part of Swedish foreign trade

Admittedly, goods trade is more extensive than trade in services, but in recent years, trade in services has been the part of foreign trade that has grown the fastest. Moreover, in Sweden, services exports as a share of GDP are high compared to most other OECD countries. An important explanation to the increasing significance of trade in services is that digitization made it considerably easier to conduct trade in services. Given that, there are still relatively few studies that have analyzed services trade in Sweden in more detail.

The project aims to show how services trade in Sweden has developed in recent times. In which industries is the most trade in services (export or imports) carried out and where has it grown the fastest? What characterize companies that trade in services? Is trade in services growing faster in companies that also have trade in goods or is it in companies that only trade in services? How is the international competitiveness in different types of services in Sweden and how has it developed over time?

There are indications of complementarity between exports of goods and export of services at the corporate level; exporting manufacturing companies can by adding services to their goods exports (bi-exporters) charge more for their products. The combination of goods and services exports leads to a perceived quality improvement of the exported products (vertical product differentiation), promotes closer and long-lasting customer relations, and more stable revenue flows. Examples of such services are software, financial solutions or maintenance.

A more specific purpose of the project is therefore to analyze the relationships between exports of goods and services at enterprise level within the manufacturing industry. Econometrically, we intend study the impact of services exports, such as transactions across borders (mode 1) and/or as a commercial presence in other countries (mode 3), on the export of goods, and how turnover, employment and productivity in goods exporting enterprises are affected when such enterprises also start exporting services?

Understanding what affects companies' growth and international competitiveness plays an important role for the design of industrial and trade policies. If it turns out that significant complementarity exists between goods and services exports at the company level, it is not sufficient to just liberalize trade in goods, but for the policy to be effective, there must also, at the same time, be a liberalization of trade in services. Furthermore, the means are different. For the trade in goods, these are lower tariffs and reductions of non-tariff trade barriers, while for services it is primarily to improve access to markets.

Based on surveys that OECD done of trade barriers in various areas within the service sector, we plan to discern which of these restrictions that are particularly obstructive for Swedish bi-exporters.