

AN EVALUATION OF SWEDISH EXPORT PROMOTION

ABSTRACT

International trade is beneficial for all parties involved, and also an important engine of economic growth. According to two recent studies, Sweden has been losing export shares to its closest competitors over the past years. One possible reason for this decline could be the structure and extent of export promotion in Sweden. In this study we evaluate whether the Swedish system of export promotion has the most favourable characteristics based on what we know from economic theory, previous research and best practice in the area. We use Denmark and Finland as a reference point, as well as conduct a case study on China as an example of a market where Sweden is losing export shares. It is the opinion of the authors that Sweden has not organized its EP activities in the most favourable way, and that this is likely to have been one of the causes behind the recent decline in export shares. A development towards higher spending on EP, more focus on industry specific activities, and less proliferation of organizations would be beneficial for Swedish exports, and thus the Swedish economy in general.

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1 INTRODUCTION

International trade has become increasingly more important for almost all the world's economies. Several studies have established that it is a central component in the process that drives economic growth.¹ The reasons for the rapid increase in the importance and volume of international trade are countless, but increased political stability, removal of trade restrictions, decreasing costs of transportation and international communication, media development and growing awareness of the benefits of trade are likely to be among the most important.

International trade is more important for small countries, where self-sufficiency is either not possible or very expensive from a social welfare point of view. Sweden is such a small country. Of course, the concept of international trade and the potential benefits of it are not new, and the Swedish government have worked to promote it for a long time. However, recent years have shown an exceedingly rapid increase in volume. This is clearly illustrated in *Figure 1.1*

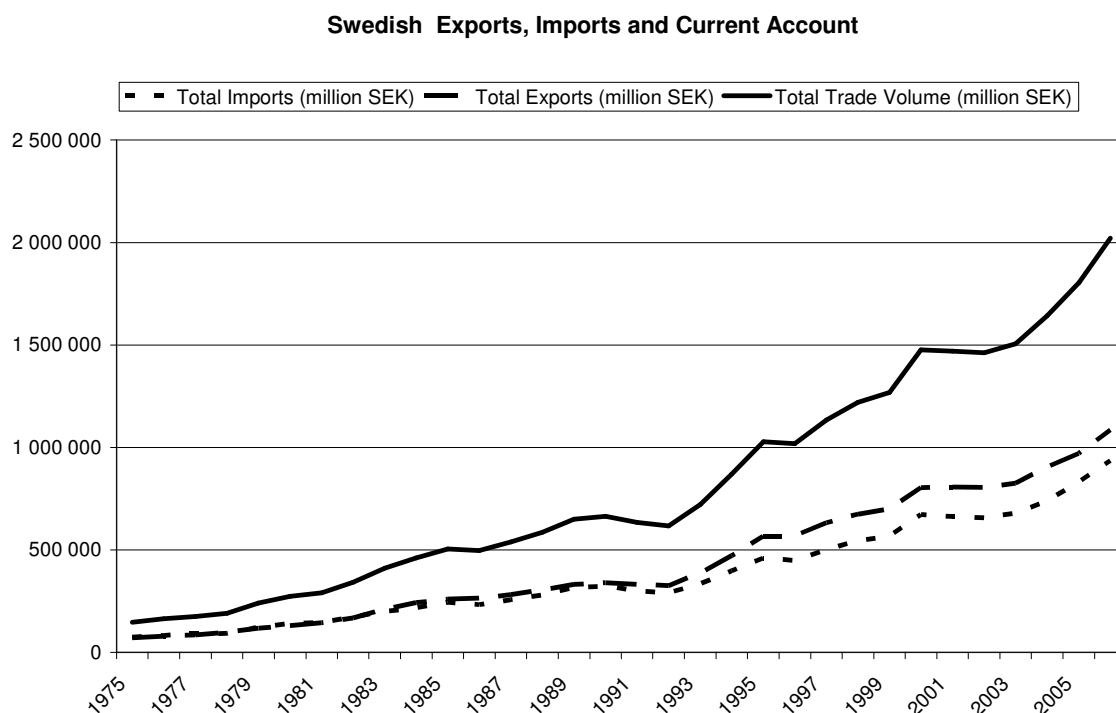


Figure 1.1 Swedish Total Trade 1975-2007

Source: Statistics Sweden

¹ Thirlwall (2000)

In the last decade, the world has become smaller. Globalisation has become an increasingly used word, referring to “the increasing world-wide integration of markets for goods, services and capital” that attracted special attention in the late 1990s.² In this setting it becomes interesting for national governments to work to increase trade even more, partly to be able to compete in the more globalised markets, and partly to serve the economic development of the nation. This is certainly the case for Sweden. To do so, they can engage in various types of promotion; country promotion, import promotion and export promotion. Promotion of such kinds can be very beneficial for a country like Sweden, and helpful to companies engaging in trade and looking at expanding their activities. According to a study made by Arthur D. Little, “export- and investment promotion is important for Sweden’s growth and there is reason for public engagement in that area.”³

Two studies have been made by the National Board of Trade and the Swedish Trade Council, both showing that Sweden in recent years has been losing export shares to their closest competitors, among them Denmark and Finland. The National Board of Trade states that “Sweden’s share of the world market has decreased from 2.1 percent in 1970 to 1.3 percent in 2005.”⁴ The Swedish Trade Council writes that “Sweden has lost more export shares than eight other West-European countries, but has four countries behind them.”⁵ However, there are statistics that show that Sweden is on a steady level of exports in comparison to other countries in Europe. At the moment, an investigation is being conducted for the Swedish Government Official Reports series (SOU) on the subject. The investigation has the purpose of determining if and why Sweden is losing export shares, as well as to explore how the trade balance has shifted in recent years.

One reason for declining export shares could be the structure and extent of export promotion (EP) in Sweden. Is the degree of government intervention large enough? Are resources spent on EP too small? How are the export promotion agencies (EPAs) dealing with promotion and do they cooperate? Do other countries have another structure? Could we learn something from them? These are some of the questions we would like to find the answers to in this paper.

² Deardorff's Glossary of International Economics (2008)

³ Arthur D. Little (2007), p. 4

⁴ Swedish National Board of Trade (2005), p. 3

⁵ Swedish Trade Council, *Svensk tjänsteexport fortsätter att öka* (2008)

In order to evaluate Sweden's EP activities, we have used Denmark and Finland as a reference. To be able to make a good comparison, we have done a case study on China, where we have studied how EP towards China is structured for the three countries. China is an up-and-coming economy, whose trade volumes have increased rapidly in the last decade. It is also a market with a relatively unfamiliar culture, many remaining obstacles to trade and where risks are high. Due to this, it makes it a market where EP activities are likely to have a larger effect than for other conventional trade partners.

This paper is organized as follows. In the following section we present the purpose of our paper followed by an explanation of EP. In Section 2 we summarise the main theories behind trade and EP, and present previous studies on the subject. Section 3 describes the chosen methodology, and states the delimitations made. In Section 4 we provide the empirical facts, followed by Section 5 which is the case study on China. Section 6 goes through the main analyses, followed by conclusions in Section 7. Further research is suggested in the final Section 8. An Appendix is attached at the end of the paper.

1.1 RESEARCH PURPOSE

The purpose of this study is to evaluate whether the Swedish system of export promotion has the most favourable characteristics based on what we know from economic theory, previous research and best practice in the area. If we find that that this is not the case, we will also attempt to answer whether this could be an explanation for the recent decline in Swedish export shares. We reformulate the purpose to get the following working hypothesis:

The recent decline in Swedish export shares can partly be explained by the fact that the Swedish system of export promotion does not have the most favourable characteristics given what we know from economic theory, previous research and best practice in the area.

1.2 WHAT IS EXPORT PROMOTION?

Export promotion (EP) aims to increase the exports from a country. Arthur D Little in their study of Swedish EP define three separate factors that influence the ability of a company to export. They are:

- A) The ability to efficiently develop and produce competitive products and services
- B) The ability to efficiently identify, sell and distribute to potential customers in foreign markets
- C) The preferences of foreign markets with respect to suppliers and their nationality⁶

Export Promoting Agencies (EPAs) work to influence mainly B) and C). But what does this mean in practice? In terms of B) it is typically about providing informational services about foreign markets and opportunities of trade. It can also include consultancy services and more company specific advice. An often overlooked aspect of affecting B) in the discussion about EP is that often the problem is not lack information, but rather lack of financing. Even if there are opportunities to trade, and you know the market you want to export to very well, a situation may still arise where there is no trade because of the risks that are involved. In a situation like this an EPA or an Export Credit Agency (ECA) can deliver the needed capital and/or insure the risk.

When it comes to C) the issue becomes more complex. What factors affect the preferences of foreign markets? For example, if Swedish tourists visit China it might lead to a better knowledge and higher liking of the Swedish culture, nation and products. But does this mean that the tourists are engaging in EP? This in our opinion becomes a matter of definition. A similar issue arises when looking at an organization such as the Invest in Sweden Agency (ISA). They work to promote the general image of Sweden in order to increase the foreign direct investments. This image building is very likely to also contribute to increasing exports, at least in the longer run. But should we call their activities EP?

In this study, we define export promotion as the government supporting exports through grants, economic support, advice and information or any other measure aimed at increasing exports that is not in accordance with a free market. We will focus on the organizations that have export promotion as at least one of their explicit goals.

⁶ Arthur D Little (2007), p. 6

2 THEORY

In this section we will start by briefly reviewing some of the basic arguments in favour of trade in Section 3.1, while Section 3.2 will discuss theories about export promotion. Section 3.3 summarises previous studies made on EP.

3.1 WHY TRADE?

There is a strong consensus among economists that international trade is potentially beneficial from a welfare point of view. This section gives a brief review of the most important reasons for these gains from trade.

- **Access to New Goods and Services.** Obviously, all countries can not produce all goods and services. The ability to produce may depend on several different factors such as natural resources, human capital, climate, financing etc. For example, it is very difficult to produce wine in Sweden, so in order to be able to consume it, it has to be imported. This argument for trade is probably the most basic and intuitive.
- **Comparative Advantage.** Even if it is possible to produce a product, it might be cheaper to produce it in some other country. Or more specifically, it may be *comparatively* cheaper, in the sense that the opportunity cost of producing that good in terms of other goods is lower in another country. In this type of situation specialisation in the goods in which the countries have comparative advantages will result in increasing welfare. The concept of comparative advantage was first developed by David Ricardo, and is the cornerstone in most traditional models of international trade, such as the *Heckscher-Ohlin Model* and the *Specific Factors Model*.
- **Gains from Specialisation.** Even if we imagine a world where there are no comparative advantages to begin with, it is likely that specialisation will lead to the *creation* of comparative advantages. This has to do with the fact that efficiency tends to increase in the production of goods that you specialise in.
- **Increasing Returns to Scale.** The production of goods and services typically incur both fixed and variable costs. The fixed costs are independent of how many units that

are produced (e.g. cost to set up a plant), whereas the variable costs typically are some function of the number of produced units (e.g. material costs). If countries increase their scale of production (through specialisation) they can produce more units at the same fixed costs. This means that the average cost of each produced unit will decrease. They can then trade the produced goods with each other and both reach a higher level of welfare.

- **The Love-of-Variety.** Much of international trade is so called intra-industry trade. What this means is that a country can both import and export products that are in the same category (e.g. Germany both imports and exports cars). This can be explained by the fact that consumers tend to enjoy the opportunity to make a choice between different designs, brands, images etc. In a way this is an extension of the first argument, i.e. that on access to new goods.

3.2 WHY PROMOTE EXPORTS?

If trade in itself is beneficial, why is there a need for export promotion (EP)? Is there theoretical support for such measures? This section will go through the theoretical foundations of why it might be a good idea.

One of the main goals of EP is to increase the ability of Swedish firms and enterprises to function well and be competitive in an increasingly international market. This in turn is strongly motivated by the fact that Sweden has a very high dependence on trade. Since it is such a small country, we are dependent upon other countries to produce many of the goods that we consume. This is true for almost all countries, but the ability to trade becomes increasingly more important the smaller the country. Also, exports are critical as they provide the possibility to import, i.e. exports finance imports. Exports and international trade are also central components in the process that drives economic growth.⁷

From a theoretical point of view, EP could be motivated by a market failure. In economic theory, a market failure is described as a situation in which the free market fails to arrange production and/or consumption in such a way that the allocation of resources becomes

⁷ Thirlwall (2000)

optimal. In the case of trade and exports, this type of market failure would mean that the amount of trade is too small from a welfare point of view. The reasons for such a market failure could be manifold, but the most important are:

- Lack of information or asymmetric information
- Lack of capital (financing)
- Positive externalities of trade
- Obstacles and restrictions to free trade

In all cases the government can potentially increase the total welfare through EP activities. These activities could take the form of laws and regulations benefitting trade, direct economic support, information about the possibilities of trade, or the provision of credits and guarantees.

3.2.1 EXPORT INFORMATION AND COUNSELLING □ A SOLUTION TO ASYMMETRIC INFORMATION

Asymmetric information means that the available information about prices, market characteristic, export potential, the counterparty in business etc. is imperfect and biased in favour of one of the parties. As a consequence it becomes difficult or even impossible to make a correct evaluation of the risks and possibilities of international trade. Trade that would otherwise have been beneficial for both parties may not take place. This implies that the total level of trade will be below the level that is optimal from a social point of view. In the case of Swedish exports to China, this simply means that the potential exporters often feel that they lack the necessary information and knowledge to safely engage in trade. The risk and uncertainty is simply too high.

In a situation like this, the government has the possibility to step in and provide the needed information in order to promote trade. This promotion can take many forms, such as general information about the country and its customs and market features etc. But it can also take the form of more firm specific counselling regarding the appropriate way to approach a new export market. In sum, EP through information and counselling has theoretical support in theories about asymmetric information.

3.2.2 EXPORT CREDITS AND GUARANTEES □ A SOLUTION TO LACK OF CAPITAL

A further way in which the government can promote exports is to directly provide financing to the exporting firms. A common problem is that the importer in the trading country is unable to obtain its own credits. In this case the exporting party needs to arrange these credits itself. The government or some agency can provide this type of financing. An export guarantee works as an insurance in the sense that the exporting firm will pay a premium and the state will stand the risk in case the final payment does not take place.

The result is that there will be trade where there would not have been any if there was no government credits. The reasons why there is a lack of capital in the first place can again be manifold, but it may be a result of market failure due to imperfect information. I.e. the credit institutes may not have sufficient information about what risks are involved and may thus choose not to provide financing. Another possible reason is that there are restrictions and regulations imposed on the capital markets. In this case the problem is not that the market is not functioning properly, but rather that government actions are to blame for the lack of capital. However, these regulations may of course have other beneficial effects.

3.2.3 A WAY TO BENEFIT FROM POSITIVE EXTERNALITIES

When a Swedish country exports its products it will benefit from this business through the profits it makes. But there is another type of benefit that will arise as a consequence of the knowledge and information about Swedish products. This is that it will increase the possibility to expand business and receive more business opportunities. This is not company specific however, in the sense that the country image that is built will also benefit *other* Swedish enterprises. In other words, there are positive externalities in exports. The problem from a welfare point of view is that the produced quantity (or value of exports) will be too low. The reason is that the company will not reap the full benefits of their activities.

By working to promote exports the government can raise the level of exports to a point where the positive effects of it are maximised, or at least increased. This could be done either through direct support to specific companies or by encouraging enterprises to coordinate and cooperate to benefit from each other's activities.

3.2.5 A WAY TO REDUCE OBSTACLES TO TRADE

A very common problem for exporting companies (especially when trading with less developed or developing countries) is that there often are obstacles to trade related to protectionism and regulations etc. Take China as an example; they have only relatively recently started to open up to international trade to any large extent. Still many restrictions and regulations remain, although the WTO membership is a major step in the right direction. The Ministry of Foreign Affairs plays a key role in this respect since they work with active diplomacy to facilitate a development towards fewer restrictions and more free trade.

3.3 PREVIOUS RESEARCH

Previous research within the area of EP is relatively scarce – especially regarding what characteristics a system of EP should have. To our knowledge Lederman et al (2006) in their study *Export Promotion Agencies: What Works and What Doesn't* are the only ones that use a quantitative approach with cross country data to investigate the most favourable characteristics of EP. The only possible exception is Rose (2005) who looks at the impact of foreign embassies and consulates by using cross country data. He finds that bilateral exports rise by approximately 6-10 percent for each additional consulate abroad.⁸ We will review findings of Lederman et al. (2006) below, as they are highly relevant for the purpose of this thesis.

Lederman et al. use data from 104 developing and developed countries and conduct an econometric analysis based on the characteristics of the EP systems. More specifically, they look at the following five dimensions:

1. *Institutional Structure*: Whether the Export Promotion Agencies (EPAs) are under private or state control, or a combination of the two.
2. *Responsibilities*: Whether the EPA is exclusively dedicated to EP or also has other responsibilities.
3. *Strategies*: Whether the EPA has a strategy of promoting exports in general, or if it focuses on sector specific or non-traditional exports.

⁸ Rose (2005)

4. *Resources and Expenditures*: Relates to how much is spent on EP and whether it is state funded or privately funded.
5. *Activities and Client Orientation*: Looks at four categories of activities: 1) country image building; 2) export support services; 3) marketing; and 4) market research and publications. Client orientation refers to the percentages being spent on large versus small and medium sized firms.

Their main findings are that:

- On average the spending on EP has a strong and statistically significant impact on exports
- Exports increase with the share of private control of the EPA
- Exports increase with the share of public funding of the EPA
- The proliferation of agencies dedicated to EP within a country hurts exports. A single strong EPA seems to be the most effective.
- Exports increase with the share of funding spent on non-EP activities, such as investment promotion.
- Exports are higher when the strategy of the EPA is to focus on non-traditional exports or has some sector specific component.
- Exports increase with the share of the budget spent on large clients and declines with the share of the budget spent on established exporters.

This study represents the most elaborate research on what characterises a “good” system of EP and it will therefore be applied in our analysis.

A3 METHODOLOGY

In this section we will go through our choice of method and theories, and discuss possible issues with the research quality and data collection.

2.1 CHOICE OF METHOD

In this section we will motivate the chosen research strategy and why we have chosen to conduct a qualitative study.

2.1.1 RESEARCH STRATEGY

There are several research strategies to choose from when conducting a social science research: *archival analysis*, *survey*, *experiment*, *history*, or *the case study*.⁹ They all have their advantages and disadvantages, and when deciding which strategy to use one should look at the following conditions: *i) the nature of the research question, and ii) whether the focus is on a current or a historical event*. Since this thesis focuses on evaluating a current event by looking at the historical events of the subject and by making a comparison with other countries, an archival analysis, some history and a case study is used in combination. And since the nature of the research question is *how*, and the fact that a comparison is made, also motivates why the thesis both includes a description of current events and a smaller case study. One can label case studies as single or multiple case studies, with the single case study being appropriate to a unique or extreme event that allows a thorough in-depth analysis, but with the drawback of weaker validity.¹⁰ The reason we chose to have a case study is to use it as a real-life example that can help us answer our research question, so a single case study is most relevant in our case.

2.1.2 QUALITATIVE STUDY

To test our hypothesis and fulfil the purpose of this study we conduct a structured qualitative analysis of the Swedish system of EP. This is done through investigation of the three dimensions (1) *organizational structure*, (2) *resources and funding* and (3) *strategies and*

⁹ Yin (2003)

¹⁰ Ibid

activities. As a point of reference the same dimensions will be investigated in Denmark and Finland.

The studied dimensions are in many ways similar to those used by Lederman et al. (2006), although they use five dimensions rather than three. We chose to do it differently mainly because some of the distinctions made by Lederman et al. are not meaningful for the purpose of our study and the use of three dimensions rather than five allows for a clearer analysis and a presentation that is more accessible to the reader. Lederman et al. for example chose to treat strategies and activities as two different dimensions, which might be motivated for their quantitative method, whereas we think that the two are so closely linked that treating them separately might lead to a loss of clarity and comprehensiveness. We believe that the choice to use three dimensions is more appropriate for the qualitative approach used in this thesis. Finally, to avoid confusion regarding alternative uses of the words institution and institutional, we have chosen to label our first dimension *organizational structure* rather than *institutional structure*.

2.2 THEORY

When choosing what theories were most relevant to use, we first looked at general trade theory as an introduction to why trade is beneficial. However, as we are discussing EP, we have focused our theory section on various reasons for why export promotional activities can be useful for a country that is dependent on trade.

2.3 DATA COLLECTION

There are various ways of collecting data; i) documentation, ii) archival records, iii) interviews, iv) direct observations, v) participant observation and vi) physical artefacts.¹¹ Due to the research strategy chosen, where we discuss current and historical events, and also make a case study, we have mainly used documentation, archival records and interviews. The documentation has been found on the websites of the EP organizations, in their annual reports and in other material we have found and received from them. Archival records have also been found on their websites. The information about Finland and Denmark was gathered by

¹¹ Yin (2003)

studying the relevant websites and documentation such as annual reports, as well as by contacting them via e-mail.

In general, statistical data on resources spent by the various EP organizations has been relatively difficult to obtain. Much of what we have used has been found in previous reports made on the subject, and from some of the EP organizations themselves. Up-to-date data in Finland and Denmark was difficult to obtain. However, some numbers from the recent years have been found through the contacts at the various organizations. We believe the data we have found is extensive enough for us to provide information about the EP organizations in the three countries.

2.3.1 INTERVIEWS

Due to the research strategy we have chosen, interviewing has been one of the main ways to collect information. We have interviewed people on each of the EP organizations that we have focused on, as a way of obtaining “soft values” into our essay. These are values that one can not find by looking at information on websites, in other material, or by studying data – interviews are necessary to get a more realistic and diversified view. We chose not to travel there to meet them in person, since focus in this thesis is on Sweden, and Denmark and Finland only are used as reference points.

When using interviews as a way of collecting information, one has to consider that there will be a certain bias. Depending on whom one meets, they will bring up different aspects and views on the subjects we ask about. However, by having several interviews with the various EP organizations, we have been able to see certain common views and thoughts on EP. And by combining the interview material with other data and material we believe that the bias is minimised.

2.4 RESEARCH QUALITY

To assess the quality of the research in this thesis, two different factors must be analysed: *reliability* and *validity*. Four criteria have been suggested to meet the wished quality of a social science research: reliability, *internal* validity, *external* validity and *construct* validity.¹²

2.4.1 RELIABILITY

A high level of reliability refers to that if another researcher were to conduct the exact same study; the results should be the same as the original ones. The aim is thus to increase the reliability in order to minimise biases and errors. We believe that our study has achieved this by combining interviews with other types of material, to avoid biased results and views. However, this is always an issue when conducting a qualitative study, and is something one needs to take into consideration.

One aspect that could have decreased the reliability, is that we only have interviewed one or two persons at each EP organizations, implying that there might be a bias in that material. Another aspect might be that the organizations we have met with might have brought up only the best sides of themselves, since they know that our thesis might be referred to in the Swedish Government Official Reports series (SOU). However, since we have received answers to all of our questions, some being quite opinionated, they seem to have wanted to tell us their true views. A third bias could be that the information we have found on the websites and in other material often are flattering and show the best of the organizations. Despite these aspects, we believe the reliability of our thesis is good within the realms of a master's thesis.

2.4.2 VALIDITY

Internal Validity treats how correctly a causal relationship can be established and is important for explanatory or causal studies only.¹³ Since our study is mainly qualitative study, and no regressions or empirical tools have been used, it is not applicable here. The data we have used was basic trade data that we used to show export shares for the various countries.

¹² Yin (2003)

¹³ Ibid

External validity refers to whether the results of the study can be generalised.¹⁴ Since we look at a certain country and make a case study, it is not straight forward to generalise our conclusions. However, some of the conclusions can be valid and applicable to certain situations in certain countries.

Construct validity refers to ascertaining accurate measures for the concepts being studied.¹⁵ This implies that it is of high importance to critically assess the data collected for the study. Since multiple sources have been used and the sources also have been reviewed and validated subsequently from participants involved, the construct validity consequently seems fulfilled for this study.

2.5 DELIMITATIONS

Because of the complexity of the research subject, there has to be several delimitations in order to stay within the scope of a master's thesis. Firstly, we have chosen to focus only on organizations that have as one of their missions to promote exports, and not include those that indirectly deal with EP. Secondly, we have chosen to focus only on the organizations that have the closest connection to the state, either through control or funding, as our purpose is to see how the public export promotion in Sweden, Finland and Denmark is organized. Thirdly, we have had to limit the number of EP agencies studied, partly because it would require an investigation too extensive for this thesis, and partly as a strategy to get a deeper and better focus on the chosen organizations. And finally, we have only focused on EP organizations at a national level, and not on a regional level.

2.6 ISSUES WHEN EVALUATING EXPORT PROMOTION

When evaluating organizations dealing with EP, there are several measurement problems that occur. A study has been made by Ericsson et al. on how to measure export promotion, where the authors conclude that is a relatively complex area to study and evaluate.¹⁶ They suggest that one should study these organizations from both a macro- and microeconomic perspective, but that the ability to do this depends on available data. They describe both an econometric- and quantitative model, and suggest that a combination of both would give both a macro- and

¹⁴ Yin (2003)

¹⁵ Ibid

¹⁶ Ericsson et al. (2006)

microeconomic view on the organizations. Due to the scope of a Master's thesis, we have chosen to do a qualitative analysis only. However, this enables us to describe the actors' contribution to EP in Sweden in a good way.¹⁷

Exports and trade patterns can change for an infinite number of reasons, and EP is only one of them. When evaluating EP activities it is important to keep this in mind. In the following sections we briefly review some other possible reasons and explanations for the decrease in export shares in Sweden.

2.6.1 MOVING PRODUCTION

If an exporting country reaches a high level of internationalisation, it may choose to move some or all of its production to some other country where costs are lower. In doing so, the goods that were previously included in the export statistics will no longer show up. Another way of putting it is to say that even if we lose *export shares*, that does not necessarily mean that we lose *market shares*.

2.6.2 DEFINING EXPORTS/IMPORTS

Another (somewhat more trivial) issue when it comes to comparing exports is to define what we actually mean by exports. When looking at exports to China a possible explanation to the decrease in exports is that the goods may be transported via some other country. In the trade statistics this will show up as exports to that third country. Imagine a situation where a Swedish company produces products in Sweden and exports them to China, but then decides to locate production in Poland instead. Even if it still is a Swedish company, the trade will not appear in the statistics as exports from Sweden.

2.6.3 CHANGING PREFERENCES IN CHINA

If the Chinese change their preferences in a way such that Swedish goods become less attractive and demand for them falls, a natural consequence will be that exports fall too. Today, the main export products from Sweden to China are natural resources such as iron and steel; wood and paper; and telecommunications equipment. Finland exports similar types of goods. Denmark exports many of the same products as Sweden and Finland, but with a larger

¹⁷ Ericsson et al. (2006)

share of agricultural products and a smaller share wood and paper. A change in Chinese preferences for these types of goods would harm exports for Sweden, Denmark and Finland.

Another reason that preferences in China could have shifted, is that the Chinese are developing an increasing interest for certain trademarks and luxury items. Denmark has been very successful in recent years with expanding certain trademarks (Ecco, Skagen watches, Georg Jensen etc.), and many of these are very attractive to the Chinese.¹⁸ So Denmark is leading when it comes to this in comparison to Sweden and Finland. This could affect the Swedish and Finish export volumes to China.

2.6.4 TRADE IN SERVICES

Yet another possible explanation could be if it is found that Sweden has developed towards a higher degree of trade in services as compared to trade in goods. Of course, services do not show up in traditional trade statistics. As a matter of fact, according to a recent study by the Swedish Trade Council, Sweden has a “top class service sector”.¹⁹ However, this is also true for Denmark.²⁰ Again, this is unlikely to be a central explanation when a comparison to the other Nordic countries is made, since there is a similar development towards services in all three countries.

¹⁸ Kokko (2008)

¹⁹ Swedish Trade Council, *Svensk tjänsteexport fortsätter att öka* (2008)

²⁰ Ibid

4 EMPIRICS

In the following sections we will provide the empirical material necessary to test our hypothesis. When evaluating EP in each country, we will be looking at three different dimensions: (1) *Organizational Structure* – whether the organizations are private or public and how the executive board is divided between the two, (2) *Resources and funding* – how much resources the organizations obtain, either from the state or private sector, and (3) *Strategies and activities* – what strategies are used, whether they are aimed at certain sectors or general, and what activities the organizations engage in to promote exports. In Section 4.1 we will go through these three dimensions for Sweden, followed by Section 4.2 and 4.3 where we will do the same for Denmark and Finland.

4.1 SWEDISH EXPORT PROMOTION

Working to promote Sweden's international cooperation has long been of great interest to the Swedish government and specifically the Ministry of Foreign Affairs. Over the last years they have put more focus on promotion of trade, investment and Sweden, due to its clear link to economic growth, increasing employment and further development of Sweden.²¹

There are several organizations in Sweden that deal with EP. They vary in importance and contribution, and we will focus on three different types in this paper: (1) the most significant Export Promoting Agency (EPA); (2) the most significant Export Credit Agency (ECA); and (3) the Ministry of Foreign Affairs. Each of these organizations has a close link to the government, either through public funding or general control.

The main EPA in Sweden is the *Swedish Trade Council* (Exportrådet). Their role is to promote exports and to make it easier for small and medium-sized Swedish firms to grow internationally.

The ECA is the *Export Credits Guarantee Board* (Exportkreditnämnden, EKN). They provide government-backed export guarantees, and insurance for companies doing business abroad in order to cover both their political and commercial risk.

²¹ Government Offices of Sweden (2008)

The role of the Ministry of Foreign Affairs is to assist in realising the Government's overall goals in matters of foreign policy. Within the ministry there is a certain division that deals with Swedish trade- and investment promotion (UD-FIM). They are also responsible for the largest EP organizations, like the Swedish Trade Council and EKN. Administrating this responsibility and working as a coordination authority for these EP organizations is one of their main tasks.²²

OTHER EXPORT PROMOTING ORGANIZATIONS

There are several other organizations that indirectly work with EP in Sweden. These organizations are not as governed, funded or controlled by the government as the three we have decided to focus on. Some of them are state enterprises but their activities are privately conducted, and some are completely private. These are the most significant organizations

The Swedish Export Credit Corporation (Svensk Exportkredit, SEK) provides long-term sustainable financial solutions for the private and public sectors with the aim of promoting the development and international competitiveness of Swedish industry and trade.

Almi Företagspartner AB a publicly owned company whose mission is the need for financing and business development that is complementary to the market, where they act as investors based on an industrial policy that promotes economic growth.

Invest in Sweden Agency (ISA) is the government agency assisting and informing foreign investors about business opportunities in Sweden.

The National Board of Trade (Kommerskollegium) is the Swedish governmental agency dealing with foreign trade and trade policy. The Board provides the Government with analyses and recommendations.

The Chambers of Commerce (Handelskamrarna) are private interest organizations. Their main tasks are to represent the industrial and commercial community in the region for which the chambers are active in.

²² Sandberg (2008)

There are several more organizations that indirectly deal with export promotion in Sweden, but we will not discuss these in this paper. As mentioned before, we focus on the main EPA, ECA and the Ministry of Foreign Affairs.

4.1.1 ORGANIZATIONAL STRUCTURE

Whether an EPA is a state or private entity is important when analysing promotional activities, since it shows to what degree the government has decided to intervene. In Sweden, the organizations have varying degrees of state ownership. The Ministry of Foreign Affairs is one of the ministries under the Swedish Government, implying that it is under complete state control. This is the case also in Denmark and Finland which we will discuss in coming sections. The Swedish Trade Council, which is the main EPA, is 50 percent publicly owned, with the Ministry of Foreign Affairs as the state owner, and 50 percent owned by the private sector, which in this case is represented by the Swedish Foreign Trade Association. Their executive board consists out of ten representatives, five from the government and five from the private sector. EKN is a state authority, and is governed by the state through various directives. The government directive is that EKN should issue guarantees to help promote Swedish exports. Their board and director general are appointed by government and comprise of representatives from the private sector, the Ministry of Finance, the Ministry of Foreign Affairs and the Swedish Trade Council.²³

4.1.2 RESOURCES AND FUNDING

In general, it is difficult to separate resources put on EP from other promotional measures in Sweden. There is no clear account of their expenditures, which makes it difficult to give a comparable and relevant number for export- and import promotion within the Ministry of Foreign Affairs.²⁴ According to them, 10-15 percent of the total administration funding is used for all promotion measures²⁵. It was only in the late 1990s that the Ministry was able to dispose a certain sum from the state on promotional activities, where some was to the Ministry as a whole, and some for the UD-FIM unit.²⁶ Between 2000 and 2005, the total public expenses to export and investment promotional activities in Sweden was about SEK

²³ Sweden's Export Credits Guarantee Board, *Verksamhet* (2008)

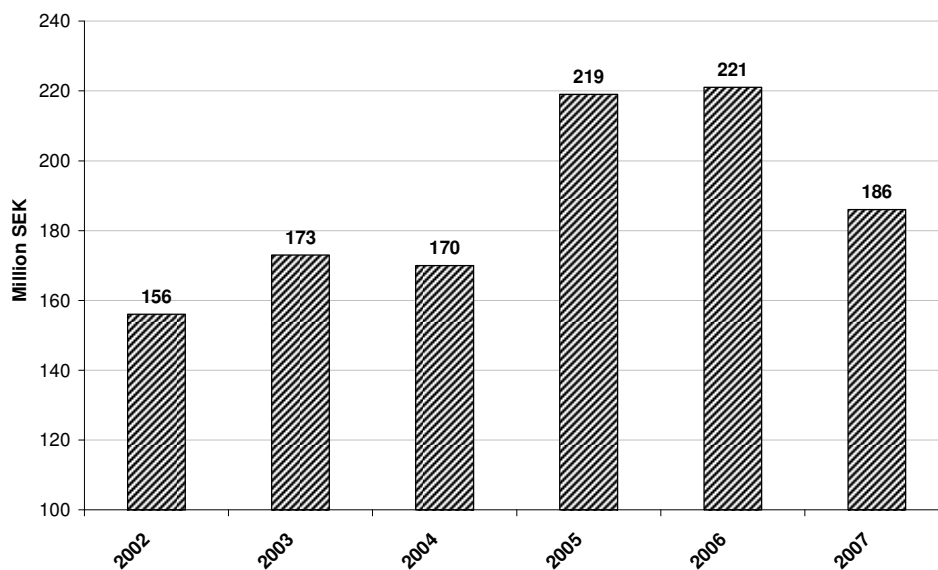
²⁴ Sandberg (2008)

²⁵ SOU 2000:102

²⁶ Ibid

1.6 billion, which implies about SEK 270 million per year.²⁷ Most of this went to the Swedish Trade Council's state commission, and the rest was distributed to UD-FIM's various activities, such as specific promotion programmes within the ministry.²⁸

As discussed above, the main EPA, the Swedish Trade Council, is 50 percent government owned, and they have a state commission they need to fulfil each year. This state commission is given to the Council every year to be able to conduct the services required by the state. These sums can be seen in *Figure 4.1* below.



Source: Arthur D. Little Report

Figure 4.1 *State Commission to the Swedish Trade Council, excl. separate specific commissions*

Each year, the Council receives separate commissions (not shown in the figure above). In 2006 they received an additional commission of SEK 55 million, and in 2007 SEK 12 million.²⁹ In 2006, Sweden had a value of total exports equal to SEK 1 087 393 million. The size of the state commission in that year was around SEK 276 million. This means that Sweden had a state commission/total exports ratio of 0.025 percent in 2006.³⁰

²⁷ Arthur D. Little (2007)

²⁸ Wenström (2008) & Sandberg (2008)

²⁹ Wenström (2008)

³⁰ Export data from Comtrade

There was a very drastic fall (more than 25 percent) in the size of total state commission between 2006 and 2007.³¹ If the government sticks to the proposed level for the coming years, the commissions will not reach the size it was in 2006 any time soon.³² Going further back, the state commission was cut in half during the 1990s when it was decided that the activities of the Council were supposed to be more business like and generate income. In 2006 the public funding amounted to roughly 50 percent of the Trade Council's total turnover. State Commissions equalled SEK 276 million and turnover was SEK 538 million. This percentage dropped to around 40 percent in 2007 due to smaller state commission and increasing revenue from paying clients.³³

The recent decrease in public funding has forced the Council to cut down on certain activities, remove some and reorganize finances on others. The outcome has been that the state-funded activities now are focused on information and general advice to companies, whereas more extensive and time-consuming activities need to be financed by the companies themselves.³⁴ However, even though the state commission decreased in the 1990s, the total income of the Swedish Trade Council has remained relatively constant in those years. This is due to the increased income from the consulting activities that they offer.³⁵ The main reason for the fluctuations in size of the state commissions, has been political decisions made by the government – when the left-wing social democrats have ruled, the public funding has grown and been relatively large, whereas when the right-wing moderates have ruled, they have decreased the state commission as a part of their goal of lowering the taxes.³⁶ So to a large extent, it is a political question.³⁷ The Council also offers joint services, where they finance an activity to a certain percent and the companies pay for the remaining percentage. In these projects companies contributed 30 percent and the Swedish Trade Council 70 percent in 2006, and in 2007 the companies' share was increased to 40 percent and the Council paid 60 percent.³⁸

³¹ Swedish trade council, *Redovisning av statens uppdrag till Exportrådet 2007* (2007)

³² Sandberg (2008)

³³ Wenström (2008)

³⁴ Bergman (2008)

³⁵ SOU 2000:102 & Sandberg (2008)

³⁶ Bergman (2008)

³⁷ Nordlund-Malmegård (2008)

³⁸ Swedish Trade Council, *Annual Report 2006* (2007)

The Swedish ECA, EKN, is a state authority owned by the government, but has self-financed operations. This is in line with the regulations established by international organizations such as the WTO and OECD.³⁹ They do not have to make profits, but they need to break even in the long-run. This enables them to take large risks on insecure markets, since they are backed up by the government. However, they need to follow certain guidelines set up by the government when taking risks; they need to consider their risk exposure when taking on new businesses and they need to make sure they spread their risks. All the decisions are made by EKN themselves, and not by the government.⁴⁰ EKN has a close relationship with a smaller EPA: Almi Företagspartner AB. Almi's mission is to satisfy the need for financing and business development that is complementary to the market, and their focus lies on small- to medium sized firms. The cooperation implies that Almi now can arrange EKN counter guarantees and working capital guarantees in 20 of Almi's regional offices.

The total size of the outstanding guarantees granted by EKN has varied over the last ten years. In 2007 it was around SEK 89 billion and in 2006 around SEK 91 billion. Most of these are in telecommunications, the power industry and the transport sector.⁴¹ The reason the amount of guarantees vary in size each year, is that the guarantees requested by their clients change from year to year. Certain years they can receive unusually large requests, and other years only small ones. EKN's results are mainly determined by the companies' own needs, not the other way around.⁴² There is a ceiling, at SEK 200 billion, that prevents further guarantees. However, the amount of guarantees that has been offered in Sweden has not come close to this barrier in recent years.

4.1.3 STRATEGIES AND ACTIVITIES

The most important task of the Ministry of Foreign Affairs when it comes to EP is to work to reduce obstacles to trade through active diplomacy and policy discussions. This is done mainly through their 104 missions abroad include embassies, consulates, delegations and representations, and through the 400 honorary consulates.⁴³ They also have a general strategy

³⁹ Sweden's Export Credits Guarantee Board, *Internationellt samarbete* (2008)

⁴⁰ Ibid

⁴¹ Sweden's Export Credits Guarantee Board, *Annual Report 2007* (2008)

⁴² With (2008)

⁴³ Bratt (2008)

of promoting Sweden and exports by being responsible for several of the agencies we discussed earlier.

Swedish EP has followed several different strategies over the years, where the EP has been focused either on sectors or on exports in general. Today, the EP is directed towards general export and internationalisation of small and medium sized companies rather than specific sectors.⁴⁴ Previous years, they have had various industry specific strategies, but due to the decreased state commission, they were forced to cut down on that. This meant that they went from running nine industry specific programmes to only having two.⁴⁵ Today the Council works almost exclusively on a “one-to-one” basis with its clients.

The Swedish Trade Council's services reach from preparatory advice and export information to definite help on-the-spot by using their consultant services, and can be divided into four divisions:

- Basic export services
- Competency development
- Directed efforts for international business promotion
- Company specific business promotion⁴⁶

They organize various bilateral events such as trade fairs, press-tips, seminars and match-making projects.

The strategies of the Swedish Trade Council are implemented all over the world through their branch offices in 54 cities in 45 different countries. Their foreign services are divided into five regions: America; Western Europe and Australia/New Zealand; Southern Europe, Africa and the Middle East; and Central and Eastern Europe. In their foreign offices, they are able to help companies with *market research*, by gathering general and detailed information about the market and other actors.

EKN's strategy is to help reduce companies' risks by offering them guarantees, which in turn helps them get financing from their banks. This means that they aim to function as a source of

⁴⁴ Wenström (2008)

⁴⁵ Ibid

⁴⁶ Swedish Trade Council, *Vi erbjuder världens möjligheter* (2008)

financing in situations where the free market will not work, i.e. where there is a market failure. EKN does not work specifically with any other activities, except when they join the Swedish Trade Council at certain events around the world.⁴⁷ Their focus is on giving guarantees and financing, and promoting exports in that way. EKN is based in Sweden only.

Sweden is similar to many other developed countries when it comes to the type of companies that are the focus of EP. A large share of the resources goes to small and medium sized firms, since they need the most help and support. The Swedish Trade Council deals with all different companies. The larger ones contact them for a certain service, whereas smaller firms contact them to receive help with the entire export process.⁴⁸ EKN has several large firms as their clients, but have recently focused more on small and medium sized firms.⁴⁹ Recently a new service has been developed for small and medium-sized enterprises (SMEs) who need working capital, called the Export Loan. This has been jointly developed by several organizations involved in EP, such as: EKN, SEK, ALMI, the Swedish Trade Council and Swedfund. During 2006, eight export loans were granted for amounts between SEK 1 and 1.5 million.⁵⁰

4.2 DENMARK

Denmark, like Sweden, is a small country and as such very dependent upon international trade for its welfare and economic growth. As a natural consequence of this is that there has been a strong focus on internationalisation of Danish companies to reach new markets and gain access to products and services from abroad. Furthermore, according to the Trade Council of Danish companies are typically quite small, they often refrain from exports because it can seem impossible to overview the international markets.⁵¹ This all means that there is a need for export promoting activities.

The main EPA is the Trade Council of Denmark. What makes the Danish model of EP somewhat different from that of Sweden is that the Trade Council of Denmark is a part of the Ministry of Foreign Affairs, and as such is under direct control of the State of Denmark. The

⁴⁷ With (2008)

⁴⁸ Bergman (2008)

⁴⁹ With (2008)

⁵⁰ Sweden's Export Credits Guarantee Board, *Annual Report 2007* (2008)

⁵¹ Trade Council of Denmark, *Annual Report 2003* (2004)

Danish ECA is the Export Credit Fund (Eksport Kredit Fonden, EKF). These will be analysed more thoroughly in the following sections.

OTHER EXPORT PROMOTING ORGANIZATIONS

There are several other, non-governmental, organizations that work with EP. These will only be described briefly below since the focus of our analysis is on organizations that have a close link to the government, either through funding or control, and have EP as an explicit goal.

Invest in Denmark is an organization specialised in attracting foreign investment to Denmark. It is an organization within the Trade Council, but its activities will not be analysed more closely.

The Industrialisation Fund for Developing Countries is a financial institution which finances projects in developing countries. Its function is similar to that of Swedfund and Finnfund.

The Danish Technological Institute is an independent institution aimed at facilitating technological development domestically and internationally.

The Danish Chamber of Commerce is a business organization for trade, transport and service companies in Denmark. It is a private organization that is owned by its 20 000 member companies and 90 industry associations.

The Danish Export Association is another interest group and is owned and controlled by its 1000 company members across a vast range of different industries.

4.2.1 ORGANIZATIONAL STRUCTURE

The Ministry of Foreign affairs has the responsibility to represent Danish interests in foreign matters through active diplomacy. The Trade Council of Denmark is an organization within the Ministry of Foreign Affairs, and as such it is under complete control of the Danish government. It has the responsibility to promote the internationalisation and development of Danish companies. This means that they focus not only on exports, but also imports. Furthermore, they work to promote foreign investments in Denmark. This is done through Invest in Denmark, which is an organization within the Trade Council. There are

representatives from the private sector on the board of the council. These act as advisors and specialists to the Ministry of Foreign Affairs in issues of exports and investment promotion.

The EKF is an independent administrative unit under the Danish State and is regulated by law. As the official ECA of Denmark, EKF has the responsibility to promote exports through providing export guarantees and credits. It is controlled by the Board of Directors which is appointed by the Minister of Trade. The Managing Director, who is also appointed by the Minister of Trade, handles the everyday business. The Board of Directors is made up of representatives for the Ministers in the areas of trade policy, state finance and foreign policy. There are also several qualified representatives from the business world. Three seats are filled by representatives from the Danish State, and five are filled by representatives of Danish trade and Industry.

4.2.2 RESOURCES AND EXPENDITURES

The size of the public funding to the Trade council of Denmark has been relatively constant in the past few years, although it seems to have been decreasing slightly. In 2007, the total public funding equalled DKR 366.1 million (equivalent to SEK 454.8 million) and in 2006 it was slightly lower.⁵² *Table 4.1* illustrates the size of public funding in the years 2000-2003.⁵³

	2000	2001	2002	2003
Public Funding (million DKK)	445.5	443.2	443.9	398.0
SEK Equivalent (million SEK) ⁵⁴	503.9	549.4	547.7	489.5

Source: Rigsrevisionen - Beretning om Danmarks Eksportråd (2004)

Table 4.1 *Net Expenditure on the Danish Trade Council 2000-2003*

This public funding is roughly equal to 75 percent of the expenditure of the council, where the rest is paid by the companies using the services.⁵⁵ Total value of exports was around SEK 665 billion, and state commission was around SEK 450 million. This implies that Denmark had a state commission/exports ratio equal to around 0.068 percent in 2006.⁵⁶

⁵² Trade Council of Denmark, *FAQ* (2008)

⁵³ Data for years 2005 and 2004 could not be obtained.

⁵⁴ Throughout this study SEK equivalents are calculated based on average annual exchange rates for the respective years.

⁵⁵ Trade Council of Denmark, *FAQ* (2008)

⁵⁶ Export data from Comtrade

The EKF does not receive any public funding in the normal sense of the word since they have an obligation to have a balance between income and expenditures in the long run. However, the Danish State is the provider of the guarantees issued by EKF. The total value of these export guarantees were DKK 23 billion (SEK 28.5 billion) in 2007 and DKK 20.7 billion (SEK 25.7 billion) in 2006.⁵⁷ There is no stated limit on how large these guarantees can be.⁵⁸

4.2.3 STRATEGIES AND FUNCTIONS

The Trade Council of Denmark in combination with the Ministry of Foreign Affairs provides several different export support services, all with the aim of increasing the international competitiveness of Danish companies and increase trade. They engage in general country image building through political representation trade fairs and events etc. However, there are also products available that include: individual market counselling, partner search abroad, help in establishment abroad, practical export support and help in finding suppliers.⁵⁹

The Trade Council has strategic goals which include: increased internationalisation of Danish enterprises, a strong focus on SME's and attracting foreign investments to Denmark.⁶⁰ This is done through the 85 embassies, consulates and trade offices in 61 countries. As mentioned before, the strong focus on SME's is motivated by the fact that SME's make up a large part of the Danish economy, and that they often choose not to export because they have insufficient knowledge about the international markets.

Some of these services incorporate market research etc. Practical Export support includes several different components, such as the possibility to hire an export advisor who can work as a manager for the process of internationalisation. It can also include the opportunity to rent the facilities of the Danish embassies and consulates abroad to arrange conferences, meetings etc. Another important part of the practical export support is advice and information on foreign trade regulations. This is also closely related to the technical advice and expertise on issues regarding trade restrictions such as tariffs and quotas. Other services include counselling on corruption issues, support for innovation, search and creation of knowledge

⁵⁷ Danish Export Credit Fund, *Annual Report 2007* (2008)

⁵⁸ Larsen, 2008-05-13

⁵⁹ Trade Council of Denmark, *Konkret Rådgivning* (2008)

⁶⁰ Trade Council of Denmark, *FAQ* (2008)

and market and competitor analysis. The Ministry of Foreign Affairs is also active in promoting Danish interests in trade policy issues, and in the international political debate.

The EKF has a strategy which focuses on being among the best agencies providing financial support in markets where private banks do not wish to assume total risk. They also aim to function with a balance between income and expenditure which is in accordance with the rules set by the WTO and OECD. In doing so, however, they shall keep a long-term perspective and be willing to take risks in markets where political stability and commercial success are not assured.⁶¹ Recently the focus has shifted from Danish Exports to Danish interests. Meaning that the EKF can provide guarantees in transactions where there is a strong Danish interest, but not necessarily involving Danish exports. The EKF can be said to work as a combination of EKN and SEK in Sweden, as they are both a guarantor and credit institute. For the EKF to be able to issue a guarantee, the transaction must “involve a Danish interest”.

4.3 FINLAND

As in the case of Sweden and Denmark, exports and internationalisation have become increasingly important in Finland. The main government agency controlling the issues of EP is the Ministry of Foreign Affairs. Together with its diplomatic and consular missions abroad it works to promote the economic interests of Finland in other countries. These diplomatic and consular missions provide a range of support services in the areas of internationalisation and EP. The main EPA is Finpro (formerly Finnish Export Association), and the ECA is Finnvera. These will be described in more detail below.

OTHER EXPORT PROMOTING ORGANIZATIONS

There are other organizations that are sometimes involved in EP, however this is not their main task so we will not focus on them in this study.

The Finnish Funding Agency for Technology and Innovation (Tekes) is the main governmental organization providing funding for innovative technological projects and development. They finance industrial R&D projects that have great potential but are often

⁶¹ Danish Export Credit Fund, *Strategy* (2008)

considered to risky for market funding. The Ministry of Employment and the Economy is the controlling ministry.

Finnfund is a state owned company that provides funding to high risk development programmes in developing countries. The funding can take many forms but are often market-related, i.e. they do not provide soft loans but rather invest in projects that are promising but for which it is difficult to find market financing.

Invest in Finland is a service organization specialised in attracting foreign investment to Finland. It is fully funded by the Ministry of Employment and the Economy.

The Finnish Chamber of Commerce is a private organization which gives business advice to Finnish companies both domestically and internationally.

4.3.1 ORGANIZATIONAL STRUCTURE

Like in Sweden and Denmark the Ministry of Foreign Affairs is under complete control of the state and represents Finnish interests in matters of trade policy and diplomacy. Finpro is an independent economic association with a buyer/producer relationship with the Ministry of Trade and Industry. What this means is that they receive funding from the Ministry and are expected to deliver EP services to Finnish companies free of charge. I.e. the Ministry buys these services from Finpro. It is an association of Finnish companies at different stages in the internationalisation process, and it has over 500 members including companies and the Confederation of Finnish Industry and Employers and the Finnish Entrepreneurs Organization. The board of directors has members from both the private and public sectors. The Finnish ECA, Finnvera, is a 100 percent state-owned company under the jurisdiction of the Ministry of Employment and the economy.

4.3.2 RESOURCES AND FUNDING

When it comes to the budget of the Ministry of Foreign Affairs, it is very difficult to determine how much of their spending that can be regarded as EP. Obviously, the embassies and consulates as well as the central organization in Finland serve many purposes other than those related to EP.

The funding provided by the Finnish government to Finpro has remained relatively constant over the last years at around EUR 20 million (SEK 190 million). *Table 4.2* illustrates the size of the government funding.

	2003	2004	2005	2006
Public Funding (million EUR)	19.157	20.914	20.856	20.841
SEK Equivalent (million SEK)	174.9	190.9	183.6	193.0

Source: Finpro Annual Report 2006

Table 4.2 Public Funding to Finpro 2003-2006

The state commission amounts to roughly 70 percent of the total funding of Finpro, where the rest is paid by the companies using the services.⁶² The state commission was around SEK 193 million and total exports amounted to around SEK 570 billion in 2006. This implies that the state commission/total exports ratio in 2006 was around 0.034 percent.⁶³

Finnvera is self-sustaining and does not receive any public funding. However, the State of Finland provides guarantees for the export credits extended to exporting companies. The economic size of these export guarantees was around EUR 4.6 billion (SEK 42.6 billion) in 2006 and 2007.⁶⁴ There is also a maximum liability ceiling of EUR 7.9 billion stipulated in the Export Credit Guarantee Act.⁶⁵

4.3.3 STRATEGIES AND ACTIVITIES

The Ministry of Foreign Affairs is a part of the state of Finland and has 97 diplomatic missions abroad, 75 of which are embassies and 7 consulates general. They have the responsibility to represent the interests of the State of Finland, as well as those of Finnish companies abroad. In terms of EP, this typically means influencing the external operational environment through negotiations at a high political level, and attempts to eliminate obstacles to trade. It also involves general representation of Finland, and promotional measures through events and ministerial visits. Finally, it may include information services to Finnish companies. They have an EP strategy which rests on three pillars: influencing the business

⁶² Finpro, *Financial statement and report by the board of directors* (2006)

⁶³ Export data from Comtrade

⁶⁴ Finnvera, *Finnvera Årsöversikt 2007* (2008)

⁶⁵ Pietikäinen, 2008-05-19

environment in favour of Finnish enterprises and countering problems that arise; engaging in promotional activities; and information services.⁶⁶ They are also active in country image building through their offices and diplomatic missions all over the world.

The aim of Finpro is to “guarantee that Finnish companies, especially small and medium sized companies, have access to high quality, comprehensive internationalisation services around the world.”⁶⁷ This means that there is a focus not only on promoting exports, but on a much wider range of globalisation and support services. The principal in this relationship is the Finnish state, through the Ministry of Industry and Trade. The focus of Finpro has shifted slightly from pure EP towards a more general process of internationalisation. Finpro has a promotion strategy which involves many sector specific projects and programmes, for example in the Information and communications technology sector, the health sector and the forest industry. Export support services is where Finpro plays its most important role. They do this through several types of activities including informational services relating to foreign markets, companies and trade rules and regulations; and consultancy services that give client-specific advice, market analyses and practical solutions. In terms of marketing, part of Finpro's strategy is to run programmes and projects that are often industry specific. At present there are around 17 such projects that are either in planned or already in progress.⁶⁸ Finpro engage in market research as well.

Finnvera is a state owned specialised financing company. It has two main functions: that of an ECA, and that of a financier and guarantor of the Finnish SME's. The first role is very similar to that of EKN in Sweden, whereas the second resembles that of Almi.⁶⁹ It provides its clients with loans, export credits and guarantees etc. Finnvera helps its clients in situations where their own resources are insufficient, risks are high and long-term, but there are promising business opportunities. In these cases it is often difficult to obtain financing from the market. Finnvera reports to the Ministry of Employment and the Economy on the fulfilment of policy goals. They have a strategy which includes the following goals:⁷⁰ Increasing the number of starting enterprises; enabling financing for changes encountered by SMEs; meeting the

⁶⁶ Ministry for foreign Affairs of Finland (2008)

⁶⁷ Finpro, *About Finpro* (2008)

⁶⁸ Finpro, *Programs* (2008)

⁶⁹ Pietikäinen, 2008-05-19

⁷⁰ Finnvera, *Strategi* (2008)

challenges posed for services by growing and internationalising enterprises; promotion of Finnish exports by means of a competitive export financing system.

This shows that export financing is only one of the goals or purposes of Finnvera. Also the financing solutions are often planned and implemented in cooperation with other public organizations. They seek to work closely with Finpro, Tekes and other development centres. This cooperation has increased in recent years.⁷¹ Other than the credit and guarantee services, Finnvera does not engage in other EP activities to any large extent.

⁷¹ Pietikäinen, 2008-05-19

5 CASE STUDY: CHINA

In recent years, China has stepped into the international market and become an increasingly important trade partner for many countries in the world. Their significant economic growth and development over the last decades has lead many foreign countries to invest and put interest into China in general. Sweden, being very dependent on trade, has also seen the opportunities that exist in China. Many Swedish companies have started trading with them, with both successful and unsuccessful outcomes. Being part of the Chinese internationalisation is very important due to its increasing importance and power over the world markets. It is also a relatively new market and quite different to more traditional Swedish trading partners. Culture, language, laws and regulations are very different and risks are typically higher. Taken together this implies that it is a market where EP is likely to especially important.

For these reasons, this section will be devoted to a case study on China. The objective of this section is to see the various EP organizations and systems in practice, and observe whether this can illustrate any differences between the countries' EP activities. In Section 5.1 we will take a statistical look at the development of exports from Sweden, Finland and Denmark to China. Section 5.2, 5.3 and 5.4 cover EP activities aimed at China in Sweden, Denmark and Finland respectively.

5.1 TRADE STATISTICS

Imports to China from the three Nordic have all been increasing rapidly in recent years.⁷² This is clearly illustrated in *Figure 5.1*.

⁷² We look at Chinese imports rather than exports to China for technical reasons. The data source Comtrade does not provide data on total exports to China from all countries combined, which is needed to calculate export shares. Instead we use import shares to China.

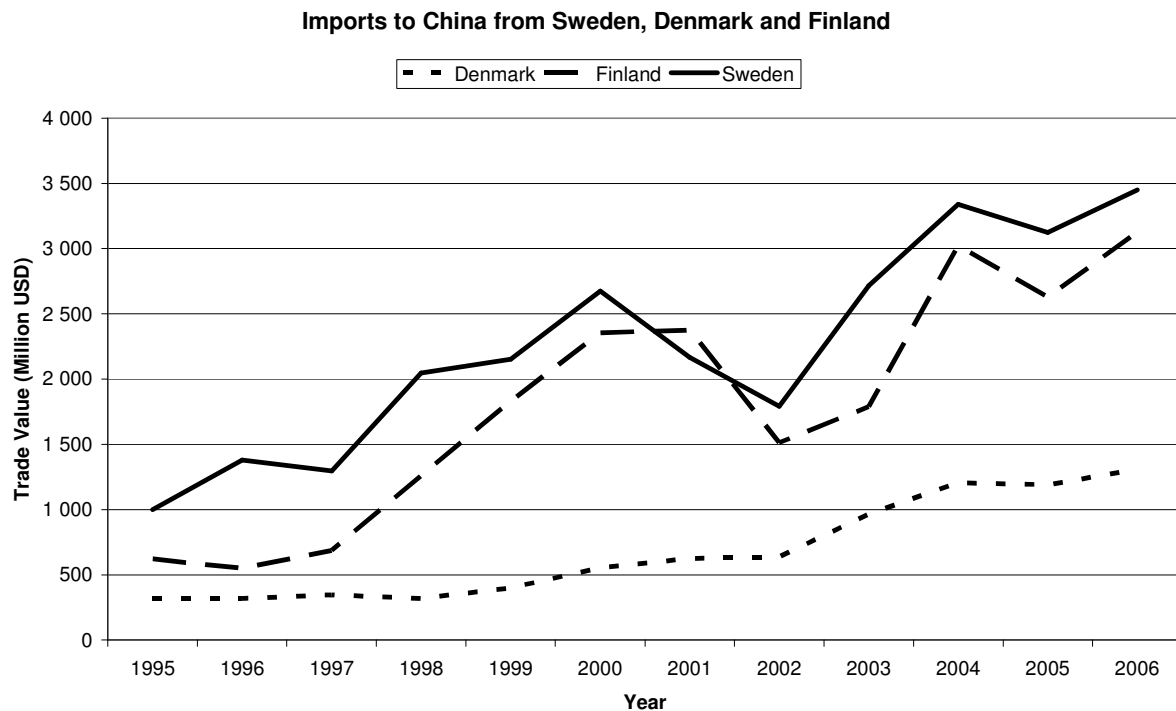


Figure 5.1 Imports to China 1995-2006

Source: Comtrade

Since the reforms in the Chinese economy started around 1978, they have gradually started to increase their imports from abroad. However, it was not until the early 1990's that the development really started to pick up pace. Today 10 percent of Sweden's exports go to Asia, and just under 3 percent go to China.⁷³ At first glance it does not appear like Sweden has had a less favourable development than the other two countries.

Figure 5.2 displays the import shares for Sweden, Denmark and Finland. It is obvious that all three countries have been losing shares over the studied time period, although there was an increase in shares for both Finland and Sweden during the late 1990's. This loss has to do with the fact that many developing countries have started taking part in the international markets at an increasing rate. In other words, the traditionally developed countries make up for a smaller and smaller part of the world economy, and are starting to face fierce competition in international trade from countries such as India and Brazil.

⁷³ Bergman (2008)

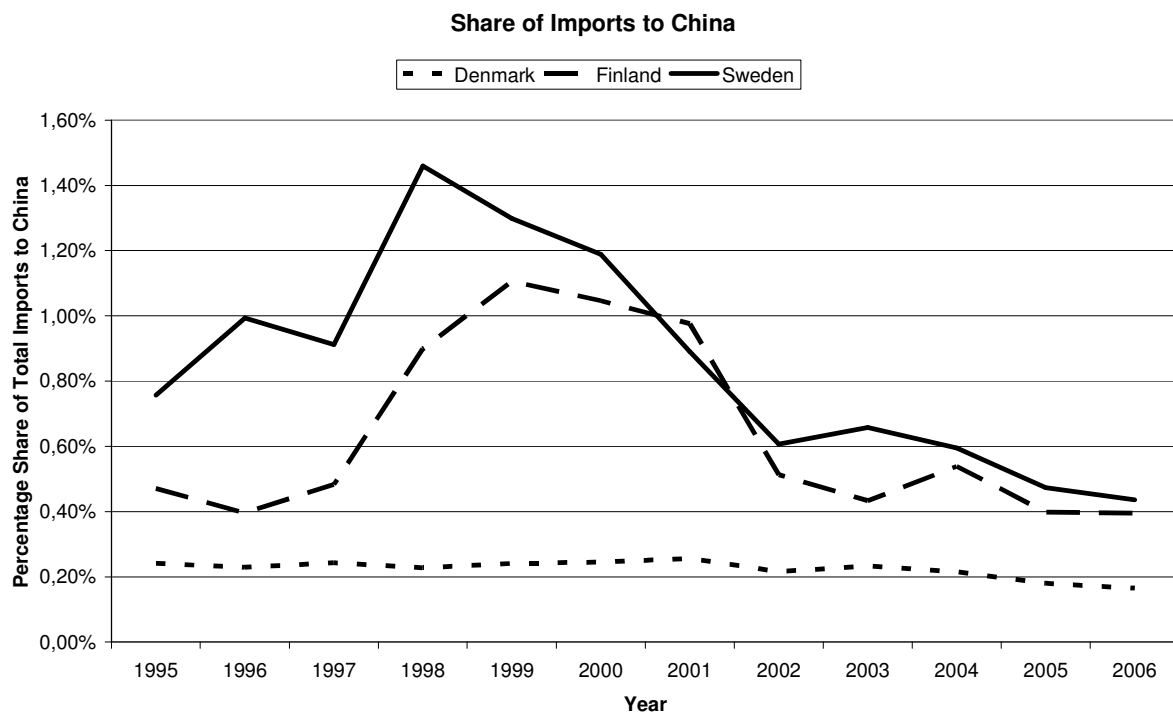


Figure 5.2 *Total Export Shares 1995-2006*

Source: Comtrade

It is also quite clear that Sweden has been losing shares at a higher pace than Denmark and Finland. Finland has lost 0,076 percentage points of the market, which represents a relative change of 16 percent over the period. Denmark has also lost 0,076 percentage points, but since they started from a lower level this represents a fall of 31 percent. Finally Sweden has lost 0,321 percentage points of the Chinese markets, which represents a relative fall of 42 percent. In sum, all three countries are losing market shares in imports to China, but Sweden does so at a higher pace.

5.2 SWEDISH EXPORT PROMOTION AIMED AT CHINA

The Ministry of Foreign Affairs, the Swedish Trade Council and EKN all have functions which relate to China.⁷⁴ However, it is typically very hard to determine how much of the resources that are spent on/in a specific country, but in the following sections we will discuss some of the country specific activities.

⁷⁴ There are also private organizations that work specifically with China, such as the Sweden-China Trade Council, the Chambers of Commerce etc. However, these will not be studied due to the fact that the focus of this thesis is on organizations either controlled by the government or receiving funding from it.

The Ministry of Foreign Affairs works closely with the Swedish Trade Council to promote trade and exports. They do so through their diplomatic missions in Beijing, Shanghai, Guangzhou and Hong Kong.

The Swedish Trade Council has a significant role for Swedish companies wanting to establish themselves in China. Since 1994 they have offices in Beijing, Shanghai, Guangzhou and Hong Kong. These established offices enable the Council to obtain local knowledge about the market, culture, language and rules and regulations which they then can share with the Swedish companies. Their services extend from general information about the Chinese market to specific consulting services adapted to the company in question. Regarding financing they have a high degree of services financed by the companies themselves.⁷⁵

There are 50 persons working for the Swedish Trade Council in China. So if a company wants to contact the Council, they contact them directly in China and not in Sweden. Sweden is mainly home for Support Services today.⁷⁶ In China, 80 percent of the people working for the Council are locals, which is an improvement from before when all but the head of the office were Chinese. Due to China's growing economy, there are now several Swedes that know Chinese and can work with them locally. Regarding the background of the employees, most of them are consultants rather than industry specialists.⁷⁷

The Swedish Trade Council has put a lot of effort into developing their website.⁷⁸ This is to make it as simple as possible for the companies in Sweden to find information on how to expand their business into various countries. Regarding China, the information available extends from general information about China, events happening in China, financial advice, common problems, upcoming trade fairs etc. In sum, the website is a very helpful tool for companies thinking of investing in China.

EKN does not engage in country specific activities. However they do issue guarantees to companies wanting to export to China.

⁷⁵ Kokko (2008)

⁷⁶ Bergman (2008)

⁷⁷ Kokko (2008)

⁷⁸ Ibid

5.3 DANISH EXPORT PROMOTION AIMED AT CHINA

The Trade Council of Denmark in China is an integral part of the Danish Ministry of Foreign Affairs which has an embassy in Beijing and consulates in Shanghai, Guangzhou, Hong Kong and a trade office in Chongqing. The task is to provide Danish companies with the professional guidance and counselling tasks that have been discussed in previous sections. Most of it is done with public funding, and only around 25 percent is financed by the companies themselves.⁷⁹ The Trade Council also has a function called the “incubator”, which provides Danish companies with access to office solutions. This means that the initial phase of market entry becomes less risky and less expensive, and that the focus can be on market strategy and business rather than accommodation and administration. It also makes it less costly to withdraw from the market in case of failure.

The Trade Council of Denmark does not work with general export information about China in the same way as the Swedish Trade Council. Rather than having a home page with extensive information, they work more on a case-by-case basis with its clients, and provide the information that is relevant in that specific case.⁸⁰ Regarding personnel, they typically have backgrounds as industry specialists, and as such have a thorough knowledge of Danish industry and enterprises.⁸¹

Regarding the EKF, they have no activities or services aimed specifically at China, although they provide financing and guarantees to Danish companies exporting to China.

5.4 FINNISH EXPORT PROMOTION AIMED AT CHINA

Similar to Sweden and Denmark the Finnish Ministry of Foreign Affairs has an embassy in Beijing, and consulates general in Guangzhou, Hong Kong and Shanghai. These are also the places where Finpro has offices that provide the same EP services that have been discussed previously: information services, consulting and industry specific activities.

The financing of Finpro in China is similar to that of the Trade Council of Denmark; roughly 75 percent of the activities are financed publicly whereas 25 percent is financed by the client

⁷⁹ Kokko (2008)

⁸⁰ Ibid

⁸¹ Ibid

companies themselves. The employees typically have backgrounds as industry specialists, meaning that they know the Finnish private sector and its companies very well.⁸² Finpro also work with several projects and programmes that are linked to the Chinese markets. This is often done in cooperation with other organizations such as Tekes.

Like the EKN and the EKF, Finnvera has no activities or functions aimed at China specifically.⁸³

⁸² Kokko (2008)

⁸³ Pietikäinen (2008)

6 ANALYSIS

In the following sections we will analyse the various organizations in Sweden, Finland and Denmark, by making a comparison of the empirical results discussed in Section 4. These results will be compared with previous research on the subject. In this way, we try to evaluate the EP activities in Sweden.

6.1 ORGANIZATIONAL STRUCTURE

Sweden has a system where the Ministry of Foreign Affairs as well as the ECA are under complete governmental control. The Swedish Trade Council on the other hand is 50 percent privately controlled. There are also quite a large number of different organizations involved in EP to various degrees. Lederman et al have in their study: *Export Promotion Agencies: What Works and What Doesn't*, conducted a cross country study on EPAs to try to determine what characteristics are most favourable. They find that “the proliferation of agencies dedicated to export promotion within a country [...] hurts exports.”⁸⁴ This implies that there should be rather few organizations dealing with EP to make it as efficient as possible. Comparing the situation in Sweden with Denmark, we can see a rather large difference here. Denmark has a structure where the EPA lies under the Ministry of Foreign Affairs, making it one larger organization. Finland has the same situation as Sweden, with three different organizations. If one is to agree with Lederman et al, this would indicate that Denmark has an advantage in this respect. This was also an opinion of the Swedish Trade Council – “the fewer the organizations, the better.”⁸⁵

Regarding the executive board, Lederman et al conclude that “exports increase with the share of the EPA executive board seats that are held by the private sector”⁸⁶. This indicates that the EPA should be controlled by private interests to a large extent in order to be effective. Is there any intuition behind this result? It is likely that the private sector, or representatives from it, have a closer connection and better understanding of the companies and enterprises that request the services offered by the EPA. Since the Swedish case is a fifty-fifty situation, it might be the case that the efficiency would increase if the Trade Council was transformed into

⁸⁴ Lederman et al. (2006)

⁸⁵ Wenström (2008)

⁸⁶ Lederman et al. (2006)

a completely private organization. This view is shared by Lederman et al – “agencies that are directed by the private sector, but have public funding are the best performers”.⁸⁷ Why is this? The main reason is most certainly that EP is about externalities, and since benefits might be difficult to see, the private sector might not intervene – state intervention is therefore necessary.

In Denmark, there is much less private control than in Sweden, since the EPA is an integrated part of the Ministry of Foreign Affairs. The executive board consists out of exclusively state representatives. If one agrees with Lederman et al, this is negative aspect of Denmark's organizational structure – “having everything gathered under the Ministry of Foreign Affairs might make it easier to overlook, but it would also imply that all employees would be civil servants. The largest implication of this would be that it would increase the distance to the private companies.”⁸⁸ Finland, on the other hand, has an EPA that is 100 percent private, and they receive funding from the state. This tells us that the EPA in Finland has an advantage in this respect if one agrees with Lederman et al. This seems quite reasonable, since private ownership more often is associated with efficiency than state ownership. Regarding the Ministry of Foreign Affairs in each country, they are all state-owned and controlled, making them irrelevant in this discussion.

The ECAs in each country differ in their structure. In Sweden, EKN works as a guarantee and insurance provider for firms wanting to export with less risk. They work closely with Almi Företagspartner AB, which provides loans for small and medium sized firms in Sweden. In Denmark, EKF functions as a loan-provider and export credit provider, besides the guarantee and insurance services. In Sweden this would be a combination of EKN and SEK. The situation in Finland is very similar to that in Denmark, with Finnvera also acting as a loan provider. In sum, Denmark and Finland's ECAs have larger responsibilities than the ECA in Sweden. This could be seen as negative for Sweden, when considering Lederman et al.'s statement above about the proliferation of agencies. However, one can also argue that the more responsibility an agency has, the less specialised it will be on the various services they offer.

⁸⁷ Lederman et al (2006)

⁸⁸ Wenström (2008)

6.2 RESOURCES AND FUNDING

One important and obvious factor to consider when evaluating EP is the size of the resources and public funding. The Swedish Trade Council receives funding through a state commission every year. The size of this funding has been fluctuating over the years but has been at a level of around 200 million. In more recent years it has declined quite sharply, mainly due to the policies introduced by the new right-wing government in their ambition to lower the general taxes.⁸⁹ How can we evaluate this size? In 2006, Sweden had a value of total exports equal to SEK 1 087 393 million. The size of the government commission in that year was around SEK 276 million.⁹⁰ This means that the state commission/total exports ratio was equal to around 0.025 percent in 2006, which was the year when total public funding to the Swedish Trade Council was the highest. What does this mean; is it a lot? Looking at Finland, they had a ratio equal to 0.034 percent in 2006, and Denmark had a ratio of 0.068 percent in the same year. The situation is summarised in *Table 6.1*.

	Government Commission (Million SEK)	Export Value (Million SEK)	Commission/Exports
Sweden	276	1 087 393	0.0254%
Denmark	454	664 950	0.0683%
Finland	193	570 215	0.0338%

Table 6.1 *Government Commission/Exports Ratio in 2006*

These figures show that the size of the state commission is the smallest in Sweden, relative to the total value of exports. Finland had around 33 percent more public EP funding per each SEK value exported, whereas the state commission in Denmark was 169 percent higher relative to the total value of Exports. This indicates that the Swedish government (even in the year when the government commission was the highest) has a lower priority on EP activities compared to its neighbours. Obviously, this lower priority is likely to have some explanatory value when it comes to falling Swedish export shares.⁹¹

With a turnover of the Swedish Trade Council of roughly SEK 538 million and a state commission of SEK 276 million, the activities were about 50 percent publicly funded in

⁸⁹ Bergman (2008) & Wenström (2008)

⁹⁰ Wenström (2008)

⁹¹ Bergman (2008)

2006.⁹² This number dropped to just under 40 percent in 2007 due to lower state commission and higher revenues from paying companies. It is likely to decrease even more in 2008, maybe even as low as to 30 percent.⁹³

The Swedish model with such a small share of public funding is quite extreme, “there is no other comparable country with a smaller public engagement in EP”⁹⁴. Finpro for example has roughly 70 percent of its operations financed by the Finnish state, whereas the Trade Council of Denmark has an even higher percentage at around 75 percent. What does this mean for the efficiency of the EPA? Representatives from the Swedish Trade Council often mention that the high share of activities being paid by the companies themselves indicates that the services offered are of a high quality.⁹⁵ This is no doubt true, but in our opinion it is important not to forget that the whole point of government funded EP is to *decrease the costs and risks* of companies considering entering into foreign markets. In a hypothetical situation where 100 percent of the activities of an EPA are funded by the companies themselves, the delivered services will have a high quality (otherwise the EPA would disappear due to competition with other organizations), but because of the lack of free export services, there would be many companies who found it too difficult or expensive to export. In other words we would lose many of the possible benefits from government funded EP that were discussed in Section 3.2.

Lederman et al. (2006) also find that exports from a country tend to be higher when a larger proportion of the activities of the main EPA are publicly funded.⁹⁶ This indicates that the Swedish model might be less efficient, in this respect, compared to those in Denmark and Finland.

When analysing the size of EP activities it is important to remember the export guarantees that are issued by the government through the ECAs. These amounted to just under SEK 89 billion in Sweden in 2007 and just over SEK 91 billion in 2006.⁹⁷ These guarantees contribute greatly to the ability of Swedish companies to export their goods.⁹⁸ The sizes of these guarantees in Denmark and Finland were SEK 28.5 billion and SEK 42.6 billion respectively

⁹² Swedish Trade Council, *Redovisning av statens uppdrag till Exportrådet 2007* (2007)

⁹³ Wenström (2008)

⁹⁴ Ibid

⁹⁵ Bergman (2008)

⁹⁶ Lederman et al. (2006)

⁹⁷ Sweden's Export Credits Guarantee Board, *Annual Report 2007* (2008)

⁹⁸ With (2008)

in 2007. In relation to total value of exports Sweden had the largest Guarantee/Exports ratio at 8.37 percent; Finland had 7.47 percent and Denmark 4.29 percent. It would thus appear that the Swedish EP system is good at providing Swedish companies with financing and insurance for their exports. However, there is no limitation on the Danish ECA as to how large the guarantees can be, so it might be the case that there simply is no need for more guarantees. Finland and Sweden both have limitations, but neither country is close to reaching these ceilings.⁹⁹ The view expressed by EKN is that there are no major differences between the countries regarding how easy or hard it is for a company to obtain a guarantee.¹⁰⁰

6.3 STRATEGIES AND ACTIVITIES

When promoting exports, one can choose to focus on all types of companies and sectors, or one can look at industry specific sectors. In Sweden, the Swedish Trade Council's focus on specific industries has declined in relation to the decreased state commission.¹⁰¹ The Ministry of Foreign Affairs and the Ministry of Health and Social Affairs still require some focus to be put on certain sectors, but not as much resources are put on this as earlier.¹⁰² According to Lederman et al, "exports are also higher when the strategy of the agency is to focus on non-traditional export or has some sector specific component, rather than just focus on overall exports."¹⁰³ This would imply that the development of the Swedish Trade Council's services is unfavourable. In Denmark, there is more industry specific focus than in Sweden¹⁰⁴, but out of the three countries we are analysing, Finpro in Finland has the strongest focus on industry specific activities. The Swedish Trade Council is not as good at creating markets or setting standards, which is a strategy in several other countries.¹⁰⁵

Regarding general strategies of the organizations in each country, one can find both similarities and differences. All EPAs and Ministries of Foreign Affairs in the countries have representation abroad, and the ECAs are only based in the home country. Trade fairs and other activities are organized by the EPAs to promote exports and the countries in general. All

⁹⁹ In Sweden this restriction is set at SEK 175 billion by the government. When calculating how close to this ceiling EKN is, 50 percent of the value of their guarantee *offers* should also be included, ending up with a figure of SEK 129 billion in 2007. Finland has a similar ceiling at EUR 7,9 billion.

¹⁰⁰ With (2008)

¹⁰¹ Wenström (2008)

¹⁰² Ibid

¹⁰³ Lederman et al. (2006)

¹⁰⁴ Bergman (2008)

¹⁰⁵ Ibid

countries agree that the companies that need most export support are the SMEs, and as the degree of EP has increased in the countries, more resources have been put into helping SMEs.

One of the cases where the countries differ is the ECA strategies, as discussed above. Denmark and Finland's ECAs strategies are broader and they offer more services than EKN in Sweden. Another difference is that since Denmark's EPA is part of the Ministry of Foreign Affairs, their focus might not be as strictly on EP, since they are part of an organization that promotes the country as a whole. This could therefore also imply that Trade Council of Denmark is less efficient than its counterparts in Sweden and Finland.

6.4 CASE STUDY: CHINA

As we saw in Section 4, Sweden has been losing export shares to China in recent years. Difference in EP is one possible reason for this trend.¹⁰⁶ As we have discussed above, the Swedish Trade Council receives less public financing, and thus has to receive payments from the client companies to a higher degree. Danish and Finnish EPAs both receive around 75 percent of their financing from the state, whereas Sweden has a much lower percentage. Regarding personnel, the Swedish Trade council differs in the sense that the employees typically have a background as consultants, rather than industry specialists which is the case in both Denmark and Finland.

Taken together, these two differences (higher degree of public financing, and industry specialist employees) mean that the Danish and Finnish EPAs can work in a more proactive manner.¹⁰⁷ This means that they can use the public funding and specialist knowledge of Danish and Finnish companies to search for business opportunities in China, without having to wait for a company to take initiative. In the Swedish case the situation is reversed. Although the employees have consulting experience, they lack the funding and knowledge of Swedish industry that is necessary to seek and foresee coming business opportunities. This is an extension of the argument made previously, that the Swedish authorities seem to have a lower priority on EP compared to their neighbours.

¹⁰⁶ Bergman (2008)

¹⁰⁷ Kokko (2008)

7 CONCLUSIONS

The purpose of this study has been to evaluate whether the Swedish system of export promotion (EP) has the most favourable characteristics based on what we know from economic theory, previous research and best practice in the area. If this is not the case, we have attempted to answer whether this could be an explanation for the recent decline in Swedish export shares. To do this we have taken a closer look at three dimensions: organizational structure; resources and funding; and strategies and functions. We have focused on three types of actors: the Ministry of Foreign Affairs, the main Export Promoting Agency (EPA) and the Export Credit Agency (ECA). These have been the main subjects of study since they have a close connection to the state (either through direct control or funding), and because they explicitly engage in EP. We have also investigated these dimensions and three types of actors in our neighbouring countries Denmark and Finland to attain some reference and comparison.

We find that there are some important differences between the three countries and that these differences could be a reason for the falling Swedish export shares. (1) - The Swedish system of EP has a high degree of proliferation, meaning that there are several different organizations performing different tasks. This has both beneficial and detrimental effects on the efficiency of EP. One advantage is that the actors become more specialised at their specific tasks. The disadvantage is that it sometimes is confusing for companies wanting to export. This is even clearer regarding small and medium-sized enterprises. There seems to be consensus that the Danish system of one strong actor has an important advantage in this respect. (2) - The Swedish Trade Council has an advantage in the fact that it is only half controlled by the government, since a higher degree of private control is beneficial to exports.¹⁰⁸ This is one disadvantage of the Danish system. However, Finland has an even higher degree of private control than Sweden. (3) - State commissions to EP activities are considerably lower in Sweden compared to Denmark and Finland when put in relation to the total value of exports.¹⁰⁹ Moreover, the public funding has decreased rapidly in recent years. This will no doubt hurt Swedish EP, and thus exports. (4) - There are some differences in the strategies and activities provided. Especially Finland focuses at working with industry specific activities which are important in setting standards and conventions on new markets. The Swedish Trade

¹⁰⁸ Lederman et al. (2006)

¹⁰⁹ I.e. taking country size into consideration.

Council works almost exclusively on a case-by-case basis with its clients. One reason for this is the recent decrease in state commissions which have forced the Swedish trade council to cut back on industry specific activities.

The case of exports to China, where Sweden has been losing export shares, provides an illustration of what these differences in EP might mean in practice. The low level of public funding prevents the Swedish Trade council from working proactively in search of business opportunities.

In sum, we conclude that our hypothesis; *the recent decline in Swedish export shares can partly be explained by the fact that the Swedish system of export promotion does not have the most favourable characteristics given what we know from economic theory, previous research and best practice in the area*, cannot be rejected based on the findings of our study. It is the opinion of the authors that Sweden has not organized its EP activities in the most favourable way, and that this is likely to have been one of the causes behind the recent decline in export shares. A development towards higher spending on EP, more focus on industry specific activities, and less proliferation of organizations would be beneficial for Swedish exports, and thus the Swedish economy in general.

8 FURTHER REMARKS

When writing a master's thesis, there are certain delimitations one needs to make, as we discussed in Section 2.6. This implies that there is much further research that could be made on this subject. Evaluating EP will always be of interest to governments and exporting companies in a country.

We would like to mention a few possible research paths on the subject of EP that we believe are of great importance. A more thorough investigation of the other possible reasons for falling export shares (like the Government Official Report now in progress) will provide much needed knowledge. Widening the scope by comparing Swedish EP to countries other than Denmark and Finland, e.g. other EU-countries, could also prove worthwhile. An aspect which has only been touched upon briefly in this study is the vast number of private (and regional) organizations engaged in EP. Looking exclusively at these would provide a better understanding of how the whole combined system of EP works. Finally, a quantitative cost-benefit analysis of Swedish EP would give an indication of how effective it is at increasing exports.

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10 APPENDIX

When conducting our study, one way of collecting information has been to interview the various EP organizations. In this Appendix we provide the interview questions used. The questions were somewhat modified depending on who we were interviewing, and XXX stands for either The Swedish Trade Council, EKN or The Ministry of Foreign Affairs.

INTERVIEW QUESTIONS □ *SWEDEN*

GENERAL

Can you give us an overview of what XXX does?

Can you give us an overview of what XXX does to promote exports?

How do you work to fulfil your commission to the government?

Is your organization in any way funded by the state?

Why do you think the state-funding to export promotion activities has decreased over the last years? Has this affected your organizations?

Do you see the size of the state-funding as too small/good/too large?

Do you think Sweden is losing export shares in comparison to other comparable countries, and if that case, why?

Which are, according to you, the most important actors of export promotion besides XXX? Who do you work closest with?

What problems do you see with Swedish Export Promotion? What could be improved?

CHINA

How is XXX's organization in China set up? In what way has it developed over the years?

Have any special trade fairs or events been organized, that have had special focus on exports to China?

How large part of XXX's budget goes to activities with China?

OTHER COUNTRIES

Is there an equivalent to XXX in Denmark or Finland?

Is there, in your opinion, anything Sweden could learn from Denmark or Finland?

Do you know if Denmark and/or Finland work with export promotion in the same way as Sweden? If not, what are their strategies?

INTERVIEW QUESTIONS □ FINLAND & DENMARK

ORGANIZATIONAL STRUCTURE

How is your organization owned and controlled?

To what degree is the state involved?

What is the composition of the board and other controlling organs?

RESPONSIBILITIES OF THE AGENCY

What responsibilities does your organization have?

Who do you report to (state, owners)?

What are the goals and aims of your organization?

THE STRATEGIES FOLLOWED

What strategy is used to reach the goals?

Have the strategies changed? If so, why?

RESOURCES AND EXPENDITURES

What is the turnover of your organization?

How is your organization funded?

What are the main expenditures, and what are their relative sizes?

Is there or has there been any public funding?

If yes, how much public funding have you received each years since 2000?

What form does it take? What is it used for?

ACTIVITIES AND FUNCTIONS

What export promoting services does your organization provide?

Do you work with industry specific promotion activities, or is everything done on a case-by-case basis?

What other organizations would you say are the most important for export promotion in your country?

CHINA

Does your organization have any employees working specifically with or in China? If so how many and what are their tasks?

Does your organization have any specific activities aimed at promoting exports to China? If so, what are they?

How much resources are spent on these activities?