ANALYSIS

Meet the Parents

Dependencies after foreign acquisitions and the role of home-biased trade

August 2026

Summary

Recent shocks and geopolitical developments have intensified discussions on dependencies and supply chain vulnerabilities. A central concern in current debates on economic security is not only dependence on imports from specific countries, but also how foreign ownership may shape domestic firms' trade relationships and potentially create other forms of dependencies. Within import dependencies, this has led to concepts such as de-risking and diversification gaining increasing attention in trade policy circles, reinforcing the need for firms and governments to reduce exposure to concentrated supply chains and mitigate the risk of disruptions and shortages. At the same time, the aspect of dependencies through foreign ownership of domestic firms in sensitive sectors has gained attention. In response, countries have introduced or strengthened investment screening mechanisms to monitor and restrict certain transactions. The EU recently approved a revised regulation on investment screening, introducing mandatory screening in certain sensitive sectors.

This analysis examines an issue at the intersection of security, trade, and foreign direct investment (FDI): how trade patterns of Swedish firms change following a foreign acquisition. More specifically, we analyse whether Swedish firms that are acquired by foreign investors trade more with the investor's home country after the acquisition. If foreign-owned firms increasingly source inputs from, or export to, the country of their new parent company, this may reflect so-called home-biased trade.

Foreign-owned firms account for around half of Sweden's trade in goods and services and therefore play an important role in the Swedish economy. The results of our empirical analysis show that strong pre-existing trade ties with the future home country are associated with a higher likelihood of foreign acquisition. However, while trade in goods with the owner's home country remains elevated after the acquisition, it is not higher than prior to the acquisition. In contrast, home-biased trade in services is found to be higher following a foreign acquisition.

Within international economics, it is well established that trade decreases with geographical distance. However, our analysis suggests that this relationship does not hold when foreign-owned firms trade with the country of their ultimate owner. The results show no correlation between home-biased trade and geographical distance.

These findings are directly relevant to the screening of FDI. A foreign acquisition of a firm can ultimately increase that firm's dependence on the investor's home country. Depending on whether the firm operates in a sensitive sector and the investor's home country, potential future dependencies in the form of home-biased trade should be investigated during FDI-screening.

Overall, the findings highlight that ownership structures are a key, but often overlooked dimension of international trade. The concept of home-biased trade could therefore be more systematically integrated in policy discussions on economic security, resilience, and strategic dependencies.

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1 Introduction

In recent years, the world has been exposed to shocks and events that have increased geopolitical tensions, highlighted vulnerabilities within supply chains, and intensified discussions on topics such as economic security and open strategic autonomy. These developments have contributed to new policy objectives within the EU, where concepts such as resilience, de-risking and diversification have gained increasing attention in trade policy.[1] For firms, this has reinforced the importance of reducing dependencies and limiting exposure to concentrated supply chains, as relying solely on domestic production or on a narrow set of (foreign) suppliers can significantly increase the risk of disruptions and shortages.

At the same time, another aspect of dependencies has evolved through concerns about foreign ownership of domestic firms in sensitive sectors. Many countries are introducing or strengthening investment screening mechanisms, thereby restricting and monitoring certain transactions. EU recently approved an updated regulation on investment screening, introducing mandatory screening in certain sensitive sectors.[2]

Against this backdrop, this analysis analyses a question at the intersection of security, trade, and foreign direct investment (FDI): how do the trade patterns of Swedish firms change following a foreign acquisition? More specifically, we examine whether Swedish firms that are acquired by foreign investors trade more with the investor's home country after the acquisition. If foreign-owned firms increasingly source inputs from, or export to, the country of their new parent company, this may reflect so-called home-biased trade.[3]

A foreign acquisition does not necessarily, nor automatically, lead to an increase in overall trade, nor to greater geographical diversification.[4] Acquired firms may shift their trade patterns toward more home-biased trade because it reduces fixed costs related to obtaining market-specific information about potential export and import markets. These effects can be expected to be stronger when the two markets are geographically or culturally closer.[5] Additionally, trade might become more concentrated if the acquired firm becomes a part of a multinational network and engages in more intra-firm trade.[6] Intra-firm trade can be particularly relevant in

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1 Commission SWD on the Implementation and Enforcement of EU Trade Policy (2025). Accessible here.

2 Press release from the European Parliament on 19 May 2026: Protecting EU strategic sectors from risky foreign investments | News | European Parliament

3 Home bias in the literature often refers to how consumers, firms, or investors tend to prefer domestic products or services over foreign ones. The bias can arise as a result of transaction costs, greater barriers to entry in foreign markets, or higher risks associated with international trade. It could also be due to a general preference for domestic markets or simply favouring familiarity over the unknown.

4 See Garetto et al. (2025) for a recent overview of the other documented benefits of foreign acquisition for the host country.

5 For relevant studies, see Keller and Yeaple (2013), Gumpert (2018), Bahar (2020), Guillouet et al. (2024).

6 As we do not identify intra-firm trade in this analysis, we cannot identify whether trade occurs within the foreign firms' affiliate networks. Most prior studies that look at the relationship between foreign acquisitions and trade with the home country of the acquiring firm find that this intra-firm relationship is an important determinant, including to neighbouring countries in which affiliates are active (see Antràs et al. (2024) for the US and Conconi et al. (2025) for Belgian evidence).

capital-intensive sectors where production relies on relationship-specific investments, such as specialised machinery, customised IT solutions, or proprietary inputs. In such cases, geographical diversification might be overlooked in favour of efficiency gains and tighter integration within the multinational's value chain.

Understanding home-biased trade patterns is important in today's geopolitically unstable environment as it can have implications for Sweden's security of supply. For example, an acquired firm that alters their trading patterns toward more intra-firm or home-biased trade might become more efficient. However, less trade diversification and concentrated supply routes could tighten domestic supply of strategic goods and services, which may also delay downstream investments and projects and increase Sweden's exposure to future shocks. At the same time, foreign ownership can generate benefits, such as improved market access, financing for scale-up, and technology and knowledge transfers that strengthen resilience and economic security. Similar considerations apply in the context of the twin green and digital transitions, where access to capital, technology, and international networks may support transformation, while new dependencies may also emerge.

1.1 Purpose of this analysis

The purpose of this analysis is to better understand changes to home-biased trade patterns after a foreign acquisition of Swedish firms. It is crucial to understand these dynamics of home-biased trade, especially if and when it relates to economic security aspects. More complete insights into international trade behaviour of foreign-acquired firms are also relevant for competitiveness and resilience, and could indeed play a role in the sourcing and selling of goods and services related to the green and digital transitions.

The remainder of the analysis is structured as follows. In the next chapter, we present descriptive statistics on trade patterns of foreign-owned firms in Sweden, including home-biased trade. Chapter three presents the empirical analysis, including the results. Finally, chapter four presents our conclusions and a number of policy recommendations.

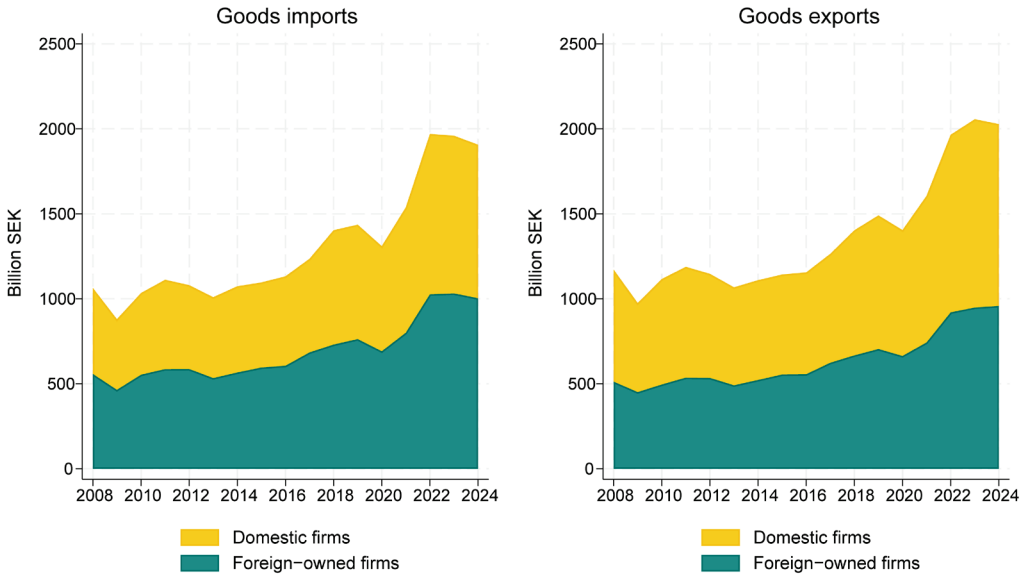
2 Descriptive analysis

This section asks and answers four different questions related to home-biased trade in the Swedish setting. Through descriptive analysis, it aims to provide further insights into foreign-owned firms and home-biased trade in the context of international trade.

2.1 How important are foreign-owned firms in Swedish trade?

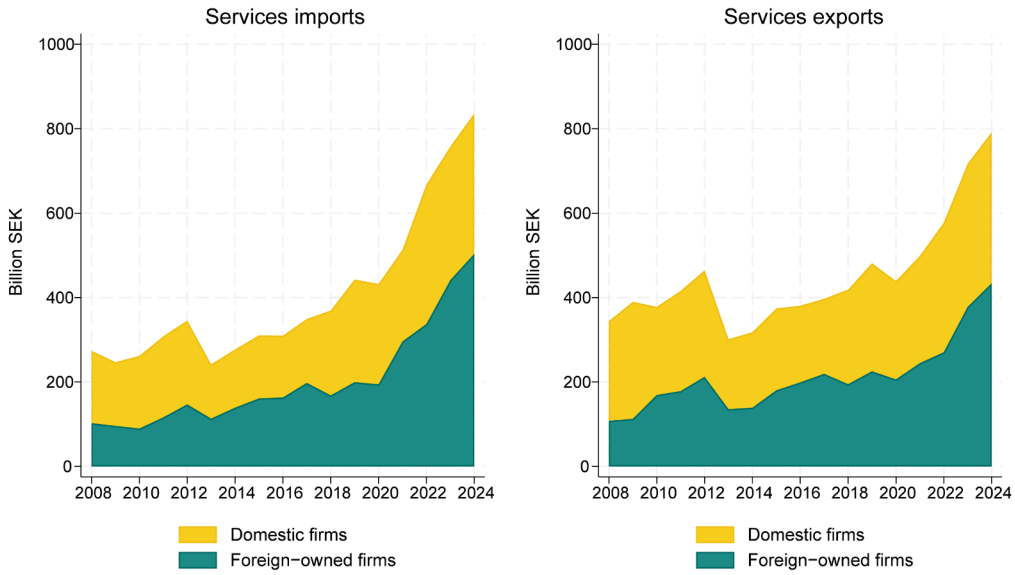
Just over one per cent of all firms in Sweden are foreign-owned. Despite being relatively few in number, they play a crucial role in the economy: they are responsible for a large share of total Swedish trade (see Figures 1 and 2). This emphasises how important foreign-owned firms are for the Swedish economy, though it is likely that a small number of very large firms drive these findings. In 2024, foreign firms in Sweden were responsible for half of Sweden's total trade. This finding holds for both imports and exports, and for both goods and services trade.

Figure 1. Firms' goods trade based on ownership



Source: Statistics Sweden and own calculations.
Note: Large changes from one year to the next can reflect firms changing ownership.

Figure 2. Firms' services trade based on ownership

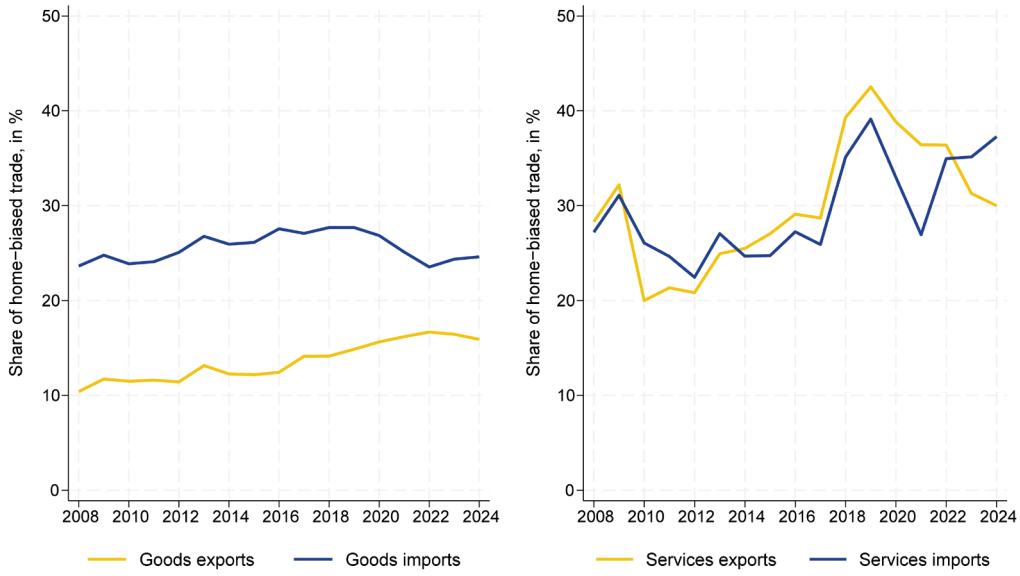


Source: Statistics Sweden and own calculations.
Note: Large changes from one year to the next can reflect firms changing ownership.

2.2 How large is home-biased trade for foreign-owned firms?

Next, we look at home-biased trade – that is, trade that foreign-owned firms in Sweden carry out with the country of their ultimate owner. Approximately 25 per cent of foreign-owned firms' goods imports are sourced from their home country, and this figure has increased slightly throughout the years. This import share is consistently larger than the share of goods exports to the foreign-owned firms' home country, which was 16 per cent in 2024 (see Figure 3). In aggregate, Swedish affiliates are, in other words, net buyers from their parents' home countries. The share of home-biased services imports remained stable at around 25 per cent until 2020, but has increased in recent years. For services exports, an upward trend is visible until 2020, after which the number levelled off. Much of this reflect firms changing ownership, but it could also be a result of known issues related to services trade data.

Figure 3. Foreign-owned firms' trade with home country as a percentage



Source: Statistics Sweden and own calculations.
Note: Large changes from one year to the next can reflect firms changing ownership.

2.3 What does the home-biased trade consist of?

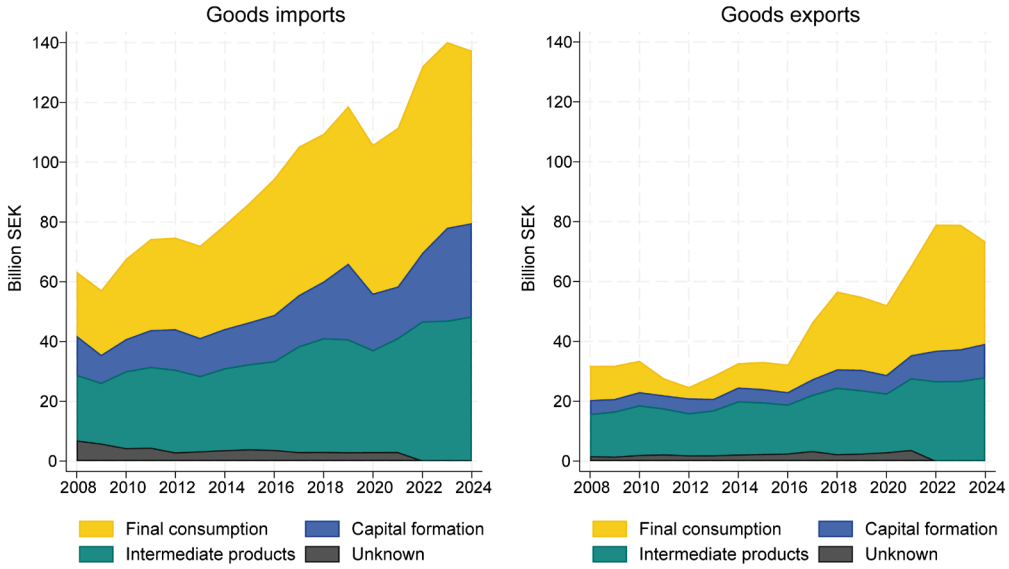
From a value chain perspective, the imbalance in home-biased goods imports and exports that was evident in Figure 3 may tell us something important. It could indicate that affiliates in Sweden depend on their home country for technology, machines, or key inputs in production. The fact that exports are smaller than imports can also indicate that the value that is added in the affiliate in Sweden is not re-exported to other countries, or that the Swedish affiliates import finalised products that are distributed on the Swedish market.

Figure 4 provides more insight into this issue. The majority of home-biased imports consists of final consumption products. This is an indication that the affiliate in Sweden may be focused on selling or using a final product. The Swedish affiliate could therefore be an important distribution channel for the MNE's access to the Swedish and Nordic markets.

Home-biased exports of final consumption products have increased since 2016 and now constitute the largest share of home-biased exports. The balance between intermediate exports and final consumption exports is more evenly distributed compared with imports in the left panel.

The composition of home-biased trade differs significantly from Sweden's total goods trade. While nearly half of home-biased goods exports in 2024 consisted of final consumption products, only 28 per cent of Sweden's total exports were products meant for final consumption. Instead, intermediate products accounted for 54 per cent of total Swedish exports in 2024. Similar patterns can be found for goods imports. See Figure 9 in Appendix A for more details.

Figure 4. Foreign-owned firms' goods trade with home country, by end-use



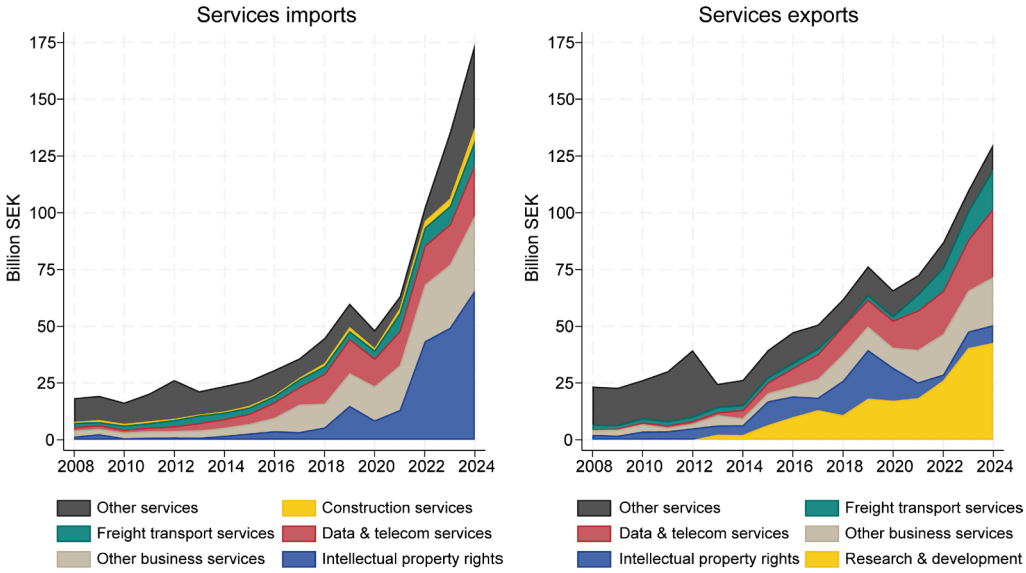
Source: Statistics Sweden, UNSD and own calculations.
Note: Large changes from one year to the next can reflect firms changing ownership.

The contents of home-biased services trade are described in more detail in Figure 5 where both similarities and distinct differences between imports and exports emerge. The foreign-owned firms in Sweden tend to export and import business and financial services rather than transport and construction services.

However, the foreign-owned firms export significant amounts of research and development services to their home country, but these are not imported from the home country to the same extent. This implies that the Swedish affiliates' activities typically involve knowledge-intensive activities where expertise and innovation are important factors. Furthermore, foreign-owned firms seem to specifically export research and development services to their home country over other countries, as these exports only make up around eight per cent of total Swedish services exports in 2024, compared to 40 per cent of home-biased services exports (see Figure 10 in Appendix A).

Home-biased services imports consist of a relatively even mix of intellectual property rights, other business services, and data and telecommunication services. However, imports of intellectual property rights from the home country have increased significantly in the last years. In 2024, 41 per cent of home-biased services imports consisted of intellectual property rights.

Figure 5. Foreign-owned firms' services trade with home country, by services type



Source: Statistics Sweden and own calculations.
Note: Large changes from one year to the next can reflect firms changing ownership

2.4 For whom is home-biased trade important?

The importance of home-biased trade can depend on several factors, such as geographical distance, integration in value chains, or whether a free trade agreement is in place. Figure 6 below shows the share of home-biased goods trade based on the ultimate owner's country of origin. A similar figure for services trade is available in Appendix A.

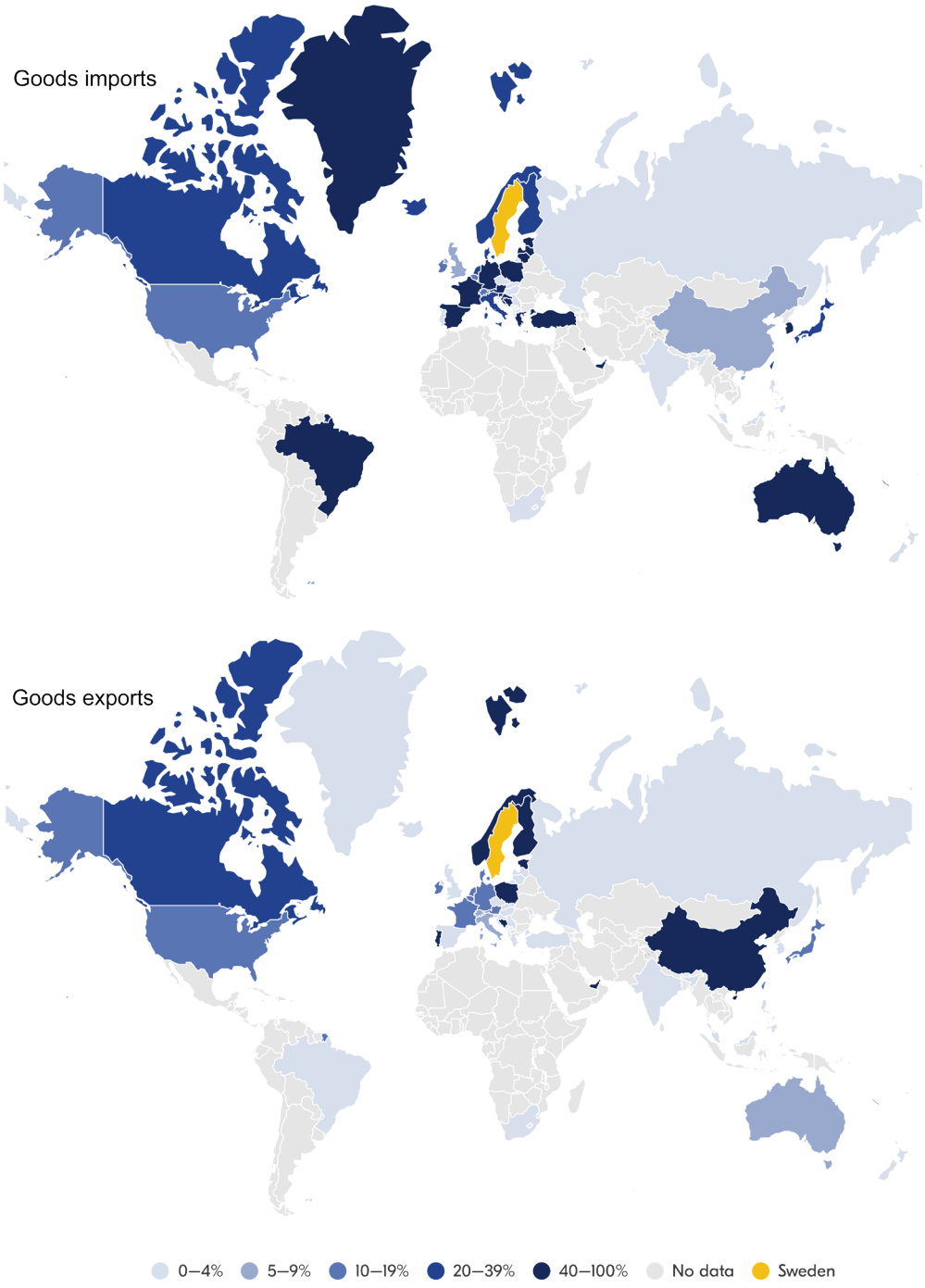
Overall, the foreign-owned firms in Sweden that trade the most with their home country are Nordic or European. This suggests that, overall, home-biased trade is larger for countries closer to Sweden, though this could also be partially explained by the deeper integration of the EU Single Market. For goods trade, Estonian, Finnish, Norwegian, Polish, and Portuguese firms are the most home-biased in their trade. As for services trade, firms from Denmark, Estonia, Finland, Taiwan, and Switzerland stand out in both importing and exporting a relatively large share with the home country.

Other countries that stand out are large economies such as Brazil, China, India, and the United States. These countries have large domestic markets, which can both increase and decrease the likelihood of home-biased trade. On the one hand, a large domestic market may imply that firms do not need international trade to be competitive. On the other hand, a large domestic market could also make it more likely for an affiliate in Sweden to trade with firms operating there.

Furthermore, the costs of trading with someone that speaks the same language or shares cultural similarities with you may be significantly lower than when trading with a firm in another foreign market. Chinese firms in Sweden are more home-biased in

their exports than imports – 29 per cent of services exports and 40 per cent of goods exports in 2023 went to China. Indian firms were particularly home-biased in their services trade, with 37 per cent of exports destined for India and 42 per cent of imports coming from India. We are not able to analyse this question empirically due to a limited number of foreign firms from each specific country.

Figure 6. Share of home trade in goods in 2023



Source: Statistics Sweden and own calculations.
Note: Sweden is coloured yellow. For the countries that are coloured grey, there are no firms in Sweden owned by entities from those countries in our data.

3 Empirical analysis

The purpose of the empirical analysis is to identify changes in home-biased trade after foreign acquisitions of Swedish firms.[7] In this part of the analysis, we focus only on Swedish firms that at some point are acquired by a foreign firm. This restriction is necessary to calculate home-biased trade, which cannot be computed if there is no (future) home country other than Sweden. The time period used in this analysis ranges from 2008 to 2024.

3.1 Methodological approach

In non-technical terms, the empirical approach compares trade flows prior to the foreign acquisition with trade flows after a foreign acquisition. We have information on trade flows of Swedish firms with all their partner countries, such that we can identify changes in trade flows with any country, including the country where the firm that eventually acquires the Swedish firm originates. What we aim to isolate is precisely that effect of foreign acquisition: changes in home-biased trade. Using econometrics, we are able to limit the impact of other explanations that could explain changes in trade patterns. These explanations include firm-specific characteristics, general economic development, and sector-specific events in partner countries. After filtering out all potential influences on trade flows, we get an estimate of how much (home-biased) trade flows change after foreign acquisition.

In more technical terms, we employ a staggered difference-in-differences approach that is theoretically well-grounded in the international trade literature (Nagengast & Yotov, 2025). We exploit the differential timing of the foreign acquisitions to estimate changes in home-biased trade flows after the acquisition takes place.[8] In this analysis, changes in trade are expressed in absolute values (expressed in Swedish kronor), so that we can isolate changes in trade with the (future) home country from changes in trade with the rest of the world. We refer to the technical box below for a detailed explanation of the econometric approach in this analysis. This box can be skipped without missing essential information.

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7 Strong statements about cause and effects cannot be made in this context, due to a number of econometric considerations. For instance, there may be underlying variables that determine if and when a Swedish firm is attractive enough for foreign investors. If these underlying variables also determine the trading behaviour of the firm, we cannot cleanly attribute changes in trade patterns to the foreign acquisition. On top of that, we are unable to construct a proper control group that is not acquired by a foreign firm, as we cannot calculate home-biased trade for that group. As a result, we merely show correlations in this chapter.

8 Changes in home-biased trade can manifest themselves in absolute trade flows (expressed in Swedish kronor) and relative trade flows (expressed as a percentage share of a firm's total trade). The former answers the main question of this analysis most directly, but the latter could shed light on other dynamics in the firms' trade patterns. These dynamics, and the relative trade flow analysis, are explained and presented in the Appendix.

Technical box

We employ a staggered difference-in-differences approach to estimate the impact of foreign acquisition on home-biased trade. The unit of analysis is trade of a firm to individual partner countries for all years the firm is active, and the empirical specification takes the following form:

$$\boldsymbol{Trade_{ip,t} = \alpha + \beta Home_{ip} + \gamma PostAcquisition_{i,t} + \pi\left(Home_{ip} \times PostAcquisition_{t}\right) + \rho Controls_{i,t} + \delta_i + \mu_t + \theta_p + \epsilon_{ip,t}}$$

Trade of firm $\boldsymbol{i}$ to partner country $\boldsymbol{p}$ in year $\boldsymbol{t}$ represents imports or exports of goods or services, respectively and is expressed in Swedish kronor. The estimated coefficient $\boldsymbol{\beta}$ describes trade with the (future) home country of the foreign acquisition, prior to acquisition. $\boldsymbol{\beta}$ is estimated for the $\boldsymbol{Home_{ip}}$ variable, which takes the value of 1 for firm $\boldsymbol{i}$ for all trade flows with the (future) home country $\boldsymbol{p}$ of that firm. Note that this variable is time-invariant, and takes the value 0 for all other trade flows in the data. The estimated coefficient for $\boldsymbol{\gamma}$ tells us something about average changes in trade after the foreign acquisition, to all partner countries. This is based on the $\boldsymbol{PostAcquisition_{i,t}}$ variable that takes the value 1 for all trade flows of firm $\boldsymbol{i}$ for all years $\boldsymbol{t}$ after the foreign acquisition. The coefficient of home-biased trade after foreign acquisition is presented by $\boldsymbol{\pi}$, which represents the estimated change in trade with the home-country $\boldsymbol{p}$ of the foreign acquirer of firm $\boldsymbol{i}$, for all years $\boldsymbol{t}$ after the acquisition. Fixed effects for partner country, firm, and year are included to control for other factors that could influence trade flows. Standard errors are clustered at the firm-level. See the appendix for a discussion of these choices.

3.2 Results

The results of this analysis are presented in figures for easier interpretation, though table equivalents are available in the Appendix. The box below explains how to interpret Figure 7.

How to read Figure 7

Imagine a Swedish firm that will eventually be acquired by a Danish firm.

- *Home, pre-acquisition* displays changes in trade with the future home country in the years prior to the acquisition. In this case, it shows the firm's trade with Denmark before the Danish firm acquires the Swedish firm.
- *RoW, post-acquisition* reports changes in trade flows with all other countries after the acquisition. This includes trade with Norway and Germany after the Swedish firm has been acquired by a Danish firm.
- *Home, post-acquisition* is our variable of interest. It denotes home-biased trade. In the example above, this is trade with Denmark in the years after the acquisition.

Each of these variables are plotted four times for four different model specifications (based on fixed effects, see appendix). Significant results are highlighted, whereas results that are not statistically different from zero are shaded with lower intensity.

Several clear patterns arise for goods trade.[9] The first observation is that trade with the future home country ('Home, pre-acquisition') tends to be significantly higher than goods trade with other countries before the Swedish firm gets acquired. This can

[9] We present the results here for total goods trade. Splitting goods trade based on the BEC classification (as in Figure 4) yields fairly similar results.

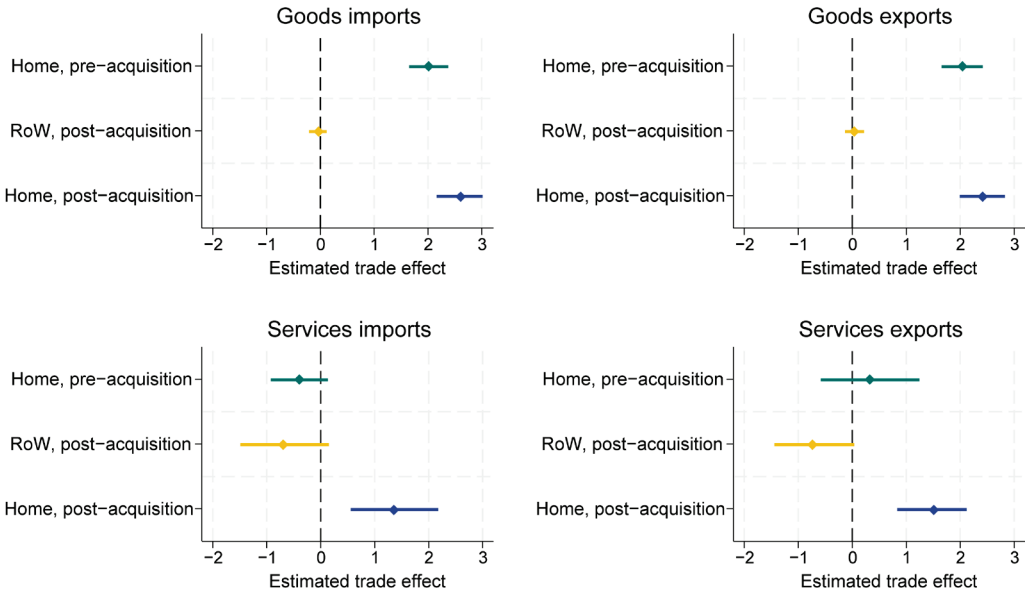
imply that the Swedish firm has strong existing trade ties with the future home country, even before the foreign acquisition takes place.

The second observation is that the variable that indicates home-biased goods trade after the foreign acquisition ('Home, post-acquisition') is statistically significant and positive. This means that after the acquisition has taken place, trade with the home country is still higher than average trade flows. At the same time, for most specifications, we do not find a significant difference between the estimates for home-biased trade pre- and post-acquisition ('Home, pre-acquisition' and 'Home, post-acquisition'). This means that while home-biased trade is still present, it does not seem to increase after the acquisition. This all suggests that existing trade patterns matter for foreign acquisitions, and that home-biased goods trade flows post-acquisition are not necessarily larger than they were prior to acquisition.

Finally, trade with the rest of the world ('RoW, post-acquisition') is unaffected by foreign acquisition. Firms that are acquired by a foreign entity do not seem to trade more or less with the rest of the world.

The results for services trade display a slightly different pattern. Neither the estimates of services trade with the home country prior to acquisition nor services trade with the rest of the world post-acquisition are statistically different from zero. This means that these trade flows are not systematically different from average services trade flows. We do find a significant and positive estimate for home-biased trade after foreign acquisition. This holds for both services exports and imports, indicating that home-biased services trade is larger after foreign acquisition.

Figure 7. Impact of foreign acquisition on home-biased trade, by trade flow

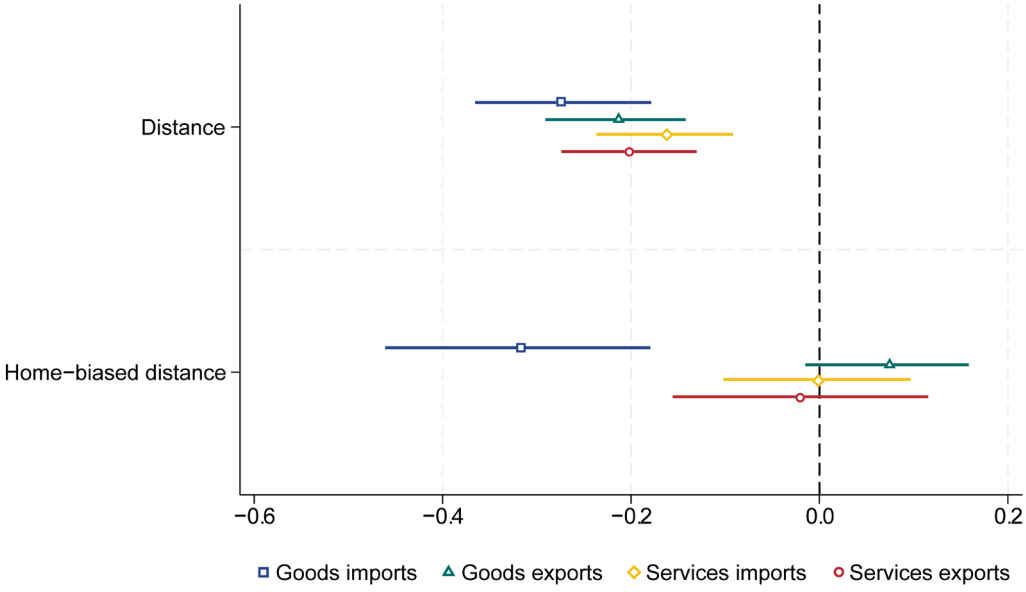


Source: Statistics Sweden data and own calculations. Does distance play a role for home-biased trade?

It is a well-known fact that distance plays a role in determining (the size of) trade flows. This is especially the case for goods trade. Our setting allows for a deeper analysis of the importance of distance that is generally unavailable to empirical trade researchers. We test whether distance in itself is the barrier, or whether distance plays less of a role in home-biased trade. That is, does distance continue to matter for home-biased trade?[10] Our approach makes some small changes to the empirical strategy in section 3.1: we simply add the variable distance and distance interacted with the $Home_{ip} \times PostAcquisition_t$ indicator in the regression. The coefficients for these two variables are plotted in Figure 8 below.

As is very common in the empirical trade literature, distance is negatively correlated with trade values. For all four trade flows, the estimates show that for each 1,000-kilometre increase in distance, trade values are around 20 per cent lower. However, home-biased distance (e.g., the importance of distance for firms that trade with the home country) is much less robustly related to trade values. Geographical distance is not statistically related to home-biased trade flows, other than for home-biased goods imports. It seems that other factors specific to home-biased trade that contribute to the familiarity of the trading partner can help overcome the challenge of geographical distance.

Figure 8. Impact of distance on trade flows, by type



Source: Statistics Sweden data and owm calculations.
Note: The estimated effect of home-biased distance is the linear combination of the estimated effect for the distance variable and the distance variable interacted with the $Home_{ip} \times PostAcquisition_t$ indicator, as explained in the text above.

[10] Other interesting determinants of international trade flows often used in gravity modelling, such as common language and common coloniser, cannot be used in this case. Other than Finland, no other country has Swedish as an official language, and Sweden did not colonise any trade partners in the past. As a result, only home-biased distance can be estimated as there is no variation across trading partners in the other variables (which indeed are always 0, no common language and no common coloniser).

4 Conclusion and policy implications

4.1 Conclusions

This analysis investigates the relationship between the foreign acquisition of Swedish firms and their trade with the investor's home country. The following conclusions can be drawn from the descriptive analysis in Chapter 2 and the empirical analysis in Chapter 3:

- **Foreign-owned firms make up around half of Swedish goods and services trade**, indicating the relevance of studying their international trade behaviour.
- **Between 20 and 30 per cent of foreign-acquired firms' goods and services trade end up in the investor's home country**, amounting to 130 to 180 billion Swedish kronor worth of trade in 2024.
- **Existing goods trade patterns matter for foreign acquisitions.** This can indicate that there are strong, existing trade ties with the future home country even before the foreign acquisition takes place. Foreign firms that acquire Swedish firms already seem to trade with the future home country.
- **These existing home-biased goods trade patterns remain elevated after acquisition**, but there is no strong evidence that goods imports and exports to the home country are different pre- and post-acquisition.
- **Trade with the rest of the world is not affected by foreign acquisitions.** Swedish firms that are acquired by foreign firms do not trade more or less with countries in the rest of the world after an acquisition.
- **Home-biased trade in services tends to be higher after a foreign acquisition.** This holds for both exports and imports.
- **Geographical distance does not matter as much when it comes to home-biased trade.** For trade with the rest of the world, distance is negatively correlated with trade values, meaning that trade flows decrease with distance. For home-biased trade however, the effect of distance on trade flows is much weaker.

Several limitations in the data mean that further studies are needed to fully grasp the concept of home-biased trade after foreign acquisition. For example, an interesting avenue would be to split the sample of firms by home country. Do foreign acquisitions by Chinese firms lead to different home-biased trade patterns than foreign acquisitions by Austrian firms? Countries with a larger number of foreign acquisitions would allow for such a distinction. An alternative avenue would be to take a sectoral approach and identify home-biased trade for sectors known to be essential for economic security or the green and digital transitions. Future studies could also look at indicators of diversification after foreign acquisition, so as to provide a more complete picture of potential changes to cross-border activity after foreign acquisition of Swedish firms.

4.2 Policy implications

In recent years, increasing uncertainty and geopolitical tensions have shed light on the need to become more aware of the resilience of imports and exports of goods and services. In response to recent geopolitical events, the EU has set an explicit policy goal to reduce dependencies on certain countries in strategic sectors. International trade can act both as a cure and as a poison in this context, where cross-border relationships can both create dependencies and alleviate them. From a positive angle, the aim of Sweden or the EU to establish closer ties with like-minded partner countries around the world could lead to interdependencies, which are associated with a lower risk of conflict. On the other hand, international trade in and of itself could become a vulnerability in times of crisis, as we have seen during the COVID-19 pandemic and more recently through China's use of export restrictions.

There is a direct link between dependencies and the findings of this analysis, which focuses on the role of foreign acquisition on changes in trade patterns. Home-biased trade is an important element in this debate, as around 25 per cent of foreign-owned firms' trade can be classified as home-biased. Taking a firm-level perspective on these discussions surrounding dependencies on goods and services should include the ownership dimension. These findings could have implications for the process of strengthening Sweden's and the EU's resilience to future crises. As a result, the concept of home-bias in trade within strategic sectors could be considered in several policy spheres.

For example, post-acquisition trade effects could be considered in the screening of foreign direct investments. A foreign acquisition of a firm can ultimately increase that firm's dependence on the investor's home country. Such dependencies may not emerge immediately after the acquisition but can develop gradually through changes in sourcing patterns, supplier relationships, and integration into the investor's existing business networks. Over time, if trade flows become more concentrated toward a single country or geopolitical sphere, this may reduce resilience of firms operating in sensitive sectors. Incorporating these longer-term dynamics into FDI screening could therefore improve the ability of authorities to identify vulnerabilities that are not visible through ownership structures alone.

Overall, the findings highlight that ownership structures are a key, but often over-looked dimension of international trade. The concept of home-biased trade could be systematically integrated in policy discussions on economic security, resilience, and strategic dependencies.

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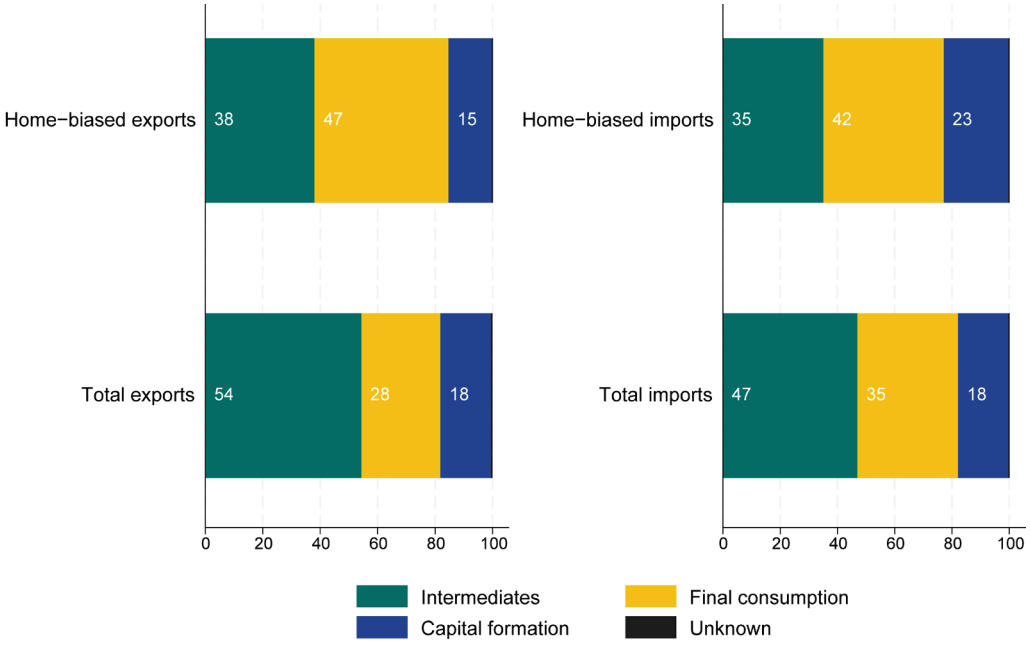
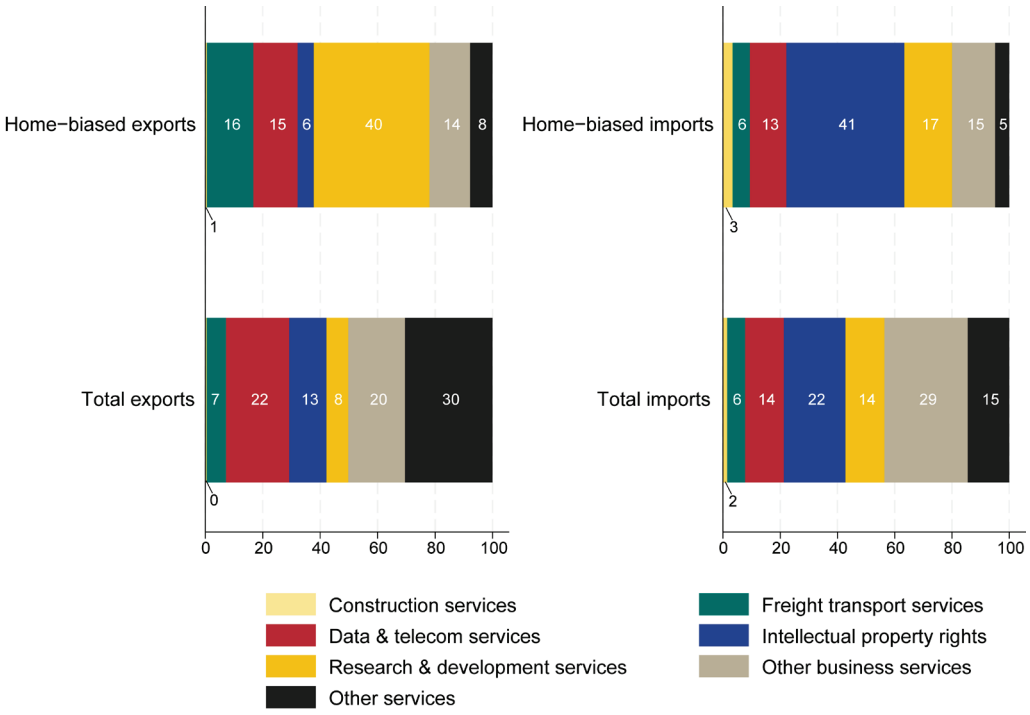
Appendix A

Figure 9. Share of goods trade by end-use in 2024



Source: Statistics Sweden, UNSD and own calculations.
Note: Total exports and imports include Swedish firms' and foreign-owned firms' trade in goods.
Home-biased exports and imports only include foreign-owned firms' trade with the investor's home country.

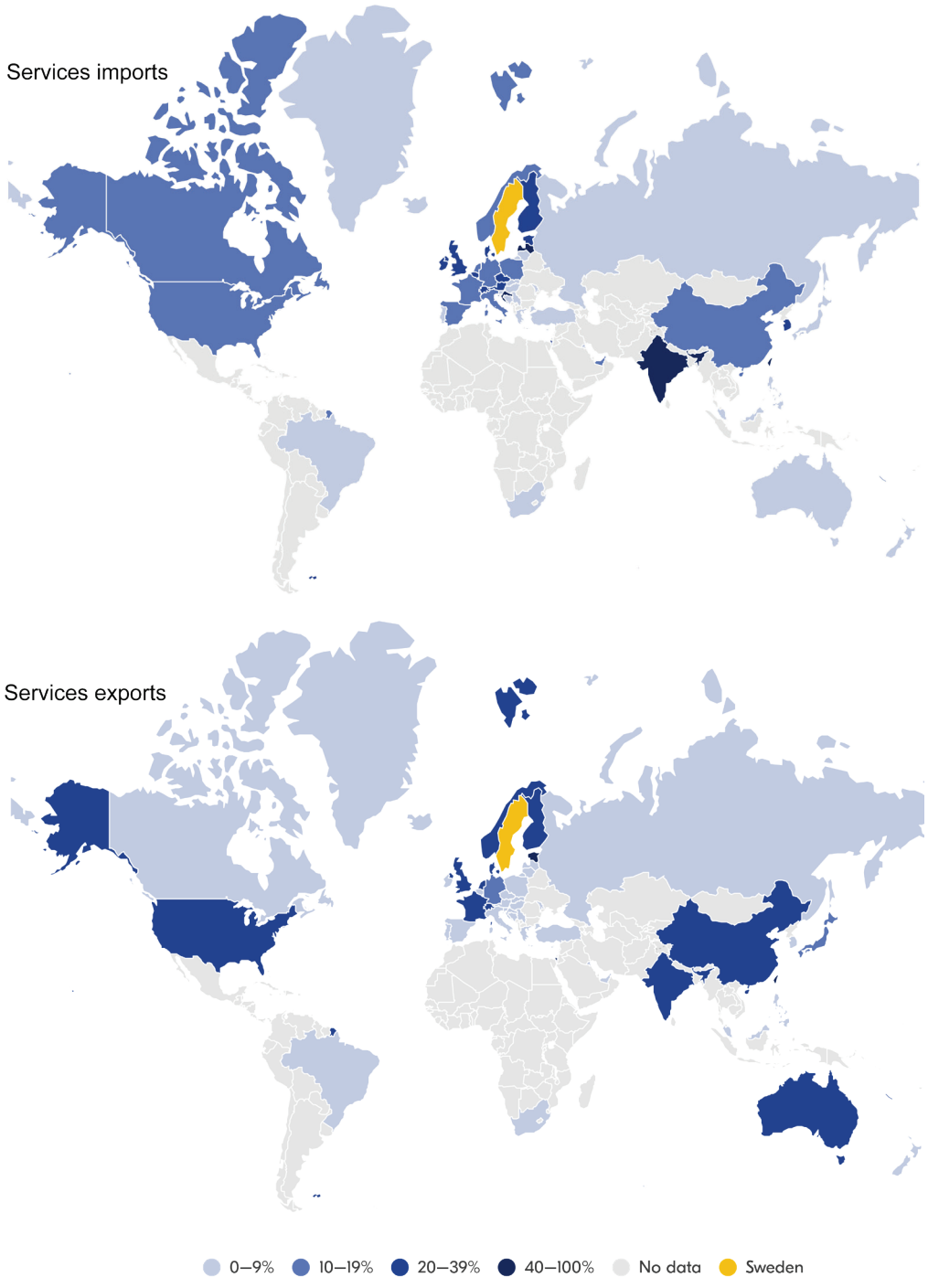
Figure 10. Share of services trade by end-use in 2024



Source: Statistics Sweden and own calculations.
Note: Total exports and imports include Swedish firms' and foreign-owned firms' trade in services.
Home-biased exports and imports only include foreign-owned firms' trade with the investor's home country.

Figure 11. Share of home-biased trade in services in 2023

Figure 11a shows share of services imports in 2023 on a world map where countries are marked in different colours depending on share.



Source: Statistics Sweden and own calculations.
Note: Sweden is coloured yellow. For the countries that are coloured grey, there are no firms in Sweden owned by entities from those countries in our data.

Appendix B

Sample of Swedish firms used in the analysis

This analysis only uses Swedish firms that at some point between 1997 and 2023 are acquired by a foreign entity. These firms tend to be larger (in terms of value added, revenue, number of employees) and more capital intensive than the average Swedish firm. The number of firms that are acquired each year is somewhere between 500 and 800, and there is no upward or downward pattern visible in the data over time. In total, we include 16,250 firms that are foreign-acquired, of which the vast majority are active in the services sector (14,000). We include around 2,250 firms in the manufacturing sector and 200 in the agriculture and mining sector. Most firms only have one foreign owner between 2008 and 2024 (the time period used in the analysis), though 2,750 firms have two distinct owners, and 1,000 firms have more than two owners (based on country of ultimate owner).

Event-study design: changes in the share of trade with the home country

In addition to the analysis of home-biased trade using absolute trade flows, one can analyse the question of changes in home-biased trade expressed in relative terms. Relative home-biased trade flows are the share of home-biased trade in total trade for the firm, expressed in percentages. Potential changes in relative home-biased trade may therefore reflect a reallocation of firms' sourcing or export destinations across countries, without actually altering trade flows in absolute terms. By looking at the relative share of the (future) home country, we are able to get a more complete understanding of acquired firms' international trade patterns after foreign acquisition.

In order to investigate whether the share of trade with the home country changes in the years around the foreign acquisition, we employ a standard event study approach. This approach has the additional benefit of allowing us to study pre-trends in home-biased trade prior to the foreign acquisition. See the technical box below for a more detailed explanation.

Technical box

We employ a standard event-study approach to estimate home-biased trade in the years around the foreign acquisition. The unit of analysis is the share of home-biased trade in total trade of a firm for all years the firm is active, and the empirical specification takes the following form:

$$ShareHBT_{i,t} = \sum_{\tau=-5}^{-1} \gamma_\tau D_{i,\tau} + \sum_{\tau=0}^{5} \gamma_\tau D_{i,\tau} + \delta_i + \mu_t + \epsilon_{i,t}$$

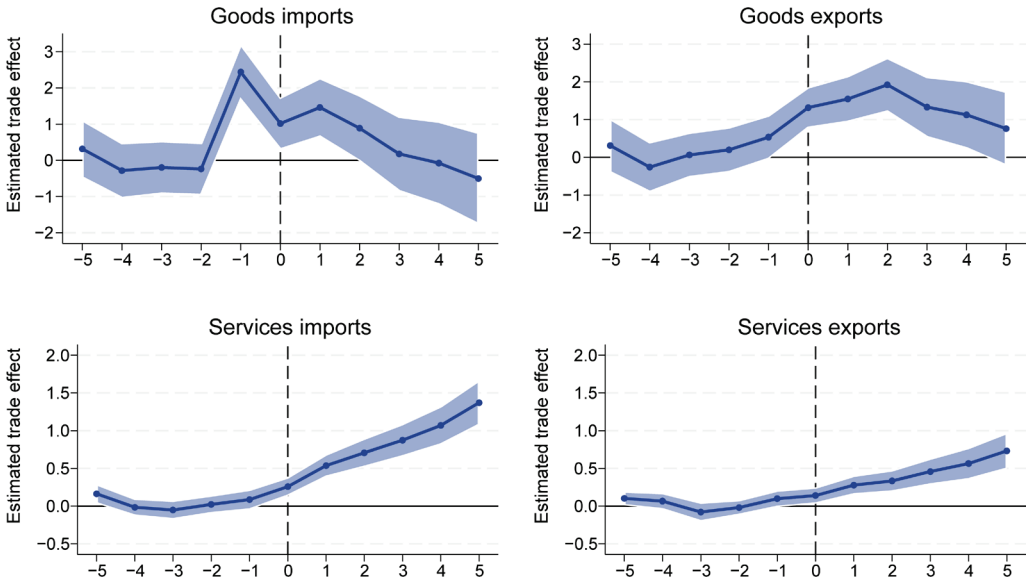
In this case, the left-hand side variable is the share of home-biased trade (HBT) in total trade of firm i in year t. This is, by definition, between 0 and 100 per cent. The first part of the right-hand side indicates the 5 pre-treatment years included in this regression. That is, we estimate 5 coefficients for the 5 years prior to foreign acquisition, where $D_{i,\tau}$ takes the value of 1 if the foreign acquisition is τ years in the future. Similarly, the second part of the right-hand side of the equation indicate the 5 years after foreign acquisition. We estimate 6 coefficients, starting from the year of acquisition (when $\tau = 0$), all the way up to 5 years after acquisition. As in the absolute trade flow analysis, firm and year fixed effects are included. The estimations are run using Rios-Avila (2023) csdid package in Stata so as to avoid possible biases in staggered treatment settings with multiple time periods. See Callaway and Sant'Anna (2021) for more information.

The results are shown in four graphs below. For goods trade, it seems that both imports and exports with the home country make up a larger share of the firm's trade even immediately prior to acquisition. This is in line with the findings above, where we found that trade relations with the future home country are larger than with other countries in the pre-acquisition years. We also find a positive, yet short-lived, effect on the share of a firm's goods trade with the home-country directly after the acquisition, which lasts 3 to 4 years. After this period, this positive effect disappears, where the share of home-biased trade in total firm trade is no longer different from the control group.[11]

For services trade, the share of trade with the future home country is not higher in the years leading up to the acquisition. At the moment of foreign acquisition, and the years after, services trade with the home country accounts for a larger share in a firm's services trade. These results can also be linked to Figure 7, with the positive and significant estimates for home-biased trade post-acquisition.

[11] While this event-study approach uses relative trade flows instead of absolute trade flows (as in the approach of Section 3.1), this could potentially explain why the goods trade results in Figure 7 do not present significant differences between pre- and post-acquisition home-biased trade.

Figure 12. Changes in home-biased trade in the years around acquisition, by type



Source: Statistics Sweden data and National Board of Trade Sweden calculations. Estimator following Callaway and Sant'Anna (2021).

Additional tables and figures

Table equivalents of Figure 7

Table 1. Difference-in-differences regression results for goods imports

	(1)	(2)	(3)	(4)
Home	1.940***	1.675***	1.079***	1.022***
	(0.182)	(0.140)	(0.116)	(0.131)
Post-acquisition	0.180	0.280**	0.156*	0.136*
	(0.103)	(0.106)	(0.061)	(0.053)
Home x post-acquisition	0.620*	0.510*	0.455*	0.593*
	(0.259)	(0.163)	(0.183)	(0.133)
Observations	3,366,650	2,726,284	3,345,402	2,712,263

Table 2. Difference-in-differences regression results for goods exports

	(1)	(2)	(3)	(4)
Home	1.960***	1.857***	0.616**	0.731**
	(0.186)	(0.241)	(0.232)	(0.260)
Post-acquisition	0.139	0.311***	0.168	0.248**
	(0.132)	(0.089)	(0.100)	(0.081)
Home x post-acquisition	0.500	0.241	0.078	0.001
	(0.325)	(0.305)	(0.235)	(0.261)
Observations	3,230,615	2,597,964	3,212,893	2,803,267

Table 3. Difference-in-differences regression results for services imports

	(1)	(2)	(3)	(4)
Home	0.808*	1.061***	-0.641*	0.052
	(0.407)	(0.200)	(0.315)	(0.214)
Post-acquisition	-0.463	0.387	-0.173	0.281
	(0.593)	(0.237)	(0.415)	(0.219)
Home x post-acquisition	2.597***	1.604***	2.058***	1.623***
	(0.495)	(0.257)	(0.345)	(0.239)
Observations	2,365,316	1,604,575	2,279,295	1,529,627

Table 4. Difference-in-differences regression results for services exports

	(1)	(2)	(3)	(4)
Home	1.220*	1.454***	-0.055	0.445
	(0.537)	(0.419)	(0.392)	(0.273)
Post-acquisition	-1.229**	0.323	-1.112**	-0.345
	(0.426)	(0.288)	(0.408)	(0.241)
Home x post-acquisition	2.363***	0.971*	2.022***	1.445***
	(0.638)	(0.431)	(0.472)	(0.281)
Observations	2,035,041	1,365,412	1,982,485	1,285,199

Svensk sammanfattning

Summary in Swedish

Chocker och den geopolitiska utvecklingen i världen har intensifierat diskussionen om beroenden och sårbarheter i leveranskedjor. Ett centralt ämne i den aktuella debatten kring ekonomisk säkerhet rör inte bara beroenden av import från vissa länder utan också hur utländskt ägarskap kan påverka inhemska företags handelsrelationer och eventuellt skapa andra former av beroenden.

När det gäller importberoenden har detta lett till att begrepp som *de-risking* och diversifiering fått allt större uppmärksamhet inom handelspolitiken. Därmed har behovet av att företag minskar sin exponering mot koncentrerade leveranskedjor och begränsar risken för leveransstörningar ökat. Samtidigt har en annan aspekt av beroenden, nämligen beroenden som uppstår genom utländskt ägarskap i känsliga sektorer, fått ökad uppmärksamhet. Som svar på detta har länder infört eller förstärkt sina mekanismer för investeringsgranskning. EU har nyligen godkänt en uppdaterad förordning om investeringsgranskning, som bland annat innebär obligatorisk granskning i vissa känsliga sektorer.

Denna analys undersöker ett ämne som ligger i skärningspunkten mellan säkerhet, internationell handel och utländska direktinvesteringar: hur svenska företags handelsmönster förändras efter ett utländskt uppköp. Mer specifikt analyserar vi om svenska företag som förvärvas av utländska investerare handlar mer med investerarens hemland efter uppköpet. Om det utlandsägda företaget ökar sin import från eller export till moderbolagets hemland kan detta vara en indikation på så kallad hemlandsorienterad handel (*home-biased trade)*.

Utländska företag står för drygt hälften av Sveriges totala utrikeshandel och spelar därför en viktig roll i den svenska ekonomin. Resultaten i vår empiriska analys visar att starka befintliga handelsrelationer med den framtida investerarens hemland är förknippade med en högre sannolikhet för utländskt uppköp. Däremot är varuhandeln med investerarens hemland efter uppköp nödvändigtvis inte större än före uppköpet. För tjänstehandel ser vi däremot att hemlandsorienterad handel är större efter ett utländskt uppköp jämfört med före uppköpet.

Inom internationell ekonomi är det väl etablerat att handel minskar med geografiskt avstånd. Vår studie visar att detta samband inte gäller när man undersöker utlandsägda företags handel med hemlandet. Resultaten visar att det inte finns någon statistiskt säkerställd korrelation mellan hemlandsorienterad handel och geografiskt avstånd.

Dessa slutsatser är relevanta för arbetet med granskning av utländska direktinvesteringar. Ett utländskt uppköp av ett svenskt företag kan öka företagets beroende av investerarens hemland. Om företaget bedriver verksamhet inom en känslig sektor bör granskningsmyndigheten därför också undersöka eventuella framtida beroenden i form av hemlandsorienterad handel.

Sammanfattningsvis visar resultaten att ägarstrukturer är en viktig, men ofta förbisedd, dimension av internationell handel. Hemlandsorienterad handel kan därför bli en mer systematiskt integrerad del av policydiskussioner om ekonomisk säkerhet, resiliens och strategiska beroenden.

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

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

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

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

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

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

The National Board of Trade Sweden, August 2026. ISBN: 978-91-89742-92-5.

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