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The EU accession and changes in trade pattern: the case of Sweden

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[Abstract]

This paper examines the effect of the EU accession on trade structure of Sweden. Two decades have passed since the Swedish accession to the European Union (EU) in 1995. Sweden is now integrated in the Single Market as a Member State of the EU. Integration to the Single Market, which ensures free movement of goods and services, has provided Swedish companies an opportunity for expanding export. Moreover, it has stimulated Swedish companies to be multinationals, because the Single Market Programme (SMP) also includes free movement of capital which involves foreign direct investment (FDI). Furthermore, the subsequent enlargement of the EU in the 2000s brought more diverse Member States. Facing these drastic changes, Swedish companies required to adapt their location strategies to new circumstances.

The functions of the Single Market became a driving force for creating Global Value Chains (GVCs). The effect of the GVCs is supposed to appear in trade patterns. In this light, how did the trade pattern of Sweden changed after the EU accession, and if so, how has it changed? Furthermore, how has the enlargement of the EU affected the trade pattern of Sweden? To address these questions, I investigate trade data in descriptive analysis as well as empirical analysis. In these analyses, trade of machinery with EU Member States is focused on in order to investigate the intensive and the extensive margins of trade. In addition, determinants of trade and the effect of the EU accession are tested empirically employing the gravity model.

From the descriptive analysis, it is found that there is a sharp decline in the number of traded goods around the years of the EU accession of Sweden and of CEECs. In addition, the empirical analysis confirms that the extensive margin decreases with the EU accession.