

Summary

Foreign acquisitions of Swedish companies attract significant interest in both political and economic contexts. Sweden has historically been relatively open to trade and investment, and many believe that this openness has been a key factor in the country's economic success. At the same time, this openness has raised questions about how Sweden can balance the need for economic development with national security.

The issue of foreign acquisitions has gained renewed relevance in light of the deteriorating geopolitical situation, Russia's invasion of Ukraine, China's growing economic influence, and the global technological arms race. In this context, the ownership and control of strategic resources, technologies, and companies becomes part of a broader security policy discussion.

This report, commissioned by the Expert Group on Public Economics (ESO), aims to provide an empirical and nuanced basis for understanding the economic effects of foreign corporate acquisitions. It examines how productivity, employment, trade, and innovation develop in companies acquired by foreign actors, and analyzes both positive and negative consequences. The report also highlights which types of companies tend to be acquired, the investors' country of origin, and the frequency of acquisitions in industries that may be considered security-sensitive, such as defense, energy, or telecommunications.

Between 1997 and 2021, there were annually between 200 and 500 foreign acquisitions of Swedish companies. These acquisitions primarily took place in the major metropolitan regions, while many smaller regions only saw a handful of acquisitions per year. For example, throughout the entire period, fewer than 100 acquisitions occurred in counties such as Norrbotten, Jämtland, and Blekinge. A

clear concentration in the most urbanized and economically dynamic parts of the country can be observed.

The companies being acquired tend to be larger, more productive, and more export-oriented than average. They typically belong to industries such as manufacturing, trade, IT, and technical consulting. The most common buyers come from neighboring countries like Norway, Denmark, and Finland, but also from the USA, the UK, Germany, France, and the Netherlands. Many acquisitions likely occur through holding companies in tax-favorable jurisdictions such as Luxembourg and Ireland. Chinese acquisitions, which often receive media attention, are few – around 150 over a 23-year period, which averages just over five per year. By comparison, about 85 Norwegian acquisitions occur annually.

A recurring question in the debate is whether foreign acquisitions threaten Sweden's national interests by relocating headquarters, research, or production abroad. Our analysis shows that this is not a dominant pattern. While the risk of closure is slightly higher after a foreign acquisition, the vast majority of companies acquired by foreign actors continue to operate in Sweden. Furthermore, employment in these companies increases. This is an important insight to help nuance the public discussion, which is often dominated by isolated cases where acquisitions have had negative consequences.

Productivity development is on average positive after a foreign acquisition. Our estimates show that productivity increases by 5 to 10 percent within three years after the acquisition. These effects are greater in smaller companies and in the service sector. A key finding in our analysis is that about 40 percent of the total productivity growth in Swedish business can be linked to foreign-owned companies. This means that these companies play a major role in Sweden's economic development, even though they only make up about 8 percent of the total number of companies. The high contribution to productivity growth reflects the fact that foreign companies are typically larger, have higher capital intensity, and better access to technology. At the same time, the analysis shows that foreign companies do not contribute significantly to employment growth. They employ about 27 percent of the workforce, but their share of the overall increase in employment is much smaller.

International trade – both exports and imports – increases after acquisitions. Companies are often integrated into new value chains, which allows improved access to materials, components, and customers. Trade with the new home country increases in particular: for example, a company that gets new German owners tends to increase trade with Germany.

One aspect that has received increasing attention is acquisitions in so-called sensitive sectors – such as defense, energy, telecommunications, or advanced technology. The report shows that such acquisitions make up less than 5 percent of the total number. Moreover, the buyer's nationality plays a significant role: an acquisition in a sensitive sector is considerably less problematic if the buyer is Norwegian than if it is Chinese. Most acquisitions in sensitive industries are made by investors from EU or OECD countries. The risk that acquisitions pose a direct threat to national security is therefore considered relatively small.

To manage potential risks, a new law on the review of foreign direct investments was introduced in 2023. It gives the Inspectorate of Strategic Products (ISP) the authority to assess and potentially block acquisitions that may threaten Sweden's security or public order. In practice, no deals were stopped during the first year of the new law, but the agency uses its powers for preliminary dialogue and requirements for notification to prevent problems. However, the new review process involves costs both for the authorities working on the issue and for the time and effort that companies, both Swedish and foreign, must spend on documentation and reporting. It is possible that the regulations may lead to a lower inflow of foreign companies to Sweden. It is uncertain whether the security-related benefits of the new review procedure are proportional to the cost for society and business. The new investment review law should be applied with caution, proportionality, and transparency. An evaluation of how the law is applied is desirable.

Overall, the report shows that foreign acquisitions are generally beneficial for the Swedish economy. They contribute to increased productivity, greater international integration, skills development, and growth in Swedish business. Therefore, a balanced regulatory framework is needed—one that protects important societal interests without undermining Sweden's attractiveness as a destination for investment.

The most important policies for attracting foreign direct investment are largely the same as those that benefit domestic companies and entrepreneurs. A major advantage is that no special policies are needed for foreign companies; instead, political efforts can focus on improving the general business climate. This is confirmed in the study by the fact that foreign acquisitions and foreign companies tend to be in sectors that also host many Swedish firms. In other words, both Swedish and foreign companies are drawn to industries with favorable conditions. So, what kinds of measures support foreign investment? Previous studies show that the inflow of foreign investment is supported by a high degree of stability, good infrastructure, reasonable tax levels, an open trade policy, and access to skilled labor. These are also factors that positively impact domestic business.

To ensure that Sweden remains an attractive country for foreign investment, policy should focus on offering favorable conditions for business. This means combining openness and a welcoming attitude toward international capital with a clear ability to protect critical societal interests. By doing so, Sweden can harness the significant benefits that foreign acquisitions bring, while also safeguarding national security and strategic resources.