



SCIENTIFIC FINAL REPORT

Two- and three-year projects and postdoctoral projects

Registration number, Östersjöstiftelsen: 52/16

Project manager: Patrik Tingvall.

Project title: "Baltikum: En katalysator för internationalisering av svenska små och medelstora företag

1. The three most important results of the project and what conclusions can be drawn from them.

(i) Foreign investors originating from countries with a low gender wage gap do not necessarily export the low gender wage gap policy to their affiliate firms located in countries with a relatively high gender wage gap.

(ii) Traditional export statistics on direct exports severely underestimate the extent to which products from small and medium-sized firms (SMEs) reach foreign markets. For small and medium-sized firms, the role of intermediate actors, such as wholesale firms, is instrumental. These intermediary actors are often overlooked both in research on export determinants and by governments in the design of export promotion policies.

(iii) Participation in global value chains is of significant importance for productivity growth, and this is particularly true for skill-intensive firms.

2. The project's contribution to the international research frontline.

This research project encompasses two significant contributions within the academic realm: The first primary contribution lies at the intersection of international trade and labor economics, offering insights into the nexus between firms' globalization and the gender wage gap. Here we investigate firms-and-social mechanisms through which multinational corporations propagate gender norms from their foreign subsidiaries to the parent company. Additionally, this research delves into the ramifications of discernible cognitive skill disparities between genders on the gender wage gap, especially in the context of firms expanding their international sales networks.

The second scholarly domain in which this research project makes substantive contributions pertains to the strategies employed by small and medium-sized enterprises (SMEs) to gain access to foreign markets. The analytical focus here centres on the pivotal role played by intermediary firms, particularly wholesale entities, which serve as vital conduits linking domestic and foreign markets. This research features how small and medium sized firms that cannot take advantage of the sales networks provided by multinational firms can reach foreign markets by way using wholesale firms as a catalyst for their export. Using Estonian data we show that by taking indirect export into account, traditional export statistics underestimates export by SME:s



3. The contribution of the research to the knowledge of the Baltic Sea Region and Eastern Europe

Within the context of the Baltic Sea region, this research project unveils several notable contributions. Despite Sweden's reputation as a country with a commendably low gender wage gap and its status as the largest foreign investor in Estonia, an intriguing observation emerges: Swedish firms do not appear to transfer their domestically cultivated policies aimed at mitigating the gender wage gap to their affiliate firms operating in Estonia. Conversely, first, foreign investors in Estonia has been shown to exhibit a larger wage gap than local firm. In addition, Sweden is the single largest foreign investor in Estonia, followed by Finland and Russia.

Looking at Swedish MNE:s with affiliate firms in Estonia an intricate patterns appears. Swedish enterprises heavily reliant on the Estonian market exhibit a relatively large gender wage gap in their home market operations in Sweden. That is, the evidence rather points at Swedish MNE:s with a high dependence on high gender wage gap markets tend to import foreign gender norms rather than exporting Swedish wage setting and gender norms.

Another significant scholarly contribution lies in the elucidation of the strategies employed by small and medium-sized enterprises (SMEs) based in Estonia to efficaciously penetrate foreign markets. Given the limited presence of local multinational enterprises (MNEs) to serve as role models, Estonian SMEs rely heavily on intermediary actors, such as wholesale firms, to facilitate their exports and international market expansion. The examination of exports by Estonian SME:s was facilitated by unique firm level data where domestic sales from SME:s to wholesale firms and their subsequent exports could be followed. Consequently, the Baltic Sea region serves as a compelling case study, demonstrating the intricate interplay between countries characterized by varying levels of the gender wage gap and shedding light on the resourceful strategies adopted by smaller firms to gain access to global markets.

4. New research questions that the project has led to

- (i) How the gender wage gap in exporting firms is affected by a combination of the contract intensity of exported goods and the degree of dependency of export markets and the gender wage gap in the most important export destinations.
- (ii) In countries like Estonia with few domestic multinational firms, the role of intermediate actors, such as wholesale firms, can hardly be over-estimated in their role as an instrument allowing the products from SME:s to reach foreign markets. This opens up for a new line of reasoning in the design of export promotion policies.

5. Publications and dissemination of the results of the project within and outside the research community

Publications



- Kokko, A. and Tingvall, P. (2023), “Intermediaries in International Trade: An Analytical Review”. Submitted to Journal of Economic Reviews.
- Shilinde, J.S.M. and Kokko, A. (2023), “Domestic Direct Exports and Export Spillovers from Foreign Export Intermediary Firms. Revised and resubmitted to Journal of African Trade,
- Kokko, A. and Tam Thanh Nguyen (2022), “International Experiences of Vocational Education Reform during Economic Transitions”. Manuscript, under revision. Target journal: Journal of Vocational Education and Training.
- Masso, J. , Vahter, P. (2023). Joining and exiting the value chain of foreign multinationals and performance of their local suppliers: evidence from interfirm transaction data, *Industrial and Corporate Change*, dtad004, <https://doi.org/10.1093/icc/dtad004>
- Kasteng, J., Kokko, A., Norell, N., and Tingvall, P. (2022). “Learning by using free trade agreements . Vox, CEPR, 2 June, 2022. <https://cepr.org/voxeu/columns/learning-using-free-trade-agreements-0>.
- Shilinde, J.S.M. and Aikaeli, J. (2022), “*The Presence and Effects of Foreign Multinational Firms on the Survival of Domestic Agricultural Products Export Firms in Tanzania*”, African Journal of Economic Review, 10 (5), December 2022.
- A Coad, SO Daunfeldt, D Halvarsson (2018). [Bursting into life: firm growth and growth persistence by age](#). Small Business Economics 50 (1), 55-75

Övriga publikationer, böcker, bokkapitel, working papers

- Halvarsson, Daniel, Olga Lark, Patrik Tingvall och Josefin Videnord (2022). ”*Bargaining for Trade: When Exporting Becomes Detrimental for Female Wages*”. IFN Working Paper nr 1437. Stockholm: Institutet för Näringslivsforskning.
- Halvarsson, D., och Tingvall P. (2019). ”[The impact of employing mismatched workers on firm productivity, wages and products](#)”. Ratio Working paper, No. 219.
- Shilinde, J.S.M (2023), ”*Direct Exporters and Intermediaries in Tanzania’s Agricultural Exports*”. PhD Thesis, School of Economics, University of Daar Es Salaam.
- SO Daunfeldt, E Engberg, D Halvarsson, A Kokko, P Tingvall (2019), [Partihandeln-en katalysator för svensk export?](#)
- Halvarsson D., Kokko, A och Tingvall p. (2019). ”[Wholesale firms: A catalyst for Swedish exports?](#)”, Ratio Working Paper No. 328.

Research publication on the Baltic region:

- Halvarsson, D., Lark, O., Tingvall, P., Vather, P., and Videnord, J. (2023). Do gender norms travel within corporations? The impact of foreign subsidiaries on the home country’s gender wage gap. Applied Economics Letters, published online 21 April 2023. <https://doi.org/10.1080/13504851.2023.2205093>.
- Christensen, N. H. and Kokko, A. (2018), “Chinese FDI in the Nordic and Baltic Countries”, Baltic Rim Economies Review, 2018(1).
- Kokko, A. and Varblane, U. (2019), “Productivity and indirect exports: Evidence from Estonia”. Manuscript, under revision. Preliminary version published as Chapter 6 in Ratio Working Paper No. 328. Target journal: Review of World Economics.
- Daniel Halvarsson, Olga Lark, Patrik Gustavsson Tingvall, Priit Vahter & Josefin



Videnord (2023). Do gender norms travel within corporations? The impact of foreign subsidiaries on the home country's gender wage gap, *Applied Economics Letters*, DOI: 10.1080/13504851.2023.2205093

- Yashiro, Naomitsu; Benkovskis, Konstantins; Masso, Jaan; Tkacevs, Olegs; Vahter, Priit. (2017). Export and productivity in global value chains: COMPARATIVE EVIDENCE FROM LATVIA AND ESTONIA OECD Economic Department Working Papers; Paris, Dec 11, 2017. DOI:10.1787/cd5710c4-en.

- Benkovskis, K., Masso, J., Tkacevs, O., Vahter, P., Yashiro, N. (2020). Export and productivity in global value chains: comparative evidence from Latvia and Estonia. *Review of World Economics* 156, 557–577. <https://doi.org/10.1007/s10290-019-00371-0>

- Vahter, P., Masso, J. (2019). The contribution of multinationals to wage inequality: foreign ownership and the gender pay gap. *Review of World Economics*, 155, 105–148 (2019). <https://doi.org/10.1007/s10290-018-0336-2>.

- Halvarsson, Daniel, Olga Lark och Patrik Gustavsson Tingvall (2022). "Foreign Ownership and Transferring of Gender Norms". IFN Working Paper nr 1433. Stockholm: Institutet för Näringslivsforskning.

Conferences, selection

(2023) ECEE. P. Vahter presented the paper #1 in the list above.

https://haldus.taltech.ee/sites/default/files/2023-06/ECEE15_Tallinn_June2023_Program_070623.pdf?ga=2.188480939.2017077834.1688047919-1124172326.1682343419

(2022). AIB 2022. P. Vahter presented the paper #1 in the list above.

<https://www.aib.world/wp-content/uploads/2022/06/AIB-2022-web-final.pdf>

(2022). AIB UK & Ireland 2022 Chapter Conference. P. Vahter presented the paper #1 in the list above.

(2022) May NOITS2022 - Foreign Ownership and Transferring of Gender Norms

(2022) Sept ETSG2022 – Bargaining for Trade: When Exporting Becomes Detrimental to Female Wages.

(2022). Swedish European for European Economic Studies (SNEE), Lund. Workshop on Rules of Origin, June 2019.

(2022). European Trade Study Group, Grönigen Holland. (2021). Swedish European for European Economic Studies (SNEE), Lund.

(2021) Oct LU internal seminar/brown bag - Foreign Ownership and Transferring of Gender Norms.

EIBA 2019. P. Vahter presented the paper #3 in the list above. <https://www.eiba.org/r/jibe-prize>

(2019). KOM, Trade Economist Network. Workshop, March 2019, Bukarest.

(2018). World Economic Forum, Geneva. "Policies for Sustainable & Inclusive GVC:s", workshop, 28 March 2018.

(2018). International Trade Centre, Geneva. "No such Thing as a Commodity", workshop. 28 March 2018.



(2017). The European Economic Association, Lissabon. “The Impact of Employing Mismatched Workers on Firm Productivity, Wages and Profits”

Awards

JIBE International Trade & Industrial Organization in International Business Prize at EIBA 2019 conference for the paper Konstantins BENKOVSKIS & Olegs TKACEVS (Bank of Latvia), Jaan MASSO & Priit VAHTER (University of Tartu, Estonia), & Naomitsu YASHIRO (OECD) Export and Productivity in Global Value Chains: Comparative Evidence from Latvia and Estonia. See here: <https://www.eiba.org/r/jibe-prize>