

# A European Star

Sweden is a shining beacon amidst the gloom of the EU's dismal economic story. With bilateral ties between India and Sweden moving beyond traditional manufacturing, a new era dawns for businesses in both countries. *A BUSINESS TODAY COUNTRY REPORT ON SWEDEN.* BY SHAILESH DOBHAL



**F**EW FIRST-TIME VISITORS TO SWEDEN WOULD HAVE MISSED THE peculiar always-on headlights of any automobile on the road, never mind the hour of the day or month of the year! Ostensibly a safety measure, the refrain goes that it helps the pedestrian or the opposite car view the approaching vehicle better, helping minimise accidents. Well, we can't

vouch for that (nor can most Swedes), but the \$301.8-billion (Rs 13,88,280-crore in 2003) Swedish economy is a definite beacon of hope amidst the dense, darkening fog that is the economy of the European Union (EU)—it is growing at less than half a per cent (quarter ending December 2004), compared to Sweden's stellar over three per cent.

Little wonder then, Sweden's nine million-odd population voted against adopting the Euro (Sweden is only the third EU country, after the United Kingdom and Denmark, not to embrace the Euro), choosing to stay with the Swedish Krona during a stormy referendum in September 2003, which saw the tragic murder of foreign minister Anna Lindh, the reigning Social Democrat Party government's most vocal euro-enthusiast.

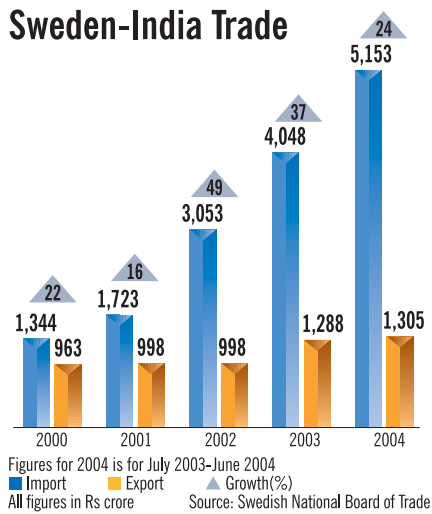
Big Swedish businesses though, even today, rue the missed opportunity, fearing that in the long term, foreign investment in Sweden will dip because of this. Euro-enthusiasts, and there are enough across all big political parties and most of Sweden's large companies, also point to the Euro's rising appreciation over the dollar, a notion out there that kind of proves



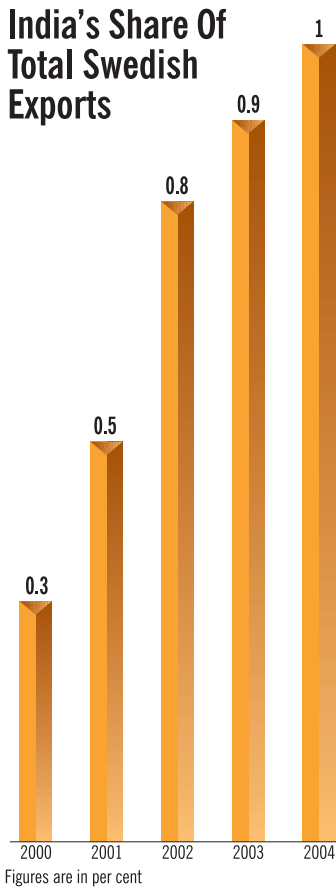
Beauty on water: A bird's-eye view of Stockholm city

PHOTO: WWW.IMAGEHANK.SWEDEN.SE © R. RYAN, STOCKHOLM VISITORS BOARD

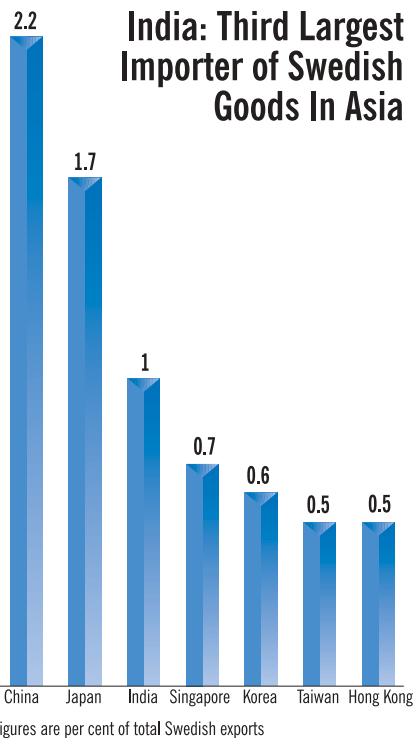
### Sweden-India Trade



### India's Share Of Total Swedish Exports

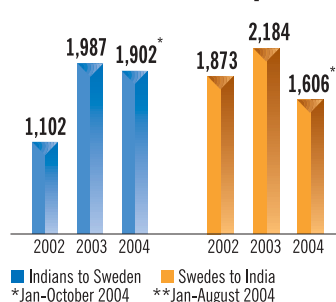


### India: Third Largest Importer of Swedish Goods In Asia



GRAPHICS BY PINAKI PAUL

### On a Business Trip



that global businesses are increasingly starting to believe in the EU and the Euro over the dollar. The debate, however, continues in Sweden, though no one expects a second referendum on the Euro anytime soon, certainly not before the next national elections due in 2006.

A small domestic market (the country crossed the nine-million population figure only in the middle of 2004), makes the Swedish economy heavily dependant on trade, which accounts for over 60 per cent of the gross domestic product (GDP), with exports alone contributing 44 per cent of Sweden's GDP. Combine that with typical Swedish innovativeness (the country has the highest number of patents per person in the world) and the industrious nature of its people—the equivalent of the protestant work ethic that built post-war US; Sweden is a protestant nation that broke off from the Roman Catholic Church almost five centuries ago—and the result is a nation that is home to multinationals such as Volvo, Ericsson, Saab (it was acquired by General Motors) Electrolux, ABB, AstraZeneca, SKF, Pharmacia, Alfa Laval and Tetra Pak, all companies that have blazed the global trail for decades now, including impressive trails in India.

### Focus On India

“Over the last year or so we have seen tremendous interest in and focus on India here in Sweden.

Tech valley: Lindholm Science park/ Telematics Valley in Goteborg



Swedish economy is dependant on trade, which accounts for over 60 per cent of the gross GDP



PHOTO: WWW.IMAGEBANK.SWEDEN.SE © KJELL HOLMNER. KJELL HOLMNER / GOTEBORG &amp; CO

Volvo city: Goteborg in all its shining splendour

There were Swedish companies investing in India in the 1950s and 60s and then there was a big lull," says Ravindra Parasnis, Senior Vice President, Asia/Pacific, Swedish Trade Council (STC). The man is right. Most Swedish MNCs like ABB, SKF, Alva Laval and Ericsson entered India quite some time back; recently, most have embarked on efforts to renew their presence here, investing afresh for servicing the exploding domestic Indian market as well as increasingly using the country as a base to manufacture for the world.

India-Sweden bilateral trade, close to \$1.44 billion (Rs 6,336 crore) currently, has been growing strongly for the past four-five years, so much so that India became, in 2004, the third largest importer of Swedish goods in Asia, after China and Japan, accounting for almost a full percent of all Swedish exports globally. The balance of trade, though, remains skewed in favour of Sweden, with Swedish imports to India almost four times Indian exports to Sweden. But that's akin to missing the wood for the trees, for India's balance of trade with most industrialised nations is in the negative. What is really important is a reinforced trade and business engagement between the two countries.

Swedish business forums across new and old economy industries will tell you how a couple of years ago it was near impossible to organise a seminar on business

## India became, in 2004, the third largest importer of Swedish goods in Asia

opportunities in India in Sweden, as there was practically no interest. "Today, all of them are sold out," adds STC's Parasnis. One reason for this renewed interest is that India is doing very well; showing a sustained GDP growth of around 7 per cent on a \$650-billion (Rs 28,60,000-crore) base has impressed the G-7 enough to give India, along with China, pride of place at their annual jamboree.

Secondly, and more importantly, the China growth story has ironically become a big selling point for India. China has proven to be a profitable market (and wildly so) for many Swedish companies; that is being taken as a precedence by Sweden Inc., and most companies want to catch the India story early. That's a sea change from the tech-boom days of 1999-2000 when Sweden, a country strong in IT services itself, viewed India more as a threat than an opportunity.

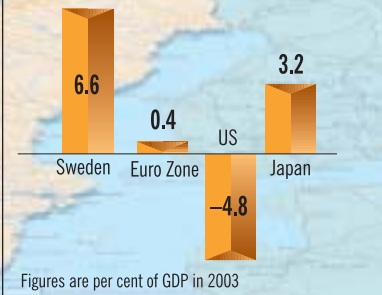
Today, most big Indian IT services companies such as Infosys Technologies, Tata Consultancy Services and Wipro Technologies have established a foothold in Sweden, though the business still remains small. "There are about 50 registered Indian users on our web portal.

## Swedish Economy

AREA	450,000 sq. km.
POPULATION	9,008,846
GDP	Rs 13,88,280 crore in 2003
UNEMPLOYMENT*	4.90%
HOUSEHOLD SAVINGS ^	8%
EXPORTS AS PER CENT OF GDP	44%

\* Registered as per cent of total workforce  
^ As per cent of disposable income

## Current Account Balance



We would certainly like Indian IT companies to join us," says Greg Geiselhart, Executive Director, Telematics Valley, a business park based in the Lindholm Science Park, Goteborg, Sweden's second-biggest city after capital Stockholm. Most global car makers, telephony and IT companies already have a base here. Sweden prides itself as a country that occupies a high-value niche in industries as varied as engineering, telecom, information technology, even biomedicine. That's pretty much the only way a country of just nine-million souls can compete globally. Is there an opportunity here for the otherwise booming but product-starved Indian IT industry to jointly develop proprietary products?

Kai Hammerich, Director General of Invest in Sweden Agency (ISA), speaks about the opportunity

ponents from India for auto companies in Sweden, Norway and Finland. Though Sweden's relatively inflexible labour policy—the country follows an unsustainable 'crib to grave' welfare formula that puts a huge onus on employers and results in relatively expensive living standards (the country is next to only Switzerland and Denmark on *The Economist's* Big Mac index on most overvalued currencies for 2004)—can be a dampener of sorts, government-led propaganda efforts in and outside Sweden say that a lot is changing for the better.

Being in India means different things to different Swedish companies. For most small-and-medium enterprises in Sweden like Alpha Sweden and Grimaldi Industri AB, makers of bicycles and storage discs, India

that big Indian companies across industries such as automotive parts and pharmaceuticals have in either forging alliances with, or even acquiring, Swedish firms. Sweden also beckons Indian companies as a gateway, a foothold to enter bigger markets, in both the EU and the US. Recently the Scandinavian Automotive Suppliers Association (SASA) signed an agreement with India's Automotive Components Manufacturers Association (ACMA) for sourcing and stocking auto components from India for auto companies in Sweden, Norway and Finland.

## HOTEL CZAR OF SWEDEN

HE IS THE MOST FAMOUS INDIAN FACE IN SWEDEN. WELL, MAKE THAT most famous immigrant. Arriving at the young age of 21 to study sociology at the University of Stockholm, Bicky Chakraborty, Managing Director, Elite Hotels, smelt an opportunity to become an entrepreneur by taking over bankrupt student dormitories and turning them around into no-frills budget hotels. "Mine was a typical immigrant's dilemma. I had no money and I took whatever was given to me," says the Kolkata-bred son of an Indian Railway official. That was almost 29 year back. Chakraborty has never looked back, buying a heritage hotel property almost every year, to become Sweden's biggest hotelier with 18 hotels under management now. His company, Elite, boasted revenues nudging Swedish Krona 800-million (Rs 560 crore) for 2004. "It is not important what I am doing in Sweden, building hotels. You can fill all the manholes in the world with hoteliers and it is nothing big. The important thing is the satisfaction and recognition that I am getting." Does he want to build hotels in India? "Yes I am looking at building a hotel in Kolkata. And maybe a resort property in Goa and Cochin."



## JEWEL IN THE SWEDISH CROWN

THE ROYAL FAMILY OF SWEDISH BUSINESS, THE WALLENBERGS OF INVESTOR AB, THE holding company for many Swedish multinationals such as Electrolux, Ericsson, ABB, SKF and AstraZeneca, are non-interfering shareholders. In Sweden the CEO of Investor counts as much as King Carl Gustaf or the Prime Minister, Goran Persson himself. The Wallenbergs have managed to keep a fine balance between ownership and management.

Virtually all of their 112-odd holding companies are run completely by professionals. And the family, into its fourth-generation now, quietly and amicably anoints the head of Investor, which has total assets of over Swedish Krona 103-billion (Rs 1,80,600 crore) in Dec 2003. It is perhaps the unity in the family that has helped Investor retain preferential shareholdings (with higher voting rights) in all its sphere companies, sometimes amidst stiff political and business opposition. Why, the family even warded off the threat from once formidable Swiss corporate raider Martin Ebner, when he took substantial position in Investor AB in 2001 and asked to split Investor into two separate firms.

A family member, Jacob Wallenberg, takes over as Chairman from Claes Dahlbaeck, a professional who has been Investor's Chairman since 2002 following legendary-manager Percy Barnevik's five-year stint. Jacob's cousin Marcus Wallenberg (seen in picture) runs Investor as President & CEO.



means only a big market to primarily sell their wares. For others, like Gunnebo, a global leader in physical security products, investing in capacity expansion in India means using India as a base to service markets across Asia and Europe. The scale, however, varies.

Players such as home appliance giant Electrolux, telecom equipment major Ericsson, truck-maker Volvo and drug company AstraZeneca have taken on the India opportunity quite aggressively. Electrolux, apart from selling consumer appliance to Indians, has put forward a plan to source big time from India, apart from outsourcing some part of its IT requirement to the

country. AstraZeneca is banking big time on the success of the tuberculosis research work being done at its Bangalore research facility, something that Lars Walan, Vice President, Emerging Markets (Global Drug Development), of the company says will encourage more global pharma companies to outsource R&D work to India. And Ericsson, already a leading telecom equipment company in India, is learning the ropes of a new revenue opportunity (in services) by managing the entire network of Bharti Enterprises. Then there are IKEA and Hennes & Mauritz, two icons of Swedish design success, with big Indian operations primarily the sourcing of textiles, apparel and home furnishings for their retail stores across the world.

New moves: Volvo is ramping up its Indian operations



Still, Sweden isn't outsourcing enough IT to India as yet, for the Baltic States and Poland compete very successfully with India. In some sense, Sweden woke up to the India opportunity only when John Kerry was raising the outsourcing issue during the run-up to the American presidential elections last year. Sweden is still in discovery phase on what India has to offer.

Walk down any high street in any Swedish city and you can't miss Indiska, a very old, very popular and very successful 62-store retail chain that sells Indian handicrafts, utility articles, accessories to style and design conscious Swedes; there is hardly a local Indian community in Sweden. It is time other businesses, Indian and Swedish, discovered that it is mere ignorance that keeps them away from success in each other's market.