ANALYSIS OF SWEDEN AS AN ATTRACTIVE COUNTRY FOR INVESTMENT

Author: Fatima Salam
Research Student, Department of Management Sciences, The Islamia University of Bahawalpur, Pakistan
Email: fatimasalaam@gmail.com
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1. Introduction

This report focuses on the success factors and investment attractiveness that the government and legal framework of Sweden offer.

The country is highly oriented towards welcoming the multinational companies. Here is the brief introduction of Sweden:

- Sweden was a military power in the 17th century, but it has not participated in any war for almost two centuries. It remained armed neutral in both World Wars. It is a capitalist country. In 2000-02 and 2009 by the global economic downturns it had to face unemployment to a great extent, but fiscal policies were designed and implemented in a way that has allowed the country to survive in economic vagaries. Sweden joined the EU in 1995, but the public did not agree to the introduction of the euro in a 2003 referendum. It is located between Finland and Norway. (C.I.A Factbook, 2011)
- The Population of Sweden is 9,074,055 (July 2010 est.) Religion is Lutheran 87%, other 13%(includes Roman Catholic, Orthodox, Baptist, Muslim, Jewish, and Buddhist) Language of Sweden is Swedish (official), also Sami- and some Finnish talking minorities (C.I.A Factbook, 2011.)
- About Literacy rate it is observed that age 15 and over can read and write (Factbook, retrieved on 28th January, 2011)
- Capital of Sweden is: Stockholm (C.I.A Factbook, 2011.)
- GDP growth rate is 4.5% (2010 estimate)
- inflation rate is said to be 1.4% (C.I.A Factbook, 2011)
- Currency: Krona (SEK) (EverBank, Sweden economic information, no date)
- Industries: iron and steel, precision equipment (bearings, radio and telephone parts, armaments), wood pulp and paper products, processed foods, motor vehicles (C.I.A Factbook, 2011)

2. General Conditions

Sweden is well-known due to its high individual taxes and large public sector (Economy of Sweden) The Sweden’s trade is at record levels. (2009 Investment Climate Statement, Bureau of Economic, Energy and Business Affairs, February 2009). The industrial as well as the agricultural sectors both play an important role in contributing to the GDP. The estimate of investments in research and development is about 4 percent of its gross domestic product (GDP) [Sweden Overview of economy, (2011)].

Sweden is retaining its place as the tenth most attractive country in the world that is the result of the 2010 year’s Anholt-GfK Nation Brands Index (NBI), this index measures the global likeness(image) of 50 countries in attractiveness and perceived qualities. [Sweden tenth most attractive nation, (2010)]

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2.1 Swedish values

According to Nation Brands Index, Sweden’s strength lies greatly in its governance because it is having successful social welfare oriented country. People have a lot of awareness about retaining their values: democracy and human rights as well as a lot of interest for global issues. At one time Sweden was facing the worst crisis but now the way it has emerged strongly from the global economic crisis [Sweden tenth most attractive nation, (2010)].

IT had taken grip on its top position in the environment category. The country’s aim to be environmentally friendly profile is becoming more and more significant for its attractiveness in general. The countries that are perceived to be “green nations” are considered as more attractive for trade partners or as tourism or study destinations. With sustainability becoming a key global issue, competition is become fiercer in European countries.

“Brief summary of Sweden’s NBI ranking
• Overall standing: Joint 10th place
• Best category: 3rd place for Governance
• Best issues: 2nd place for “Open, tolerant society”* and “Behaves responsibly to help reduce world poverty”

• Worst category: 14th place for Tourism and Culture
• Worst issue: 21st place for “This country is rich in historical buildings and monuments”
[adapted from Sweden tenth most attractive nation, (2010)]

3. The Government’s Outlook Towards Foreign Direct Investment

It has been seen that till the mid-1980s, Sweden was restrictive and had a complex system of laws and regulations about direct investment. When it joined the European Union (EU) in 1995 it has immensely improved the investment climate and attracted foreign investors to the country. [2009 Investment Climate Statement, Bureau of Economic, Energy and Business Affairs, (2009)]

3.1 Foreign direct investment In 1997, foreign-owned firms (that include mostly from Finland and the United States of America) gave employment opportunities for more than 14 percent of the labour force. In 1998, it had 29 out of the 500 largest companies in Europe. About Swedish managers it is deemed that they are among the world’s leaders in their international experience and their language skills. (Sweden Overview of economy, 2011)

In 2008, foreign companies in Sweden have provided work for about 570,000 employees. Near about 1,300 U.S. companies with 110,000 employees are created in Sweden. This makes the
U.S. the largest source of country among foreign-owned companies in Sweden [2009 Investment Climate Statement, Bureau of Economic, Energy and Business Affairs,(2009)].

4. Global competitiveness Index:

According to global competitiveness index the ranking of Sweden is as follows:

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<td>5.46</td>
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<td>Netherlands</td>
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<td>5.41</td>
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<tr>
<td>Japan</td>
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<td>5.38</td>
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(Adapted from World Economic Forum)

Sweden has higher education and training pillar as well as the workforce with the skills needed to familiarize themselves rapidly to a changing environment and have the capability for high levels of technological adoption and innovation in recent years. [Global competitiveness index, World Economic Forum (n.d.)]

5. PESTEL ANALYSIS

5.1 Political factors:

Official name of the country is Kingdom of Sweden

Legal system Based on the constitution of 1974

Head of state Sweden has King Carl XVI Gustaf as head of state. The nation's legislature is the Swedish Parliament (Riksdag), with 349 members. These elections are held every four years but it should be clear that the king plays no role in government. In the 2006 election, the Riksdag set a new "world record" as 47 percent of its elected members were women. (Sweden in brief/ A political society, retrieved on (2011)
The Cabinet is headed by the prime minister ("Sweden: Political structure", The Economist (2009)).

**Main political parties** Social Democratic Party, Moderate Party, Centre Party, People's Party Liberals; Christian Democrats; Left Party; Greens (Sweden: Political structure, 2009).

So Sweden is a very safe country and politically stable. **Corruption** Sweden has comprehensive laws on corruption, which are fully implemented. [2009 Investment Climate Statement, Bureau of Economic, Energy and Business Affairs, (2009).

5.2 Economic factors:

It is going forward to maintain a sound fiscal support, enhancing greater labour force participation and efficiently increasing the public spending would help handling future negative events. (Economic Survey of Sweden 2011)

**Economic structure in recession**: The main factors seen to have been responsible for the economic upturn, somewhat due to the Swedish government’s fiscal policies implementation promptly and most of all due to a considerable decrease in risky asset spreads and having greater access to the capital markets for businesses in Sweden. (EconomyWatch)

**Preventing long-term unemployment** The efficiency of labour market policies could be elevated by increasing the training, specially those who need it most and getting strength in cooperation between institutions. Reforms in the social benefit and tax systems to provide the right incentives for increasing hours worked. (Economic Survey of Sweden 2011)

**Efficient Capital Markets and Portfolio Investment** Credit is made available to foreign investors in an unbiased way. The private sector have been given access to a variety of credit instruments. The central bank focuses on increasing the international co-operation. (2009 Investment Climate Statement, Bureau of Economic, Energy and Business Affairs, February 2009)

5.3 Social factors

**Norms and values of Sweden**: Sweden’s people in general are very punctual. They do not smoke in general public places. It is a custom to remove shoes if a person is invited by a friend or anyone to his/her home. Swedes students are informal but they are always willing to help. (swedenstudy.se)

- It is not a protocol to exchange business cards in Sweden.
- Swedes don’t take generosity for granted they will definitely give thanks. Fault to say thank you for something is perceived negatively in Sweden.
- competition is not encouraged
5.4 Technological factors

The Networked Readiness Index 2009–2010

<table>
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<tr>
<th>Country/Economy</th>
<th>Rank</th>
<th>Score</th>
<th>Rank within income group*</th>
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<td>Sweden</td>
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<td>Switzerland</td>
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<td>5.48</td>
<td>HI 4</td>
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<td>United States</td>
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<td>Netherlands</td>
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<td>5.32</td>
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The image is adapted from The Global Information Technology report of 2009-2010


According to new ranking report published by the UN ITU, Sweden holds the first rank in the ICT Development Index (IDI) Sweden tops UN’s information technology development index (2009).

5.5 Legal Factors

Swedish laws provide a variety of types under which a business can be established. The Swedish Law, Act (1992:160) applies to overseas companies functioning some type of business. The foreign branch’s president must be living within the European Economic Area (EEA). Each and every business enterprise in Sweden are required to register at the Swedish Companies Registration Office. Trademark must be registered in Sweden so that legal protection can be obtained. The president if, not from EEA country, needs special permission from the Financial Supervision Authority to set up a branch in Sweden [2009 Investment Climate Statement, Bureau of Economic, Energy and Business Affairs, (2009)].

5.5.1 Taxes: Sweden's taxation structure is straightforward and corporate tax levels are low. Sweden has a corporate tax of 28% in nominal terms. Individual’s income taxes are one of the
highest in the world. Since it spends a lot in public finances to reduce deficits. One particular area has been tax reductions to encourage employers to hire long-term unemployed people. There are further deductions for personal income taxes by the government. Profits earned by a Swedish branch of any foreign enterprise may be sent abroad without implication of any tax other than the regular corporate income tax. [2009 Investment Climate Statement, Bureau of Economic, Energy and Business Affairs, (2009)].

5.5.2 Incentives: The government also offers specific incentives to set up a business. Loans are also given by the National Board for Industrial and Technical Development (NUTEK) and from regional development funds. The variety of regional support programs are in Sweden like location and employment grants, low rent industrial parks, and economic free zones. There are also several European funds that offer subsidies for starting enterprises and the Swedish Government provides collection of incentives for research and development [2009 Investment Climate Statement, Bureau of Economic, Energy and Business Affairs, (2009)].

6. Management Structure followed in Sweden

- Being a manager avoid “hard selling” communication should be free of exaggeration.
- Swedes do not accept changes so rapidly so a person needs to be good for the group and be welcomed by the group.
- Sweden has a culture that is time controlled. In Sweden if the deadline is missed it is perceived to be a sign of poor management and inefficiency and will jolt people’s confidence. Successful cross-culture management skill will be based on ability to meet deadlines.
- Swedish organizations are comparatively flat, having few management levels
- Matrix organizations are common
- Communication should be straight forward. Swedes avoid argument.
- As a manager in Sweden, encouragement and admiration should be given to the entire group as well as to individuals. [Intercultural Management – Sweden (n.d.])

7. Conclusion with some more facts

Some of the major U.S. investors in Sweden, consist of: Volvo Car Corporation (Ford), Manpower, General Motors, IBM Corporation, Hewlett Packard, McDonald’s and Lear Corporation [2009 Investment Climate Statement, Bureau of Economic, Energy and Business Affairs, (2009)].

Sometimes there has been observed a tendency to fear foreign ownership, but surveys show that foreign enterprises have been favourable in the Swedish economy and employment market, because multinational corporations most of the times pay higher salaries [2009 Investment Climate Statement, Bureau of Economic, Energy and Business Affairs, (2009)].
Nylande (2009) states that in Sweden meetings, conferences and events have grown at a fast pace because more organizations are learning the superb and wide-range of possibilities that the country has.

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