

Accelerating Economic Engagement Between India and Nordic Region

Executive Summary

Introduction

Key Learnings from the Study

Indo-Nordic Engagement Plan

The Executive Summary document covers the key learnings from the study and presents an engagement plan for promoting economic ties between India and Nordic region

Introduction

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- The Nordic region is located in Northern Europe and the North Atlantic and comprises Sweden, Denmark, Finland, Norway and Iceland
- CII has constituted a committee for engaging with Nordic countries – it will be a forum for co-coordinating various activities to promote greater economic engagement between India & Nordics
- The Committee is of the view that there is immense potential for business & other forms of engagement between India & Nordics – these need to be identified and a strategy needs to put in place for the same
- Avalon Consulting was mandated to conduct a study on ‘Accelerating Economic Engagement Between India & Nordic Region’. The objective of this exercise was to study the key trends in trade & investment between India & Nordics and to identify activities and strategies which will help to increase overall economic engagement and co-operation between the two regions
- The findings of the study are meant to be shared with various relevant stakeholders including CII, various investment promotion agencies in India and Nordic countries, government officials and others
- The study methodology involved extensive collation and analysis of secondary information on trade and investment, which was supplemented with in-depth interviews with various stakeholders including investment promotion agencies, government officials as well as a variety of companies actively engaged in India & Nordics
- This is the Executive Summary document which covers the key learnings from the study and presents an overall engagement plan for promoting economic engagement between India and Nordic region

Roadmap

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Indo-Nordic Engagement Plan

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- ***Overall economic engagement (trade and investment) between India and Nordic region is very low compared to the size of these economies. Hence, there is significant scope for future growth***
- ***Specific challenges being faced by Indian exporters in Nordics need to be addressed e.g. need for greater market knowledge, information on specific procedures, compliance norms, etc.***
- ***Potential Indian investors need to appreciate the long-term synergies between India and Nordic, beyond the immediate growth opportunities available. There is also a need to have a pan-Nordic outlook and manage resources and costs judiciously to succeed in Nordic region***
- ***Despite specific challenges with respect to quality of infrastructure and manpower, Nordic investors in India are optimistic about medium term growth prospects. Small and medium sized Nordic enterprises seek specific support in market entry and conducting operations in India***
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- ***Ten Priority sectors have been identified for accelerated engagement between India and the Nordic Region due to distinct advantages and presence of a base of companies which can be targeted for investments. There are also a set of government Pension Funds / Sovereign Wealth Funds in the Nordic Region which can be targeted for attracting capital into India***
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Nordic societies have a highly educated workforce and high focus on gender equality. The Nordic Governance Model ensures a social safety net for its citizens which is funded through high taxation levels

Social Characteristics of Nordic Region

High Penetration of Education

- Around 70% of population has secondary qualifications and remaining 30% have tertiary education
- This is a key reason for the prevalent culture of quality and innovation in this region

Focus on Gender Equality

- Women comprise ~60% share of graduating students
- Women comprise ~ 45% of workforce

High Spend on Social Services

- Spend on social security protection is ~40-45% of overall government expenditure
- High spend on healthcare, education, pension/ unemployment benefits, maternity/ childcare etc.

Funded by High Personal Income Tax Rates

- Personal Income Tax rates ~45-55%, among the highest in the world

- Nordic countries share common characteristics such as democratic government, low levels of conflict, multi-party system etc

- Low population growth rate is expected to lead to increasing 'Dependency Ratio' in Nordic population over next few decades
- This implies the need for Nordic economies to drive immigration, encourage outsourcing for products / services for ageing population & increase its social security spending

Nordic region is a globally significant economic grouping which has witnessed strong growth over the past decade. The economy is dominated by small/ medium enterprises which have highly advanced characteristics

Economic Characteristics of Nordic Region

A Large Economic Grouping with Fast Economic Growth

- A \$1.8 Trillion economic entity – 12th largest globally in terms of overall GDP
- 3 Nordic countries feature in Top 10 globally on per capita income basis
- Nordic countries have grown faster than EU15 region over the past decade
- Nordic countries have also witnessed a more significant revival post the financial crisis

Primarily Services Driven Economy

- Services accounts for 65-75% of GDP and 75% of employee base
- Industry accounts for 25-35% of GDP & 13-15% of employee base (hence higher productivity levels in Industry)

Dominant Share of Small & Medium Enterprises with Highly Advanced Characteristics

- Typically organizations with 50-250 employees are classified as medium ; below 50 are classified as small / micro and > 250 as large
- Medium sized enterprises comprise ~10% of total enterprises whereas small/ micro comprise ~90%
- Medium enterprises are much more advanced compared to similar enterprises elsewhere

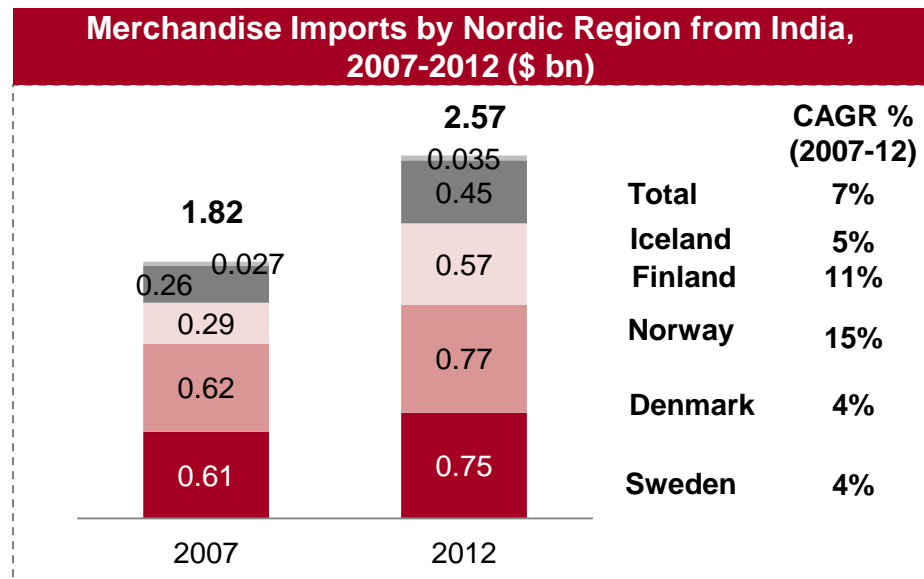
- The advanced nature of medium sized companies in Nordic region is reflected in their strong governance practices, level of exports and use of modern management systems

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Merchandise imports by Nordic region from India is ~\$2.6 bn in 2012 and mainly comprises textiles & clothing, industrial parts, auto components, leather articles, etc.

Merchandise Imports by Nordic Region from India



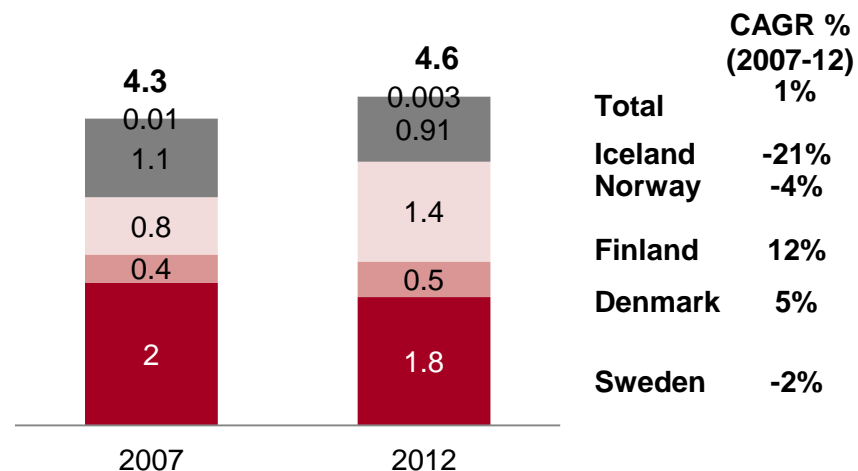
Nordic Country	Key Imports from India		Comments
	Product	Share %	
Sweden	Textiles & Clothing	26%	<ul style="list-style-type: none"> Articles of Iron and Steel imported from India include Transmission shafts, bearings, parts of engines, steel pipes, other machinery etc. .
	Pharma	15%	
	Articles of Iron/ Steel	8%	
Denmark	Textiles & Clothing	45%	<ul style="list-style-type: none"> Transportation related imports from India include auto components and vehicles Key imports by Nordic region from world include : Mineral fuels, industrial machinery, reactors, boilers and electrical / electronic equipment Vehicles are also a significant import item for Norway
	Transportation	10%	
	Leather Products	9%	
Finland	Petroleum Products	69%	
	Clothing & Textiles	9%	
	Iron & Steel Articles	4%	
Norway	Clothing & Textiles	37%	
	Transportation	21%	
	Leather Products	7%	

- Merchandise imports from India have grown by 7% CAGR between 2007-12, the highest growth was witnessed by Norway (CAGR 15%)
- India's overall export growth was 10% CAGR during this period (2007-12)
- EU is the dominant source of merchandise imports by Nordic countries (60-70% share). India comprises <1% and is significantly lower than China (which has 4-10% share of various Nordic countries)

Merchandise imports by India from Nordics is higher at \$4.6 bn in 2012 – thus India has a trade deficit with the region

Merchandise Imports by India from Nordic Region

Merchandise Imports by India from Nordic Region, 2007-2012 (\$ bn)

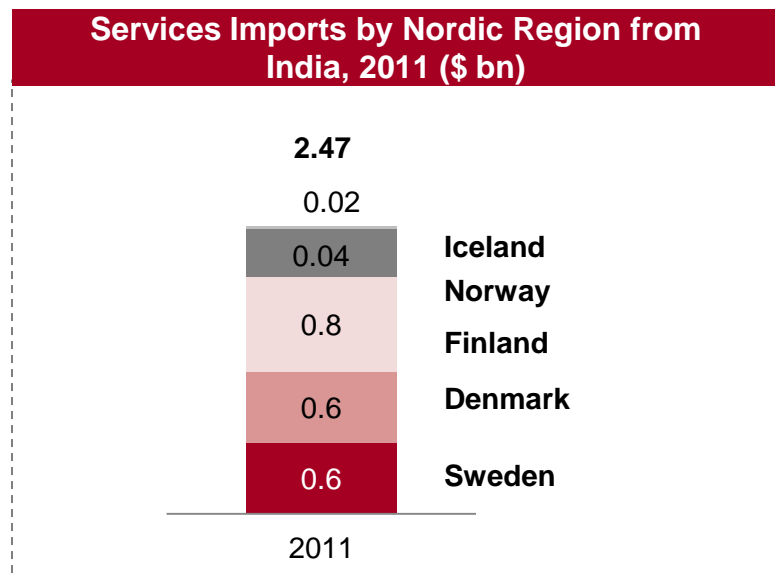


- Sweden and Finland are the largest sources of import by India from Nordic region
- India's imports from Nordic region have grown at 1% CAGR driven mainly by Finland (12% CAGR)
- India's key imports include electrical / electronic equipment, industrial machinery, reactors and other equipment, organic chemicals, paper and paperboard etc.

Nordic Country	Key Indian Imports from Nordic		Comments
	Product	Share %	
Sweden	Electrical & Electronic Equipment	29%	<ul style="list-style-type: none"> Key electrical / electronic equipment include insulated wires / cables, electro-mechanical tools, electronic circuits etc. Key industrial machinery include diesel engines, ball and roller bearings, fork lift trucks, plants/ equipment for heating, machine tools, boilers, textile machinery etc. Industrial machinery imports include Lathes, textile machinery, industrial furnaces/ ovens, machine tools, calculating machines, office equipment , fork lifts, machines for working Rubber, plastics, glassware etc. Electrical / electronic equipment include switching equipment, motors, generators, electric lamps, lighting / signaling, wipers, printed circuits etc.
	Machinery, Nuclear & Reactors Boilers	18%	
	Iron & Steel	10%	
Denmark	Machinery, nuclear reactors, boilers, etc.	23%	
	Electrical, electronic equipment	21%	
	Organic chemicals	8%	
Finland	Electrical & Electronic Equipment	64%	
	Machinery, Nuclear & Reactors Boilers etc	9%	
	Paper & Paperboard	6%	
Norway	Ships, boats and other floating structures	33%	
	Machinery, Nuclear & Reactors Boilers	29%	
	Nickels and articles thereof	9%	

Services imports by Nordics from India is ~ \$2.4 bn and mainly comprises business related services, transportation and computer / information services

Services Imports by Nordic Region from India



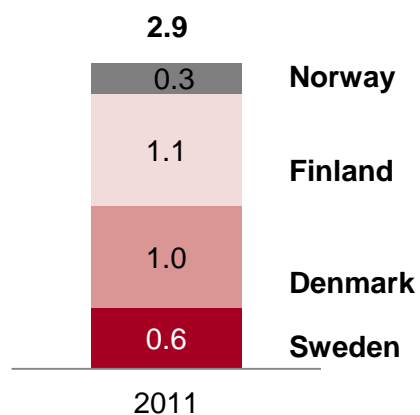
Nordic Country	Key Imports from India		Comments
	Product	Share %	
Sweden	Business Related Services	49%	<ul style="list-style-type: none"> Key business services include miscellaneous services between affiliated enterprises, R&D services, business and management consultancy services etc. Transport includes spend on air transport and sea transport Travel includes all spend related to personal travel and business travel Computer and Information services includes IT/ITeS and a variety of related services
	Computer and Information Services	42%	
Denmark	Transportation	64%	
	Other Business Services	1.7%	
Finland	Business Related Services	63%	
	Computer and Information Services	21%	
Norway	Transportation	66%	
	Business Services	13%	
Iceland	Business Services	56%	
	Travel	7%	

- Finland followed by Denmark are the largest importers of services from India
- Services imports from India is ~1% of total services imports by Nordic region (total services imports of \$ 186 bn in 2011)
- EU and USA have a dominant share of overall supply of services to Nordic countries (75–93%). Asia has a smaller share between 4-14%

Services imports by India from Nordic region is also higher at ~ \$2.9 bn and mainly comprises transportation, computer and information services

Services Imports by India from Nordic Region

Services Imports by India from Nordic Countries, 2011 (\$ bn)

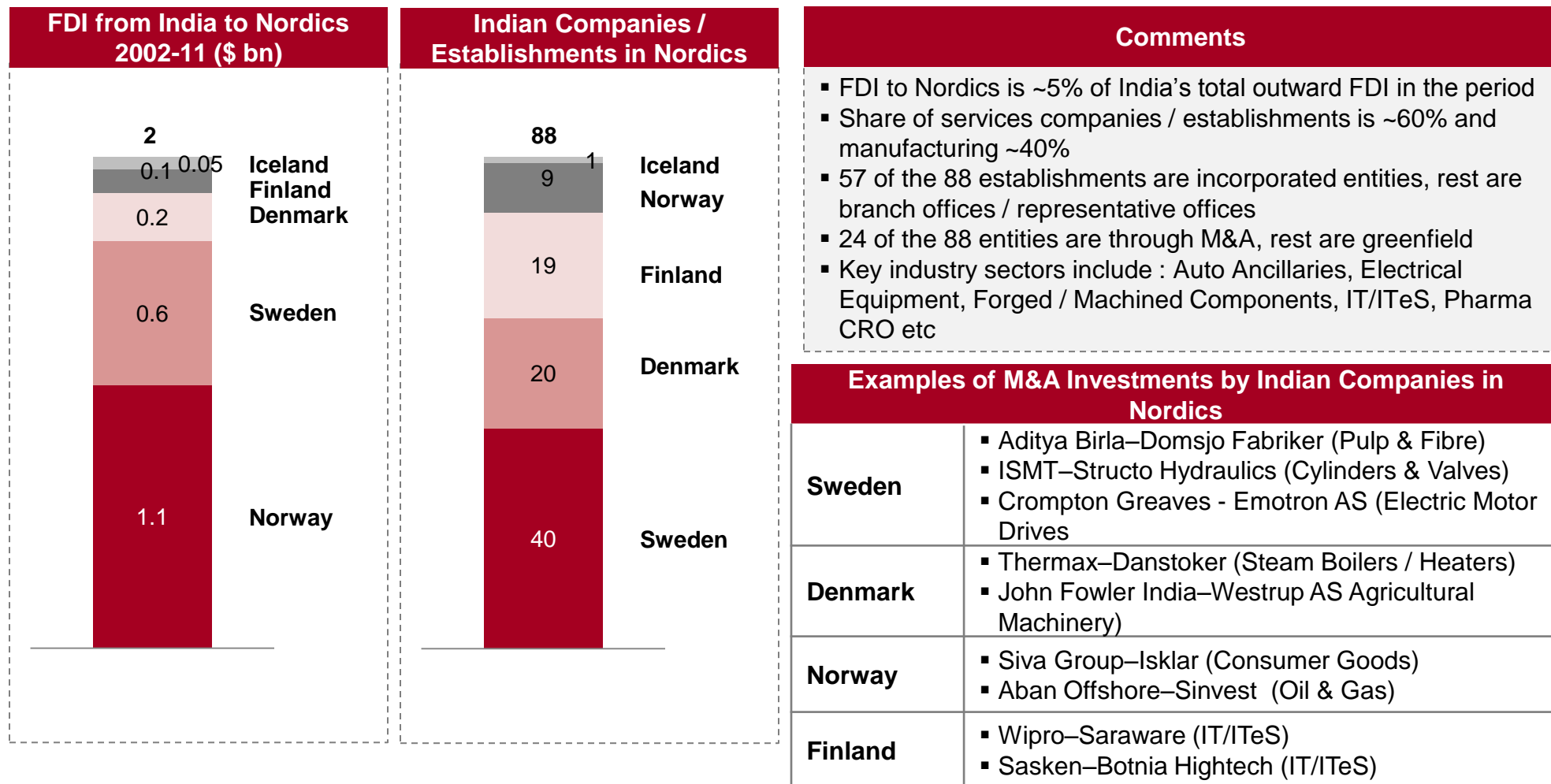


Nordic Country	Key Imports by India from Nordic Country		Comments
	Service	Share %	
Sweden	Other Business Services	58%	<ul style="list-style-type: none"> Others include construction services, royalty and license fees, insurance, financial services etc. India's prominent services imports from world besides transport and travel include : Business management and Consultancy / Advertising (11%) ; Architectural services (7%) ; financial services (7%), computer services etc
	Computer Information Services	35%	
Denmark	Transportation	91%	
	Other Business Services	14%	
Finland	Transportation	70%	
	Computer Information Services	20%	
Norway	Transportation	60%	
	Computer Information Services	33%	

- Services imports by India from Nordic region is dominated by Finland and Denmark
- Services imports from Nordic region is < 1% of India's overall services imports (\$ 124 bn in 2011)

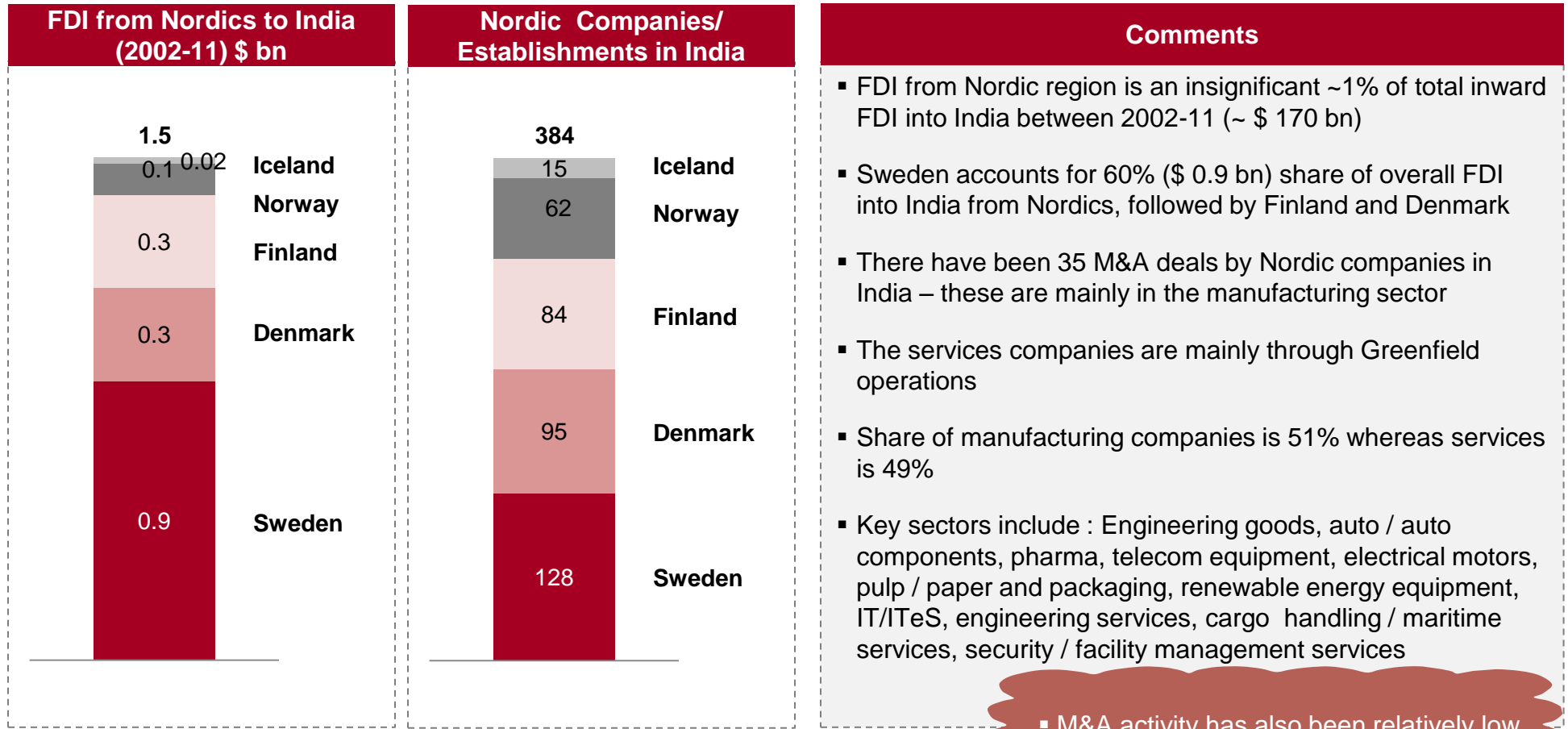
In terms of investments, there are an estimated ~90 Indian companies / establishments in Nordic region representing a cumulative FDI of ~ \$2bn over the past decade

Indian Investments in Nordic Region



There is a larger base of Nordic enterprises established in India – 384 entities which include large as well as medium sized enterprises. However, overall investment level from Nordics is still quite low (~ \$1.5 bn)

FDI from Nordics to India



▪ M&A activity has also been relatively low

Current trade and investment flows between the two regions is small compared to the size of the economies and is well below potential

Trade and Investment Potential

Indo-Nordic Trade Potential

- India constitutes ~1% of overall Nordic imports (\$454 bn)
- This share is miniscule considering the overall size of India's economy (~\$1.8 trillion similar to Nordic region)
- While EU & US are dominant trading partners of Nordic region, overall share of Asia varies between 9-19% (at a country level) with China being a major part (4-10% across countries)
- There is scope to increase India's share both in categories where it is highly competitive (e.g. textiles/ clothing, leather goods, chemicals etc.) as well as other categories where it competes against other Asian / developed countries
- Similarly, share of Nordic region in India's imports is also miniscule – there is scope to drive increased trade especially in categories in which EU / USA are currently key import sources for India (e.g. engineering goods, electrical / electronic equipment etc)

Indo-Nordic Investment Flows Potential

- FDI between India & Nordic region is ~\$1.5-2bn on either side (cumulative FDI between 2002-11)
- This is a miniscule share of overall outward FDI from India & Nordic region. Western Europe and USA have been a major recipient of Indian FDI in the past
- There is significant scope to increase FDI / M&A activity from India to Nordic – especially in sectors where capital from India is flowing to other developed regions like Western Europe/ USA etc. Lack of information and awareness may be a bottleneck in this regard currently
- Similarly, India can be positioned as an attractive investment destination for capital from Nordic region especially for companies seeking to build a pan-Asian footprint with an Indian hub (as India has FTAs with several Asian countries)

Thus there is scope for significant future growth in both trade and investment flows

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Overall lack of market knowledge is a key issue for exporting to Nordics – besides there are other generic challenges related to exports to EU (including Nordics)

Key Issues Related to Exports to Nordics

- Overall lack of awareness of market opportunity and key customers
- In Textiles and Apparel, additional costs of conforming to Swedish eco-label regulations (Bra Milojval)
- API exporters have found it difficult to access Nordic customers directly and have preferred to work with distributors / agents in Germany
- Relatively higher cost of drug registration for Pharma Companies and the need for strong distributor tie-ups in these markets

▪ Overall, the perception of exporters is that Nordic markets are more expensive to serve and difficult to access

Generic Issues Relevant for Exports to EU (including Nordics)

Sector	Key Issues
Textiles & Apparel / Leather	<ul style="list-style-type: none"> ▪ Need for higher level of compliance on specific EU norms e.g. chemical concentration limit in packaging materials, mercury compounds, VOCs, permissible limits of Cadmium compounds, amine dyes etc. ▪ Need for testing and certification from specific EU nominated agencies and laboratories ▪ Need for country specific labeling customised for local language ▪ All these increases overall cost of production for exporter
API	<ul style="list-style-type: none"> ▪ Recent directive requiring the national authority in India to certify the EU-GMP compliance of exporting facilities ▪ This will inhibit growth of API exports from India to EU
Industrial Machinery (Steel Pipes / Boilers / Heat Exchangers etc.)	<ul style="list-style-type: none"> ▪ Challenges in complying with specific design and safety norms specified by EU customers (e.g. specific ASME designs) ▪ Need to invest in design and engineering resources to develop EU compliant products

Indian companies need to take a pan-Nordic view of the opportunity and invest in creating a strong local presence

Learnings from Indian Companies Operating in Nordic Region

Need for Pan-Nordic Approach

- As a long term strategy, it is important to consider the entire Nordic region, and not only the individual country markets
- A Nordic base can also be the gateway to the rest of Europe – a Nordic presence helps in creating credibility and trust among European customers

Invest in Creating a Strong Local Presence

- Important to ‘localize’ the business – whether in manufacturing/ operations, sourcing or marketing & sales
- In case of manufacturing, a judicious mix of local and Indian team needs to be created
- In case of service operations especially IT/ ITeS, a ‘near-shore’ presence may be necessary as clients seek proximally and have concerns around data protection, issues of job losses etc.

Need to Manage Labor Costs Judiciously

- Nordic labour markets typically allow for a high degree of flexibility and security – which makes it easier to scale down/ scale up the labor force
- Typically in case of acquisitions of manufacturing companies, it is useful to retain local labor and local senior management – but provide a strong Indian oversight through an Indian CEO / Board
- In case of service companies, there is a need to have a mix of off-shore and on-shore teams

- There is a need to manage labour costs to leverage the flexibility, meet customer requirements & achieve cost control

High cost of office operations and high levels of personal income taxes need to be factored into overall cost of doing business in Nordics

Learnings from Indian Companies Operating in Nordic Region

Typical Office Costs and other Business Overheads in Nordics (US \$)			
	Copenhagen	Stockholm	Comments
Fixed Cost for Setting up a Private Limited Company	21,000	12,000	
Others costs (Deposit, Furniture, Computer, Heating expenses)	50,000	70,000	<ul style="list-style-type: none"> Ten month Deposit Basic office furniture & computer Central Heating system rates assumed
Office Rent	3,500	6,200	<ul style="list-style-type: none"> 1500 sqft area
Employee Related Expenses			
Guest House Rent	700–1,000	2,800–3200	<ul style="list-style-type: none"> One months rent
Guest House Deposit	1,400 – 2,000	5,600 – 6,400	<ul style="list-style-type: none"> Two months rent
Local Transportation (per month)	2,000	2,000	<ul style="list-style-type: none"> Vehicles Leased by Company
Visa, Travel & Permits			
Visa	400	450	<ul style="list-style-type: none"> For 5 workers
Work Permit	650	700	<ul style="list-style-type: none"> For 5 workers

Tax Rates in Nordic Countries

- Corporate tax rates vary between 26-28%
- Personal Income Tax rates vary between 48-56% (marginal peak rates). These include taxes at National and Municipal level and social security contribution
- Other individual taxes include Social Security Contribution, Capital Gains Tax etc.
- VAT rates is ~25% (for the highest VAT slab)
- Other Corporate Taxes include Stamp Tax, Real Estate Tax etc.

High social security contribution and personal income tax rates adversely impacts the net earnings of Indian professionals

Sweden & Denmark offer specific tax relief to foreign personnel & expatriates – lower tax rates are applicable in these countries

Delays in obtaining Work Permits for Indian employees can be a significant bottleneck and contingency plans are required to mitigate this. Appreciating and adapting to local culture is critical for Indians relocating to this region

Learnings from Indian Companies Operating in Nordic Region

Delay in Obtaining Work Permits

- Process & duration for obtaining Work Permits is a significant challenge for Indian companies doing business in Nordics
- Typically, Work Permits can take between 2 months to 4 months, sometimes even higher
- These processes have been made more stringent in recent years (especially in Denmark where two distinct categories of permits have been created – Corporate and Non Corporate with different eligibilities and stringencies)
- This adversely impacts IT companies who need to depute employees at short notice on projects

- IT companies need to build contingency plans to address such delays
- This could include building a larger on-site team in Nordics, using local hires etc.

Appreciating Cultural and Behavioral Differences in Business Communication and Etiquette

- Nordic people are relatively direct in communication and speak to the point – especially Danes
- Finns are typically quiet and not over communicative whereas Norwegians and Sweden are usually less reserved
- Restrained body language, usually maintain an arms-length distance from their conversational partner, physical contact is limited to a handshake
- Most organisations are flat and non-hierarchical . Communication is direct & informal between senior & junior employees

- Cultural & behaviour differences in business communication and etiquette need to be appreciated by Indian companies foraying into Nordics

- Thus, Indian companies need to appreciate the long-term synergies between India and Nordics, beyond the immediate opportunistic growth options in these markets

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Small and medium sized Nordic companies seek more customized support and hand-holding in planning market entry and for setting up their operations in India

Learnings from Nordic Companies Operating in India

Need for Greater Focus on Market Research and Understanding

- Some of the Nordic companies expressed the view that the actual market scenario in India turned out to be distinctly different from their original understanding. While the view on overall market attractiveness remained positive, the size and nature of specific segments which were relevant to the company, was quite different from what was understood earlier
- The respondents were of the view that this was a reflection of the complexity of the Indian market
- While preliminary detailing & market related inputs were provided by the respective Trade Council / Commercial Councilor at the respective embassy, there was a need expressed for a more detailed market research services to be made available

Need for Specific Support in Setting up Operations

- Companies have expressed the view that the procedures related to setting up business in India are quite time consuming and complex (relative to other countries they have evaluated / set up operations in)
- Identifying appropriate industrial land / commercial office space has proved to be a major challenge, besides complexities regarding procedures for company registration & VAT registration, understanding complexities in import duty structures etc.
- While the various Trade Councils are involved in providing such support, companies often need more specialized legal / commercial advice which is difficult / expensive for them to source

While overall satisfaction levels of medium sized Nordic companies is reasonably high they have expressed dissatisfaction with available infrastructure and skill levels

Issues Related to Cost vs. Quality of Resources in India

Satisfaction Levels on Costs vs. Quality of Resources (Inputs) in India	
Resource/ Input	Satisfaction Level with Cost-Quality Trade-off
Commercial office space	
Workers	
Managers	
Power	
Overall Quality	



High



Low

Cost-Quality Trade-off: Perception on whether Quality offered is favorable compared to Cost

Key Areas of Dissatisfaction

- Securing land for commercial use, quality of office space and power seem to be major sources of dissatisfaction
- Skill-levels of workers employees is also lower than expected – most companies mentioned the need for additional training to such workers

▪ However, despite the issues and challenges faced, most of the companies have witnessed reasonably good revenue and profit growth. They are also projecting increased hiring and business in India – thus the India story continues to be positive from a medium term perspective

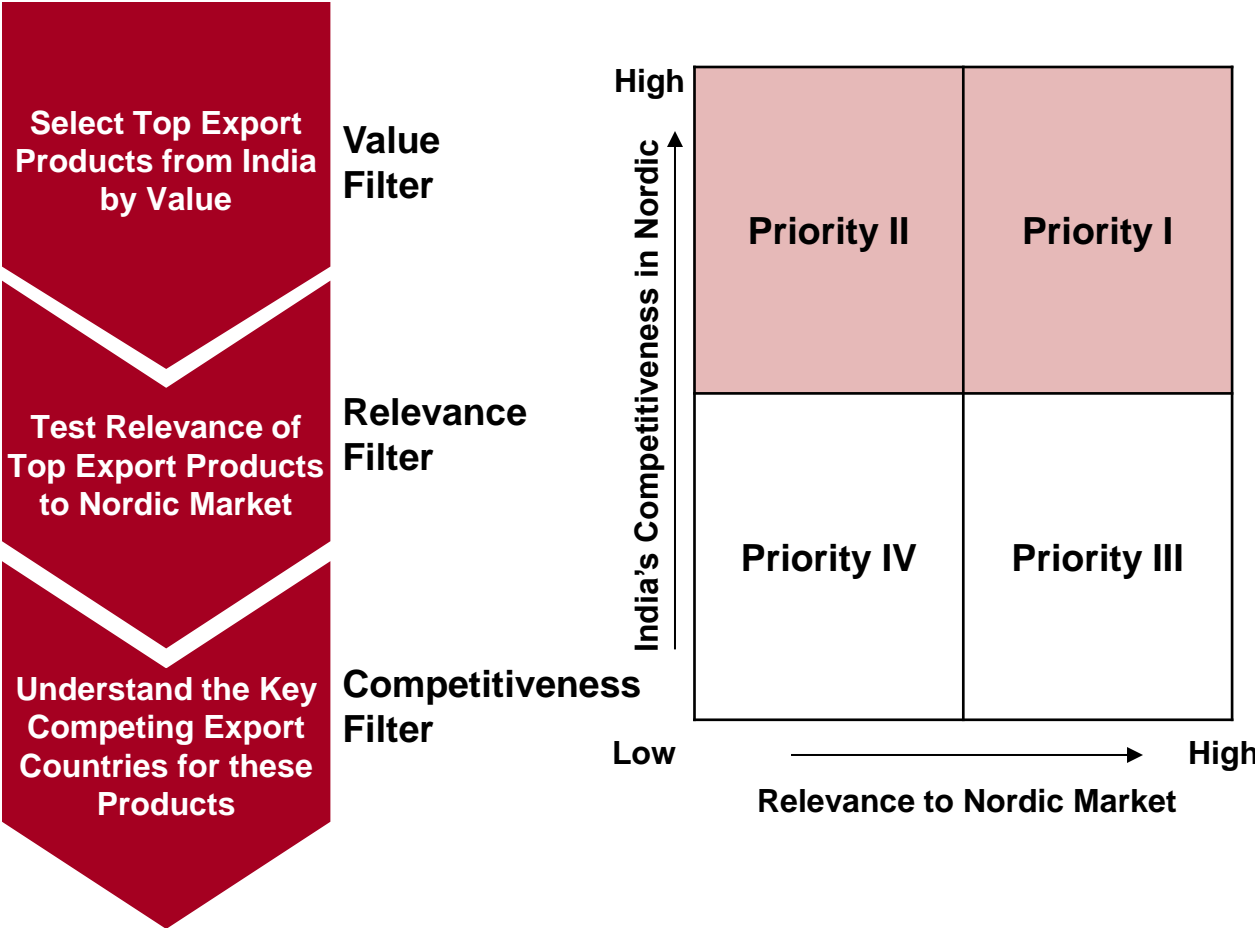
▪ India's status of having FTAs with key Asian markets is also an important reason for continued interest in India – especially for companies seeking a manufacturing base for catering to Asian market

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- *Potential Indian investors need to appreciate the long-term synergies between India and Nordic, beyond the immediate growth opportunities available. There is also a need to have a pan-Nordic outlook and manage resources and costs judiciously to succeed in Nordic region*
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- ***Based on analysing India's competitiveness and relevance to Nordic Markets, ~ \$70 bn of merchandise export opportunity have been prioritised. Similarly, specific export opportunities from Nordic to India have also been identified. Nordic countries also need to be considered for inclusion as a priority market in India's trade promotion policy***
- *Ten Priority sectors have been identified for accelerated engagement between India and the Nordic Region due to distinct advantages and presence of a base of companies which can be targeted for investments. There are also a set of government Pension Funds / Sovereign Wealth Funds in the Nordic Region which can be targeted for attracting capital into India*
- *Based on identified focus sectors and initiatives a significant growth in Indo-Nordic trade and investment flows can be targeted - \$ 22 bn of trade (by 2017) and \$ 5 bn of investments (5 year cumulative)*

Focus products for driving exports from India have been prioritised based on their relevance to Nordic markets and India's competitiveness in the product

Product Prioritization Process



Priority I Products – High Relevance / High Competitiveness
<ul style="list-style-type: none"> ▪ Nordic country total imports from world is between (20-200%) of India's total exports to world ▪ At least one non-developed country exporter among Top 10 exporters to Nordics
Priority II Products – High Competitiveness / Low Relevance
<ul style="list-style-type: none"> ▪ Nordic country total imports from world is <20% or >200% of India's total exports to world ▪ At least one non-developed country exporter among Top 10 exporters to Nordics
Priority III Products – Low Competitiveness / High Relevance
<ul style="list-style-type: none"> ▪ Nordic country total imports from world is between (20-200%) of India total exports to world ▪ No non-developed country among the top 10 exporters to Nordics
Priority IV Products – Low Relevance / Low Competitiveness
<ul style="list-style-type: none"> ▪ Nordic country total imports from world is <20% or >200% of India's total exports to world ▪ No non-developed country among the Top 10 exporters to Nordics

Source: Avalon Consulting Research and Analysis

Priority I products include specific types of organic chemicals, pharmaceuticals, plastics & articles of plastic, apparel/ accessories/ other textile articles, articles of Iron and steel and auto related components / vehicles

Priority I Products : High Relevance / High Competitiveness

Priority I Product : High Relevance / High Competitiveness (\$ bn)				
S.No	2 Digit Code	2 Digit Category	4 Digit Category	Nordic Imports
1	29	Organic Chemicals	Heterocyclic Compound; Acyclic Hydrocarbons; Heterocyclic Compounds	2.5
2	30	Pharmaceuticals	Medicament Mixtures;	8.5
3	39	Plastics & Articles of Plastics	Propylene Polymers; Others Plates, Sheets, foils etc; Plates, Sheets, Films etc; Polyacetal, Polyether etc	3
4	61	Apparels, Accessories (knit or crochet)	T-Shirt, Singlets, Other Vests; Jerseys, Pullovers, Cardigans; Women Suits, dresses etc; Women Slips bathrobes etc	3.2
5	62	Apparel, Accessories (not knit or crochet)	Women's suits, Jackets, Men's suits jackets	2.3
6	63	Other made textile articles, sets, worn clothing etc.	Linen items for household usage, Curtains, drapes, furnishing articles, made up articles, worn clothing	1.4
7	72	Iron & Steel	Ferro Alloys, Flat rolled products of Iron-clad, plated or coated	2.4
8	73	Articles of Iron & Steel	Tubes, pipes & hollow profiles; Tubes or pipe fittings; Cast articles of Iron & Steel, Iron & Steel Tables & household Articles; Tubes & pipes of Iron & Steel dia > 406mn; Tubes, pipes & hollow profiles of Cast Iron	4.3
9	87	Vehicles other than Railway, Tramway	Parts & Accessories of motor vehicles; Cars (Including Station wagons); Trucks, Transport Vehicles for goods	25
Total				50

Nordic market opportunity for prioritised products ~ \$ 50 bn

India's current market share is very low (~1%) across these products except in Textiles and Clothing related (4-12% share at country level)

Priority II products include various types of industrial machinery, electrical and electronic equipment, pearls and precious stones, leather articles and carpet / textile coverings

Priority II Products : High Competitiveness / Low Relevance... (1//2)

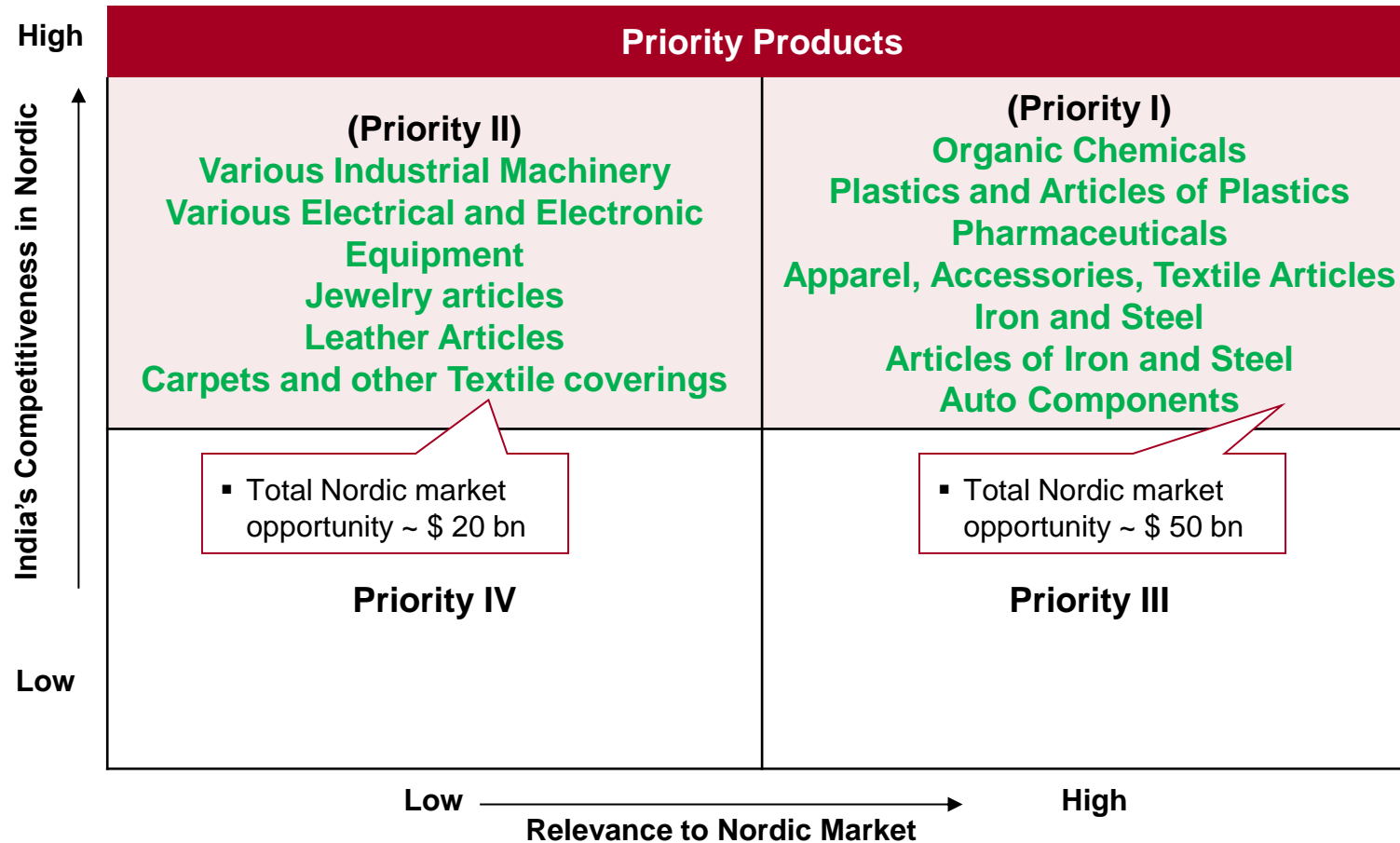
Priority II Product : High Competitiveness / Low Relevance (\$ bn)				
S.No	2 Digit Code	2 Digit Category	4 Digit Category	Nordic Imports
1	84	Machinery, Nuclear Reactors and Boilers etc	Tap, Cocks, Valves for pipes tanks etc; Diesel and semi diesel engines; Transmission shafts & Cranks; Parts used in motor engines; Pumps for Liquids; Air/ Vacuumed Pumps; Heating machinery for plants/ Lab; Centrifuges; Ball or Roller bearings; Turbo-jets, propellers & gas turbines	9
2	85	Electrical & Electronic Equipment	Transformers, Convertors etc.; Telephony related products ; Switching Equipment; Motors & Generators; Diodes/ Transistors/ Semiconductor devices	6.7
3	71	Pearls, Precious stones, metals, coins etc.	Diamonds as part of jewelry, other articles of jewelry and parts thereof, imitation jewelry, jewelry of precious, semi-precious stones, pearls etc.	1.4
4	42	Articles of leather, animal gut, harness, travel goods etc.	Saddlery and harnesses, suitcases, trunks, handbags, articles of apparel and clothing made of leather, articles of leather used in mechanical appliances etc.	1.5
5	57	Carpets and other textile floor coverings	Carpets and other textile coverings – woven , not tufted / locked, tufted	0.5
Total				~ 20

India's current market share is very low in industrial machinery and electrical equipment (~1%) but is higher in other categories (7-12% share at country level)

Nordic market opportunity for prioritised products ~ \$ 20 bn

Thus the Priority I and II products comprise a \$ 70 bn Nordic opportunity which can be targeted for increasing exports from India to Nordics

Product Prioritization



Similarly, Priority Products worth \$ 8 bn have been identified for exports from Nordics to India – currently Nordics have a very low share of this market (~1% of total India imports)

Priority Products for Nordic Exports to India

S. No	4 Digit Code	Product	Product Category	India Import (\$bn)
1	8411	Turbo jets, Turbo propellers & Other gas Turbines	Industrial Goods	0.35
2	4707	Waste & Scrap of paper or paperboard	Paper Product	0.6
3	8536	Electrical Appliances for Switching not exceeding 1000V	Industrial Goods	1.2
4	3822	Composite diagnostic or laboratory reagents	Medical	0.7
5	8458	Lathes for removing metal	Industrial Products	0.34
6	8209	Plates, tips etc for tools for sintered metal carbide or cermets	Industrial Products	0.11
7	7307	Iron & Steel, tube or pipe fittings	Industrial Goods	0.4
8	9001	Optical equipment / specialty microscopes etc.	Electrical Equipment	0.15
9	8501	Electric motors and generators	Electrical Equipment	1.2
10	8605	Railway, Passenger and Special purpose coaches	Transportation	0.4
11	3006	Pharmaceutical goods – sterile products / sutures etc.	Pharmaceuticals	0.3
12	8464	Machine-tool for working stone/ceramic	Industrial Products	0.12
13	8702	Public-transport type passenger motor vehicles	Transportation	0.7
14	8413	Pumps for liquids	Industrial Products	0.1
Total				~ 8

▪ Key selected products comprise categories like industrial machinery, transportation, electrical equipment, medical goods etc.

▪ On the services side, besides IT/ITeS , another significant growth opportunity is in Travel and Tourism given the high tourist activity and potential in both India and Nordics

India market opportunity for prioritised products ~ \$ 8 bn



Given the overall size of the Nordic market, its relevance for specific products as well as challenges of exporting to these markets, Nordic countries needs to be included in the Focus Market Schemes (FMS) as part of India's trade promotion strategy

Relevance of Nordic Countries in Indian Export Policy

Relevance of Promotional Measures for Exports to Nordics

Focus Product Scheme (FPS)

- Currently, the following products / sectors (which are relevant to Nordics) are already part of the FPS : Articles of Leather, Textiles and Clothing, Articles of Jewelry and Jewelry Sets, Articles of Plastics, Steel Pipes & Tubes, Ferromanganese and other alloys, Machine Tools, Transmission Shafts and Other Motor Engine Parts, Electrical Equipment, Carpets and other Textile Coverings
- These constitute about 90% of the total value of Priority Products identified for exports to Nordics

Focus Market Scheme (FMS)

- The FMS list mainly includes countries in Africa, Latin America, CIS and Eastern Europe
- Nordics Countries do not feature in the Focus Market Scheme (FMS) list of countries

Market Linked Focus Product Scheme (MLFPS)

- Sweden, Finland & Denmark (EU countries) figure in the MLFPS for the following products
 - Textile and Clothing
 - Articles of Rubber

▪ Similarly the identified Priority I and II products must also be considered for inclusion in MLFPS

- Most of the identified priority products are already part of the Focus Products Scheme (FPS)
- However, Nordic countries do not feature under the Focus Market Scheme (FMS)
- Exports to Sweden, Finland and Norway for specific products (textiles and rubber articles) are part of the MLFPS

Key Learnings from the Study

- *Nordic Region represents a highly developed and prosperous society with a strong focus on social security for its citizens as well as delivering growth and high incomes*
- *Overall economic engagement (trade and investment) between India and Nordic region is very low compared to the size of these economies. Hence, there is significant scope for future growth*
- *Specific challenges being faced by Indian exporters in Nordics need to be addressed e.g. need for greater market knowledge, information on specific procedures, compliance norms, etc.*
- *Potential Indian investors need to appreciate the long-term synergies between India and Nordic, beyond the immediate growth opportunities available. There is also a need to have a pan-Nordic outlook and manage resources and costs judiciously to succeed in Nordic region*
- *Despite specific challenges with respect to quality of infrastructure and manpower, Nordic investors in India are optimistic about medium term growth prospects. Small and medium sized Nordic enterprises seek specific support in market entry and conducting operations in India*
- *Based on analysing India's competitiveness and relevance to Nordic Markets, ~ \$70 bn of merchandise export opportunity have been prioritised. Similarly, specific export opportunities from Nordic to India have also been identified. Nordic countries also need to be considered for inclusion as a priority market in India's trade promotion policy*
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- *Based on identified focus sectors and initiatives a significant growth in Indo-Nordic trade and investment flows can be targeted - \$ 22 bn of trade (by 2017) and \$ 5 bn of investments (5 year cumulative)*

Ten industry sectors have been identified based on the presence of companies in India / Nordics as well as a distinct opportunity available for Indian / Nordic companies

Sector Analysis

Short listing of Potential Industry Sectors

- Presence of a base of companies in India & Nordics in that sector
- Presence of a distinct opportunity or clear competitive strength of both India / Nordics in that sector

Manufacturing

- 1) Steel
- 2) Pulp and Paper
- 3) API & Pharma
- 4) Medical Technology / Diagnostics
- 5) Renewable Energy : Wind Energy
- 6) Renewable Energy Equipment : Hydro Energy
- 7) Renewable Energy : Biomass Energy

Services

- 1) IT/ITeS
- 2) Pharma / Biotech R&D
- 3) Travel and Tourism

India is a major steel producer focused on basic products from Carbon steel whereas Nordic steel industry has a range of specialty steel producers

Sector Analysis : Steel

India Scenario

- India is the 5th largest steel producer (~80 mn T) with a higher share of Carbon Steel
- Wide variety of products made including various types of flat & rolled products
- Large & growing market for specialty steel such as tool steel, electrical steel, higher speed steel etc

Nordic Scenario

- Relatively smaller steel industry in size. Total production of ~8mn of mainly concentrated in Sweden
- The industry has witnessed consolidation over the past few years resulting in a base of ~20 players in Sweden & 8 major players in Denmark
- The Swedish steel industry has several world leaders in types of steel e.g. stainless steel (hot rolled plates, tubes, wire rod, seamless tubes), Tool Steel, High speed Steel, electrical resistance wire, Ball Bearing Steel, Carbon Steel, Steel powder etc
- Swedish steel makers are renowned for their process efficiency, low usage of coal, energy, low emission of CO₂, etc

Indian & Nordic steel makers can explore investment & collaboration opportunities to access high grades of steel and to address the large Indian market

Sector Analysis : Steel

Investment/ Collaboration Opportunities

- Indian steel producers can explore collaboration opportunities with steel makers in Sweden for access to products & technologies for high grade Steel such as electrical steel, tool steel, high speed steel etc
- Nordic steel makers (mainly in Sweden & Denmark) can explore opportunities to participate in India's increased growth in steel consumption in future
- Technology transfer in areas related to process efficiency, pollution control etc. can also be evaluated & undertaken

Companies to Target

- In India, besides 8-10 key large players, there are about 20-25 players with a high focus on Alloy Steel (EAF based)
- Sweden has a base of 5-6 large players and a base of smaller players with high technology
- Some the leaders in high grade steel in Sweden include – SSAB, Ovaka (Ball-bearing steel), Kanthal (Electrical resistance wire), Bohler Claddehelm (Tool Steel) etc.

India has a large and growing paper market but is constrained by challenges of technology, scale and raw material availability. Nordics could offer several opportunities to address these issues

Sector Analysis – Pulp & Paper

India Scenario

- India is one of the major paper producers globally – it is ranked 15th in world in terms of overall production with a production of ~10.5 mn T
- India has a fast growing Paper & Paperboards market driven by increased literacy, government support, growing consumer class etc. Overall growth projected at 10-12% CAGR over the next 5 years
- India has a fragmented base of paper mills with sub-optimal scale. Out of a total 500 mills in the country, about 75 mills have a capacity > 20,000 TPA
- One of the key challenges faced by Indian mills is access to raw material - including Wood, Bagasse, Straw, Waste Paper etc.
- The other key challenge relates to modernisation and upgradation of technology of the paper mills in terms of production efficiency as well as use of low pollution processes (e.g. use of Elemental Chlorine Free process, CO2 reduction etc.)

Nordic Scenario

- Sweden and Finland are among the Top 5 global producers of pulp & paper. There are a base of ~ 5 global scale players in these countries as well as another ~ 15 medium sized players
- Companies in Nordics are pioneers in clean production processes & recycling across the production chain – pulp production, chemical recovery, bleaching, paper production etc. They are also leaders in low energy intensive production technologies
- Well developed forest industry and resources which are used for paper industry as well as alternative uses e.g. renewable energy
- Paper companies in Nordics are already well globalized – many of the leading companies in Sweden & Finland have established pulp mills in South America & Russia and have a global supply chain

The base of medium sized players in India would find the Nordic opportunity of high interest as it would help them build scale and capability in terms of technology and raw material

Sector Analysis : Pulp & Paper

Investment/ Collaboration Opportunities

- Indian paper companies can explore opportunities to source specific technologies for energy management and pollution control technologies from Nordic companies
- They can also partner with Nordic companies wherein they would also be able access the global supply chains of these companies for cellulose, fiber, pulp etc.
- For Nordic companies, India represents a large and growing market which is important for their expansion into emerging markets – hence an investment / collaboration with an Indian company would be well suited to their strategy

Companies to Target

- In India, there are about 20 players who account for 45% of market. This is followed by another 30 players in the medium category – these would be the set of players primarily interested in pursuing opportunities with Nordic players
- Nordic paper industry has about 8-10 large players (which are among the top 100 players) besides 8-10 medium sized players

- Nordic companies would also be highly interested in participating in the India market opportunity

India is a leading global supplier of generic API and Finished Dosages whereas Nordics have a base of innovator pharma companies and regulated market compliant facilities

Sector Analysis : API & Pharma

India Scenario

- India has a large base of world class API suppliers serving both domestic & export market. It is the second largest API supplier to the US & EU markets and has the largest number of DMF registrations outside EU & US
- India is also one of the key suppliers of Finished Dosages (both oral and injectable) to the regulated markets and rest of the world
- Large base of experienced personnel in various activities e.g. process technologies and chemistries, quality control, regulatory capabilities and registration filing etc.

- Indian pharma industry has evolved from a pure copy-cat / reverse-engineering oriented business to one which addresses generic markets across the world and is also taking some steps towards proprietary product development

Nordic Scenario

- Nordics represent large pharma markets with a growing share of generics (given the pressure of cost reduction in public healthcare, there is a strong shift towards generics)
- A set of world renowned innovator and generic pharma companies along with a base of R&D institutions supporting new product development
- Several high quality and regulated market compliant production facilities for API and Finished Dosages

- Nordics is a large generic pharma market and a base for good quality production facilities for API and Finished Dosages

Indian generic pharma companies can evaluate API / Finished Dosage manufacturing facilities in Nordics and Nordic players can also look for product sourcing / manufacturing opportunities in India

Sector Analysis : API & Pharma

Investment / Collaboration Opportunities

- Nordic pharma companies can invest in API / Finished Dosage facilities in India as a low cost manufacturing base for serving regulated and other markets
- Nordic companies can explore sourcing arrangements for generic drugs from Indian players
- Indian pharma companies can invest / acquire API or Finished Dosage manufacturing facilities for serving the EU / US / other regulated markets

Companies to Target

- There are ~ 15 major innovator and generic pharma companies in the Nordics which can be targeted
- In India, beyond the top 15 pharma companies there are a base of another 50 players who could be interested in the Nordics as part of their overall growth plans

Indian healthcare market is evolving rapidly with increasing usage of both high end medical devices and diagnostics

Sector Analysis : Medical Technology/ Diagnostics

India Scenario

- One the world's largest global markets for medical devices and diagnostics – estimated at ~ \$ 10 bn
- Several innovation projects underway for low cost medical technologies for addressing BoP (Bottom of Pyramid) markets
- Besides the well known MNC suppliers, there is also an emerging base of quality Indian players who are creating low-priced and high customer value offerings across various segments (e.g. low cost stents, prosthetics, diagnostic devices etc.)
- An evolving regulatory framework which is adapting to the needs of faster product approval and cutting redundant procedures keeping in mind the patient interest

Nordic Scenario

- Longstanding history of design & innovation in medical disposables, assistive devices & diagnostics
- Nordic countries have a history of strong collaborations between Universities, Hospitals & Industry
- A base of ~ 10 global companies with innovator technology & a cluster of small & medium sized companies around them. Around 40 small and medium sized players
- Key Nordic countries in this sector are Sweden, Denmark and Finland.

- Nordic Companies have the expertise & innovation capabilities to partner with Indian medtech companies & participate in this market

Indian players can explore opportunities for customised product development for India as well as partnering Nordic companies to make India their base for emerging markets

Sector Analysis : Medical Technology/ Diagnostics

Investment / Collaboration Opportunities

- Indian players can invest in / collaborate with Nordic Companies for new product development specific to India and other developing markets
- Nordic companies can explore launching some of their products in the high end / premium segment of the Indian market. They can also explore an Indian manufacturing base as part of their South Asia / Africa market strategy

Companies To Target

- India has a base of ~40 large and medium sized players in medical disposables & diagnostics across various product groups
- Nordic countries have ~ 10 large players (Coloplast, Oticon, Dako etc.) and a base of 40 smaller players with specific technologies and products
- Sweden, Denmark and Finland are the key Nordic countries in medical devices and diagnostics

India offers one of the largest market for wind-energy whereas Nordics is home to the leading global players and a well developed ecosystem of manufacturers and operators

Sector Analysis: Wind Energy

India Scenario

- 5th largest base of wind-energy installations and projected rapid growth in future ~ 17,350 MW of installed capacity and projected to grow at 30% CAGR over the next few years
- Variety of fiscal & land incentives provided by government for promotion of this sector
- Many of the leading global players have taken an integrated position across the Wind-energy value chain in India – e.g. as Tier I/ II component suppliers (for fan blades, turbines, motors etc.) , OEM suppliers that assemble and market wind turbines, EPC companies that procure and erect the wind mill and Power Utilities that buy and operate the windmills and sell power

▪ The Indian Wind power ecosystem is well positioned to grow significantly

Nordic Scenario

- Sweden has 2900 MW of installed capacity (12th largest in the world) and a strong industrial base for manufacturing across the wind energy value chain. A host of smaller players which support the large players including the wind turbine manufacturers etc. Strong focus on off-shore wind power development
- Denmark has one of the largest global installations (at Aanholt) and provides access to the entire value chain as well as access to specialised R&D (Wind Consortium comprising four key research centers)
- Both large and small players present across the full ecosystem – components, blades, generators, towers, control systems, nacelles and total turbine design
- Finland and Norway have relatively modest installations (Finland has ~ 200 MW and Norway ~ 500 MW). However, Finland is targeting an additional 2500 MW by 2020

▪ The Nordic wind power market includes several leading global players as well as a well developed eco system for catering to it

Indian EPC companies and IPP players (power producers) can explore opportunities for joint investment and technology development in wind energy sector with Nordic companies

Sector Analysis : Wind Energy

Investment / Collaboration Opportunities

- EPC companies and IPPs (independent power producers) from India in the Wind Energy sector can invest / collaborate with players in the Nordic wind industry value chain for
 - Investing in Indian Wind energy projects
 - Developing the value chain of suppliers
 - Source specific technology for manufacturing in India
 - Explore Nordics as a manufacturing base
- Banks in the Nordics have developed a strong focus in the Renewables space e.g. Nordic Investment Bank (NIB) has recently made a large loan offering of \$ 50 mn in an Indian wind farm project (ReNew Power which is planning a 300 MW installation across 5 states)

Companies to Target

- Around 150 players in this sector in Sweden and Denmark. These are involved in : turbine design / supply, power utility providers, component makers and electrical system makers
- E.g. Turbine Design/ Supply companies in Denmark : Garrad Haasan, Envision, Danish Wind Design; Airtricity, RES etc . Wind-energy developers in Sweden : O2, Wind Kompaniet, Vattenfall
- Companies include a reasonable base of medium sized players as well

- There is a need to identify and explore the medium sized players involved in component manufacturing and offering specific technologies in this sector

India has a large installed base of Hydropower installations but implementation of new projects have been constrained by technical and environmental challenges

Sector Analysis : Hydro Energy

India Scenario

- India has a total installed base of 39 GW of Hydro power with another 15 GW under development. Over 3200 MW of Small Hydro power projects have also been installed whereas there is an overall potential of 15,000 MW
- Various government incentives such as capital subsidies , preferential tariffs from CERC and SERCs etc.
- Significant private sector interest in these projects – both large and small hydro power projects
- New projects in this sector have faced challenges in terms of technical feasibility and implementation issues as well as environmental concerns – small hydro projects are proving to be more attractive for investors

Nordic Scenario

- Sweden has an installed base of 16 GW and is the 10th largest installed base in the world
- Norway has an installed base of 30 GW of hydropower and produces about 125 TWh of electricity – it represents 96% of overall power consumption by Norway. There are various types of operators including local city bodies, central government , private companies etc.
- Finland is a relatively smaller producer of Hydropower - ~ 300 MW which represents 4% of overall power and 14% of renewable power generated
- Nordic countries have several players operating at various levels – equipment manufacturers, technology providers, R&D, developers and operators, installation., environmental consultancy , engineering etc.

▪ Nordic countries especially Norway and Sweden have extensive experience in developing these projects – and will also be witnessing significant future expansion in this sector



India has a base of ~ 10-15 private sector power developers / operators who would be interested in pursuing various opportunities with Nordic players

Sector Analysis : Hydro Energy

Investment / Collaboration Opportunities

- Indian developers / operators can invest in hydro power projects in Nordic countries and vice versa
- There can be cooperation opportunities between technology providers / operators in Nordics and India

Companies to Target

- Norway has the most well developed base of players across the value chain e.g. around 50 companies providing technology, ~10 R&D institutes focused on this sector, 10 consulting companies besides various players in Engineering and ~ 20 major private sector developers in Hydro power . Overall base of ~ 500 players in this sector
- Sweden also has a similar base of players
- India has a base of ~ 10-15 private sector power developers and operators in Hydro power who will be interested in pursuing opportunities with Nordic players

India has a vast untapped opportunity in biomass based energy whereas Nordics have significant expertise and experience across various applications in this area

Sector Analysis : Biomass Energy

India Scenario

- India generates ~ 2700 MW of biomass based power of which Bagasse based cogen is ~ 1500 MW, ~1000 MW of non Bagasse based power and ~ 150 MW of Waste to Energy from Biogas
- Government offers various benefits for Biomass based projects e.g. Capital subsidy, fiscal incentives, favorable policy regime etc.
- Bagasse based power and steam generation is well established in the Indian sugar industry
- Large potential of renewable energy from urban municipal and industrial waste – key issues regarding feedstock aggregation and quality need to be addressed
- Large availability of feedstock including Agri-waste, bagasse etc. however aggregation and utilisation for large projects is a challenge

▪ India is estimated to have a total potential of 30,000 MW of bio-mas based energy , of which only ~ 3000 MW has been realised

Nordic Scenario

- Strong experience in developing efficient usage of a variety of biomass – including wood, agri-resources etc
- Sweden generates about 3200 MW of biomass based energy (heat, electricity and fuel) and is also a pioneer in biogas for vehicle fuel (Compressed Biogas). It also has significant expertise in Biofuels
- Denmark has a strong base of R&D and commercialisation in Biofuels and Bioenergy – for combustion, gasification and bio gasification
- Finland is projecting an increase in share of renewable energy from 25% to 28% of total energy consumption by 2020. This translates to ~ 30TWh of which 16TWh is expected to come from Biomass. The worlds largest bio-power plant of 265 MW is in Pietarsaari in Finland
- Over 300 companies undertaking bio-mass based conversion to energy and usage in various applications e.g. District Heating, Combined Heat & Power (CHP),fuel for transportation, power etc.

▪ Nordics produce about 10,000 MW of bio mass based energy (3 times India) and offer a well-developed ecosystem including technology providers, municipal utility companies, consulting companies etc.



Indian companies including sugar mills and other biogas based players can explore and evaluate various opportunities with over 700 players in the Nordics in this area

Sector Analysis : Biomass Energy

Investment / Collaboration Opportunities

- Indian sugar mills can explore technology sourcing from Nordic companies for cogen power plants – increased efficiencies and technologies are required in this area
- Operators and investors in community sized bio-gas power plants (from 250 KW to 5 MW) in India can explore technologies for raw material processing and related technologies in this area. Similarly Waste to Energy projects are gaining importance with several PPP projects with Municipal Bodies and private players
- Bio-ethanol related technologies are also of interest to power companies, sugar mills and technology providers in India
- Expertise and technologies from Nordic companies in these areas will drive increased private sector participation in this space
- Nordic players (technology providers, operators etc.) can tap into the growing Indian market and establish themselves as leading players either by providing specific technologies or by participating in specific projects

Companies to Target

- In India, there are a base of ~ 30-40 sugar mills which are medium sized and which would be interested in sourcing cogen based power generation technologies.
- Similarly, the biogas based power business is of interest to several large and mid-sized companies including those related to power and those not in the power sector currently. There are ~ 5 community based biogas plants being run by private operators and there are a few PPP based Waste-to-Energy projects which are being bid out by municipal companies
- Nordics has over 700 players across various activities – operator, technology provider, boiler manufacturers, consulting etc. with a large share of them being in Sweden and Finland
- SIDA (Sweden International Development Agency) has initiated several pilot projects between Indian and Nordic companies along with support from Swedish Energy Agency (SEA)
- Ministry of Non-renewable Energy (MNRE) has also led a delegation to Finland in this regard in 2011
- There needs to be more interaction between Indian and Nordic companies to explore and evaluate such opportunities



India has one of the largest IT/ITeS industries with full service capabilities and increasing experience in Europe – Nordics offer a significant untapped potential in this regard

Sector Analysis : IT/ITeS

India Scenario

- India has a large pool of technically qualified manpower, global expertise in project delivery & low cost credentials in the IT / ITeS area
- Overall IT/ITeS industry size estimated at ~ \$ 80 bn of which ~ \$60 bn is exports. Strength in traditional areas of Application Development and Maintenance, Software Testing, Consulting, System Integration etc. Emerging players in new areas such as SaaS (Software as a Service), Mobile Technologies, Cloud Computing, Remote Infrastructure Management (RIM), Electronic R&D, Animation and Gaming, Software Products etc.
- On the ITeS front, the BPO sector is the key driver of growth. It is estimated at about \$ 17 bn (\$ 14 bn of exports and \$ 2.8 bn of domestic revenue). The industry is moving away from traditional voice based transactions towards greater depth and breadth of services, increased delivery of knowledge services and analytics, process re-engineering across the value chain and strong domestic market focus and SMB centric delivery models.

- Indian IT/ITeS industry is evolving into a full services player across the value chain
- Increased focus and exposure to EU markets

Nordic Scenario

- Nordic companies have a high adoption of ICT across various types and sizes of companies
- These companies typically have a strong focus on innovation & quality – hence there is a strong trend towards outsourcing of non core functions and focusing on its core business and strengths
- Strong outsourcing experience & maturity ~\$10-12bn of IT Services & \$2-3bn of business services are being outsourced
- A significant share of the market is from government companies and from medium sized companies. It is important to realize that the mid-sized companies in Nordics also run fairly complex business operations (multi-product / multi-currency / multiple markets) hence their IT outsourcing needs are fairly advanced
- Trend towards off-shoring is relatively limited as there is a strong tendency to work with local / near shore vendors

- Nordics market offers a large opportunity but is constrained by challenges of low off-shoring tendency

Indian IT companies need to invest in building strong local capabilities (including acquisition options) in order to address the Nordics opportunity in IT/ITeS

Sector Analysis : IT/ITeS

Investment / Collaboration Opportunities

- Indian IT companies can address the Nordic markets as well as neighboring markets using Nordics as a base
- A mix of off-shore and local team will need to be deployed to optimize costs and offer superior customer service. Acquisition of local Nordic IT companies can also be explored to build scale & local experience
- Areas of interest for Indian companies could be in Remote Infrastructure Management (RIM), Engineering Services, Mobile Technologies, Networking solutions, Engineering services etc.
- In terms of Business Services, potential areas of focus could be in F&A, Procurement and other non-voice based transactions
- Nordic IT/ITeS companies can evaluate setting up an India base as part of a global delivery model

Companies to Target

- The top 10 Indian IT companies are already present in the Nordics – however some of them have not realised the potential as they have not invested adequately in creating a local base for marketing and some on-shore capabilities. Moreover, the next set of players (top 30 players) could potentially now be interested in exploring a base in the Nordics – especially in light of their increased focus on non-US markets
- Acquisition options among Nordic IT companies include ~30 mid-sized IT companies
- Other acquisition options could be in CEE (Central & East European) countries as well as in creating a greenfield operation there for serving the Nordics

- Need to present a strong local front-end: marketing team should be local along with a mix of local operations and off-shore
- Key customer concerns around service quality & data privacy need to be managed better and issues around Work Permits also need to be expedited

India has emerged as one of the leading centers for outsourced discovery and development by Western pharma whereas Nordics (especially Sweden and Denmark) have traditional strengths in this area

Sector Analysis : Pharma/ Biotech Research

India Scenario

- Large diverse base of biotech companies which are focused on medical biotechnology / biopharma. There are ~ 100 such companies
- Large pool of scientific manpower; several institutes offering biotechnology courses besides several national institutes in Biotechnology
- Vibrant pharma industry catering to domestic & global customer base
- A prominent global base for Clinical Research
- Strengths in Bioinformatics, Genomics, & early stage research for drug discovery
- A base of private sector companies / labs working in outsourced research and discovery projects catering to global pharma customers

Nordic Scenario

- Well developed ecosystem of innovative companies & research infrastructure located in key biotech clusters
 - Denmark : Bio-tech clusters located in 3 areas (Copenhagen, Aalborg , Aarhus)
 - Sweden : Bio-tech clusters located in Stockholm – (Karolinska Institute, Stockholm University etc.) over 6000 Life Science Companies overall
- Large development pipeline of drugs and focus on innovative research
 - Denmark : drug discovery focused on Cancer, Immunotherapy, Vaccines, Metabolic disease
 - Sweden : Drug discovery focused on Cardiology, CNS, Cancer etc.
- A strong culture of pharma / biotech related R&D in the Nordics. Sweden allows individual researchers to retain IPR for work done by them (instead of sharing with the research institute). This provides a great motivation and drive for R&D

Opportunity to create a complementary Indian / Nordic R&D center can be jointly explored between interested Indian entities and their Nordic counterparts

Sector Analysis : Pharma/ Biotech Research

Investment / Collaboration Opportunities

- Indian Contract Research companies can invest / collaborate with Nordic R&D labs to build complementary skills / capabilities and address global opportunities from Pharma companies and other customers
- Indian Pharma companies can in-license early stage molecules of interest from Nordic labs (especially in disease areas of high interest for Indian Pharma companies e.g. Diabetes, Cardiovascular etc.)
- Nordic Pharma companies can also similarly in-license / jointly develop molecules with Indian outsourced research companies

Companies to Target

- India's leading outsourced contract research and discovery companies would be potentially interested in such collaborations / investments – these could players like Jubilant Biosys, Advinus Therapeutics etc.
- Besides these, the top Indian pharma companies may also be interested in pursuing these opportunities
- There are also several first timers who are interested in entering this business and are seeking a Western base along with Indian operations

India has a diversified Travel and Tourism sector which is currently domestic driven but is witnessing significant 'internationalisation' in terms of inflow of foreign visitors as well as Indian visitors abroad

Sector Analysis : Travel and Tourism

India Scenario

- India has a highly diversified Travel and Tourism sector – given the natural beauty of its geographic locations with strong tourism potential (mountains, beaches etc.) as well as a historical legacy of forts, palaces, temples etc.
- The Travel and Tourism industry in India is estimated at \$ 30 bn in 2011 (direct revenue from this sector is ~ 1.7% of GDP) and employs about 25 mn people directly. Overall sector growth rate is projected at 13% CAGR over the next few years
- Domestic travelers contributed the major part of the industry ~ 740 mn domestic tourists in 2010. India also received ~ 6.3 mn international tourists and ~ 14.2 mn Indians visited abroad in 2010.
- India is now witnessing significant investment in various areas of the Travel and Tourism industry e.g. hotels, air transport, road transport, resorts and other tourist infrastructure
- Business travel in India has also increased significantly over the past decade
- This sector presents many new opportunities for growth
- One of the key growth drivers would be increased international tourist arrivals in India

Nordic Scenario

- The Nordic countries boast of a rich and well preserved natural beauty and landscapes which have been developed for tourism. These include lakes, archipelagos, ski resorts, geysers, hot springs etc.
- Sweden and Finland are the key tourist destinations whereas Iceland also has witnessed growing tourist interest in recent years. Travel and tourism industry in these countries contribute 3-4% of GDP , significantly higher than India
- These countries have an excellent domestic and international travel connectivity comprising airports, harbor facilities etc.
- Sweden and Finland received ~ 8.5 mn visitors each in 2010. International visitors contribute between 30-40% of the overall travel and tourism industry revenue in Sweden and Finland. Sweden was ranked 7th among countries with tourism potential
- Nordic countries have a thriving travel and tourism sector based on well preserved natural beauty and sound infrastructure
- Tourist inflow from India to Nordic countries is negligible at present

Marketing campaigns coordinated with Ministry of Tourism in India and respective Tourism Board in Nordic countries as well as promotions with key tour operators will be important to drive increased tourist inflows from either side

Sector Analysis : Travel and Tourism

Investment / Collaboration Opportunities

- 14.2 mn Indian tourists visited abroad in 2011 and is projected to grow at 10% CAGR over the next few years. Key destinations include : South East Asia, UK, US, Switzerland etc. There is significant scope to attract Indian tourists to Nordic countries.
- Similarly, increased inflow of tourists from Nordic countries to India can be targeted
- Currently, only Finland has direct air connectivity with key Indian cities. Such connectivity with Sweden and other countries is also required
- Real Estate and Tourism Property developers in India and Nordics countries can explore investments in proposed projects – Ministry of Tourism in India has identified specific sites and projects for development in wildlife tourism, beach resorts etc. Similarly, There are specific project opportunities in Sweden , Finland , Iceland etc. for developing ski resorts, lake resorts etc.

Companies to Target

- Specific marketing campaigns would need to be prepared in co-ordination with Ministry of Tourism for promoting Indian tourism in Nordic. These need to be promoted with assistance from the respective Indian embassy in Nordic countries
- Similarly, the investment promotion councils of Sweden, Finland, Iceland etc. can work with the tourism promotion board of the respective country for marketing campaigns to promote Nordic tourism in India
- The above activities need to be targeted to the key tour operators who conduct leisure tours from either region
- Specific project opportunities for hotels/ resorts / other infrastructure can be explored with the leading developers in the hospitality sector in India and Nordics
- Project opportunities in hotels/ resorts / other tourist infrastructure can also be explored with key players on India and Nordic side

Let us now look at the key financial institutions and overall funding eco-system in Nordic region

Besides development and commercial financial institutions, the various government owned Pension Funds and the Norway Sovereign Wealth Fund are large sources of long term capital – many of these have a focus on developing countries

Overview and Focus Areas of Various Funding Agencies in Nordics

Funding Agency	Nordic Investment Bank (NIB)	Nordic Development Fund (NDF)	Investment Fund for Developing Countries (IFU)	Finn Fund	Norway-Sovereign Wealth Fund	Denmark-National Pension Fund
Overview	<ul style="list-style-type: none"> Finances projects that strengthen competitiveness & enhance the environment Owned by Nordic countries along with Estonia, Latvia, Lithuania 	<ul style="list-style-type: none"> Set up by Nordic countries 190 development assistance credits of the amount ~ \$1.5 bn 	<ul style="list-style-type: none"> Set up by Denmark Government Has co-invested with Danish companies in 750 countries in 85 countries 	<ul style="list-style-type: none"> Owned by state of Finland, Finnvera etc. Co-invests in Finnish companies 	<ul style="list-style-type: none"> Owned by Government of Norway Funded from oil receipts of the government 	<ul style="list-style-type: none"> Owned by Government of Denmark
Authorized Capital/ Fund size	<ul style="list-style-type: none"> Authorized Capital \$7 bn 	<ul style="list-style-type: none"> \$1.5bn 	<ul style="list-style-type: none"> Has invested ~\$2bn over the past 10 years 	<ul style="list-style-type: none"> Deployed \$1bn over past 10 years 	<ul style="list-style-type: none"> Fund Size of \$ 660 bn 	<ul style="list-style-type: none"> Fund size of \$25bn
Geographic Focus	<ul style="list-style-type: none"> Africa, Middle East, Asia 	<ul style="list-style-type: none"> Africa, Asia, Latin America 	<ul style="list-style-type: none"> Global 	<ul style="list-style-type: none"> Developing Countries 	<ul style="list-style-type: none"> Global 	<ul style="list-style-type: none"> Global
Sector Focus	<ul style="list-style-type: none"> Energy & Environment 	<ul style="list-style-type: none"> Energy & Environment 	<ul style="list-style-type: none"> Diversified 	<ul style="list-style-type: none"> Diversified 	<ul style="list-style-type: none"> Diversified 	<ul style="list-style-type: none"> Diversified

- Besides the Norway Sovereign Wealth Fund with a size of \$ 660 bn , the National Pension Funds of the Nordic countries are also significant (total fund size of ~ \$ 90 bn from Sweden, Denmark, Finland and Norway)
- These funds are now seeking to deploy capital in long term projects , as they diversify away from low interest government bonds in their home markets
- Ways to build linkages with these Pension Funds need to be explored as these could be channelised for investments in India

Source: Information from websites of respective agency ; Avalon Consulting Research and Analysis

Key Learnings from the Study

- *Nordic Region represents a highly developed and prosperous society with a strong focus on social security for its citizens as well as delivering growth and high incomes*
- *Overall economic engagement (trade and investment) between India and Nordic region is very low compared to the size of these economies. Hence, there is significant scope for future growth*
- *Specific challenges being faced by Indian exporters in Nordics need to be addressed e.g. need for greater market knowledge, information on specific procedures, compliance norms, etc.*
- *Potential Indian investors need to appreciate the long-term synergies between India and Nordic, beyond the immediate growth opportunities available. There is also a need to have a pan-Nordic outlook and manage resources and costs judiciously to succeed in Nordic region*
- *Despite specific challenges with respect to quality of infrastructure and manpower, Nordic investors in India are optimistic about medium term growth prospects. Small and medium sized Nordic enterprises seek specific support in market entry and conducting operations in India*
- *Based on analysing India's competitiveness and relevance to Nordic Markets, ~ \$70 bn of merchandise export opportunity have been prioritised. Similarly, specific export opportunities from Nordic to India have also been identified. Nordic countries also need to be considered for inclusion as a priority market in India's trade promotion policy*
- *Ten Priority sectors have been identified for accelerated engagement between India and the Nordic Region due to distinct advantages and presence of a base of companies which can be targeted for investments. There are also a set of government Pension Funds / Sovereign Wealth Funds in the Nordic Region which can be targeted for attracting capital into India*
- ***Based on identified focus sectors and initiatives a significant growth in Indo-Nordic trade and investment flows can be targeted - \$ 22 bn of trade (by 2017) and \$ 5 bn of investments (5 year cumulative)***

Based on identified focus sectors and initiatives a significant growth in Indo-Nordic trade and investment flows can be targeted - \$ 22 bn of trade in merchandise and services (by 2017) and \$ 5 bn of investments (5 year cumulative)

Indo-Nordic Trade and Investment Targets

Target for Indo-Nordic Trade Growth

- **Assuming a 12% growth in India's merchandise exports** to Nordic region would result in merchandise exports increasing **from \$ 2.6 bn in 2012 to \$ 4.6 bn in 2017** (assuming a 3% growth in Nordic imports during this period)
- The targeted growth is similar to that achieved by India with overall EU and key markets within EU. However, it assumes a lower share of Nordic imports (1.5%) compared to India's current share of imports of EU and other European economies of comparable size (~ 2-2.5%).
- Similarly, **a 12% CAGR growth in Nordic exports** to India can be targeted between 2012 and 2017 – **from \$ 4.6 bn to \$ 8.1 bn in 2017**
- Thus the highlighted initiatives can deliver a targeted growth in **overall merchandise trade** between the two regions **from \$ 7.2 bn in 2012 to \$ 12.7 bn in 2017**
- **Services trade growth of 10% CAGR** between the two regions can be targeted – **from \$ 5.4 bn in 2011 to \$ 9.6 bn in 2017**
- Thus **overall bilateral trade (merchandise and services)** is targeted to grow to **\$22.3 bn in 2017**

Target for Indo-Nordic Investment Flows

- FDI between India & Nordic region is ~\$1.5-2bn on either side (i.e. \$ 3.5 bn cumulative FDI over 10 years between 2002-11)
- Compared to this, FDI inflows from other European economies of comparable size have been significantly larger e.g. cumulative FDI inflows over the past four years (2008-12) from UK, Netherlands, Germany etc. have been in the region of \$4-7bn each.
- Hence, based on the potential for growth and the focus sectors identified for attracting investments in both regions, **cumulative investment flows should be targeted to touch \$ 5 bn over a five year period with equal share of both India and Nordic region**

A concrete plan of engagement needs to be put in place to drive specific activities to achieve the targeted growth in trade and investment

Roadmap

Introduction

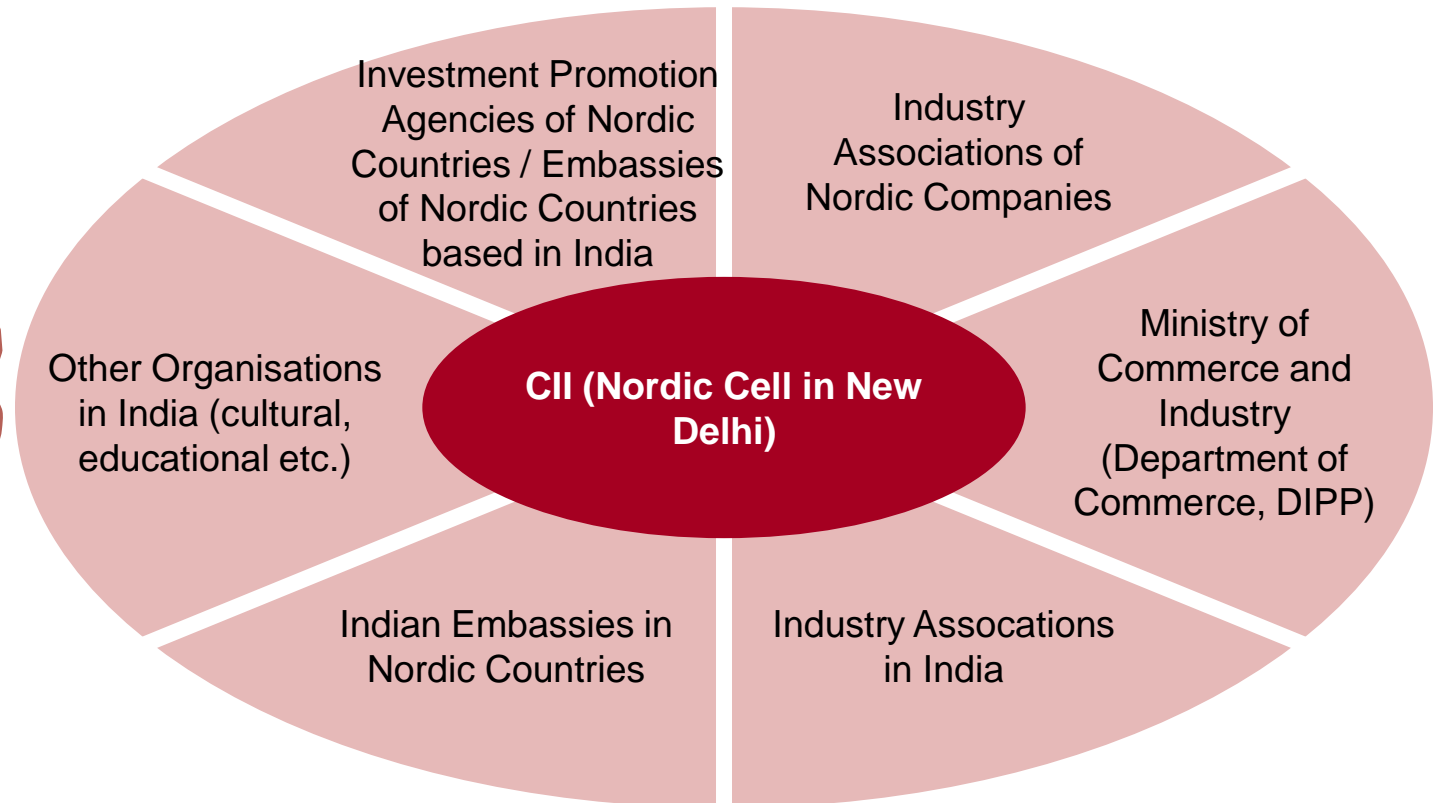
Key Learnings from the Study

Indo-Nordic Engagement Plan

The Indo-Nordic Engagement Plan needs to be prepared and executed by CII in co-ordination with various other stakeholders involved

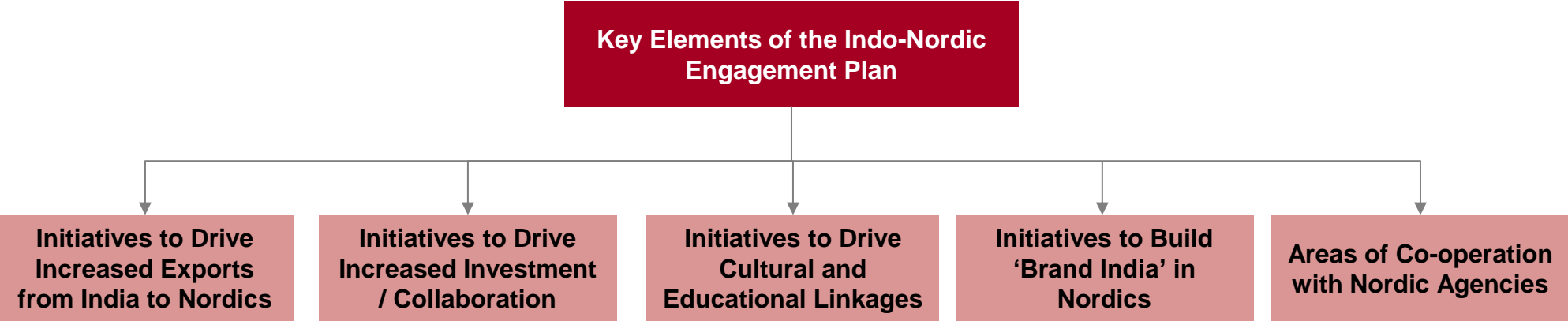
Various Stakeholders of the Indo-Nordic Engagement Plan

- A co-ordinated engagement plan needs to be executed in a concerted and sustained manner in order to realise the various opportunities



- CII should constitute a Nordic Cell for overall co-ordination and execution of the Plan

The Indo-Nordic Engagement Plan will comprise the following initiatives to be pursued by CII in coordination with various stakeholders



CII should initiate a process along with industry associations for evaluation of the Priority Products for exports, market building activities and consider proposing (to MOCI) specific financial support for incentivising exports to Nordics

Engagement Plan – Increasing Exports from India to Nordics

Increasing Exports from India to Nordics : Focus Products – Apparel, Leather, Jewelry, API, Pharma, Ferro Alloys, Iron and Steel articles, Plastics, Industrial Machinery, Electrical/ Electronic equipment etc.

▪ Discussions with relevant industry associations to prepare a detailed understanding of the export opportunity and constraints to exports for the Priority Products identified in the study

▪ Preparing market building activities e.g. participation in Trade Fairs in Nordics, organising buyer-seller meets, trade delegations to Nordic countries etc.

▪ Evaluation of need for specific financial support for overcoming higher costs related to exports to Nordics (as well as other EU markets)

▪ Representation to MOCI for including Nordic countries in FMS (Focus Market Scheme) list of countries and for including the identified priority products in MLFPS (Market Linked Focus Product Scheme)

Relevant Agency / Stakeholder

▪ Industry Associations

▪ MOCI (Department Of Commerce)

▪ Industry Associations

CII should also put in place a process to identify and attract large Nordic companies as well as sector specific events / delegations for investments / collaborations

Engagement Plan – Driving Investments / Collaborations...(1/2)

Increasing Investment / Collaboration Between India and Nordics

Targeting large Nordic Companies in India

- Identification of large / medium sized Nordic companies which are not present in India or have a limited presence currently
- Understanding key challenges / issues faced by thm with respect to investing in India
- Fast tracking of these investments by facilitating resolution of key issues

Driving Increased Interaction and Investments between Indian and Nordic Companies

- Organise seminars in each Nordic country wherein existing Nordic investors can interact and share experiences with potential investors
- Mount sector specific investment delegations and match making events in Nordic countries. Sector focus would be on the identified sectors in the study. Focus of the exercise should be on small / medium sized companies. A delegation to Sweden could be the first such event
- Targeted road shows in the Nordics for showcasing other specific project opportunities e.g. DMIC

▪ CII needs to co-ordinate with various other stakeholders - Investment promotion agencies of Nordic countries, MOCI (DIPP) and the Indian Embassies for these

Relevant Agency / Stakeholder

- Investment promotion agencies of Nordic countries
- MOCI (DIPP)
- Relevant industry associations

- Investment promotion agencies of Nordics countries
- MOCI (DIPP)
- Indian Embassies in Nordic Countries

CII should engage with various Pension Funds / Sovereign Wealth Funds as well as other financial institutions in Nordics to help channelise investments into India

Engagement Plan – Driving Investment Between India and Nordics...(2/2)

Increasing Investment / Collaboration Between India and Nordics

Building Linkages with Nordic Funding Agencies

- Preparing a plan (jointly with MOCI / DIPP) to engage with relevant Sovereign Wealth Funds(Norway) / Government Pension Funds (Denmark, Norway, Sweden etc.) to showcase attractive investment opportunities in India.
- Similarly, a plan to engage with the relevant financial institutions, PE funds in Nordics for channelising investments into India

Relevant Agency / Stakeholder

- Relevant Investment Promotion Agency in Nordic
- MOCI (DIPP)

Addressing Specific Issues Raised by Existing India Investors as well as Potential Investors in Nordics

- Set up a team within CII who can be involved in co-ordinating the rednessal of specific queries directed from various Indian Embassies located in Nordics
- Representation to respective governments in Nordic Countries on specific issues impacting Indian Companies in Nordics e.g. Work permit delays etc

- Indian Embassy in Nordic Countries
- External Affairs Ministry of various Nordic Countries

- The Nordic cell within CII can act as a nodal point for receiving and addressing investor queries pertaining to investing in India

As part of the softer aspects of the overall Indo-Nordic engagement, CII can also support activities to showcase Indian culture and promote educational linkages

Engagement Plan – Initiatives to Drive Cultural and Educational Linkages

Initiatives to Build Cultural & Educational Linkages

Initiatives to Build Cultural and Educational Linkages

- Supporting / sponsoring a series of events in Nordics which showcases India's rich and diverse cultural heritage in the form of art, music, dance forms etc.
- Supporting / sponsoring collaboration between Indian and Nordic research institutes / universities for studies in Indian history and culture (instituting an India Chair in a leading University / Reserach Institute)
- Collaborating with leading universities in Nordics to promote their higher education programs in India (there are 5 Nordic universities ranked in the top 100)

Other Initiatives to Build 'Brand India' in Nordics

- Organising a series of seminars / events to promote the 'Made in India' and 'Serviced from India' label in Nordics
- These events can be part of key Trade Fairs & Exhibitions in which CII would participate as part of its activities for driving trade and investment
- Sponsorship of specific events (e.g. prestigious fashion shows wherein Indian fashion is showcased) can also be a useful means for building 'Brand India' in Nordics

- Other initiatives to build ' Brand India' could include events promoting 'Made in India / Serviced from India' label, sponsoring prestigious fashion shows etc.

Relevant Agency / Stakeholder

- ICCR
- Indian Embassy in Nordic Countries
- Investment Promotion Agencies in Nordic countries
- Nordic Universities
- IBEF (India Brand Equity Fund)
- Indian Embassy in Nordics



Notes

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