

## Do Business in Sweden: An Overview

In the ever-increasing global market, Sweden hosts one of the most internationally integrated economies in the world. With a focus in technology-driven commerce, Sweden's sizeable trade and foreign investment are only a few signs of the nation's competitive business.

In addition to a notable business sector, Sweden focuses on the future through a qualified, highly-developed workforce and education system – Swedish schools and universities meet high international standards. Swedish society itself is reflective of the country's widespread innovation in information technology.

This inventive technological pioneering stems from Sweden's high expenditure on and investment in Research & Development (R&D). R&D is an integral part of Sweden's economy, providing for the necessary breakthrough technology so vital to business. Due to this as well as Sweden's commitment to education and Information & Communications Technology (ICT), Sweden is recognized as one of the world's most knowledge-based economies.

## Important for Your Business

With its access to new technology and thriving business, Sweden has been crucial for foreign investors seeking opportunities in trade. Sweden also offers a vital location, serving as a gateway to three distinct markets: Scandinavia (25 million consumers), Baltic Sea Region (100 million consumers), and the European Union (350 million consumers). Sweden serves as an ideal spot for conducting high value-added operations in goods or services or for establishing competency centers to serve the entire region.

In addition to location and technology, Sweden attracts numerous foreign investors due to its highly-educated populace and global business mindset. In 2007, Sweden had the second most private equity investments as a percentage of GDP in all of Europe (**Source:** European Venture Capital Association).

### Market potential

Sweden is often seen as a frontrunner in adopting new technologies and setting new consumer trends more broadly. Thus, in Sweden products and services can be tested where there are already demanding customers and high levels of technical sophistication. Nowhere else is average market take-off so rapid, and Sweden's test market for new technologies is ranked third after Iceland and Japan.

In the last reported period of 2002–2006, Sweden was the 16th largest Foreign Direct Investment (FDI) recipient in the world with recorded inflows of \$66 billion. On a per capita basis, Sweden is the largest recipient of foreign direct investment worldwide.

Sweden attracts investors from a wide global community. Between 2001 and 2005, prominent investors in Sweden originated from the US, Germany, the Netherlands and the other Nordic countries. Foreign interest is mainly focused on high tech segments in information and communication technologies (ICT), pharmaceuticals, energy, engineering, and processing industries, although the services sector is rapidly gaining attention. (**Source:** Central Bank of Sweden, 2006)

### A Competitive Cost Position

Over the course of recent decades, Sweden's cost position has become increasingly competitive. Total salary costs in Sweden for a basket of 15 professional and administrative jobs are considerably below those found in Japan, Germany and France. Costs for manufacturing labor show an even more competitive pattern, with Swedish salary rates placed second-lowest among ten European nations assessed by a grouping of Swedish labor unions.

### Attractive Corporate Tax Climate

At a flat 28 percent, Swedish corporate tax rate is significantly lower than in many other European countries and OECD nations. Possibilities to defer taxation of profit reduce Sweden's effective corporate tax rate to about 25 percent. The nation also has decreased business costs in comparison to other European countries.

Sweden's tax system is appealing to foreign investors for a number of additional reasons: Competitive corporate taxes  
Capital gain exemptions on sales of subsidiaries  
Tax-exempt intra-group dividends  
Full tax relief on Interest  
Tax relief for foreign key personnel  
Absence of thin capitalization rules  
Comprehensive tax treaties for the avoidance of double taxation with most countries

### **Productivity Growth**

Sweden's productivity increases in recent years have been substantial. According to the US Department of Labor, productivity in Sweden's manufacturing sector outperformed countries such as the US, Japan and France. Furthermore, Sweden will experience further gains in productivity in the future (OECD).

### **Trade Balance with the U.S.**

The U.S. has a long history of being an important trade partner to Sweden. In 2008, the Swedish export to the U.S. was estimated to approximately SEK 72 billions, which was equivalent to 6.5% of Sweden's total export. Sweden mainly exports cars, pharmaceuticals, telecommunication products and energy related products to the US; food and beverages is an increasingly important sector.

Source: [www.sacc-usa.org](http://www.sacc-usa.org)