



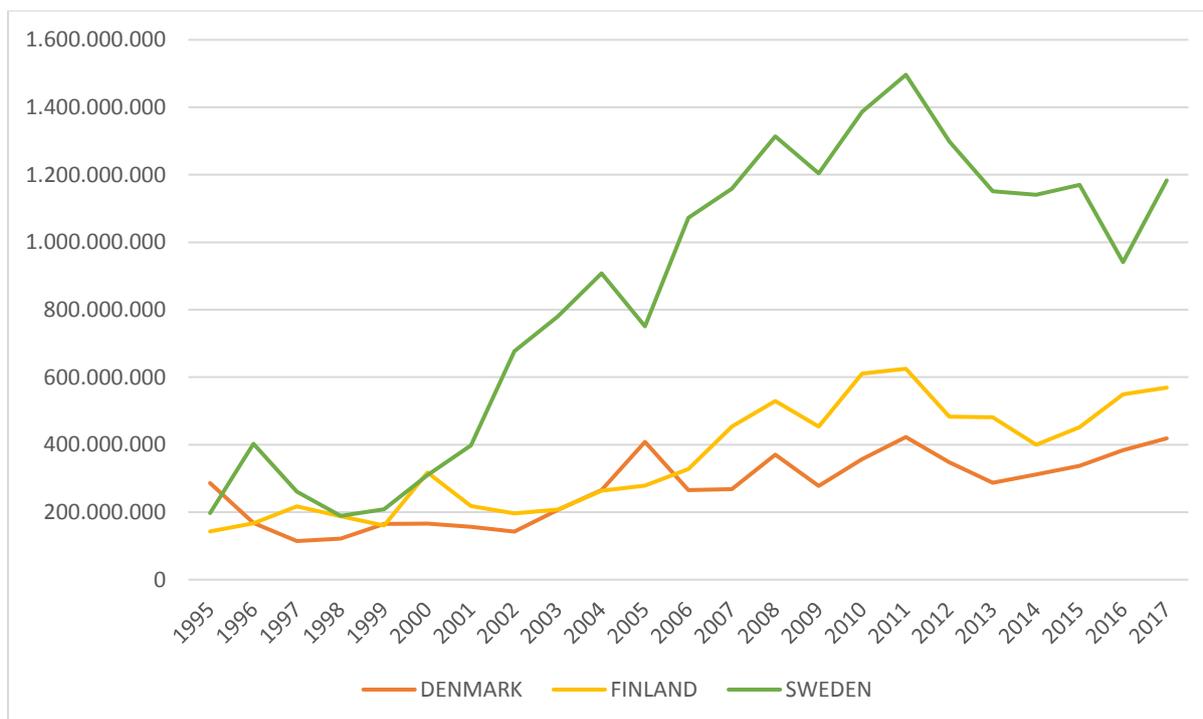
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Bridging the Gap to India

Danish exports to India are underperforming compared to Sweden and Finland. Why is this? And what could be done to reverse the trend?

Danish exports to India is a story of lost opportunities. Two statistics especially underline this fact: In 2017, Danish exports to Iceland were larger than to India (DKK 3.7 billion vs. 3.1 billion). Furthermore, Swedish and Finnish exports to India were respectively 280 % and 35 % higher than Danish exports.



Graph: Goods exports to India 1995-2017 (Source: EUROSTAT)

Of course, these figures need to be qualified. Firstly, the above export figures only cover exports in goods, not services (as these are not available on EUROSTAT). Thus, the strong Maersk presence in India – whose earnings are categorized as services – is not reflected in the comparison.¹ Secondly, it might not make sense to compare e.g. Iceland with India. With an Icelandic population of 334,000 and a GDP of USD 20 billion, compared to India’s population of 1.3 billion and GDP of USD 2.26 trillion, it seems that the importance of geographical and cultural proximity outranks economic might by many leagues. This factor stands even stronger when looking at Norway and Sweden, to whom Denmark exports twice as much as it does to all of Asia, including China.

THE BURDEN OF HISTORY?

Why are Danish exports to India below par compared to our Nordic neighbours? One common argument relates to history; that Sweden’s high-powered performance stems from Olof Palme’s close relations with India and India’s traditional preference for neutral and non-aligned states. However, looking at export statistics for Sweden, Finland and Denmark from 1995 – 2017 reveals a different story. In 1995, the exports to India for all three countries were on the same level, with Denmark marginally higher. But in 1996, Denmark slid to a second place, and in 1997, Denmark came last, a position it has held ever since, except for 2005.

Another often heard argument for Denmark’s weak performance builds on the Niels Holck-extradition case that froze official relations between Denmark and India from August 2011 that only now seems to be thawing. Yet again, the statistics reveal a different story. Indeed, Danish exports to India dropped slightly in 2011 and 2012, but the same happened for Sweden and Finland, and here the drop was even

¹ For further info on the many complexities of trade data, see Asia House Briefing: *Perils & Pitfalls of Export Data* (May 2018).

sharper. It seems other forces were at play, most probably the repercussions of the global financial crisis.

The Niels Holck-case undoubtedly affected Danish exports, but only for certain segments, especially large Danish engineering companies like Rambøll and Cowi, as they often interact on government level. The small and medium sized Danish companies (SMEs) already present in India were hardly affected, as their Indian customers most often did not pay much attention to the extradition case.

The greatest damage to Danish exports done by the Holck-case is perhaps the narrative it created about India in Denmark. Amongst Danish SMEs it confirmed a general perception about India as being a difficult market to access. Not just chaotic, corrupt and hard to comprehend, but also directly hostile. This – of course – will have affected their willingness to engage with India, and probably channelled their limited resources towards other Asian markets perceived as more accessible, e.g. China, Vietnam or Thailand.

WHAT WE SELL AND HOW WE DO IT

The main reason for the relatively low Danish export-levels to India seems to be structural. The first factor may be the Danish product range. The Danish Food & Agricultural sector is highly successful in most Asian countries, but not in India. In 2016, the Food & Agri-sector covered just 8.9 % of total Danish exports to India, compared to 43.8 % for China, 42.7 % for Bangladesh and 55.5 % for Vietnam. This low performance is due to several reasons. Firstly, one of the strongest Danish product articles – pork – is not in high demand in India. Secondly, India carries high import tariffs on food products, being a food surplus country.² In comparison, Swedish industrial machinery is consistently relevant for India, amid rapid industrialization and urbanization.

The second – and perhaps the most important factor for the mediocre Danish performance in India – is the nature of the Danish corporate landscape. Whereas Finland and especially Sweden have more large companies, Denmark is characterized by a larger proportion of SMEs. In general, large companies have easier access to distant markets like India, while SMEs are more biased towards near markets. Large Danish companies are quite well-represented in India, they are just fewer in number than their Swedish counterparts.

MIND THE GAP

(Danish) SMEs face difficulties at all stages to the export process when accessing remote and complex markets. Previous initiatives, most notably the Gateway to India's Smart Cities project, have uncovered five main obstacles for SMEs to India.³

- Danish companies lack knowledge of the Indian market in relation to commercialization. Most often Danish companies access the Indian as basic sub-suppliers.
- Danish companies often expect a clean-cut plug-and-play implementation of their products. However, most Danish products need to be adapted to the local context to find relevance for the Indian market, be it in terms of functionality, price, quality and/or business model. This adaptation requires a deep local understanding, which Danish SMEs rarely have.

² For more on this topic, see *Asia House Briefing: Exporting Food & Agriculture to India* (March 2018)

³ See also *Road Map to India's Smart Cities* (September 2018), developed by Asia House and funded by The Danish Industry Foundation

- Danish companies often have difficulty implementing the Proof of Concepts (POC) required by potential Indian customers. They lack knowledge on the requirements and legalities of the POC, and lack resources for implementation and financing.
- Danish companies – especially SMEs – rarely have the capacity for frequent travel to India, even though this often is required for finding partners and building trust, performing product adaptation and implementing POC's.
- Danish companies often have difficulty finding investors willing to engage in India-based ventures, as the Indian market is perceived as a risky and difficult market. However, investments are often necessary for especially SMEs to bridge the gap to India and scale to the market.

PAVING THE WAY

These are perhaps the real reasons why Danish exports to India are lagging behind our neighbouring countries. Yet while the barriers are real and tough, they are not unsurmountable – they just need to be taken seriously. They must – with all their implications – provide the basis for formulating a new, alternative strategy for export promotion, prioritizing long-term, project-based activities rather than traditional delegations and B2B-meetings.

Relevant SMEs should be carefully selected and screened in relation to their export maturity in India. They should be linked to specific business opportunities, with a broad range of local stakeholders involved in adapting the products, providing test-sites for POC's and identifying relevant partners, customers and distributors.

Furthermore, the participating SMEs should only be involved to a level of comfort in relation to liquidity, capacity and IPR-anxieties. Their involvement should be incremental, as the engagement deepens, with a clear exit-option. Trips to India should be reduced to a bare minimum, with project partners – Danish and Indian – relieving the SMEs from as many tasks as possible in relation to product adaptation and POC implementation and identifying and involving investors.

Approaching the Indian market from this thorough and long-term perspective should create a pipeline for successful Danish ventures to India, and the much-needed success stories and role models that may inspire other Danish companies to follow suit. We must acknowledge that the Danish presence in India is small and thinly spread, and that this itself constitutes an obstacle. Danish companies are more inclined towards markets with an existing Danish community and foothold.

A GREEN FUTURE

Despite these obstacles and weaknesses, the future looks bright for Danish companies in India. In fact, Indo-Danish trade has increased by 50 % since 2009 and bilateral relations have improved markedly. In 2017, Danish companies and ministers were present at the Vibrant Gujarat Global Summit and the World Food India Conference, and Air India introduced direct flights between Copenhagen and Delhi.

2018 looks even more promising. In April, Indian and Danish prime ministers met at the India-Nordic Summit in Stockholm and signed four MoU's for increased corporation; three relating to Food & Agriculture and one on Sustainable and Smart Urban Development. In May, a fifth MoU was signed, paving the way for collaboration within science, technology and innovation. Presently the Danish Embassy in India is issuing more visas than any other Danish representation, and soon they will be moving into new and larger facilities. A Danish cultural institute will be opening in Delhi and recently

the Danish Ministry of Energy, Utilities and Climate announced the opening of a Danish centre for wind energy in India

India is facing the environmental brunt of rapid growth and urbanization and urgently needs efficient food production, clean water and air, and waste management – all areas in which Danish companies have a strong value proposition. Thanks to a well-established tradition for corporation between municipalities, universities and private enterprise, Danish companies enter the market with solutions that have been tried and tested in real life.

Here lies an opportunity for Denmark, not just exporting the specific solutions, but a workable holistic approach, “a way of doing things”, that ensures quality throughout the product life cycle. This is the narrative we need to create for Denmark in India.

Just as importantly, we need to create a new narrative of India in Denmark, that business can be made. The opportunities are both great AND accessible. All we need is a new approach.