

## A salute to DIFC regulators

It may be sheer coincidence. But the substantive issue raised by it simply hits the bull's eye. In the end, it is a tribute to the foresight and approach of the DIFC (Dubai International Financial Centre) regulators, who clearly appear to be on top of the issues they should be concerned with.

No more suspense: the reference is to a consultation paper issued by the Dubai Financial Services Authority (DFSA), the agency that regulates DIFC companies, on how to effectively deal with Politically Exposed People (PEP) in the application of laws against money laundering and other irregularities.

To suggest that the move has anything to do with recent developments in India, in which certain high-profile individuals close to the ruling party leadership have been accused of corruption, would be to stretch things too far. At the same time, the context makes it interesting in terms of the objectives and scope of the DIFC move. The most interesting aspect of all is that the Indian case provides probably the best illustration of what the term 'Politically Exposed People' means.

For the benefit of those who are not familiar with the issue, controversy has been raging in India over alleged favours granted to ruling party chief Sonia Gandhi's son-in-law Robert Vadra by real estate development firm DLF in return for political backing for its business deals. The case has generated much heat and in response, the ruling party functionaries, including Cabinet ministers, have put up a spirited defence of Vadra on the pretext that dealings between a private individual and a company cannot be open to public scrutiny.

Should the concept of Politically Exposed People be applied to the case, all the deals entered into by Vadra and other people of similar situation would qualify to be brought under the scanner. But despite India's status as the world's largest democracy and its judicial system having gone through centuries of evolution, the Indian system does not recognise the need to be wary of influence peddling by close relatives of those who wield power. The reason: no breach of privacy please!

It's a great relief that the burglars of the world do not object to the institution of police as a violation of their right to practise trade...and to privacy!

### Violation by listed company

That one of the party to the deals is a listed company, which by the laws of the land is obliged to play by the rule book, has also not been much of an issue. In fact, it is a shame on India's corporate regulators that not an eyebrow has been raised over the possible violations by a public listed company.

For the benefit of the uninitiated, a minister even suggested that as long as any of the directors of the company haven't raised an objection, there was no need for any scrutiny. He has a point: why spend huge money on courts and judges if the accused themselves can choose their punishment?

But the DIFC regulators have decided to play safe: and opted to be watchful and old-fashioned, if it means that. They have proposed that all Politically Exposed People (PEP) need to be watched for possible violations and, therefore, brought under the purview of anti-money laundering laws. They even go a step further by including both domestic and foreign PEPs under the law and as such, the new anti-money laundering module does not prescribe a different approach to dealing with PEPs based on whether they are domestic or foreign.

DFSA believes that a foreign PEP may present a higher risk of money laundering compared to a domestic PEP. This is because a foreign PEP is more likely to attempt to launder money in or through a foreign jurisdiction where the person may be less likely to be recognised and where he or she may consider the assets are better protected from the courts of their home jurisdiction.

Are the 'celebrated' Indian regulators listening, please?

■ The writer is a UAE-based journalist.

### On Agenda



BY K. RAVEENDRAN  
Special to  
Gulf News



Bobby Naqvi/Gulf News

### Plush outlook

■ Stockholm's bustling downtown markets, busy IT industry, efficient public transport and low inflation indicate that the country's economy is healthy and vibrant. The city is known for its beauty, buildings and architecture.

## SWEDEN SEEKS LIFELINE FROM SMALL BUSINESS

Spurred by excellent workmanship, world-class innovations and huge R&D investments, the country enjoys a robust economy but is now looking to its SME sector to boost exports and stem declining trade

By BOBBY NAQVI | Editor, XPRESS

### BOLSTERING TRADE Focus on the Middle East

Since 2000, Swedish exports to the Gulf and Middle East have grown 160 per cent and the Swedes know that this region has immense potential to expand their business. "There is a lot of focus in the Arab world today," says Dr Ewa Bjorling, Sweden's trade minister. "We have found 700 year-old Arab coins that show ancient trade links between the Vikings and the Arabs," she adds.

In the Gulf region, the UAE has the largest number of Swedish business establishments while Saudi Arabia is the largest export market. Sweden logged in 44.2 per cent growth in exports to the UAE since 2009, says Mat Paulson of Swedish Trade Council. Paulson says 88 Swedish companies are based in the UAE, 27 in Saudi Arabia, 19 in Egypt and 15 in Iran. Also, a total of 1,263 exporters are based in the UAE, 838 in Saudi Arabia and 639 in Egypt.

Sweden is banking on large number of Arabic-speaking immigrants in order to strengthen trade links with the region. "Many Swedes are of Iraqi origin and they have unique competence and have knowledge of culture and language," Bjorling said.

— B.N.

Spurred by excellent Swedish workmanship and huge investments in R&D, the country's robust economy stands apart amidst failing European nations of Greece and Spain. Stockholm's bustling downtown markets, busy ICT commercial and industrial clusters, efficient public transport and low inflation indicate that the economy is healthy and vibrant. But dig a little deeper and the narrative begins to change. Beggars in downtown Stockholm, posters warning travellers of pick pockets at Arlanda airport and Swedes rummaging garbage bins outside five-star hotels are possible indicators of the challenges this wealthy nation of nine million people may face in future.

### Recipe for disaster

Sweden is one of the most export dependent economies in the world and a few large companies make up for country's 80 per cent of exports. Policymakers are well aware that this is a recipe for disaster and they are hoping that small and medium enterprises like Max, Plingm and Bactiguard will drive Swedish exports that make up for half of the Nordic country's GDP of \$538.13 billion. So far, Swedish companies have successfully applied a time-tested formula

to expand their business — invent, develop, produce and distribute. But this formula is increasingly coming under close scrutiny.

"Swedish trade shares are declining and we must rely on SMEs to stop this," economist Professor Pontus Braunerhjelm of Royal Institute of Technology told *Gulf News*. "We are paying too much attention to macro issues and ignoring micro issues, this is the reason of my pessimism," he said, adding that, "when the Roman Empire fell we found out only after 500 years."

Professor Braunerhjelm is not sure whether huge investments in new technology will continue to translate into bigger profits. Large investments in research and development increase production costs, making Swedish products unattractive in many markets. Bactiguard's Kinch admits that catheters made by his company are two-times expensive than those made in China and India. The signs of cut-throat competition from the Chinese are clearly visible in the Swedish capital. Chinese goods and handmade Swedish Viking souvenirs jostle for shelf space in shops dotting downtown Stockholm.

Competition from China is not limited to Viking souvenirs. Sweden's telecom and electrical sector that accounts for 14 per cent of Swedish exports is also facing challenges of globalisation. A 20-minute drive towards north-west of Stockholm leads to the telecom and information technology hub of Kista where more than 20,000 workers are employed in dozens of companies. The centrepiece of this ICT hub is telecom giant Ericsson, Sweden's largest exporter. After ending their mobile phone venture with Japanese giant Sony early this year, Ericsson is focusing on telecom infrastructure and back-end operations. With a planned R&D investment of \$5 billion, Ericsson is focusing on setting industry standards in GSM and WCDMA. Today, more than 40 per cent of the world's mobile traffic goes through Ericsson networks covering 2.5 billion mobile subscribers.

In the Middle East, Ericsson is working with 36 telecom operators including Etisalat, du, OmanTel and Turkcell in developing mobile networks. In Saudi Arabia, it is developing 4G services with Saudi Telecom Company. With a history of 120 years, Ericsson has 6,000 employees in 20 countries in the region and gets 17 per cent of its business from the region. But the firm is aware that all this might change in view of stiff competition from Chinese and Indian companies who are eager to supply telecom platforms and equipment at a cheaper price.

Braving the October chill, Magnus Bergman cycles 10km to his office in Stockholm's high-end commercial district of Stureplan. The Internet expert and his colleague, telecom entrepreneur Pandelis Eliopoulos, run a tiny VOIP (voice over Internet protocol) start-up and dream of turning it into a profitable mobile communication venture with a global footprint. With a team of just 25 youngsters from 11 different countries, Plingm has presence in China, US, India, Japan and Singapore.

Having registered a whopping 5,000 per cent growth since January, Plingm is eyeing a sizeable slice of the global mobile VoIP market that is growing at a compound rate of over 63 per cent and is expected to touch \$29.98 billion (Dh110 billion) by 2016. Unlike market leader Skype that was co-founded by Swedish entrepreneur Niklas Zennstrom in 2003 and offers VOIP solutions on multiple platforms, Plingm focusses only on mobile-to-mobile cheap calls. With over a million downloads, Bergman claims, Plingm is among the top three in 14 markets, including 12 in Middle East and North Africa (Mena) region.

In the nearby high-street shopping hub of Biblioteksgatan, colonies of potentially deadly bacteria are grown in petri dish to test new products that will cut antibiotic-resistant infections in hospitals worldwide. Heading a small team of lab technicians in medical technology firm Bactiguard, Christian Kinch early this month was in the middle of a sales pitch with Iraqi health care chiefs to supply gold-coated catheters that, he claims, significantly cut hospital-acquired infections. Dr Hassan Al Kazzaz is Kinch's potential customer and a deal with the Iraqi public health boss would have been critical for Bactiguard ahead of the product's formal launch in Abu Dhabi last week. Having secured an order for Chinese government hospitals, Bactiguard is now heading towards emerging markets of Gulf and Middle East.

A short walk from the Bactiguard office, Sweden's second largest hamburger chain Max is getting ready for a Dubai launch in November. Max specialises on low-fat burgers and is the only food firm in Sweden with a fully carbon-labelled menu. With low-carb and vegetarian choices, Max seems to be a popular choice of environment-conscious customers. Par Larshans, Max's chief sustainability officer, believes his company will eventually become carbon-neutral, a distinction that will help drive business in markets in the Mena region.

### Stat of the day



A\$16.4b

Australia's new savings and tax measures over four years to protect a wafer-thin budget surplus for 2012-13.

— Reuters