

Ericsson Goes From Oil to Mobile

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The head of telecommunications giant Ericsson's Russia operation, Maria Radtke, was fluent in English, Swedish, French, German and Spanish when she arrived in Moscow in 2010. But she could not speak Russian.

On the back of a smattering of Croatian picked up during a stint in that country as well as Russian lessons, nearly two years after her transfer she's able to express herself to locals.

"Communication is a basic human need," she said. Radtke is confident of Ericsson's ability to weather any economic storm and said the growth of Internet penetration will significantly raise Russia's gross domestic product.

While Ericsson is fully behind plans to modernize Russian society and boost the innovation economy championed by President Dmitry Medvedev — it's even a strategic partner in high-technology hub Skolkovo — the company was first drawn to Russia 130 years ago for a more traditional reason: oil.

In 1881, Ludwig Nobel, one of the founders of Russia's oil industry, whose company Branobel competed with America's Standard Oil for European contracts, signed an agreement with Ericsson to provide telephones and switching exchanges for offices in St. Petersburg and Baku.

Russia is one of top 10 markets for Stockholm-based Ericsson, Radtke said in an interview with The Moscow Times last month, though she declined to provide any figures.

Having worked for Ericsson in South America and several European countries, Radtke said the Russian market most closely resembles Brazil, Canada or even Ericsson's home country of Sweden.

"This huge country with all these rural areas and forests will, of course, have a different growth pattern to a very concentrated urban area, like Germany's Ruhr," she said.

She added that while the market was newer and less developed than many other countries in which Ericsson works, this could actually be seen as an advantage.

"Russian users are much more open to new things, are often early adopters and are more keen to try out new technologies and new possibilities than, for example, extremely traditional Austria," she said.

According to research commissioned by Ericsson, if you increase mobile broadband penetration by 10 percent, then you increase GDP by 1 percent. Put another way, Radtke said, for each 1,000 mobile Internet users added you create 80 jobs.

Ericsson, which has about 400 permanent employees in Russia, was also heavily involved in the modernization and building of the country's digital telecommunications network during the 1990s.

"A lot of Ericsson-made equipment is used for the provision of legacy telephone services at international and domestic long-distance telephone exchanges," national carrier Rostelecom said in e-mailed comments.

Ericsson was also instrumental in the establishment of VimpelCom, the country's first nationwide mobile operator, to whom it extended unsecured credit lines during the 1990s.

Radtke expects future growth in Russia to revolve around mobile broadband, which she said is "exploding."

"It took us 20 years to connect 5 billion people. Now what we're looking at is connecting 50 billion devices," Radtke said. "If you connect to machines — your television or your fridge — you can actually influence these devices from a distance. That's what we're after."

And the company is sanguine about the possibility of macroeconomic developments negatively impacting its position in Russia, including the specter of a euro-zone meltdown. "We have been through many crises and know what to do," Radtke said.

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