

# DENMARK

## Overview

Denmark's Social Democrat-led minority government tightened fiscal policy in 1996 in order to reduce public budget deficits and to avoid labor market bottlenecks. At the same time, the economy is reacting to nominal growth in Germany, Denmark's major export market, and economic growth has come to a halt. The Government expects the economy to start to pick-up again in the second half of 1996. Projections for 1996 point towards a GDP growth of only one percent, increasing to between two and three percent in 1997, assisted by a resurgence in exports and a continued increase in private consumption. Denmark has had very low inflation rates in recent years, averaging less than two percent, which have ensured wage earners real income gains of between one and two percent annually. Inflation is expected to remain low at between 2.0 and 2.5 percent in both 1996 and 1997.

Trade between the U.S. and Denmark was almost balanced in 1992 but in the last two years it has tipped to a deficit in favor of Denmark of about US \$500 million a year. The U.S. has about 6% of the Danish import market, behind Germany, Sweden, and the United Kingdom. The U.S. is seventh among Denmark's suppliers and first among non-European sources.

## Defense Industry Environment

The 1996 Danish defense budget totals U.S. \$3 billion. This amounts to about 1.7 percent of the Danish GNP. Approximately 32 percent of the defense budget is spent on procurement, including maintenance.

The Danish defense industry consists of some 30 to 35 companies, supplying a variety of products and services, from multi-purpose navy ships (e.g., the "Multiflex" by Danyard) and fighter plane parts (e.g., Per Udsen Aircraft Industry), to advanced electronics (e.g., Terma Elektronik). A listing of Danish defense product suppliers can be found in the publication "Danish Aerospace and Defense Industry Capabilities Manual." The publication gives a full background of each company and is available from the following agency:

Ms. Ena Bjerregaard  
The Confederation of Industries  
H.C. Andersens Boulevard 18  
DK 1787 Copenhagen K  
Tel: 011-45-3-377-3377  
Fax: 011-45-3-377-3300

### *MOD Defense Plan*

Current internal dialogue centers around the traditional mission of defense of the nation

from external attack, i.e., the threat from a Soviet move through Eastern Europe and the classical NATO response. The new mission areas as identified in a December 1993 Parliament Act are conflict prevention, peacekeeping, peacemaking, and humanitarian missions in the U.S. or CSCE context; and conflict prevention, crisis management, and defense in the NATO context.

While Denmark has traditionally maintained a low-profile military stance, the basic Danish interests in peacemaking have thrust them into the forefront of current limited-military actions. This will continue to shape the structure of the Danish military. New commercial opportunities will center around support of such missions.

## **Defense Opportunities**

The following is a list of upgrades and potential new systems purchases to be made by the Danish MOD.

- *Main Battle Tanks* - Requirement for 51 used tanks to equip the Danish International Brigade. The Leopard 2 tank is the heavily favored candidate of the Army which is familiar with the Leopard series, but other options will also be reviewed for potential purchase in 1997.
- *F-16 Airborne Laser Designator System* - The Air Force will equip two F-16 squadrons which have completed the Mid-Life Upgrade program. Current systems under consideration are the Lockheed-Martin Pathfinder/LANTIRN Targeting Pod combination, and the Israeli Litening pod. Price will be a major factor in the selection.
- *Air Defense System Upgrades* - The Air Force has initiated an upgrade of their HAWK air defense system. This will include new 3-D radar, command links, and control stations. Integrating contractor is Terma Elektronik AS, a major Danish defense company. Supplier relationships for required subsystems are a possibility.
- *Tactical Vehicle Purchases* - The Army will replace a fleet of nearly 500 light tactical multi-purpose vehicles over the next 5 year period.
- *Artillery Locating Radar* - The Army is reviewing the capabilities of the Hughes TPQ-36, version 8. A total of 8 systems will be purchased in 1997.
- *Unmanned Aerial Vehicles (UAV)* - The Army is in the process of reviewing available unmanned reconnaissance systems for purchase within approximately three years.
- *M-113A upgrades* - Planned modification of current M-113 vehicles in 1999. First phase will be to modify up to 150 vehicles for the Danish International Brigade.
- *Communications Equipment for Danish Special Forces* - Continuing upgrade of UHF/VHF/SATCOM man-portable communications equipment over the next several years.

- *Data Link Terminal Sets* - with software and test equipment for Datalink-11 system to be used for ship/shore installations.
- *Naval Patrol Craft* - The Navy has expressed a specific interest in the U.S. Coast Guard 47 foot craft.
- *AIM-9 Infrared Guided Missile* - Requirement for replacement by the year 2000 and beyond. This procurement is not in the current defense plan, but will be incorporated in budgets over the next several years.

## **Defense Procurement Process**

Denmark is a full member of NATO, and for NATO infrastructure projects it follows NATO regulations regarding public bidding. Information on these procedures is available from NATO headquarters.

Detailed information on the Danish military procurement process and procedures is available from the publication "Danish Aerospace and Defense Industry Capabilities Manual," Section II, pages 81-89.

### *Restrictions on foreign competition*

There are no known restrictions on foreign competition, with the notable exception of shipbuilding and some instances of low-complexity or low-value contracts when Danish suppliers can meet the requirement. Danish procurements are normally open to international bidding. However, for defense items, it is the Danish Government's policy to impose offset requirements for military contracts with foreign suppliers valued at over US \$4.2 million.

A conditional agreement must be signed by each potential supplier and the Ministry of Industry before the final choice of supplier can be made.

For further information regarding offset requirements, contact:

Mr. Lars-Bjorn Larsen  
 Chief of Section  
 The Danish Agency for Development of Trade and Industry  
 Tagensvej 137  
 DK 2200 Copenhagen N  
 Tel: 011-45-35868686  
 Fax: 011-45-35868687

### *Requirements for Import Licenses, End-User Certificates, Security Clearances*

As a member of NATO, Denmark applies NATO regulations for export control purposes. An import license, administered by the Danish Department of Justice, is required for civilians to

import arms and ammunition. Otherwise, Denmark generally requires no import licenses or end-user certificates.

For classified projects, all bidders must have an appropriate NATO security clearance. In the U.S., such clearance is obtained from the U.S. Department of Defense.

*Selling to the Danish MOD*

The Ministry of Defense has delegated most staff and management functions to the headquarters Chief of Defense Denmark (CHOD DEN), DK 2920 Vedbaek, Denmark.

A small, new-to-market U.S. company interested in selling to the Danish military may initially wish to contact one of the three military matériel commands. The military command may then advise whether the company's products are subject to public bidding, or whether the military is in the market for such products. The names and mailing addresses are:

Army Materiel Command  
Arsenalvej  
DK 8900 Hjørring

Air Force Matériel Command  
P.O. Box 150  
DK 3500 Vaerlose

Navy Matériel Command  
Holmen  
DK 1433 Copenhagen K

In the United States, the primary points of contact are the Danish Commercial Counselor/MOU Attache or the Defense Attache at the Danish Embassy:

Defense Attache  
Royal Danish Embassy  
3200 Whitehaven Street, N.W.  
Washington, DC 20008  
Tel: (202) 797-5345

Counselor (Commercial Affairs)  
Royal Danish Embassy  
3200 Whitehaven Street, N.W.  
Washington, DC 20008  
Tel: (202) 797-5345  
Fax: (202) 328-1470

Individual matériel commands have their own internal administrative regulations, which

may be obtained either directly from the appropriate agency or from the Confederation of Danish Industries;

Defense Quartermaster Matériel Administration (Combined Service)  
P. O. Box 808  
DK 2950 Vedbaek, Denmark  
Tel: 011-45-42-89 05 01

The Defense Construction Service (DCS)  
Frederiksholms Kanal 30  
1220 Copenhagen K, Denmark  
Tel: 011-45-33-13 47 01

Danish Defense Research Establishment  
Ved Idraetsparken 4  
P.O. Box 2715  
DK- 2100 Copenhagen O, Denmark  
Tel: 011-45-31-42 57 07, Ext. 240

No prequalification is required in order to participate in Danish defense procurements, except for selected projects requiring a high degree of technical skill and quality assurance. In those cases, prequalification may be obtained by applying to any of the three military materiel commands.

The Danish Defense Command publishes a quarterly document titled Danish Defence Procurement Bulletin. This bulletin does not include all defense procurements, but it provides information on most new system requirements. More importantly, it provides the points of contact for the individual military commands which are executing authorities for Danish defense procurements. Requests for a subscription to this bulletin should be mailed to:

KMDSK VED  
P.O. Box 606  
DK-2950 Vedbaek, Denmark

The subscription price is DKK 400 (US \$60.00). Payment is requested by check payable to KMDSK VED and drawn on a Danish bank.

Normally, the necessary specifications will be included in the solicitation package. However, in the rare cases when they are not included, a reference to standing specifications, (e.g., U.S. military specifications) will be made. Denmark does not have a national specifications repository.

Denmark uses both sealed-bid and negotiated procurement. Offerors should be prepared to have their original offer accepted without any discussions. Three principles are basic to Danish defense procurements:

- Military procurement practices are similar to normal commercial practices.
- Military procurement agencies must fully consider Danish-produced items.
- Military procurement agencies must accept the bid with the lowest total cost that, in addition to adhering to all bid conditions, fulfills any applicable offset requirements for industrial compensation.

The materiel commands have the right to reject quotations without explanation and choose the firm they believe will do the best job, regardless of bid ranking. Prospective contractors are not present at bid openings; however, the results are normally announced to all participants in writing or by telephone.

### *Types of Contracts*

Although both fixed-price and cost-plus contracts are employed, the MOD uses mostly fixed-price contracts. In cases where fixed-price contracts with economic price adjustment are used, U.S. contractors need only be familiar with U.S. price indices (except where an international index might normally apply).

Generally, normal business terms and conditions apply to defense purchases. Since public funds are involved, however, conformance is monitored by the government auditing office. Contract terms and conditions may vary, depending on the value of the contract, issuing agency, sophistication, etc. Delivery terms are usually governed by INCOTERMS 1980. Payment policy calls for cash payment on delivery of contracted goods and services; however, exceptions to the normal practice are relatively common and bank guarantees are often required. Payment is normally made in the currency specified in the contract, 30 days net upon receipt of invoice and delivery of the equipment or service. Normally, a certificate of conformity signed by the supplier and quality control representative is required.

In accordance with NATO Standardized Agreement 4107 (STANAG 4107), the MOD may request U.S. Government quality control representatives to provide QA services on their behalf.

## **Diversification/Commercial Opportunities**

Danish defense companies are privately owned. Thus, there are no "privatization" opportunities. While defense contracts may play an important role for some firms, most Danish companies producing defense products are generally not focused solely on production for the defense sector.

U.S. high-tech products have a relatively good share of the Danish market. However, given the slow paced growth of the Danish economy, new-to-market products generally can only enter by taking market share from already established products. Thus new-to-market U.S. companies are often competing with already established U.S. companies.

There is no direct government procurement of commercial aircraft. The Danish government holds the majority of stock in the holding company owning two sevenths of the airline of Denmark, Sweden, and Norway - Scandinavian Airlines (SAS). Procurement decisions are made by SAS headquarters in Stockholm, Sweden.

Key Ministries/agencies for selected product areas are listed below.

*Commercial Aircraft*

Det Danske Luftfartsselskab A/S (DDL)  
H.C. Andersens Boulevard 18  
DK 1501 Copenhagen V  
Tel: 011-45-3-314-1333  
Fax: 011-45-3-314-2828

*Air Traffic Control*

Civil Aviation Directorate  
Mr. Val Eggers, Administrator  
Ellebjergervej 50  
DK 2450 Copenhagen SV  
Tel: 011-45-3-644-4848  
Fax: 011-45-3-644-0303

*Medical/Diagnostic*

Rigshospitalets Indkobskontor  
(Government Hospital)Mr. Julius Vogel, Chief of Proc.  
Blegdamsvej 9  
DK 2100 Copenhagen O  
Tel: 011-45-3-545-5979  
Fax: 011-45-3-545-5991

*Law Enforcement*

Ministry of Justice  
Office of Police  
Slotsholmsgade 10  
DK 1216 Copenhagen K  
Tel: 011-45-3-392-3340  
Fax: 011-45-3-393-3510

*Environment*

The Environmental Agency  
Mr. Lars Goldschmidt, Chief of Section

Strandgade 29  
DK 1401 Copenhagen K  
Tel: 011-45-3-266-0100  
Fax: 011-45-3-266-0479

### *Demilitarization Techniques*

Ministry of Defense  
LTC E.T. Pedersen  
4th Office  
Holmens Kanal 42  
DK 1060 Copenhagen K  
Tel: 011-45-3-392-3320  
Fax: 011-45-3-332-0655

## **Doing Business in Denmark**

Although Denmark's traditional trading partners are primarily its neighbors, Germany and Sweden, there is a long history of trade with the United States. The factors deciding where importers place their orders are almost entirely commercial, although cultural/historical or social ties with a long-standing trade partner may, understandably, play a role. General competitive factors such as price, quality, promptness of delivery, and availability of service are those which determine the success of a supplier in Denmark. Add to this patience and commitment. Danes don't change suppliers easily and many commercial relationships have been built up and maintained over decades.

### *Distribution and Sales Channels*

As in most other developed countries, methods of distribution in Denmark vary with the type of product. Capital goods, commodities, and industrial raw materials are most often handled by non-stocking sales agents. Specialized and high-technology products are usually handled by stocking distributors which have their own service and maintenance facilities. Consumer goods are usually sold through importing agents and distributors, but increasingly, these items are also imported directly by major retailers such as department and chain stores.

### *Local Agents/Partners*

The modern world of advanced cross-border communications has eliminated numerous barriers, but many Danish companies still prefer to deal with an established local import agent or distributor, rather than buying directly from abroad. The Danish agent/distributor community has developed over centuries and is today a very selective and competitive group of businesses. Many sectors are dominated by a few powerful and quite conservative companies, which have spent decades establishing lasting relationships with their clientele. In contrast to such traditional distribution channels, there is now some movement, albeit slow, toward direct purchasing especially from European suppliers. This is making inroads in the historical role of the sole agent



for Denmark. At the same time, there is an increasing trend for foreign companies to establish branch offices in Denmark. In those instances where a U.S. company does not wish to establish its own sales office in Denmark, it is advisable to seek a local agent or distributor. The U.S. Department of Commerce agent/distributor search service (ADS) is an excellent vehicle for finding such a representative.

### *Joint Ventures/Licensing*

Licensing and joint venture arrangements are common in Denmark. Danish firms are fully familiar with both licensing foreign products for manufacture and sale in Denmark and licensing their own products for sale abroad. Licensing agreements do not have to be registered with Danish authorities, and there are no Danish government restrictions on remittance of royalties or fees. Joint ventures may be established as corporations, general partnerships, or any other legal format. Danish law does not discriminate against joint ventures with foreign participation. The government of Denmark, through the Ministry of Industry, actively encourages foreign companies to manufacture high-technology products in Denmark.

### *Establishing an Office*

Setting up a branch office in Denmark requires a relatively simple registration procedure with the Danish Trade and Companies Agency. The filing requirement is for general information on the U.S. parent company and the activities of its Danish branch. This includes place of business, accounting periods, organizational documents (i.e., Articles of Corporation), and a power of attorney granted to the branch manager. For tax purposes, branches of foreign companies are treated as incorporated companies. As in many other countries, numerous rules and regulations apply to establishing a Danish Corporation. Danish business legislation does not discriminate against foreign subsidiaries or foreign owned companies. Foreign companies need only meet the requirements applicable to national companies. As in the U.S., it is advisable to secure the services of an attorney and a CPA when establishing a business. There are currently approximately 250 subsidiaries of American companies in Denmark.

### *Sales Service/Customer Support*

Danish importers demand, and get from European competitors, a high degree of sales and after-sales service and customer support. The extent of the service and support requirement is directly proportional to the technical complexity of the product. Sound commercial judgement dictates after-sales service at least equal to that supplied by European competitors. Immediate response to a customer's questions, including the use of telefax or electronic mail for routine communications and a readiness to employ overnight courier service when necessary.

### *Government Procurement (Non-Military)*

Government procurement practices in Denmark are generally transparent. Denmark is a signatory to the GATT Government Procurement Code. U.S. firms are eligible to bid on an equal basis with Danish and other bidders for contracts valued over US \$200,000. Invitations to bid are

published in the "Supplement to the Official Journal of the European Communities." The text of the invitation to bid is in English, but the tender documents are normally in Danish. In the United States, the Journal is available from the following organization:

Unipub  
4611 F Assembly Drive  
Lanham, Md. 20706-4391  
Tel: 1-800-274-488-8222

Suppliers are qualified on a contract by contract basis; there is no short-list. Although a local agent is not required, it is often advisable to employ one in order to establish service capability equivalent to that available from resident firms. U.S. companies are also eligible to bid for major public works engineering and construction projects, such as ocean bridges and tunnels. The central contact point for information on such projects is the U.S. Department of Commerce, ITA/TD/OEEI, Washington, DC, Telephone 202-482-5225, or any of the Department's District Offices throughout the United States.

#### *Intellectual Property Rights (IPR)*

Denmark offers adequate protection for IPR. The Denmark desk of the U.S. Department of Commerce has a list available, containing information about the international conventions and treaties concerning intellectual property to which Denmark adheres.

#### *Duties, Taxes, and other Barriers*

Denmark is a full member of the European Union (EU) and EU tariffs are applicable on all products entering from non EU countries including the United States. The rates of duty on industrial goods typically run from five to 14 percent. Once goods have entered an EU country and duty has been paid at the point of entry, it may move freely within the EU. Denmark also applies a value added tax (VAT) of 25 percent on all goods, whether imported or locally produced. Denmark is dependent on foreign trade and therefore traditionally an advocate of free trade policy. Consequently, for non-military contracts, nationally imposed non-tariff trade barriers are practically non-existent.

### **U.S. Government Points of Contact**

The following is a list of helpful points of contact for U.S. firms interested in the Danish market.

#### **U.S. Embassy**

Christian Reed  
Senior Commercial Officer  
American Embassy  
DAG Hammar skjolds Alle 24

DK 2100 Copenhagen  
Tel: 011-45-3-142-3144  
Fax: 011-45-3-142-0175

Per Birger Seehusen  
Senior Commercial Specialist  
American Embassy

DAG Hammarskjolds Alle 24  
DK 2100 Copenhagen

Tel: 011-45-3-142-3144  
Fax: 011-45-3-142-0175

Col. (USAF) Lawrence Hagenauer, Chief  
Office of Defense Cooperation  
Henriksholms Alle  
Building #1  
DK 2920 Vedbaek  
Tel: 011-45-4-566-2100

Fax: 011-45-4-566-3510

**U.S. Department of Commerce**

Alexis Kemper  
International Trade Administration  
Office of Trade Development, NATO  
Room 1009  
U.S. Department of Commerce  
Washington, DC 20230  
Tel: 202-482-4466

Jim Devlin  
Denmark Desk Officer  
International Trade Administration  
Office of International Economic Policy