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DENMARK

Key Economic Indicators

(Millions of current U.S. dollars unless otherwise indicated)

	1998	1999	2000 1/
Income, Production and Employment:			
Nominal GDP 2/	173,701	174,183	161,700
Real GDP Growth (pct) 2/ 3/	2.5	1.7	2.4
GDP by Sector 2/:			
Agriculture	4,366	4,220	3,900
Manufacturing	25,322	24,501	22,700
Services	69,249	70,965	65,700
Government	34,379	34,188	31,700
Per Capita GDP (US$) 2/	32,766	32,747	30,320
Labor Force (000s)	2,841	2,839	2,851
Unemployment Rate (pct)	6.4	5.6	5.3
Money and Prices (annual percentage growth):			
Money Supply Growth (pct)	3.0	4.0	3.4
Consumer Price Inflation (pct)	1.9	2.5	3.0
Exchange Rate (DKK/US$ annual average)			
Official	6.70	6.98	7.92
Balance of Payments and Trade:			
Total Exports FOB 4/	48,179	49,698	48,600
Exports to U.S. 4/	2,398	2,774	2,600
Total Imports CIF 4/	46,092	44,874	43,500
Imports from U.S. 4/	2,283	2,127	1,600
Trade Balance 4/	2,087	4,824	5,100
Balance with U.S. 4/	115	647	1,000
External Public Debt	47,776	25,072	20,000
Fiscal Deficit/GDP (pct) 5/	-1.2	-2.8	-2.5
Current Account Surplus/GDP (pct) 5/	-1.2	1.2	1.4
Debt Service Payments/GDP (pct) 5/	2.0	2.1	1.9
Gold and Foreign Exchange Reserves	15,139	23,682	16,000
Aid From U.S.	N/A	N/A	N/A
Aid From Other Sources	N/A	N/A	N/A

Dollar figures are based on mean exchange rate for calendar year.

1/ 2000 figures are all estimates based on available data as of November.
2/ Gross Domestic Product in Market Prices.
3/ Percentage changes calculated in local currency.
4/ GDP measured as "Gross Value Added by Industry."
5/ Merchandise trade (excluding European Union agricultural export subsidies).
Sources: Danish Bureau of Statistics, Danish Ministry of Economics, Danmarks Nationalbank (the Central Bank), and Embassy calculations/projections.

1. General Policy Framework

Denmark is a small, highly industrialized "value-added" country with a long tradition of extensive foreign trade, free capital movement, and political stability. It also has an efficient and well-educated labor force, and a modern infrastructure that effectively links Denmark with the rest of Europe. With the opening on July 1, 2000 of the Oeresund bridge connecting Denmark and Sweden, the Danish government hopes that the Oeresund region will become a center and a gateway that will attract significant foreign investment in hi-tech industries, including biotechnology, pharmaceutical research, and information technology. Denmark's natural resources are concentrated in oil and gas fields in the North Sea which have, together with renewable energy, made Denmark a net exporter of energy.

The Danish economy is strong, with a public budget surplus and a surplus on the balance of payments. The government pursues a carefully monitored economic policy including a fiscal policy of small public expenditure increases and a tight monetary and exchange rate policy linked closely to the EU's common currency, the euro.

Developments during the first half of 2000 in some key economic indicators—limited growth in private consumption and a surplus on the current account—suggest that the Government's austerity measures, the "Whitsun Package" introduced in the summer of 1998, remain efficient. The Whitsun package, which aimed at curbing private consumption and restoring a balance of payments surplus, includes reduction of tax credits for debt interest payments in order to discourage new loan taking. The measures also aimed at increasing the incentive to work for low income earners by reducing taxation in the middle bracket of the progressive income tax system. The government projects that the surplus in the public budget in 2000 and 2001 will remain stable at close to three percent of GDP, mostly as a result of increased revenues and reduced expenditures due to increased employment and reduced unemployment. Focus is now on the inflation rate which, although running at less than three percent, has shifted from being one of the lowest in the European Union (EU) to one of the highest rates. Furthermore, it is mostly fueled domestically with wage inflation running above four percent.

Denmark welcomes foreign investment, and is home to roughly 250 subsidiaries of U.S. companies. Denmark also welcomes foreign firms focused on doing business in the former East Bloc countries. In that respect, Denmark has a number of preferential joint venture investment and investment guarantee programs and also makes available Danish and EU grants for improving the environment in those countries. The American Chamber of Commerce in Denmark was established in 1999 and a number of leading Danish and American firms are members of the Danish-American Business Forum, which aims at promoting direct investment and exchanges of know-how.

Denmark's opt-out of the European Monetary Union's (EMU) third phase (establishment of a joint EU currency and relinquishment of jurisdiction over monetary policy) was maintained in a referendum on September 28, 2000, when 53.2 percent of the voters rejected Danish participation.   Several years are likely to pass before a Danish government will test this opt-out again, although Denmark's economic performance is likely to continue to meet the established convergence criteria for participating in the EMU's third phase.

2. Exchange Rate Policy

Denmark is a member of the European Monetary System (EMS) and its Exchange Rate Mechanism (ERM). From the early 1980s until 1999, the government linked the krone closely to the German mark through the ERM, and beginning January 1, 1999 (through the ERM2) to the euro. In August 2000 the trade-weighted value of the krone was 4.3 percent lower than in August 1999, due mostly to the krone's depreciation against the dollar, the yen, and the pound. From September 1999 to September 2000, the krone depreciated some 17 percent against the dollar (from DKK 7.08 to DKK 8.57 to $1.00). The increase in the dollar rate is a major factor behind the 15 percent drop in the krone-value of U.S. exports to Denmark (as measured by the Danish Bureau of Statistics) in the first half of 2000. Some dollar-priced goods were priced out of the market by imports from European countries whose currencies had also depreciated against the dollar. Danish exports to the United States in the same period benefited from the high dollar and increased more than eight percent in krone-value.

3. Structural Policies

Danish price policies are based on market forces. Entities with the ability to fix prices because of their market dominance are regulated by the government's Competition Agency. Denmark during 1997 changed its competition legislation from the former "control" principle to the internationally recognized "prohibition" principle. The law was expanded in late summer 2000 to include "merger control."

The highest marginal individual income tax rate, including the gross labor market contribution "tax," is about 65 percent, and applies to all taxpayers with earnings exceeding some $33,800 (2000). Foreign executives (earning more than $75,000 annually) and foreign researchers working in Denmark on a contract may for a period of up to three years benefit from more lenient income taxation (a flat 33 percent tax on gross income). Danish employers are almost alone in the EU in paying virtually no non-wage compensation. Most sick leave and unemployment insurance costs are paid by the government. Employees pay their contribution to unemployment insurance out of their wages, while a major part of unemployment benefits is financed from general revenues.

The Danish value-added-tax (VAT), at 25 percent, is the highest in the EU. As VAT revenues constitute more than one-quarter of total central government revenues, a reduction would have severe budgetary consequences. The government therefore has no plans to reduce the VAT, and hopes that EU VAT rate harmonization will raise the VAT rates of other EU countries. Environmental taxes are increasingly being imposed on industry (with some roll-back for anti-pollution efforts) and on consumers. The corporate tax rate is at present 32 percent, but the government plans to reduce it to 30 percent in 2001. Favorable depreciation rules and other deductions exist.

4. Debt Management Policies

Except for one year (1998), Denmark has had a balance of payments surplus since 1990. Consequently, foreign debt gradually fell from over 40 percent of GDP in 1990 to some 14 percent at the end of 1999. With a projected surplus of more than $2 billion on the balance of payments in 2000, the foreign debt's share of GDP is projected to fall to some 12 percent. Net interest payments on the foreign debt in 1999 cost Denmark some four percent of its goods and services export earnings. Moody's Investors Service in August 1999 upgraded its rating of Denmark's foreign debt to Aaa, the highest rating. Standard and Poors' rating remains AA+ with the comment "positive outlook."

Denmark's public sector is a net external debtor, while the private sector is largely in balance. From 1998 to 1999, the net foreign debt dropped by some $19 billion to $25 billion, mostly due to a very strong increase in the value of foreign shares held by Danes. At the end of 1999, the public sector foreign debt, including foreign exchange reserves and krone-denominated bonds held by foreigners, totaled $23.5 billion and the private sector foreign debt $1.5 billion.

During 1999, central government debt denominated in foreign currencies increased two percent to $13 billion. Of the total debt, about 43 percent was denominated in euros, 43 percent in dollars, and some 10 percent in pounds sterling. However, most of the loans are tied to swaps so that after swaps, about 92 percent of the debt was denominated in euro-area currencies. The Danish central government foreign debt has an average term of less than two years.

Denmark's central government budget deficits are not monetized, and the Danish monetary policy is aimed at maintaining a fixed krone in relation to the euro. Monetary policy is pursued through the Danish Central Bank (Danmarks Nationalbank) which sets the day-to-day interest rate on financial sector entities' current account deposits in the Central Bank and/or offer 14-day transactions where the entities either borrow in the Central Bank against collateral in securities or buy government deposit certificates. Under normal circumstances, there are no limitations on the liquidity. The Central Bank closely follows and adjusts Danish interest rates in response to European Central Bank interest rate adjustments. However, immediately following the Danish rejection of the euro on September 28, 2000, the Central Bank raised key interest rates by 0.5 percentage point to combat possible foreign runs against the krone. Since that time the krone has appreciated slightly in relation to the euro and the 10-year bond interest rate spread to the euro also narrowed. The Danish discount rate as of mid-October stood at 4.75 percent.

5. Significant Barriers to U.S. Exports

Denmark imposes few restrictions on import of goods and services or on investment. Denmark generally adheres to GATT/WTO codes and EU legislation that impact on trade and investment. U.S. industrial product exporters face no special Danish import restrictions or licensing requirements. Agricultural goods must compete with domestic production, protected under the EU's Common Agricultural Policy.

Denmark provides national and, in most cases, nondiscriminatory treatment to all foreign investment. Ownership restrictions apply only in a few sectors: hydrocarbon exploration (which usually requires limited government participation, but not on a "carried-interest" basis); arms production (non-Danes may hold a maximum of 40 percent of equity and 20 percent of voting rights); aircraft (non-EU citizens or airlines may not directly own or exercise control over aircraft registered in Denmark); and ships registered in the Danish International Ships Register (a Danish legal entity or physical person must own a significant share, about 20 percent, and exercise significant control over the ship, or the ship must be on bareboat charter to a Danish firm).

Danish law provides a reciprocity test for foreign direct investment in the financial sector, but that has not been an obstacle to U.S. investment. While no U.S. banks are directly represented in Denmark, a number of U.S. financial entities operate in Denmark through subsidiaries in other European countries, including Citicorp (through its UK subsidiary), GE Capital Equipment Finance (through Sweden), and Ford Credit Europe (through the UK).

The government liberalized Danish telecommunications services in 1997; however, the network, i.e. the raw copper, remained controlled by the former government-owned Tele Danmark A/S. The large U.S. company SBC (formerly Ameritech) holds a controlling interest (42 percent) of Tele Danmark A/S. Access for other telecom operators to the raw copper opened in 1999. A number of foreign operators, including Sweden's Telia and France's Mobilix, are making strong inroads into the Danish market, which increases competition. Sonofon, a private cellular mobile telephone network with U.S. Bell South participation, competes with Tele Danmark A/S in that area.

Danish government procurement practices meet the requirements of the WTO Agreement on Government Procurement (GPA) and EU public procurement legislation. Denmark has implemented all EU government procurement directives. A 1993 administrative note advised the Danish central and local governments of the EU/U.S. agreement on reciprocal access to certain public procurement.

In compliance with EU rules, the government and its entities apply environmental and energy criteria on an equal basis with other terms—price, quality and delivery—in procurement of goods and services. This may eventually restrict U.S. companies' ability to compete in the Danish public procurement market. For example, the EU "Ecolabel", the EU "Ecoaudit" and the Nordic "Swan Label" requirements may be difficult for some U.S. companies to meet. Offsets are used by the Danish government only in connection with military purchases not covered by the GATT/WTO code and EU legislation. Denmark has no "Buy Danish" laws.

There is no record of any U.S. firm complaining about Danish customs procedures. Denmark has an effective, modern and swift customs administration.

U.S. firms resident in Denmark generally receive national treatment regarding access to Danish R&D programs. In some programs, however, Denmark requires cooperation with a Danish company. There is no record of any complaints by U.S. companies in this area.

6. Export Subsidies Policies

EU agricultural export subsidies to Denmark totaled $505 million (about 17 percent of the value of Danish agricultural exports including export subsides to non-EU countries) in 1999. Danish government support for agricultural export promotion programs is insignificant. Denmark has no direct subsidies for its non-agricultural exports except for shipbuilding. Denmark welcomed the 1994 OECD agreement to phase out shipbuilding subsidies internationally, but believes the agreement has become outdated. Denmark would like the agreement to be updated and the United States to ratify such an improved agreement.

The government does not directly subsidize exports by small and medium size companies. Denmark does, however, have support programs that indirectly assist exports through promotions abroad, establishment of export networks for small and medium-sized companies, research and development, and regional development. Denmark has one of the EU's lowest rates of state aid to industry (about two percent of GDP). Danish subsidization of its shipbuilding industry is within the ceiling set in the EU Shipbuilding Directive (nine percent of the contract value) and accounts for about one-third of total Danish state aid to industry. The shipbuilding subsidies have not prevented the closure of many of Denmark's shipbuilders in the face of increased and (allegedly unfairly) low-priced production in the Republic of Korea and elsewhere.

Denmark also has a well-functioning export credit and insurance system. In its foreign development assistance, Denmark requires that 50 percent of all bilateral assistance be used for Danish-produced goods and services. These programs apply equally to foreign firms that produce in and export from Denmark.

7. Protection of U.S. Intellectual Property

Denmark is a party to and enforces a large number of international conventions and treaties concerning protection of intellectual property rights, including the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement).

Patents: Denmark is a member of the World Intellectual Property Organization, and adheres to the Paris Convention for the Protection of Industrial Property, the Patent Cooperation Treaty, the Strasbourg Convention and the Budapest Convention. Denmark has ratified the European Patent Convention and the EU Patent Convention.

Trademarks: Denmark is a party to the 1957 Nice Arrangement and to this arrangement's 1967 revision. Denmark has implemented the EU trademark directive aimed at harmonizing EU member countries' legislation. Denmark strongly supports efforts to establish an EU-wide trademark system. Following a European Court decision in 1998 that "regional trademark consumption" applies within the EU, Denmark stopped use the "global consumption principle." Denmark has enacted legislation implementing EU regulations for the protection of the topography of semiconductor products, which also extends protection to legal U.S. persons.

Copyrights: Denmark is a party to the 1886 Bern Convention and its subsequent revisions, the 1952 Universal Copyright Convention and its 1971 revision, the 1961 International Convention for the Protection of Performers, and the 1971 Convention for the Producers of Phonograms. There is little piracy in Denmark of music CDs or audio or video cassettes. However, computer software piracy is more widespread and estimated at over $100 million annually. Piracy of other intellectual property, including books, appears limited. There is no evidence of Danish import or export of pirated products.

Until mid-2000, U.S. authors and publishers did not receive royalties for photocopying of their copyrighted works used in Danish educational institutions. In June 2000, however, four years of informal U.S. Embassy discussions with the quasi-official Danish copyright collecting agency Copydan concluded with the signing of an agreement between Copydan and the private U.S. Copyright Clearance Center. The agreement establishes a system for reimbursement of an annual million dollar amount of royalty payments to U.S. authors and publishers collected in Denmark for photocopying of their copyrighted works. Similarly, the agreement provides for reimbursement of royalty payments to Danish authors and publishers collected in the United States.

New Technologies: There are no reports of possible infringement of new technologies.

Impact on U.S. Trade with Denmark: Denmark is named on the "Special 301" Watch List because of its failure to meet its TRIPS obligations to provide unannounced searches and provisional relief as required by TRIPS Article 50. In response, the Danish government on October 4, 2000 submitted new legislation for parliamentary approval which, when adopted, is expected to resolve this issue.

8. Worker Rights

a. *The Right of Association*: Workers in Denmark have the right to associate freely, and all (except those in essential services and civil servants) have the right to strike. Approximately 80 percent of Danish wage earners belong to unions. Trade unions operate free of government interference. Trade unions are an essential factor in political life and represent their members effectively. During 1999, only 91,800 workdays were lost due to labor conflicts compared with 3.2 million in 1998 (in connection with the spring 1998 labor contract negotiations (see 8.b below). Greenland and the Faroe Islands have the same respect for worker rights, including full freedom of association, as Denmark.

b. *The Right to Organize and Bargain Collectively:* Workers and employers acknowledge each other's right to organize. Collective bargaining is widespread. Danish law prohibits antiunion discrimination by employers against union members, and there are mechanisms to resolve disputes. Salaries, benefits, and working conditions are agreed in biennial or triennial negotiations between the various employers' associations and their union counterparts. If negotiations fail, a National Conciliation Board mediates, and its proposal is voted on by both management and labor. If the proposal is turned down, the government may force a legislated solution (usually based upon the mediator's proposal). In 1998, for example, failure to reach agreement resulted in a conflict in the industry sector, which lasted 11 days before the government intervened with legislation. In 2000 the mediator's proposal for new four-year contracts in the industrial area won broad approval. In case of a disagreement during the life of a contract, the issue may be referred to the Labor Court. Decisions of that court are binding. Labor contracts that result from collective bargaining are, as a general rule, also used as guidelines in the non-union sector.

Labor relations in the non-EU parts of Denmark (Greenland and the Faroe Islands) are generally conducted in the same manner as in Denmark.

c. *Prohibition of Forced or Compulsory Labor:* Forced or compulsory labor is prohibited and does not exist in Denmark.

d. *Minimum Age for Employment of Children:* The minimum age for full-time employment is 15 years. Denmark has implemented EU Council Directive 94/33/EU, which tightened Danish employment rules for those under 18 years of age, and set a minimum of 13 years of age for any type of work. The law is enforced by the Danish Working Environment Service (DWES), an autonomous arm of the Ministry of Labor. Danish export industries do not use child labor.

e. *Acceptable Conditions of Work:* There is no legally mandated work week or national minimum wage. The work week set by labor contracts is 37 hours. The lowest wage in any national labor agreement at present is equal to about $10 per hour. Danish law provides for five weeks of paid vacation each year. However, the most recent private and public sector contract agreements provide for five extra holidays to be phased in not later than by 2003. Danish law also prescribes conditions of work, including safety and health; duties of employers, supervisors, and employees; work performance; rest periods and days off; medical examinations; and maternity leave. The DWES ensures compliance with work place legislation. Danish law provides for government-funded parental and educational leave programs.

Similar conditions, except for leave programs, are found in Greenland and the Faroe Islands, but in these areas the workweek is 40 hours. Unemployment benefits in Greenland are either contained in labor contract agreements or come from the general social security system. A general unemployment insurance system in the Faroe Islands has been in force since 1992. Sick pay and maternity pay, as in Denmark, fall under the social security system.

f. *Rights in Sectors with U.S. Investment:* Worker rights in those goods-producing sectors in which U.S. capital is invested do not differ from the conditions in other sectors.

Extent of U.S. Investment in Selected Industries—U.S. Direct Investment Position Abroad on an Historical Cost Basis—1999

(Millions of U.S. dollars)

Category		Amount
Petroleum		762
Total Manufacturing		1,449
Food & Kindred Products	148	
Chemicals & Allied Products	78	
Primary & Fabricated Metals	(1)	
Industrial Machinery and Equipment	(1)	
Electric & Electronic Equipment	260	
Transportation Equipment	-11	
Other Manufacturing	(1)	
Wholesale Trade		(1)
Banking		(2)
Finance/Insurance/Real Estate		869
Services		99
Other Industries		(1)
TOTAL ALL INDUSTRIES		3,887

(1) Suppressed to avoid disclosing data of individual companies.
(2) Less than $500,000 (+/-).
Source: U.S. Department of Commerce, Bureau of Economic Analysis.