

# Denmark: A Winner in a New World

JUNE 2024

Recommendations to the government from the Coporate forum for Global Risks

## We stand at an historic crossroad in globalization

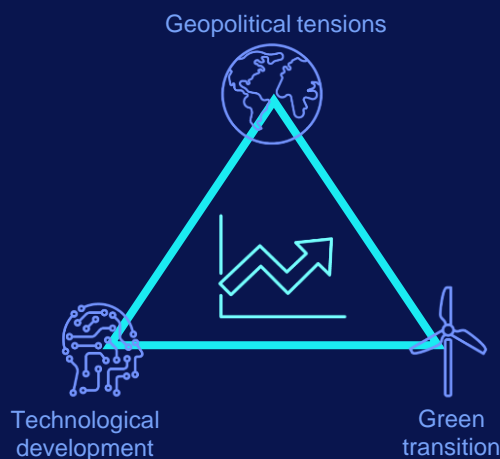
We find ourselves in a new world. Globalization has brought growth and prosperity, but is now undergoing rapid change. Particularly, **three main global trends** will impact Denmark and Danish business in the coming decades: geopolitical tensions, the climate crisis and green transition, and accelerating technological development.

This "Bermuda triangle" of rapid transformation means a change to the rules of the game, and the global balance of power is shifting. The speed of these changes is unprecedented, and both Denmark and the EU are challenged in terms of security

policy, industrial policy and economically by emerging countries with growing populations, large global ambitions, and the ability to act quickly and decisively. We must address this before it is too late, so that Danish and European companies can stand strong in the new global reality and seize opportunities posed by the green transition and technological advancements. We must understand, both in Denmark and the EU, that our position and relevance in the world today is weakened, and that we need to change gears immediately in order to avoid being left behind in the global competition.

## "THE BERMUDA TRIANGLE": RAPID CHANGES

In the tension field between these three main global trends, new challenges arise, but also new growth opportunities for Danish companies



## Denmark has a strong foundation, but slow decision-making and red tape are inhibiting economic growth

We view the vulnerabilities of Danish businesses as more than just short-term supply risks and critical dependencies. When compared to the US, China and other emerging economies in the Global South, Denmark and the EU continue to risk losing competitiveness and economic significance, due to red tape, slow decision-making processes, and lack of access to capital (see figures 1-3).

Denmark has a strong starting point, but the existing global structures are undergoing great change, and businesses are constantly exposed to competition from new and more efficient companies and technologies.

**The framework conditions that have helped bring Denmark to its current level of prosperity are outdated in the new era of globalization**

Through the decades, Danish companies have developed strongholds in areas such as life science, shipping, and renewable energy, which have significantly contributed to value creation over the last 15 years (see figure 4). Recognizing that we cannot excel in everything, the Danish economy has specialised and is punching above its weight. In a new global reality, this approach has to continue and innovative ideas and technologies need to spur the development of world-leading companies – both in Denmark and in the EU.

## A significant change of direction – we must change course and act now

Our analysis shows that, if we are to maintain our competitiveness and simultaneously seize new opportunities for economic growth, the three main global trends necessitate Denmark to significantly change their direction. Danish industrial policy must be re-thought.

We need a new **Strategy for Denmark**: A comprehensive break from red tape and a new approach to businesses with less control and more service. We require a greater tolerance of risk and a departure from zero-error and a culture of perfection. Innovative forces must be unleashed and we must ensure that the right incentives are in place to create solutions that can become new Danish growth ventures and strengthen the existing ones.

Some of the issues must be solved by ourselves in Denmark, while others are to be addressed within the EU, where Danish priorities must be more strongly voiced. The challenges are great and Denmark cannot solve them alone.

In our view, the new strategy should be the overarching framework for the industrial policy for the next 25 years as we head towards 2050. We also present 28 concrete recommendations that constitute important initial steps. To ensure that both the strategy and our recommendations become a reality, we believe a steering committee of ministers should be established and charged with the responsibility of implementation. Quick, effective, and successful implementation must be a top political priority.

### A new Strategy for Denmark: Change of direction in four areas

From control to service



Less focus on perfectionism and zero mistakes



Unleash the innovative forces



More impact in the EU

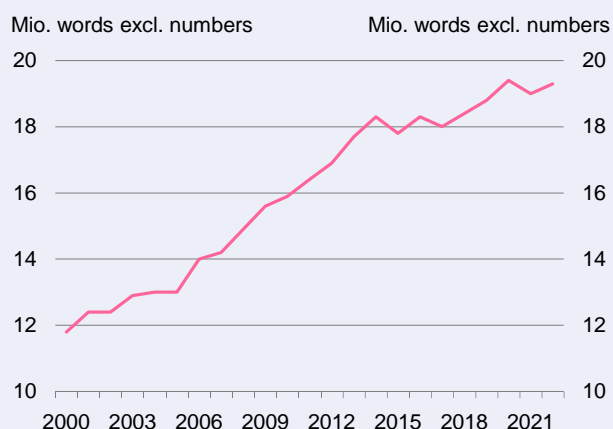


# FACTS AND FIGURES



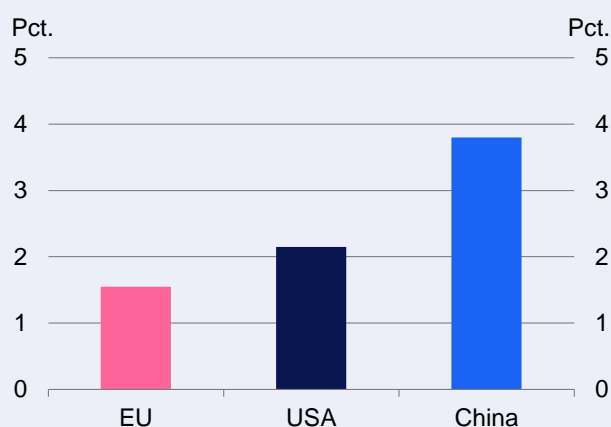
**Figure 1**

The amount of laws and regulation in Denmark (measured by the number of words) has increased significantly



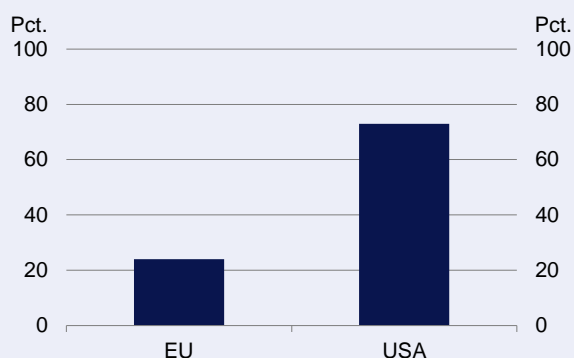
**Figure 2**

Growth prospects towards 2029 are lower in the EU compared to the US and China.



**Figure 3**

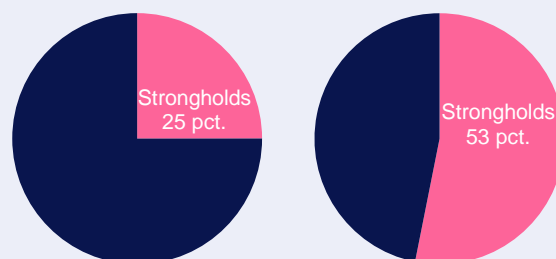
Corporate bonds make up a larger share of companies' debt structure in the US



**Figure 4**

Strongholds drive growth in Denmark

**Strongholds account for a ... and represent more than quarter of Denmark's valuehalf of economic growth creation in 2019**



Notes: Figure 1: The figure shows the amount of regulation measured by the number of words in laws and regulations in Denmark.

Figure 2: The figure shows the average of forecasts for real GDP growth in 2024-2029.

Figure 3: The figure shows the share of non-financial companies' debt structure made up of corporate bonds in 2022.

Figure 4: The figure shows Danish stronghold's share of value creation (measured as the share of gross value added) and growth (measured in 2010-prices). Strongholds are defined as industries that have a high export share in Denmark relative to other OECD countries.

Source: Figure 1: Danish Ministry of Finance, DK2030, based on Herby (2023).

Figure 2: IMF, World Economic Outlook 2024.

Figure 3: Statistics Denmark and own calculations.

Figure 4: Deutsche Bank and New Financial based on data from ECB, BIS, Dealogic, US Treasury, and Preqin.

## Our recommendations: Initial steps to position Denmark as strongly as possible in the new era of globalization

Theme	No.	Recommendation	Target group		
			Start-ups	SMEs	Strong-holds
<b>I Create agile regulation and supervision - quickly</b>					
	1	A target to reduce burdens on businesses	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	2	Easier to comply with business reporting	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	3	EU efforts on burden reduction	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	4	Easier process for achieving EU funding	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	5	Smoother regulatory processes and access to suitable areas production facility investments	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	6	Shorter approval time for permits to set up sustainable energy	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	7	Regulatory sandboxes	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>II Qualified labour – and plenty of it</b>					
	8	Smoother rules for recruiting foreign talent from third countries	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	9	Better opportunities to use employee shares as compensation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>III Enhanced access to capital, financing, and investor culture.</b>					
	10	Expand the capital market in Europe	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	11	Permanently higher deduction for companies' research and development activities.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	12	A more attractive investor deduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	13	Higher ceiling for the share savings account	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	14	Option to choose realization taxation in relation to an IPO	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	15	Higher ceiling for the tax credit scheme	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>IV Ensure our resilience</b>					
	16	Robust supply chains through increased Danish efforts in the EU	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	17	Centre for critical dependencies	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	18	A new approach to protection of technology	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	19	Access to energy in the green transition for businesses	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	20	Strengthened cybersecurity in SMEs	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	21	National technology strategy for critical technologies	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<b>V Seize growth opportunities</b>					
	22	Growth plans as a strategic tool	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	23	Representation of Danish companies' interests in the EU	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	24	From public data to commercial solutions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	25	Better tools for export financing in new growth markets	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	26	Cultivation of new markets and trading partners in the Global South	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	27	Expansion and utilization of EU's trade agreements	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	28	Sector-focused agency collaborations	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>