Improving Europe’s competitiveness
– Denmark and the Lisbon Strategy

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## Improving Europe’s competitiveness – Denmark and the Lisbon strategy

### Business support to the Lisbon Strategy

The launch of the Lisbon strategy three years ago with the aim of strengthening Europe’s competitiveness and helping Europe catch up to the economic dynamism in other parts of the world was a crucial initiative for Europe – supported wholeheartedly by European business, both at EU level and by business associations in the member states, among those the Confederation of Danish Industries (DI).

### Political commitment needed

The Lisbon strategy with its clear objectives and precise benchmarks shows that there is a common understanding of the urgent need to carry out reforms in Europe and improve its ability to react to a changing world. Unfortunately, the ability and willingness of Europe’s political leaders to act and make the necessary decisions – both on EU and national level – to carry out the strategy have been lacking in the three years that have past since the Lisbon Summit in March 2000.

### Private sector recommendations

European business now urges the Heads of State and Government to demonstrate a renewed commitment to the Lisbon Strategy at the EU Spring Summit in March. Europe’s leading business organisation UNICE has established a set of top priorities that would produce the most immediate results for EU competitiveness. In parallel, UNICE’s national member organisations are producing reports to show where the member states are in their implementation of the Lisbon strategy and to present recommendations for further action at national level.

### Denmark’s benefit from the Lisbon Strategy

For Danish companies, progress in achieving the Lisbon goals is essential in three ways. As a small open economy, Denmark is very dependent on a well functioning Internal Market in Europe. Likewise, Denmark is very dependent on the economic performance of the other EU countries, not least its neighbouring countries. And finally, the Lisbon strategy presents useful recommendations on how to improve Denmark’s own competitiveness. The fact that Denmark – together with Sweden and Finland – comes out relatively well on a number of the Lisbon targets does not mean that Denmark’s competitiveness cannot be improved – on the contrary, a lot needs to be done.

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1. UNICE Lisbon Strategy Status, 2003 “Time is running out, action is needed now”
2. See these national reports at www.unice.org/lisbon
In this short paper, DI has focused on where Denmark needs to intensify its efforts to reach the Lisbon targets. The paper does not comment on Denmark’s position on each of the official indicators used in the Lisbon strategy, but points at the most important challenges that Denmark is facing in the main areas covered by the Lisbon strategy, measured against some of its principal objectives.
## Summary – the main challenges for Denmark

The competitiveness of companies in Denmark depends on a number of factors. Some of these are decided by the companies themselves, their competence and their ability to adapt to change. But other factors are the result of political decision both at national and EU level. Here the Lisbon Strategy is an important source of inspiration. As outlined in this paper, DI considers the essential challenges for Denmark to be the following:

### Principal political recommendations

- to push for an extraordinary effort by all EU member states to complete the internal market and create fully functioning markets across all sectors of the economy, including services such as energy, transport, postal services and finance

- to lower tax pressure on employment in Denmark in order to increase labour supply

- to reform the public sector in order to increase its productivity and efficiency, and keep public expenditure down

- to secure higher employment rates through continued labour market reform and better integration of immigrants

- to adapt to the demands of the knowledge-based society through spending more on research and improving the educational system

- to reduce overregulation in order to create greater flexibility and lower costs for entrepreneurs and business in general

- to tackle the heavy Danish climate obligations in a cost-effective manner by focusing on so-called flexible mechanisms.
## Completing Internal Market

**LISBON OBJECTIVES:**
- *Preparing transition to a knowledge-based economy and society by completing the internal market*

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<tr>
<th>Topic</th>
<th>Description</th>
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<tbody>
<tr>
<td>Timely transposition of EU Directives</td>
<td>For European companies, an important precondition for achieving better competitiveness is a well-functioning Internal Market. It is – and should be – a major priority for member states to ensure not only timely transposition of European directives into national legislation, but also uniform implementation of the rules in practice, e.g. through a common high level of market surveillance and efficient coordination of Member States’ activities.</td>
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<td>Member States have an obligation to “think European”</td>
<td>A transposition deficit of 0.7 per cent (compared to target of 1.5 per cent) of European directives places Denmark as the third best of Member States. The same picture is seen for infringement cases. DI encourages Danish authorities to pursue such a high transposition standard also for the future, and in general to do its utmost to fulfil decisions taken at European level. In fact, one major factor in making the Internal Market function well is that Member States &quot;think European&quot; and carry through actions according to common decisions within the set time frame.</td>
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<td>Authorities must contribute to standardisation</td>
<td>Especially in view of enlargement, it is crucial that the &quot;foundation&quot; of the Internal Market is solid and continuously under observation. Support to the standardisation process – both political, financial and with direct participation in the work – from authorities is important to complete the technical infrastructure for companies.</td>
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<td>National product marking should be taken over by European schemes</td>
<td>Along with standardisation comes certification. National product certification with national product marks is still required on a wide scale due to local traditions. This is, however, a major de facto barrier to the free movement of goods in the EU, which adds to the costs of the product, often without any added value. DI urges Danish authorities to take the lead in trying to find a European solution to this problem.</td>
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<tr>
<td>Barriers to trade in services</td>
<td>The Commission’s report on barriers to the free movement of services must be taken more seriously by Member States.</td>
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Many barriers can be avoided through national action. DI encourages Danish authorities to press for a swift realisation of the initiatives to improve the functioning of the market for services.
Complete market opening

**LISBON OBJECTIVES:**

- Accelerated opening of telecommunications, energy, postal services and transport
- Expansion of online public procurement

The EU has been instrumental in the process of creating liberalised markets based on competition in a number of areas previously dominated by public monopolies. Real and fast progress in this ongoing process will substantially benefit European competitiveness.

**Gas and electricity**

As a consequence of EU liberalisation, European electricity and gas markets have changed rapidly towards more open markets, structural development, and increased focus on efficiency. The aim is that all EU countries fully open their electricity and gas markets to business customers in 2004 and to households in 2005.

**Gradual market opening**

Danish energy policy has traditionally focused on environmental protection and energy security. In the past four years, greater emphasis has been placed on opening up the gas and power markets to competition. Since April 2001, large electricity customers have been allowed to switch suppliers, and by January 2003, all electricity consumers are able to do so. Since August 2000, 30 per cent of the natural gas market has been open to competition. The Danish Government has also received backing from a majority of political parties to implement a market opening for all consumers of natural gas by no later than 1 January 2004. Thus, Denmark is in line with and in some respects ahead of the EU requirements concerning liberalisation of gas and electricity sectors.

**Problematic purchase obligations**

But there remain issues to be addressed. Electricity from renewable and combined heat and power (CHP) is given automatic priority, with the result that only 60 per cent of the electricity market is governed by competitive price signals. In that respect further adaptation to market conditions will be necessary. Denmark’s grid operators currently must purchase power from these sources at fixed and above-market rates despite their higher costs, even if cheaper, fossil-fuel power stations have to be taken off the grid. DI is asking for a change of this situation. The purchase obligation should
be replaced in order to force all electricity producers to be exposed to competition.

### Networks needed

Furthermore additional efforts must be put into promoting the interconnection, interoperability and development of transEuropean networks. This is necessary to be able to obtain the full benefits from a truly single market for electricity and natural gas.

### Transport liberalisation

The opening of the transport sector in Denmark is advancing. The Danish Parliament is processing the final pieces of legislation for the total implementation of the first railway package. It is expected to be completed on schedule by March 2003. The first public tender on passenger transport has taken place. DI supports an acceleration of the process of revitalising the railway in the EU through liberalisation and technical harmonization – not only for the transportation of freight but also of passengers.

The increase in the general need for transportation over the next 10 years, as predicted by the Commission, calls on every mode of transport to perform to a higher standard. The railway is here faced with the greatest challenge. A swift adoption by the Council of Ministers and the European Parliament of the second Railway package would be an important step forward.

### Postal services

Postal services are also being opened for competition in Denmark. As from January 2003 only letters up to 100 grams are still subject to restrictions in competition. The publicly owned "Post Denmark" has been changed into a limited company (ltd) and the Government has been authorised to reduce the public ownership by 25 per cent through the sale of shares.

DI recommends that the momentum in the process of liberalisation of postal services is maintained and accelerated to ensure that the users – business and consumers alike – can be serviced according to their changing needs in the global market.

### Telecom

In the telecommunications market deregulation has been achieved. This has led to lower prices and an increase in the number of new services. Nevertheless, because of a previous monopoly situation, the market is still asymmetrical to a large extent.
The use of online public procurement is progressing in Denmark. In January 2003 a new administrative notice was issued. It introduces mandatory use of electronic publication of all state tenders. Municipalities may use the notice on a voluntary basis. Furthermore, there is a portal (http://www.ski.dk/default.asp) for all public authorities, where they can access framework contracts etc. electronically. The turnover on this portal has increased from DKK. 2.844 mio. in 1998 to DKK. 4064 in 2001. The portal has registered 8.500 purchasing units and 1.200 suppliers.
Facilitate access to Finance

**LISBON OBJECTIVES:**
- A more competitive environment for business activity
- Integration of securities and financial markets
- Greater transparency in bond emissions
- Removal of obstacles to investment in pension funds
- Easier access to risk capital

DI believes that a more integrated and transparent capital would contribute to stimulating growth in Denmark. The Danish financial sector could be enhanced further through intensified competition, i.a. through the strengthening of the European Single Financial Market.

**The Danish stock market**
The stock market plays a central role in providing companies with risk capital. The Danish stock market is a relatively small market with a reasonably good liquidity, but with very few IPO’s (Initial Public Offerings).

While Danish investors are relatively active in the international market, foreign investors do not seem to find the Danish stock market as attractive. At the end of 2001 over 28 per cent of the Copenhagen Stock Exchange’s market value was held by foreign investors. The main reason is probably the inferior size of the market, which sets a natural limit to how much foreign investors will increase their portfolio of Danish shares. Moreover, Denmark’s optout of the Euro may impact foreign investors’ incentive to hold Danish shares.

**Modest equity culture**
In Denmark, considerable investments in shares are made indirectly via pension and insurance companies. Because a large portion of Danish savings are tied up in the pension sector, the free savings are more modest, which may explain the modest development of the equity culture.

**Simplify taxation rules**
In general, the Danish rules on the taxation of shares held by private individuals are relatively complex and, in some cases, the tax rate is high, globally speaking. The complex rules also contribute to inhibiting the development of a Danish equity culture. DI believes that simplifying the taxation of equity income will strengthen the equity market.
Use of information technology

Technologies making it possible to vote over the Internet will render it more attractive for minority shareholders to attend general meetings, etc. DI supports the effort of Government to bring the Danish Companies Act up to date so that IT may be used for the purpose of general meetings. At the same time, it will become possible to vote by letter at general meetings.

A and B shares valuable

The system of class A and B shares, according to which class A shares give more voting power and influence than class B shares, has been mentioned as a problem for the stock market in various contexts. However the breakdown of shares by class may contribute to increased control for the owners, as the holders of class A shares are in a good position to affect the management. Such considerations should also be taken into account when EU directives are drafted, including the directives on takeover bids and the fifth company directive.

International accounting standards

As far as the statutory accounting provisions are concerned, steps have been taken to modernise them in accordance with modern international standards, the so-called International Accounting Standards (IAS). As a result of the new standards, a more reliable, truer and fairer picture will be obtained of the companies’ financial position, and it will be easier to compare the financial statements of various companies – also internationally. Thus, Denmark will probably be able to strengthen its stock market, as good accounting standards are particularly important for small shareholders that cannot afford to investigate what is behind the financial information.

Improving the venture capital market

Venture capital provides competent capital, allowing innovative companies access to proper funding at various development stages. In Denmark, the proportion of venture capital derived from pension funds and life insurance companies is in line with countries such as Ireland, Germany, France and the Netherlands. Finland, Sweden and Great Britain, on the other hand, get a markedly larger proportion of the capital from these investors.

Denmark is among the group of countries where alternative stock exchanges account for a substantially smaller part of GDP than they do in countries such as the USA and Sweden. The lacking IPO possibility means that investments are primarily sold by way of resale to other compa-
nies, undoubtedly inhibiting the growth of the venture capital industry.

The Danish Government has announced a dialogue with the pension sector to increase focus on potential or existing obstacles to investments in the venture capital industry. Including obstacles in the tax area.
Reduce tax pressure and public deficits

LISBON OBJECTIVES:
- Sustainable public finances
- Reform of the administrative environment
- More targeted use of public resources to promote growth and employment
- Lower tax pressure on employment
- Reduction of state aid

Government surplus just within the sustainable interval

As stated in the Commission assessment of the 2002 update on the Danish convergence programme, the Danish government finances continue to remain rather healthy with a surplus now projected around 1.5 per cent of GDP but with a large deterioration from 2001. The surplus remains just within the target interval between 1.5 and 2.5 per cent surplus which is necessary in order to prove sustainable with a view to the ageing population.

But ambitious reforms needed ...

However, as also pointed out by the Commission, a number of ambitious reforms are needed in order to maintain sustainable public finances in the years to come.

- labour market
- taxes on labour
- public sector

Most urgently needed are labour market reforms and tax reforms in order to increase labour supply sufficiently to compensate for the ageing population even in the years up to 2010. But after a decline in public sector productivity by 10 per cent during the 1990’s, public sector administrative reforms are also necessary to increase public sector productivity in order to meet the households’ increasing demand for public welfare services. Necessary labour market initiatives are described below.

Lower marginal taxes on labour must support labour supply

As mentioned in the Lisbon strategy and in the Broad Economic Policy Guidelines of 2002, lower tax pressure on employment is called upon. Denmark together with Sweden still has the world’s highest overall tax pressure of around 50 per cent of GDP. Reforms are urgently needed in order to make work pay and especially in order to reduce distortions introduced by the very high marginal tax rates on personal labour income for a very large share of the full time workers in Denmark. 42 per cent of full time workers are faced with the highest marginal tax rate of 63 per cent and another 50 per cent of the full time workers pay the second highest marginal tax rate of around 50 per cent. These two
progressive "job taxes" reduce incentives to work and to make an extra effort. A reduction of these de facto "job taxes" is thus called upon.

**Self financing is high**

A number of analyses show that reductions of the marginal tax rates for such very large groups of the full time workers in Denmark would be the most beneficial measures to increase labour supply at the lowest cost. And such tax cuts would after a period of time to a large extent (50 to 90 per cent) finance themselves through increased labour supply, increased income and thus increased tax payments.

**Public sector efficiency must increase**

Reform of the organisation and efficiency of the public sector service production and administration is also necessary in order to keep public expenditure growth down without either a dramatic reduction in the welfare service demanded by the public or a dramatic increase in the tax burden in the years to come.

**Structural reform of public sector needed**

A national Commission of the public sector structure has been formed. And action is needed. In a small country such as Denmark it is not efficient to maintain three levels of public administration each with their own autonomy and power to tax. The 275 municipalities and 14 counties in Denmark are simply driving public expenditure and tax pressure upwards. More efficiency is needed, and a structural reform is one of the necessary measures to achieve this goal.

**State aid**

The Danish level of state aid is relatively high compared to the EU level, partly due to high national green and energy taxes that are returned to business under various environmental schemes. In Denmark, most state aid is given under horizontal schemes (83% according to the most recent State Aid Scoreboard from the Commission). This reduces distortion of competition. However, state aid in any form has the potential of distorting competition. Therefore, state aid should be reduced.
Stimulate innovation

**LISBON OBJECTIVES:**

- Development of public and private investment in research
- Greater mobility of students, teachers, trainers and researchers
- More partnerships between schools, training centres, companies and research
- Better coordination between national and European research programmes
- Development of Internet access for all
- Improved protection for intellectual property

**Investment in research must go up**

Denmark is aiming to reach the ambitious goal of spending 3 per cent of GDP at research and development. So far, it is however only the private investments that have increased over the last decade (from 0.9 to 1.7 per cent) whereas the public investments in R&D are not increasing (constant level around 0.7 per cent).

As far as the private investments are concerned the Barcelona goal of achieving 2 per cent of GDP in 2010 seems within reach.

However, measures need to be taken to ensure that the goal will be reached. This implies focus on better framework conditions for private research and development, e.g. through fiscal incentives and also a strong focus on the education of researchers.

**More researchers needed**

The 3 per cent objective for R&D expenditure will not be achieved if the education system is not able to increase its capacity of training a far greater amount of students, especially at PhD level. DI sees improvements in higher education as a prerequisite to reach the 3 per cent objective.

Public research is also a basic need for much innovation in private companies. This is especially true for Denmark with its large number of SME’s. DI is therefore constantly addressing Danish political decisionmakers with the need for more public R&D spending and especially with the need to start educating more researchers.

**Improving mobility**

In 2001 3.9 per cent of all Danish students were studying abroad, while 6 per cent of the almost 200,000 students at
Danish tertiary educational institutions were foreigners, thus giving Denmark a substantial net influx of students.

The percentage of university researchers with more than one year of job experience at universities or research institutions outside Denmark differs significantly between older and younger researchers. Of the researchers born before 1965, only 11 percent have more than one year of job experience abroad, while the figure is 31 per cent for the researchers born after 1965. In Denmark, the majority of the university researchers are employed on contracts including both research and teaching.

**Partnerships**

In the last years, companies and universities have formed a large number of partnerships but Denmark still has very few partnerships between schools and training centres.

**Coordination with EU research programmes**

Unfortunately, Denmark is not doing enough to secure a larger coordination between national and European research programmes. So far it is only DI that is asking for a stronger coordination between research programmes.

**Internet access**

An ever increasing number of Danes get access to the internet – either at home, work, school, or elsewhere. From 1998 to 2000 the share of families with access to the internet at home has almost tripled – today 65 per cent of the population has access to the Internet at home. If work and school access are added 77 per cent have Internet access.

**Expensive patents**

Last but not least, it should be mentioned that Danish – just as European companies in general – are put at a disadvantage in the international competition due to the high costs of obtaining patent protection. These costs will only be reduced if EU Members States abandon their resistance against reducing the number of official languages in the Community Patent.

Should they insist on the high number of languages, DI cannot support the adoption of a Community Patent. In this case, DI would recommend the implementation in all European countries of the London protocol to the European Patent Convention. This would eliminate the requirement for translation of European patents into national languages before they take effect. Hence, e.g. patents in English would take effect in Denmark without translation into Danish which would significantly reduce costs for translation.
Improve the labour market

LISBON OBJECTIVES: • Better employability and a match between supply and demand for labour
• Qualification programmes for the unemployed
• Reduction of longterm unemployment
• Development of employment in the services sector
• Equal opportunity

Employment rate targets are fulfilled
Denmark fulfils the Lisbon targets for the employment rate – both the overall rate of 70 per cent, the female employment rate of 60 per cent and the employment rate for older workers of 50 per cent. But the employment rate has been falling in the last couple of years.

But still necessary to increase the rates
As in most other countries, the development in demography in Denmark shows a dramatic change due to a rapid ageing. Therefore, Denmark needs to increase its already high employment rate, as also pointed out by the Commission in its 2002 Broad Economic Policy Guidelines.

Labour market and tax reforms ...
The implementation of a recent labour market reform focuses on initiatives which will increase incentives to work and initiatives to make activation more effective and concentrated on transferring unemployed into employment on normal conditions. It is important to obtain full effect of these changes as fast as possible. But more is needed to ensure that people receiving benefits have the right incentives to enter the job market. Reforms of the income transfer system along with a tax reform which lowers taxes paid by full-time employees would help make the labour market work more effectively, as also mentioned above.

... better integration ...
It is urgently needed to also increase the integration of immigrants into the Danish labour market. The recent tripartite agreement on better integration is a huge step in the right direction. But it is of great importance that further political initiatives to fulfil the agreement are taken.

... and higher retirement age will pave the way for increasing labour supply
Finally, it is important to increase the average retirement age. Today people in Denmark stop working at the age of 61 on average. The Lisbon Strategy objectives of an increase by 2010 of five years in the average age at which people stop working is important to follow. However, since initia-
atives to increase the retirement age were taken in 1998, the average retirement age in Denmark has only been increased by 0,1 year. The employers have strongly recommended that reforms in the early retirement scheme are necessary to make work pay and to keep elderly people on the labour market.
Modernise social protection

LISBON OBJECTIVES:

- Adaptation of social protection to reflect the ageing of the population, to guarantee its long-term viability
- Exchanges of experience and best practice
- Better access to pension funds
- Fight against social exclusion

Maintaining pension systems viable

As mentioned above the number of people in the working ages in Denmark will fall dramatically, and at the same time the number of elderly will increase fast. Today there are 4.1 persons aged between 20 and 64 to every person aged above 65. In 20 years time the number will be 3.1 person. This is particularly challenging with respect to increasing the retirement age – but also with respect to maintaining the pension systems viable.

Furthermore the ageing of the population will inevitably lead to an increase in the demand for healthcare, and actions need to be taken in the public healthcare sector to reduce expenditure growth.

Social inclusion high

Based on a relatively high employment rate, low unemployment, high level of income benefits, an equal income distribution and high public expenditure on education, social inclusion is high in Denmark compared to other countries. However, due to the ageing of the population further structural reforms are necessary on the labour market, in the social systems and in the tax system in order to maintain the present level of social inclusion. The key issues are incentives to work (the balance between taxes, wages and income support/benefit), effective activation in order to get a job on normal conditions and proper qualifications.
Adapt education and training

LISBON OBJECTIVES:

- Substantial annual increases in investment in human resources
- Adaptation of education and training to technological and IT change
- Redefinition of the future objectives of education systems
- Promotion of mobility among the young, teachers and researchers
- Priority to lifelong learning and promotion of agreements on alternance-based training work
- Development of employability
- Local and inexpensive access to the Internet, with better training

Keep up expenditure on education

Public expenditure on education in Denmark has been increasing from 7.5 per cent of GDP in 1997 to 7.8 per cent in 1999 and 8.1 per cent in 2001. The government has a clear policy of bringing the general increase in public expenditure to a halt. DI wishes to convince the government to maintain the present level of expenditure on vocational and as higher education and training and possibly even increase it. Another theme for employers in Denmark is to assure efficiency and a clear prioritization in the educational system as a whole, both in terms of the financial resources spent as well as with regard to the qualitative output.

A more demand driven labour market

The government generally aims at shifting the focus of the educational system towards the needs and demands of the private labour market as has been requested by the employers. There is a need for a higher degree of flexibility in the organisation of the programmes and courses. Furthermore the recognition of skills achieved at the workplace or elsewhere outside the classroom should be promoted.

DI keeps the implementation of this new approach under close surveillance in order to maintain the focus on employability and the needs of the labour market as well as on an efficient use of the resources spent.

Lifelong learning

In the companies there is a clear need for further development of skills through training, and an increasing part of this development happens at the enterprise (and not in an
educational institution/training centre). At the same time enterprises are becoming increasingly specialized and the traditional work functions especially at unskilled and skilled level are undergoing substantial changes, which leads to a demand for a wider range of competences.

The social partners at European level have adopted a framework of actions for lifelong development of competences and qualifications. The employers in Denmark are participating actively in the implementation of the framework.
# Promote entrepreneurship and dismantle unnecessary regulation

**LISBON OBJECTIVES:**
- An environment and a culture conducive to enterprise
- Simplification of laws and regulations, with new and more flexible approaches
- Simplification of relations with the administration

## Entrepreneurship in need of stimulation

According to several international studies, Denmark is among the countries that can be characterised as having a medium level of entrepreneurial activity. Furthermore, there has been a decline in total entrepreneurial activity during 2002, with 1 in every 15 Danish adults being involved in some sort of activity as opposed to 1 in 12 during 2001. In addition, very few entrepreneurial enterprises tend to grow.

According to entrepreneurs among DI’s membership it is the high marginal taxes in Denmark that primarily affect the willingness to start enterprises. Moreover, the Danish wage owner culture needs to be changed through an effort in the education system.

## Action plan supported by DI

In January 2003, the Government launched a new action plan to promote entrepreneurship. The ambition is to place Denmark in the top 3 of European entrepreneurial countries. The ambition should be met by more people engaging in entrepreneurship, secondly by securing that more enterprises survive after the first difficult years and thirdly by making sure that these enterprises will rapidly start growing. The action plan will focus on the following headlines: Entrepreneurial culture and will to take risks, administrative burdens, business services, finance and tax and finally research and development. The action plan has been very well received among interest groups in general.

## Ageing of entrepreneurs

But there are still some unaddressed problems, such as the ageing of entrepreneurs and the apparent unwillingness of young people to take over existing SME’s – they prefer to start their own business instead.

## Deregulation efforts stuck

Simplification of laws and regulations has been an ongoing struggle the last 10 years in Denmark, but still very few re-
results have been obtained. It seems that even though there is political focus on the issue it is very hard to change the minds of the legislators.

Regulatory Impact Assessment of new legislation has been improved over the years, but there is still room for improvement. The systematic control of new legislation is still too weak and the methods used to measure impacts of new legislation are questionable.

On-line services not an alternative to deregulation

Despite protest from business organisations, development of on-line public services has instead become the primary answer to reduce the administrative burdens for the enterprises. DI supports development of e-services but the first priority is still deregulation.

Even though a lot of different public e-services are available to companies it seems that there are relatively few users of the services. Experience has shown that the public sector must work harder to make their e-services more user friendly and give better incentives to companies to use the services.

Quality of administration

It is also important to focus on the quality of public administration. There are many examples that smaller municipalities lack the expertise to control and advise companies properly. DI recommends that this problem be addressed by the newly established national committee on the structure of the public sector, as mentioned above.
Denmark has focused on sustainable development for more than a decade. Especially the environmental part has been in the forefront.

More balanced approach

With the Government’s new strategy for sustainable development, presented in June 2002, a more balanced approach has been chosen, looking at both economic growth and social and environmental issues. The strategy also takes into account the need for strengthened competitiveness, not only in an EU perspective, but globally.

The Danish Government launched a project called ‘Green Market economy’ in February 2002. The initiative was welcomed by DI. The idea is to further investigate how to reach better environmental protection in the most cost efficient way through an increased use of market-based instruments.

Business is part of the solution

Sustainable development is a very important issue for DI. Sustainable development is about improving the lives of people for present and future generations. DI took part in the World Summit on Sustainable Development (WSSD) because the business sector is a part of the solution in a strategy for sustainable development based on growth in the developing countries of the world.

Corporate Social Responsibility (CSR) is the business contribution to sustainable development. DI is actively involved in the development of the CSRconcept through participation in the Commission Multi stakeholder forum on CSR.

Heavy climate obligations

Denmark has committed itself to reduce its emissions of greenhouse gasses by as much as 21% during the period from 2008 to 2012, compared with the 1990 level. Energy
supply will play a central role in a concerted strategy on the climate. DI finds that environmental aspects must be addressed in a marketbased way in unison with the increasing liberalisation of the sector.

Since the end of the 1980’s, there have been a vast number of initiatives to reduce emissions of greenhouse gases in Denmark. The initiatives have until now been national with the purpose of achieving environmental improvements across all sectors of society. The range of initiatives comprise: compound of CO₂ taxes combined with voluntary agreements, economic support to renewable and combined heat and power (CHP), use of cleaner fuels in production of electricity and heat. Natural gas, waste and renewable energy sources such as biomass, wind power and solar energy are intended to substitute coal and oil.

In 2000, electricity generation accounted for almost 40 per cent of total CO₂ emissions in Denmark. Until now electricity from renewable and combined heat and power (CHP) has been given priority, as customers must purchase power from these sources at fixed – and abovemarket – rates. This has increased electricity production from renewables, which now accounts for more than 20 per cent of the total Danish electricity consumption.

Additional national initiatives would seriously hamper a cost effective approach for Denmark to achieve the climate change commitment.

The key instrument to achieve the goal in a cost effective manner is to further focus on emissions trading and project based flexible mechanisms Joint Implementation (JI) and Clean Development Mechanism (CDM). These instruments should in the future be an integrated part of the Danish and EU climate change strategy, and Denmark should in co-operation with the other EU member states put efforts into ensuring that these instruments are implemented all over Europe and that they are workable in practice. This would also assure the promotion of electricity generation based on renewable energy sources as the market would reward production of CO₂ free electricity.

Industrial waste accounts for approximately 20 per cent of the total amount of waste produced in Denmark each year. Today approximately 60 per cent of the industrial waste is...
reused, and 26 per cent ends in landfills. The targets, which are welcomed by industry, are 65 per cent reuse in 2004 and only 15 per cent in landfills. The continuing focus from the industry on the waste hierarchy, on environmental management systems and on development of new technologies makes further reuse of waste possible.