

DACC NEWS BULLETIN

No. 1

DACC LUNCHEON

Thursday, February 22, 1990, the speaker will be Henrik Slipsager, President of ISS (USA).

Thursday, March 22, 1990, we shall hear Jarl Boye Kjeller, the new chief for the Danish Tourist Board in New York.

X-MAS THANKS

The Chamber's Annual Christmas luncheon at the University Club on December 8, 1989, was enjoyed by a fully packed banquet room of members and their guests. In addition to a fine program led by Werner Valeur-Jensen, the Christmas messenger was Consul General of Denmark, Leif Donde.

After an excellent lunch each member and guest received a much appreciated "care package" as they left. The contents of the packages were made possible by generous donations from the following:

Carlsberg International
DAK Foods
Dandy Foods, Inc.
Danish Distillers, Ltd.
Lego Systems, Inc.
MD Foods USA, Inc.
M.H. Greenebaum, Inc.
Plumrose USA
Royal Copenhagen / Bing & Grøndahl

Henrik Bjørn made Privatbanken's personnel and facilities available for packing and storing the bags that were supplied by the Danish Tourist Board and Bloomingdale's. Michael Halpern (Colony) donated the door prizes.

Among the volunteers who gave their time and energy for assembling the bags were Rasmus Andersen, Annie Emmerly, Lillian Hess, Henry Greenebaum, Ed Lichtenhagen and Erik Norup.

February/March 1990

BANKMERGERS LEAD TO CONCENTRATION IN NY

The merger of the six leading Danish banks into two will face one of their first tests here in New York. Three of the local branches will be joined under the name Den Danske Bank: Handelsbanken will offer its general manager Jim Stewart as the new manager for the joint operation assisted of his two colleagues at Provinsbanken and Den Danske Bank itself. A probable location is the offices of Handelsbanken on Park Avenue, where the banks hold an option to expand the leased area.

Newcomer SDS Bank will join Privatbanken under the new name Uni Bank. The third partner will be Andelsbanken which is represented through a corresponding bank. At dead line the structure of the merged branches is not known. Since the lease of SDS Bank cannot be expanded it is seen as certain that Uni Bank in New York will have the house of Privatbanken on 54th Street as their address.

Following an example from Norway the leading Danish bank Den Danske Bank decided to seek a merger with the closest competitor Handelsbanken. The new bank with equity of some \$ 3 bn and assets of close to \$ 50 bn was later joined by Provinsbanken. Den Danske Bank was already a major share holder in the fifth largest Danish bank, which is known as especially successful in private banking. Uni Bank will be a strong number two in Denmark with an equity of some \$ 3 bn. Through the network of Scandinavian Banking Partners it will have a formalised cooperation with the leading Norwegian bank Den norske Bank, S-E Banken in Sweden and the Finish Union Bank.

Substantial savings will be the result of merging the branches outside Denmark. The benefits in Denmark will come slowly since the banks have the intentions to avoid major lay offs. Bank analysts have noted, that a bank merger should be followed by a reduction of the work force by a third to be profitable.

ECONOMIC REVOLUTION:

Danes save, export out of balance problems...p. 3
Denmark more competitive than West Germany...p. 6
Danish corporate tax among lowest in the EC...p. 6

DANISH AMERICAN CHAMBER OF COMMERCE

NORTHWEST AIRLINES STOPS FLYING TO SCANDINAVIA

Effective April 1st Northwest Airlines will stop all its flights to Scandinavian destinations. According to the travel magazine "Stand By" the too much capacity has resulted in a fierce price competition. From April only SAS, TWA and Tower Air will have nonstop connections to Scandinavia. As the only company SAS is operating out of Newark Airport, however from May 1990 SAS is expected to reintroduce flights from JFK Airport to Copenhagen.

NEW DANISH MINISTER FOR INDUSTRY

In December 1989 the Danish Minister for Industry, Mr. Niels Wilhjelms, accepted to become the President of Industriens Realkreditfond, one of the leading Danish financial institutions. Mr. Wilhjelms was succeeded by Ms. Anne Birgitte Lundholt (Conservative), who since 1988 had been President of the Danish Furniture Manufacturers' Association, which in 1989 merged with the other furniture association, DMI, under the name Danish Furniture Industries.

CS

NEW PRESIDENT FOR DANISH FURNITURE INDUSTRIES

Mr. Poul Eriksen has been appointed President for Danish Furniture Industries. Until July 1988 Mr. Eriksen was President for DMI, one of the two furniture associations, which merged in 1988. After the merger Mr. Eriksen was appointed Head of the Jutland branch in charge of administrative affairs and responsible for the August furniture fair in Herning. Mr. Eriksen has been very active in supporting Danish furniture exports and has visited the USA several times in that capacity.

CS

NEW APPOINTMENT

Mr. Villads Villadsen, who served as Denmark's Consul General in New York 1984 -1988, has been appointed Ambassador to Iceland. After his return to Copenhagen, Ambassador Villadsen was involved in several special assignments, including participation in the UN General Assemblies in 1988 and 1989.

CS

OFFICE SPACE FOR RENT

Elmsford/Tarrytown office space (1,385 sq. feet) in modern building w/cafeteria available for rent/sublease as of February 1, 1990. Easy access to 287/87, free parking. Prime ground floor location. Inquire between 9:00 am and 4:30 pm at (914) 592-5277.

Denmark Cheese Assoc., Inc.

AMERICAN CLUB IN COPENHAGEN

Next luncheon meeting is on Tuesday, February 20, 1990. If you are interested in participating please give the Club's secretary, Mr. John Jensen, a call on tel: 33 14 76 56, let him know that you are a DACC member.

NEW MEMBERS

We welcome the following new members to DACC:

INDIVIDUAL

Henrik Strabo
Shearson, Lehman, Hutton
American Express Tower
World Financial Center, 6th fl.
New York, NY 10285-600
(212) 528-8440

Sell and promote European and Scandinavian company equities to US based fund managers.

Henrik Thouber
Simpson, Thacher & Bartlett
425 Lexington Avenue
New York, NY 10017
(212) 455-3515

Danish attorney, deals mostly with banking, mergers and acquisitions and restructuring of companies.

WE

BIRGER CHRISTENSEN AND HBA FUR CORP. MERGE

Birger Christensen and HBA Fur Corporation merge to create a strong wholesale and retail fur organization in the United States.

Throughout the world the Birger Christensen furs are sold at prestigious stores - in the United States at Marshall Fields, Bergdorf Goodman and Neiman Marcus, to name but a few.

HBA Fur Corporation owned and managed by Harold Frishman and Irving Himelfarb is one of the most important wholesale and retail fur companies in New York for more than 40 years.

Birger Christensen and HBA Fur Corporation will combine their forces in Birger Christensen's newly renovated showroom on the entire third floor at 150 West 30th Street.

Press release

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Revolution in behaviour

- reprinted from "Denmark" - a quarterly review by HandelsBanken

The Danish Economy 1989-1990

The Danish economy is undergoing significant changes. The process has been gradual and will likely continue into 1990. What happens then will depend to some extent on the general world-wide economic climate. It will also depend on the convolutions of domestic politics (see page 12), and developments on the labour market. (As early as 1990, the employers and the unions will be starting a round of talks on new collective agreements to replace the present two-year accords.)

The fundamental changes have little to do with *economic growth*. Real GDP growth remains very modest. That gives little cause for rejoicing. In any case, both the general public and the politicians are pre-occupied with other things at the moment, namely the distribution of income and output.

Changing behavioural patterns

What has happened is that the economic cake is being divided up in a different way. The Danes are changing their economic behaviour.

To put it briefly (the figures come later), we have started to devote more of our available resources to the export sector - at the expense of the home market, which has traditionally been the favourite stamping ground of industry. This represents a radical departure, and is mirrored in a parallel development in the household sector. The average Dane is not so ready to put himself into debt, and he may even be more inclined to actually save.

Admitted, this last contention is based on shaky statistics. It can hardly be otherwise, since savings are a marginal item in the budgets of the 2.7 million Danish households. But, on aggregate, billions of kroner are at stake for the national economy in the choices the various households make between spending and saving.

Jacking up exports

From January to September this year, Denmark exported for 149.3 billion kroner of goods, which is 12.8 per cent more than for the first three quarters of 1988. Imports increased 13.1 per cent to 143.3 billion kroner.

Most observers take bare statistics of this kind with a pinch of salt and, indeed, a closer look at the figures shows that "reflagging" by Danish shipowners after the establishment of the Danish International Shipping Register has distorted the import statistics ("flagging out" had previously led to billions of kroner in ship exports). Ships apart, and after other arithmetical adjustments, exports in the first nine months of 1989 were 14.3 per cent up on the same period last year, while the increase in imports is a somewhat more modest 10.9 per cent.

From January to September, Denmark exported manufactured goods (ships not included) for 103.5 billion kroner, or 13.7 per cent more than in the corresponding period of 1988. Agricultural exports (including meat and milk products) rose 14.7 per cent to 27.9 billion kroner. This last

figure is encouraging after several dismal years.

Industrial growth

The Federation of Danish Industries estimates that about 60 per cent of industrial output is now exported. This is twice the percentage just thirty years ago.

Export growth is therefore giving a *shot in the arm* to Danish manufacturing industry, which freely admits to decades of stagnation. But, during those decades, nearly all the politicians and experts who have given their prescription for the cure of Denmark's chronic balance-of-payments malaise have cited growth in industrial exports as the main ingredient. The mixture is now starting to gel.

So much so, that Danish industrialists are imbued with a new optimism. Their general expectations are rising according to the "economic indicators" published by Denmark's statistical office on November 8th. And the latest interim results of many industrial companies show that profits are also on the way up.

Costs held in check

If manufacturing industry is to continue giving precedence to exports, it is essen-

tial that companies feel they can compete on international markets. Membership in the EMS has kept the Danish currency relatively stable for the past seven and a half years compared with many of its European trading partners, and this has made an important, positive contribution.

"Competitiveness" has many aspects. In the case of Denmark, wage costs have been of paramount importance. Happily, total wage costs have risen by an average of about 2 per cent, which the Danish Employers' Confederation recently described as being "historically low". True, the two per cent does not include compensation for the shorter working week resulting from the latest collective agreements; none the less, hourly productivity continues to improve.

It is worth noting that employment in manufacturing industry seems to have stabilised at around 387,000. We know how employment breaks down by branches of industry but not in terms of sales. Nevertheless, it would seem that more people are employed in producing for export markets and correspondingly fewer in producing for the home market, where demand remains subdued.

Danish economy 1988-1990	Billion kroner	Percentage change (fixed prices)		
	1988	1988	1989 ¹⁾	1990 ¹⁾
Production (GDP)	723.6	-0.4	1	2
Imports of goods and services	212.5	0.6	6	4
Supply = Demand	936.1	-0.1	2	2½
Private consumption	388.7	-1.1	0	1
Housing construction (incl. urban renewal, etc.)	28.1	-14.5	-7	0
Corporate investment (incl. energy invest.)	83.4	-6.4	5	4
Public demand	206.9	0.3	-¾	0
Exports of goods and services	233.9	5.3	8	4½
Changes in stocks	-4.8	-0.7 ²⁾	-½ ²⁾	-
Unemployment (pct. of labour force)	-	8.7	9.5	10
Consumer prices, percentage rise	-	4.6	4¾	4
Balance of payments, current account (bill. kroner)	-	-11.8	-11¾	-14

¹⁾ Estimate.

²⁾ Pct. of GDP.

Growing unemployment

Although the recent success of the export sector is beyond any doubt, it has not led to more industrial employment. Many of the pundits had hoped that export growth would make up for the jobs lost because of a shrinking home market and a strapped public sector.

True manufacturing industry is not exactly the Goliath of the Danish labour market: it employs just 387,000 out of a total of 2.8 million. By contrast, the building and construction industry employs 150,000, agriculture about the same, and the financial sector about 110,000. Transport and communications (about 185,000 employees) is a largely public-sector activity. In addition, the central government employs 200,000 people and the local authorities 500,000.

With this kind of employment pattern, unemployment is *bound* to become a problem when over-all economic growth stops (as happened in 1987); public expenditure growth is restrained; and the emphasis of private sector activity switches from the home market to exports, as has gradually happened since the autumn of 1988.

Unemployment now stands at 9.6 per cent (September 1989, seasonally adjusted) compared with 8.7 per cent 12 months earlier. Then, Danish unemployment was at the lower end of the EC scale. It is so no longer.

Consumers change their habits

The ailing home market has, of course, affected other sectors besides manufacturing industry. The building and construction sector has been suffering a slump for about two years; car sales are at a low ebb; turnover in the private service sector has long been stagnant; retail sales are in real terms on the same level as they were in 1985, or perhaps even lower.

Behind this development is a squeeze on household finances. Wages, which

make up the bulk of family incomes, have been put in a straitjacket. At the same time, a growing number of Danish families are changing their economic behaviour.

They no longer borrow as readily as they once did to finance a consumption-level in excess of what income (after tax) can bear. They seem more willing to save.

This inchoate trend is hardly measurable in the statistics as yet. But it is an undeniable trend, which is being spurred on by current economic policy. The aim of this policy is to shift the emphasis from the home market to export markets and from consumption to savings – but also to reduce the element of subsidy in Denmark's many social security arrangements.

This may provide an incentive that could have a long-term effect on the Danish economy. With increased personal responsibility, individual families will be forced to change their economic behaviour. Perhaps in time some of them may cease to regard the State as a horn of plenty.

Possible growth in 1990

Thus, within the given economic framework, important structural changes are under way.

They could, if the externalities are favourable, contribute to future growth, which could make itself felt as early as next year.

We have already mentioned the optimism of Danish industrialists about their prospects. The farmers too must be cheered by the near record harvest of 1989 (for instance, 9.1 million tonnes of grain, or 18 per cent above the 1986-1988 average).

At the end of the day, other factors not mentioned here may prove decisive. But we have at least pointed to a few encouraging indicators for the New Year. □

DANISH CORPORATE TAX REDUCED

The Danish corporate tax rate has been reduced to 40 percent!

One of the major tax objectives of the government's policy was reached in 1989. In late December 1989, the Danish Parliament passed a Bill - in connection with the 1990 Appropriations Bill - which will reduce the corporate tax rate from 50 percent to 40 percent. The tax reduction takes effect as of January 1, 1990.

The corporate tax cut has a dual aim:

- To facilitate foreign investments in Denmark.
- To strengthen the position of Danish companies in the EC 1992 process.

The reduction will bring the corporate tax rate in line with the European average.

In fact, after the reduction of the corporate tax rate, the Danish corporate tax system is one of the most attractive in the EC. The favorable Danish depreciation rules - including the internationally unique feature of indexation of the depreciable balance - have thus been retained as well as the special Danish international tax features (i.e. the comprehensive network of double taxation agreements). As a result, the effective tax rate for expanding companies - with an high investment ratio - is significantly below the nominal flat rate of 40 percent.

CS

FLS TO ACQUIRE FULLER FOR \$ 75 MIO

Buying the competitor Fuller Company in Allentown, PA, made the Danish company F. L. Smidth by far the world's largest producer of equipment for producing cement. Running at top capacity already FLS will have a market share of more than fifty per cent.

The acquisition will expand FLS presence worldwide with subsidiaries in Canada, Australia, France and South Africa.

The American company is reported to have annual sales of \$ 200 mio. The new head quarters for FLS-US Holding will be situated in Allentown.

CJJ

BALTICA SEEKS SUEZ AS EUROPEAN ALLY

The mergermania in the Danish financial world hasn't left the insurance companies untouched. One example is the leading Danish underwriter Baltica which has an ally in the French company Suez.

After a stock swap the Danish insurer will get a closer cooperation with the second largest insurer in Europe, Groupe Victoire, a wholly owned subsidiary of Suez.

CJJ

DENMARK MORE COMPETITIVE THAN WEST GERMANY

Establishing and running a company is much cheaper in Denmark than south of the border. Danish economists from the Institute for Regional Research has established that when all wage costs are counted, the Danish work force is on an average 18 per cent cheaper than the West German workers.

The Danish utilities delivers cheaper electricity and the phone bill is also lower. So is according to the researchers the cost of industrial space.

CJJ

FROM THE CULTURAL CORNER

- March 2 Lauritz Melchior Centennial Celebration at Florence Gould Hall, The French Institute, 55 East 59th Street, NYC. For info: The Wagner Society, tel: (212) 749 - 4561
- March 8 Danish conductor, Dorrit Matson, in concert at Merkin Concert Hall, 129 West 67th Street, NYC. Tel: (212) 799- 5783 for tickets.
- March 20-25 Danish jazz pianist, Niels Lan Doky, with his band at the Village Vanguard, 178 Seventh Avenue South, NYC. Tel: (212) 255 - 4037.
- Apr. 1-8 An exhibition by Danish cartoonists at the Museum of Cartoon Art, Comly Avenue, Rye Brook, NY. Tel: (914) 939-0234.
- April 3 Danish classical guitarist, Peter Howard Jensen, in his debut concert in Weill Recital Hall at Carnegie Hall, 154 West 57th Street, NYC. Box office: (212) 247-7800.
- April 3-28 Danish photographer, Marianne Engberg, exhibits her pinhole photographs from New York at Bertha Urdang Gallery, 23 East 74th Street, NYC. Tel: (212) 288-7004.

AR

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EC IN BRIEF

..... EC Commissioner for Financial Services, Sir Leon Brittan has disclosed plans to create a single market in insurance services, a sector which remains highly fragmented despite Brussel's efforts to dismantle national barriers.

..... An 83% majority of European business leaders favors a common European currency - currently 1 ECU = US\$ 1.14. This is the finding of a recent poll conducted by the Association for the Monetary Union of Europe. As for a European Central Bank, 73% of the respondents approved.

..... A single emergency telephone number - 112 - will be in use in most EC countries by the end of 1992.

..... US companies went on a spending spree in Europe in the third quarter, forking out over US\$ 7 billion to acquired European businesses. The 61 US acquisitions accounted for 36% of the value of all the deals involving European targets. This upward trend is expected to continue as companies look ahead to 1992.

..... Following France, Ireland takes the helm of the rotating six-month EC presidency this month (January).

Press release, Eurocom.
EN

EC-WIDE "BEEPING" IMMINENT

The 12 member states have taken a giant step toward cross-border "beeping" by agreeing to start a European Radio Messaging System (ERMES) after 1992. This will enable businessmen and other "beeper" users to page across national borders. At present each country operates its own national paging system and very few "beep" across frontiers.

The lack of a common Community standard has limited the western European pager market to 1% of the workforce (1,3 mio. people), compared with 6.5% in the US. EC research shows that some 650,000 people need pagers with cross-border capabilities, and this number is expected to increase in the run-up to 1992. It is estimated that the market could be worth \$450 mio. by 1995, almost four times its present size.

In addition, the system could also encompass neighboring countries outside the EC (e.g. EFTA countries), although they would not be bound to the timetable agreed by the EC telecommunication ministers.

EUROCOM
CS

DANISH CONTRIBUTION TO ITTO

The Danish government, through its foreign office's Danida Agency, has contributed over US\$ 1 mio. to the International Tropical Tree Organization.

I.T.T.O. with its 43 member countries is the only international forum to promote international trade in tropical wood as a means to conserving the ecological balance of the tropical forests, and to restrict waste, limit fellings, and to restore depleted timber areas.

The Danish Furniture Industries organization is working to introduce "Tropical Tree Certificates" that guarantee that the wood comes either from plantations or controlled forestry, thereby trying to help conserving the important forests.

Danish Furniture Industry
(Press release)
EN

BUSINESS OPPORTUNITIES COLUMN

Danish manufacturers seek distributors for the US market of:

Classic style quality furniture.
Ref. 401/94/00.sh.25

Residential mailboxes.
Ref.: 69.USA.4/12.sh.26

Optical and specialized filters.
Ref.: 401/90/01-02 - 29EC

Retail store equipment.
Ref.: 401/73/26 - 30EC

Folding displays.
Ref.: 401/73/26 - 31EC

Bookstand for the handicapped.
Ref.: 401/73/08 - 32EC

For further information please contact the Danish Consulate General, Trade Department.