

Press release

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ECONOMIST INTELLIGENCE UNIT RANKS DENMARK AS BEST PLACE TO DO BUSINESS

*Denmark will be the best place in the world to conduct business over the next five years, according to the latest business environment rankings from the Economist Intelligence Unit. Denmark assumes the top spot for the first time, displacing **Canada**, which had previously been ranked as the most attractive global location for investment. Within the European Union, Denmark dislodges the **Netherlands** as the top-ranked country.*

Denmark scores well across the whole range of categories of the business environment (10 in all) covered by the Economist Intelligence Unit's forward-looking model for assessing the comparative attractiveness of countries as investment locations. Within the European Union, Denmark ranks first, or joint first, in 2005-09 for six categories (the political and institutional environment, macroeconomic stability, policy towards private enterprise, foreign investment policy, financing and infrastructure).

The country's liberalising policies of recent years mean that Denmark's labour market receives a high score for its increasingly flexible, as well as highly educated workforce. Denmark also stands to benefit from improvements to its tax regime, which should become even more transparent, and from reform of local government, which should increase efficiency and reduce pressure on the central government. According to Ania Thiemann, the Economist Intelligence Unit's country analyst, "Denmark's financial system is transparent and diversified, with a strong banking sector and an efficient stock exchange in Copenhagen. The transport network is among the best in the world, with further improvements expected, especially in and around the capital." The construction of bridges linking the island of Sealand with Germany via Jutland, and Copenhagen with Malmö in Sweden, has made Denmark a hub for businesses shipping products to other Nordic countries and to central and eastern Europe.

Canada, which was previously ranked first, remains an attractive location for business, ranked second globally for 2005-09, ahead of its large neighbour, the third-ranked US. The Netherlands, which was ranked 3rd globally for the 2000-04 period and first within the EU, slips to a global rank of 6th for 2005-09. The Netherlands has experienced a marked deterioration in its hitherto favourable political climate, and macroeconomic conditions and growth prospects have also worsened.

The "Danish model"

Denmark's highly developed infrastructure and institutions, skilled labour force, political and economic stability and sophisticated financial sector are features shared by other developed EU states. However, Denmark stands out in that its business-friendly governments have strongly encouraged private enterprise and competition. Furthermore, Denmark followed the earlier experience of the Anglo-Saxon countries in implementing a host of structural reforms that have liberalised its labour market and made it highly flexible.

The country has had a carefully managed fiscal policy which targets budget surpluses while at the same time ensuring high levels of public services. Contrary to the trend in some countries, Denmark has refused to compromise its social welfare system in order to compete on low taxes. It is significant that the country has achieved a high degree of competitiveness and a favourable investment climate without resorting to radical public spending and tax cuts.

Denmark is also a global leader in the development of information and communications technology infrastructure. Further progress is expected in boosting spending on research and development and in creating knowledge industries clusters. A cluster of biomedical industries is developing in the so-called Medicon Valley, around Copenhagen and Malmö, as well as food science companies, consolidating Denmark's position as a world leader in agri-business.

The main risk to the favourable outlook for Denmark's business environment is the threat of labour shortages, aggravated by xenophobic anti-immigration policies. Denmark's population is growing very slowly and the already high level of labour force participation, as well as a tendency for workers to take early retirement, mean that the labour supply will be squeezed in the next decade, especially if immigration rules remain tight.

Why the global business environment will continue to improve

The business environment rankings paint a relatively favourable picture of the global operating environment over the next five years. The average country business environment score in 2005-09 is expected to be 0.57 points higher than in 2000-04. Global security risks remain high, only slow progress is being made on international trade liberalisation and the world economy is at present decelerating. However, average world growth in 2005-09 is forecast to be faster than in the previous five years. The global trend for liberalisation and deregulation will continue to be underpinned by powerful factors such as regional integration and intense competition for foreign investment. Despite the considerable geopolitical and security risks, countries have not, in general, retreated from globalisation and liberalisation. There will be isolated instances of policy reversal, but these will tend to be isolated cases and short-lived.

Other features of the rankings include:

- **The UK slips in the rankings.** The position of the UK, which several years ago ranked as high as second, has steadily slipped in the league tables (to 8th place for 2005-09) as a result of some deterioration in the labour market, increasing government regulation and a rise in the tax burden. The risk of terrorism and the likelihood that voters will reject the EU constitution have also increased political uncertainty.
- **Modest improvements in the euro area.** Three smaller euro area countries make it into the top ten (Netherlands, Finland and Ireland). However, a slow pace of structural reform means that the big three euro zone countries (Germany, France and Italy) will remain well behind the best-rated countries.
- **East Asia** will remain the most attractive region for investment among emerging market regions, as most countries in the region either consolidate or improve further their strong positions.
- **East European** countries are expected to record significant improvements in their business environments—especially the new EU member states. Bulgaria and Romania, expected to join the EU in 2007, record some of the biggest improvements in rank. The attractiveness of countries in the CIS, however, will continue to depend on natural resources, with structural change expected to remain slow. Eastern Europe overtakes Latin America in 2005-09 in terms of attractiveness for investment.
- **Latin American** countries slip down the rankings in 2005-09, as the pace of improvement is slow compared with other regions. Traditionally low savings rates and over-reliance on foreign borrowing (and the attendant macroeconomic risks) mar the overall regional investment climate. Disenchantment with neoliberal reforms is unlikely to translate into a full-scale backlash against foreign investors, but enthusiasm for foreign investment could become distinctly more qualified than in the past.

About the business environment rankings

The Economist Intelligence Unit's global business rankings model is applied to the world's 60 largest countries, which account for more than 95% of global output, trade and FDI. It measures the quality or attractiveness, adjusted for country size, of the business environment and its key components. The model considers 70 factors, across 10 categories, which affect the opportunities for, and hindrances to, the conduct of business. The resulting scores allow us to rank the countries in order of attractiveness to business. The model is used to generate scores and rankings for the past five years, and also for the next five years (using the Economist Intelligence Unit's economic forecasts and assessments of likely business and political developments).

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About the Economist Intelligence Unit: The Economist Intelligence Unit is the business information arm of The Economist Group, publisher of *The Economist*. Through our global network of 650 analysts and country specialists, we continuously assess and forecast political, economic and business conditions in 201 countries. As the world's leading provider of country intelligence, we help executives make better business decisions by providing timely, reliable and impartial analysis on worldwide market trends and business strategies. More than 500,000 customers in corporations, banks, universities and government institutions rely on our intelligence. In order to meet the needs of executives like these, we provide a full range of print and electronic delivery channels and have developed a portfolio of leading electronic services. These include: eiu.com, a virtual library with access to all of our publications and store.eiu.com, our transactional site; viewswire.com and riskwire.eiu.com, which provide daily and operational intelligence on countries worldwide; Executive Briefing, which provides insight and analysis on global business and management trends; and Data Services, a portfolio of economic and market indicators and forecasts.

Business environment scores and ranks

	2005-09 Score	2005-09 Rank	2000-04 Score	2000-04 Rank	Change in score 2000-04 /2005-09,	Change in rank 2000-04 /2005-09
Denmark	8.74	1	8.46	6	0.28	5
Canada	8.70	2	8.55	1	0.14	-1
USA	8.57	3	8.51	2	0.06	-1
Singapore	8.57	4	8.50	4	0.07	0
Hong Kong	8.57	5	8.49	5	0.08	0
Netherlands	8.56	6	8.51	3	0.05	-3
Finland	8.55	7	8.37	9	0.19	2
UK	8.55	8	8.45	7	0.10	-1
Switzerland	8.51	9	8.41	8	0.10	-1
Ireland	8.44	10	8.24	10	0.20	0
Sweden	8.35	11	8.09	12	0.27	1
Belgium	8.31	12	7.89	15	0.42	3
France	8.29	13	7.93	13	0.36	0
Germany	8.23	14	7.89	14	0.33	0
Australia	8.21	15	7.80	16	0.41	1
New Zealand	8.19	16	8.11	11	0.08	-5
Norway	8.16	17	7.52	19	0.64	2
Taiwan	8.10	18	7.38	20	0.72	2
Chile	8.02	19	7.54	18	0.48	-1
Austria	7.97	20	7.69	17	0.28	-3
Spain	7.91	21	7.33	21	0.58	0
Israel	7.71	22	6.78	23	0.93	1
Portugal	7.57	23	6.76	25	0.81	2
Czech Republic	7.45	24	6.72	29	0.73	5
Hungary	7.36	25	6.74	27	0.62	2
South Korea	7.35	26	6.70	30	0.66	4
Italy	7.35	27	6.77	24	0.58	-3
Japan	7.34	28	6.75	26	0.59	-2
Poland	7.30	29	6.59	32	0.70	3
Slovakia	7.28	30	6.19	33	1.09	3
Malaysia	7.24	31	6.85	22	0.39	-9
Thailand	7.07	32	6.73	28	0.34	-4
Mexico	6.99	33	6.68	31	0.31	-2
Greece	6.88	34	6.15	34	0.73	0
South Africa	6.81	35	5.55	38	1.26	3
Bulgaria	6.60	36	5.50	40	1.10	4
Brazil	6.57	37	6.00	35	0.57	-2
Romania	6.53	38	5.18	46	1.35	8
Turkey	6.46	39	5.46	42	0.99	3
Philippines	6.45	40	5.78	36	0.66	-4
China	6.35	41	5.24	45	1.11	4
Saudi Arabia	6.34	42	5.54	39	0.79	-3
India	6.23	43	5.11	48	1.11	5
Sri Lanka	6.10	44	5.05	50	1.05	6
Indonesia	6.06	45	5.46	43	0.61	-2
Russia	6.05	46	5.12	47	0.93	1
Argentina	6.02	47	5.47	41	0.55	-6
Colombia	6.01	48	5.68	37	0.33	-11
Peru	5.89	49	5.44	44	0.45	-5
Vietnam	5.55	50	4.81	54	0.74	4
Egypt	5.54	51	4.95	53	0.59	2
Ukraine	5.53	52	4.52	56	1.01	4
Azerbaijan	5.51	53	4.35	57	1.16	4
Kazakhstan	5.37	54	5.03	51	0.34	-3
Ecuador	5.33	55	5.11	49	0.22	-6
Venezuela	5.20	56	5.01	52	0.18	-4
Pakistan	5.15	57	4.78	55	0.38	-2
Algeria	5.14	58	4.34	58	0.80	0
Nigeria	4.67	59	4.02	59	0.65	0
Iran	4.63	60	3.59	60	1.04	0
Average	7.04	-	6.47	-	0.57	-