Europe's largest per-capita consumer of wood

Denmark: building and construction

Denmark is a small country (population 5.5 million) with sophisticated capabilities in secondary wood-processing technology. Pine logs are Denmark's most important import, but the country is a net exporter of a wide range of building products to its neighbours in Western and Eastern Europe.

Market overview

Just over 10% of Denmark's total area is forested, with 45% of these forests privately owned. More than half of the two million cubic metres of wood felled annually is softwood, and 70% of the hardwood felled is beech. Most of the native wood is of low quality, with the softwood primarily used by the particle board industry and most of the beech exported to Sweden for pulpwood. High-quality beech is used in the production of flooring.

Denmark is the largest per-capita consumer of wood in Europe: in 2000, it imported close to three million tons of timber and wood products worth $1.6 billion. Domestic production satisfies 10% of the country's requirement for wood products used in the manufacture of furniture, windows, doors, flooring, kitchen units and building components. Denmark's timber and wood exports (712,073 tons) were worth $1.1 billion in 2000.

In 2000, total bilateral trade in timber/wood products between Denmark and Canada was valued at $20 million, $14 million of which were Canadian exports (up from $11 million in 1999). Among Western European countries, Denmark is Canada's 12th largest trading partner for housing-related products, but Canada accounts for less than 1% of Denmark's total imports of such products.

Throughout the 1990s, plywood and lumber (both softwood and hardwood) accounted for 80-90% of all Canadian exports to Denmark, with our strongest exports being plywood (6% of Denmark's total imports) and hardwood lumber (4%).

Housing industry forecast

Low interest rates in Denmark have stimulated renovation and expansion projects, and have helped sustain low prices for new residential housing. Commercial building projects have slowed for a number of reasons but growth is expected in subsidized housing starts. Large Danish pension funds are also increasing their investments in the real estate sector.

Opportunities

Denmark's imports have been increasing in the following categories:

- Hardwood — white oak, hard maple, cherry, ash, aspen used primarily in furniture and cabinet making (potential exists for white birch as an alternative to oak or maple);
- Softwood — Western red cedar for outdoor and indoor use; Jack pine for the moulding/joinery industry;
- Particle board;
- Plywood — competition with products from other Nordic countries and the U.S.;
- Wood doors and frames;
- Plastic floor coverings;
- Manufactured housing — good potential in Greenland.

Market access considerations

Setting appropriate prices requires thorough market research. Danish importers expect quotes to be expressed as Cost Insurance Freight (CIF) Copenhagen prices, which include all domestic Canadian freight, ocean or air freight, and insurance costs, but exclude import duty and Value Added Tax (VAT). The duty charged on industrial products ranges from 5% to 14%.

Importers must pay a 25% VAT which is based on the landed CIF cost plus the duty. VAT applies to all products sold in Denmark, whether imported or not.

Competition

Denmark is a net exporter of housing-related products to neighbouring countries in both Western and Eastern Europe. These products include prefabricated buildings made of wood, iron and steel, and other materials; windows and doors (including frames); and wood floorings. As for imports, only Sweden has been able to secure a significant share of the rather limited Danish market.

Useful contacts

The following organizations offer detailed information about local regulations and specialty markets.

- The Danish Housing and Building Agency, Copenhagen, tel.: **(011-45) 3392-6100**, Web site: **www.bm.dk**
- Statens Byggeforsknings Institute, Horsholm, tel.: **(011-45) 4586-5533**, Web site: **www.sbi.dk**
- The Canadian Embassy's Electronic Marketplace: **www.candan.dk**

For more information, contact Bernadette Luscombe-Thomsen, Commercial Officer, Canadian Embassy, Copenhagen, tel.: **(011-45) 3348-3256**, fax: **(011-45) 3348-3221**, e-mail: **bernadette.luscombe-thomsen@dfait-maeci.gc.ca** Web site: **www.canada.dk**

Government move brings opportunities

Housing and industrial construction sector in Kazakhstan

Moving the seat of Kazakhstan's government from Almaty to Astana has launched a construction boom in the new capital — and generated considerable opportunities for the construction industry.

Market overview

Some $600 million has already been spent on new government offices and staff accommodation in Astana — 63 new buildings or 250,000 m^2 were built in 2000 — and an additional $130 million was spent on administrative buildings on the left bank of the Ishym River, the new site for the government and parliament.

In the first six months of 2001, investment in fixed capital reached approximately US$1.9 billion — up 33.5% from the same period the previous year. The construction portion accounted for US$1.4 billion, an increase of 27.5% over the same period in 2000.

Since 2001, the number of banks offering housing loans has increased, and a mortgage system has been introduced.

Opportunities

The following are the most significant construction projects in Kazakhstan.

Astana area — More than 150 local construction companies operate in Astana, in addition to dozens of companies from other regions and abroad, for example, from Italy, Switzerland, Turkey, and the U.K.

Housing construction accounts for 25% of the total investments in the area, with such investments expected to increase significantly over the next five years as the population in the new capital grows.

The following large projects are planned:

- Power generation and storage facilities;
- Water supply and sewage system upgrades;
- Telecommunications facilities;
- Almaty-Astana road and service network, including a ring road and bridges across the Ishym River;
- Airport reconstruction;
- Business centres;
- International hotels and trade centres;
- Housing.

Karachaganak (Uralsk Oblast) — The Karachaganak Integrated Organization awarded a US$1.4-billion contract to CCC-Saipem and Baker Hughes in October 2000 for the provision of integrated oilfield services. Karachaganak is a giant gas condensate field in North Kazakhstan, offering good potential for Canadian construction companies.

Atyrau area — The development of the West Kashagan offshore oil deposits will spur construction activities in Atyrau. Fintraco, a Turkish firm, has already constructed a workers' village and an office complex in Tengizchevroil.

Almaty area — The reconstruction of the Almaty international airport and new housing starts present opportunities.

Market access considerations

It is prudent for any company interested in this market to begin by establishing good working relations with the government bureaucracy and the business community. Considerable effort (including time and money) is required to set up local production, hire local workers and find a reliable local partner who can help with the various administrative requirements.

Construction techniques, materials and building codes used in Kazakhstan are not the same as Canada's, despite climatic similarities between the two countries. Patience and effective marketing will be required to change the perception that cement and concrete are the strongest and most durable building materials.

Major competition

Several local companies such as Montazhspetstroi, Basis-A, Almatygorstroi, Imstalkon, Kuat and Elitstroy, operate throughout Kazakhstan and dominate the construction market. Smaller companies in each of the cities operate on a regional basis.

Canadians should expect fierce competition from Turkish companies operating throughout Kazakhstan as most have developed strong relations with local authorities. Companies such as Fintraco and Aisel are very active in Almaty and in the Atyrau/Aksai regions. Most of the above-mentioned companies are active in civil and industrial construction as well.

Russian, Italian and German companies are also well established.

For more information, contact Arthur Iralin, Commercial Officer, Canadian Embassy, Almaty, tel.: **(011-7-3272) 501-151**, fax: **(011-7-3272) 582-493**, e-mail: **arthur.iralin@dfait-maeci.gc.ca** Web site: **www.infoexport.gc.ca/kz**