



Q&A

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Breaking down barriers

Given the current geopolitical environment, how do you view economic threats and opportunities as seen from a small, open economy?

The current geopolitical environment is marked by a severe breakdown of rules-based international cooperation. One of the clearest examples of this is the increasing fragmentation of global trade. For small open economies like Denmark, this trend poses significant risks.

Protectionism, rising tariffs, and politically-motivated trade restrictions have steadily increased in recent years. Global supply chains are being reconfigured, as direct trade between countries with conflicting political interests is replaced by indirect trade through intermediary countries. This trend has been further amplified in 2025 by renewed tariff escalations, contributing to record-high levels of trade policy uncertainty. The resulting environment of unpredictability and fragmentation poses a significant challenge, particularly for small, open economies.

Denmark and Danish businesses have long benefited from globalisation and free trade. Free trade enables countries to allocate resources efficiently and specialise in their strengths. In contrast, tariffs and trade barriers distort resource allocation and raise prices. Increased fragmentation of world trade may also temporarily increase global inflation, making imports and production more expensive.

Ultimately, increased fragmentation of global trade tends to limit growth. The economics literature provides ample evidence that both tariffs and non-tariff barriers reduce global welfare. Small, open economies are particularly vulnerable as they depend heavily on international trade for growth, productivity, and price stability. In this context, preserving open and rules-based trade remains a key priority, albeit an increasingly challenging one in the current geopolitical climate.

How do you see the EU being able to turn the tide regarding the productivity of our businesses?

Boosting Europe’s productivity is essential if we are to meet the major challenges ahead. Strengthening the flexibility and long-term growth potential of our economies is not just a matter of competitiveness – it is a prerequisite for financing the green and digital transitions, addressing the mounting pressure for defence investments, and the need to strengthen public finances. These are shared European priorities, and they require a stronger economic foundation.

A key lever to achieve this is improving the functioning of the Single Market. Reducing internal barriers, especially in services and financial markets, would allow firms to scale more easily, foster competition, and spur innovation. This is particularly important for small and open economies, which would gain access to larger markets and more efficient supply chains. A more integrated market would raise Europe’s overall productivity and help generate the resources needed to fund our common priorities.

Despite progress, the Single Market remains incomplete. Barriers to the free movement of goods and especially services, including financial services, continue to hold back growth. Delayed or inconsistent implementation of common rules, national regulatory gold-plating and untapped potential in shared priorities, such as the Savings and Investment Union, fragment the market and reduce its potential. These issues have been highlighted by the IMF and are supported by recent analyses from Danmarks Nationalbank.

The European Commission’s latest country-specific recommendations rightly place strong emphasis on productivity and competitiveness. But the challenges differ across member states and sectors. One size does not fit all. It is crucial that countries with the most pressing reform needs take action. Since we all share the European Single Market, national reforms generate European public goods. When member states “do their homework,” the benefits extend across borders.

In the past year, focus has been on simplification and burden reduction as a first response to dwindling productivity. Do you agree with the approach taken so far?

Simplifying regulation and reducing burdens are smart levers to pull to strengthen productivity and our economies. This is also highly relevant for the financial sector with its key intermediary role in the economy. Many of the current rules were formed in the aftermath of the Great Financial Crisis and are rightly, prudent and detailed. That said, I believe that in some areas of financial regulation, the added complexity and burdens have become excessive, even though they aim for important objectives. Both private and public players have contributed to regulatory complexity, often through calls for exemptions or national options.

We fully support work to simplify financial regulation to strengthen competitiveness, while ensuring financial stability. Following Draghi's report and the European Council's conclusions on the importance of simplification, it is full steam ahead. We have to be smart about how rules are simplified. The core pillars of financial regulation, capital requirements, liquidity requirements and resolution frameworks must be preserved and not diluted. Work on simplification is being done in many places, and we need to agree on direction and principles to take this agenda forward. When simplifying regulation, we should adhere to principles of better regulation. Focusing on new legislation yet to be implemented and therefore costs yet to be incurred would have clear added value, but existing regulation also deserve scrutiny.

My conviction is that common rules are very important for a level playing field and cross-border activity in the Single Market and for providing a common good for companies and citizens. Simplifying the EU framework by e.g. removing redundant or futile reporting requirements would mean fewer options and less leeway for national regimes, but is important for a Single Market that supports high productivity and prosperity.

The Nordics, with their vibrant and integrated markets supported by large pension funds and successful consumer investment accounts, are often cited as a source of inspiration for the EU. What key lessons and pitfalls from their experience are most relevant?

Nordic and Baltic capital markets have taken steps toward each other and are now closely intertwined. The reasons are many. Looking at the current landscape, cross-border banking activity and common trading venues are important elements.

Pensions and retail investments have also been mentioned in various places as sources of inspiration.

Our experience is that it takes time and active effort to get things off the ground. Both pensions and retail investments have been supported by private and public players. Another commonality is that citizens are actively involved in choosing their financial products and risk appetite benefiting both capital markets and the real economy.

Danish savings-based pensions have been built over more than 40 years and are still maturing. Total pension assets currently amount to around 200 percent of GDP, and the pension system is contributing to sustainable public finances and liquid capital markets.

Occupational pensions make up the largest part of Danish pension savings, largely due to auto-enrolment and relatively high contributions. Additionally, non-guaranteed pension schemes have become more prevalent than guaranteed pension schemes. This reflects a long transformation over the last couple of decades where pension savers that need a new scheme predominantly only have access to non-guaranteed schemes, and pension savers with guaranteed schemes have been given the opportunity to voluntarily shift their savings to these non-guaranteed schemes. This transition is allowing for a higher allocation to riskier investments. It shifts more risks to the pensioner, who has to take into account both the longevity risk and increased expected volatility, including the risk of losses. On the other hand, higher investment risk provides an opportunity for larger returns. These factors have played a significant role in the size of Danish pension savings and their investment allocation.

Another inspiration comes from our neighbour, Sweden, which has had success with a national investment savings account. This has created a closer link between retail investors and the financing of firms, including start-ups. Denmark introduced a similar concept in 2019, which is becoming increasingly embraced by Danes.