The Danish Foreign Minister, Mr. Krag, very much regrets that he is unable to take part in the present debate. He has, however, asked me to make some comments on the key problems which form the basis of the Ministerial discussions.

The Contracting Parties are at present confronted with three major problems. The stagnation in world trade in primary and agricultural products, the problems arising in connexion with the drive for economic integration on a regional basis and finally the need for a more effective attack on barriers to trade in general and on tariffs in particular. Those three major problems are to a certain extent inter-related and neither of them should be considered in isolation.

The attention of the Contracting Parties has been drawn to the problems confronting countries relying on exports of primary and agricultural products by the excellent Experts' Report on Trends in International Trade. This report clearly brings out the necessity for ways and means to be found whereby the present downwards trend in export proceeds of the countries producing primary and agricultural products can be reverted. Besides financial assistance to which there are obvious limits only increasing export earnings can make possible an economic and industrial development of these countries which again will further stimulate the international trade in industrial products.

The 'Exports' Report mainly deals with the problems of the less developed and semi-industrialized countries.
But at least some of the main arguments are just as valid with regard to a country like Denmark which relies heavily on exports - to the extent of 60 per cent of our export earnings - of agricultural products. My remarks may be of some interest since the report refers to Denmark as an example of a country which has reached a high level of economic development notwithstanding the fact that its main exports have been agricultural products. This is true, but it should not be overlooked that mainly due to the widespread and persistent agricultural protectionism these exports have stagnated in recent years and caused prolonged balance-of-payments difficulties. This development, together with a considerable increase in the active population, necessitates an accelerated expansion in industrial production which, however, cannot be brought about unless our agricultural export is maintained and even increased. In other words, unless outlets can be found for our agricultural export we shall find it very difficult to maintain a high and stable economic activity and at the same time dismantle quantitative restrictions as it is our policy and as allocated by the experts.

We fully recognize the special importance for trade in primary products of the maintenance of a high and stable economic activity. But it should be underlined that experiences gained in recent years prove that the fulfilment of this condition is not sufficient to prevent a stagnation in trade in agricultural products and raw materials. Action is needed in the field of commercial policy where GATT is the competent world organization.

Among the conclusions contained in the report we consider as the most important the recommendation to countries applying restrictive policies in the field of agriculture to moderate the protection.

It is very rightly pointed out by the experts that even a moderate relaxation of agricultural protectionism might have a decisive effect on the volume of trade in agricultural products. Since in the most industrialized countries imports only cover the marginal food consumption, imports could be increased considerably without any serious detrimental effects on national production. But it must be repeated that in allowing the importation of agricultural products the industrialized countries are paving the way for an increase in their own industrial export.

Due in part to their limited mandate the experts make few and modest practical suggestions as to how a moderation of the agricultural protectionism is going to be brought about. It is, however, suggested that wherever possible a shift should be made away from "price support" towards "deficiency payment" methods of agricultural protectionism. The Danish Government does not wish to take issue with that recommendation. But we would like to point out, however, that the existing supports systems of this type have clearly tended to bring about a steady and uneconomical growth of production to the detriment of traditional producers. In some cases the development has even been brought to the point where production surpluses have been offered for export at prices lower than those of the world market.
The experts especially underline the serious effects on world trade in agricultural and primary products of the creation of work surplus stocks. However carefully elaborated, international rules for the marketing of such stocks can never solve the problems to which the existence of such stocks gives rise for traditional exporters. The only way is gradually to decrease the gap between the prices guaranteed and paid by the governments in question and world market prices.

The same basic consideration applies naturally to cases where the support practices do not lead to the creation of actual stocks but nevertheless to sustained exports at subsidized prices. The recent and serious development on the butter market clearly demonstrates the effects of supported production which eventually leads to subsidized exports.

It is very likely that the moderation of the agricultural protectionism so urgently needed might be facilitated by a closer study by the Contracting Parties of the various measures applied and their effects both on international trade and the national economies. Such a confrontation might lead to the conclusion that the political and social considerations underlying the protective devices could be reasonably met by other measures less harmful to the legitimate interest of exporting countries. We feel, however, that such a study could only be accepted on two assumptions. First that all countries here represented participate, whether their policies are at least formally compatible with the rules of GATT or covered by waivers. It ought to be clear that no real progress can be achieved unless all aspects of the problem are taken into account. The present GATT rules form an insufficient instrument—since they do not contain effective provisions concerning first and foremost subsidization and concerning tariffs.

The second assumption is that the objective is to restore, at least to a certain extent, the present imbalance between the rights and obligations of agricultural producing countries on the one side and industrial producing countries on the other. There can be no question of relieving countries of their clear obligation to dismantle quantitative restrictions on agricultural products as well as on industrial products as their balance-of-payments situation improves. What the Contracting Parties can do is to devise more realistic transitional procedures—which of course will have to apply not only to agricultural products.

It is with satisfaction that we have learned from this debate that a number of important trading nations have declared themselves ready to participate in a broad confrontation of agricultural policies. This morning representatives from the Commission of the European Economic Community have not only stated their readiness to present their own plans in the course of such consultations but also to participate actively together with other contracting parties in the formulation of a code of conduct in the agricultural field which can serve as guiding principles also for the ultimate formulation of the agricultural policies of the Six.
There seems thus to be basis in the GATT for a new and constructive approach to the agricultural problems.

This situation should be borne in mind in dealing with the difficult problem of the maintenance by the Federal Republic of Germany of certain import controls on foodstuffs despite the fact that Germany has no balance-of-payments difficulties. Denmark certainly finds it necessary that remaining import restrictions on food everywhere should be reduced as rapidly as possible, and it is therefore our interest to co-operate in finding arrangements, which would make such a development possible. But there is no simple and single solution to this problem in the case of Germany. Experience has clearly shown that the balance-of-payments position is not the only consideration. Furthermore, the hard core waiver procedure has not been particular successful. Nor would we like to resort to derogations unlimited in time. This seems to indicate that the procedures we have used hitherto do in fact need some overhaul to meet old and new requirements.

We believe that a solution can be found, which would meet the legitimate interests of importing and exporting countries, in Europe and overseas. We have often expressed the belief that the solution of the agricultural problems may be materially assisted by the creation of the European Economic Community and the free trade area.

In this connexion it must be borne in mind that the present agricultural regime in Germany will not be maintained indefinitely. It is the intention of the Six to replace the present national policies by a common policy, which as we have heard will be presented to the Contracting Parties for consideration on a reciprocal basis.

If at the present moment we concentrate more attention on the legal aspects of the German problem than on the complicated problems of substance the Contracting Parties may very well bring the matter to an impasse. It would hardly serve the Contracting Parties as a whole to try to force this matter to a decision now and thereby running the risk of prejudicing a better and more satisfactory solution, which we may be able to obtain in the foreseeable future.

I now turn to the question of the regional integration plans. It has always been our view that such regional approaches towards the freeing of trade may constitute a step towards the world-wide freeing of trade - the goal of our endeavours - provided that reasonable consideration is given to the legitimate interests of other contracting parties.

The discussions in GATT concerning the Treaty of Rome have now gone on for more than a year and outside countries have had opportunities to state their views. The divergencies of opinion have not yet been settled, but
useful steps have been taken to provide for further negotiations of concrete problems of vital interest to other member countries.

Our prime interest in this matter is of course the creation of an organized agricultural market within the European Economic Community. We have previously stated that we are prepared to accept this concept, as a realistic approach to present agricultural problems, subject to the rules and procedures of GATT and on the understanding that the objective must be free and fair trade for agricultural products. The Contracting Parties have not yet been in a position to form a final opinion on this subject; it is therefore essential that the organization is kept currently informed of any measures that the Six might wish to take so that the Contracting Parties can get an opportunity to exert their influence and the policy of the Six can be harmonized with that of other member countries.

As I have already said we welcome the assurances given by the Commission to this effect in their declarations today.

It will be evident that the Danish Government attaches the greatest importance to a successful conclusion of the present negotiations on the creation of a free trade area, a solution which will in a fair manner take into account our vital interest in the agricultural field.

It is our firm conviction that the creation of a large free trade area in connexion with the European Economic Community can be to the benefit of world trade as a whole. May I in this connexion once again refer to the findings of the experts who confirm the view that the dangers of trade diversion will be the less the greater the number of participants in the integration plans, and the greater the range of commodities (agricultural as well as industrial).

The aim of the free trade area negotiations, as we see it, is to safeguard the principle of equal treatment as a basis for the trade between all countries which are ready to accept the full obligations of a free trade area. The same opportunity for obtaining non-discriminatory treatment should exist for all countries which are ready to accept the conditions of a free trade area.

Just as the European market plans should be shaped as to be outward looking, liberal and expansionist, the world-wide trading co-operation within GATT should be strengthened and made more effective. Many of the anxieties over the integration plans could be dispelled if successful efforts could be made to lower tariff levels and to reduce the disparity between high
tariff systems and low tariff systems on a world-wide basis. The only effective approach would be the adoption of plans for automatic tariff reductions — an approach which unfortunately is not in the forefront today.

A successful solution of the problems confronting the Contracting Parties today calls for more efficient organizational arrangements. We support the suggestions by the Chairman that the Contracting Parties should meet more often in plenary sessions and that the permanent representations should be improved.