The Danish Government accepts the idea of a 50 per cent linear reduction of tariffs with a bare minimum of exceptions.

It is our intention to offer such a 50 per cent reduction without exceptions and without invocation of any disparities. It goes without saying that this offer may have to be adapted at a later stage of the negotiations if necessary in order to obtain reciprocity between our concessions and those granted to us by other countries.

Disparities

Denmark regrets that it has not been possible to agree on a solution to the disparity problem. It is our opinion, although we understand that this problem is a real one for some countries that it has occupied a too important place in the preparatory discussions and prevented progress from being made in other fields of at least equal importance towards the achievement of the common aim of the negotiations.

As I have stated, it is not my Government's intention to invoke disparities but we realize that disparities invoked by other countries may affect the concessions which Denmark hopes to receive in the negotiations. Our offer will in that case be adapted to the extent necessary to secure reciprocity.

I understand that this is the position of a number of the participating countries. We therefore hope and expect that those countries who feel it absolutely necessary to invoke disparities will limit such invocation in order not to frustrate the achievement of the general aim of the negotiations - a linear 50 per cent tariff cut over as wide an area as possible.
Agriculture

The aim of the negotiations in the field of agriculture was decided by Ministers in May 1963 as "the creation of acceptable conditions of access to world markets for agricultural products in furtherance of a significant development and expansion of world trade in such products". Denmark which to a higher degree than most countries depends on agricultural exports, must regard this aim as merely the point of departure for the negotiations.

The principle of international division of labour, which long ago was accepted in the industrial field, has never really been adopted as regards production of farm products. For many years exporting countries have fought against increasing barriers to agricultural exports. The protectionist policies have in many cases further increased the difficulties of the efficient producer countries through the creation of surplus production. The burden of adapting to deteriorating market conditions have so far been carried exclusively by the traditional exporters.

The Kennedy Round represents in our opinion an opportunity at long last to attack the problem of trade in agricultural products in a rational way with a view to creating a reasonable balance between the interests of the exporting and the importing countries. A solution will require that both exporting and importing countries undertake commitments.

It is in our view essential that all the protective measures employed by countries in their agricultural policies be included in the negotiations. We therefore welcome the proposal of the European Economic Community that the object of the negotiations in the agricultural field shall be the totality of the various support instruments used. We have noted with satisfaction that this principle seems acceptable to the majority of the negotiating parties.

It is the aim of these negotiations that the barriers to trade in agricultural products should be substantially reduced in order to pave the way for an expansion of trade in these products corresponding to the expected increase in trade in industrial goods.

So far, no agreement has been reached as to the method of achieving this aim. The Community has proposed that the objective of the negotiations shall be the margin of support, i.e. the difference between the remuneration obtained by the producer and a reference price which is to be negotiated. The Community has offered to consolidate the margin of support which will be the result of the Common Agricultural Policy, subject to a review every third year.
Whether this method will achieve the aim in those cases in which it could be considered appropriate will in our opinion depend entirely on the level of the support margin. A binding of the margin of support on too high a level may in a short time lead to such increases in production that existing import requirements are reduced or even eliminated. The level of the margin of support must therefore be subject to negotiation together with measures designed to guarantee the maintenance of export opportunities and to secure exporters a fair share of increasing markets.

It is furthermore our opinion that it is essential to keep the market development under constant observation so that adaptations can be made when necessary. We feel that reviews every third year as proposed by the Community are insufficient and that annual reviews would be necessary.

The Community has proposed that the method of binding the support margin be adopted in the case of all countries and for all products with a few exceptions. We are not convinced, however, that this method is appropriate in all cases.

As one example I should like to refer to the agreements concluded by the United Kingdom with her suppliers of bacon and cereals, and according to which the United Kingdom has undertaken commitments towards the suppliers for a certain share of the British market for the products in question. Such arrangements - under which the level of the support margin becomes of relatively minor importance to the exporting countries - in our opinion offer better guarantees to the exporting countries than a mere binding of the support margin.

It does not seem realistic to expect that all countries will adopt uniform agricultural policies.

What is essential is that all countries make their contribution towards the aim of expanded trade in agricultural products. It is our conviction that this aim can be reached by means of a pragmatic approach to the negotiations. I hope that our friends in the Community will recognize this and reconsider their position.

Permit me to make it clear that Denmark considers that balance between the concessions we are ready to offer and those we obtain, can only be achieved through reasonable concessions for our agricultural as well as for our industrial exports.

Other questions

I should now like to make a few comments on two other matters, the question of non-tariff barriers and that of the inclusion of Poland in the negotiations.
So far very little progress has been made in solving the problem of non-tariff barriers to trade, which are becoming of increasing importance as other trade restrictive measures are reduced and eliminated. We consider it essential that steps be taken in this field in order to avoid that the benefits from tariff reductions are frustrated.

As regards the Polish initiative to participate in the negotiations I wish to say that we welcome this as a step towards finding solutions to the problems of trade between countries with market economies and those with centrally-planned economies.

Conclusions

Let me conclude, Mr. Chairman, with a few remarks on two questions which in our opinion make it absolutely vital to ensure that the Kennedy Round succeeds.

The first is the question of the contribution which the outcome of the negotiations may provide towards the urgent solution to the problems of the less-developed countries. I have spoken before of the need to accept the principle of international division of labour. This is of the utmost importance to the less-developed countries. GATT now has the opportunity to take effective steps with a view to improving the conditions for the industrialization of these countries, and I hope the Contracting Parties will face the responsibility.

Secondly I wish to refer to the possible effect of the Kennedy Round on the present gap between the two economic groups in Europe. If successful, the negotiations will reduce the damaging effect of the growing discrimination between the two trade blocks.

In the long run the split in Europe tends to create structural changes in the economies of the European countries, making a settlement even more difficult than today. The Kennedy Round cannot be a substitute for a solution to the European problem but it may facilitate the process of bridging the gap.

END