Geneva Agreement on Tariffs and Trade

Committee on Balance-of-Payments Restrictions

1959 Consultations Under Article XII:4(b) With Denmark

Basic Document Prepared by the Secretariat

I. System and Methods of the Restrictions

Legal Basis of the Restrictions

The present system of import regulation applied in Denmark is based on the Currency Measures Act, No. 302, of 21 December 1957 as amended by Act No. 352 of 27 December 1958. (See Annex 1 and 2.) The validity of Act 302 of 1957, in line with the provisional character of previous acts, is limited to one year; it has been extended by the Amending Act 352 of 1958, to the end of 1959. The provisions of the Currency Measures Act correspond broadly to those of the Goods Supply Act which it supersedes, and involve no essential alterations with respect to the administration of quantitative restrictions. The law also follows the former Act in its general spirit of non-interference, with normal trade, except for the solution of essential problems, and of aiming at a normalization of economic conditions and competition through the freeing of imports within the possibilities of the balance-of-payments position. Certain powers provided for in the former Act which relate to the extraordinary supply situation during and immediately after the war, have been left out.

The Administrative Basis of the Restrictions

The administrative aspects in the licensing of imports are under the Directorate of Supply in the Ministry of Trade, Industry and Shipping. The Minister for Trade administers all import authorizations; Parliament through a special committee closely controls the implementation of the Act. In practice the Minister has followed the procedure of consulting the Parliamentary Standing Committee before decisive steps are taken. The authority of the Minister under this Act with regard to import controls is based on and therefore limited to balance-of-payments considerations. Important questions are discussed with commercial and industrial organizations as represented in the Commodity Supply Board and with other interested parties before being put before the Parliamentary Committee.

Complaints against administrative acts can be taken up at a Board of Appeal. The decisions of this Board are themselves subject to review by the High Court of Justice. Certain complaints can be brought before the law courts without having been submitted to the Board first.

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The expansion of restricted imports has led to greater flexibility in the issuing of licences and the admittance of new importers.

Methods used in restricting imports

The system of import control may be conveniently described under the following headings:

(a) Liberalized imports;
(b) Restricted goods;
   (i) goods licensed on a regional basis;
   (ii) goods licensed under bilateral arrangements;
(c) Other imports (inclusive of imports for re-export and imports under the dollar retention scheme, etc.);
(c) State trading.

(A) Liberalized Imports

With the progressive liberalization in recent years, the number of items subject to restriction has been greatly reduced. On the occasion of changing over to the Brussels Nomenclature, a change was made in the method of listing goods for licensing purposes. While formerly free lists were used, which enumerated the goods free from licensing restriction, the Order on the Import of Goods (see Annex 3) which came into force on 9 February 1959, has established lists of goods which are subject to licensing control. The list annexed to the Order enumerates in its first column ("Classification A") all goods according to the Brussels Customs Nomenclature and, in the second column ("Classification C"), goods under the respective tariff items, which are subject to import control from the dollar area and the former EPU countries besides Finland. The residual between the descriptions in columns A and C denotes the goods which may be imported without licence from the former EPU countries, Finland and the dollar area. A licence is required if the goods are imported from other countries.

Up to 1 March 1959, a number of goods were on the free list for EPU countries and Finland, but on the restricted list for the dollar area. In connexion with the introduction of external convertibility all differences in liberalization (for goods on the free list) for the former EPU area and the dollar area were abolished. Annexes 4 and 5 list the goods which were liberalized in this context on 1 February 1959 and 1 March 1959 respectively.

Up to 1 January 1959, a small number of free-list goods were, for technical reasons, subject to licences which were issued upon
application. As a result of the change-over to the Brussels Nomenclature these goods (see Annex 6) may now be imported without licence.

(B) Restricted Imports

Imports of goods listed in the "Classification C" column of Appendix 1 to the Order on the Import of Goods (Annex 3) are subject to licences. These goods are divided into two groups, viz. goods to be imported under regional licences which are valid for all former EPU countries or Finland, and goods to be licensed on the basis of bilateral trade agreements.

The issue of licences under bilateral trade agreements is of slight and declining importance and, in recent years, an increasing number of goods have been transferred to the commodity groups imported on regional licences. As from 1 January 1959, the goods listed in Annex 7 have been transferred from the commodity group which is imported under bilateral trade agreements to the group which is admitted under regional licences. After the transfer, the group of goods which are imported under bilateral agreements only, comprise solely goods mentioned in Annex 8 of which the import from the EPU countries and Finland has amounted to about 1 per cent of total imports in 1958.

For the allocation of regional and bilateral licences among importers, two methods are used:

(i) as a rule, licences are allocated to importers in relation to their imports in a previous year or years; allocations may also be based on quantities utilized by an enterprise; or they may be based on lists prepared by trade associations. Licences are generally allocated twice a year;

(ii) licences are issued in response to individual applications, that is to say, a licence is applied for to cover some specific use by a particular enterprise. For instance, licences are issued for imports of machinery and equipment after examination of each application in order to determine whether the acquisition of the particular machinery or equipment will sufficiently increase production and reduce manufacturing costs to justify the outlay of foreign exchange. Some other factors, for example the difference between the price levels of Danish and foreign commodities, are also taken into account. Licences are issued with the minimum possible delay, usually within 10 days or two weeks after receipt of application.

Products which are under the global quota system are not included among the commodities discussed within the framework of bilateral
negotiations with the former EPU countries and Finland. As a rule, the values or quantities of the global quotas are not published, but are made known to the trade organizations concerned and to the embassies of the OEEC countries.

(c) **Other Imports**

This group comprises imports for re-export which are not subject to quantitative restriction, and imports under the dollar retention scheme.

(D) **State Imports**

These are limited to firearms and war materials.

Total imports are fixed in the licensing budget in the light of an overall evaluation of Denmark's balance-of-payments position, total earning of foreign exchange and import needs, with essential commodities being given preference over less important goods. This important budget is quite flexible and may be modified in the course of the year, having regard, for example, to the development of bilateral negotiations and agreements.

Under the Currency Measures Act no prohibitions for commercial reasons are possible in Denmark. The only prohibitions of imports are maintained for public health, veterinary, and similar reasons, as provided for in Article XX of the General Agreement. All import licences issued are valid for twelve months; this period may, if necessary, be extended for an additional six months. According to the Currency Measures Act the Minister concerned may prescribe a service charge for the issue of import licences, such charge not to exceed 0.3 per cent of the nominal amount of the licence; the minimum charge is kr.2 for each licence.

**Proportion of Imports Covered by Each Method Used**

The following table gives a summary of the distribution of imports in 1958 on the basis of the classification of imports for control purposes as of March 1959:
### Categories of goods according to form of import regulation

<table>
<thead>
<tr>
<th>Description</th>
<th>1958</th>
<th>1958 per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Free list</strong></td>
<td>7,284</td>
<td>77</td>
</tr>
<tr>
<td><strong>Restricted imports</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Regionalized goods</td>
<td>1,807</td>
<td>19</td>
</tr>
<tr>
<td>(b) Goods under bilateral arrangements</td>
<td>79</td>
<td>1</td>
</tr>
<tr>
<td><strong>Other imports (inclusive of imports for re-export and imports under the dollar-premium system, etc.)</strong></td>
<td>155</td>
<td>2</td>
</tr>
<tr>
<td><strong>State trading</strong></td>
<td>60</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9,385</td>
<td>100</td>
</tr>
</tbody>
</table>

### Treatment of Imports from Different Countries or Currency Areas

For the purposes of this report, sources of supply may be classified in two main groups: (i) the dollar area, the former EPU area and Finland; and (ii) other countries.

#### (i) The dollar area, the former EPU area and Finland: Imports from these sources are subject to the following regimes:

- **Liberalized imports.**
- **Regionalized imports:** While these goods may be imported both from the dollar area and the former EPU area and Finland, licences for imports from the two areas are issued separately; licences for the latter are not valid for imports from the former. In cases where price and quality conditions make it desirable, readjustment of licences between the two areas may be allowed when it is considered consistent with Denmark's policy regarding traditional supply countries.
- For certain goods licences are issued in accordance with quotas negotiated in bilateral trade agreements. These agreements are in force with all OECD countries except Ireland; imports under these agreements cover about 1 per cent of total imports.

#### (ii) Other countries: For goods imported from countries other than those belonging to the dollar area or formerly to the EPU area and Finland, the import regimes applicable are the following:
Although the free list is not formally applicable to these countries, in practice imports of commodities included in this list are subject to a liberal regime; for the commodities included in the free list, with a few unimportant exceptions, a system of open general licensing has been established when these goods originate in these other countries. To have the benefit of this regime, the imports must be paid for in accordance with the payments agreement with the exporting country and the commodities must originate in the same country.

Commodities listed in the regional licensing list may be imported under trade agreements with these countries.

Quota arrangements are in force with all Eastern European countries except Albania and Eastern Germany, and with Israel, Spain and Yugoslavia. Trade between Denmark and Eastern Germany is effected on the basis of an agreement between Danish Trade Organizations and the East German "Aussenhandelskammer".

The breakdown of total Danish imports by currency areas and categories of import regulation, for the year 1958, is shown in Annex 9.

Use of State-trading or Governmental Monopoly in Imports

There are no commercial imports under State trading. Governmental importation is confined to the items listed below, and purchases are made in accordance with the defence budget. Imports under this heading represented 0.6 per cent of total imports in 1958.

- 69 - 101 Firearms of war
- 69 - 103 Ammunition for military use
- ex 73 - 401 Aircraft for the Danish Air Force
- ex 73 - 403 Aircraft parts for the Danish Air Force
- 73 - 501 Combat vessels

Measures Taken in Preceding Years to Relax Restrictions

Since 1949, a number of liberalization measures have been undertaken by Denmark. The successive liberalization percentages for non-dollar imports since 1949 and for dollar imports since 1953, with separate percentages for the three categories (foodstuffs, raw materials and manufactured goods), are shown in Annex 10.

Since 1 March 1959, the separate free lists for the former EPU countries and for the dollar area, have been assimilated, and become identical. The difference between the liberalization percentages
for dollar and EPU imports exists because of the use of different base years and the difference in the composition of the imports from the two areas.

The following table shows the distribution of total imports from the EPU area, the dollar area, and other countries:

<table>
<thead>
<tr>
<th>Imports 1953-57</th>
<th>(Millions of Kroner)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1953</td>
</tr>
<tr>
<td></td>
<td>Value</td>
</tr>
<tr>
<td>Earlier EPU area and Finland</td>
<td>5,966</td>
</tr>
<tr>
<td>Dollar area</td>
<td>342</td>
</tr>
<tr>
<td>Other countries</td>
<td>670</td>
</tr>
<tr>
<td>Total</td>
<td>6,978</td>
</tr>
</tbody>
</table>

It may be noted from this table that imports from the dollar area in percentages of the total imports have been generally increasing.
II. EFFECTS ON TRADE

Statement by the Danish Authorities

In evaluating possibilities for the relaxation of quantitative restrictions in Denmark the structure of the Danish economy must be kept in mind. As a result of specialization of production and of the lack of natural resources, foreign trade has reached a very high level and now represents about one third of the national product. Agricultural commodities which traditionally have predominated in Danish exports are, however, met with protective measures in most markets such as quantitative restrictions, tariffs, restrictive State trading, etc. The policy of subsidizing internal production applied in many countries also narrows the market possibilities and even leads to subsidized exports to traditional Danish markets.

Accordingly, Denmark has had to concentrate on an expansion of industrial exports. As an illustration of recent developments it may be noted that while the export of industrial products — at 1955 prices — has increased over the last five years by 80 per cent, the export of traditional Danish agricultural products has, during the same period, remained almost constant.

The Danish balance-of-payments difficulties must therefore be seen in the light of the restrictive import policies, particularly as regards agricultural commodities, pursued in other countries. In these circumstances, a relaxation of quantitative restrictions could not be compensated by an expansion of exports in the agricultural field. The structural adjustment in the Danish economy would accordingly have to be concentrated on the industrial sector. For internal reasons an expansion of this sector is already made necessary owing to the rapid decline of manpower employed in agriculture, and owing to the increased influx of young workers as a result of the increase in the birth rate by about one third from 1941 to 1946. In order to avoid unemployment increased investments in the industrial sector become necessary; this in itself will establish a pressure on the balance of payments.

External conditions, however, have a dampening effect on the possibilities for an expansion of industrial exports, and the effect of tariffs, etc. applied in other countries is intensified by the fact that the Danish tariff rates are very low. While foreign exporters can compete on the Danish market on equal terms with Danish producers, the high tariff rates existing in other countries do not afford Danish producers similar opportunities to recover potential sales losses on the home market through increased sales on export markets.
The Danish balance-of-payments difficulties must thus be seen as a result of the protectionism prevailing in other countries. As it is for this general reason that quantitative restrictions are maintained, a review of the Danish restrictive list, commodity by commodity, would not be relevant.

Nevertheless, the Danish authorities have stated that they are prepared to give further explanations and answer questions, to any contracting party interested in particular aspects of this subject.

In the field of measures taken in order to avoid as much as possible the incidental protective effects of the restrictions applied for balance-of-payments reasons, it has been stated on the Danish side that pursuant to Section 2 of Act No. 135 of 25 May 1956 it is incumbent on the Controller of Monopolies in collaboration with the Directorate of Supply to compare prices in Denmark and in other countries of commodities the production or processing of which is afforded incidental protection in Denmark resulting from quantitative restrictions. The Minister of Commerce, Industry and Shipping is required by law to provide the Parliamentary Committee with price data collected. Under these provisions price studies have been initiated for a number of commodity groups. Reports on the results of such price studies are prepared for: refrigerators, radiators, bath tubs, boilers for central heating plants, oil burners, certain domestic articles, electric ranges and electric cookers, steel sinks and steel tables, wheat flour, installation pipes and tubes of steel, table potatoes, mountings for locks and building requisites, builder's hardware and window glass. Inquiries into the price conditions of a number of other goods have been commenced. In a few cases differences between the Danish prices and the prices of corresponding goods in foreign countries have been ascertained through such enquiries, and this has given rise to changes in regard to the extent and arrangement of the allocation of licences. In this connexion may be mentioned for example: refrigerators, oil burners and domestic articles.

During recent years it has been the policy of the import-licensing authorities to combine different commodity items in larger groups in order to provide the importers with greater freedom of choice in the utilization of the licences. By combining different commodity items the importer is given the possibility of using the total of the licence for the importation of a certain category of goods, whereas the import licences previously were divided in smaller amounts for each item. Such a combination of the licences tends to further competition in Denmark as the importers are inclined to utilize the licences for the importation of those commodities which are most favourably bought in other countries. In so far as the Danish balance-of-payments situation permits it is the intention to proceed with the amalgamation of narrower commodity classifications.
During recent years global quotas have to a large extent been supplemented by bilateral quotas. The importer is thereby given a greater freedom of choice with regard to the country of purchase and the timing of the import. This means undoubtedly a better and more effective utilization of import quotas, one effect of which is to remove the incidental protection incorporated in the import regulations.

In the annual import budget the aim is to increase the proportion of imports for each commodity group to the extent permitted by the balance-of-payments position. The increase in the amounts of import duty issued offers opportunities for correspondingly greater competition from foreign producers.

As already mentioned in Part I of this report, Denmark has since 1949 gradually extended the liberalization programme and it is the intention of the Danish Government to continue along this road within the possibilities of the balance-of-payments situation. Therefore the domestic producers cannot regard the restrictions as permanent measures.

To conclude it may be said that in administering the import regulations the authorities continually endeavour to create the necessary competition on the Danish market and to permit the greatest possible importation taking into account the balance-of-payments position. These principles are provided for in the relevant Act of Parliament; as previously mentioned, a special Parliamentary Committee keeps a watch on the fulfilment of the provisions of the Act.
LIST OF ANNEXES

1. Act No. 302 on Currency Measures (21 December 1957)

2. Act No. 352 on Amendment to and Extension of the Act on Currency Measures etc. (27 December 1958)


4. Commodities liberalized vis-à-vis the Dollar Area on 1 February 1959

5. Commodities liberalized vis-à-vis the Dollar Area on 1 March 1959

6. Commodities transferred from free licensing to import without licence

7. Goods transferred from bilateral lists to the regionalized group on 1 January 1959

8. Goods subject to bilateral agreements on 1 January 1959

9. Total Imports: breakdown by currency areas and categories of import regulation (26 February 1959)

10. Review of liberalization developments

1 One copy of these Annexes (in English) is supplied to each contracting party.