The Danish balance-of-payments position must be viewed in the light of the structure of the Danish economy. Being a country without such essential natural resources as coal, oil, iron and steel, our economy depends to an exceptional large extent upon a foreign trade at a sufficient high level. Our foreign trade now represents about one third of the national product, that is to say that the import into Denmark amounts to almost 11 billion D.kr and the export to a little more than 9 billion D.kr; the Gross National Product being 33 billion D.kr.

Our dependence upon foreign trade is also a result of specialization of production, the main emphasis being laid on agriculture. Also our export industries are rather specialized.

The high level of our foreign trade means that the terms of trade are a main factor in our economy. Our balance of payments is thus extremely sensitive to fluctuations in world market prices, both for our import goods and for our export goods. Fortunately the terms of trade have developed in a direction not unfavorable to Denmark through the last two years.

As regards the structure of our export trade the Committee will be aware that agricultural commodities have traditionally predominated in Danish exports. However, our exports of agricultural commodities have not benefited from the large-scale expansion of trade which has been the prerequisite for the general prosperity of the post war world. In fact the exports of agricultural products have remained constant over the last 5-6 years. It is a well known fact to this Committee.
that this deplorable situation is due to the protectionism prevailing in most of our export markets and that is aggravated by the inelastic demand for livestock products.

Permit me to draw your attention again to the wide range of protectionist measures with which our agricultural exports are met: quantitative restrictions, state trading, excessive tariff barriers, preferential tariff systems, minimum prices, export subsidies and various systems of subsidizing production. It has been a most discouraging experience to us to see how the natural pattern of production and trade has been distorted in the agricultural sector through these measures, a development which was so excellently illustrated in the Harbeler report. They tend to close the markets to our goods and in some cases they even lead to over-production and consequently to exports of heavily subsidized products to traditional Danish markets abroad.

We do hope that eventually the abolishment of protectionism will be achieved not only to the benefit of Denmark but also to the advantage of our trade partners. Realising that this cannot be achieved overnight and faced with an imperative necessity to expand our export trade, we have had to adjust the structure of the Danish economy by expanding our industrial production over and above what would otherwise have been the case, with the aim of increasing our industrial exports.

These efforts have led to a considerable higher export of industrial products, about 110 per cent higher than five years ago calculated on 1955 prices, and today industrial exports cover almost 50 per cent of our total exports against 25 per cent before the war. The investments made necessary by the expansion in this sector has established a considerable pressure on the balance-of-payments.

I do not hesitate to say that the considerable increase of industrial exports could have been even higher had it not been for external conditions having a dampening effect on the possibilities for an expansion of industrial exports. The high tariff rates maintained by other countries do not offer Danish producers adequate opportunities
to expand their exports or to offset potential losses in the home market by increased sales in export markets.

In the course of 1957 major changes have taken place in the Danish external situation. Before that year the economic development had led to a considerable reduction in the foreign currency reserves. Leaving aside the debt to the EPU our holdings amounted only to 600 kr. mill. enabling us to pay for 3 weeks imports.

During the summer of 1957 measures were taken to correct the balance of payments. I would like to stress that the Government avoided recourse to quantitative restrictions in this situation but relied on fiscal and monetary measures to bring about an improvement in the external position.

Different taxes on consumer goods were introduced and a compulsory stabilization loan was taken up, the amount being 400 kr. mill. for a two-year period. Since then there has been a steady amelioration in our foreign exchange reserves.

The table on the Danish balance-of-payments, which will be distributed among the members of this Committee shortly, shows that the trade balance has improved from a deficit of about 1350 kr. mill. in 1957 to a deficit of not more than about 650 kr. mill. in 1958. This favourable development is to be attributed to the said internal measures and to a change in the terms of trade.

In 1958 the export proceeds increased by 7-8 per cent; at the same time the value of imports showed a slight reduction.

Based on volumes we estimate that there has been an advance of about 10 per cent in exports and in imports of 6-7 per cent.

As I said a moment ago, this rise in the exports affected exclusively industrial goods, as the exports of agricultural products have stagnated during the last five years - not on account of lack in our ability to compete, but - excuse me for a repetition - as a consequence of the agricultural protectionism in almost all countries.
During the last few years the increase in our industrial exports amounted to 10-15 per cent annually. This favourable evolution is even more remarkable as it did coincide with the recession which has been felt in many countries.

The estimate for 1959 shows that we expect also in this year to have a surplus in our balance of payments. The surplus is however diminishing and unfortunately we shall have to review this estimate as the prospects for the harvest now have to be seen in the light of the drought we have experienced in the last two months. At the moment we cannot evaluate the extent of the damage but I have to point out that a failure of crop will have serious repercussions on the Danish external situation.

The favourable development in the Danish export earnings has led to higher foreign currency reserves. At this moment they amount to about Kr.1,800 million, but it should be noted that Denmark owes the other EPU countries about Kr.450 million. This debt has now been consolidated and must be repaid over the next three years which is a relatively short time. The level of the holdings correspond to about two months' imports. In spite of this state of the reserves they are still rather modest, especially on the background of the prospects for a bad harvest.

As I said before the measures taken to remedy the balance of payments did not include quantitative restrictions. The improvement in the balance of payments has led to relaxation of several quantitative restrictions. A considerable increase in the licensing of the imports within the restricted sector has taken place and the global quotas have been extended. The rules governing the administration have been modified in various ways.

In order to avoid as much as possible the incidental protective effects of the restrictions applied for balance-of-payments reasons, the Danish legislation prescribes that the Controller of Monopolies in collaboration with the Directorate of Supply shall 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 is required by law to provide a 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 have been prepared for: refrigerators, radiators, bathtubs, 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, builders' hardware and window glass.

These studies will eventually form an important element in the administration of the quantitative restrictions. Whenever the prices for Danish-made goods differ substantially from the same goods produced abroad an increased import of the latter will be admitted.

The import system has been substantially simplified. Previously the general rule was that the import of all goods was prohibited unless they were on the lists governing the licensing procedure; at present the system is based on the principle that imports of all goods are free unless they are on the restricted list. There is a negative list for imports from OEEC area, Finland, and the dollar area. If a commodity is not on the list, it may be imported freely from the countries in question. Most of the goods which may be imported freely from the OEEC area, Finland, and the dollar area may be imported from other countries under a system of open general licensing. Therefore, while the free list for imports does not apply to the other countries, in practice imports of most of the commodities in question are free from all countries.
At the end of 1958 Denmark introduced together with other Western European countries non-resident convertibility. This measure was followed by an extension of the liberalization vis-a-vis the dollar area.

In 1958 the liberalization percentage for dollar imports was increased from 55 to 66. During the first months of this year the liberalization was further increased and the liberalization percentage was raised to 89 per cent. The liberalization percentage vis-a-vis the OEEC area is 86. The same goods are liberalized from the OEEC area, the dollar area, and Finland; thus the previous discrimination in the liberalization has been abolished. The reason for the difference in the percentage is that the calculation of the liberalization percentage with regard to the OEEC area is based upon private imports in 1948 and upon 1953 with regard to the dollar area.

For the non-liberalized goods licences are in most cases granted on the basis of regional quotas as far as imports from the OEEC area and Finland are concerned. For a wide range of commodities subject to global quotas holders of licences are allowed also to utilize their licence for imports from the dollar area.

For other products subject to global quotas this possibility is limited to the increase in the global quotas which has taken place since 1958. In many cases this gives the importers a considerable latitude in the utilization of the licences. This limitation in the freedom is due to the commitments we have entered into in order to safeguard the interests of the traditional suppliers when we replaced the bilateral quotas with global quotas.

The structural change which is taking place in the Danish economy increases the demand for import of investment goods which again causes a heavy outlay of foreign currency. It is difficult to obtain this through an expansion of exports. We therefore are under the necessity to economize with the available holdings of foreign currency.
It is for this general reason that we ought to move very cautiously in relaxing the remaining quantitative restrictions. It would be in nobody's interest that we should be pressed to liberalize more than warranted by the circumstances, as a step backwards would have heavy repercussions on the trade pattern. We have still to take into account that the Danish currency reserves are very limited compared with our foreign trade.

If we could expand our exports sufficiently to overcome our balance-of-payments difficulties we would be able to abolish the quantitative restrictions more rapidly. Such expansion depends, however, to a large extent upon external factors beyond our control, namely the protectionism prevailing in other countries. It is therefore not possible for me here to express an opinion about the possible schedule for the abolishment of our quantitative restrictions.

It is the decided policy of my Government, however, to pursue its endeavours to abolish our quantitative restrictions, I can assure you. In this connexion I wish to refer to the Danish Act of Currency Measures which in its section 4 expressly states that imports shall be as large as balance-of-payments considerations permit.

We hope that these consultations will help to make it clear that it is first and foremost up to our trade partners to create the marketing possibilities for our export goods which are a pre-requisite for the ultimate abolition of our quantitative restrictions and for an expanding Danish economy which would be able to buy more foreign goods than today.

I do hope that other countries, and in particular those countries with great reserves of foreign currency will take the lead in the drive for the expansion of trade and in eliminating not only quantitative restrictions, including State trading, but also all other barriers to trade.