The timing of this discussion at ministerial level on the trends in international trade and the prospects of commercial policy could hardly have been better. I think that recent developments in international trade and payments have brought us to a point where the decisions we may take in the universal organizations in the economic field may be of far-reaching importance to all countries whose economies are dependent on international trade.

In this situation it is a great advantage to have such excellent background material as provided in the Haberler Report and in the publication International Trade 1957/58. I therefore want to pay tribute to our small but very efficient secretariat.

I also want, Mr. Chairman, to say how much I appreciate that this conference could be held in Tokyo and to express my gratitude for the excellent arrangements made and for the hospitality of the Japanese Government.

In this connexion I would like to touch very briefly the particular problem which has been facing Japan ever since her accession to the GATT. My Government shares the view expressed this morning by Mr. Dillon and my delegation support the idea of establishing a panel of experts to deal with the fundamental problems of the application of Article XXXV by a number of countries towards Japan.

We also welcome the new members and the prospective associates to the agreement which we hope will gain in strength in being applied by more countries although at the same time also by countries of very different economic structure.

From a European point of view the most outstanding fact in the development during the last two years was undoubtedly the sharp decline in the trade deficit in 1958 without which the restoration of external convertibility in the currencies of a number of contracting parties - and among them Denmark - would hardly have been possible. It is, however, regrettable that the non-industrial countries have at the same time suffered a setback.

The healthy development in the foreign exchange reserves of Denmark is, of course, to some extent due to the fall in prices of raw materials imported from non-industrial areas, but other factors have also contributed.

First of all we increased our exports in 1958 by $60 million over the level of the preceding year. This was in spite of a fall in the export prices of agricultural products. Secondly, I think that to some degree the improvement in Denmark can be ascribed also to the internal economic measures taken in June 1957. Effective measures of national financial policy helped
to turn the tide and a steady weakening of the foreign exchange reserves was replaced by a steady increase. This was achieved without any tightening of the restrictions on foreign trade.

Our exchange reserves now correspond to the value of only two months' imports. Compared with most other countries our reserves are rather modest. As the current deficit on our balance of trade is higher this year than in 1958 the increase in the exchange reserves may slow down.

Now, reverting to the international aspects, Europe as a whole has improved its payments position quite considerably during the last year or two, whereas the United States have experienced a decline in their monetary reserves. The dollar shortage under which the non-dollar area and also the dollar area suffered since the last war now seems to be mastered.

Generally speaking, I think that we can all agree that a concentration of the world's total reserves in one or a few countries is bound to have a restrictive effect on international trade. Therefore a development as the one we have witnessed this last year although it may seem unfavourable in American eyes may well be favourable for the world as a whole from the point of view of international trade. We hope that the United States and other countries with large reserves understand this point of view.

This being said, I am able to declare that my Government are prepared to accept the principle that for countries which are in external balance there is no longer any balance-of-payments justification for discrimination against imports from the dollar area. In fact, we have already some time ago taken the necessary steps so that no discrimination exists within the liberalized sector; as far as the quota sector is concerned, non-discrimination has also been carried far and will be carried further. No all the necessary adjustments can be accomplished overnight, but it is the intention to establish global quotas in such a way that they will involve no discrimination.

The United States Government have further urged us to remove the import restrictions on a non-discriminatory basis as rapidly as our foreign exchange reserves permit. I shall revert to our intentions in this respect in a minute, and in the meantime very briefly draw your attention to the difficulties experienced by countries mainly dependent on the exchange earnings derived from agricultural exports. So far only a few countries have abolished quantitative restrictions on agricultural products, and they protect their agriculture by other effective, but non-discriminatory means. All the other industrial countries which have no longer any balance-of-payments difficulties, have maintained their restrictions on agricultural imports. This state of affairs is unsatisfactory for Denmark and other agricultural exporters. I think that my colleagues will admit that, as the GATT rules are in respect of agriculture, and as these rules are being applied, there is no balance of rights and obligations for countries which depend to a large extent on the export of agricultural products.

In spite of this, it is the firm intention of my Government in the very near future to take further steps - and very important steps - in line with the suggestions made by the United States Government.
The plan for our future trade policy will be presented to the Danish Parliament during the next weeks. It falls for legislative reasons into two parts which are, however, inseparable. On the one hand, a plan is under preparation for the abolition of the remaining import restrictions with the exception of a few hard-core cases. For a large number of items the plan provides for full liberalization. With respect to the remaining items - still with the exception of a few hard-core cases - quotas will as a general rule be increased on a global basis.

The speed at which the quotas will be increased and removed will be determined on a product-by-product basis, having regard to the vulnerability of the position of the domestic industry in question.

The other part of the plan and the one which requires the consent of Parliament is a tariff revision. It is well known that the level of the present Danish tariff is the lowest among the GATT countries and probably in the world, and it would not be possible to abolish our quantitative restrictions without any adjustment of our customs tariff. A revised tariff will be presented to Parliament together with the plan for the abolition of the quantitative restrictions. This liberalization would not be acceptable to Denmark if it was not accompanied by a tariff revision.

A draft tariff has been elaborated providing for increased rates for most but not all items which have hitherto been under quantitative restrictions and for a number of consequential adjustments in an upward direction. At the same time, a number of tariff reductions are proposed, so that the general level of the tariff will remain at a low level, and I feel sure that Denmark also after the revision has been carried through will qualify as a leading member of any low-tariff club.

A large number of the contracting parties have, during the last decade or so, carried through a general overhaul of their tariffs leading to a much higher tariff level than what we have in mind. Denmark, however, is not only a low-tariff country, we are also a slow-tariff country - if I may borrow this expression from one of my distinguished colleagues. What we do now, others have done at an earlier period of their GATT existence or even in preparation for their participation in GATT.

In elaborating the new tariff we have endeavoured to leave the bound items untouched. Considering that the Danish schedule of tariff concessions contains about 700 items, I hope that you will agree that we have been successful when we need authorization to negotiate only about 5 per cent of that number. I should add, however, that our Parliament is keenly interested in tariff policy, and that a few of the proposed rates on their way through parliamentary procedures might undergo changes in either direction. For this reason we should want the authorization to negotiate to provide a reasonable degree of flexibility.

The steps we are going to take are in conformity with the aims and objectives of the GATT, and they will pave the way to freer competition in the Danish market between home products and imported products.

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Let me sum up this part of my statement, Mr. Chairman, by saying that with respect to the question of removing discrimination against the dollar area the Danish Government takes a positive and constructive attitude and hopes that differential treatment in the quota field will, as far as Denmark is concerned, soon be a thing of the past. If Western Europe has made such spectacular progress with regard to the removal of quotas, I ask all the other countries to remember that this would not have been possible without the historical initiative which the United States took in 1947 when bilateralism in trade and payments was a rule almost without exception. Mr. Marshall, to whose memory I want to pay a warm tribute, saw that economic integration in Europe was essential. Thanks to his initiative, the United States gave Europe generous economic assistance and, thanks to common American and European initiative, the OEEC was founded. I ask the non-European countries never to forget what they owe to the OEEC for making possible the removal of quotas in the European countries, not only between themselves, but also on a world-wide basis.

The plan for the EFTA is born of the same spirit. In the circumstances, it is the only practical way in which the seven countries on their part can take practical steps to promote the objective of economic integration in Europe to which they are committed under the OEEC Convention.

I have only little to add to the report Mr. Kling has given on behalf of the seven countries who are at present negotiating a draft treaty for the formation of a European Free Trade Area.

Denmark has always supported the efforts in GATT to remove trade barriers between the contracting parties and thereby to pave the way for an increased international trade. Like the other countries in the Seven, Denmark is very dependent upon foreign trade, and is therefore vitally interested in the success of efforts in GATT and other international economic organizations working for freer and increased international trade.

It is against this background and with these purposes in mind, that Denmark has joined in the efforts to establish the EFTA. The creating of the Seven will form the prelude to a removal of trade barriers, not only between the seven Member countries, but also between the Seven and other countries. One of the reasons why the free trade area is chosen as the form of economic co-operation between the Seven is that it leaves the individual countries their freedom of action for instance as regards external tariff rates. Each of the seven countries will thus be able to participate in the continued efforts in GATT aiming at a reduction of customs barriers.

Also with regard to quantitative restrictions, it is EFTA's aim to conduct an outward looking and liberal policy.

The efforts now being made to lessen discrimination and to promote trade have the full support of Denmark. It is in accordance with these principles that the Seven have agreed not to form a preferential system in respect of quantitative restrictions, and that Denmark and other countries within the Seven have the intention of letting quota increases benefit third countries.

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I believe that an interplay between regional and world-wide efforts to bring down barriers to trade will be conducive to an expansion of world trade provided that the regional groupings — whether they take the form of free trade areas or customs unions — are conceived in such a way as not to hamper trade with third countries. In other words, such regional groupings should be outward looking and be fully compatible with the requirements of GATT. I am confident that the plans for EFTA will meet these requirements.

The strengthening of the currencies of Western Europe opens up new perspectives as regards our relations with the dollar area and we sincerely hope that the United States as well as other Member countries will have a positive interest in closer economic ties with Europe based on a new attack on barriers to trade whatever form they take.

For a country which is heavily dependent on agricultural exports, and whose agriculture receives no subsidies and only very modest protection it is of the utmost importance in this new attack on trade barriers that in the future the CONTRACTING PARTIES should give their full attention to the need for more stringent rules concerning restrictive measures against trade in agricultural products and for a tightening of the administration of the existing provisions in this field.

END