

EUROPEAN PARLIAMENT

Consequences  
for the main sectors of the Danish economy  
of membership  
of the European Communities

**Directorate General for Research and Documentation**

March 1979

PE 48.168/rev.



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## Foreword

The first edition of this study was drawn up by the Directorate-General for Research and Documentation of the European Parliament at the request of the Group of European Progressive Democrats and the European Conservative Group, and appeared in March 1977. It was an attempt to answer one of the questions most frequently asked in Denmark today, namely 'How had Denmark's membership of the EEC affected the country's economic life?'

The problem with publications of this nature is that they very rapidly become out of date and lose their value as a basis for discussion. In the expectation that the need for information on Denmark's membership of the EEC would presumably rise sharply during the run-up to direct elections to the European Parliament in June 1979 and in response to a request from the Group of European Progressive Democrats for updated information for use as a supplement to the original edition, the Directorate-General for Research and Documentation decided to bring the 1977 edition completely up to date.

One point must be made at the outset, as was the case with the previous edition, nothing in this study will surprise anyone who has been closely following the developments surrounding Denmark's membership of the EEC in the Danish daily newspapers, although some subjects are given more detailed treatment here than they would normally receive from the Press. It is hoped, however, that the study will meet the need for an overall survey of the consequences of EEC membership for the main sectors of the Danish economy that was observed on publication of the first edition.

Once again, to keep the size of the study within reasonable limits, only those sectors where conditions are most directly affected by membership of the Community, viz. agriculture, fisheries, manufacturing industry and foreign trade are discussed. In the years ahead the labour market will also be affected more and more by Community membership and it therefore seemed appropriate to discuss this aspect too, being an integral part of Danish economic life. Finally, the European Community's economic and monetary policy and its significance for the Danish economy is dealt with in a separate section.

A number of major Danish trade organizations and industrial associations, together with employers and trade unions, have contributed valuable information and data for the study. In many cases the effects of European Community policies have been illustrated by recording an individual industry's own assessment of the situation. Of course, other groups in society, such as the consumer movement, will in certain cases have viewpoints differing from those held by industry. This fact must be borne in mind, since the present study has not attempted to make any general analysis of the attitudes of the

various social groups towards membership of the Community.

Nor does the study purport to give an actual description of Community policy within the sectors dealt with, but seeks mainly to define the effect of that policy within the industry in question. For this reason, the discussion of European Community policy largely consists of references to its individual facets. Readers who require a more detailed description of the Community policies as such are therefore referred to the abundant literature on the subject - e.g. the fact sheets published by the European Parliament, which describe Community policy in all the areas dealt with in this study.

AGRICULTUREIntroduction

Ever since the foundation of the European Communities, Danish farmers have strongly advocated Danish membership. In the late 1950's Denmark's agricultural exports to the countries of the continent of Europe that later came to form the original Community had been considerable. Faced with the newly-established Community import barriers in the agricultural sector, Danish farmers saw this major market slipping out of their grasp. The situation became even worse when subsidized EEC agricultural exports increased competition in other export markets.

At the beginning of the 1960's Denmark applied for membership of the European Community, agriculture being one of the reasons for doing so. At the same time, the agricultural situation was clearly so serious that a special effort had to be made if Denmark's position as a leading producer and exporter of agricultural products was to be maintained until it could join the Community. In the 60's therefore a series of support measures was introduced, mainly in the context of domestic market organization, under which domestic prices were fixed independently of world market prices and adjusted according to trends in production costs. The cereal market was then organized along the lines of that of the Community and a liquid reserve fund was set up for agriculture. The guidelines for the activities of the liquid reserve fund were laid down by law but it was administered by the agricultural organizations themselves. The fund, which amounted to Dkr 478,300,000 in the financial year 1972/73, was mainly used for various kinds of production subsidies.

On 1 February 1973 these national aid arrangements were brought to an end and replaced by the EEC's common agricultural policy.

A. DANISH AGRICULTURE AT THE TIME OF ACCESSION

With a population of only 2% of that of the total Community, Denmark accounted for 4.8% (1974) of its agricultural production. Moreover, the country was much more than self-sufficient in a large number of products. The level of self-sufficiency in pigmeat in 1972 was 458%, for poultrymeat 315%, for beef and veal 219%, for butter 323% and for cheese 246%. On the other hand, the level of self-sufficiency in cereals is normally around 100%<sup>1</sup> whilst for fresh fruit in 1972 it was very low at 56%. Two-thirds of Danish agricultural products are exported and agricultural exports make up about one-third of total Danish exports.

The following table shows the production figures for Danish agriculture in 1972 immediately before accession and in 1976 and the figures for the Community as a whole.

<sup>1</sup> Since accession, however, there has been a considerable increase in cereal production, and in recent years the degree of self-sufficiency has exceeded 100%

Table 1

## AGRICULTURAL PRODUCTION IN DENMARK AND THE COMMUNITY IN 1972 AND 1976

	1972		1976	
	Community	Denmark	Community	Denmark
Total population (million) .....	254	5	259	5
Actively employed in agriculture as a percentage of total population .....	9.5	9.8	8.4	9.3
Total agricultural area (1,000 ha)	93,909	2,940	93,168	2,902
Number of farms .....	5,700	138	5,198 <sup>1</sup>	127
<u>Vegetable products:</u>				
<u>(1,000 tonnes)</u>				
Cereals (total) .....	99,827	7,026	90,453	5,902
Wheat .....	39,795	585	39,196	593
Barley .....	31,080	5,458	29,876	4,801
Maize .....	14,101	-	11,142	-
Sugar .....	9,654	298	10,778	383
<u>Livestock:</u>				
<u>(1,000)</u>				
Cattle .....	74,788	2,810	76,872	3,064
Pigs .....	68,637	8,925	70,126	7,918
Poultry .....	618,900	18,400	320,000	13,270
				percentage of Community
				Community Denmark
				percentage of Community
				2.0
				-
				3.1
				2.4
				7.0
				1.5
				17.6
				-
				3.1
				3.8
				13.0
				3.0
				4.0
				11.3
				4.2

<sup>1</sup> The Italian share is the 1970 figure and the Irish share the 1975 figure.

.../....

Table 1 (cont'd)

	Community	Denmark	percentage of Community	Community	Denmark	percentage of Community
<u>Animal products:</u>						
<u>(1,000 tonnes)</u>						
Milk .....	97,905	4,692	4.8	93,590	5,045	5.4
Butter .....	<del>1,329</del> 2,577	110	8.3	1,741	139	8.0
Cheese .....	2,577	122	4.7	2,837	157	5.5
Meat (total) .....	18,944	1,128	6.0	19,329	1,123	5.8
Beef .....	5,785	214	3.7	6,535	241	3.7
Pigmeat .....	8,082	775	9.6	8,515	724	8.5
Poultrymeat .....	2,909	80	2.8	3,303	97	2.9
Eggs .....	3,785	75	2.0	3,773	71	1.9

Source: EUROSTAT, Basic Statistics of the Community, 1977

Agricultural situation in the Community, 1977 report, GD 6 Commission  
Landbrugsstatistik 1976, Danmarks Statistik

Another characteristic of Danish agriculture is the relatively large size of farms (22 ha in 1973 and 23.4 ha in 1976). Only France and Britain have higher averages. During the 'survival period' in the 60s, however, agricultural investments fell and it was not until 1972 that the trend changed. Although, partly because of the convenient size of its farms, Danish agriculture's production apparatus even on accession was undoubtedly relatively modern and rational compared with most of its Community partners, it still left something to be desired considering what might have been achieved through a more expansive investment policy prior to membership. This was particularly true of production capacity in the animal sector.

## B. THE INDIVIDUAL FEATURES OF THE COMMUNITY AGRICULTURAL POLICY AND THEIR IMPORTANCE FOR DANISH AGRICULTURE

### 1. Organization of the markets

Right from the beginning, on 1 February 1973, Denmark adopted all the principles and machinery of the common agricultural policy. Prices were to be gradually adjusted over a five-year period to the level in the original Member States. Because of general trends, prices for all animal products except butter were fully adjusted as early as 1973.

Participation in the common agricultural policy immediately meant that Danish agriculture's competitive position was radically improved: whereas exports to the original Member States had previously been subject to import duties, those countries could now be regarded as a large domestic market. At the same time, the Community's refund policy radically improved the competitive position of Danish agricultural products on the markets of third countries. From 1 February 1973 to 1 July 1978 the Community's agricultural fund paid out a total of Dkr 12,418.3 million in export aid (including monetary compensatory amounts) to Danish agriculture (see Table 2). In 1977 alone Dkr 3,700 million were paid out.

Table 3 shows the trend in the value of Danish agricultural exports to the Community and third countries excluding Community export aid in the period 1972-77.

Table 2

PRODUCTION AID FROM THE COMMUNITY AGRICULTURAL FUND (EAGGF) PAID TO DENMARK  
(MILL. D.KR.)

	1973	1974	1975	1976	1977 Jan.-June	1978
A. Export aid						
(including monetary compensatory amounts)						
Dairy products .....	770.1	897.8	828.3	1229.3	1610.0	886.2
Eggs .....	7.6	4.7	2.8	3.6	2.3	0.6
Meat .....	735.8	449.5	389.0	822.6	1491.6	763.3
Vegetable products .....	89.8	39.5	107.3	150.5	436.6	428.0
Other products (agricultural products in processed combined products) .....	29.9	10.7	20.5	71.3	150.7	89.7
Total export aid	1633.2	1402.2	1347.1	2177.3	3690.7	2167.8
B. Aid to the domestic market (excluding intervention)						
Animal products .....	264.7	388.7	561.3	530.7	566.5	332.6
Vegetable products .....	86.6	101.0	139.6	138.3	127.7	82.6
Total domestic market aid ..	351.3	489.5	700.9	659.0	694.2	415.2

Source: 'Statistiske Efterretninger', Danish Statistical Office

Table 3

GEOGRAPHICAL DISTRIBUTION OF AGRICULTURAL EXPORTS 1972-1977 BY VALUE<sup>1</sup> (x million DKr)

	1972	%	1973	%	1974	%	1975	%	1976	%	1977	%
France	140.2	1.7	320.9	3.1	287.6	2.5	294.5	2.2	487.0	3.6	588.4	4.0
Benelux	162.2	2.0	295.2	2.9	371.6	3.2	333.6	2.5	417.5	3.1	397.6	2.7
Federal Republic of Germany	792.7	9.6	1388.9	13.4	1821.6	15.7	2150.8	16.3	2391.4	17.6	2591.3	17.8
Italy	610.7	7.4	1288.9	12.5	1148.4	9.9	1666.8	12.6	1484.8	10.9	1881.1	12.9
United Kingdom	3199.6	38.9	3616.8	35.0	4219.6	36.4	4857.4	36.7	4684.2	34.4	4395.6	30.1
Ireland	2.4	-	11.1	0.1	15.2	0.1	21.4	0.2	11.7	0.1	8.5	0.1
Present Community	4907.8	59.7	6921.8	67.0	7864.1	67.8	9324.5	70.5	9477.0	69.7	9862.9	67.6
Norway	107.2	1.3	107.7	1.0	118.5	1.0	182.7	1.4	213.5	1.6	219.9	1.5
Sweden	431.8	5.3	416.8	4.0	567.6	4.9	527.0	4.0	592.5	4.4	580.2	4.0
Present EFTA	869.3	10.6	814.2	7.9	919.4	7.9	922.0	7.0	988.9	7.3	1033.9	7.1
Europe as a whole	6226.5	75.7	8160.0	79.0	9174.3	79.1	10648.4	80.5	10809.1	79.4	11356.8	77.9
USA	1033.3	12.6	1171.7	11.3	1078.5	9.3	944.8	7.1	1004.7	7.4	1074.3	7.4
Total third countries	3315.5	40.3	3409.0	33.0	3729.2	32.2	3906.0	29.5	4129.2	30.3	4723.8	32.4
Total agricultural exports	8223.3	100.0	10330.8	100.0	11593.3	100.0	13230.5	100.0	13606.2	100.0	14586.7	100.0

<sup>1</sup>Excluding EEC export restitution

Source : Statistiske Efterretninger, Danmarks Statistik



Table 4

Agricultural production in million kg

	1972	1973	1974	1975	1976	1977	July-June 1977-78
Total milk products ....	4636	4729	4818	4918	5045	5139	5190
Butter .....	136	146	137	139	139	131	133
Cheese .....	131	128	150	152	157	177	184
Beef and veal .....	191	205	261	259	264	263	257
Pigmeat .....	817	832	791	776	759	786	807
Poultry, oven-ready ....	85	90	95	90	97	103	100
Eggs .....	74	73	73	75	71	68	68
Cereals .....	7067	6633	7261	6251	5209	7391	-

Source: Statistiske Efterretninger, Danmarks Statistik

Table 5

Agricultural exports by quantity and main product group

	1972	1973	1974	1975	1976	1977	first half 1977	first half 1978
Horned cattle (1,000) .....	38.3	31.3	32.9	30.2	20.6	17.9	10.2	5.0
Live pigs (1,000) .....	117.7	162.8	98.0	73.5	82.5	66.0	35.7	32.5
Beef and veal (1,000 tonnes).	69.9	93.2	105.3	128.5	107.2	137.4	75.0	77.1
Pigmeat (1,000 tonnes) .....	352.8	337.0	336.8	359.1	332.9	347.2	168.9	181.0
Poultry (1,000 tonnes) .....	52.2	48.4	55.2	55.0	50.2	59.3	30.6	26.1
Butter (1,000 tonnes) .....	87.2	99.8	101.2	98.1	91.8	89.8	47.4	50.0
Cheese (1,000 tonnes) .....	75.4	83.9	95.1	100.1	116.2	125.4	58.0	65.5
Preserved milk (1,000 tonnes).	85.2	92.7	96.6	63.9	95.8	95.2	51.4	62.4

Source: Landøkonomisk oversigt

Table 6

Danish agricultural exports to the Community by country and product in the period 1972-77 in million Dkr

	EEC total					
	1972	1973	1974	1975	1976	1977
Beef on the hoof, beef and veal.....	579.9	1074.0	1355.7	1699.2	1378.5	1837.8
Pigs and pigmeat .....	2059.0	2950.0	2881.4	3497.6	3449.8	3279.5
Poultry.....	39.8	80.7	87.9	116.8	124.3	165.7
Edible offal.....	73.7	151.2	113.6	103.0	110.4	108.7
Butter.....	661.1	558.2	865.1	1024.6	1009.2	907.4
Cheese.....	277.2	389.3	509.2	658.3	760.4	869.7
Eggs, whole .....	5.6	25.7	25.7	38.7	18.7	5.7
Skins, undressed.....	30.9	39.3	40.0	36.8	60.2	93.7
Intestines .....	96.5	102.2	107.3	102.5	105.6	134.8
Other animal products.....	116.5	135.4	176.5	146.0	160.3	182.6
TOTAL animal products .....	3940.4	5506.0	5972.5	7423.5	7177.3	7585.7
Tinned meat .....	449.6	535.6	576.2	547.1	704.2	738.0
Preserved milk .....	36.6	168.6	167.0	70.7	188.4	110.0
TOTAL tinned meat and preserved milk .....	486.2	704.3	743.2	617.8	892.6	848.0
TOTAL animal products, tinned meat and preserved milk .....	4426.6	6210.3	6715.7	8041.3	8069.9	8433.7
Cereals .....	91.4	208.0	452.0	765.0	592.9	639.7
Seeds .....	116.9	159.4	153.5	138.3	198.9	178.8
Other vegetable products .....	272.9	343.6	548.6	379.7	615.3	610.7
TOTAL vegetable products .....	481.2	711.1	1154.1	1283.1	1407.1	1429.2
TOTAL agricultural products.....	4907.8	6921.4	7869.8	9324.4	9477.0	9862.9

Source : Statistiske Efterretninger, Danmarks Statistik

Table 6 (continued)

	Federal Republic of Germany											
	1972	1973	1974	1975	1976	1977	1972	1973	1974	1975	1976	1977
	UK											
	1972	1973	1974	1975	1976	1977	1972	1973	1974	1975	1976	1977
Beef on the hoof, beef and veal .....	5.4	26.8	213.1	197.3	196.0	171.0	72.4	106.6	150.5	222.2	195.1	265.5
Pigs and pigmeat .....	1842.7	2144.1	2212.3	2704.2	2480.0	2183.7	105.2	290.3	276.9	366.7	434.0	534.9
Poultry .....	27.2	21.6	8.2	17.3	6.0	7.8	8.1	54.4	75.9	78.0	104.1	147.5
Edible offal .....	16.7	64.4	26.3	28.0	29.6	31.9	38.3	57.5	55.0	49.7	50.0	42.0
Butter .....	644.4	519.9	788.4	892.6	821.2	744.5	13.0	31.5	58.8	85.4	106.6	90.2
Cheese .....	91.2	115.3	147.8	203.7	207.3	240.8	164.4	241.5	305.8	366.3	448.6	502.9
Eggs, whole .....	1.4	14.3	2.7	3.9	0.4	0.3	1.9	8.9	21.0	33.6	15.6	4.3
Skins, undressed .....	18.6	24.5	22.1	14.2	19.8	19.8	5.4	4.9	7.4	8.1	9.7	30.3
Intestines .....	1.1	2.3	2.4	3.8	6.4	6.6	47.1	47.6	49.8	51.0	49.4	66.7
Other animal products ..	51.5	64.7	92.3	80.6	82.7	99.0	46.2	57.9	64.0	46.8	58.9	61.2
TOTAL animal products ..	2700.2	2997.9	3515.6	4145.6	3849.4	3505.4	502.0	900.9	1065.1	1307.8	1472.0	1745.5
Tinned meat .....	404.2	464.1	473.5	445.1	547.1	531.0	18.2	30.6	50.3	42.7	62.2	77.5
Preserved milk .....	33.1	36.0	31.6	26.6	23.1	24.4	0.9	28.5	11.1	2.7	37.4	5.7
TOTAL tinned meat and preserved milk .....	437.3	500.1	505.1	471.7	570.2	555.4	19.1	59.1	61.4	45.4	99.6	83.2
TOTAL animal products, tinned meat and preserved milk .....	3137.5	3498.0	4020.7	4617.3	4419.6	4060.8	521.1	960.0	1126.5	1353.2	1571.6	1828.7
Cereals .....	27.1	65.0	112.8	187.6	142.1	228.0	60.9	139.8	278.0	490.4	368.9	312.2
Seeds .....	20.6	35.0	31.6	24.8	36.1	32.8	32.8	33.9	31.4	41.0	52.8	43.6
Other vegetable products	14.6	18.7	54.6	27.8	86.4	74.0	177.8	254.6	385.6	266.1	398.1	406.8
TOTAL vegetable products	62.3	118.7	199.0	240.2	264.6	334.8	271.5	428.3	695.0	797.5	819.8	762.6
TOTAL agricultural products .....	3199.8	3666.7	4219.7	4850.5	4684.2	4395.6	792.6	1388.3	1821.5	2150.7	2391.4	2591.3

Table 6 (continued)

	Benelux					France						
	1972	1973	1974	1975	1976	1977	1972	1973	1974	1975	1976	1977
Beef on the hoof, beef and veal .....	23.2	48.9	33.9	55.9	37.7	64.4	16.6	71.3	37.4	19.3	45.9	51.9
Pigs and pigmeat .....	10.5	37.5	12.1	18.6	8.4	3.8	15.6	103.0	84.8	106.0	160.2	221.0
Poultry .....	3.2	1.2	1.7	2.6	5.9	7.1	0.4	1.3	1.4	3.6	2.5	1.7
Edible offal .....	1.0	3.8	2.5	0.4	1.4	1.2	16.1	21.9	20.5	15.7	21.5	25.4
Butter .....	1.2	2.4	9.9	12.7	10.2	10.3	0.3	0.5	0.7	15.4	52.5	54.6
Cheese .....	7.7	12.3	15.9	21.2	31.8	27.1	5.6	8.3	9.9	12.6	13.2	14.0
Eggs, whole .....	0.6	0.5	0.5	0.2	0.5	0.1	0.8	1.1	1.2	0.5	1.6	0.8
Skins, undressed .....	3.3	3.6	5.4	5.8	2.8	12.6	0.7	---	---	0.1	1.9	5.4
Intestines .....	2.3	1.2	1.7	0.8	0.5	0.2	31.9	33.1	36.5	34.0	37.0	43.7
Other animal products.	11.2	6.6	15.3	10.8	8.7	7.3	4.2	3.6	3.3	5.5	7.9	12.7
TOTAL animal products.	64.2	118.0	98.9	129.0	107.9	134.1	92.2	244.1	195.7	212.7	344.2	431.2
Tinned meat .....	2.1	1.5	1.7	2.6	5.2	3.8	14.5	20.6	27.6	32.2	43.0	55.8
Preserved milk .....	1.6	94.0	118.3	35.6	117.4	79.5	0.0	3.2	0.0	3.3	0.2	0.0
TOTAL tinned meat and preserved milk .....	3.7	95.5	120.0	38.2	122.6	83.3	14.5	23.8	27.6	35.5	43.2	55.8
TOTAL animal products, tinned meat and preserved milk .....	67.9	213.5	218.9	167.2	230.5	217.4	106.7	267.9	223.3	248.2	387.4	487.0
Cereals .....	3.2	2.2	51.1	74.0	78.2	69.6	---	---	---	0.5	1.8	14.5
Seeds .....	23.0	27.2	25.0	31.4	41.4	39.3	24.5	40.0	43.4	24.7	40.8	35.6
Other vegetable products .....	67.9	52.6	82.5	61.0	67.4	71.3	9.0	12.8	21.0	21.0	57.0	51.3
TOTAL vegetable products .....	94.1	82.0	158.6	166.4	187.0	180.2	33.5	52.8	64.4	46.2	99.6	101.4
TOTAL agricultural products .....	162.0	295.5	377.5	333.6	417.5	397.6	140.2	320.7	287.7	294.4	487.0	588.4

Table 6 (continued)

	Italy							Ireland				
	1972	1973	1974	1975	1976	1977	1972	1973	1974	1975	1976	1977
Beef on the hoof, beef and veal	462.4	820.5	730.9	1204.5	903.7	1284.9	-	-	-	0.0	-	-
Pigs and pigmeat	85.2	375.1	295.3	302.1	367.2	335.8	-	-	-	-	-	0.3
Poultry	0.8	2.4	0.7	15.2	5.7	1.6	-	-	-	-	-	0.0
Edible offal	1.6	3.6	9.3	9.2	7.8	8.2	-	-	-	-	0.0	-
Butter	2.2	3.9	6.1	18.4	18.5	7.8	-	-	1.0	0.1	-	-
Cheese	8.1	11.7	29.1	51.5	58.9	84.0	0.1	0.2	0.7	3.0	0.6	0.9
Eggs, whole	0.9	0.9	0.2	0.5	0.6	0.3	-	-	-	-	-	-
Skins, undressed	3.0	6.3	5.1	8.6	26.0	25.6	-	-	-	-	-	-
Intestines	14.1	17.9	16.8	12.8	12.2	17.6	-	-	-	-	-	-
Other animal products	3.2	2.4	1.6	2.2	1.7	2.3	-	0.0	0.0	0.0	0.3	0.1
<b>TOTAL animal products</b>	<b>581.5</b>	<b>1244.7</b>	<b>1095.1</b>	<b>1625.0</b>	<b>1402.3</b>	<b>1768.1</b>	<b>0.1</b>	<b>0.2</b>	<b>1.7</b>	<b>3.1</b>	<b>0.9</b>	<b>1.3</b>
Tinned meat	10.2	14.7	19.9	19.3	43.7	68.2	0.4	4.1	3.2	5.2	3.0	1.7
Preserved milk	1.1	6.9	6.1	2.4	9.7	0.3	0.0	0.0	-	0.0	0.6	-
<b>TOTAL tinned meat and preserved milk</b>	<b>11.3</b>	<b>21.6</b>	<b>26.0</b>	<b>21.7</b>	<b>53.4</b>	<b>68.5</b>	<b>0.4</b>	<b>4.1</b>	<b>3.2</b>	<b>5.2</b>	<b>3.6</b>	<b>1.7</b>
<b>TOTAL animal products, tinned meat and preserved milk</b>	<b>592.8</b>	<b>1266.3</b>	<b>1121.1</b>	<b>1646.7</b>	<b>1455.7</b>	<b>1836.6</b>	<b>0.5</b>	<b>4.3</b>	<b>4.9</b>	<b>8.3</b>	<b>4.5</b>	<b>3.0</b>
Cereals	0.2	0.1	5.6	2.2	0.1	12.7	0.0	0.9	4.5	10.3	1.9	2.7
Seeds	14.6	18.8	17.6	14.2	24.5	24.6	1.5	4.5	4.5	2.3	3.3	2.8
Other vegetable products	3.1	3.7	3.9	3.5	4.5	7.2	0.3	1.3	1.2	0.4	2.0	0.0
<b>TOTAL vegetable products</b>	<b>17.9</b>	<b>22.6</b>	<b>27.1</b>	<b>19.9</b>	<b>29.1</b>	<b>44.5</b>	<b>1.8</b>	<b>6.7</b>	<b>10.2</b>	<b>13.0</b>	<b>7.2</b>	<b>5.5</b>
<b>TOTAL agricultural products</b>	<b>610.7</b>	<b>1288.9</b>	<b>1148.2</b>	<b>1666.6</b>	<b>1484.8</b>	<b>1881.1</b>	<b>2.3</b>	<b>11.0</b>	<b>15.1</b>	<b>21.3</b>	<b>11.7</b>	<b>8.5</b>

Table 3 shows that total agricultural exports in the period 1972-77 at current prices increased from Dkr. 8,200 million to Dkr. 14,600 million. During the same period the Community's percentage share of Danish agricultural exports increased appreciably, from 59.7% in 1972 to 70.5% in 1975. In 1976 and 1977 the share fell back to only 67.6% in 1977, mainly because of the slump on the British market. For the six original Member States however, the trend was much more marked and regular, from 20.8% of total agricultural exports in 1972 to 37.4% in 1977.

Table 4 shows the trend in Danish agricultural production by quantity in the period 1972 to 1 July 1978 and Table 5 shows the trend in total agricultural exports by quantity during the same period. Table 6 shows the trend of agricultural exports to the Community by value, country and product. Tables 4 and 5 show that the sharp increase in the value of agricultural exports has only in 1977 and 1978 been accompanied by an increase in the quantities produced and sold. A detailed account of the production and sales trend for each product in the period 1972-77 follows.

(a) Milk

Up till 1971 milk production showed a downward tendency. Since then total production has increased as a result of an increase in the dairy cattle population and a higher milk yield. Total production in 1977 was 5,139 million kg. compared with 4,636 million kg. in 1972, an increase of about 11%, spread evenly over the years concerned.

Preserved milk exports amounted to 95.2 million kg. (Dkr. 1,136 million) in 1977 compared with 85.2 million kg. (Dkr. 596 million) in 1972. Exports of preserved milk increased sharply from 1972 to 1973 but then fluctuated and in 1975 there was even a pronounced drop. In 1977 only a small proportion, to the value of Dkr. 110 million, was exported to the Community, mainly Benelux.

(b) Butter

After accession Denmark increased its butter production from 136 million kg. in 1972 to 146 million kg. in 1973. In subsequent years production either remained constant or fell and at 131 million kg. in 1977 was lower than in 1972.

Before accession the United Kingdom was the chief importer of Danish butter. Smaller amounts were exported to the original Member States, the Middle East, various countries in Africa and Asia and

certain statetrading countries. Increased production in 1973 together with a drop in domestic consumption led to a considerable increase in exports, from 87.2 million kg. in 1972 to 101.2 million kg. in 1974, mainly accounted for by sales to Germany. Since 1974 exports have been falling. In 1977 total exports amounted to 89.8 million kg. only 3% more than in 1972.

The structure of exports has also changed. Despite an increase of 37.3% in the value of exports to the present Community from 1972 to 1977, there has been a sharp drop since 1975, mainly because of conditions on the British market, which experienced a drop in consumption and severe competition. From 1975 to 1977 the value of exports to the United Kingdom fell sharply by 16.6%, but this has been partly offset by increased exports to Germany and France and various third countries.

(c) Cheese

The additional milk produced has been used chiefly to expand cheese production from 131 million kg. in 1972 to 177 million kg. in 1977, an increase of about 35.1%. Apart from a slight drop in 1973 the increase has been steady.

Exports increased even more sharply, from 75.4 million kg. in 1972 to 125.4 million kg. in 1977. At no time during this period has there been any sign of a downward trend.

The value of exports to the present Community increased sharply in the period 1972-77. Export earnings in 1972 for instance amounted to only Dkr. 277.2 million compared with Dkr. 869.7 million in 1977, an increase of 213.7%. Exports to third countries have also increased.

Importing as it does Dkr. 502.9 million worth of Danish cheese, Germany is the main market, followed by the United Kingdom. Exports to the USA increased sharply from 1970 to 1974. Thereafter the Community's policy of refunds for exports to the USA was changed to get round American countervailing duties. This meant an appreciable drop in Danish cheese exports to the USA.

(d) Beef and veal

Beef and veal production has fluctuated sharply but the Community's intervention system has tended to offset these production swings. Production in 1972 amounted to 191 million kg. but has now stabilized at around 263 million kg.

Exports of beef on the hoof fell during the same period but exports of beef and veal have increased appreciably. The quantity of total exports has thus increased by 96.6% to 137.4 million kg. compared with 69.9 million kg. in 1972.

After accession exports to the original Member States rose sharply, increasing in value by 190.1%, from Dkr. 574.6 million in 1972 to Dkr. 1,666.7 million in 1977. Exports to third countries have however fallen. The sharpest increase in exports was to the United Kingdom, from Dkr. 5.4 million to Dkr. 171 million in the period 1972-77.

But the trend has certainly not been constant. Monetary disturbances in Italy followed by import restrictions and deposit regulations brought about a considerable drop in exports in 1974 and 1976. At the same time widespread drought led to increased imports and an unstable market.

The three main markets are Italy, the United Kingdom and Germany, which together import about 85% of all exports by volume.

(e) Pigmeat

Pigmeat production, which amounted to 817 million kg. in 1972, has been falling in recent years. Apart from a slight increase in 1973, production fell up to 1977. In 1976 759 million kg. were produced, 7% less than in 1972.

However, production increased by 3.6% in 1977, when about 400,000 more pigs were slaughtered than in 1976. Production has again increased since autumn 1977 and it is expected that in 1978 600,000 more pigs will be slaughtered than in 1977 as there has been a sharp increase in the number of piggeries built.

The drop in production in the period 1972-76 also had serious repercussions on exports, partly because of increased domestic consumption and problems in finding a market for the most important product, bacon. In the period 1972-77 exports of live pigs fell by 44% and of pigmeat by 1.6%, i.e. from 352.8 million kg. in 1972 to 347.2 million kg. in 1977. Exports in 1976 were 5.7% lower than in 1972. In 1977 however the trend reversed and there was a 4.3% increase in exports over the preceding year. This trend seems to be continuing in 1978.



The structure of exports of pigmeat changed considerably after accession. Exports to the original Member States increased sharply immediately after accession and continued in the next few years but at a much slower pace. Exports to the United Kingdom have been falling since 1975, in value as well as quantity. The drop was 19.2%, from Dkr. 2,704.2 million in 1975 to Dkr. 2,183.7 million in 1977. Exports to third countries have also been falling, but Japan looks like a new and promising market.

(f) Poultrymeat, oven-ready

Apart from 1975, production has increased steadily, from 85 million kg. in 1972 to 103 million kg. in 1977, an increase of 21.2%.

Since 1973, domestic consumption has increased more sharply than production so that exports have fallen. The largest proportion of exports (about two-thirds) goes to third countries but since accession exports to Germany have increased sharply, from Dkr. 8.1 million in 1972 to Dkr. 147.5 million in 1977. Exports to the Community as a whole increased from Dkr. 39.8 million in 1972 to Dkr. 165.7 million in 1977. But on the other hand exports to the United Kingdom have fallen sharply.

(g) Eggs

Except in 1975 production has decreased slightly since 1972. The downward trend began as early as 1967 and was particularly marked up to 1971, but production now seems to have stabilized at around 70,000 tonnes a year.

Denmark itself is by far the most important market. Exports increased sharply from 1972 to 1976, Germany being the main importer, accounting for Dkr. 33.6 million in 1975 compared with Dkr. 1.9 million in 1972. Since then exports have been falling sharply. Total exports in 1977, for instance, were worth Dkr. 5.7 million, Germany accounting for Dkr. 4.3 million.

(h) Cereals

With a yield of 7,391 million kg. the 1977 cereal harvest reached the same record level as in 1974. This increase was due to good weather conditions and an increased production area. High Community prices seem to have acted as an incentive to cereal production, especially among older farmers, often at the expense of the more labour-intensive animal production.

Although production in the 1960s had to be supplemented with some net imports, at the beginning of the 1970s imports and exports were more or less in balance. The good harvest in 1977 led to net exports of 949,000 tons of cereals in 1977/78.

In the period 1973-77 it has been necessary to carry out intervention purchases within the categories beef, butter, skimmed milk powder and grain. Table 7 shows the extent of intervention purchases made.

The extent of intervention purchases has been greatest for beef. Out of a production of 1,252,000 tonnes of beef and veal in the period 1973-77 a total of 153,294 tonnes or 12.2% of the production had to be bought by intervention. Purchases in individual years varied between 0 (1973) and 17% (1976). In 1978, however, purchases amounted only to 15,786 tonnes or 1/3 of the amount purchased in 1976. Thus after a period of four years the beef market seems to have regained a certain stability.

Apart from 1973, where intervention purchases amounted to 32,000 tonnes or 22% of the annual production, purchases of butter have been far less extensive than was the case with beef. In 1975 they only amounted to 2,121 tonnes or 1.5% of the annual production, but again in 1977 they reached 4,492 tonnes corresponding to 3.4% of the production of that year.

Purchases of skimmed milk powder have varied between 660 tonnes in 1973 and 41,300 tonnes in 1975. In 1977 a total of 13,540 tonnes were bought. These figures are to be related to an annual production of about 5,000,000 tonnes of milk during the period in question.

Intervention purchases of grain have been of a very limited importance. In the period 1973-77 they amounted to less than 0.5% of total production.

The net deficit (i.e. the difference between the purchasing price and the selling price of the intervention authority) in connection with intervention purchases in Denmark in the period 1973-77 amounted to about Dkr 3,400 million. In 1977 the net deficit, which is refunded by the EEC's agricultural fund, only amounted to Dkr 680 million, which was the lowest figure since 1974.

Table 7  
INTERVENTION PURCHASES IN DENMARK 1973-77 IN TONNES

Year	BEEF		BUTTER		GRAIN		SKIMMED MILK POWDER
	tonnes	% of annual production	tonnes	% of annual production	tonnes	% of annual production	tonnes
1973	0		32,081	22.0	0		660
1974	42,459	16.3	2,731	2.0	0		4,140
1975	39,258	15.2	2,121	1.5	46,320	0.7	41,300
1976	45,837	17.4	9,746	7.0	9,452	0.2	15,860
1977	25,740	9.8	4,492	3.4	85,965	1.7	13,540
Total	153,294	12.2	51,171	7.4	141,737	0.4	75,600

Source: The Danish Ministry of Agriculture, Direktoratet for markedsortningerne  
Table 4

## 2. Structural policy

As mentioned in the introduction, Danish farms are amongst the more modern and rationally managed in the Community. As the main aim of the Community's structural policy is to bring more backward farms up to the same level as the efficient farms, this aspect of the agricultural policy is of less importance to Denmark than to certain other Member States.

The following is a summary of structural policy and the importance of its various aspects to Danish agriculture.

### (a) Modernization aid

The directive on modernization aid was implemented by law in 1973 and provides for the granting of interest subsidies on investment loans, state guarantees for loans, meat production subsidies, cooperation subsidies and finally bookkeeping incentives. Interest subsidies on modernization loans are the most important, 25% of them being refunded by the EEC's agricultural fund. In the period 1.1.1973 to 31.12.1977 the Community granted about 2.5 million u.a. in modernization aid to 6,138 farms in Denmark.

### (b) Socio-economic guidance

The directive on socio-economic guidance has been implemented primarily by extending the general advice service provided by the Danish farmers associations. Three full-time consultants have now been recruited, and by 31.12.1977 they had provided guidance to 209 farmers.

Agricultural fund aid for this activity amounted to about 42,000 u.a. in 1977. The directive's importance for Denmark must be regarded as limited.

### (c) Cessation of farming

Denmark succeeded in postponing implementation of the directive until 1 January 1978, claiming that because of its relatively good agricultural structure and possible problems in connection with existing social legislation, it was not relevant to the Danish situation.

Denmark has however not yet taken steps to implement the directive and is therefore guilty of infringing Community regulations, but for the time being there is no sign that the Commission will institute proceedings against Denmark in the European Court of Justice.

### (d) Aid to hill farming

There are no areas in Denmark that qualify for aid: as the Danish government informed the Commission, under the terms of the directive it considered there were no areas in Denmark which could be deemed to be 'less favoured'.

(e) Premium system for the conversion of dairy herds to meat production and the non-marketing of milk and milk products

This regulation was adopted by the Council in 1973 with a view to limiting milk production in the Community. To qualify for premiums, farmers had to have at least eleven dairy cows on 29 June 1973, had to refrain from marketing milk during a four-year period and during the same period had to maintain the previous number of units of bovine animals. Any cows the farmer then continued to keep would have to be primarily beef cattle. 12,168 cows, representing 1.05% of total stock, were registered in Denmark under the regulation, which expired on 31 December 1974.

1977 saw the introduction of a new system of premiums for the non-marketing of milk and milk products and for the conversion of dairy herds. The conversion system applies to farmers who, in the 12 months immediately preceding the application for aid, have supplied at least 50,000 kg of milk or have at least 15 dairy cows.

(f) Project aid arrangements

Under the Community's structural policy, since 1965 project aid has been granted for improving the production, processing and marketing of agricultural products. Up to 25% of investment expenditure qualifying for subsidies may be covered by such aid. In the period 1.1.1973 to 31.12.1977 about 44 million u.a. were granted in Community aid to Danish projects of this type. In the same period about 22 million u.a. were paid out.

(g) Common measures to improve the conditions under which agricultural products are processed and marketed

This regulation, which was adopted in 1977, more or less covers the area previously covered by the marketing sector of the original project aid arrangements, i.e., investments for rationalizing or developing storage capacity, market preparation, preservation, treatment or processing of agricultural projects, improving marketing channels and price formation mechanisms. To qualify for aid, projects must form part of a programme for the sector in question - a requirement not stipulated in the original project aid system. Community aid amounts to 25% of the investment, Member States grant at least 5% and the beneficiary must contribute at least 50%: In 1978 3.9 million u.a. were granted in aid to Denmark under this regulation.

3. Harmonization of laws

The directives on the approximation of Member States' laws that are of importance to agriculture concern food, animal fodder, seeds, plant health and veterinary questions. Only the veterinary directives however can be said to be of major importance to Danish agriculture since none of the other directives adopted have brought about major changes in the productivity or competitiveness of Danish agriculture.

The following directives have so far been adopted in the veterinary sector:

(a) Directive on trade in bovine animals and swine

Because of the risk of swine fever spreading, Denmark is being allowed to maintain its national provisions until 30 June 1979, and live pigs may therefore not for the time being be imported into Denmark. Denmark may also ban imports of live cattle until 31 December 1982 because of the risk of foot-and-mouth disease.

(b) Directive on trade in fresh meat

The directive's provisions for slaughterhouses, methods of slaughter, meat control and imports of beef have entered into force in Denmark. National provisions on imports of fresh pigmeat are however being maintained until 30 June 1979, which in practice means that fresh pigmeat may not be imported into Denmark.

(c) Directive on the importation of bovine animals and swine and fresh meat from third countries

The national provisions on pigmeat and on live cattle and pigs are being maintained until 31 December 1982. Live pigs and pigmeat may therefore not be imported into Denmark from third countries at present.

(d) Directive on trade in fresh poultrymeat

In principle the directive has entered into force but Denmark is maintaining import restrictions because of the danger of poultry diseases, especially fowl pest, spreading.

(e) Dairy products

So far there are no common EEC rules for the production of or trade in dairy products. Although Denmark may not however apply any general import ban on dairy products, it may stipulate that they should meet national requirements. In practice, however, these requirements preclude imports of dairy products other than butter and cheese since practically no foreign supplies can fulfil the strict Danish requirements on herd inspections and the treatment of milk.

The maintenance of national provisions means that Danish agriculture has a monopoly of most of the domestic market while at the same time Danish agricultural exports have free access to the markets in the rest of the Community.

It has been asserted that by maintaining these requirements Denmark is conducting a covert protectionist policy in agriculture, and it is small wonder that farmers are not particularly interested in a change in the provisions and the subsequent opening up of the Danish domestic market. The stringent Danish veterinary requirements do not however merely affect competition on the domestic market. The maintenance of high Danish standards is a precondition for Danish exports to some third countries that allow imports only from countries that have eradicated a number of infectious animal diseases. A general opening of the Danish agricultural market to imports from the other Community countries would therefore, under present veterinary conditions, be particularly detrimental to Danish exports to third countries such as the USA.

#### 4. Establishment

So far seven directives have been adopted in this area, allowing establishment in other Member States to a limited extent only. Denmark has also been able to postpone their implementation until 1 January 1978.

In order to implement these directives the requirements laid down in the 1959 law on the acquisition of property, that persons and companies from other Member States must be resident in Denmark for 5 years before they can acquire property has had to be waived. This derogation also applies to the acquisition of farms, although the conditions laid down in the law on farm ownership must still be observed. This means that citizens from other Member States must also fulfil the legal requirement of residing on the farm, and having farming as their main occupation.

The reason for this special Danish law was that the price of agricultural land in Denmark would not be the same as in the other Community countries until the price of Danish agricultural products was fully harmonized with that of the Community at the end of 1977. Until then it was felt necessary to prevent speculation in Danish agricultural land.

In view of the current price of Danish agricultural land<sup>1</sup>, and the requirements of the law on farm ownership, there is not expected to be any noticeable influx of farmers from other Member States. Experience in 1978 seems to support this view. According to the Danish Ministry of Agriculture 4 farmers from other Community countries used the opportunity to establish themselves in Denmark in 1978

#### C. OTHER FACTORS OF IMPORTANCE TO THE COMPETITIVE POSITION OF DANISH AGRICULTURE IN THE COMMUNITY

Despite the fact that the agricultural policy is the most radical aspect of Community policy, it still does not cover anything like all the factors of importance to the competitive position of agriculture. In the last few years, during discussions in agricultural and political circles on Danish agriculture's prospects in the Community<sup>2</sup>, the following elements outside the Common Agricultural Policy have been held

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<sup>1</sup> For further details see p. 29.

<sup>2</sup> One of the most significant contributions to the debate was a 1977 report on the future agricultural policy drawn up by a committee set up by the Ministry for Agriculture and composed of representatives of farming circles and Ministry officials.

responsible for developments during the first years of Danish membership:

1. National aid arrangements

Although the Common Agricultural Policy finances most expenditure connected with agricultural market support, Member States continue to devote large sums to the agricultural sector in the form of aids to retirement, grants or reduced interest loans for investment, aids for infrastructure projects, etc. The amount and destination of these various national aids vary considerably from country to country and their effect on competition can be substantial. A table has been published in the 1976 Report on the Agricultural Situation in the Community based upon information transmitted by the Member States in their inventory of State aid in agriculture. Figures are not directly comparable from country to country notably owing to the inclusion by several Member States of aid financed by parafiscal charges (charges equivalent to a turnover tax confined to certain produce) levied on agricultural products which do not constitute a transfer into the agricultural sector (Denmark 19 million u.a., France 250 million u.a., Netherlands 36 million u.a., United Kingdom 29 million u.a.).

The figures in the 1976 Report (See Table 8) establish that Denmark has a very low level of national aid for producers compared with its final agricultural production, particularly when receipts from parafiscal charges are taken into consideration. Other countries with low levels of national aid are Belgium and the Netherlands. France, the United Kingdom and Germany have high levels of national aid and Ireland and Luxembourg very high levels. These differences in levels of aid are capable of distorting competition although the exact effect is difficult to measure.

The Commission lays down for each type of aid a maximum permissible level to which Member States must conform. Expenditure for early retirement is an important element for France but cannot be said to immediately effect the competitive position of French agriculture. Equally infrastructure needs for laying on water, land consolidation, access roads, dykes and other basic public services vary considerably from one region to another. In Denmark and the United Kingdom, where agricultural structures are good and services developed, this type of expenditure has taken place in the past rather than today. A substantial amount of State aid to the agricultural sector can, therefore, be justified in certain Member States. Investment aid to farms which are already modernized, whether in the form of direct grants or subsidized loans, and direct income aids to compensate for losses of revenue (which have increased considerably in recent years) pose a more serious threat to Denmark's competitive position.



The Danish view is that most of the national aid granted in the other Member States is in accordance with the EEC Treaty. Although Denmark has repeatedly raised the question of allegedly illegal national aid arrangements at Council meetings, the problem as far as Danish agriculture is concerned seems to be differences in the legal aid arrangements laid down in Member States although the existence of any illegal aid arrangements would obviously aggravate the situation.

Table 8

National aid for agriculture, fisheries and forestry in 1974 or 1974/75

<u>Member State</u>	<u>Million u.a.</u>	<u>Aid in % of EEC total</u>	<u>Final agricultural production % of EEC total</u>
Germany	2059	30.8	21.7
France	2439	36.4	26.8
Italy	362	5.4	20.6
Netherlands	278	4.2	7.6
Belgium	73	1.1	4.2
Luxembourg	17	0.3	0.1
United Kingdom	1119	16.7	12.4
Ireland	258	3.9	1.8
Denmark	83	1.2	4.8
Total	6688	100.0	100.0

Source: Commission of the EC: The agricultural situation in the Community, 1976

## 2. Taxation

Differences in taxation are also capable of creating distortions between Member States. Danish agriculture benefits from no tax concessions other than those applicable to Danish industry in general. Income tax in particular is a considerable burden. With the exception of the United Kingdom, all the other Member States apply more favourable tax systems either through lower rates of income tax or through calculation on a basis other than real disposable income.

In 1975, for instance, German farmers, who produced five times as much as Danish farmers, paid just under Dkr. 500 million in income tax whereas Danish farmers paid about Dkr. 2,000 million in the same year. However, part of this tax is recuperated through social security payments which are entirely financed by taxation whilst in other countries they are contributory. Social security payments to farmers amounted to Dkr. 1,575 million in Denmark in 1973 against Dkr. 3,615 million in Germany. It is also true that some countries, including Germany, subsidize social security payments heavily. Contributions by German farmers cover only 20% of payments made.

Danish farmers also have to pay a special capital gains tax when they sell their property. Although the amount on which capital gains tax has to be paid will in many cases be limited, in practice, perhaps frequently for psychological reasons, it acts as a disincentive to property sales. This was clearly illustrated when in 1977 the capital gains tax on family transactions was eased, the result being a sharp increase in such transactions. Property on sale on the open market is however still subject to the original rules.

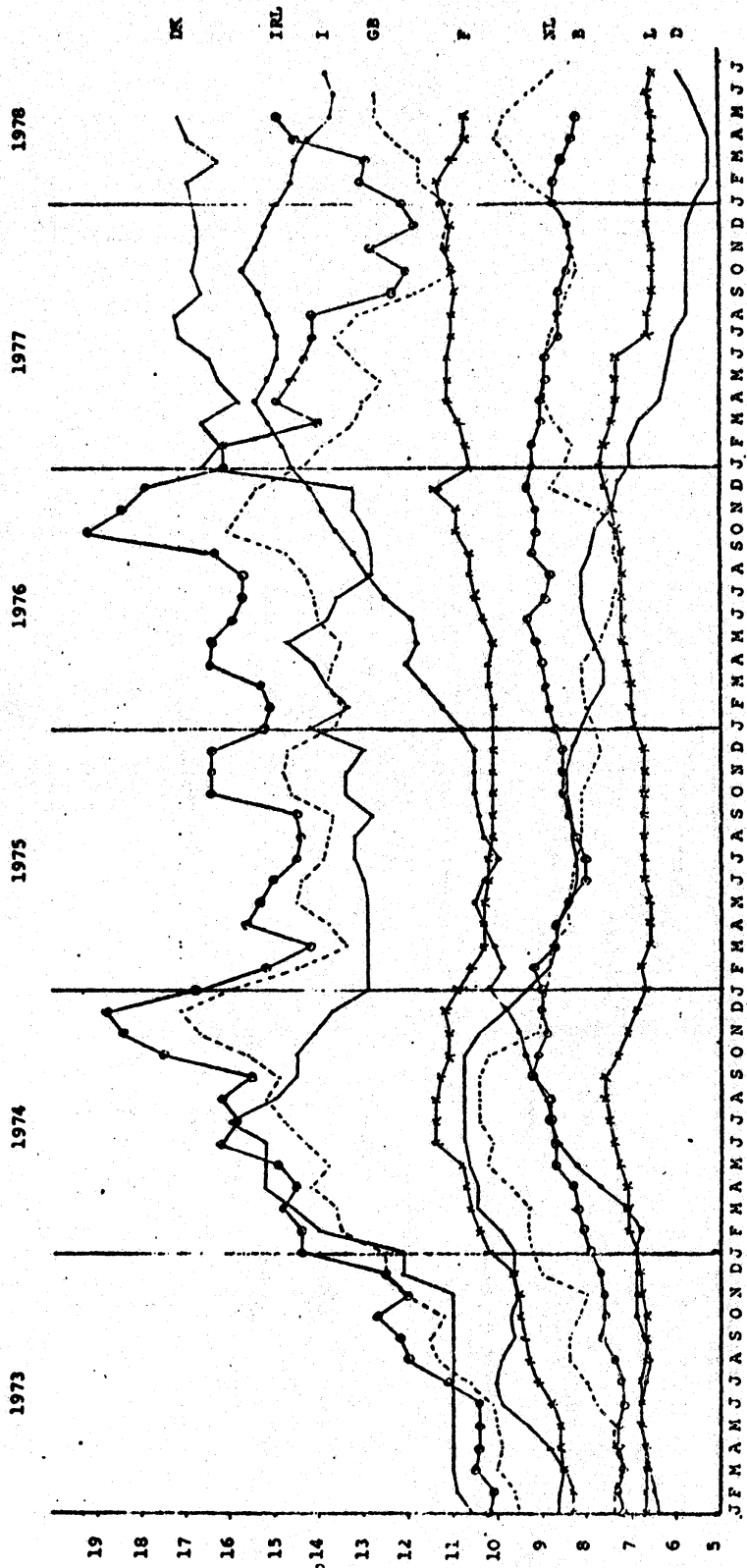
Because of the capital gains tax, older farmers often refuse to sell their property, preferring instead to stay on the farm but to give up labour-intensive animal production and forage crops and to concentrate on grain production. Further, the capital gains tax often prevents younger farmers from moving to a larger farm. Within the Community, only Britain and Italy have a similar capital gains tax, but the Italian one is much more moderate than the Danish.

### 3. Interest rates

The agricultural sector is considerably more sensitive to differences in interest rates than other branches of industry because of slow capital turnover. It is estimated that there is a turnover in a farm's invested capital (excluding land) about one and a half times a year whereas in industry and trade the turnover rate is much quicker. Such big differences in interest rates as there have been in the Communities in recent years can therefore be of decisive importance to the agricultural competitiveness of individual Member States. Table 9 shows developments in interest on long-term loans illustrated by means of the yield on fixed-interest government bonds in the period 1973-78. Until the beginning of 1977, Denmark, Ireland and the United Kingdom were among the countries with the highest interest rates. Since January 1977 Denmark has had the highest interest rate.

Table 9

YIELD FROM FIXED-INTEREST GOVERNMENT BONDS IN THE PERIOD 1973 TO JULY 1978



Source: EUROSTAT

#### 4. Monetary compensatory amounts

The common agricultural policy's guaranteed producer price is expressed in units of account. Since the exchange rates originally established between the unit of account and individual national currencies have not been revised to take account of subsequent revaluation and devaluation, a system of monetary compensatory amounts has had to be introduced<sup>1</sup>.

When a Member State revalues, aid is granted for exports of agricultural products so that other Member States pay the same import price in their currency while imports from other Member States are taxed so that the price calculated in the revalued currency remains the same.

Several countries including Denmark have, however, asserted that in the long term this system distorts competition and favours the country that is revaluing at the expense of countries that are devaluing or have a stable currency. Revaluation leads to lower prices for imported raw and ancillary materials and machinery, but export prices remain unchanged. Revaluation therefore makes it possible to reduce export prices or to increase agricultural incomes.

The opposite applies to farmers in a country that is devaluing. The price of imported raw and ancillary materials and machines increases while export prices remain unchanged since the collection of compensatory amounts makes it difficult to compensate by increasing export prices. At the same time imports of agricultural products are subsidized, so they remain relatively competitive.

For a country such as Denmark, which has had a relatively stable currency since accession, it might be thought that the advantages and disadvantages of the system would cancel each other out. Even assuming that this happened in theory, in practice the system would still lead to sudden changes in the competitive situation and the consequent distortions of the market would make a long-term production and marketing strategy difficult. Added to this is the fact that in recent years it has been mainly the exporters (the Federal Republic of Germany) of agricultural products competing with Denmark that have revalued, whilst it is mainly

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<sup>1</sup> It has gradually become the practice, however, to make up the difference between the original central rate and the prevailing rate only partially. This is done by laying down special exchange rates for the agricultural sector, from which we get the terms 'green pound', 'green lira' etc.

the importing countries (Great Britain and Italy) that have devalued. So in theory, too, it seems that Denmark's competitive position has been impaired. Danish agricultural interests are of the opinion that the ground gained by the Germans on the British butter market is to a large extent due to improved German competitiveness as a result of export subsidies in the form of monetary compensatory amounts.

However, monetary compensatory amounts also have the positive effect of protecting producers from sudden drops in prices on the export markets. It was largely the lack of such a 'guaranteed exchange rate system' that previously bound the Danish kroner to the English pound.

In brief, the Danish view is that the system is desirable as a short-term measure to cushion sudden exchange rate fluctuations, but thereafter the 'green rate' should gradually be adapted to actual rates of exchange.

The Commission is aware of the unfortunate side-effects of the system and feels that in the long run the 'green exchange rates' should be adapted to actual exchange rates.

#### 5. Wages

The wage level for skilled and unskilled labour in Denmark is higher than in most other Member States. This makes it difficult to market the more highly processed products from the animal sector.

#### 6. Price of farms and agricultural land

The price of agricultural land and its effect on farming profits has been the subject of discussion both before and during Danish membership. Opponents of Danish membership claimed that membership would increase the price of land because of improved earning capacity. Only already established farmers would reap the advantages of membership whilst farmers that established themselves later would have to pay the higher price that reflected improved opportunities.

Membership could in principle affect the price of Danish farms in two ways: firstly, if membership led to better and more secure earnings, the price of farms and every other type of establishment would go up. The second and more theoretical possibility is increased demand for farms as a result of farmers from other Community countries being allowed to establish themselves in Denmark under the law of 1 January 1978. In view of the very limited number of farms sold to

buyers from other Community countries in 1978<sup>1</sup>, the possibility of prices being affected for this reason can be disregarded.

The trend in the price of products since membership has on the whole been beneficial to agriculture, and the price of farms has therefore risen, as can be seen from Table 10 which compares the trend in the price of farms with that of single-family houses. But it is difficult to determine how far the increase in the price of farms is due to improved earning capacity after accession and how far to the high rate of inflation in the 70s which stimulated property investment and as a result increased demand for farms.

Unless production is made more efficient, higher land prices may to some extent cancel out the advantage to newly-established farmers of increased product prices. Experience has however shown that increased land prices force newly-established farmers to farm more intensively so that in practice only part of the increased earnings from higher product prices will be absorbed in this way. More intensive use of the agricultural production apparatus is also in society's interest to the extent that it increases the volume of exports.

#### D. HORTICULTURE'S SPECIAL SITUATION

The horticultural and fruit-growing industries were undoubtedly those for which Denmark's accession to the Community entailed the greatest upheavals. Until 1973 they had been home-market-oriented and had had a relatively sheltered existence, with import restrictions on apples, pears, tomatoes, cucumbers, onions and lettuce. In 1972 total fruit and horticultural products to the value of Dkr. 972 million were produced. In the same year exports amounted to Dkr. 249 million (of which pot plants accounted for Dkr. 88 million) and imports to Dkr. 385 million.

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<sup>1</sup> For further details see p. 21.



Table 10

TREND IN THE PRICE OF FARMS AND SINGLE-FAMILY HOUSES IN DENMARK

1972 = 100

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	1970	1971	1972	1973	1974	1975	1976	1977
<u>Farms:</u>								
Land 10-60 ha	76	84	100	128	160	177	218	257
Houses 2-10 ha	78	84	100	131	173	193	231	272
<u>Single-family houses:</u>								
Roskilde and Frederiksborg districts	87	92	100	114	130	137	153	186
Communes with largest built-up areas:								
over 20,000 inhabitants	83	89	100	122	147	160	180	225
5,000 - 20,000 inhabitants	84	90	100	121	147	158	179	212
up to 5,000 inhabitants	82	89	100	126	158	169	193	226

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Source: Landøkonomisk oversigt, De Samvirkende Danske Landboforeninger

On accession, all quantitative restrictions towards Member States had to be abolished but national restrictions towards third countries could be maintained. To allow the industry to adjust its structures to the new situation in the first years of membership, an arrangement involving gradual abolition of customs duties and compensatory amounts on imports from the Community was introduced for a five-year transitional period. All transitional arrangements in internal trade and trade with third countries expired on 1 January 1978.

As a result of the transitional arrangements there was no great change in the industry in 1973 except that efforts to adapt hothouse production to the new circumstances of competition were reflected immediately after accession in a sharp increase in the production and export of pot plants.

1974 was marked by increased oil prices, the effect of which was aggravated by competition from Dutch market gardeners, who had access to cheap natural gas for heating their hothouses. In addition, other Member States quickly introduced national aid arrangements and oil subsidies.

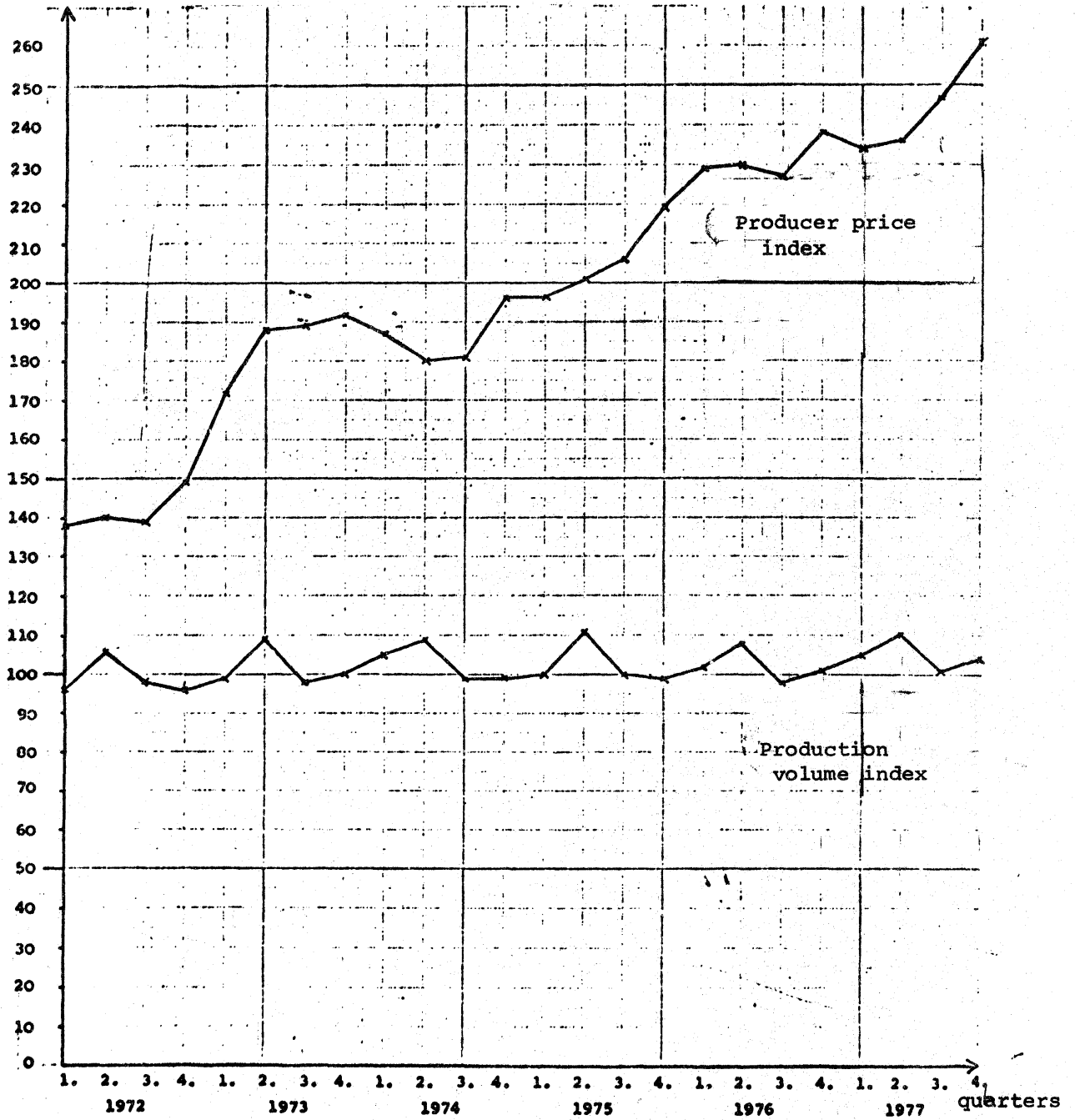
Thanks to national loans with interest subsidies for investment in oil-saving measures, most of the industry managed to get through that particularly difficult year. One advantage was, moreover, that the compensatory amount arrangements, which also applied to exports, made it possible for Denmark to export tomatoes for the first time ever, mainly to Sweden and the Federal Republic of Germany. Exports of pot plants continued to increase, Sweden and the Federal Republic of Germany again being the main buyers.

In 1975 the industry seemed almost to have got over the oil price shock and to have overcome most of the problems of adjusting to the new circumstances of competition as a result of EEC membership. For most hothouse producers domestic sales were good and exports were increasing despite new competition, mainly from Holland. In 1975 the value of Danish horticultural and fruit production was Dkr. 1,298 million and that of exports Dkr. 450 million.

Despite an unfavourable trend in costs, expansion continued in 1976 and 1977 so that horticultural products to the value of Dkr. 1,710 million were produced in 1977. In the same year exports amounted to Dkr. 718 million, of which pot plants, the main product, accounted for Dkr. 333 million.

Table 11

VOLUME AND PRODUCER PRICE INDEX FOR ANIMAL PRODUCTS  
 TOTAL IN THE PERIOD 1972-1977 - 1963/64 = 100



Source: Statistiske Efterretninger, Danmarks Statistik

The fact that Danish horticulture was able to get reasonably well through the first years of membership, when a strong downward trend might have been expected, and at the same time develop from a protected, home-market-oriented industry into a fast expanding export industry, is mainly due to its ability to adjust to the new competitive situation. The rationalization of production and storage techniques together with the conversion of production to less sensitive products led to domestic products and imports complementing each other to such an extent that, by the end of the 70's, Danish horticulture and fruitgrowing can be said to have successfully accomplished the structural adjustments necessitated by EEC membership and the simultaneous oil-price shock in 1973-74.

E. THE SITUATION SIX YEARS AFTER ACCESSION

1. The trend of production

It is common knowledge that during the first years of membership Danish agricultural production results did not come up to what was expected in 1972. It was not until 1977 and 1978 that there was any sign of an improvement.

As Table 11 shows, despite considerable increases in the value of animal production the total volume stayed more or less the same up to and including 1976 although there were some variations from one product to another. Cereal production increased however, from 7,067 million kg in 1972 to 7,391 million kg in 1977.

In 1977 and 1978, for the first time since accession, there was a marked increase in animal production as a result of increased cheese and pigmeat production. Although the volume of animal production up to and including 1976 was only 2% above the average for 1960-64, by 1978 it was 6% higher.

It is presumed that this is partly because of sharp cost increases and relatively difficult marketing conditions during the first years of membership coupled with a somewhat passive attitude of farmers to product development and penetration of new markets. It is also generally agreed that higher cereal prices in the Community prompted older farmers to develop animal production rather than cereal production. Until 1977 agricultural working conditions also reflected the lack of an active national agricultural policy to ease the transfer of property

from one generation to another and encourage animal production. The initial steps taken in 1977 towards such a policy in the form of exchange rate guarantees, establishment aid and an easing of capital gains tax on family transactions seems to have been instrumental in creating the present more positive trend of agricultural production.

## 2. Markets

The domestic market which today absorbs about one third of total agricultural production is still the largest single market. Exports and domestic market sales vary according to product and since 1972 there have been some swings. There has been a proportional increase in exports of cheese, beef and veal and butter but a decrease in pigmeat, eggs and poultry.

The export pattern is still subject to fluctuation and has changed considerably since 1972. In 1972 the present Community imported 59.7% of total exports compared with 67.6% in 1977. The volume of exports to the Community in the same period increased from Dkr. 4,900 million to Dkr. 9,800 million, i.e. by 101%. Exports to third countries increased from Dkr. 3,300 million to Dkr. 4,700 million, a 42% increase. The largest increase in exports to the Community took place from 1972 to 1973.

The structure of exports to the Community has also changed. Exports to the original Member States increased by 219% between 1972 and 1977, a much larger increase than for the Community as a whole. Exports to the United Kingdom in the same period increased by only 37% so that it has become a far less important market than the other Member States. In 1977 the Federal Republic of Germany imported 17.8% of all Danish exports compared with 9.6% in 1972. Exports to the other Member States with much smaller markets have also increased appreciably.

Exports to the EFTA countries are relatively low and the market is still shrinking. Sweden is the main buyer in this group, with Norway in second place. In the period 1972/77 exports to the present EFTA countries increased by 18.9%.

The fact that Denmark is now in a position of being able to dispose of more than two thirds of its agricultural exports on the stable Community market where there is no risk of violent world market price fluctuations or sudden import bans, is possibly the greatest benefit

agriculture has reaped from Danish membership. If Denmark had not joined the Community its agriculture would soon have been cut off from the British market as a result of Community import barriers, as it was in the 60s from the market of the Six, and it would have been reduced to an often unprofitable export trade with various not very accessible third country markets in competition with state-subsidized exports from other countries. A drastic drop in Danish agricultural exports followed by a discontinuation of farms and the closing down of processing plants would then have been inevitable.

### 3. Earnings

The market increase in the value of agricultural production and exports during the first years of membership was to a large extent attended by cost increases especially in 1973 and 1976 and, to a lesser extent, in 1975 and 1977. As a result, the gross domestic agricultural product at factor cost did not increase to the same extent as production. Between 1973 and 1977 the gross domestic product at factor cost increased from Dkr. 9,747 million to Dkr. 12,292 million. At the same time real income was undermined by inflation. In real terms the gross domestic product at factor cost reached a peak in 1972 and 1973, only to fall by 2% in 1974 and by a further 11½% in 1975. In 1976 it stabilized and increased again in 1977.

Accounts show that the trend for individual farms is similar to that for the sector as a whole. In the financial year 1973-74<sup>1</sup> the income<sup>2</sup> on farms of 5 hectares and over (economically the most important sector of Danish agriculture) was Dkr 44,239. In 1974-75 it fell to Dkr 38,352 and then increased slightly to Dkr 40,843 in 1975-76, but in 1976-77 - the bad harvest year - it fell as low as Dkr 29,577. An increase to Dkr 48,984 in 1977-78 may seem like an agricultural 'incomes explosion', but in real terms incomes have still not regained the 1973 level.

It is a fact that, even with the favourable marketing outlets obtained through membership of the EEC, cost increases as a result of the oil crisis and world wide recession together with poor harvests in 1975 and 1976 hit Danish agriculture so hard that it is only now in the late 70s that it seems to be finding its feet again. If on top of these difficulties it had been confronted with a drastic drop in exports as a result of non-membership, only extensive state aid coupled with extremely high domestic market prices would have prevented an economic catastrophe in Danish agriculture.

#### 4. Investments

Whilst agricultural investment stagnated in the late 60s and early 70s, by 1972 there was a slight increase followed by further increases in 1973 and 1974 when the rate of new building was 50% higher than the very low level of the 60s. After a slight decrease in 1975 new building increased by a further 14% so that investments in farm buildings totalled Dkr 1,649 million in 1976. No precise figures are yet available for 1977 but information received from the building industry and mortgage institutions shows that agricultural building has again increased and at the beginning of 1978 was equal in area to total new building in trade and industry.

Investments in machinery followed a similar trend : after a sharp increase in 1973 there was a drop in 1974 and 1975 followed by a further increase in 1976 when investments amounted to a total of Dkr 2,200 million. Here again precise figures for 1977 are lacking, but the fact that the number of tractors and combine harvesters sold fell by 15% and 30% respectively compared with 1976 seems to imply a further decrease in investments.

Although it may seem that changes in national policy provided an incentive for building investment, the real reason is clearly the fact that the Community's agricultural policy provides long-term guarantees of good and stable markets without which there would have been no guarantee that the investment would be profitable.

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<sup>1</sup> The figures for 1972 and earlier cannot be compared with those for subsequent years as the accounting data collected was changed in 1972 to conform to the system used in the rest of the Community. Moreover, agricultural accounts do not follow the calendar year and are therefore not directly comparable with data on the role of agriculture in the economy as a whole.

<sup>2</sup> The amount available to pay the wages of persons working on the farm including the owner and any outside help.

## F PROSPECTS IN THE IMMEDIATE FUTURE

After five years of some degree of stagnation and relatively poor earnings, 1978 seems to be a turning point for Danish agriculture. In these five years advantage was only taken of the 'automatic' benefits of membership in the form of better prices and more reliable markets. Although these benefits were enormous when we think of the very serious difficulties there would have been if Denmark had stayed outside the Community, first the agricultural world and then gradually the majority of political parties realized that in the longer term the situation was unsatisfactory, not just for agriculture but for society as a whole.

The first concrete action to be taken once this was realized was the setting up of an advisory committee under the Ministry of Agriculture in 1976 composed of Ministry officials, agricultural representatives and workers in the processing industry. The committee's report 'A Future Agricultural Policy', which appeared in the spring of 1977, contained a series of proposals for a national agricultural policy that would enhance Denmark's ability to compete with the other Community countries.

In the same year some of the report's recommendations were incorporated into legislation on exchange rate guarantees for foreign agricultural loans, improved establishment aid for young farmers and more generous aid for research and export promotion activities. Capital gains tax on family transactions was also eased and a new Land Act adopted. In addition to improving the conditions for marketing animal products these measures also led to a slight increase in the production and export of animal products in 1977, with a further increase in 1978.

At the end of the 70s there is widespread optimism and confidence in the future of Danish agriculture, especially as new building in this sector has reached record proportions. Provided animal production capacity can be increased to the requisite level and costs kept under control, there would seem to be reason to hope that after a delay of nearly six years Danish agriculture will expand on the Community market as was expected in 1972.<sup>1)</sup> If so it could at the beginning of the 80s make a considerable contribution towards reducing Denmark's balance of payments deficit. The fact that Dutch agriculture has steadily increased its production and exports to the Community market since 1972 proves this possible. Just as Danish stagnation immediately after accession was mainly due to purely national factors, the main reason for the present incipient improvements are the changes that have occurred at national level.

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<sup>1</sup> Possibilities for expansion in the dairy sector may, however, be limited by future Community decisions aiming at alleviating the surplus situation in this sector.



CHAPTER II

FISHERIES

INTRODUCTION

Denmark is the EEC's leading fishing nation. The figures given below, supplied by the FAO, show that catches by Danish fishermen in 1975 represented 36% of total catches in the EEC. Catches by British and French fishermen follow, totalling 20.4% and 16.4% respectively.

Table 1

CATCHES BY EEC MEMBER STATES IN 1975

	%	1000 tonnes
Belgium .....	1.0	49.0
Denmark (excluding Greenland and the Faroes) .....	36.0	1767.0
Federal Republic of Germany .....	9.0	441.7
France .....	16.4	805.8
Ireland .....	1.7	84.9
Netherlands .....	7.2	350.5
United Kingdom .....	20.4	999.1
Italy .....	8.3	405.7
<b>Total EEC</b>	<b>100.0</b>	<b>4903.7</b>

Source: Yearbook of Fishery Statistics, Vol.40, 1975, FAO

Table 2 shows the trend in the volume and value of catches in Denmark over the period 1972-1977. The highest volume so far was achieved in 1976 with a total of 1,888,305 tonnes and the highest value in 1977 (Dkr 2,056 million).

Table 2

TREND IN CATCHES OF SEA FISH INCLUDING MUSSELS AND SOLE  
(EXCLUDING GREENLAND) OVER THE PERIOD 1972-1977

1972		1973		1974		1975		1976		1977	
t.	m Dkr	t.	m Dkr	t.	m Dkr	t.	m Dkr	t.	m Dkr	t.	m Dkr
1387.844	985	1413.030	1277	1816.000	1567	1743.767	1251	1888.305	1697	1782.928	2056

Source: Danmarks Statistik

In 1976, 10,800 fishermen were employed in the fisheries sector in Denmark, representing 0.4% of the total work force, and the fishing fleet consisted of 7,430 motorized vessels.

A special feature of the Danish fishing industry is the fact that, up to now, it has developed and adjusted to changes in the conditions of free competition without receiving state aid. One reason for this has undoubtedly been the tradition of profit-sharing, which encourages both owners and crew to increase their efficiency. Under this system, which is practised to some extent in other countries such as Holland and Germany, half the proceeds of a trawler's catch go to the owner and the other half to the crew, which usually consists of three or four members.

The fishing industry, like Danish agriculture, believed that membership of the EEC would be beneficial to it, and that the exclusion of Denmark from the EEC fisheries policy, which was being drawn up in the early 1970's, would have serious consequences. The Six were the main purchasers of Danish fish.

On its accession to the Community in 1973, Denmark, like France and the United Kingdom, obtained a series of derogations from the principle of equal fishing rights in the waters of the EEC Member States. For example, Greenland and certain stretches off the west coast of Jutland were to be reserved for Greenland and Danish fishermen respectively for a period of ten years. When the EEC countries found themselves obliged in 1976, to extend their fishing limits to 200 nautical miles and, at the same time, agreed on the creation of a common EEC zone within these limits, these arrangements lapsed (see the section on fishing rights).

As regards alignment with the Common Customs Tariff and the elimination of bilateral tariffs, the same five-year transitional period was adopted as for other goods, so that on 1 July 1977 the new Member States were on the same footing as the Community as originally constituted. During this transitional period, Denmark was authorised to adjust progressively the prices on which the Community's price stabilization measures were based to the level existing in the original Member States. However, this price adjustment proved unnecessary, as the price level in Denmark has not differed significantly from that in the original Member States.

A. FEATURES OF THE EEC'S FISHERIES POLICY AND THEIR IMPLICATIONS FOR THE DANISH FISHING INDUSTRY

1. Fishing rights

With the extension of the EEC Member States' fishing limits to a common 200-mile zone on 1 January 1977, it was envisaged that, within these limits a new fisheries policy would be established to replace

the previously existing systems. Two years later, there is still no agreement on such a policy, as the British demand for a preferential position for British fishermen in a 50-mile zone around the United Kingdom is unacceptable to the eight other Member States. The quota systems, the necessity for which is today recognized by virtually all parties and which would have represented the most important element in a common fisheries policy, therefore had to be fixed at a national level in 1977. The same was true in 1978 when, although eight Member States reached agreement on the quotas, they still had to be implemented at national level owing to the United Kingdom's failure to agree.

Although the establishment of a common fisheries policy might conceivably improve the catch opportunities open to Danish fishermen by comparison with the present situation, in which they are particularly hampered by the national protection measures adopted by the United Kingdom, this is not the only crucial issue. Another serious obstacle is the prevailing uncertainty about future catch possibilities deriving from the present makeshift policy. One consequence of this uncertainty is that no Danish fisherman today dares to commit himself to long-term investment, and this in turn is leading to a gradual diminution of the Danish fishing fleet.

Although there is widespread disappointment in Danish fishing circles as regards the EEC's failure to produce results in the fisheries sector, and a steadily growing bitterness against the Member State which, it is believed, is chiefly responsible for this situation, it would be wrong to conclude that a national solution would have been preferred. Everyone realises that a unilateral solution would merely have given Denmark a small triangle off the west coast of Jutland and Danish coastal waters. Given that the waters around Greenland had, to a large extent, to be reserved as before for Greenland fishermen, fishermen from the rest of Denmark could not expect to make good lost catch opportunities elsewhere in those waters. Furthermore, Denmark's bargaining power on the question of fishing rights in other countries' 200-mile zones would have been severely limited, and the result would have been nothing short of disastrous for Danish fishing.

If an EEC solution is too long in materialising, there is a danger that the Danish fishing industry may, in the meantime, owing to the diminution of its fleet and the lack of new investment, be reduced to a state almost similar to that which would have resulted from a unilateral national solution. The Danish fishermen's growing dissatisfaction with the meagre results so far achieved by the EEC's efforts to establish a common fisheries policy should be seen against the background of these factors.

## 2. Structures policy

In July 1978 the Council adopted two regulations in this field. The first concerns the reorganization of inshore fishing in Greenland, Ireland, Northern Ireland and southern Italy, and provides for contributions under the EAGGF for the building of vessels of between 12 and 24 metres or of between 25 and 130 GRT; Prior to the entry into force of the regulation, aid had in fact already been granted under the EAGGF's Guidance Section for the building of shrimp-trawlers for the Greenland Trade Department.

The second regulation provides for the reimbursement under the EAGGF of expenditure incurred in the purchase and fitting out of vessels and aircraft for the surveillance of the fishing limits around Denmark and Ireland during the period from 1 January 1977 to 31 December 1982. Pursuant to this regulation, Denmark may be refunded up to 10 m EUA.

## 3. Organization of the market

The only mechanism for stabilizing prices of any great significance for Danish fishing are supporting purchases by the producers' organizations and the reference prices for imports from third countries.

Purchases to support the market, which have up to now been undertaken by the Danish fishermen's producers organization, have represented less than 2% of overall returns on catches and are, as an isolated measure, of little significance. On the other hand, it is important for individual fishermen to know that they can always obtain a minimum price, even if this price will not, generally speaking, cover their operating expenses in the long term. On another level, denaturing (immersion in dyes) of fish otherwise intended for consumption following support buying in Denmark has provoked a good deal of criticism in consumer circles.

The reference price system has the important function of preventing supplies from third countries from forcing the market price down within the Community. An important precondition for the functioning of the reference price system is, however, that its application is controlled efficiently. According to Danish fishing circles this was not the case during the first years of EEC membership. Now an agreement concluded between the Danish fishermen's producers organization and sister organizations in the Federal Republic of Germany, the Netherlands and Belgium concerning control of landings from foreign boats seems to have improved the situation considerably. But it is a fact that imports at the level of the reference price, which in 1975 for example, was fixed for several varieties of fish at approximately 60% of the guide price<sup>1</sup>, can significantly depress the market.

B. DEVELOPMENT OF DANISH FISH EXPORTS 1972-1977

The present Member States of the EEC were already the main customers for Danish fish in 1972, when their combined purchases totalled Dkr 735.3 million out of total exports of Dkr 1,310.5 million. This trend continued, as is shown in Table 3, which covers exports of fish and fish products during the period 1972-1977; thus in 1977 purchases by EEC Member States amounted to Dkr 1,589.7 million out of total exports of Dkr 2,545.6 million.

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<sup>1</sup> The guide prices, which are the basis for the market organization's price mechanisms, are fixed on the basis of the average prices recorded in the three preceding years in representative markets or ports in the EEC.

Table 3

EARNINGS FROM DANISH EXPORTS OF FISH AND FISH PRODUCTS<sup>1</sup> DURING THE PERIOD 1972-1977Fish, crustacea and molluscs  
(prepared and preserved)

m Dkr	Fish											
	1972	1973	1974	1975	1976	1977	1972	1973	1974	1975	1976	1977
France .....	71.1	87.4	120.2	179.8	234.1	277.3	11.1	12.9	13.8	21.8	34.7	45.9
Belgium, Holland												
Luxembourg .....	102.8	106.6	129.3	161.8	206.9	314.3	1.6	2.3	2.5	2.4	5.1	6.2
Germany .....	357.3	444.8	503.9	511.5	570.8	693.5	8.2	13.6	24.5	40.4	62.7	81.0
Italy .....	81.4	98.0	101.4	119.2	153.2	149.0	1.3	1.0	3.4	1.3	2.0	4.0
UK .....	122.7	146.4	148.8	128.1	136.9	155.6	10.7	11.2	15.7	16.3	30.1	28.4
Ireland .....	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.1	0.0	0.0	0.0
Total EEC .....	735.3	883.1	1003.6	1100.5	1288.2	1589.7	33.1	41.0	59.9	82.2	134.6	165.5
Norway .....	22.2	19.1	22.8	15.8	19.1	33.3	0.5	1.0	0.7	1.3	1.3	2.0
Sweden .....	174.6	179.0	207.1	225.7	274.2	303.0	23.4	22.3	25.2	27.7	35.4	36.2
Finland .....	5.1	4.5	4.0	2.9	3.3	3.8	1.0	1.2	1.4	0.6	1.0	0.8
Iceland, Portugal, Switz., Austria ....	108.2	124.7	132.2	140.4	172.4	187.1	5.7	9.1	8.6	8.7	10.5	12.3
Total EFTA countries	310.0	327.3	366.1	384.7	469.0	527.2	30.6	33.6	35.9	38.3	48.2	51.3
Total other countries	265.2	284.1	248.8	211.1	352.3	428.7	39.4	30.3	30.0	24.0	30.3	33.2
Total exports of fish												
and fish products ..	1310.5	1494.5	1618.5	1696.3	2109.5	2545.6	103.1	104.9	125.8	144.5	213.1	250.0

Source: Statistical Information and Danish imports and exports, Danmarks Statistik

<sup>1</sup> The products included in the two groups are the same throughout the period in question and correspond to those used by Danmarks Statistik up to and including 1975 (see, for example, Statistical Information No. A 13, 22.3.1976).

The Community has also become the main purchaser of small-quantity exports of processed fish products, with purchases totalling Dkr 165.5 million in 1977 out of total Danish exports of Dkr 250 m. In 1972, Community purchases totalled only Dkr 33.1 million out of total exports of Dkr 103.1 million.

There is no doubt that the removal of bilateral tariffs has had a favourable influence on trade, particularly as regards processed fish products. However, it is difficult to say how great this influence has been on fresh fish. It may be suggested that, even if Denmark had remained outside the EEC, it would still have been the main supplier of fresh fish to the European continent, given the decisive factor of the proximity of Danish ports to European consumers. This assumption is based on the fact that the EEC, even with Denmark as a member, has had to adjust itself to increasing imports from third countries owing to a drop in the volume of fish caught, following international quota agreements and the general decline in fish stocks.

## CHAPTER III

### INDUSTRY

#### A INDUSTRIAL POLICY PROGRAMME

Although the EEC Treaty nowhere mentions the term industrial policy, a large number of the Treaty's provisions and Community acts issued in pursuance thereof affect to a considerable degree the conditions under which industry operates.

With a view to creating an overall policy in this field, the Summit Meeting in October 1972 of the nine EC Heads of State or Government agreed that an industrial policy programme should be established. Accordingly in December 1973, on a proposal from the Commission, the Council adopted an industrial policy programme covering the following points :

- (1) Abolition of technical barriers to trade
- (2) Harmonization of the rules relating to public supply contracts
- (3) Company taxation and company law
- (4) European joint undertakings and industrial development contracts
- (5) Special sectors of industry
- (6) Introduction of measures to ensure the control of concentrations
- (7) Export credit schemes
- (8) Supplies of raw materials, in particular of non-ferrous metals

A more detailed account now follows of those parts of the action programme which already are, or are likely to become, of major importance to Danish industry :

#### 1. Abolition of technical barriers to trade<sup>1</sup>

The abolition of the technical barriers to trade between Member States, along with the customs union and commercial policy measures in respect of third countries, is undoubtedly the most important aspect of EEC collaboration as far as Danish industry is concerned.

By mid-1977 the Council had adopted about 100 directives relating to the abolition of technical barriers to trade. The directives adopted affect the following areas :

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<sup>1</sup> Apart from facilitating commodity trade by means of technical harmonization, consumer protection which can be achieved by means of common technical standards has, particularly in recent years, been increasingly emphasized. Here, the problem is primarily dealt with in relation to production and commodity trade.



- (a) Foodstuffs
- (b) Pharmaceutical products
- (c) Hazardous and polluting substances
- (d) The interior fittings and the equipment of motor vehicles
- (e) Weights and measures
- (f) Electrical equipment
- (g) Other items (including wood in the rough, cut glass, textiles, cosmetics, wire rope etc.)

Although the adoption of 100 directives might seem to represent considerable progress towards the harmonization of technical regulations that significantly affect trade, enquiries addressed in 1976 and 1978 to the various trade organizations of Danish industry showed that the need for common technical standards had only to a limited extent been satisfied by the directives already adopted.

An account now follows of some of the most important of these directives and of the consequences which their implementation in Denmark has had for the manufacturing industry.

(a) Foodstuffs

Harmonization in the field of foodstuffs has made little headway ; the most that can be said for the majority of products is that some preliminary attempts have been made to introduce uniform regulations. Certain provisions have, for example, been laid down relating to the additives that may be used in foodstuffs, but since no common conditions have been laid down regarding the use of the permitted substances, the practical significance of harmonization is, at this stage, limited.

Cocoa and chocolate products are one of the few product groups in the food and beverages sector, where there has been total harmonization of the requirements relating to the composition, labelling and weight of the product. Whilst the implementation of this directive will probably help Danish exports to some extent, it has, paradoxically, hindered imports of such goods from other Member States<sup>1</sup>.

Although the attitude of Danish industry towards the harmonization of technical regulations is in principle a positive one, the picture is by no means the same throughout the food and beverages sector ; for example, the tinned fish industry feels that harmonization is taking place too rapidly and is thus causing the industry considerable difficulties.

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<sup>1</sup> This is due to the fact that Denmark has availed itself of the right provided for in the directive to require that a product be labelled in Danish. Nothing like this was required in the past nor, presumably, would it have been required now, had the question not been raised in connection with implementing the directive in Denmark.

Danish distilleries have also voiced the opinion that a number of EEC directives at present being drawn up are superfluous to their branch of industry. This applies for instance to the draft directive relating to labelling.

The opposite attitude is evident in the brewing industry, which is heavily export-orientated. The latter would welcome the complete harmonization of rules relating to manufacture, labelling and bottle sizes, as the present disparities are a considerable inconvenience to the export trade.

Although information is not available on how each and every sector of the Danish foodstuffs industry feels about harmonization, it must be assumed that the general view, allowing for a few exceptions, is a positive one : for, as regulations in the field of foodstuffs become steadily more numerous and complex, both in Denmark and in the other industrial nations in the Western World, the discrepancies in these regulations could well become serious obstacles to trade, especially in the case of the small firms which represent a large part of Danish industry.

(b) Pharmaceutical products

Three directives have been adopted in this field, but they are only preliminary steps towards true harmonization and do not therefore entail any immediate benefits for the Danish companies that are affected. Consequently, the Danish pharmaceutical industry continues to feel the need for uniform rules on the registration of pharmaceutical products and on the reciprocal approval of the way in which individual Member States monitor companies that manufacture pharmaceutical products. Owing to the absence of such rules at present, Danish pharmaceutical exports come up against various difficulties in certain Member States.

(c) Hazardous and polluting substances

No information is available about special problems experienced by Denmark in connection with the directives relating to this field. But Danish companies involved are to some extent handicapped by the fact that not all Member States have amended their legislation to comply with the directives.

(d) The interior fittings and the equipment of motor vehicles

The directives relating to motor vehicles are of little importance to Danish industry as motor vehicles are not manufactured in Denmark. The directives are not completely irrelevant, however, as there do exist a number of manufacturers of car accessories.

(e) Weights and measures

The directives in this field cover a wide area, ranging from various types of measuring apparatus to packaging, and therefore affect not only the manufacturers of measuring apparatus but to a large extent the rest of Danish industry as well.

In addition to the electronics industry which, with its considerable output of measuring apparatus, takes a very positive view of the attempts at harmonization, other industries affected by the directives in this field are, for example, distilleries and a major part of the tinned food industry (e.g. bottles used for measuring, packaging).

(f) Electrical equipment

The first directive in this field relates to electrical equipment intended for use within certain voltage ranges. The directive came into force in Denmark on 1 February 1978 and has given rise to a good deal of discussion, principally because it entails abolition of the requirement that electrical equipment intended for sale in Denmark should receive prior approval from the Danish authorities. In the past, before it could be put on the market legally, equipment covered by the directive has had to be given a so-called 'D' label. This requirement no longer applies, but various national means of inspection that are deemed compatible with the directive will continue to be used for electrical equipment intended for sale.

Consumer interests have maintained that the directive will mean less protection for the consumer, although this is by no means self-evident as there has been no reduction in the technical standards required of such equipment. Importers and manufacturers have now, however, to bear a greater share of responsibility than was previously the case for ensuring that these standards are met. Nor was the directive given a favourable reception by all parts of the industry and the possibility cannot be excluded that some Danish manufacturers will have to contend with an increase in foreign competition.

(g) Other groups of products

Examples of the above are wood in the rough, cut glass, textiles, lifting equipment and conveyor systems, pressure vessels, etc.

In the field of textiles, the most important directive relates to the marking of textile products with their fibre content. A number of problems have been experienced in this context with regard to establishing appropriate limits to the directive's sphere of application ; the Danish textile industry has furthermore found the marking requirements to be too far-reaching. The Commission is, at present, working on a revision of this directive.

Great importance is also attached by the relevant branches of Danish industry to the directives relating to pressure vessels, which cover a wide range of product groups ; it does not seem likely they will give rise to any special difficulties.

## 2. Harmonization of the rules relating to public supply contracts

In the Member States, the public sector's share of the turnover of goods is steadily rising and in Denmark the value of goods purchased by the public sector in 1977 was estimated to be approximately Dkr 14,000 million. A necessary precondition for the creation of a common market must therefore be the inclusion of the public sector in this ongoing process, particularly since this is an area in which there is often conscious discrimination in favour of national manufacturers.

The first step towards establishing open access to the public sector by suppliers was taken with the Commission's Directive of 17 December 1969. This prohibits discrimination by public authorities against foreign products in their purchasing activities. Since, however, some knowledge of the public sector's purchasing intentions is as a rule required on the part of would-be suppliers, the existence of the anti-discrimination rule on its own has little effect as far as opening up this particular market is concerned. Recognizing this fact, the Commission put a proposal to the Council for the mandatory publication in the Official Journal of the European Communities of public authority invitations to tender for supply contracts above an amount of 200,000 u.a.

The directive, which was adopted in December 1976, entered into force on 1 July 1978 and Danish industry attaches exceptional importance to it although there is regret that a number of major product areas are excluded from its sphere of application. On account of the high degree of specialization within Danish industry and as a result of the fact that Danish public authorities have in their purchasing policy, to a far greater extent than the authorities in many other countries, allowed price and quality to be the decisive factors rather than the nationality of the tenderer, Danish industry has up to now never occupied a particularly privileged position as a supplier to the public sector in Denmark. Industry has therefore little to lose and much to gain when the directive is implemented, the reason being that, whereas competition with foreign suppliers is not likely to become much greater than at present, markets that were previously closed in other Member States will now be opened to Danish companies.

### 3. Company taxation and company law

A large number of proposals relating to these areas have been under discussion for several years. Of major importance to Danish business is the second directive on company law, adopted in December 1976, under which the minimum share capital required for public limited liability companies will increase from the present Dkr 100,000 to about Dkr 190,000 (25,000 u.a.).

The fourth directive on annual accounts of limited liability companies was adopted in June 1978. The implementation of this directive in Denmark will lead to stricter requirements both as regards public limited liability companies and private limited liability companies. The rules ought to make it easier to compare companies' annual accounts and will consequently facilitate cooperation between firms in Denmark and the other Member States. Investment in firms in Denmark and the other Member States will benefit in similar fashion. Potentially important to Danish business is also the European Company Statute, which has not yet been adopted.

### 4. European joint undertakings and development contracts

The unique pattern of Danish industry, which is characterized by many small and medium-sized companies frequently of a highly specialized and technically advanced nature, means that there are very good prospects of Danish industry benefitting from the opportunities presented by a common policy in this field.

### 5. Special sectors of industry

#### (a) Ships

Of particular significance to Danish industry in this context is the EEC's policy for the shipbuilding industry. Danish shipyards, like shipyards in the rest of the Common Market, are faced with serious problems as a result of widespread surplus capacity in the industry as a whole coupled with fierce price competition, reflecting amongst other things the extensive state aid that is given to this sector in many countries.

The Council Directive of 10 July 1975 on aid to the shipbuilding industry was an early attempt to limit the amount of state aid provided within the EEC. Danish shipbuilders felt, however, that the Directive was not sufficiently far-reaching, as it permitted several Member States to provide aid beyond the limit generally prescribed in the directive, whereas the Danish viewpoint favoured abolition of all state aid. Moreover, no provision was made for preventing discriminatory aid to shipowners.

A new Council Directive of 4 April 1978 has now replaced the 1975 directive. In the main it follows the same lines as the previous directive but, at the request of the Danish Shipyards, it also contains a paragraph specifying that aid to shipowners must not discriminate against shipyards in other Member States.

Although neither the 1975 directive nor the new 1978 directive has radically altered the position of Community shipyards, to the extent that the Member States comply with them they can be said to have brought about some improvement in the competitive position of Danish shipyards since the volume of direct or indirect aid to the latter is relatively low.

In 1977 the Commission submitted a communication to the Council on future developments in the shipbuilding industry, recommending that production capacity be reduced to correspond to the future market situation.

It has so far been difficult to reach agreement on a coordinated shipbuilding policy on the basis of the Commission's guidelines and, calling as they do for a phasing-out of subsidies and a reduction of production capacity, Danish shipbuilders have put themselves in a very isolated position vis-à-vis the shipbuilding industries in the other Member States. They also hold the view (as does the Commission) that in the long term the problems can be solved only in collaboration with a number of the major ship manufacturers outside the EEC.

(b) Steel

The policy drawn up by the Commission at the end of 1977 to take effect from 1 January 1978 aimed at preventing the collapse of the European steel market and the price increases it occasioned were clearly not in the interests of Danish industry from a short-term point of view<sup>1</sup>. Although Denmark does produce some steel, it accounts for only about 0.5% of total Community production, and the Danish industry's interest in steel policy is therefore more that of a consumer than a producer.

Denmark's steel-producing industry seems to have benefitted from the Community's action in this area ; after having to resort to work-sharing for periods in 1977, the Danish Steel Rolling Mills considerably increased their production and sales in 1978.

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<sup>1</sup> From a more long-term point of view it must be admitted that it is in the interests of Danish industry as well as the rest of the Community's industry to maintain a reasonably high steel production capacity in Western Europe in order to avoid price and supply dependence on third countries, which could eventually lead to higher prices and unstable supplies. Denmark could therefore agree in principle to a reorganization of the steel market.

For the steel-consuming industry in Denmark the main problem was to prevent a loss of competitive position on account of the increased price of raw materials and semi-manufactured goods. When the new price arrangements came into force in 1978, Denmark managed, with this in mind, to arrange for existing contracts to be implemented during a transitional period at the prices originally agreed on. An undertaking was also given that shipyards would be exempt from steel price increases higher than those applicable in the rest of the world. As regards the rest of the steel-consuming industry, agreements were concluded between the Community and individual EFTA countries under which the EFTA countries were obliged to maintain the domestic price of steel on a level with that of the Community so that the Danish metal industry's competitive position would not be lower than that of the EFTA countries. Through negotiations or anti-dumping procedures for steel products, efforts will be made to prevent other third countries from undermining the new price system and thus distorting competition.

Although Danish industry has at no time shown any great enthusiasm for the Community's steel policy, the Danish iron and metal industry - thanks to these additional arrangements - does not seem to have suffered any noticeably negative effects during 1978. Lastly, it should be emphasized that, if Denmark had had a free trade agreement with the Community, it would in all probability have had to bring its domestic steel price up to the level of the Community price just as the EFTA countries had to do.

#### 6. Introduction of measures to ensure the control of concentrations

This proposal, put forward originally on the initiative of the European Parliament, within the framework of the EEC's competition policy<sup>1</sup> but as yet not adopted, was as coolly received in business circles in Denmark as in the other Member States. One of the main objections voiced by Danish industry has been that the successful accomplishment of a large number of mergers would be impossible, once rules such as these had been adopted: a frequent precondition for the achievement of major company mergers is the ability to conduct negotiations with the utmost discretion, until such time as the merger becomes a fact.

Although the proposal has the support of other social groups both in Denmark and the other Member States, and the Member States agree in principle that it would be advisable to adopt it, it is scarcely likely that it will be adopted in the near future as details such as the sphere of application and dispensation possibilities still have to be cleared up.

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<sup>1</sup> For competition policy, see also the relevant section.

## 7. Export credit schemes

In recent years there has been a widespread tendency among the industrial nations of the Western world to pursue an export policy of competing to an increasing extent on the basis of credit terms, with the result that the actual price of the goods themselves becomes less important. This applies in particular to the state-trading countries, as long-term credits are generally an unavoidable necessity if a firm wishes to be considered for an order.

The drawbacks have gradually been realized of increasing competition in a field like this where the borderline between 'advantageous' credit terms and direct state aid for exports is fluid. In order to counteract this development various 'gentlemen's agreements' were tried years ago among Western countries, but they did not alter the situation appreciably. After the adoption by the Council in April 1978 of a series of export credit guidelines that had been worked out within the OECD, the situation now at last seems to present an orderly picture.

Since the small countries were often the losers in the former kind of credit race, Danish industry attaches very great importance to Community adherence to the OECD rules.

A second important element of the export credit policy is the proposal that a European Export Bank be established.

At present there is a lacuna in the export credit schemes of several EEC Member States, including Denmark, in that products manufactured jointly with foreign companies are often excluded from these schemes. As the product does not normally fulfil the requirements in the coproducer's country either, articles manufactured on a joint basis with partners in other EEC Member States are generally at a disadvantage as regards export credits. Danish industry therefore, along with industry in the other Member States, is very much in favour of the idea of establishing a European Export Bank, which should be seen as an essential adjunct to existing national export credit schemes.

## 8. Supplies of raw materials

A Community policy in this area was initiated in 1978 with the adoption of research programmes in the field of primary raw materials and recycling of paper and board. Danish industry, which has to import practically all its raw materials, attaches the utmost importance to the creation of a common policy in this area, especially in view of the shortages of certain raw materials expected to occur during the coming decades.



## B. AREAS OF IMPORTANCE TO INDUSTRY OUTSIDE THE INDUSTRIAL POLICY PROGRAMME

Besides the proposals contained in the industrial policy programme, there are a number of other aspects of Community policy that are of vital significance to industry. There now follows an account of the most important of these areas :

### 1. Environmental policy

On 22 November 1973, the Council adopted an action programme for environmental policy. This programme and the Community acts already adopted in connection with it are of great consequence for industry : the increasingly stringent environmental requirements imposed in the Member States will be reflected in rising manufacturing costs for a large number of products. If it is intended to avoid distortions of competition and the disruption these would entail for the Common Market's function in connection with the implementation of environmental legislation, it will be necessary to ensure that regulations in the field of environmental policy are based on identical principles and lay down identical requirements in the separate Member States.

In principle, then, Danish industry supports the idea of a common EEC environmental policy, but is at the same time of the opinion that such a policy ought to take account of differing circumstances in the Member States. This was a point raised for example in connection with the draft directive on the discharge of certain hazardous substances into water ; it was considered unreasonable that waste water intended for discharge into relatively mildly polluted Danish waters should have to comply with the same strict standards as waste water intended for discharge into heavily polluted Central European rivers. In other words, there is support for uniform standards, with the proviso that these standards, insofar as they apply to the discharge of polluting substances, be modified to make allowance for the nature of the recipient<sup>1</sup> area.

Government support for the industry's viewpoint has been reflected in the fact that in the Council in December 1976 and June 1977, Denmark vetoed the adoption of purification requirements that did not differentiate according to recipient areas, partly out of consideration for the paper pulp industry.

### 2. Regional policy

The EEC Treaty contains no independent articles on regional policy, and it was only in 1971 that the Council adopted a resolution on common guidelines for the regional policy of Member States. Observance of this resolution has not brought about any major changes in Danish regional policy.

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<sup>1</sup> Recipient : Term for the area of air, land or water into which polluting substances are discharged.

The only joint European instruments of regional policy of a more concrete nature are the European Regional Fund set up in 1975 and the European Investment Bank :<sup>1</sup>

(a) The European Regional Development Fund

The European Regional Development Fund was set up in 1975 for the purpose of providing aid for investment projects in less-favoured regions. The following types of investment are envisaged :

- projects in industrial, handicraft, and service activities
- infrastructure projects directly linked to industry or tourism
- infrastructure projects in connection with mountain and hill farming and farming in certain less-favoured areas.

As Denmark has not defined any of its areas as being less-favoured in the agricultural sense, any aid to Denmark will fall within the first two categories.

Of the 1,300 million u.a. (Dkr 8,700 million) the Fund has had placed at its disposal during the trial three-year period, Denmark has been allocated 1.3% corresponding to approximately 17 million u.a. or Dkr 130 million. This small percentage is partly due to the fact that Denmark is the Community country that devotes least of its gross national product (0.04% compared with an average of 0.33%) to regional development aid.

Immediately after the Fund was established, Denmark decided that it would apply for aid only for projects in Greenland, on Bornholm and in North Jutland.

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<sup>1</sup> It can, however, be argued that the Agricultural Fund and the Social Fund play a major regional policy role in respect of some Member States. For their importance to Denmark see the respective sections on agriculture and the labour market

The following table shows the aid Denmark's regional policy has received from the Fund over the three-year trial period : it corresponds to the share laid down in the regulation.

Table 1

AID RECEIVED BY DENMARK FROM THE EUROPEAN REGIONAL DEVELOPMENT FUND

Region	Projects in industrial, handicraft & service activities		Infrastructure projects		Total	
	Million u.a.	Number of projects	million u.a.	Number of projects	Million u.a.	Number of projects
Greenland	-	-	13,140	107	13,140	107
Other Danish regions	2,400	27	1,330	1	3,730	28
All Danish regions	2,400	27	14,470	108	16,870	135

The Council was unable to reach agreement on the reform of the Fund before the trial period expired. For 1978 and 1979 fixed amounts were merely entered in the budget on the understanding that the provisions of the 1975 regulation would be retained for the time being. It is already apparent, however, that the main innovations in the final text of the regulation are that France will receive a slightly higher share for the overseas territories, the Fund's resources will be fixed each year during the budget negotiations and a share of 5% outside of the national quotas will be placed at the Commission's disposal.

(b) The European Investment Bank

The European Investment Bank, EIB, is an autonomous body constituted under public law within the EEC. Not aiming to make a profit but nevertheless acting on the basis of banking criteria, the EIB provides loans for industrial projects in underdeveloped areas. In 1977 loans of this sort amounted to 1,571.5 million u.a. spread over 113 transactions. Table 2 shows the amounts borrowed by Denmark from the EIB since accession :

TABLE 2  
DANISH LOANS FROM THE EIB

Borrower	Interest %	Term	Nature of Project	Amount (millions Dkr)	Total
1973 Government	8.5	1973-93	Power station, Greenland	25.0	
Government	8.5	1973-93	Harbour installations, Greenland	26.2	51.2
1974 Government	8.75	1974-94	UHF telecommunications, Greenland	38.0	
A/S Holeby	8.75	1974-89	Extension of diesel factory (Holeby, Lolland)	15.0	
Dieselmotorfabrik					
Alpha Diesel A/S	8.75	1974-89	Extension of marine propulsion systems factory (Frederikshavn)	14.0	
Frederikshavn -	9.5	1974-89	Construction of dry repair dock (Frederikshavn)	16.0	
Vaerft A/S					
Atwood-Lauritzen	10.5	1974-86	Ship for oil drilling	55.3	138.3
Offshore Drilling K/S					
1975 Government -	9.5	1975-85	Global loan	17.5	
Egnsudviklings-					
direktoratet					
"	9.5	1975-85	Global loan	20.0	
Thrige-Titan A/S	9.5	1975-85	Electric motor factory (Aalborg)	10.0	
Slagteriregion Syd	9.25	1975-85	Pig slaughterhouse (Blans)	25.0	
Dansk Boreselskab A/S	9.5	1975-84	Erection of drilling platforms (Dan oilfield)	43.0	
Finansierings-	9.5	1975-83	Global loan	9.9	
instituttet for Industri og Handvaerk A/S					125.4
1976 Rockwool A/S	9.75	1976-86	Mineral wool factory Øster Dønse (N.Jutland)	23.5	
Orehoved Tae-	8.875	1976-86	Reorganization wood veneers factory (Falster)	16.0	
Finerindustri A/S					
Government -	8.875	1976-86	Global loan	20.0	59.5
Egnsudviklings-					
direktoratet					
1977 Government	8.4	1977-92	Airport construction (Godthaab, Greenland)	50.0	
IFV-Elektricitetsselskabet Isefjordvaerket			Conversion of equipment at Asnaes power station (Seeland) to burn coal instead of oil	55.0	
Interresentskab	8.875	1977-89			
"	8.6	1977-87	Anti-pollution equipment at Asnaes and also Kyndby power station	31.2	
Oxford Biscuit Fabrik A/S (via Finansierings-	9.05	1977-86	Modernization of biscuit factory (Hjørring)	12.0	
instituttet for Industri og Handvaerk)					
Finansierings-	8.875	1977-87	Global loan	14.1	
instituttet for Industrei og Handvaerk					
"	9.9	1977-87	Global loan	6.0	
Government -	8.875	1977-87	Global loan	20.0	
Egnsudviklings-					
direktoratet					
"	8.25	1977-87	Global loan	35.0	223.3

Borrower	Interest %	Term	Nature of Project	Amount (millions Dkr)	Total
1978 Rockwool A/S	11.55	1978-88	Second production line at mineral wool factory (Øster Dønse)	9.0	
Grundfos A/S	7.6	1978-88	Production equipment at pumps factory (Bjerringbro)	21.5	
Mejeriselskabet Esbjerg A.m.b.a.	6.9	1978-88	Dairy rationalization/expansion (Esbjerg)	4.0	
Commune of Rønne	8.0	1978-93	Extension of carferry terminal (Rønne)	15.5	
Government	5.0	1978-93	65km motorway (German-Danish frontier to Christiansfeld)	265.0	
Government - Egnsudviklings-direktoratet	8.25	1978-88	Global loan	15.0	
"	8.25	1978-88	Global loan	37.5	<u>367.5</u>
TOTAL (1973 - 1 OCTOBER 1978)					<u>965.2</u>

Source : European Investment Bank

The total sum advanced for Danish projects in underdeveloped areas up to 1 October 1978 therefore amounts to Dkr 965.2 million, which represents only a small proportion of domestic lending to industry and craft trades during the same period. It should be pointed out, however, that from the Danish point of view the loans in question can certainly be regarded as advantageous primarily because of the very low rate of interest.

### 3. Rules on competition

#### (a) Agreements between undertakings

Going over in 1973 to the EEC's rules on competition did not mean any sudden or major change in the competitive position of most Danish companies. The general view in Danish business circles is that the great majority of companies with agreements on limiting competition which infringed Article 85 of the EEC Treaty had chosen to amend them so as to comply with EEC rules. This applied above all to the most common type of agreement i.e. an agreement granting sole distribution rights, which could without any great difficulty be adopted to the new rules in accordance with the group dispensation facility contained in Regulation 67/67.

Information from the Commission about the number of applications for dispensations and for negative clearances<sup>1</sup> seems to confirm this assumption,

<sup>1</sup> Dispensation : permission by the Commission to enter into an agreement which otherwise would contravene Article 85.

Negative clearance : declaration by the Commission that the agreement in question does not conflict with Article 85.

since the total number of applications received from Danish companies coming within these categories amounted to 93 in 1973, 9 in 1974, 3 in 1975, 9 in 1976 and 2 in 1977.

Among the few industries whose competitive position was appreciably changed as a result of the possibility for parallel imports offered by the EEC rules were the wine and spirit industry and the pharmaceutical products industry. The change in the wine and spirit industry occurred as early as 1973 as producers and distributors of popular proprietary products were no longer able to apply geographically determined price differences on the Danish market in relation to the remaining Community area. The change occurred for the pharmaceutical products industry only after the Court of Justice had decided in the 'Centrafarm' case (Case No. 104/75) in 1976 that the possibility of parallel imports of pharmaceutical products could only be excluded when necessary in the interests of public health. The Danish health authorities have since had to accept parallel imports of this group of products to some extent despite opposition from Danish producers and importers of pharmaceutical products.

(b) Abuse of dominant market position

One Danish firm has already successfully lodged a complaint with the Commission against a multinational company for abuse of a dominant market position as reflected inter alia in a supply embargo imposed by the company in question.

Another case concerning restrictive trading agreements between a multinational company and a Danish producer of methylated spirits has been brought before the Court by the only rival Danish producer, who was completely forced out of the market for a certain period. The Commission has not yet given its decision in this case.

These examples seem to indicate that, for the average comparatively small Danish company, Article 86 of the EEC Treaty on the abuse of a dominant market position is in certain situations more likely to mean protection from the predominance of major concerns than a restriction in the scope of their own activities. It will only be possible, however, to decide whether this assumption is correct after developments in this area have been monitored for a number of years.

(c) State aid to industrial companies

It is in all probability no exaggeration to say that, from being a fairly important question in Danish Community policy the problem of state aid to industrial enterprises has now become one of the highest priority. In order to understand this, it must be remembered that practically all industry

in Denmark is privately owned and that state aid given to industry, over and above regional development aid, is minimal and frequently of an indirect nature (e.g. aid to export promotion or product development). Regardless of changes in the political colour of governments, the attitude throughout has been that firms that could not survive in free competition would have to close.

However, large sectors of industry in the other Member States are state-owned, and state aid to private industry in difficulties was not unknown even before the present structural crisis.

Despite the fact that, thanks to the Community's existence, it has become more or less unthinkable for Western European countries to resort to import-curbing measures in the form of customs and quantitative restrictions in their trade with each other in order to support crisis-hit industries, there has been an increasing tendency in several countries to resort to the expedient of giving state aid to their own export industries, a measure which is more difficult to control but no less harmful.

The attitude of Danish industry is that, in the longer term, state aid (apart from aid for structural rationalization, which is a once-only measure) cripples an enterprise, so that over a longer period other countries' activities in this area will prove insignificant and may even enhance Denmark's competitive position. In the shorter term, however, it could mean that viable Danish firms that could have held their own under equal conditions of competition will go under in competition with companies that receive extensive state aid.

Neither Danish industry nor the Danish Government feel that this temporary problem ought to be solved by introducing an analogous subsidy policy, partly because it is felt that subsidies are an impediment to the necessary adjustment of industrial structures to constantly changing market patterns. That is why, during its presidency of the Council in the first half of 1978, Denmark, supported in principle by the other Member States, took the initiative in strengthening the Community's opposition to any extension of state subsidies for new areas and its support for abolishing existing subsidies. The problem is, however, a very difficult one to solve, as subsidies can be granted in many different forms that are not immediately transparent or ostensibly in the nature of aid. It is therefore to be supposed that a lasting solution will be possible only when all Member States show the necessary political resolve, based on recognition of the fact that subsidy policies in the longer term are extremely harmful, not least for the industry of the country granting the aid.

Whilst the problem of shipbuilding subsidies is more or less under control in the Community (see section on special sectors of industry above), the Danish textile and footwear industry seems to find it heavy going to compete with subsidized products from the other Member States or certain EFTA countries<sup>1</sup>.

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<sup>1</sup> For further details, see the section on the Community's trade policy, p. 89.

Although the textile industry is at present attempting to cope with the situation itself, by stepping up its export promotion on the Community market, there is still a possibility that it may soon have to ask for aid from the state unless the subsidy arrangements of the Community's competitors are sharply reduced. Other industries are also feeling the effects of competition from subsidized firms, but so far only in the case of individual products (e.g. transformers). However, if such an item should be a firm's main product, the problem can be extremely serious.

Lastly, it needs to be stressed that Denmark would have been faced with the same problems whether it was a member of the Community or not. But a country the size of Denmark has a much greater chance of coping with these problems from a seat at the Council's negotiating table than if it stands alone. Not only is this in particular the case as far as illegal subsidies in other Member States are concerned, but also in the case of EFTA-countries exporting subsidized products to the Community. Denmark in its capacity of a Member State has far better possibilities of acting against this than through an isolated national action as it tried to do, with little success, against its neighbour Sweden at the end of 1977<sup>1</sup>.

#### 4. Other EEC initiatives of importance to industry

Apart from the areas of EEC policy mentioned above, a number of others can also be mentioned as being of importance to industry, among which are the law on patents and trademarks, consumer protection, energy policy, research policy etc. A common feature of all these areas is, however, that they are either of such a nature, or concern initiatives that are at such an early stage, that it would be difficult to identify any special impact they might have on Danish industry.

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<sup>1</sup> The 'chipboard' case, for further details see section on the Community's trade policy.



## CHAPTER IV

### FOREIGN TRADE

#### Introduction

Unlike most of its Community partners, Denmark has practically no natural resources other than agricultural land. Its transition from an agricultural to an industrial country with a high standard of living has therefore been possible only because of extensive foreign trade. To achieve an appropriate industrial structure, Denmark, unlike many larger countries, had to go in for imports not only of foreign raw materials and semi-manufactured products, but also of finished products which are necessary if the industry of a small country is to obtain a satisfactory level of specialization.

It is not surprising, therefore, that Denmark has a high foreign trade figure seen in relation to its gross national product. In 1975 Danish imports accounted for 29.2% and exports for 24.6% of the gross national product. The Community average for the same year was 22.3% for imports and 22.1% for exports.

About two-thirds of Danish exports are handled directly by the manufacturers themselves and the other one-third is handled by commercial undertakings. The latter mainly deal with products from smaller industrial undertakings with no export organization of their own. Most imports are handled by the commercial undertakings. This applies mainly to finished products but a considerable proportion of industry's raw materials and semi-manufactured products are likewise imported by commercial undertakings.

Because of its great dependence on foreign trade, Denmark has traditionally pursued a liberal trade policy. It was therefore logical that Denmark, at the beginning of the sixties, should participate in EFTA cooperation, which gradually led to industrial products originating in EFTA Member States benefiting from customs-free movement within the EFTA area.

Through EFTA cooperation in the sixties, Danish industry had become accustomed to international competition; when Denmark joined the Community in 1973, there was no need to introduce exemption clauses for any sector of Danish industry. Over a five-year period, therefore, duties on industrial products traded between Denmark and the original Community plus Ireland were reduced by 20% a year so that all duties were removed by 1.7.1977. The gradual adoption of the Common Customs Tariff which applies to imports from third countries took place over the same period, the difference between the Danish 1972 tariff rates and the Common Customs Tariff rates being reduced by 40% on 1 January 1974, followed by a further reduction of 20% a year until 1 July 1977 when Denmark began to apply the Community tariffs for third countries.

The fact that Danish membership of the Community coincided with the entry into force of the free trade agreements between the enlarged Community and the individual EFTA countries was of considerable importance to Danish foreign trade in the first years of membership. With the exception of a few sensitive products and certain processed agricultural products, Denmark was able to maintain its duty-free trade in industrial products with these countries, including Sweden which, together with the Federal Republic of Germany is Denmark's most important trade partner.<sup>1</sup>

On the other hand, certain transitional measures were introduced in connection with the Community's preferential agreements with a number of third countries<sup>1</sup>.

A. TRENDS IN DANISH FOREIGN TRADE IN THE PERIOD 1972-1977

1. Exports

(a) The general trend

Table No. 1 shows the trend in total Danish exports to the present Community, the present EFTA, the USA and other third countries during the period 1968-1977.

The table shows that the Community's share of total Danish exports throughout the period in question lay between approx. 42% and 45%; in the years prior to accession the share dropped slightly, only to increase slightly again after accession. The present EFTA's share has constantly been between approx. 27% and 31% although there was a slight downward trend after Danish accession. The USA's share dropped considerably, from 8.1% in 1968 to 5.6% in 1977, while other third countries increased their share of Danish exports, accounting for 22.9% in 1977 as compared with only 17.1% in 1968.

In the first years of membership Danish agricultural exports to the Community<sup>2</sup> increased considerably, and they are mainly responsible for the increase in the Community's share of total Danish exports. The Community's share of industrial exports, on the other hand, remained relatively constant in the first years of membership.

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<sup>1</sup> See section on Community trade policy

<sup>2</sup> See the sections on agriculture and fishery for exports of agricultural and fishery products respectively

TABLE No. 1

DANISH EXPORTS 1968-1977 in thousand million Dkr

	1968	%	1969	%	1970	%	1971	%	1972	%
Present Community	8.7	44.7	9.6	43.1	10.4	42.2	11.3	42.1	12.9	42.7
Present EFTA	5.7	29.4	6.6	29.8	7.8	31.5	8.4	31.5	9.2	30.7
USA	1.6	8.1	1.8	8.4	1.9	7.7	2.0	7.6	2.4	8.0
Rest of the world	3.4	17.1	4.2	18.8	4.6	18.6	5.0	18.8	5.6	18.6
Total exports	19.4	100.0	22.2	100.0	24.7	100.0	26.7	100.0	30.1	100.0
	1973	%	1974	%	1975	%	1976	%	1977	%
Present Community	17.0	45.3	20.1	42.8	22.4	44.7	25.0	45.5	26.6	44.0
Present EFTA	10.4	27.7	13.8	29.4	13.6	27.1	15.4	28.0	16.6	27.5
USA	2.6	7.0	2.7	5.7	2.6	5.2	3.1	5.6	3.4	5.6
Rest of the world	7.5	20.0	10.4	22.1	11.5	23.0	11.5	20.9	13.8	22.9
Total exports	37.5	100.0	47.0	100.0	50.0	100.0	55.0	100.0	60.4	100.0

Source : Danish Statistical Office

(b) Exports of industrial products to the Community

Table No. 2 shows the trend in Danish exports of industrial products by main groups to the Community in the period 1972-1977, while Table No. 3 shows how high a percentage of Danish industrial exports in these product groups the Community absorbed in the same period. It can be seen that the Community's percentage share of Danish industrial exports was relatively constant during the first years of Danish membership of the Community.

(c) The trend by individual product groups

The most important industrial export product group is machines and instruments; Dkr 5,000 million worth of these were exported to the Community in 1977. The trend of total exports of these products and of exports to individual countries was more or less the same as that for industrial products as a whole in the period 1972-1977. It is notable, however, that exports to the Federal Republic of Germany increased considerably between 1974 and 1975 although there was a drop in exports to the other Member States. As these goods are mainly investment goods and since there was no significant economic upswing in the Federal Republic in 1975, the most likely explanation is that this sector of Danish industry had begun to concentrate more on the nearby German market, and that duties, which were reduced by 60% in 1975, had made Danish producers more competitive. In 1976 and 1977 a rise was again observed in exports to the other Member States. The Community's share of total Danish exports in this field was however largely the same in 1977 as in 1972 at 36.6%.

The second most important product group of Danish industrial exports is chemical products (excluding pharmaceutical preparations). Here exports to the Community amounted to Dkr 972 million in 1977, close on a third of the total exported. EFTA continues to be the main market for these products and other third countries are well represented, and there is no long-term indication that the Community share will increase. Table No. 3 shows that in 1972 the Community bought 30.2% of the chemical products exported, 27.5% in 1975, and again 30.9% in 1977. A sharp increase can be observed in exports to the Federal Republic of Germany, although this does not change the overall picture.

In the textiles and clothing group, the Community imported Dkr 682.4 million worth out of total Danish exports of 2,906 million in 1977. There was a slight increase in the Community's share of Danish exports, from 20.4% in 1972 to 23.5% in 1977. There had been a considerable increase in exports to the important German market and to Benelux, which in 1977 ran to Dkr 285.8 million and Dkr 108.4 million respectively. Even though the French market does still not play a major role, it is nevertheless worth noting that exports here rose from Dkr 6.5 million in 1972 to Dkr 40 million in 1977. There was a direct drop in exports to one Member State, the United Kingdom, from Dkr 247.4 million in 1972 to Dkr 226.5 million in 1977.

TABLE NO. 2  
EXPORTS in million Dkr

Main product groups (arranged according to size of exports in 1975)	Community as a whole				France							
	1972	1973	1974	1975	1974	1975	1976	1977				
Machines and instruments	2508,6	3187,1	3777,2	3645,3	4462,8	5056,1	320,8	428,4	583,6	528,1	783,3	782,3
New ships and hulls, 250 GRT and over	256,3	519,5	434,9	1429,3	1529,6	579,6	-	13,4	38,4	-	26,4	35,0
Other chemical articles	423,9	493,6	745,3	672,5	852,3	972,0	53,5	62,0	83,9	83,1	101,2	137,3
Various industrially processed agricultural products <sup>2</sup>	134,9	174,1	422,8	557,6	337,3	475,8	10,4	11,7	12,7	15,6	23,2	38,6
Textiles and clothes	399,9	466,0	512,1	520,8	605,1	682,4	6,5	11,5	15,3	19,0	32,8	40,0
Furniture	311,2	392,7	398,7	412,6	444,2	475,5	13,7	14,4	16,0	17,0	23,6	28,2
Feedingstuffs (excluding straw, root crops, etc.)	232,3	425,1	395,2	309,8	482,0	527,3	5,8	11,4	14,8	20,3	24,1	19,6
Worked metal products, etc.	241,5	271,8	311,6	308,9	414,9	503,2	19,3	25,7	34,6	31,1	44,0	49,3
Pharmaceutical preparations	136,3	188,6	231,2	271,0	301,6	398,0	13,5	23,2	23,9	32,2	38,7	74,7
Non-metallic mineral products	157,8	189,9	238,2	248,1	311,8	347,8	7,3	6,4	15,6	14,1	9,9	12,5
Metals	182,5	191,6	304,2	243,2	319,0	587,8	13,3	12,7	15,0	11,4	13,0	39,5
Transport equipment <sup>3</sup>	161,0	178,7	209,4	229,1	277,4	387,3	9,3	18,6	44,7	25,0	30,2	43,3
Various plastic products	151,1	182,3	257,8	221,2	261,3	317,9	6,7	11,8	15,0	16,6	26,4	28,9
Liquid fuels and lubricating oils etc. (excl. crude oil)	60,5	83,6	164,6	215,8	247,1	231,8	1,2	0,9	0,4	0,7	1,0	1,0
Fish, crustaceans and molluscs, prepared or preserved	33,1	41,0	59,9	82,2	221,8	278,8	11,1	12,9	13,8	21,8	37,9	53,0
Other products	1290,3	1588,0	2065,6	1953,8	2482,5	2595,5	110,8	141,6	206,8	212,2	274,5	277,2
Total	6681,2	8573,6	10528,7	11321,1	13550,7	14416,8	603,2	806,6	1134,5	1048,2	1490,2	1660,4

1 1972 and 1973: 100 GRT and above  
1976 and 1977: includes aircraft

2 1976 and 1977: other industrially processed agricultural products

3 1976 and 1977: transport equipment excluding vessels over 250 GRT and aircraft

TABLE NO. 2 (cont.)

Main product groups  
(arranged according to size  
of exports in 1975)

	Benelux					Federal Republic of Germany						
	1972	1973	1974	1975	1976	1977	1972	1973	1974	1975	1976	1977
Machines and instruments .....	362.2	511.0	749.8	692.1	859.8	964.5	783.8	935.0	1036.0	1156.3	1475.8	1763.1
Newships <sup>1</sup> and hulls, 250 GRT and over .....	0.2	-	19.0	14.3	16.4	63.3	-	-	11.7	19.9	21.8	0.9
Other chemical articles .....	74.7	89.7	122.3	115.8	136.4	146.6	127.5	157.4	233.8	229.0	312.0	359.3
Various industrially processed agricultural products <sup>2</sup> .....	33.0	38.8	50.3	60.1	78.0	105.9	49.3	62.4	84.8	112.1	159.8	239.1
Textiles and clothes .....	29.2	37.1	53.8	56.3	75.8	108.4	104.2	120.8	154.8	179.2	244.1	285.8
Furniture .....	22.9	28.7	44.1	37.4	45.8	68.2	147.8	178.3	203.0	215.0	247.2	275.2
Feedingstuffs (excluding straw, root crops, etc.) .....	21.9	50.6	60.8	70.9	86.7	110.8	64.8	92.7	102.5	61.6	105.1	123.7
Worked metal products, etc. ....	28.9	33.4	55.1	46.6	59.0	78.5	104.0	109.1	115.9	130.8	193.4	247.7
Pharmaceutical preparations ...	27.9	42.8	57.1	65.8	66.9	87.4	51.8	61.5	78.8	103.7	88.1	108.2
Non-metallic mineral products .....	16.2	17.4	23.0	26.6	24.6	36.5	95.4	117.6	127.4	144.3	203.7	212.3
Metals .....	18.0	25.1	31.3	24.4	45.2	80.7	94.2	90.8	136.7	137.2	190.2	275.1
Transport equipment <sup>3</sup> .....	19.2	25.8	32.2	43.9	47.1	56.8	56.2	64.0	91.4	106.9	142.5	220.2
Various plastic products .....	16.6	20.1	30.5	30.8	40.2	55.3	36.1	41.9	48.9	55.7	75.6	103.4
Liquid fuels and lubricating oils etc. (excl. crude oil) .....	15.5	10.7	54.7	42.3	39.6	49.3	3.9	23.4	23.7	62.4	35.5	19.8
Fish, crustaceans and molluscs, prepared or preserved .....	1.6	2.3	2.5	2.4	6.6	8.4	8.2	13.6	24.5	40.4	79.1	110.2
Other products .....	167.1	227.6	305.0	329.3	389.0	424.6	499.1	602.8	841.1	825.8	961.1	1138.0
Total .....	855.1	1161.1	1691.5	1659.0	2017.1	2445.2	2226.3	2671.8	3315.0	3580.3	4535.0	5422.0

TABLE No. 2 (cont.)

Main product groups (arranged according to size of exports in 1975)	Italy										United Kingdom				
	1972	1973	1974	1975	1976	1977	1972	1973	1974	1975	1976	1977			
Machines and instruments .....	150.6	181.3	280.1	215.6	251.6	293.3	812.8	1029.5	1035.2	969.1	990.2	1213.4			
New ships and hulls, 250 GRT and over <sup>1</sup> .....	44.0	19.9	2.1	27.9	52.6	30.0	212.1	486.3	363.7	1367.2	1411.2	450.4			
Other chemical articles .....	30.8	29.4	36.3	51.3	76.4	79.5	130.5	147.4	253.0	184.1	209.0	227.9			
Various industrially processed agricultural products <sup>2</sup> .....	4.0	7.2	33.0	22.5	11.4	13.5	36.6	52.7	235.8	343.8	60.5	73.0			
Textiles and clothes .....	9.1	12.8	15.9	9.9	13.3	13.7	247.4	280.1	264.7	249.9	233.1	226.5			
Furniture .....	1.4	1.9	2.7	2.2	3.6	3.4	125.0	167.4	132.2	140.0	122.1	99.6			
Feedingstuffs (excluding straw, root crops, etc.) .....	4.2	14.3	39.9	20.0	17.7	40.4	134.5	254.2	173.1	129.6	236.0	224.0			
Worked metal products, etc. ....	7.1	8.4	12.4	11.0	13.9	14.6	74.7	88.5	86.6	84.4	95.6	102.8			
Pharmaceutical preparations .....	8.9	15.9	21.5	24.0	38.1	30.6	18.2	34.9	38.1	34.4	56.0	77.3			
Non-metallic mineral products .....	8.1	10.5	14.2	14.2	18.0	20.1	28.7	35.6	56.4	47.4	53.8	64.2			
Metals .....	2.2	3.1	17.7	8.4	2.8	24.9	52.0	54.3	92.9	57.4	64.7	163.5			
Transport equipment <sup>3</sup> .....	8.9	10.4	6.8	5.1	9.6	4.8	64.2	57.1	32.2	45.9	45.1	56.4			
Various plastic products .....	3.4	4.8	6.8	7.6	12.3	12.7	85.0	100.8	151.3	107.0	103.6	113.1			
Liquid fuels and lubricating oils etc, (excl. crude oil) .....	0.1	0.1	8.0	0.0	36.0	63.1	33.5	45.3	69.4	110.3	114.4	98.6			
Fish, crustaceans and molluscs, prepared or preserved .....	1.3	1.0	3.4	1.3	10.0	10.1	10.7	11.2	15.7	16.3	88.1	97.1			
Other products .....	62.3	87.5	96.9	92.1	117.8	95.5	450.4	517.2	600.9	481.4	719.9	634.1			
Total .....	346.4	408.5	597.7	513.1	685.1	750.2	2516.3	3362.5	3601.2	4368.2	4603.3	3921.9			

TABLE No. 2 (cont.)

Main product groups  
(arranged according to size  
of exports in 1975)

	Ireland						
	1972	1973	1974	1975	1976	1977	
Machines and instruments .....	78.4	101.9	92.5	84.1	102.1	99.5	
New ships and hulls, 250 GRT and over <sup>1</sup> .....	-	-	-	-	1.2	-	
Other chemical articles .....	6.8	7.8	16.0	9.1	17.1	21.3	
Various industrially processed agricultural products <sup>2</sup> .....	1.5	1.3	6.4	3.4	4.3	5.8	
Textiles and clothes .....	3.5	3.6	7.7	6.4	6.0	8.1	
Furniture .....	0.4	1.5	0.7	1.0	1.8	0.9	
Feedingstuffs (excluding straw, root crops, etc.) .....	1.1	1.9	4.0	7.4	12.4	8.8	
Worked metal products etc. ....	7.6	6.7	7.0	4.9	9.0	10.2	
Pharmaceutical preparations .....	5.1	10.4	11.8	10.9	13.8	19.7	
Non-metallic mineral products .....	2.1	2.4	1.6	1.6	1.8	2.1	
Metals .....	2.8	5.6	10.5	4.4	3.1	4.2	
Transport equipment <sup>3</sup> .....	3.3	2.7	2.1	2.3	2.9	5.9	
Various plastic products .....	3.2	2.8	5.4	3.5	3.2	4.4	
Liquid fuels and lubricating oils etc. (excl. crude oil) .....	6.4	3.2	8.5	0.0	20.6	0.0	
Fish, crustaceans and molluscs, prepared or preserved .....	0.2	0.1	0.1	0.0	0.2	0.1	
Other products .....	10.5	11.4	14.8	13.2	20.1	26.0	
Total .....	133.9	163.3	189.1	152.2	219.6	217.0	



TABLE No. 3

COMMUNITY PERCENTAGE SHARE OF TOTAL DANISH EXPORTS OF A NUMBER OF IMPORTANT  
INDUSTRIAL PRODUCTS IN THE PERIOD 1972-1977

<u>Main product groups</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
Machines and instruments .....	36.8	40.4	35.4	32.2	35.0	36.6
New ships and hulls, 250 GRT and over <sup>1</sup> .....	24.5	27.4	21.5	47.6	62.8	26.0
Other chemical articles .....	30.2	30.8	29.7	27.5	30.3	30.9
Various industrially processed agricultural products <sup>2</sup> .....	16.8	18.4	29.4	33.9	24.0	27.1
Textiles and clothes .....	20.4	22.7	21.4	21.7	21.9	23.5
Furniture .....	43.0	43.8	38.8	41.9	36.6	34.4
Feedingstuffs (excluding straw, root crops, etc.) .....	45.9	48.7	38.2	45.0	53.0	48.1
Worked metal products, etc. ....	38.1	37.5	31.4	27.0	31.1	32.4
Pharmaceutical preparations .....	24.9	28.3	26.2	29.6	29.0	31.2
Non-metallic mineral products ..	33.3	34.7	34.9	33.3	36.2	36.6
Metals .....	33.6	29.1	29.8	24.9	27.3	38.3
Transport equipment <sup>3</sup> .....	34.5	32.7	27.2	27.9	28.2	30.8
Various plastic products .....	34.5	32.8	33.5	31.8	30.7	33.3
Liquid fuels and lubricating oils etc. (excluding crude oil) .....	12.8	11.8	10.1	14.0	13.6	14.4
Fish, crustaceans and molluscs, prepared or preserved .....	32.1	39.1	47.6	56.9	55.4	58.6
Other industrial products .....	44.8	48.1	44.5	43.2	46.0	43.2
<b>TOTAL</b>	<b>33.7</b>	<b>35.8</b>	<b>32.3</b>	<b>33.3</b>	<b>35.5</b>	<b>34.4</b>

<sup>1</sup> 1972 and 1973: 100 GRT and above  
1976 and 1977: includes aircraft

<sup>2</sup> 1976 and 1977: other industrially processed agricultural products

<sup>3</sup> 1976 and 1977: transport equipment excluding vessels over 250 GRT and aircraft

Source: 'Statistiske Efterretninger', Danish Statistical Office

In 1977 Danish exports of metals to the Community were worth Dkr 587.8 million or 38.3% of total exports of this product as against 33.6% in 1972. The Federal Republic of Germany and the United Kingdom continued to be the main customers but there has been a considerable increase in sales to all Member States, with the exception of Ireland, since 1972.

The category 'ships, hulls and aircraft' tends to fluctuate sharply; the main customer is the United Kingdom. In 1976 the Community share of these exports was, for example, 62.8% but in 1977 it was down to 26%.

Other important product groups include feedingstuffs where the Community already accounted for 45.9% of exports in 1972, reaching a share of 53% in 1976 although this fell again in 1977 to 48.1%. The category 'various industrially processed agricultural products' has also seen a Community share fluctuating from 16.8% in 1972 to 33.9% in 1975 and 27.1% in 1977. As regards furniture there has been a significant decline in the Community's relative importance as a customer from 43% in 1972 to 34.4% in 1977. As regards pharmaceutical preparations there has, on the other hand, been a significant increase both in value terms and in the Community share of exports, from Dkr 136.3 million (24.9%) in 1972 to Dkr 398 million (31.2%) in 1977.

It can be concluded that during the first five years of Danish membership of the Community it was not possible to detect any clear trend towards an increase in the relative importance of the Community as a whole as a customer for Danish exports, since the different product groups reveal a number of conflicting trends. There has, on the other hand, been a major shift over the period 1972-77 in the relative importance of individual Member States for Danish industrial exports. In 1972 the United Kingdom was the biggest customer for Danish industrial exports among the present Member States and, in that year, purchased Danish industrial products to the value of Dkr 2,516.3 million, while the Federal Republic of Germany trailed with Dkr 2,226.3 million. The third place was occupied by Benelux with Dkr 855 million.

In 1977 the Federal Republic of Germany was the most important customer for industrial goods among the EEC countries<sup>1</sup> with imports from Denmark totalling Dkr 5,422 million. The United Kingdom imported goods worth Dkr 3,922 million, while Benelux with imports of Dkr 2,445.2 million had developed into a very important customer for Danish industrial exports.

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<sup>1</sup> Sweden is still the most important single customer for Danish industrial products, purchasing goods to a total value of Dkr 7,689.7 million in 1977

(d) Factors of special importance to industrial exports in the period 1972-1977

The gradual abolition of customs duties between Denmark, the original Community and Ireland, which was completed on 1 July 1977, might perhaps have been expected to change the pattern of Danish industrial exports in the first years of membership and to boost the Community's relative importance as an importer of Danish industrial products. Experience with the original Community has shown, however, that such changes become apparent only over a considerably longer period than that now under discussion. A number of factors affecting Denmark and its main trading partners presumably also acted as a brake on any upward trend in Danish industrial exports to the Community during the first years of membership!

During the boom period in 1973, production capacity of Danish industry was used to the full and many undertakings therefore had to turn down new orders. At the same time it was difficult to expand production capacity because of a lack of manpower. Moreover, during the same period many third country markets were expanding more rapidly than the Community market. This, combined with the fact that tariff preference on the Community market was relatively limited during the first years of membership and was not fully implemented until 1 July 1977, did not encourage Danish undertakings to promote exports on the Community market in the first years of membership.

Before membership, industrial producers were in a number of cases prepared to accept reduced profit margins in order to keep their competitiveness on the Community market. The reduction in customs duties enabled prices to be adjusted to a more 'normal' level. While this avoided the risk of losing a share of the market, it did not do anything to make Danish goods more competitive.

One of the third country markets that especially affected the trend of Danish industrial exports during this period was the Swedish market. In 1973 Denmark's main trading partner in the field of industrial products, Sweden, continued to show a relatively low level of business, and it was only in 1974, when the recession started in the rest of western Europe, that the upswing in Sweden reached a peak. In 1974 therefore Sweden attracted a large share of Danish industrial exports that might perhaps otherwise have been marketed in the Community.

When the recession finally started in Sweden at the end of 1974, possibilities for expansion on the Community market were greatly reduced because of the general fall in demand and industry's export drive was therefore directed in 1974 and 1975 more towards markets outside the Community and EFTA. During this period there was a considerable increase in exports to inter alia state-trading countries, the Middle East, and various overseas markets.

The renewed sharp rise in exports to the Federal Republic of Germany and Benelux in 1976 and 1977 was largely offset by a sharp drop in exports to the English market over the same period.

At the close of the 1970s the pattern of Danish industrial exports seems therefore to show a clear trend towards concentration on the nearby Northern European markets in the EEC/EFTA area with Sweden as the most important customer in 1977 followed by the Federal Republic of Germany , Norway and Benelux. The previously very important but geographically more remote British market has been in sharp decline; this is perhaps best illustrated by the fact that in 1977 Norway imported more Danish industrial products (Dkr 4,180.4 million) than the United Kingdom (Dkr 3,922 million).

This trend towards the concentration of industrial exports on the nearby Northern European markets as opposed to a more even expansion over the entire Community area finds its natural explanation in the easier accessibility of these markets to Danish exporters not only for reasons of language and geography but also because they are very similar to the Danish domestic market in terms of structure and consumer preferences. As, however, there is very keen competition in these 'easily accessible' markets, Danish industry has recognized the need to expand in the other Community markets, particularly the hitherto very much neglected French market where major export drives were launched in 1977 and 1978. The success or otherwise of these attempts to capture new markets within the Community rather than merely being content with expanding existing markets will presumably determine whether the relative importance of the Community as a customer for Danish industrial exports will increase in the years to come or remain largely unchanged, as was the case during the period 1972-77.

## 2. Imports

### (a) The general trend

Table No. 4 shows the general trend in Danish imports from the present Community, the present EFTA, the USA and other third countries in the period 1968-1977. The Community's share shows a high degree of stability, varying from 45% to 48% of total Danish imports, with a downward trend in the early 1970s and a renewed rise in 1976 and 1977. EFTA's share, which was 28.7% in 1972 and 1973, fell however to 24.6% in 1977. As for the USA and other third countries, the trend is very similar to that for exports, with the USA's share dropping and the rest of the world's share increasing; this trend is, however, gradually diminishing.

TABLE NO. 4

DANISH IMPORTS 1968-1977 in thousand million Dkr

	1968	%	1969	%	1970	%	1971	%	1972	%
Present Community	11.2	46.4	13.5	47.3	15.5	47.1	15.4	45.4	16.1	45.7
Present EFTA	6.4	26.5	7.8	27.5	9.1	27.6	9.6	28.2	10.1	28.7
USA	2.1	8.5	2.2	7.7	2.4	7.4	2.8	8.4	2.5	7.1
Rest of the world	4.5	18.5	5.0	17.5	5.9	17.8	6.1	18.0	6.5	18.5
Total imports	24.2	100.0	28.5	100.0	32.9	100.0	33.9	100.0	35.2	100.0
=====										
	1973	%	1974	%	1975	%	1976	%	1977	%
Present Community	21.5	46.0	27.5	45.5	27.3	45.9	35.4	47.2	37.9	47.6
Present EFTA	13.4	28.7	15.2	25.1	15.4	25.9	19.2	25.6	19.6	24.6
USA	3.1	6.6	3.7	6.1	3.6	6.0	3.8	5.1	4.6	5.8
Rest of the world	8.7	18.6	14.1	23.3	13.2	22.2	16.6	22.1	17.5	22.0
Total imports	46.7	100.0	60.5	100.0	59.7	100.0	75.0	100.0	79.6	100.0
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Source: 'Statistiske Efterretninger', Danish Statistical Office

(b) The trend in imports from the Community

Table No. 5 shows the trend in Danish imports by main product groups from the Community in the period 1972-1977 and Table No. 6 shows the trend in the Community's percentage share of total Danish imports of those products in the same period.

The most important product group of Danish imports from the Community is 'machines and transport equipment'. As early as 1973 there was a drop in the Community's share of total Danish imports from 60.1% in 1972 to 57.2%. This trend continued into 1974 when the Community share dropped right down to 54.4%. After a certain increase in 1975 and 1976 the share fell again in 1977 to 57.5%, which is still lower than in 1972.

The category of 'other finished products' has on the other hand shown something of an increase from 45.4% in 1972 to 48.9% in 1977.

As regards 'fuel', which mainly covers petrol and fuel oils, the Community share has fluctuated between 44.3% (1973) and 35.5% (1975) over the period under review and it is not possible to deduce any clear trend.

'Chemical products' witnessed a steady rise throughout the entire period and, with a 64% share of Danish imports in 1977, it is the category of products in which the Community countries are most strongly represented as suppliers to the Danish market.

'Beverages and tobacco' also show a sharp rise from 31.7% in 1972 to 53.9% in 1976, although in 1977 the Community share fell again to 49.4% of Danish imports. 'Foodstuffs' show a similar trend, reaching an all-time high of 30.5% in 1975 only to drop subsequently to 27.3%. 'Raw materials' on the other hand developed more evenly from 14.2% in 1972 to 18.7% in 1977.

(c) Factors specially affecting the trend

The trend in Danish imports of agricultural products from the Community is hardly surprising as, immediately after accession, imports were subjected to the mechanisms of the common agricultural policy and the subsequent preference for Community products in relation to products from third countries. With trading conditions exerting such a strong economic influence in favour of intra-Community trade, it was inevitable that there should be a change in the pattern of imports similar to that which occurred in the pattern of Danish exports of agricultural products<sup>1</sup>.

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<sup>1</sup> See section on agriculture, page 1

TABLE No. 5

## IMPORTS in million Dkr

	Community as a whole											France										
	1972	1973	1974	1975	1976	1977	1972	1973	1974	1975	1976	1977	1972	1973	1974	1975	1976	1977				
Foodstuffs .....	642	1062	1337	1331	1899	2188	42	94	161	98	155	203	642	1062	1337	1331	1899	2188				
Beverages and tobacco .....	186	263	241	326	427	453	91	152	113	151	211	225	186	263	241	326	427	453				
Fuel .....	1505	2217	4746	3929	4649	5848	25	47	124	124	107	298	1505	2217	4746	3929	4649	5848				
Raw materials .....	368	530	689	604	788	921	34	49	55	56	70	79	368	530	689	604	788	921				
Chemical products .....	1924	2418	3628	3391	3992	4395	157	201	311	297	363	421	1924	2418	3628	3391	3992	4395				
Machinery and transport equipment .....	5798	7728	7876	9571	12495	12239	641	566	569	709	867	1009	5798	7728	7876	9571	12495	12239				
Other finished products .....	5693	7243	8806	8037	10884	11586	599	744	931	806	1072	1104	5693	7243	8806	8037	10884	11586				
Total .....	16145	21500	27370	27289	35385	37916	1594	1855	2265	2241	2845	3350	16145	21500	27370	27289	35385	37916				
	Benelux											Federal Republic of Germany										
	1972	1973	1974	1975	1976	1977	1972	1973	1974	1975	1976	1977	1972	1973	1974	1975	1976	1977				
Foodstuffs .....	104	158	223	209	342	380	294	516	616	678	947	1092	104	158	223	209	342	380				
Beverages and tobacco .....	5	6	10	14	19	21	21	37	43	54	73	78	5	6	10	14	19	21				
Fuel .....	524	877	2029	1947	2341	2495	108	145	429	377	316	585	524	877	2029	1947	2341	2495				
Raw materials .....	75	116	160	138	160	199	149	240	323	269	388	463	75	116	160	138	160	199				
Chemical products .....	379	476	784	690	821	900	874	1143	1641	1598	1854	2035	379	476	784	690	821	900				
Machinery and transport equipment .....	612	940	940	1209	1448	1565	2906	4312	4251	5256	7091	6176	612	940	940	1209	1448	1565				
Other finished products .....	894	1213	1610	1369	1834	1871	2246	3044	3792	3422	4783	4975	894	1213	1610	1369	1834	1871				
Total .....	2595	3794	5756	5582	6987	7456	6611	9459	11138	11734	15635	15621	2595	3794	5756	5582	6987	7456				

Source: 1. Community trade classified according to product groups and principal countries, Supplement to Monthly Foreign Trade Bulletin, EUROSTAT

2. Denmark's imports and exports of goods, Danish Statistical Office

Note: Goods are classified according to SITC, the international classification system for foreign trade

TABLE No. 5 (cont.)

	Italy											United Kingdom						
	1972	1973	1974	1975	1976	1977	1972	1973	1974	1975	1976	1977	1972	1973	1974	1975	1976	1977
Foodstuffs .....	71	94	123	139	209	207	129	197	208	188	207	269	129	197	208	188	207	269
Beverages and tobacco .....	11	20	19	34	40	43	58	48	56	73	84	84	58	48	56	73	84	84
Fuel .....	111	130	340	136	88	252	737	1020	1824	1345	1797	2218	737	1020	1824	1345	1797	2218
Raw materials .....	28	36	43	51	56	62	81	87	105	89	104	110	81	87	105	89	104	110
Chemical products .....	67	77	139	118	147	155	446	521	749	681	791	860	446	521	749	681	791	860
Machinery and transport equipment .....	349	429	468	524	770	775	1277	1472	1630	1854	2300	2522	1277	1472	1630	1854	2300	2522
Other finished products .....	345	387	453	547	794	958	1598	1842	2001	1870	2362	2614	1598	1842	2001	1870	2362	2614
Total .....	985	1171	1586	1556	2128	2458	4332	5190	6576	6108	7665	8704	4332	5190	6576	6108	7665	8704

	Ireland					
	1972	1973	1974	1975	1976	1977
Foodstuffs .....	2	5	5	19	38	37
Beverages and tobacco .....	0	0	0	0	1	2
Fuel .....	0	0	0	0	0	0
Raw materials .....	1	2	3	2	9	8
Chemical products .....	1	2	5	7	15	24
Machinery and transport equipment .....	13	8	17	16	18	192
Other finished products .....	11	14	18	22	39	63
Total .....	28	31	49	68	121	327

Source: 1. Community trade classified according to product groups and principal countries, Supplement to Monthly Foreign Trade Bulletin, EUROSTAT

2. Denmark's imports and exports of goods, Danish Statistical Office

Note: Goods are classified according to SITC, the international classification system for foreign trade



TABLE No. 6

COMMUNITY PERCENTAGE SHARE OF TOTAL DANISH IMPORTS BROKEN DOWN INTO MAIN  
PRODUCT GROUPS IN THE PERIOD 1972-1977

	1972	1973	1974	1975	1976	1977
Foodstuffs .....	22.8	27.3	29.5	30.5	29.5	27.3
Beverages and tobacco .....	31.7	32.2	40.4	43.4	53.9	49.4
Fuel .....	38.9	44.3	41.2	35.5	37.7	43.7
Raw materials .....	14.2	15.9	16.0	17.3	18.0	18.7
Chemical products .....	58.0	58.2	59.3	59.3	62.2	64.1
Machinery and transport equipment	60.1	57.1	54.4	58.6	58.8	57.5
Other finished products .....	45.4	45.5	47.6	45.9	47.4	48.9
Total for Community .....	45.9	45.8	45.5	45.9	47.2	47.7

Source: Table No. 5

On the other hand, immediately after Danish accession there continued to be a customs preference for industrial products imported from EFTA rather than from the original Member States. This was not calculated to bring about changes in the traditional trade pattern in the initial stage of membership.

Lastly, the price policy pursued by export firms in the original Member States should be taken into consideration in assessing the significance of the gradual abolition of customs. It is generally acknowledged that before accession many of these firms applied extra low prices on the Danish market in order to compete with customs-free imports from the EFTA countries. They then adjusted prices, in the same way as many Danish export firms did on the Community market, to a more 'normal' level in connection with the abolition of customs duty. To the extent that this price policy has been pursued, the importance of the reduction of customs duty to the trading pattern has at the outset been limited. A rise in imports of industrial products in 1976 and 1977 does, however, seem to indicate that the complete abolition of customs duties will in the long term have an influence on the pattern of imports irrespective of the pricing policy followed by companies.

As a result of the continuation of the Danish national preference arrangements for developing countries in 1973 and of Denmark's participation in the Community's general preference scheme as from 1974<sup>1</sup>, exports from a number of developing countries benefited from greater tariff preferences than exports from the original Member States of the Community during the period up to 1 July 1977. Since during the same period several of them were rapidly becoming industrialized, this, together with customs exemption, obviously led to increased imports of their already cheap products. Thus, Danish imports (excluding fuel) from Asian countries (most of which are entitled to developing country preferences) increased from about Dkr 1,600 million in 1972 to Dkr 6,400 million in 1977.

Imports other than of fuel from the East European state-trading countries likewise increased sharply in the period 1972-1976 from Dkr 800 million in 1972 to Dkr 1,800 million in 1976. In 1977, however, imports from these countries dropped again to Dkr 1,600 million and there is evidence that these countries' difficulties in supplying consumer goods of a high standard are a major obstacle to continuing expansion. The prices of finished products from the state-trading countries are normally so low, in fact, that the Community's third country tariffs have no appreciable influence on the competitiveness of such products in terms of prices.

In addition to the abovementioned trends in foreign trade, expenditure on

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<sup>1</sup> See also section on trade policy, page 86.

fuel imports, which from the end of 1973 used up a considerable proportion of the funds which would otherwise have been available for importing other products, was also of decisive importance. Danish expenditure on imports of fuel increased from Dkr 3,800 million in 1972 to Dkr 13,100 million in 1977. Since up to 1976 almost two-thirds of these imports came from countries outside the Community, this could not but have an adverse effect on the Community's share of total Danish imports. Only in 1977 did the trend change towards increased fuel imports from the Community.

In the light of the above factors, which have to a considerable extent militated against any expansion of trade between Denmark and the other Community countries particularly during the first years of membership, it is hardly surprising that a clear trend towards increased imports from the other Member States did not emerge until as late as 1976 and 1977. Furthermore, it is uncertain whether this trend will persist as the continuing process of industrialization in the developing countries will mean a tendency towards increased trade with these countries, unless there is intervention in the form of trade policy measures.

#### B. EEC TRADE POLICY AND ITS SIGNIFICANCE TO DENMARK

As is clear from the section on Danish foreign trade in the period 1972-1977 it is difficult to point to any major shifts in Denmark's trade with the Community as a whole with the exception of agricultural products. There has, on the other hand, been some change in the pattern of trade between Denmark and the individual Community countries, particularly in regard to industrial exports, with the result that the Community as originally constituted (the Six) today plays a far greater role in Danish foreign trade than was the case prior to Denmark's accession. As already indicated above in the sections on the trend of exports and imports during membership of the Community it has to be assumed that not only the general economic development of Denmark's trading partners but also Danish participation in the customs union and the Community's trade policy have been of major importance for the conditions under which Danish industry has operated during the first years of membership of the Community and hence for the developments that have taken place even in a number of cases where this does not emerge directly from the trade statistics. The most important aspects of the customs union and trade policy and their importance to Denmark are discussed below.

##### 1. The Customs union<sup>1</sup>

As mentioned in the introduction to this section, Denmark reduced the difference between the Common Customs Tariff rates and its 1972 tariff rates

<sup>1</sup> The Customs union is not, strictly speaking, part of the Community's trade policy, but its effect on the individual Member States is of a 'trade policy' nature. Moreover, since the Customs union and the Community's trade policy are in many ways closely connected, it seems appropriate to treat them together

by 40% on 1 January 1974 and by a further 20% on 1 January 1975 and 1 January 1976; since 1 July 1977 there has been full harmonization with the Community's external tariff. The customs duty applied between the old and the new Member States was progressively dismantled in accordance with a similar timetable starting with 20% on 1 April 1973.

(a) Transition to the Common Customs Tariff

Since the majority of Denmark's foreign trade is concentrated on the Community/EFTA area and since the previous EFTA duty exemption has been maintained, the effects of Danish adjustment to the Community's external tariff are obviously limited. In 1977, 72.2% of all Danish imports came from the Community/EFTA area. To this has to be added imports from other third countries entitled to preferences, so the proportion of Danish imports subjected to full third country tariffs is very small.

Finally, the Community's external tariff rates are more or less in line with the Danish 1972 tariff rates although the former show a tendency towards slightly higher rates for raw materials and slightly lower rates for finished products.

It can therefore be concluded that the extent to which Danish imports from third countries have been subject to higher customs duties as a result of membership has been very limited<sup>1</sup>. This is also reflected in the fact that the customs-exempt GATT quotas for imports from third countries that had to be fixed by the Community in compensation for the transition of the new Member States to the Common Customs Tariff were very limited as far as Denmark is concerned.

(b) Abolition of customs duties and quantitative restrictions between Member States

Although not immediately apparent from the general statistics, the effects of the abolition of reciprocal customs duty between the old and the new Member States and the abolition of quantitative restrictions are rather greater.

The fact that customs duties are being abolished within a customs union and not within a free trade area is of considerable importance; rules of origin, for instance, do not have to be applied in intra-Community trade. Producers are therefore much freer in their purchase of raw materials and semi-manufactured products and can choose freely between products from the Community

<sup>1</sup> One of the few exceptions to this rule is the tobacco industry which imported raw materials duty-free before accession. Denmark imports its raw tobacco mainly from third countries, and therefore the price of the raw materials increased after accession. Imports could not be switched to Community-grown tobacco without changing the nature of the final product. Another exception is the corrugated paper industry which after 1973 switched its purchases of raw materials from the USA to Scandinavia

and third countries without there being any risk that the products will not be given preferential treatment in intra-Community trade. In practice, however, a producer who exports a certain amount to the EFTA area often adapts his production to Community/EFTA rules of origin, even as regards that part of it which is to be marketed inside the Community, since in many cases it would not be worthwhile to make a differentiation in the production of otherwise uniform products.

Despite the obvious advantages of the customs union, the strongly EFTA-oriented Danish industry can make only partial use of them in that the Community/EFTA rules of origin are to some extent 'rubbed off' onto that part of production that is marketed within the Community.

Another 'imperfection' on the internal market is the incomplete abolition of quantitative restrictions between Member States as regards products originating in third countries. Even though, as mentioned above, no rules of origin are applied in intra-Community trade, an importer of a particular product may be required to prove that it does not originate in a third country in respect of which the Member State in question maintains national quantitative import restrictions.

One result of this situation regarding third country products on the internal market which is very confusing for the ordinary firms is that in many cases they avoid having anything to do with re-exporting<sup>1</sup> third country products to the rest of the Community even in cases where such would have been possible. In theory an importer or exporter can be guided by the common liberalization lists<sup>2</sup> of state-trading countries and other third countries, but since individual Member States are regularly authorized to exempt products on those lists from Community treatment (in other words again subject them to quantitative restrictions), it is difficult for a business to base long-term measures on the liberalization lists.

Finally, it should be emphasized that the work on eliminating technical barriers to trade<sup>3</sup> is extremely important for the functioning of the internal market. Not only the export-oriented sector of industry but also a large number of importers feel that the need for harmonization of technical specifications has been far from satisfied. This applies, for example, to sectors such as electrical equipment, tools and machine tools and agricultural machinery.

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<sup>1</sup> As regards imports of third country products from other Member States, the situation is often different since it will normally be easier for an importer to keep up to date with the import regulations in force in his own country.

<sup>2</sup> Products on these liberalization lists are in principle exempt from any Community or national quantitative restriction.

<sup>3</sup> For further details see the chapter on industry, p.46.

Leaving aside these consequences of the lack of harmonization between EFTA free-trade agreements and the common customs union and incomplete implementation of the internal market, it has to be acknowledged that, now that internal tariffs have been completely abolished, the customs union gives Danish exporters and importers greater advantages not merely as regards operations in intra-Community trade but also as regards imports from third countries. Irrespective of which Member State imports products from third countries, customs rates and documents will be the same and it will be possible for the products (with the above exceptions) to be distributed freely to the other Member States under a uniform procedure. Since a considerable proportion of an undertaking's outgoings relate to administrative expenditure in connection with customs clearance<sup>1</sup>, the purely 'paper' advantages of the customs union could in the longer term very well prove to be among the most important.

## 2. Free trade agreements between the Community and EFTA countries

As mentioned in the introduction to this section, Community agreements with the individual EFTA countries were a prerequisite for the maintenance of the previous customs exemption for industrial products between Denmark and those countries. It was crucial to Denmark that 'a new customs barrier should not be set up in the 'Øresund' after accession. Apart from a few exceptional cases, such an undesirable development has been successfully avoided.

### (a) Rules of origin

The biggest upheaval for the Danish business world in connection with the entry into force of the EFTA agreements was the application of new and considerably more complicated rules of origin. Whereas during the earlier EFTA cooperation the rules had been relatively simple, being based on a certain percentage of added value, the principle of the new rules was that a product should change its tariff position in order to acquire origin. In addition there were many exceptions to this rule.

After some transitional difficulties Danish business has now learnt to cope with the new rules and it is therefore not so much the understanding of the rules as the consequences of their application which is the problem.

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<sup>1</sup> The Commission estimates that this expenditure can amount to up to 7½% of the price of a product and thus in some cases can be more of a burden than customs duty

The Danish textile industry in particular, which exports most of its products to the EFTA area, has had considerable difficulty in applying the new rules of origin because of the lack of cumulation possibilities<sup>1</sup> in the case of a product processed in several Community or EFTA countries. The result is that a product manufactured entirely from components originating in the Community or EFTA can, in certain circumstances, be subjected to full third country customs duty when imported into a Community or EFTA country. The important Danish electronics industry has come up against similar problems in EFTA exports. The so-called 'transistor rule'<sup>2</sup> in particular has been a constraint for Danish electronics manufacturers when exporting to EFTA countries.

(b) Exceptions to customs exemption

Although as a general rule no new tariff barriers have been set up between Denmark and EFTA as a result of Danish accession, there are some areas where previously duty-free products are now subject to duty. This applies to certain processed agricultural products (e.g. tobacco) and, during a transitional period, certain sensitive products (including paper products). It is true that duty-free quotas of sensitive products have been fixed for Denmark and it should be possible to import them duty-free during a transitional period, but the quotas have in several cases proved to be inadequate partly because of Denmark's re-exportation of the products in question.

Attempts are currently being made to find a solution for the most important processed agricultural products, and the problem of inadequate duty-free quotas was a purely temporary one. In many cases it can be assumed that the advantages and disadvantages of incomplete customs exemption balance each other out, for while in some situations it hampers Danish exports, in others it provides Danish industry with some protection.

(c) An effect of membership?

Altogether, the EEC/EFTA agreements, despite certain shortcomings, are the most important aspect of the Community's actual trade policy insofar as Denmark is concerned. Through them Denmark has been able to maintain and expand its traditional trade links with its previous EFTA partners while at the same time benefiting from the advantages of the EEC customs union. For the sake of completeness, however, it should be pointed out that the impact

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<sup>1</sup> Cumulation: aggregating several processes carried out in different countries (which individually do not give a product the required origin status) and thus acquiring the necessary status

<sup>2</sup> If the value of transistors without origin status used in a radio or television set is more than 3% of the value of the final product, the final product no longer fulfils the rules of origin requirements and is subject to full duty when exported to an EFTA country

of these agreements on Denmark cannot be entirely regarded as a consequence of Danish membership; if Denmark had stayed outside the Community, it would in all probability have concluded a free-trade agreement with the Community similar to those it concluded with individual EFTA countries. There would undoubtedly have been the same problems as regards rules of origin and incomplete customs exemption in the operation of the EFTA agreements as there are today. They would, however, have affected Danish trade not only with EFTA but also with the Community as a whole, where Denmark, as a member of the customs union, today enjoys considerably more favourable terms than the EFTA countries.

### 3. Relations with the Mediterranean countries

Today, only a small part of Denmark's foreign trade is centred on the Mediterranean countries including the associated countries Greece and Turkey and the Community's trade policy activities in that area are, therefore, in the short term, of limited importance to Denmark. Denmark is also one of the Member States with the least problems under the Community's preference scheme in this area, since practically no Mediterranean agricultural exports (citrus fruits, vegetables, wine and olive oil) compete directly with Danish products (grain and various animal products). The proposed enlargement of the Community to include the three Mediterranean countries Greece, Spain and Portugal is not expected to have any direct appreciable effect on Denmark's foreign trade. The agricultural industry may, however, benefit from improved export opportunities for certain animal products.

### 4. Generalized Scheme of Preferences for the developing countries

Even before accession, Denmark had a scheme of preferences for developing countries and this continued unchanged in 1973. The Danish preference scheme was particularly simple, consisting of full and unlimited customs exemption for all industrial products from countries qualifying for preferential treatment.

The entry into force in Denmark on 1 January 1974 of the Community's somewhat complicated scheme of preferences for developing countries meant an agonizing upheaval for Danish importers: because of the Community's tariff quotas and import ceilings it was impossible to calculate the amount of customs exemption in advance and as a result many importers based their own prices on full payment of customs duty on many products. One consequence of this was that the preference scheme no longer made developing country products very competitive; instead it meant occasional extra earnings for importers that were fortunate enough to obtain customs exemption.

Although in recent years the Community's scheme of preferences has been liberalized, it is still far from being as simple as the former national



scheme. Danish import circles generally appreciate, however, that a scheme as liberal as the former Danish one cannot reasonably be expected to be applied in the Community at present. What they want is not so much a more liberal scheme as the possibility of making advance calculations on the basis of a fixed tariff rate.

One could imagine that Danish industry had benefited from the increased protection offered by the Community's scheme of preferences! This is true in theory rather than practice, since Danish industry produces fewer and fewer products that compete with imports from developing countries.

#### 5. State-trading countries

Before accession, Denmark, like the other west European countries, limited imports of a variety of sensitive products from state-trading countries in order to mitigate the undesirable effects of the difference between the economic systems. On 1 January 1975 the EEC's common trade policy towards state-trading countries entered into force, after which Member States' import quotas could in principle no longer be the subject of bilateral agreements between individual Member States and state-trading countries, since the quotas were from then on to be fixed by the Community only. So far, however the joint Community arrangement has consisted merely of a 'carbon copy' of the former national arrangements and this state of affairs is likely to continue for as long as COMECON refuses to accept the idea that the Community should conclude agreements with the separate East European state-trading countries instead of with COMECON as a whole.

The only exception in relation to the state-trading countries is the 1978 agreement with China, which is not a member of COMECON. Even although Denmark has extremely good bilateral relations with China, the Community agreement will undoubtedly be useful for Danish companies wanting to participate in major Chinese development projects in collaboration with firms from other Community countries. As many of the projects planned in China are on such a scale that even major Danish companies cannot carry them out on their own, the Community agreement with China could very well acquire greater importance for Denmark than one would at first sight be prepared to assume.

#### 6. The Lomé Convention

The Lomé Convention between the Community and the 56 ACP countries<sup>1</sup> is often singled out - and with justification - as an epoch-making innovation in cooperation between the industrialized world and developing countries and as one of the most important developments in the Community's policy towards the Third World.

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<sup>1</sup> ACP: African, Caribbean and Pacific

The direct economic impact on Denmark of the Lomé Convention is, however, very limited because only a very small percentage of Denmark's foreign trade is with those countries<sup>1</sup>. Moreover, all industrial products from the ACP countries were imported duty-free even under Denmark's former national scheme of preferences for developing countries.

Although the direct impact on Denmark and the other Member States is small, the Lomé Convention provides a basis for the future development of trade. It also provides support for the economy of the ACP countries through inter alia the Stabex Fund and increased technical and economic cooperation.

To the extent that the Lomé Convention contributes to improving economic development and consequently to increasing stability in the ACP countries, it will be of direct benefit to Danish exports and to the activities of Danish undertakings in these countries. This could above all turn out to be the case in regard to projects, financed by the fourth Development Fund, which was set up under the Lomé Convention<sup>2</sup>. However, these indirect effects will be more long term and are therefore not **apparent** at present.

#### 7. The Community's non-preferential<sup>3</sup> trade agreements

In addition to the abovementioned trade policy arrangements, the Community has concluded non-preferential trade agreements with a variety of third countries. These agreements by themselves have only a very limited effect on the economy of the countries concerned and their function is primarily to provide a formal framework for technical and economic cooperation between the partners. Accordingly, it is normally very difficult to demonstrate any direct consequences.

Only in cases where agreement is reached under a non-preferential agreement on general tariff reductions by the Community, for instance as part of a generalized scheme of preferences for the developing countries, but with particular reference to the country concerned (which is normally the main exporter of the product in question), is there any question of demonstrable effects of a non-preferential agreement.

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<sup>1</sup> Danish distillers take the view, however, that giving preferential status to imports of alcohol from these countries may threaten Denmark's production of alcohol of agricultural origin

<sup>2</sup> To date, however, Denmark has made only very limited use of the opportunities offered by Community projects in developing countries. For example, at 31 March 1978 Denmark accounted for only 0.35% of the total value of projects put out to tender

<sup>3</sup> Agreements that do not provide for tariff reductions in trade between the parties

## 8. General scheme governing imports from third countries

The power that exists under this scheme to initiate, in accordance with GATT rules, anti-dumping procedures in the event of third country exports of state-subsidised products at prices below the true production costs of the products in question has in recent years acquired steadily growing importance for the Community and hence for Denmark as well. This is due to the fact that there is general agreement today among the western industrialized countries to refrain from unilateral import restriction measures as a means of helping industries in difficulties. Instead, the authorities are resorting to direct or indirect state subsidies to the industries concerned thereby enabling them to maintain their exports by virtue of prices that do not cover true production costs. As the borderline between admissible state aid and dumping is undefined and as aid can assume innumerable forms the problem is extremely difficult to eliminate.

Among the Community countries themselves it is a question of observing the rules of competition<sup>1</sup> whereas in relation to third countries the problem is purely one of trade policy and countermeasures therefore have to be justified by the existence of dumping within the meaning of the GATT rules.

In recent years the Community has in several cases initiated anti-dumping proceedings against third country exports of state-subsidised products which have as a rule resulted in the countries concerned agreeing to raise their export prices.

Examples of Community anti-dumping proceedings of importance to Danish companies are the 1978 cases concerning kraft liner from Finland, Canada, Sweden, Austria and Portugal and artificial wood (chipboard) from Spain and Sweden. In the latter case the Danish authorities tried at the end of 1977 to resolve the problem with Sweden on a bilateral basis. The Danish Minister of Commerce was however unable to convince the Swedes that their exports of chipboard were based on illegal state aid and the exports therefore continued and gradually began to threaten the existence of Danish chipboard manufacturers. The Commission was brought into the matter early in 1978 and immediately initiated anti-dumping proceedings against Sweden with the result that on 1 March 1978 the Swedes raised their prices to a level that bore a realistic relationship to the cost of manufacture.

A problem which is considerably more difficult to solve is third countries' sale of state-subsidised products on their own home markets and on other markets outside the Community, where they compete with Community products. Danish industry is strongly affected by this problem both on the Norwegian and the Swedish market. The EFTA-countries indeed have undertaken an obligation to respect the principles on which the EEC's rules of competition are based, but as the legal implications of this obligation are disputable, the possibilities of an efficient action on the part of the Community are probably limited.

Generally speaking, Danish industry, which traditionally receives only a very limited amount of state aid, has a major interest in the Community's efforts to combat with trade policy measures subsidy schemes in third countries which result in exports of state-subsidised products to the Community. It can be assumed that, in its capacity as the world's largest trading power,

<sup>1</sup> For further details see the section on the Community's rules of competition, p. 60.

the Community has a large share of the credit for the fact that the tendency to grant state subsidies has been contained to such an extent that in the 1970s we have so far been spared a modern version of the destructive trade war of the 1930s. That the Community would be in an even stronger position in the eyes of the outside world to pursue this role, e.g. in the textile sector, by stepping up its efforts to combat government subsidies in its own Member States is another matter which does not decisively effect the position outlined above.

## 9. Community import arrangements in individual sectors

### (a) Export restriction agreements as part of the GATT multifibre agreement

In 1975 and 1976 the Community concluded agreements restricting exports of cheap textile products from a variety of low-cost countries. Depending on the exporting country concerned, the agreements covered both clothes and piece goods. These agreements were replaced in 1978 by a series of new, more restrictive agreements with 30 low-cost countries, covering approx. 90% of the Community's imports of cut-price textiles.

The Danish textile industry originally showed no particular desire for these arrangements. Indeed, many of the semi-manufactured products used by the Danish industry were subject to restrictions, but the export quotas were so high that the textile industry did not really suffer from them. However, at the close of the 1970s the situation seems to be changing: some low-cost countries are today in a position to compete not only on price but also in terms of quality and fashion - previously the main strength of the Danish textile industry in competition. If the Danish textile industry today finds the competition from government-subsidised firms in the EEC and EFTA area<sup>1</sup> just as great a handicap as that from low-cost countries this may very well therefore be due to the fact that the previous and present export restriction agreements for textiles have averted a surge of imports of new kinds of quality goods from the low-cost countries which could have forced the Danish textile industry not only off its home market but also off the export markets in the rest of the Community.

After some transitional problems<sup>2</sup>, the import trade has learnt to cope with the system without any particular administrative difficulties. Since, however, supplies in the exporting countries are being artificially restricted, the export restriction arrangements have inevitably led to price increases, mainly in products for which the quotas fixed are much lower than the actual demand.

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<sup>1</sup> For further details see above p. 60.

<sup>2</sup> In the autumn of 1975 there was a chaotic situation as regards textile imports from Hong Kong: in July, Hong Kong had negotiated quotas for the whole of 1975 that proved to be largely used up when the agreement entered into force retroactively in the middle of the year.

As these export restriction agreements function not only as safeguards but are also a longer-term prerequisite for liberalization of intra-Community trade in textile products originating in third countries, they are accepted not only by the industry but also by the import trade as a necessary element of the Community's trade policy despite the inconveniences they may create for the latter in connection with imports from the third countries concerned. As regards the new agreements that entered into force in 1978 the import trade does however feel that the protectionist element has now assumed such proportions as to conflict with the principles of the international division of labour on which the Community's trade policy has traditionally been based.

(b) Import arrangements for processed fruit and vegetable products

After several years of negotiations, the Community adopted a common import system for processed fruit and vegetable products in the summer of 1975. The main feature of the arrangement is a general liberalization of imports supplemented by certain safeguard mechanisms to prevent products being imported in such quantities or at such prices as to distort the market.

The effects of the arrangement for Denmark are limited although, when it entered into force, it was slightly more liberal than the former national provisions - mainly in relation to state-trading countries. In some cases, however, the prices of semi-manufactured products used by the Danish canning industry may be higher, as is the case with certain tomato products.

(c) Common import arrangements for live trees and other plants, bulbs, roots and the like, cut flowers and ornamental foliage

This regulation, which with a few exceptions provides for general import liberalization, entered into force on 1 January 1976 and likewise had few repercussions for Denmark compared with the opening of the Danish market to imports from the other Member States when Denmark joined the Community. This is because Danish horticulture had already largely gone over to producing products that did not compete with imports<sup>1</sup>.

(d) Steel

One part of the Community's efforts to rationalize the European steel market<sup>2</sup> comprises a series of bilateral trade policy arrangements with a number of third countries aimed at ensuring that imported steel products are in line with the Community's internal price level. The agreements with the EFTA countries are the most far-reaching as, in addition to fixing minimum prices for exports of a number of steel products to the Community, not least in response to pressure from Denmark, they impose obligations on these countries

<sup>1</sup> See on this subject the section on horticulture

<sup>2</sup> For further details see p. 52.

to maintain a price level corresponding to that of the Community on their internal markets as well, so that all their metal-processing industries are placed on an equal competitive footing with the Community's industry. The agreements with the other third countries confine themselves to laying down minimum prices for a number of the most common steel products upon export to the Community.

As the agreements are a part of the Community's overall steel policy it cannot be said that they in themselves have led to an increase in Community steel prices, but they are essential to the maintenance of the internal price level for steel which is a central element in the steel policy. Their particular effect consists therefore chiefly in the added administrative burdens that they have entailed for importing companies in regard to the use of special import certificates, guarantees, etc. There is, however, some understanding among steel-importing firms of the need to introduce temporary measures of this nature on condition that the desired rationalization of the steel market is in fact carried out and free trade subsequently restored.

(e) Other import arrangements

Apart from the abovementioned import arrangements, which represent more independent elements of the EEC trade policy, there are permanent or temporary surveillance arrangements to control quality, price and quantity, especially in the agricultural sector but also for certain industrial products.

Most of the agricultural arrangements form an integral part of the common agricultural policy and it is difficult to isolate their effects from those of the agricultural policy in general.

Similarly, it is difficult to assess the consequences of surveillance arrangements as regards industrial products, but it may be assumed that in some cases they can lead to a certain restraint on the part of the exporting countries at which they are directed and thus avert the development of an impending distortion of the market.

10. Community export arrangements

These arrangements are mainly part of the common agricultural policy, and here too it is difficult to distinguish their effects from those of the general policy.

One of the other export arrangements that is of some importance to Denmark is the ECSC quota for scrap metal exported to third countries, which to some extent limits exporters' freedom to trade with third country markets.

## CHAPTER V

### COORDINATION OF ECONOMIC AND MONETARY POLICY

There has been a considerable deterioration in the Danish economy in recent years despite the economic advantages of EEC membership. The balance of payments deficit, interest rates, inflation and unemployment have all risen substantially.

It is not possible to determine accurately the impact of EEC membership on the development of the Danish economy. All the estimates available do show, however, that membership is of clear economic benefit to Denmark. To put the blame on EEC membership for the current economic difficulties is to fail to appreciate the economic facts of life and to underestimate both the influence of the international economic situation on the situation in Denmark and Denmark's own responsibility for the policy it has itself pursued.

However, developments in recent years have shown that while governments have individually been able to exert some influence on general economic developments, they have been unable, even through joint action, to solve the problems confronting them. Developments have also shown that, if the Community is to perform better in the future, it must to a greater extent be able to act on the basis of a common strategy and in cooperation with other regions in the world.

An account of economic and monetary cooperation within the European Community cannot provide any detailed conclusions as to the consequences for Denmark. It can, on the other hand, show how, and to what extent, this cooperation may - in the future to a rapidly increasing extent - influence Danish economic and monetary policy and to what extent Denmark itself can influence the way in which these opportunities are used.

#### 1. The growth of cooperation

The period from the establishment of the Community up to 1968 was marked by a degree of stability on international currency markets. However, the instability characterizing exchange rates since 1968 created serious difficulties for the Community: the common agricultural policy was based on a system of fixed exchange rates, and other important Community policies were also jeopardized by monetary instability.

A coordinated economic and monetary policy is a fundamental requirement if there is to be genuine integration of the economies of the Member States and if the Member States are to regain jointly the economic autonomy which all countries - whether or not members of the Community - are losing individually as a result of their steadily increasing dependence on developments in other parts of the world (reduced effectiveness of national policies). In the late 1960s a more determined attempt was therefore made to put into practice the EEC Treaty's objectives in this field and to establish an economic and monetary union during the 1970s.

The Community rapidly reached agreement on the contents of the first stage lasting three years, but it transpired with equal rapidity that a development of this nature could not be divided up into predetermined stages and that the process would take longer than originally hoped. The objectives of the first stage had been only partially realized by 1 January 1974, the date when, according to the original plans, the second stage was to have been entered upon. Furthermore, three events altered the underlying economic and political assumptions: the existing international monetary system broke down during the period 1968-1973; the transition to the second stage coincided with the enlargement of the Community: the oil crisis.

On the whole, it has proved possible to maintain the achievements of the period up to 1972 and, since then, to make further progress in a few sectors. In the period from 1973 to 1977, on the other hand, little was done to promote the cause of economic and monetary union. A Commission study group sees two reasons for this standstill; a lack of political will and an inadequate understanding of the conditions for, and implications of, economic and monetary union.

In 1978 the Governments of all Member States showed growing understanding of the need for a common economic and monetary strategy to solve the existing economic problems. Even though this consensus has so far had only limited practical effect, 1978 was the year when the idea of establishing an economic and monetary union was revived; no-one imagines, however, that this can be achieved within a few years.



## 2. Current state of cooperation

Cooperation covers both economic and monetary policy. The decisions taken over the years point to a growing awareness of the need as far as possible to make progress in both areas, as the problems are interrelated.

During the first stage of cooperation it was hoped that monetary cooperation would lead more or less automatically to more uniform economic development. Developments during the years 1970-73 showed that this was not the case. Fixed exchange rates were impossible as long as the economies of the Member States continued to diverge so widely.

The machinery for coordinating economic policy in the Member States was therefore strengthened at the beginning of 1974, though without imposing any actual requirements on the Member States, and it is in the agreements reached in 1978, including, for example, the agreement on the new monetary system (EMS), that the close relationship between economic and monetary developments is most emphatically acknowledged.

### (a) cooperation on economic policy

Cooperation relates to both structural policy and short-term economic policy.

The Council has adopted guidelines for the medium-term economic policy of the Member States (structural policy), most recently for the years 1976-80. The programme is, like its predecessors, indicative in nature and its practical effects have therefore remained limited. A policy of greater significance has been direct Community intervention in the reorganization of industrial structures (e.g. the iron and metal-processing industry, the textile and clothing industries, shipbuilding). Cooperation on short-term economic policy means that each year guidelines are laid down by the Council for the policy to be pursued by the Member States and that the Member States must consult each other on major changes.

The Community has, in this connection, laid special emphasis on the introduction of control over the growth of money supply in the individual Member States and their budgetary policies, with particular reference to the rate of increase, budgetary balances and the method of financing.

It can rightly be claimed that the guidelines laid down by the Community have mainly reflected the policies already planned by the Member States and that the powers wielded in these areas by the national authorities have, in actual fact, been retained by them.

Although the results cannot be quantified and the Member States have often failed to fulfil the requirements which they themselves voted for in the Council, the procedures in question have nevertheless turned out to be of great value. Regular contacts and the resulting appreciation of the situation in the other countries, together with prior knowledge of their future plans, have made a major contribution to the gradual process of steering the economic policies of the Member States towards converging objectives.

The biggest advance so far was made in July 1978 when the Council reached agreement on a concerted action aimed at increasing the overall multiplier effect of the measures taken by the individual Member States. The Federal Republic of Germany and the Benelux countries agreed to boost the level of economic activity, while Ireland and Italy, of necessity, agreed to fairly restrictive guidelines; Denmark, France and the United Kingdom were allowed somewhat greater freedom of action to stimulate demand through changes in fiscal and financial policy. The aim of this action was and remains to bring about an appreciable increase in overall economic growth in stable conditions, to restore gradually full employment, to bring living standards into line and to reduce regional disparities within the Common Market.

(b) cooperation on monetary policy

Monetary cooperation has concentrated on exchange rate cooperation and the credit system, but has, at the same time, been accompanied by certain guidelines for monetary policy (with particular reference to increases in the money supply).

- cooperation on exchange rates

The 'old' international monetary system broke down during the period 1968-73. Several attempts were made at international level to restore stability and, as part of this broader international monetary cooperation, the Community decided in the spring of 1972 to allow its currencies to 'float jointly' (although not from the outset in relation to the US dollar) in what became known as 'the snake'; the Member States fixed central rates with a permissible fluctuation either way of 2½%. Larger fluctuations were regarded as incompatible with European cooperation. In addition to the then six EEC countries, Denmark, Norway, the United Kingdom and Ireland joined the scheme.

Although it was possible to revalue and devalue currencies within the 'snake', some Member States soon opted to abandon it so as to let their currencies float independently; Sweden, on the other hand, joined the scheme for a while<sup>1</sup>. The 'snake's' original role as an instrument of Community policy was therefore obscured, but the system did - despite internal adjustments to exchange rates - create a degree of stability for the participating countries at a time of monetary instability.

Assessments of the value of the 'snake' vary widely but, as experience in Italy, the United Kingdom and France began to show that devaluation acted as an independent source of inflation, the 'snake's' standing has gradually been strengthened despite the limited number of participants, even outside the immediate circle of member countries.

The new European Monetary System (EMS), which was agreed in December 1978 but which has not yet come into operation owing to disagreement over the monetary compensatory amounts for agricultural products, marks a major extension of the 'snake' system both in regard to the number of participating countries and the machinery involved. All the Community Member States have indicated that they wish to join, although the United Kingdom does not at present feel in a position to participate in the exchange rate mechanism.

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<sup>1</sup> Except for a period of four months in 1972, Denmark has the whole time participated in the 'snake'.

The nucleus of the new system is the same intervention mechanism as is used in the 'snake': the Member States are required to keep exchange rates within the agreed margins (2½% either side of the central rate). A new feature is an international monetary unit, the ECU, which, in addition to functioning as a unit of account, is to be used for payments between central banks, to determine central rates and as a divergence indicator ('alarm bell')<sup>1</sup>. Furthermore, the Member States are to deposit 20% of their gold and dollar reserves and, over a period of two years, a European monetary fund will replace the European Monetary Cooperation Fund, which was set up in 1973 but never acquired any real importance. Finally, the existing credit facilities will be expanded considerably and there will be coordination of exchange rate policy and economic policy in general.

- The Community's credit system

In the early 1970s agreement was reached on the establishment of a credit system to improve the facilities available to the Member States for countering currency speculation and to facilitate financing of their balance of payments deficits in the short and medium term.

The credit system has undergone continual expansion during the 1970s. It consists of:

- very short-term credit: This forms part of the 'snake' and will be increased under the EMS; the participating central banks have undertaken to grant one another unlimited credit for a brief period (current month plus 30 days; this period will be extended by 15 days when the EMS enters into operation). On two occasions in particular, Denmark has benefitted greatly from being able to draw on these automatic credit facilities in response to pressure on the krone<sup>2</sup>;
- short-term credit: In addition to very short-term borrowings, credit is available for three months with the possibility of extension for a further three months. As a member of the 'snake' Denmark has been able to draw on a quota of 90 million UA but has not made use of this facility. Under the proposed EMS such credit may be extended for a further three months and the quotas will be increased. The total quota for this short-term credit system at present amounts to just under 3,000 million UA and in the EMS will be increased to 14,000 million ECU<sup>2</sup>;

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<sup>1</sup> It does not therefore - as yet - constitute a new currency that can be used in ordinary international currency and loan transactions

<sup>2</sup> Under the very short-term and short-term credit system, credit is normally granted automatically on the basis of an agreement between the central banks (although unanimity is required among the governors of the central banks before use can be made of a portion of the short-term credit (the 'rallonge')). No conditions relative to economic policy attach to the granting of such credit

- medium-term credit: In addition, credit is available for amounts of up to 5,500 million ECU (which it is proposed to increase to 11,000 million ECU under the EMS) repayable over a period of up to five years. No quotas are prescribed for the various Member States but the maximum credit normally available is half the total amount. Denmark has not made use of this facility<sup>1</sup>.

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<sup>1</sup> Medium-term credit is regulated by an agreement between the governments. The decision whether to grant credit is taken by the Council (acting on a qualified majority) and conditions relative to economic policy do attach to the granting of such credit

(c) Transfer of resources

To supplement the existing aid and financing facilities (e.g. the Regional Fund, the Social Fund, the ECSC and the EIB) the Community has in recent years agreed on a number of new loan facilities:

- 1974: to alleviate balance of payments difficulties<sup>1</sup>;
- 1977: to promote investment projects in the energy sector, the industrial sector and in the field of infrastructures<sup>2</sup>;
- 1978: to strengthen economic growth potential in the less affluent member countries<sup>2</sup>.

There has clearly been a gradual shift of emphasis with these special loan facilities: first of all, urgent aid to Member States that felt in special need of such aid after the sharp increases in oil prices; secondly, loans aimed more directly at remedying structural problems in specific industrial sectors or in specific geographical areas; and finally, special loans to those member countries which otherwise felt they would be unable to participate in the new European monetary system with its relatively rigid exchange rates.

Developments in this area are hardly likely to stop here. The loan facilities and various aid schemes should be seen as an expression of growing solidarity between the Member States aimed at alleviating current economic difficulties and, in time, creating better conditions for economic and monetary union.

3. The importance of such cooperation to Denmark

Even large countries with strong economies are influenced by external factors. A small country with a weaker economy and heavily dependent on foreign trade is all the more susceptible to such influences. It is not possible, however, to isolate the effects of the various factors. For example, the oil crisis and the drastic changes that it brought about in underlying economic assumptions together with the absence of any knowledge as to how the Danish economy would have developed outside the EEC make it impossible to determine in concrete terms what effects EEC membership has had on the general development of the Danish economy.

<sup>1</sup> Used only by Italy and Ireland

<sup>2</sup> Has not yet been used/not yet formally established

There follow two examples of how and to what extent the Danish economy is subject to external influences:

- the sharp rise in oil prices that began in late 1973 led as early as 1974 to a rise in expenditure approaching Dkr 7,000 million; even though the volume of imports subsequently dropped somewhat, the extra cost rose steadily in the ensuing years. For the period 1973-78 the extra expenditure resulting from higher oil prices amounted to approx. Dkr 38,000 million.

This amount corresponds roughly to the deficit on the current account of Denmark's balance of payments over the same period. This (simplified) comparison suggests that EEC membership seems to have created the export potential to enable Denmark, traditionally a deficit country, to eliminate its balance of payments deficit: however, the oil crisis intervened.

- A second example of Denmark's dependence is the development of world trade as shown in the following table:

	World trade <sup>1</sup>	Danish export markets fluctuation in %	Danish exports
1974	6	6	7
1975	- 3	- 2	- 3
1976	11 1/2	10	2
1977	4 1/2	2 1/2	2 1/2
1978	4 1/2	2 1/2	2 1/2

As is also clear from the account below of the international monetary situation's repercussions on Denmark, these examples show that conditions in Denmark are to a great extent determined by international developments and that stable international conditions are therefore very much in Denmark's interest.

Hardly anyone will dispute the fact that the existence of the Community has been a stabilizing element in the turbulent international economic conditions of recent years. The Community has helped to ensure that the world's industrialized countries have made only relatively limited use of various protectionist measures, for example, trade restrictions. It has helped to ensure there was less concern about the balance of payments in the years immediately following the onset of the oil crisis, thereby lessening the consequences of the crisis for economic growth and the level of employment in the Member States. It has contributed to the gradual stabilization of employment in the Member States, albeit at a relatively low level, and to the fact that the prospects for future economic growth in stable conditions are now brighter.

<sup>1</sup> At fixed prices

## Monetary cooperation

There is fairly broad agreement that, in the prevailing circumstances, participation in the 'snake' has served Danish interests well and has created a necessary basic minimum of monetary stability. Stable exchange rates make it easier for industry to draw up long-term plans, thus influencing the business climate, readiness to invest and employment. The chief importance of the 'snake' to Denmark has been that the unlimited intervention credit and other Community borrowing arrangements have created confidence in the monetary policy pursued by Denmark. The strength of the Danish economy and Denmark's currency reserves could not in themselves have justified such confidence. Without the 'snake' the Danish krone would probably have been devalued, with ensuing cost increases for the domestic economy.

Denmark thus avoided the fate of countries like the United Kingdom, Italy and France, where the devaluations resulting from floating exchange rates developed into an independent source of inflation. It is likely that the consequences would have been particularly serious for Denmark, where the increased cost of imports due to devaluation has a rapid impact on the level of costs and prices.

During the five-year period up to the end of 1976 the Danish krone appreciated by approx. 17%<sup>1</sup>. Although this revaluation curbed price increases of external origin, fairly steep rises occurred in the domestic level of prices and costs; the overall result was a deterioration in Denmark's international competitiveness of the order of 18% to 20%. The significance of the trend in domestic prices and costs emerges clearly from the fact that, although the German mark appreciated by more than twice as much as the Danish krone, the deterioration in Denmark's international competitiveness was three times as great as the deterioration in the competitiveness of the Federal Republic of Germany<sup>2</sup>.

The 'snake' is not in itself the cause of the appreciation of the Danish krone. It is true that, by its very nature, such cooperation implies that the Member States will endeavour to maintain the value of their currency, but the Member States may, if necessary, as evidenced many examples, alter the central rate without being required to leave the 'snake'<sup>3</sup>. If it had so wished, Denmark could therefore have avoided revaluation of the Danish krone.

<sup>1</sup> Calculated on the basis of a weighted average of the currencies of Denmark's main trading partners by shares of trade

<sup>2</sup> Commission Annual Economic Review 1978-1979

<sup>3</sup> 'Fixed yet adjustable exchange rates' and not 'fixed exchange rates'



Denmark in fact changed its strategy in 1977 and during 1977 and 1978 made several, albeit minor, adjustments to the declared central rate: the result was that, from the beginning of 1977 up to the second quarter of 1978, only small changes occurred in the relative competitive position of the countries participating in the 'snake' - in no case more than 2%.

Under the planned EMS it will still be possible to adjust the declared central rates, but inherent in the structure of the system is the idea that the Member States should feel themselves under a considerable political obligation to seek to rectify their fundamental problems through changes in economic and monetary policy rather than have recourse to overfrequent changes in their exchange rates. There will therefore be increased pressure on Denmark to pursue an economic and monetary policy that will ensure that the value of the Danish krone by and large develops in step with that of the other currencies participating in the system. The actual obligations that will be imposed on Denmark are described below.

An important factor in industry's assessment of the value of the existing 'snake' and of the future EMS has without doubt been the absence from these arrangements of the United Kingdom, Sweden and Norway and the fact that the exchange rate for their currencies may therefore change in relation to the value of the Danish krone, thus reducing the international competitiveness of Danish companies.

The EMS should, however, be seen as the basis for a more comprehensive policy aimed at increasing economic growth and reducing inflation, which will help to stabilize economic conditions in a broader international context. There is therefore a possibility that the disadvantage for Danish manufacturers that derives from the absence of a fixed relationship between the Danish, Norwegian and Swedish kroner will be only a temporary phenomenon. Any decision to allow the value of the latter two currencies to fall in relation to, inter alia, the Danish krone would, on the other hand, if the occasion should arise, reflect a conscious policy on the part of the Norwegian and Swedish authorities. Only by participating in international cooperation can Denmark acquire influence on such events.

#### Denmark's obligations

Cooperation on economic and monetary policy in the Community in principle imposes a number of obligations on the Member States, these being, however, more of a moral and political than of a legal nature. Even in those cases where a legal obligation may be involved the Community has only very limited sanctions at its disposal.

The Council lays down guidelines for the Member States on money supply, the rate of increase in public spending, budgetary surpluses and deficits and the method of financing; if the guidelines are not respected, the Commission may make representations to the Member State in question. Experience has, however, shown that the Member States do not in practice feel themselves under an obligation to observe these guidelines and the Commission does not avail itself of its right to protest. It is conceivable, however, that this state of affairs may change in connection with Denmark's participation in the EMS in that the procedures are likely to be of a more binding nature than in the past.

Furthermore, the Council lays down general guidelines for Denmark's economic policy and Denmark is obliged to consult its partners on major changes in economic policy. The Member States do not, however, in practice feel themselves under an obligation to follow the guidelines and the requirement to consult one's partners is only partially observed.

Greater importance attaches to the obligations arising from exchange rate cooperation. The Danish Central Bank is required to intervene on the currency market if the Danish krone reaches the upper or lower limit of its fluctuation in relation to one of the other participating currencies, and just as the Danish Central Bank can automatically draw on the other central banks for the purposes of currency intervention or short-term credit, it must, if necessary, extend credit to the other central banks. The Community rules also contain a provision specifying prior consultation on changes in the krone rate; this requirement the Danish authorities have also failed to observe: they have, in practice, confined themselves to discussing the problem with the other countries participating in exchange rate cooperation.

The obligations under the planned EMS are somewhat more far-reaching. Denmark will be required to make available its proportion of the increased credit facilities (to this end it will eventually be required to deposit 20% of its gold and dollar reserves) and to participate in the coordination of exchange rate policy towards third countries; in addition, changes in the krone rate will have to be made 'by mutual agreement'.

Futhermore, it is 'presumed' that Denmark will take action if the krone exceeds its 'divergence threshold'. The purpose of the divergence indicator is to clarify which of the participating currencies is out of step with the average of those currencies<sup>1</sup>. Action can take the form of intervention

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<sup>1</sup> Whether a currency first reaches the divergence threshold or the bilateral intervention limit, where intervention is obligatory, will depend on how the other currencies are placed in relation to that particular currency. A currency will be particularly likely to reach the divergence threshold when it finds itself in an isolated position in relation to the other currencies.

on the currency market, measures in the field of monetary policy, changes in the exchange rate or other economic policy measures. The latter cannot, of course, be taken by the Danish Central Bank alone. If Denmark chooses not to introduce corrective measures, the reason for this must be explained to the other countries participating in the scheme and, where necessary, consultations will be held in the appropriate Community institution including the Council of Ministers.

Finally, it should be mentioned that, through the Community budget, Denmark helps finance interest subsidy schemes that, in certain cases, are connected with the new loan facilities (see above under section 2(c)) and is a joint guarantor for any emergency loans raised by the Community.

Denmark's obligations arising from economic and monetary cooperation are therefore of a completely different nature to those in other fields. If, for instance, the Commission considers that a member country is not observing the rules on state aid, trade restrictions or suchlike, the matter may be raised with the European Court of Justice; if, on the other hand, Denmark fails to meet its obligations in regard to economic and monetary cooperation, the result is a political conflict.

## CHAPTER VI

### THE LABOUR MARKET

#### INTRODUCTION

The Danish labour market displays a high degree of organization of both workers (approx. 70%) and employers. The federation of trade unions was set up in 1896 under the name 'Landsorganisationen i Danmark' (LO). In the same year, a national employer's federation was founded; two years later it was recast into the present organization, Dansk Arbejdsgiverforening (DA).

The first trial of strength between these two organizations took place only a few months after their formation and resulted in the 'September Agreement' of 5 September 1899. This agreement provided a framework for industrial relations right up to 1960 when it was replaced by new directives which still preserve the spirit of the September Agreement.

Since the founding of these two umbrella organizations on the labour market, industrial relations have, by and large, been conducted by them alone and without interference by the legislature.

Even where matters of importance to the labour market (e.g. accident prevention) are the subject of legislation, the two sides of industry often have considerably influence on this legislation in its formative stages - particularly, of course, when they are agreed among themselves on the need for it.

The reason for mentioning this state of affairs by way of an introduction to the effects of EEC membership on the Danish labour market is that proposals submitted by the Commission for legislation which interferes in affairs traditionally considered by the Danes to be the sole prerogative of the labour market frequently arouse the opposition of the two sides of industry<sup>1</sup>. DA is thus generally opposed to EEC regulations in areas which have been traditionally covered by collective bargaining agreements. These areas are principally wages, holidays and working hours. In principle, the employers can only come to terms with EEC legislation in areas which are normally regulated by the law in Denmark. However, when the aim of regulations is to bring conditions for workers in other European countries up to the level prevailing in Denmark so that they have practically no effect on conditions in the Danish labour market, the employers are not generally inclined to raise objections.

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<sup>1</sup> One example of this tendency is the Council directive on the approximation of the laws of Member States relating to collective redundancies

Similarly, the trade union movement also rejects - although not quite so strongly - interference in matters which have traditionally been settled by agreements. They also react against EEC legislation affecting the areas traditionally covered by agreements, even in cases where such legislation might establish more favourable conditions than those which could have been achieved by means of agreements.

In the latter situation, however, it has become evident that the trade union movement chooses in practice to adopt a passive attitude. See in this connection the section on the social action programme.

On the other hand, both the Danish trade union movement and the employers greatly welcome EEC initiatives in other areas, e.g. working conditions and safety provisions.

#### A. COMMUNITY EMPLOYMENT AND SOCIAL POLICY AND ITS IMPORTANCE TO DENMARK

##### 1. Free movement of labour and social security for migrant workers

Articles 48-51 of the EEC Treaty and the associated secondary legislation concerning freedom of movement for workers were among the questions heatedly debated during the 1972 referendum campaign on Denmark's accession to the European Communities. Some people claimed that Denmark would be swamped by foreign workers and even the fairly remote hazard presented by the arrangements for the free movement of Turkish workers contained in the EEC-Turkey association agreement was drawn into the debate.

In spite of these prophecies, Denmark, unlike for example Ireland, did not require any transitional period for the application of the principle of the free movement of workers. Table 1 below shows that the effects of the free movement of labour have been much less than most people had expected.

## NUMBER OF FOREIGNERS WITH RESIDENCE AND WORK PERMIT IN DENMARK

Number of persons with residence and work permit at 1 January

	1972		1973		1974 <sup>+</sup>		1975 <sup>+</sup>		1976 <sup>+</sup>		1977 <sup>+</sup>		1978 <sup>+</sup>	
	Total	With work permit	Total	With work permit	Total	With work permit	Total	With work permit	Total	With work permit	Total	With work permit	Total	With work permit
Benelux	1652	962	1678	1017	1215	749	1281	1153	1262	1121	1228	1158	1299	1186
France	958	607	1034	668	854	526	1028	907	988	897	1013	945	1137	1013
Italy	1066	640	1058	624	805	477	921	809	880	833	954	922	995	955
United Kingdom	4691	2915	4683	2963	3743	2515	4778	4298	4380	4120	4678	4499	5403	5119
Federal Republic of Germany	9436	5175	9172	5062	6075	4080	6257	5270	5964	5189	6020	5260	6113	5320
Ireland	129	99	151	104	210	150	433	414	353	342	388	378	422	408
EEC total	17932	10398	17776	10438	12902	8497	14698	12851	13827	12502	14281	13162	15369	14001
Other countries in Europe - total	12423	8849	12395	8756	10475	9057	11011	9476	9306	8235	9324	8265	9019	8449
Countries outside Europe - total	21538	15350	22052	14587	20645	16158	21841	16920	20307	16441	19477	16278	20594	17792
Stateless	2355	1950	2644	2264	2553	2365	2610	2413	2366	2252	1890	1797	1532	1439
TOTAL	54248	36547	54867	36045	46575	36077	50160	41560	45806	39430	46200	40660	47813	42867

N.B. This Table includes only nationals from countries other than the Nordic countries. Nationals from the latter are entitled to residence and employment in Denmark without special permission.

+ From 1974 children under 16 are included only if they do not reside with their parents.

Sources: Police, Aliens Dept.

Between 1972 and 1978 the number of persons from other Member States holding Danish work permits rose from 10,398 in 1972 to 14,001 in 1978, an increase of 3,603. On the other hand this was accompanied by a fall in the total number of citizens of other Member States living in Denmark, from 17,932 in 1972 to 15,369 in 1978, a decrease of 2,563. This is due to a fall in the number of EEC citizens holding residence permits alone, from 7,534 in 1972 to 1,368 in 1978.

The United Kingdom accounts for most of the net increase in the number of EEC citizens holding work permits, its figure rising from 2,915 in 1972 to 5,119 in 1978, an increase of 2,204. The lowest increase was recorded for citizens for the Federal Republic of Germany. Although the 5,320 German citizens holding work permits in 1978 still constituted the largest contingent from another Member State, their numbers were only 145 up on the 1972 figure. Apart from a relatively steep increase in the number of Irish (from 99 to 408), the increase in the number of persons holding work permits has been evenly distributed over the other Member States.

The number of workers from third countries (other than Nordic countries)<sup>1</sup>, holding work permits rose by 2,717 between 1972 and 1978 to a total of 28,866 on 1 January 1978.

There are no statistics to show the number of Danish workers in the other Member States during the period following Denmark's entry into the Community, but there is nothing to suggest that Danish workers have been going to other EEC countries in large numbers. On the other hand, at times there has been some migration of Danish workers to Sweden.

One may therefore conclude that the regulations on the free movement of labour have had relatively little effect during the first years of Danish membership of the Community.

One can, however, imagine that the exchange of highly specialized labour has been made considerably easier by the provisions on the free movement of labour and that this may have been of very great significance to some businesses which have had to obtain this type of labour from abroad. The numbers involved are so small, however, as to hardly affect the statistics.

It follows from this that EEC regulations on social security for migrant workers have not been of any great significance either, since only approx. 14,000 foreign workers have been directly affected by them. In a way, however, the regulations on social security have been more important than the original

<sup>1</sup> Since 1954, Denmark has been a member of the Nordic labour market which means that citizens of Denmark, Norway, Sweden, Finland and Iceland are allowed to take up employment in one of the other countries without residence or work permits

regulations on the free movement of labour since it is absolutely certain that these 14,000 workers would have had a considerably lower standard of social security if Denmark had stayed outside the EEC and had not therefore been obliged to apply the regulations on social security for migrant workers.

## 2. The European Social Fund

According to Article 123 of the EEC Treaty, the task of the European Social Fund is to render the employment of workers easier and to increase their geographical and occupational mobility within the Community.

Following the Council's decision in 1971 to reform the fund, it is now able to take action in two situations:

The first, described in Article 4 of the said Council Decision, covers those cases where the employment situation in the Community is affected by measures adopted in the framework of Community policies or when the employment situation calls for specific joint action to improve the balance between the supply of and demand for manpower.

The second situation, described in Article 5 of the Council decision, concerns the granting of assistance to structural measures designed to promote the rational use of labour as part of the working of the common market, even if these problems are not a direct consequence of new Community measures.

The Council decisions of 22 July 1975 and 20 December 1977 laid down further guidelines for the operation of the Fund. The decision of 20 December 1977 was especially interesting for Denmark, as it allowed the Fund to provide up to 55% of the total amounts involved for projects in Greenland, the Mezzogiorno, Ireland, Northern Ireland and the French overseas departments.

Table 2 shows the distribution of Fund aid in the Member States between 1972 and 1976, while Table 3 shows the distribution of approved Danish applications to the Fund in 1977.



Table 2  
EUROPEAN SOCIAL FUND  
Summary of table of operations agreed and carried out from 1972-1976 (in u.a.)<sup>1</sup>

YEARS	BELGIUM	DENMARK	GERMANY	FRANCE	IRELAND	ITALY	LUXEM-BOURG	NETHER-LANDS	UNITED KINGDOM	TOTAL
ARTICLE 4										
1973	720,000	-	9,562,841	11,585,699	706,300	39,118	-	807,320	1,890,000	25,311,281
1974	925,600	-	9,266,377	16,280,983	7,231,536	4,420,814	-	861,187	8,044,366	47,030,866
1975	2,047,080	853,333	26,906,690	32,303,990	11,372,255	32,763,019	-	2,113,880	21,530,781	129,891,031
1976	2,692,724	687,333	36,481,214	27,519,724	3,129,188	23,240,327	18,188	3,448,815	39,447,938	136,665,451
	6,385,404	1,540,666	82,217,123	87,690,398	22,439,280	60,463,280	18,188	7,231,209	70,913,086	938,898,630
ARTICLE 5										
1972	1,740,967	-	10,116,530	8,317,850	-	5,765,244	23,000	1,921,933	-	27,885,526
1973	6,476,551	5,054,446	10,381,552	20,609,749	9,080,718	43,657,256	40,275	5,961,905	55,505,820	156,768,275
1974	5,618,059	11,967,640	18,661,347	33,670,728	9,636,666	67,910,260	5,020	5,853,245	54,227,892	207,550,860
1975	5,970,111	8,083,554	14,827,380	41,524,460	11,197,516	62,767,667	33,424	8,825,022	88,707,234	241,936,372
1976	4,579,143	9,304,013	10,950,648	32,683,782	20,442,409	36,765,680	38,000	7,641,676	26,105,262	148,510,613
	24,384,832	34,409,655	64,937,459	136,806,571	50,357,310	216,866,109	139,720	30,203,784	224,546,209	782,651,648
ARTICLE 4 + ARTICLE 5										
1972	1,740,967	-	10,116,530	8,317,850	--	5,765,244	23,000	1,921,933	-	27,885,526
1973	7,196,551	5,054,446	19,944,394	32,195,449	9,787,019	43,696,374	40,275	6,769,226	57,395,820	182,079,557
1974	6,543,659	11,967,640	27,927,724	49,951,711	16,868,202	72,331,075	5,020	6,714,433	62,272,259	254,581,726
1975	8,017,191	8,936,888	41,734,071	73,828,451	22,569,771	95,530,686	33,424	10,938,902	110,238,016	371,827,403
1976	7,271,867	9,991,346	47,431,862	60,203,506	23,571,597	60,006,007	56,188	11,090,491	65,553,200	285,176,064
	30,770,236	35,950,321	147,154,582	224,496,969	72,796,591	277,329,388	157,908	37,434,987	295,459,296	1,121,550,278

Source: Fourth and Fifth Reports on the activities of the European Social Fund, Commission of the European Communities

<sup>1</sup> u.a. = Dkr 7.50

APPROVED DANISH APPLICATIONS TO THE SOCIAL FUND, 1977

TABLE 3

Category	Responsible bodies	Implementation period	Number of workers	Assistance of the Commission (u.a.)	
				1976	1977
	<u>Article 4</u>				
Young people	Ministry of Labour, Directorate for vocational training	2.6.77-31.12.77	780	526,666.67	-
Young people	Ministry of Education	5.4.77-31.12.79	230	909,333.33	148,000.00
Young people	Ministry of Education	5.4.77-31.12.79	600	500,000.00	68,000.00
Young people	Ministry of Education	5.4.77-31.12.79	360	471,330.00	169,932.00
	<u>Article 5</u>				
Handicapped persons	Ministry of Social Security on behalf of the local authorities concerned	1.1.77-31.12.77	4,641	2,149,371.71	-
Regions	Ministry for Greenland	1.1.77-31.5.78	2,190	2,068,994.53	417,333.33
Regions	Directorate for Vocational Training	1.1.77-31.12.78	6,270	4,917,333.33	98,346.67
Regions	Ministry of Education	1.1.77-31.12.77	372	338,333.33	-
Groups of undertakings	Ministry of Labour, Directorate for Vocational Training	1.1.77-31.03.78	350	346,000.00	34,666.67
	<u>Article 4</u>				
Migrant workers	Ishøj local authority	4.1.77-31.12.77	1,610	3,000.00	-
Migrant workers	Ishøj local authority	1.1.77-31.12.77	300	3,966.67	-
Migrant workers	Ishøj local authority	4.1.77-31.12.77	800	6,666.67	-
Migrant workers	Ministry of Education on behalf of Copenhagen, Ishøj and Høje Tastrup local authorities	4.1.77-31.12.77	100	56,660.67	-
Migrant workers	Ministry of Education on behalf of Copenhagen, Ishøj and Høje Tastrup local authorities	4.1.77-31.12.77	6,400	426,333.32	-

Source: Commission of the European Communities, 6th Report on the activities of the European Social Fund, 1977 Financial Year

The visit of Commissioner Gundelach to Greenland in 1975 gave rise to a debate on the extent to which the Danish government had increased appropriations in the areas where the Community gave aid to Greenland through either the Regional Fund or the Social Fund. According to Commissioner Gundelach, there were indications that national appropriations had been reduced by an amount equal to the value of the aid which had become available from the Community. Once the matter had been raised, the Danish Government issued a statement to the effect that in future its policy would be to have the Regional Fund supplement its own expenditure and that payments from the Social Fund would in future stimulate increased activity in those areas to which the aid is given.

Generally speaking it will, however, be difficult in practice to determine whether the Danish Government really follows these principles, partly because the Community aid composes a relatively small part of the budget of the ministries concerned and also because in the long run it will be impossible to prove how large the national appropriations would have been in the absence of Community aid.

### 3. Social Action Programme

On 21 January 1974, the Council adopted a Social Action Programme which was later followed up by a succession of measures in the areas concerned.

The following parts of the programme now in force have given rise to particular discussion in Denmark.

- (a) Council directive of 10 February 1975 on the approximation of the laws of the Member States relating to the application of the principle of equal pay for men and women

Equal pay for organized labour was introduced in Denmark in 1973. During the preliminary talks therefore, both the LO and DA took a very negative view of the Commission's proposal in this area; according to these organizations, equal pay had in fact been introduced by agreement and a directive in this area would amount to interference with agreements, a state of affairs which, as stated above, they basically wished to avoid. However, the Commission laid decisive importance on bringing the unorganized part of the labour market under the regulations on equal pay, which could only be achieved by passing legislation. At the same time, the Commission was able to point to Art. 119 of the EEC Treaty which directed Member States to introduce equal pay.

At first sight the Danish Equal Pay Act, which was adopted on 3 February 1976, seems to make the greatest possible allowance for the agreements.

Article 1 of the Act stipulates that it shall only apply to employers who are not already obliged by collective agreements to give equal pay for equal work. Similarly, it is evident from the notes accompanying the Act that questions concerning equal pay within the area of the agreements will be dealt with through the usual channels.

In fact, the situation is that the Act does apply within the area of the agreements since any future agreements which might be contrary to the principle of equal pay cannot be applied by the employers. This will therefore mean in practice that it will no longer be possible to enter into collective agreements which violate the equal pay principle.

(b) Council directive of 17 February 1975 on the approximation of the laws of the Member States relating to collective redundancies.

The employers considered that this Directive also interfered in an area traditionally governed by agreements and they declared their opposition to it from the very beginning. Furthermore, the employers felt that this was misplaced intervention in the internal planning of companies which under certain circumstances could reduce their ability to stave off a crisis and therefore, in the long run, could produce an even larger number of redundancies than would otherwise have been the case.

On the other hand, the LO warmly welcomed the Directive because, although they admitted that an agreement had previously been reached with the employers on this subject, it had not worked in practice and so they would not oppose a directive which improved workers' rights in this area.

While the actual effects of the Equal Pay directive on the Danish labour market are expected to be quite small, the directive on collective redundancies will be able to improve considerably the job security of workers with low seniority in larger companies. According to the collective agreements, employers with a certain length of service have a right to an extended term of notice and therefore the immediate situation of these workers is scarcely affected by the periods laid down in the Directive.

It is not possible at the present time to judge the importance of Article 4 of the Directive which creates the conditions for public intervention in order to solve problems connected with collective redundancies. It must, however, be presumed that the application of this provision will be dependent primarily on the opportunities for the workers concerned to find other suitable employment.

The Danish Act implementing the Directive came into force on 1 April 1977. On some points it goes further than the Directive; for example, the public sector is covered, which the Directive does not require. The employer is

also obliged, within ten days of notifying redundancies, to inform the labour board (Arbejdsmarkedetsnaevnet) of the names of those to be made redundant, and to inform the workers affected within that time.

(c) Council recommendation of 22 July 1975 on the principle of the forty-hour week and the principle of four weeks annual paid holiday

This recommendation had no effect in Denmark because, in line with the collective agreements reached in the spring of 1973, the forty-hour week had been introduced before 2 December 1974. Furthermore, under the terms of the Holidays with Pay Act, all Danish wage-earners are entitled to four weeks annual paid holiday.

The recommendation must, however, in the opinion of LO and DA, be regarded as 'interference' in the traditional domain of the agreements. If, in spite of this, it has not provoked protests from the two sides of industry, the reason for this is partly that it was framed in the form of a non-binding recommendation and partly that observance of it did not cause any actual changes within the sphere of the agreements.

(d) Council directive of 9 February 1976 on the implementation of the principle of equal treatment for men and women as regards access to employment, vocational training and promotion, and working conditions

This Directive was implemented in Denmark by an Act on equal treatment for men and women in respect of employment, which came into force on 1 July 1978.

Like the equal pay Directive, the equal treatment Directive did not bring about any substantial changes in the Danish labour market, as the introduction of equal pay in the organized part of the labour market was accompanied in 1973 by measures to abolish all sex discrimination in access to employment of any nature.

The two sides of industry were favourably disposed towards the Directive in principle, although the DA criticized the Danish implementing act for going further than the Directive required. In particular DA has criticized the provision prohibiting dismissal on grounds of pregnancy. At the moment it is difficult to say whether any substantial changes will result, apart from the provision in the Danish Act banning sex discrimination in job advertisements, which has proved controversial in practice.

(e) Directive of 14 February 1977 on the safeguarding of rights in the event of certain transfers

This Directive, which has to be implemented by the Member States by the beginning of 1979, lays down rules for the automatic transfer of employees' rights in the event of transfers of undertakings, businesses or parts of businesses. It also provides for a special information and consultation procedure involving the employees' representatives.

This will be the first attempt at regulation of this particular area, which is not covered by agreement or legislation, although the Labour Court by various decisions has set some guidelines. As it entails an improvement of workers' rights, the LO takes a favourable view of the Directive, although it is difficult to predict its practical effects.

The DA, on the other hand, feels that if any regulation of this area is required at all, it should be done by agreement between the two sides of industry. As far as the contents of the Directive are concerned, the employers find that the practice already established by the Labour Court should be changed as little as possible.

4. Action programme on safety and health at work

On 29 June 1978 the Council adopted a joint action programme on safety and health at work entailing the execution by the end of 1982 of a number of measures to increase the protection of the workforce against all occupational risks arising from the use of dangerous substances and machinery.

As this is an outline programme to be supplemented by legislation in individual areas, it is at present impossible to say how far national regulations in Denmark will be affected. But both the unions and the employers agree that such rules are better determined at Community rather than national level.

The unions consider that there would be more chance of introducing safety measures involving undertakings in extra expenditure at Community level than there would be at national level. Unilateral national measures would reduce undertakings' ability to compete and thus damage employment prospects far more than if the country's main trading partners had to do the same. The employers took the same view, feeling that, regardless of the merits of the individual measures proposed, the important thing was that the same burden should be imposed on foreign competitors.

5. The Tripartite Conferences

These conferences, in which the Commission, the Member States' Ministers of Economic Affairs, Financial Affairs and Labour, and the two sides of industry take part are a relatively new component in the Community's labour policy.

They are viewed favourably by the Danish employers and unions. They are regarded as an excellent means of defining general objectives for the Community's labour policy, although the trade union movement would like to see the EFTA countries involved as well.

Although both employers and unions are opposed to any tendency for these Tripartite Conferences to develop into actual negotiations for agreements at European level, the LO would regard them as a suitable occasion for adopting outline resolutions on, for example, the spreading of work available by reducing working hours and/or retirement age. It is felt that action of this kind would be difficult to carry out in isolation at national level because of the adverse effects on competitiveness, which would be avoided if all the major trading partners took similar action at the same time. The DA does not share the view that the Tripartite Conferences should be the occasion for determining general guidelines of this nature, even if the EFTA countries also took part. They regard this as unrealistic for several reasons, including the fact that there are trading partners outside Europe who would remain unaffected by such guidelines.

#### B. THE EFFECTS OF EEC MEMBERSHIP ON EMPLOYMENT

The only direct influence EEC membership can have on levies of employment in the Member States is exercised by the rules mentioned on pages on the free movement of labour. The extent to which the size of the workforce is affected by the migration of workers to and from the other Member States will, all other things being equal, have an influence on the percentage of unemployment. As we have shown, between 1973 and 1978 the Danish working population increased by a net figure of 3,603 workers from other Community countries. Even before allowing for any migration of Danish workers to other Community countries, this figure is so minute as to have no perceptible effect on the percentage of unemployment.

All the other Community machinery has only indirect effect on levels of employment through its influence on the general level of economic activity. Industrialists and leading economists agree that membership of the Community has had a predominantly positive effect on economic activity in Denmark<sup>1</sup>, although this has to a large extent been camouflaged by opposite trends caused by the world recession which set in shortly after Danish accession<sup>2</sup>. Unions and employers both take this view,

<sup>1</sup> See further details in the sections on individual industries

<sup>2</sup> It is true that the opinion has been expressed in some quarters that if Denmark had stayed out of the Community it could have been forced to conduct a more 'sensible' economic policy than its membership has allowed, and that the country would thus have been in a better position today. However, rather than an expert economic assessment, this is a subjective conjecture which, in the nature of things, cannot be verified

and consequently are not tempted by proposals for Denmark to introduce unilateral import restrictions, in breach of all international agreements, and thereby embark on a destructive trade war.

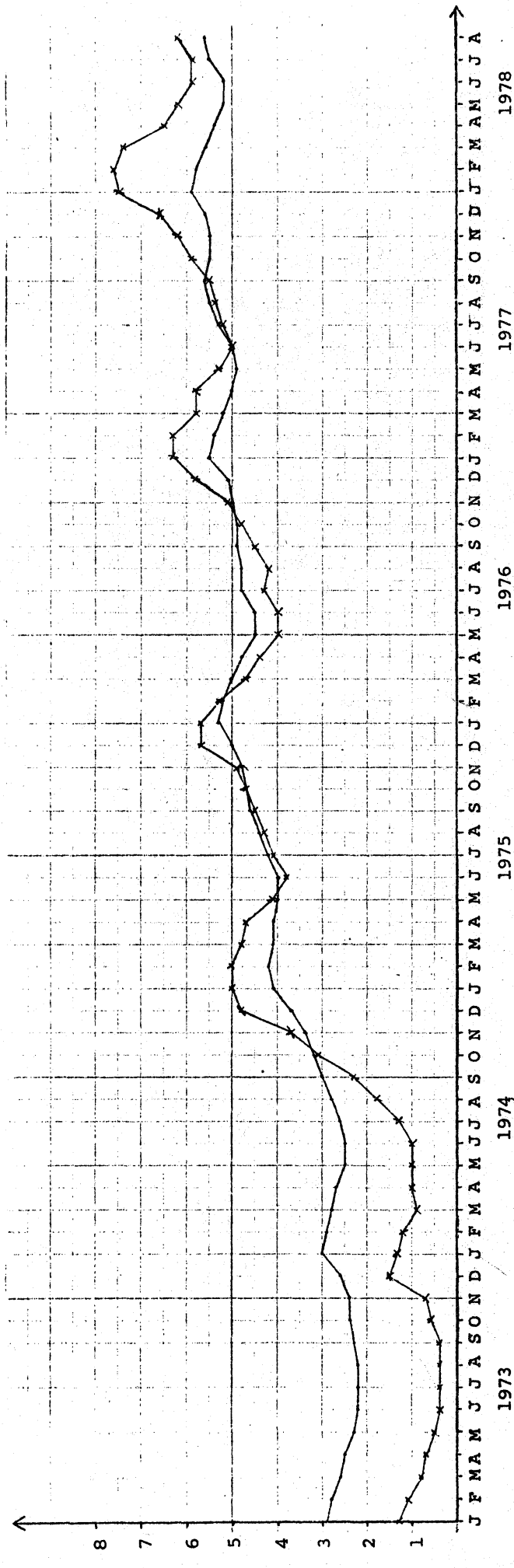
Table 4 shows the development of unemployment as a percentage of the working population for Denmark and the Community between 1973 and 1978. If we compare this graph with economic activity in general we see the clear connection between the two. It is also noticeable that Danish unemployment, which in 1973 and 1974 was well below the Community average, from 1976 onwards catches up and rises even higher. One of the main reasons may well be Danish efforts to improve the balance of payments by tighter financial policy. Although similar action was taken in several other Member States over the same period, it was not so comprehensive.



Table 4

UNEMPLOYMENT IN DENMARK AND THE COMMUNITY AS A PERCENTAGE OF THE WORKING POPULATION

Percentage unemployed



X X X X X Denmark

—•— EUR-9

Source: EUROSTAT

## Chapter VII

### CONCLUSION

The preceding chapters have given an account of and tried to explain developments in various sectors of Danish industry during the initial years of Danish membership of the EEC.

Even though a period of six years is inevitably too short to permit any final conclusions to be drawn, particularly as this period has been characterized by transitional arrangements and has witnessed the world recession that started in 1974, it has nevertheless been possible to indicate in broad outline how membership of the EEC has affected conditions in individual industries.

The following is an account of some of the development factors, both in individual industries and in industry as a whole, which are particularly important in the broader long-term economic context.

#### 1. Developments in individual industries

##### (a) Agriculture

It is general knowledge that it was not until 1977 and 1978 that Danish agriculture began to experience the upturn in production in the animal sector that had been expected during the first years of EEC membership, while, at the same time, it is generally accepted that this was primarily due to domestic factors. It would, however, be wrong to conclude that membership had not already from the outset proved to be of very considerable advantage to Danish agriculture and, hence, to Danish society. Some of the advantages can be quantified on the basis of payments from the Community's Agricultural Fund which amounted to Dkr 23,000<sup>1</sup> million between 1973 and 1978. In the same period, Denmark's total contribution to the Community budget was only Dkr 6,700 million. At the same time, the value of agricultural exports rose by nearly Dkr 9,000 million from Dkr 8,200 million in 1972 to Dkr 17,000 million in 1978<sup>2</sup>. Even taking into account the relatively high rate of inflation during parts of this period, this represents a substantial increase in real terms.

Another advantage which is more important in the long term, is the swing in Danish agricultural exports to the stable Community markets which today import more than two thirds of them. In 1972, however, only 59.2% of Danish agricultural exports went to the present Member States. A glance at exports to the original six Member States will show that the trend is even more pronounced with their share of total agricultural exports rising from 20.8% in 1972 to 37.4% in 1977. With the EEC 'domestic market' as its

<sup>1</sup> Including a total of Dkr 4,000 million in monetary compensatory amounts.

<sup>2</sup> Excluding EEC export aid.

main customer, Danish agriculture is protected against the wide and often unforeseeable fluctuations on world markets that would make long-term production planning almost impossible.

Lastly, it must be clearly understood that if Denmark had opted for a free trade agreement with the Community, Danish agriculture would not have been able to count on maintenance of the status quo. The still very important export trade to the United Kingdom would gradually have been reduced and Denmark would more or less have been reduced to exporting at a loss to a world market which is increasingly dominated by state-subsidized products. The most likely result would have been a sharp drop in agricultural production and exports, and a consequent fall in employment in agriculture and in a variety of processing industries directly dependent on agriculture. This would have had particularly serious economic consequences for Denmark, which already has major economic problems.

Last but not least there now seems to be the prospect that, in addition to the benefits already obtained, Danish agriculture will, after a delay of almost six years, experience the expansion in production and markets that had been expected, perhaps a little too optimistically, immediately after Denmark's entry into the Community. Slight indications of such a trend were noticeable in 1977 and 1978. A change in national policy seems to have prompted this development, although the underlying preconditions, which are inseparably linked with Danish membership of the EEC, have existed since 1973.

It can also be assumed, therefore, that over the coming years the degree of attention given to the agricultural sector at national level will to a large extent determine whether the years 1977-1978 are to be the prelude to a marked and lasting improvement in Danish agriculture's exploitation of the common market's potential or merely an isolated upturn followed by continuing stagnation.

(b) The fishing industry

Few people anticipated in 1972 the developments that have taken place in the fishing limits dispute since Denmark joined the Community. Even then, however, many fishermen felt that the advantages of membership of the Community were so great, especially from a sales point of view, that Denmark ought to join. As things have turned out, membership is no longer merely a question of greater or lesser advantage for Danish fishery. In its present form, the Danish fishing industry could not have survived if a 200-mile limit had been introduced on a national basis and the possibility of good catches drastically reduced as a result.

In the fishing industry as in agriculture, the adverse consequences of non-membership of the Community and reduced chances of good catches would have taken the form of a drop in production and employment in the processing industry on a far larger scale than has been witnessed so far, and of a further deterioration in the balance of payments as a result of a fall in exports. Whether or not it is a member of the Community Denmark, because of its geographical situation certainly has a preferential position as a supplier of fresh fish to the European continent, but it will need better fishing prospects than a national 200-mile limit could have given if it is to make the most of this preferential position.

The main problem facing the Danish fishing industry today is that, although a common 200-mile fishing limit has been established, a common EEC fisheries policy has not yet been framed for the area bounded by this limit. This gives rise to uncertainty about future catch prospects and raises problems connected with other Member States' national measures to maintain fish stocks and protect their own fishing industries. The result of this state of affairs is that no-one in the Danish fishing industry is today prepared to risk any major new investment, which in turn means progressive deterioration of the fishing fleet. If this situation continues for too long it may entail cutbacks in the Danish fishing industry on a scale approaching the consequences of a purely national solution. This is the background for the Danish fishing industry's growing dissatisfaction with the Community's failure to obtain results on fisheries policy, irrespective of which Member State is responsible for this situation.

(c) Industry

It is sometimes claimed that Danish industry would have been in just as good a position with a free trade agreement with the Community similar to that concluded by the individual EFTA countries. If we consider industry in isolation from the rest of society, on a 'ceteris paribus' basis, with reference only to the years of Danish membership of the Community that have already elapsed, and disregarding furthermore Denmark's sizeable foodstuffs, beverages and tobacco industry<sup>1</sup>, this claim would be true to some extent. It is merely unrealistic.

Industry is so dependent on the general economic situation that it cannot be judged in isolation from other sectors of the economy; it is also unrealistic to ignore major sectors of the same industry. An agricultural recession would for example affect a number of processing

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<sup>1</sup> A free trade agreement would in the great majority of cases, impose variable charges on products of the foodstuffs, beverages and tobacco industry exported to the EEC, with certain products in addition being liable to customs duties.

industries and eventually Denmark's important production of agricultural machinery. A recession in the foodstuffs, beverages and tobacco industry would likewise have an adverse effect upon other branches of industry, e.g. the packaging industry.

In addition, many of the differences between a free trade agreement and participation in the EEC customs union will not be felt until the longer term as customs union is far from complete. The initial years of Danish membership are therefore far too short a time on which to form a judgement.

In the shorter term, however, it is a considerable advantage for Danish industry not to have to take the impracticable Community/EFTA rules of origin into consideration in trade with the large Community market. This gives Danish industry a competitive advantage over the industries of the EFTA countries.

One of the longer-term advantages of customs union is the gradual simplification of paperwork in connection with transfrontier traffic, which should eventually lead to abolition of border checks on goods transported within the Community. In a broader economic context, improvements in this area are probably more important than the abolition of customs duties, since the present frontier formalities constitute a real waste of human and material resources.

Another important area where the effects will also not be felt properly until the longer term, is the adoption of common technical standards for a number of manufacturing areas. The advantage of this to Community industries would be that they would not have to comply with one set of standards for domestic sales and another for exports to other Member States. Third country industries will often have to use different technical standards depending on whether a product is intended for the domestic market or for export, and this will increase production costs and make the products less competitive.

The most important difference, however, between a free-trade agreement and membership is the opportunity, through participation in the Community's decision-making process (see also below), to look after the interests of Danish industry on a day-to-day basis at Community level, industrial policy being in a constant process of evolution. This possibility has, in recent years, shown itself to be of inestimable value in Denmark's campaign against the growing trend towards state subsidies for industry inside and outside the Community. Equally, Denmark benefits greatly from being able to watch over industry's interests in the Community industrial policy that is gradually being formulated in several areas.

(d) Foreign trade - trade policy

The economic stagnation which descended on various industrialized western countries in 1974 and which has not yet been completely overcome, is often compared to the crisis years of the thirties. There is however one crucial difference between the crisis of the seventies and that of the thirties: a trade war has more or less been avoided together with a subsequent 'export of unemployment' that could have led to a crisis of quite different proportions from the present one, with a really serious economic recession and a marked fall in the individual citizen's standard of living.

As the world's largest trading power, the Community must take much of the credit for preventing such a trade war between Member States and between the Community and third countries.

Internally, the introduction of further restrictions has been largely avoided apart from the fact that Italy some years ago has occasionally been permitted to introduce import restrictions as part of its efforts to stabilize its economy.

Moves towards actual protectionism in third countries (such as the Swedish shoe restrictions) met with such violent reactions from the Community that the third countries involved generally refrained from carrying them out. This is also the case with the USA, where the danger of a protectionist policy was very imminent. The same is to a large extent true of protectionism in the form of state subsidies, although here the Community's efforts externally have been undermined by a growing tendency towards the use of subsidies among its own Member States.

In the recurrent EEC debate the fact is often overlooked that trade policy discipline is perhaps one of the most outstanding results of Community cooperation in the seventies. Perhaps this is because, thanks to such cooperation, we consider such discipline to be a matter of course, although this is by no means the case.

Without any doubt, Community cooperation in this area has been particularly advantageous to Denmark, whose prosperity depends to a large extent on restriction-free foreign trade.

## 2. The possibility of influencing policy

As already indicated with reference to the conditions for industry, the principal difference between EEC membership and a free-trade agreement (disregarding the direct economic implications for agriculture, fisheries and their dependent industries) can be said to lie in the possibility of influencing Community decisions that membership confers. When this aspect of the matter is discussed, Denmark is often imagined to be in opposition to its eight Community partners despite the fact that this situation very seldom occurs in practice. Normally, Denmark will take up a common position with one group of Member States in agricultural matters and with another on industrial and trade policy; at the present time, Denmark's views on such a vital topic as fisheries policy are supported by seven other Member States. Even though the EEC Treaty gives Denmark greater influence than that justified by the size of its population<sup>1</sup>, the influence that can be gained through a policy of this nature based on varying alliances from issue to issue is much greater than is immediately apparent from the provisions of the Treaty.<sup>2</sup>

A few figures can perhaps help to illustrate why the importance of exerting influence on Community decisions is already so great today and is likely in the future to become even greater: at present, the Western European EEC/EFTA free-trade area consists of nine EEC countries with a total population of approx. 260 million and seven EFTA countries with a total population of approx. 39 million. The nine EEC countries jointly take a large number of decisions that are of vital importance for their own economic situation and that of their trading partners. The only point of contact shared by the seven EFTA countries is their free-trade agreements, both among themselves and with the EEC, and the operation of these agreements. Beyond this, there is no real attempt at a common policy either towards the EEC or towards other countries. The result is that the economies of the seven EFTA countries and the conditions for their industry are dependent on Community policy to almost the same extent as if they had been members and, furthermore, four of these countries have voluntarily<sup>3</sup> given up the possibility of influencing this policy through

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<sup>1</sup> Where the Council acts by a simple majority, Denmark, representing only 2% of the Community's population, has one vote out of nine (Article 148(1) of the EEC Treaty). Where a qualified majority is required, Denmark has 3 votes out of 58 (Article 148(2) of the EEC Treaty).

<sup>2</sup> The practice established by the so-called 'Luxembourg-compromise' according to which everything should be done to reach unanimous decisions, whenever a vital interest of a Member State is affected, does not fundamentally change this state of affairs. Also decisions made unanimously will typically have been preceded by a succession of different constellations of opinions, whose composition may be of decisive importance for the contents of the unanimous decision which has been made.

<sup>3</sup> For Finland and Austria the question of EEC membership is hardly likely to arise in the immediate future, whereas Portugal has already applied for membership.

membership. By the mid-1980s at the latest the Community is expected to consist of 12 countries with a total population of approx. 311 million<sup>1</sup> and EFTA will be reduced to six countries with a total population of approx. 31 million, which will further increase the dependence of those remaining outside the Community.

In a country like Sweden it is gradually being realised that the difference between membership and a free-trade agreement cannot be reduced to a purely 'political' question, but that the voluntary renunciation of influence in many cases has a not inconsiderable price which, in the first instance, must be paid by those sectors of industry whose interests Sweden is precluded from safeguarding at Community level and, in the longer term, by society as a whole.<sup>2</sup>

In the light of the above it is understandable that advocates of this expensive option of a voluntary surrender of influence over one's own affairs are very seldom to be found in Danish business circles. The fact is that Danish shipbuilders, the electronics and textile industry, the food industry and the iron and metal industry would, like all the rest of the business community, feel very much at a disadvantage if the Danish Government's representatives were precluded from looking after their interests in the Community's decision-making process and were reduced to acting simply as messengers bringing news of the decisions reached by others.

### 3. Overall assessment

In general it may be said that membership of the European Community has given Danish trade and industry, and with it Danish society, considerable advantages which it would not have enjoyed had Denmark chosen to stay outside.

Agriculture has obtained a more secure and more remunerative market. For the fishing industry, Community membership is the only way it can avoid being excluded from its traditional fishing grounds. Industry has had the security of free access to a large common market without trade restrictions, even under the very unfavourable economic conditions which have been obtaining. The Community has also been a decisive factor in the maintenance of free world trade upon which Danish economic life is dependent. Moreover, membership gives

<sup>1</sup> This estimate is based on 1975 figures and takes no account of population growth.

<sup>2</sup> Intensified contacts between Sweden and the European Commission seem to reflect an increased Swedish appreciation of this problem: By the end of January 1979 the Swedish Minister for Commerce during a visit to the Commission in Brussels discussed the situation in the aeronautical industry, and only two weeks later Commissioner Davignon, responsible for industrial policy, the internal market and the customs union, made a visit to Sweden during which he saw the Ministers for Commerce, Foreign Affairs and Industry as well as representatives of Swedish industry.



Denmark influence and the right to have its say on a wide range of decisions which would anyway have affected the Danish economy even if Denmark had chosen not to join the Community.

Naturally, the Danish business sector also comes up against various difficulties as a result of its membership of the Community - that, too, is clear from this study. But, as has been pointed out, these difficulties are frequently due to the fact that Community cooperations has not gone far enough as regards the adoption of common rules (e.g. on the elimination of administrative and technical barriers to trade) and, in other cases, that domestic policy is not or has not been geared to seeking to derive the greatest possible benefit from common European legislation (the delayed growth of agricultural production).

If the advantages of membership are not always immediately apparent, this is because, despite the economic advantages which Community membership has brought, there has been a considerable deterioration in the Danish economy in recent years. The Danish economy has been crucially affected by the complete change in the development of the international economy which we have witnessed since the oil crisis of 1973-74. For an objective assessment, it is therefore necessary to distinguish between the effects of the international economic recession and the effects of Danish membership of the European Community.

Some figures may illustrate the differing effects on the Danish economy which these two factors have had.

Denmark's total deficit on balance of payments for 1973-78 was 40,500 million kroner. The larger oil bill that has had to be paid since the trebling of oil prices in October 1973 was alone responsible for Denmark's having to lay out an extra 38,000 million kroner over these six years. The increased expenditure on oil is therefore of the same order of magnitude as the total trade deficit. In the same period, agriculture's increased revenue (including agricultural subsidies but excluding expenditure on raw materials) arising out of Community membership gave Denmark an extra income of approx. 35,000 million kroner.

These figures do not by any means give a full picture either of the effects which the oil crisis has had on the Danish economy or of the advantages which Community membership has brought. The effects of the oil crisis go far beyond the increased oil bill, and the advantages of Community membership, as pointed out in this study, are not limited to the agricultural field.

But these figures do illustrate the order of magnitude of the two principal influences, both negative and positive, acting upon the Danish economy in recent years. The Community seemed to have created the conditions in the export field that would allow Denmark, a country traditionally in deficit, to get rid of its balance of payments problem; but the oil crisis has prevented this. The figures do, however, reveal the fact that Denmark's balance-of-payment difficulties would have been much greater had Denmark chosen to stay outside. The measures needed to reduce a balance-of-payments deficit considerably greater than the existing one would almost certainly have had serious repercussions both on the conditions faced by the business world and on the prosperity of the Danish people in general.