

GENERAL AGREEMENT ON
TARIFFS AND TRADE

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ORIGINAL: ENGLISH

CONTRACTING PARTIES

NON-DISCRIMINATORY MEASURES NOTIFIED BY
THE GOVERNMENT OF DENMARK UNDER PARAGRAPH
11 OF ARTICLE XVIII

Statement of Considerations in support of
the maintenance of the Measures

The Government of Denmark, pursuant to paragraph 11 of Article XVIII of the Agreement and to paragraph 5(c) of the Annex Protocol of Accession, notified on 15 June 1949 certain measures in force in Denmark which the Government intended to continue to apply in the future. The notification was circulated as document GATT/CP.3/40/Add. 3. Texts of Danish laws relevant to these measures, together with short notes giving background information, were subsequently distributed as an Annex to that document.

There is circulated herewith a statement of considerations submitted by the Danish Government in accordance with the provisions of paragraph 12 of Article XVIII in support of the maintenance of the measures. Annexed to the statement is the text of a new law (Act No. 135 - March 29, 1950) on the sugar scheme, which replaces the Acts No. 110 of 1948 and No. 84 of 1949, reproduced in GATT/CP.3/40/Add. 3/Annex.

Statement of the Considerations in
Support of Danish Schemes of Govern-
mental Assistance to Economic
Development of the Sugar, Potato-
flour and Liquor Industries
(cf. document GATT/CP.3/60/Rev.1)

SUGAR SCHEME

- (a) Precise description and the extent of the measure, the method of its operation, and the provision of the Agreement from which a release is sought.

Production and refinement of sugar is subject to licences issued by the Minister of Commerce, Industry and Shipping. Such licences may be granted for periods not exceeding 10 years. The capital and incorporation of the factories must be approved by the Minister of Commerce, Industry and Shipping.

The Minister may fix the extent of the areas earmarked for cultivation of industrial sugar beets. He also fixes the price for the beets supplied by the growers. In addition he may fix:

1. The price to be charged by the factories per kilo of refined sugar,
2. The price at which domestic raw sugar is supplied for refinement,
3. The wholesale price for imported sugar,
4. The price at which export industries using sugar as a raw material may buy sugar for the production of their export articles. In fixing this price, the sugar prices charged in international trade are taken into account. This also applies to the sugar price paid by industries producing sugar ware for the home market insofar as that price may be a decisive element in the competition with imported goods of the same or similar description, and
5. The retail price of sugar.

Importation and exportation of sugar and syrup is subject to permission by the Minister of Commerce, Industry and Shipping.

The factories are subject to extensive supervision by the Government. Their profits are limited under certain specified rules. Any additional surplus must be paid into a Government Fund which is appropriated towards reduction of the sugar price.

The Sugar Scheme was enacted in 1932 and has since been prolonged from year to year on unchanged principles. During and after the war the plants were exposed to heavy wear, and as it was not feasible to make the necessary replacements, extensive reconstruction and modernization of the factories has been needed. Before the realization of such modernization projects, it was considered necessary to clarify the position in respect

of the conditions of production for a considerably longer period than the one-year schemes hitherto enacted.

After negotiations between the Government and the factories, the acts passed from year to year since 1932 have now been superseded by the Sugar Scheme Act of 29th March, 1950. There is no time limit for the operation of this act under which as already mentioned the Minister of Commerce, Industry and Shipping may issue licences for sugar production for periods not exceeding 10 years. Otherwise, the principles underlying the one-year act also apply to the Sugar Act of March 29th, 1950, and the amendments enacted are essentially of a formal nature.

The Sugar Scheme was enacted in 1932 for the purpose of providing possibilities for a continuation of the sugar production in this country. Another decisive purpose was to give farmers in the sugar beet districts a payment for the beets which would render the cultivation profitable, and also provide possibilities for maintaining the very considerable employment which was connected with the cultivation of sugar beets. These considerations still apply. Moreover, Denmark's balance of payments necessitates the maintenance of the present regulation of imports.

Another objective of the scheme was to ensure the supply of sugar at reasonable prices for the population. During and after the war, the Danish sugar output has proved to be of essential value to Denmark's neighbours in Scandinavia.

It is desired to keep the scheme in operation in pursuance of the provisions in Article XVIII, paragraph 11, of the General Agreement on Tariffs and Trade, cf. the Annecy Protocol of Terms of Accession to the General Agreement on Tariffs and Trade, Article 1 (a) (ii).

(b) Range and Type of goods to which the measure relates including tariff item number and description

The scheme covers beet and cane sugar in any form, whether refined or unrefined, as well as syrup and any solution of beet and cane sugar, also containing other descriptions of sugar. The commodities comprised by the scheme are listed in the Customs Tariff Nos. 310-13.

(c) Copies of the relevant legislation or administrative decree or order under which the measure is administered

Copies of the Sugar Scheme Act, No. 135, dated March 29th, 1950 as mentioned under (a), are enclosed.*

(d) Precise description of the products of the industry for the protection or development of which the measure is intended.

Cf. above remarks under (b).

* See Annex.

(e) Statistics of quantities and values over a period of years showing:

- (1) domestic production (in the case of a branch of agriculture also area planted) of the items described in (b) and also, unless the figures are the same, domestic production of the items described in (d),
- (2) imports of the items described in (b) by countries of origin,
- (3) exports for the items referred to in (1) above by countries of destination.

During the years 1939-48 the sugar output was:

	<u>Quantity</u> (millions of kilos)	<u>Value</u> (millions of Kroner)	<u>Beet area</u> (Hectares)
1948	246.0	191	48,000
1947	208.4	167	43,800
1946	200.8	162	42,800
1945	171.8	130	39,100
1944	165.2	125	42,300
1943	182.2	140	45,100
1942	202.3	137	46,400
1941	263.8	175	47,600
1940	236.7	129	43,000
1939	239.7	88	39,000

During the same years imports and exports of sugar re-presented:

	<u>Imports</u> (Millions of kilos)	<u>Exports</u> (Millions of kilos)
1948	-	69.5
1947	-	49.1
1946	0.7	38.2
1945	0.02	40.1
1944	1.2	18.6
1943	0.3	59.3
1942	0.05	77.1
1941	0.3	71.5
1940	0.9	47.1
1939	3.7	1.7

During the mentioned years the principal export markets were the other Scandinavian countries.

- (f) Tariff and other protection enjoyed: the nature and extent of such protection, the period for which these protective measures have been in force and the effect which they have had on the establishment or development of the industry.

Importation of the commodities comprised by the scheme is subject to the permission of the Minister of Commerce, Industry and Shipping. In view of the foreign exchange situation no import licences for sugar etc. are granted at the present time.

Under Customs Tariff Nos. 310-13 a duty of up to 15 øre per kilo is levied on imported sugar. Since the domestic production is subject to an excise tax of 10.7 øre per kilo of sugar, the actual customs protection thus represents only about 4 øre per kilo.

- (g) Reasons for the selection of the proposed measure in preference to other measures permitted by the GATT such as tariff protection or a subsidy

In view of the importance attached to the population's supply of sugar at the lowest possible prices, it has been found inexpedient to allow Danish sugar industries a higher customs protection than the rate in force at present. The fixed market price for granulated sugar is at present below the world market price. The recent Act has left open the question of a continuation of the present subsidy scheme to lower the prices for household consumption of sugar.

- (h) Information and forecast about the future development of the industry, including for example expected levels of production, and the possibility of its becoming independent of the measure:

In the coming years the sugar output is not expected to increase appreciably beyond the present volume. The present output is intended to cover the domestic rationed consumption in addition to the exports for the supply of the other Scandinavian countries.

- (i) Price of imported and domestic product at the principal market or markets

Since 1940 the price fixed for sugar by the Minister of Commerce, Industry and Shipping is 41 øre per kilo of granulated sugar ex factory. Sugar-consuming industries pay 43 øre extra per kilo; export industries also pay an additional price the fixation of which takes into account the sugar price in world markets.

Category B: Supplementary information relating to the industry which is to be developed.

(o) Number and location of enterprises or firms

At the present time, permission for production and refinement of sugar has been granted to two concerns controlling a total of ten factories, including two refineries.

(p) Numbers employed

The number of workers employed by sugar factories was about 2,800 in 1948. The total number of persons employed in cultivation of beets and production of sugar is estimated at about 15,000.

(q) Average level of wages paid to employees

The total annual wages paid to workers employed by the sugar factories was about 200 million kroner in 1948.

(r) Capital investment

The value of the assets of the sugar factories was booked at about 65 million kroner as of April 30th, 1949.

(u) Information relating to the domestic consumption of the product

During the years 1939-48 the consumption of sugar was

	(millions of kilo.)	(kilo per head of population,
1948	149.2	35.6
1947	136.4	32.9
1946	133.4	32.5
1945	111.8	27.7
1944	134.6	33.7
1943	135.2	34.2
1942	171.5	43.9
1941	166.5	43.1
1940	168.9	44.1
1939	212.2	55.8
1938	191.2	50.6

Domestic consumption of sugar, both for household and industrial purposes, is still rationed. The present ration is 23½ kilos annually per head of population.

THE POTATO FLOUR SCHEME.

- (a) Precise description and the extent of the measure, the method of its operation, and the provision of the Agreement from which a release is sought

Production of potato flour and all descriptions of starch is subject to licences issued by the Minister of Commerce, Industry and Shipping. Contracts for delivery of potatoes concluded each harvest year between suppliers and concerns licensed as producers of potato flour and starch must be approved by the Minister of Commerce, Industry and Shipping. The prices paid to the suppliers have been fixed in detail, and so have the prices which the factories may charge for potato flour and starch.

Importation and exportation of potato flour, all descriptions of starch, sago, glucose and starch sugar, dextrin, paste, sizings and dressings and similar products of flour or starch are subject to licences to be granted by the Minister of Commerce, Industry and Shipping.

The Potato Flour Scheme was enacted in 1933, based on considerations similar to those applying to the sugar scheme, the main objective being, however, to subsidize farmers, especially in the less fertile districts which were particularly dependent on the cultivation of potatoes. These considerations still apply.

It is desired to keep this scheme in operation in pursuance of the provisions contained in Article XVIII, paragraph 11, of the General Agreement on Tariffs and Trade, cf. the Annecy Protocol of Terms of Accession to the General Agreement on Tariffs and Trade, Article 1(a)(ii).

- (b) Range and type of goods to which the measure relates including tariff item number and description

The scheme comprises potato flour and all descriptions of starch. The products concerned are listed in the Customs Tariff under Nos. 8, 139 e, 139 f, 139 g, 287, 288 and 310.

- (c) Copies of the relevant legislation or administrative decree or order under which the measure is administered

Reference is made to the copies previously submitted of Act No. 170 of May 15th, 1933, on a Potatoes Flour Scheme etc; (GATT/CP.3/40/Add. 3/Annex).

- (d) Precise description of the products of the industry for the protection or development of which the measure is intended

Potato flour and granulated potato sago.

- (e) Statistics of quantities and values over a period of years showing:
- (1) domestic production (in the case of a branch of agriculture also area planted) of the items described in (b) and also, unless the figures are the same, domestic production of the items described in (d),
 - (2) imports of the items described in (b) by countries of origin,
 - (3) exports for the items referred to in (1) above by countries of destination.

Survey of output

	<u>Output</u> (1000 kilos)	<u>Processed quantities of potatoes</u> (1000 kilos)
1948	28,200	156,000
1947	16,200	80,000
1946	16,300	88,000
1939	13,200	72,000
1938	11,200	60,000

In the first years following the enactment of the Potato Flour Scheme in 1933, the total output of potato flour was some 10 million kilos, but before and during the war it was increased, partly to cover the use of potato flour as a semi-manufacture for various products (notably granulated potato sago) and partly during the war when potato flour partially replaced the dwindling imports of starchy commodities. However, the output of potato flour in the individual years has fluctuated with the harvest conditions for potatoes. In 1948 the total output of potato flour was almost 50% higher than in any previous year. This was a result of the unusually large crop of that year. Of the total output in 1948 of 28.2 million kilos, a quantity of 3.5 million kilos was used for production of granulated potato sago.

The output of potato flour is marketed in this country, but 658 tons were exported in 1948, and small quantities were also exported in the previous years.

- (f) Tariff and other protection enjoyed: the nature and extent of such protection, the period for which these protective measures have been in force and the effect which they have had on the establishment or development of the industry

Importation and exportation of the commodities comprised by the scheme are subject to licences issued by the Minister of Commerce, Industry and Shipping.

Under the Customs Tariff - see above under (b) - a duty of up to 15 øre per kilo is levied on the products in question.

- (g) Reasons for the selection of the proposed measure in preference to other measures permitted by the GATT such as tariff protection or a subsidy

The details supplied about the sugar scheme also apply to the potato flour scheme.

- (h) Information and forecast about the future development of the industry, including for example expected levels of production, and the possibility of its becoming independent of the measure

At present the potato flour factories are in process of reconstruction and modernization. Extensive experiments are also in progress for the purpose of selecting the potato sorts most suitable for production of potato flour. It is intended to cover only the Danish consumption of potato flour through the scheme.

- (i) Price of imported and domestic product at the principal market or markets

Since 1948 the price of potato flour has been kr. 79,50 per 100 kilos, ex factory.

Category B: Supplementary information relating to the industry which is to be developed

- (o) Number and location of enterprises or firms

At present, there are 7 potato flour factories in operation, situated in different parts of the country.

- (p) Numbers employed

The potato flour factories employ about 200 workers.

- (q) Average level of wages paid to employees

In 1949/50 the workers employed by the potato flour factories earned about 900,000 kr.

- (r) Capital investment

The value of the factory plants is about 3,1 million kroner.

- (u) Information relating to the domestic consumption of the product

During the years 1938-1948 the consumption of potato

flour was:

	(1000 kilos)	(kilo per head of population)
1948	28,223	6.7
1947	16,252	3.9
1946	16,332	4.0
1945	13,650	3.4
1944	13,346	3.3
1943	20,554	5.2
1942	17,222	4.4
1941	15,156	3.9
1940	15,862	4.1
1939	13,182	3.5
1938	11,231	3.0

THE LIQUOR AND YEAST SCHEME

With reference to Act. No. 74 of March 15th, 1934, on Liquor and Yeast, governing the production of spirits in this country, it may be noted in connection with the details previously submitted (GATT/CP.3/40/Add.3/Annex) that the main purpose of this scheme is to secure the greatest possible use of Danish raw materials, notably potatoes, for the production of liquor and yeast; consequently this act is more or less a supplement to the potato flour scheme. In addition, the spirit and yeast scheme is largely motivated by considerations of temperance.

It is desired to keep the spirit and yeast scheme in force in pursuance of the provisions contained in Article XX of the General Agreement on Tariffs and Trade, section I(a) and (b), cf. Article XVIII, paragraph 11, and Article 1(a)(ii) of the Annex Protocol on Terms of Accession to the General Agreement on Tariffs and Trade. At present, import restrictions are also being kept in force for balance of payments considerations.

ANNEX

Act No. 135 - March 29th, 1950
on a Sugar Scheme.

We, Frederik the Ninth, by the Grace of God, King of Denmark, the Wends and the Goths, Duke of Sleswig, Holstein, Stormarn, Ditmarsk, Lauenborg and Oldenburg,

Hereby make known: That the Rigsdag have passed the following Act, to which We have given Our Royal Assent:

1.

For the purposes of this Act, sugar shall be interpreted to comprise beet and cane sugar in any form, whether refined or unrefined; syrup shall be interpreted as any solution of beet or cane sugar, also containing other descriptions of sugar.

2.

Production and refinement of sugar shall be subject to licence, granted on terms to be decided by the Minister of Commerce, Industry and Shipping. Such licences shall also be required for the production of sugar juice.

Licences may be granted for periods not exceeding 10 years.

The capital and incorporation of the factories shall be approved by the Minister of Commerce, Industry and Shipping.

If the provision of the capital required for the factories or other circumstances concerning the applications of this scheme make such action necessary, the Minister of Commerce, Industry and Shipping may grant exemptions from the provisions of the Act No. 123 of April 15th, 1930, on Limited Companies and from Act No. 463 dated November 30th, 1948, on Limitations of Dividends, etc.

3.

The Minister of Commerce, Industry and Shipping may fix the extent of the areas which, by arrangement between beet growers and the factories, are earmarked for cultivation of industrial sugar beets.

4.

Factories shall pay beet growers a price fixed annually by the Minister of Commerce, Industry and Shipping on the strength of recommendations by the Supervisory Board appointed in pursuance of paragraph 9 and in consultation with the Parliamentary Committee established in pursuance of paragraph 10.

Regardless of the foregoing provisions the price of beets for the sugar processing season of 1950/51 shall be 5.71 kr. per 100 kilos beets supplied. In the event of increased expenses for manpower this price may be increased accordingly

by decision of the Minister of Commerce, Industry and Shipping. If the contract areas exceed 35,000 hectares, an additional price of 10 øre per 100 kilos shall be paid; if the contract areas exceed 37,000 hectares, the addition to the price shall be increased to 20 øre per 100 kilos; if the contract areas exceed 39,000 hectares, the addition to the price shall be increased to 25 øre per 100 kilos. Each additional increase of 1000 hectares of contract area exceeding 39,000 hectares shall involve an additional price of 5 øre per 100 kilos up to 50 øre per kilo for a contract area exceeding 44,000 hectares. In addition, factories shall pay growers 30 øre extra per 100 kilos as a contribution towards freight expenses.

5.

The price to be charged by the factories per kilo of granulated sugar shall be fixed by the ministry of Commerce, Industry and Shipping upon recommendation by the Supervisory Board mentioned in paragraph 9 and after consultation with the Parliament Committee referred to in paragraph 10.

6.

Importation and exportation of sugar and syrup shall be subject to licence granted by the Minister of Commerce, Industry and Shipping.

7.

The Minister of Commerce, Industry and Shipping shall be empowered to fix the wholesale price of imported sugar, and, if necessary, also the terms on which domestic beet sugar shall be surrendered for refining, and also the retail selling price of sugar.

8.

The Minister of Commerce, Industry and Shipping may direct that export industries using sugar as a raw material for their production may buy sugar at a price which differs from the prices fixed in pursuance of paragraph 5; in fixing this price, the sugar prices in international trade shall be taken into account. This provision shall also apply to industries producing goods for domestic consumption, if sugar is used as a raw material to such an extent that the sugar price may be of importance in their competition with imported goods of the same or a similar description.

The Minister of Commerce, Industry and Shipping shall decide finally to what industries the provisions of this section shall apply.

9.

In the enforcement of this Act, and for the supervision of the observance and effects of the arrangements established by this Act, the Minister of Commerce, Industry and Shipping shall be assisted by a Supervisory Board appointed by the Minister and comprising a chairman and four members including legal, economic accountancy and technical experts as well as persons familiar with conditions of labour and cultivation:

The expenses of supervision, enforcement, and administration of this Act shall be defrayed by the factories operating under licences issued in pursuance of paragraph 2 in proportion to their output of sugar.

10.

The Rigsdag shall set up a committee appointed according to the provisions of paragraph 45 in the Constitution. The Minister of Commerce, Industry and Shipping shall keep this committee informed of all important matters concerning the sugar scheme, and the committee may obtain information from the Minister on the administration of the Act. When the Rigsdag is not in session, the duties conferred on the said committee shall be discharged by the committee appointed during the latest session of the Rigsdag.

11.

Any person committing an offence under the provisions of this Act or licences issued in pursuance of this Act, shall be liable to a fine. The fines shall be paid into the Treasury. Profits earned by contravention of the provisions of this Act or of licences or directives issued in pursuance of this Act may be confiscated and appropriated to the Treasury by judgment; offenders convicted of such contraventions may have their trade licences suspended for a certain period or permanently revoked.

12.

This Act shall enter into force on May 1st, 1950. Act No. 110 of March 23rd, 1948 on Temporary Measures Concerning a Sugar Scheme, cf. Act No. 84 of March 10th, 1949, shall be replaced as from this date.

However, settlement of amounts due to or from the factories and the Government (The Sugar Fund) as of October 1st, 1950, shall take place in conformity with the rules hitherto in force.

Given at Amalienborg, March 29th, 1950,

Under Our Royal Hand and Seal,

Frederik R.

(L.S.)