

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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L/3602

21 October 1971

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Original: English

## DANISH IMPORT SURCHARGE

The following communication dated 19 October 1971 has been received from the Permanent Representative of Denmark.

I am sending you enclosed a memorandum about an action programme for economic stabilization which my Government today presents to the Danish Parliament, including a proposal to impose as from 20 October 1971 a 10 per cent import surcharge on a wide range of products.

I should be grateful to you if you would circulate this memorandum to contracting parties.

The text of the memorandum is as follows:

At the opening of the Danish Parliament today at 1.30 p.m. the Danish Prime Minister, Mr. J.O. Krag, will submit to Parliament an action programme for stabilizing the Danish economy with a view first of all to maintain the parity of the Danish Krone, to ensure full employment and to prepare Danish economic life for the challenge which Denmark's accession to the EEC will entail.

The background for this action is the serious development which for some time has taken place in Denmark's economy. For the last twelve months the deficit on the balance of payments has amounted to DKr 3.5 billion (about \$470 million), and as a consequence short-term foreign business debts have increased to about DKr 13 billion (about \$1,750 million). In comparison the exchange reserves amount to only DKr 3 billion (about \$400 million).

This situation entails an obvious danger which is further increased by the uncertainty which at present characterizes the international exchange situation.

The developments so far in Danish economy cannot continue under the present international circumstances.

It is the firm policy of the Danish Government, unconditionally, to maintain the parity of the Krone, and this necessitates measures to correct the balance of payments. To this end the Government will launch an action programme for economic stabilization, which inter alia will comprise the following measures:

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1. Maintenance of the extremely severe fiscal and monetary policies.
2. Continued strong restrictive policies as regards public expenditure so that urgent reforms will have to be financed through changes in priorities within the public budgets.
3. Establishment of a more active labour market policy with a view to creating greater mobility for labour.
4. A change in the rules governing depreciation with a view to increasing business investments.
5. Creation of a council for the capital market which shall assist the Government in channelling scarce capital to export-creating industries.
6. In order to strengthen the fiscal position and to counter abuse of measures aimed at encouraging investments, a strengthening of taxation on capital, capital gains, and inheritance is envisaged.

Although the measures taken so far have already resulted in reducing the deficit on the balance of payments, this programme will, under the present international conditions not in itself be able to ensure a sufficiently rapid reduction of the deficit. The Government will therefore propose to Parliament that a temporary 10 per cent surcharge on imports be introduced as from 20 October 1971 with a view to correcting the situation, until the other measures have achieved their full impact. The surcharge will, as stated, be of a temporary nature and is introduced with great reluctance and only to remedy a critical situation.

The temporary nature of the surcharge is underlined by the fact that according to the bill presented to Parliament, it will be reduced to 7 per cent on 1 July 1972, to 4 per cent on 1 January 1973 and will completely disappear on 1 April 1973.

The surcharge will comprise only two thirds of total imports inasmuch as it is proposed that a great number of foodstuffs and raw materials be exempted. This will inter alia mean that the exports of developing countries to Denmark for the most part will not be subject to the surcharge. The import surcharge, which will be calculated on the basis of the customs value, will only be charged on goods shipped after 19 October 1971.

If the law passes Parliament -- presumably before midnight today -- the final list of goods covered by the temporary import surcharge will be submitted.