DENMARK

PRELIMINARY DISCUSSIONS RESPECTING A TRADE AGREEMENT
BETWEEN THE UNITED STATES AND DENMARK

659.003/77

The Minister in Denmark (Owen) to the Secretary of State

No. 102 COPENHAGEN, January 23, 1934.
[Received February 8.]

Sir: I have the honor to inform you that I have learned from a most
reliable source that within the past ten days the Minister of Commerce,
Mr. Hauge, called into private consultation the leading industrialists
of Denmark for the purpose of formulating methods by which the
industries of this country could be induced to a more extended pro-
duction of commodities at present imported into Denmark from
abroad.

Previous despatches from this Legation have described the opera-
tion of the Valuta Control by which Denmark has tried to protect
the value of the Danish crown by maintaining a favorable balance
of trade. The Valuta Control has drastically limited imports, es-
pecially of those articles which could be produced locally or for
which local products could be substituted.

At this Conference the industrial leaders expressed themselves as
being unable to expand their production without some more perma-
nent assurances of protection from foreign competition than is pro-
vided by the Valuta Control whose importation permits are issued
for periods of four months.

It was decided definitely that Denmark should place a high tariff
on certain commodities. In view of the fact that Denmark is almost
entirely dependent on Great Britain for the absorption of her dairy
products, the proposed tariff would have to be so arranged that the
products of Great Britain should not be affected. Commodities prin-
cipally imported from other countries, i.e. the United States and
Germany, would be, however, so heavily taxed as to practically exclude
them.

It was understood that these measures would be drafted within the
next few months and as their object is to provide the Danish manu-
ufacturer with a guarantee upon which he can expand his business, it
is probable that, once drafted, these measures would be difficult to
rescind or alter for several years.

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The immediate initiation of trade negotiations between the United States and Denmark would in all probability have one of two advantageous effects. It might set off indefinitely the crystallization of this tariff plan or it might result in a form of tariff which would to a certain point at least extend to the products of the United States the same advantage which it is proposed that the products of Great Britain should enjoy, while leaving the brunt of the burden on the commodities of Germany. If, however, there should be no move on the part of the United States in the immediate future there is a serious danger of the action outlined above, which will make it impossible for the next several years to regain and hold our Danish market for American goods.

Respectfully yours,

RUTH BRYAN OWEN

\[11.5931/50a\]

The Secretary of State to the Minister in Denmark (Owen)

No. 66

WASHINGTON, May 7, 1934.

MADAM: Reference is made to your supplement to the Joint Report of the American Ministers to Denmark, Finland, Norway and Sweden, dated March 21, 1934, in which you reiterate the recommendation made in earlier despatches that a reciprocal trade agreement be concluded between the United States and Denmark at the earliest possible moment.

As you are doubtless aware, a tariff bargaining bill, having passed the House of Representatives, awaits action by the Senate. I am unable to say what action will be taken by the latter body. In view of lack of the authority which would be conferred by this law, we have seen fit to halt those conversations which had been begun and to desist from action which might arouse hopes in other nations that we were prepared to negotiate such agreements. Moreover, it has been felt in the Department that, even with authority to negotiate, accord with certain countries could be reached only with great difficulty, in view of the conflict of interests arising out of similarity of exportable surpluses.

Such appears to be true in the case of Denmark. Most of Denmark's staple exports are primary products of which the United States is an important producer, and in some cases an exporter. Our exports to Denmark, when not competitive with articles produced in that country, compete with the products of other countries which in most cases buy more Danish goods than does the United States.

\(^1\) Not printed.
\(^2\) Trade Agreements Act, approved June 12, 1934; 48 Stat. 943.
In the past, this situation has caused no great difficulty, because of the plurilateral nature of world trade and the settlement of balances of payments along those lines, taking into account, of course, important invisible factors. During recent depression years, there has, however, been a tendency in many countries to seek visible trade balances with individual countries and, while this is manifestly an unsound approach to world trade, it is a factor which must be taken into account in our efforts to regain our trade position in Denmark.

To assist us in formulating our views, I should be glad to receive from you a strictly confidential report upon the possible bases of a trade agreement between the United States and Denmark.

Note has been taken of your suggestion that a three cornered arrangement might be the solution for protecting our market in Denmark. In this connection, I might say that in normal times the triangular or multicornered movement which you have in mind is a natural phenomenon guided, not by agreement, but by economic causes beyond such control. We have entertained the hope that a reversion to the old order would follow readjustments in the individual countries. We question the feasibility of triangular trade agreements.

I consider it essential that you make your investigations without approaching the Danish officials in any way.

Very truly yours,

Francis B. Sayre

611.5931/51

The Minister in Denmark (Owen) to the Secretary of State

No. 177

COPENHAGEN, June 13, 1934.

[Received June 26.]

Sir: I have the honor to refer to the Department’s Instruction No. 66, dated May 7, 1934, regarding the question of a reciprocal trade agreement with Denmark.

May I respectfully call the attention of the Department to my previous despatches, and especially to my despatch No. 102 of January 23, 1934, under the heading “Proposed Change in Denmark’s Tariff Policy”.

I beg to point out the fact that Denmark, although a comparatively small country has been and might still be a valuable, discriminating and reliable market for American produce but that unless steps are taken immediately this market will be lost because of three circumstances:

First, the proposed alteration in Danish tariff regulations in the interest of the protection of new Danish industries which are being encouraged to commence operations;
Second, through the operation of reciprocal trade agreements already effected and in process of negotiation with other countries;

Third, through the increasingly severe operation of the already established Valuta Control Board which, in pursuing the policy of purchasing from those who purchase from Denmark, continues to drastically decrease American imports. I have gained the impression that it may be the policy of our Government to give first attention to the negotiation of trade agreements with those countries in which there was a comparatively uncomplicated trade situation. When I was a war nurse, we were frequently faced in hospital with the problem of slightly wounded whose cure was comparatively easy and the desperate cases which could only be saved by heroic remedies and self-sacrificial effort.

There is no doubt that Denmark offers a particular difficult problem but it is equally certain that the patient will not survive unless something is done speedily.

Believing that a review of the commodities which Denmark has imported to the United States in the past may be suggestive in relation to the present problem, certain tables are submitted herewith:*

Among the commodities of importance which Denmark exported to the United States for the year of 1929 were 0.2 percent of her total butter production, 1.1 percent of her cheese production, 13 percent of her total hides and skins exports, and 12 percent of her seed exports. Reference has been made to the above commodities since it has been proven that there is a market for them in the United States.

It will be observed that the United States imported at the same time a considerable quantity of the same commodities from various other countries, a portion of which imports could no doubt be shifted to Denmark without materially upsetting the trade relations between the other countries, if necessary by compensation of other commodities since Denmark is very limited in her range of exports.

In the case of butter during 1929 it will be noticed that whereas Denmark supplied the United States with 197,083 pounds New Zealand supplied approximately four times this amount, or 844,424 pounds.

The attached chart recently published by the United States Chamber of Commerce based upon official United States government figures shows that Denmark stands among the leading 24 world markets for American products, but in 55th place as a seller to America, and that New Zealand is not even ranked among the chief buyers. To import agricultural products into the United States is obviously a difficult matter having regard to our own agricultural interests, but it would

*Not printed.
appear that if agricultural imports are restricted from other countries it should be possible to increase importation from Denmark of a sufficient quantity to materially aid Denmark without upsetting domestic agricultural production. Our rapidly diminishing but very valuable Danish market, which took no less than 13.3 percent of her total 1929 imports from the United States is worth the required effort.

The adverse effect of Denmark's present policy is shown by the enclosures on the operation of the Exchange Control Board, as for example in 1931 the ratio of imports and exports between the two countries was 1 to 27 in United States' favor, but it has steadily been reduced since, to 1 to 10 in 1933, and the indications are that there will be a further substantial reduction in 1934.

In view of Denmark's pressing necessity to expand her export markets and the activities of other countries in connection with trade agreements with her it is urged that steps be taken to consider the increase of Danish imports to the United States, preferably of butter and other agricultural products, which are so important to Denmark and which might serve as a basis for trade negotiations.

Respectfully yours,  

RUTH BRYAN OWEN  

611.5983/67

Memorandum by the Assistant Secretary of State (Grady)

[WASHINGTON, NOVEMBER 28, 1934.]

Mrs. Owen called on me by appointment November 28, 1934, to discuss the matter of a trade agreement with Denmark. I explained to her the inherent difficulties of a trade agreement with Denmark, which she seemed to understand, but she urged that we endeavor to make some kind of friendly gesture to Denmark which would affect the tendency, which she says is quite marked, for Denmark to discriminate against American trade.

I called her attention to the fact that the Trade Agreements Act provides for the generalization of concessions except to those countries which may be discriminating against our commerce. I indicated that our policy had not crystallized itself as yet as to the extent to which we would rigidly apply this section of the Act, but said that, in all likelihood, we would withhold generalizations from those countries which were not giving us, in effect, most-favored-nation treatment. She asked if Denmark would profit by concessions made to those countries we are now negotiating with, and I said there were a number of commodities on which we would, in all likelihood, make concessions that would interest Denmark, but emphasized the fact that

*Not printed.*
generalizations to Denmark or any other country would be contingent upon substantial most-favored-nation treatment to our commerce. I told her that we were planning an extensive study of the discriminations of various countries against our commerce, and would announce those countries to which generalizations would not be extended with the announcement of our first European agreement, which probably would be Belgium.

She asked if she might confidentially indicate some of the items which would interest Denmark in the agreements we are now working on, and I said that if the matter was entirely confidential she might indicate specifically certain articles of interest to Denmark upon which duties will probably be reduced in connection with pending trade agreements. I stressed the necessity of such discussions on her part being entirely confidential and for the purpose of indicating to Denmark that, while we might not be able to make an agreement with that country in the near future, it still would, in all likelihood, assuming it did not discriminate against our commerce, receive collateral benefits from our trade agreements program.

H[ENRY] G[RADY]

ARRANGEMENT BETWEEN THE UNITED STATES AND DENMARK FOR AIR NAVIGATION, EFFECTED BY EXCHANGE OF NOTES, SIGNED MARCH 12 AND 24, 1934

[For text of arrangement, see Department of State Executive Agreement Series No. 58, or 48 Stat. 1855.]

ARRANGEMENT BETWEEN THE UNITED STATES AND DENMARK FOR PILOT LICENSES TO OPERATE CIVIL AIRCRAFT, EFFECTED BY EXCHANGE OF NOTES, SIGNED MARCH 14 AND 24, 1934

[For text of arrangement, see Department of State Executive Agreement Series No. 59, or 48 Stat. 1865.]

ARRANGEMENT BETWEEN THE UNITED STATES AND DENMARK FOR RECIPROCAL RECOGNITION OF CERTIFICATES OF AIRWORTHINESS FOR IMPORTED AIRCRAFT, EFFECTED BY EXCHANGE OF NOTES, SIGNED MARCH 12 AND 24, 1934

[For text of arrangement, see Department of State Executive Agreement Series No. 60, or 48 Stat. 1868.]