

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

BOP/102
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Limited Distribution

Committee on Balance-of-Payments Restrictions

1970 CONSULTATION UNDER ARTICLE XII:4(b) WITH ICELAND

Basic Document for the Consultation¹

1. Legal and administrative basis of the restrictions

The statutory basis for Iceland's import controls is Act No. 30 of 25 May 1960 on Import Trade and Foreign Exchange Transactions, etc. According to Article 1 of the Act all goods can be imported without restrictions unless otherwise decided in a special law or a regulation which the Government is authorized to issue after consulting the Central Bank. The same provision applies to transfers for invisible payments.

On 27 May 1960 the Government issued a regulation implementing the provisions of the Act as well as another regulation specifying the commodities subject to import licence, which in effect eliminated a great part of the quantitative restrictions. Since 1960 the Government has, in each year except 1968 and 1969, expanded the liberalization measures. When Iceland joins EFTA on 1 March this year, the list of liberalized commodities will be further expanded.

The regulation on licensed commodities issued on 19 February 1970 contains the negative list attached hereto as Annex I.

2. Methods used in restricting imports

Licences for imports and foreign exchange are granted by an informal committee consisting of one representative of the Ministry of Commerce and one from each of the two State-owned commercial banks authorized to deal in foreign exchange, the National Bank of Iceland and the Fisheries Bank of Iceland.

The supervision of the foreign exchange controls such as the surrender requirements and capital transfers is in the hands of the Central Bank.

At the beginning of each year the Government, in consultation with the Central Bank, announces global quotas for some of the goods still subject to import control. Licences issued under global quotas are valid for all countries with which Iceland carries on trade on a multilateral basis. The commercial banks are required to keep the allocation of exchange and import licences in convertible currency within the global quotas.

¹Material supplied by the Icelandic authorities.

3. Treatment of imports from different sources, including information on the case of bilateral agreements

Imports are admitted under the following procedures: (a) free importation, (b) global quotas and (c) other licensing.

The following table shows the actual imports in 1969 broken down according to different import procedures:

	<u>C.i.f. value</u> <u>US\$ million</u>	<u>Percentage</u>
Liberalized commodities	111.4	90.3
Commodities under global quotas	0.7	0.6
Other licensed commodities	11.2	9.1
Total	<u>123.3</u>	<u>100.0</u>

(a) Free importation

All imports except those mentioned in the list of licensed commodities (Annex I to this document) are admitted without licence. Imports of the liberalized goods are free for all countries.

This liberalized sector includes agricultural commodities purchased from the United States under a Public Law 480 agreement. The last agreement, for calendar year 1969, includes the following items:

	<u>US\$'000</u>
Wheat and/or wheatflour	362
Tobacco	392
Cornmeal	740
Ocean transportation	221
Total	<u>1,715</u>

In order to ensure the execution of the Public Law 480 agreement the foreign exchange banks are authorized to control the foreign exchange allotments for the purchase of these commodities.

(b) Global quotas

Licences for global quota imports are issued in accordance with the following general rules:

- (1) To industrial enterprises and other direct users of the imported goods, in accordance with their requirements as estimated by the licensing authorities.

- (2) To regular importers, according to their imports in a previous period; some consideration is, however, given to new importers.

The global quotas for 1970 are shown in Annex II. In 1969 the imports of commodities now under global quotas represented 0.6 per cent of the value of total imports. The global quota imports have decreased as commodities previously imported under that system have been liberalized.

(c) Other licensing

Commodities in the category "other licensing" represented 9.1 per cent of total 1969 imports. The most important commodities in this category are gasoline, gas oil and fuel oil (7.5 per cent). Iceland has bilateral trade and payments agreements with the following countries: Hungary, Romania, Soviet Union and Brazil. Trade with East Germany is based upon a private agreement between the Kammer für Aussenhandel, Berlin, and the Iceland Barter Association. Most of the trade agreements contain fixed quotas and the payments agreements stipulate swing credit margins. Liberalized goods are importable from these countries on the same conditions as from other countries.

4. Commodities affected by various forms of restrictions

The value of imports of the main commodities subject to quantitative restrictions was as follows in 1968 and 1969:

<u>BTN</u>	<u>Name of commodity</u>	<u>1968</u> <u>C.i.f. US\$'000</u>	<u>1969</u> <u>US\$'000</u>
11.01.26	Ryemeal	171.9	291.1
17.01.21-17.01.25	Sugar	1,184.2	1,050.0
25.23.00	Cement	289.5	343.2
27.10.29	Motor gasoline	1,378.0	1,565.9
27.10.40	Gas oil	9,047.3	6,303.4
27.10.50	Fuel oil	1,733.3	1,428.4
59.04.02	Ropes, excluding grass ropes	236.8	230.7

5. Imports under State trading

State trading in Iceland is at present limited to fertilizers, tobacco, wine, liquor and matches, monopoly arrangements for perfumes and essences having been abolished last year. Telephones and other telecommunications apparatus are imported solely by the State Telephone Administration. In addition, fresh vegetables and potatoes are imported under the auspices of the Agricultural Production Board in accordance with an authorization from the Government. Imports of all the commodities which the State companies import are liberalized.

In 1969 total imports of commodities subject to State trading amounted to \$6,585 thousand or 5.3 per cent of total imports. The imports of the State-trading companies were as follows in the year 1969:

	<u>1969</u> <u>C.i.f. US\$'000</u>
Fertilizers	2,087.5
Tobacco	1,743.1
Wine and liquor	1,273.9
Telegraphs and other tele- communications apparatus	1,480.7
Total	<u>6,585.2</u>

6. Measures taken since last consultations

Iceland has negotiated for membership in the European Free Trade Association, and the accession will take effect on 1 March 1970. On that date protective duties on imports of industrial products from EFTA countries will be reduced by 30 per cent. They will further be reduced by 10 per cent annually from 1 January 1974 to 1 January 1980, when they will have been eliminated. In addition, duties on raw material and semi-manufactures for domestic industries will generally be reduced by 50 per cent and duties on industrial machinery will also be substantially reduced, both reductions being on a most-favoured-nation basis, applying to imports from all countries. As a result of Iceland's accession to EFTA, the commodities on Annex III will be liberalized. The imports of these commodities amounted to Ikr 78 million (\$886,000) in 1969 or 0.7 per cent of the total commodity imports. Most of the remaining import restrictions will be abolished not later than 1 January 1975. In the meantime existing global quotas will be gradually increased and new global quotas will be established in 1972 for confectionery, cement and beer.

An agreement was reached with EFTA that quantitative restrictions could be applied to certain petroleum products in order to safeguard Iceland's trade with the Soviet Union. In addition the imports of brooms and brushes, which are made by the blind in Iceland, could also be restricted.

7. Effects of the import restrictions on trade and general policy in the use of restrictions

The remaining import restrictions are rather insignificant and in effect have in fact only a minor effect on the volume of import. By far the largest commodity group on the restricted list is petroleum products which have traditionally been mostly imported from the Soviet Union. Under the present payments arrangements these purchases are essential in order to enable Iceland to market a substantial quantity of frozen fish fillets in the Soviet Union. The importance of this trade to the Icelandic economy has been recognized in the recently concluded negotiation for Iceland's membership in EFTA.

The other items on which imports are still restricted are mostly goods which are also manufactured in Iceland. The Icelandic Government has agreed to gradually diminish the restrictions on industrial goods so as to completely abolish them in five years time.

Annex I

COMMODITIES SUBJECT TO IMPORT LICENCE

<u>Customs tariff No.</u>	<u>Commodity</u>
01.01.00-) 01.06.20)	Live animals
02.01.10-) 02.01.50)	Meat and edible offals falling within heading Nos. 01.01-01.04, fresh, chilled or frozen
02.02.00	Dead poultry (that is to say, fowls, ducks, geese, turkeys and guinea-fowls) and edible offals thereof (except liver), fresh, chilled or frozen
02.03.00	Poultry liver, fresh, chilled, frozen, salted or in brine
02.04.09	Other meat and edible meat offals, fresh, chilled or frozen
02.05.00	Unrendered pig fat free of lean meat and unrendered poultry fat, fresh, chilled, frozen, in brine, dried or smoked
02.06.10) 02.06.20)	Meat and edible meat offals (except poultry liver), salted, in brine, dried or smoked
04.01.00- 04.05.00	Dairy produce; birds' eggs
07.01.10	Potatoes, fresh or chilled
07.01.20	Tomatoes, fresh or chilled
09.01.11) 09.01.20)	Coffee, roasted or freed of caffeine; coffee husks and skins; coffee substitutes containing coffee in any proportion
11.01.25) 11.01.26)	Rye meal, excluding rye flour
15.01.00	Lard and other rendered pig fat, rendered poultry fat
15.02.00	Unrendered fats of bovine cattle, sheep or goats; tallow (including "premier jus"), produced from those fats
15.03.00	Lard stearin, oleostearin and tallow stearin; lard oil, oleo-oil and tallow oil, not emulsified or mixed or prepared in any way
15.13.00	Margarine, imitation lard and other prepared edible fats
16.01.00	Sausages and the like, of meat, meat offal or animal blood
16.02.00	Other prepared or preserved meat or meat offal
17.01.21) 17.01.22)	Cube sugar

<u>Customs tariff No.</u>	<u>Commodity</u>
17.01.23) 17.01.24)	Granulated sugar
17.04.01) 17.04.03-) 17.04.09)	Sugar confectionery, not containing cocoa, excluding paste of powdered almonds and sugar or marzipan in blocks of 10 kgs. or more
ex 18.06.09	Chocolate and other food preparations, containing cocoa, excluding paste of powdered almonds and sugar or persipan in blocks of 10 kgs. or more
ex 20.04.00	Fruit, fruit peel and parts of plants, preserved by sugar (drained, glacé or crystallized), excluding candied peel
ex 21.07.09	Synthetic cream, synthetic milk and milk powder and ice-cream and milk-ice
22.03.00	Beer made from malt
22.04.00	Grape must, in fermentation or with fermentation arrested otherwise than by the addition of alcohol
25.23.00	Portland cement, ciment fondu, slag cement, super-sulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinker
27.09.00	Petroleum and shale oils, crude
27.10.10	Partly refined petroleum, including topped crudes
27.10.29	Motor gasoline, excluding aviation gasoline
27.10.40	Gas oil (distillate fuel)
27.10.50	Fuel oil (residual fuel oil)
59.04.01	Fishing lines and cords
ex 59.04.02	Ropes, excluding grass ropes and metal-twined ropes
ex 85.01.00	Transformers, excluding ballasts for fluorescent lamps
94.01.00) ex 94.03.00) 94.04.00)	Furniture and parts thereof, bedding, mattresses, mattress supports, cushions and similar stuffed furnishings, excluding medical furniture and filing cabinets of iron and steel and built-in cabinets and closets
96.01.00	Brooms and brushes, consisting of twigs or other vegetable materials merely bound together and not mounted in a head, with or without handles
ex 96.02.01) ex 96.02.09)	Other brooms and brushes, excluding brushes of a kind used as parts of machines, paint rollers, squeegees and mops, tooth-brushes and artists' brushes

Annex II

GLOBAL QUOTAS FOR 1970

The Ministry of Commerce announced on 31 December 1969 the global quotas for imports to Iceland in 1970. The global quotas cover imports from all free currency countries.

The global quotas are stated in the following list:

<u>Customs tariff No.</u>	<u>Commodity</u>	<u>Krónur</u>
09.01.11	Coffee, roasted	4,000,000
20.04.00	Fruit, fruit peel and parts of plants preserved by sugar	4,000,000
59.04.01	Fishing lines and cords	84 tons
ex 59.04.02	Ropes, excluding grass ropes	200 tons
ex 85.01.00	Transformers, excluding ballasts for fluorescent lamps	7,200,000
94.01.00) 94.03.09) 94.04.00)	Furniture and parts thereof; bedding mattresses, mattress supports, cushions and similar stuffed furnishings, excluding built-in cabinets and closets, seats for motor vehicles and other commodities which are liberalized	24,000,000
96.01 and ex 96.02	Brooms and brushes, except brushes of a kind used as parts of machines, paint rollers, squeegees (other than roller squeegees) and mops, artist brushes and tooth-brushes	3,000,000

Annex III

ADDITIONS TO THE LIST OF LIBERALIZED COMMODITIES

The following items will be added to the list of liberalized commodities on 1 March 1970:

<u>Customs tariff No.</u>	<u>Commodity</u>
02.04.01	Meat of whales, also fibrous
21.01.00	Roasted chicory and other roasted coffee substitutes, extracts, essences and concentrates thereof
22.02.00	Lemonade, flavoured spa waters and other non-alcoholic beverages
27.01.10	Coal
27.04.00	Coke and semi-coke of coal, of lignite or of peat
27.05.00	Gas carbon
ex 44.18.00	Reconstituted wood, being wood shavings, wood chips, sawdust, wood flour or other ligneous waste agglomerated with natural or artificial resins or other organic binding substances, in sheets, blocks or the like
44.22.00	Casks, barrels, vats, tubs, buckets and other coopers' products, excluding staves and parts
ex 48.09.00	Building board of wood pulp or of vegetable fibre, whether or not bonded with natural or artificial resins or with similar binders, excluding plastic coated plates
48.16.01	Paper boxes and cases
48.16.06	Boxes made of paperboard for packing fish for export, provided these have the appropriate inscription
60.03.01	Ladies' stockings of silk or artificial fibres
73.23.01	Drums of sheet or plate iron or steel
ex 87.02.12 -)	Used cars, with a carrying capacity of less than 3 tons
87.02.32)	
ex 87.02.35 -)	
87.02.39)	
93.01.00 -)	Arms and ammunition; parts thereof; excluding life-saving guns and whaling guns and parts thereof
93.07.29	
99.01.00 -)	Works of art, collectors' pieces and antiques
99.06.00)	