

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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CONTRACTING PARTIES  
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## REPORT BY THE WORKING PARTY ON THE PROVISIONAL ACCESSION OF ICELAND

1. The Working Party was appointed by the Council of Representatives on 12 December 1963 "to examine the request of the Government of Iceland to accede provisionally to the General Agreement and to make recommendations to the CONTRACTING PARTIES".
2. The Working Party had before it a statement by the Government of Iceland on its foreign trade régime (document L/2134 and Add.1).
3. Supplementing the information given in the statement referred to in paragraph 2, the representative of Iceland drew attention to the fact that on a per capita basis Iceland was one of the foremost trading countries in the world; the yearly value of foreign trade per capita amounted to about \$1,200.

Iceland had now asked for provisional accession and looked forward to conduct negotiations for its full accession to GATT in the course of the Kennedy round. It did not intend to invoke Article XXXV of GATT in respect of any contracting party.

The main feature of Iceland's trade was that more than 90 per cent of the exports consisted of fish and fish products. This involved at the same time a strength and a weakness - strength because the highly developed fisheries ensured a high standard of living and a high level of foreign trade, but weakness because fish was subject to great fluctuations in catch and prices. Besides there had been a tendency to treat fish products like a neglected stepchild in international trade negotiations. Considering the structure of the economy it was not surprising that Iceland had experienced trade and payments problems. Nonetheless they had been able since 1960 substantially to reduce import restrictions. Seventy per cent of Icelandic imports were now fully liberalized and 9 per cent subject to global quotas.

Iceland's dependance on bilateralism was decreasing, but in view of the necessity to ensure continued fish exports to some State-trading countries, which could not easily be replaced as markets, it would be difficult entirely to remove

bilateral import licensing. The Icelandic Government, however, did not, in principle, favour bilateralism. Whether the trend away from bilateralism and restrictions could continue, depended on various factors among which were the trading policies of the EEC and the EFTA.

The Icelandic representative recalled that his country was a member of the International Monetary Fund and that it availed itself of the transitional arrangements in Article XIV of the Fund Agreement. As Iceland maintained quantitative restrictions for balance-of-payments reasons, he understood that it would be able to invoke Article XII of GATT. He further stated that the Fund had not objected to Iceland's bilateral relations with the State-trading countries.

Concluding his introductory statement the representative of Iceland pointed out that his country's balance-of-payments surplus of more than 350 million Icelandic krónur in 1962 had been followed by an estimated deficit of 200 million krónur in 1963. To restore internal and external balance was the most urgent task of his Government.

4. The Working Party welcomed the decision of the Government of Iceland to apply for accession to GATT. A number of questions were addressed to the delegation of Iceland and the replies are summarized hereunder.
5. The representative of Iceland explained that the list of licensed commodities in Annex II to L/2134 was a negative list and that all items not listed therein could be imported freely. He confirmed that the total amount of licences granted under bilateral arrangements corresponded closely, over a period of years, to the exchange earnings from the countries concerned.
6. Asked about the purchasing policy of the Icelandic State-trading agencies, in particular the wine and liquor monopoly, the representative of Iceland said that the State-trading agencies based their purchases on commercial considerations only. The Government did not try to exert any influence on them to deviate from the strictly commercial considerations.
7. In reply to questions about the payments procedures the representative of Iceland confirmed that the aim of the procedure referred to in paragraph 9 of document L/2134 was to make foreign exchange available to the extent necessary for the payment of authorized imports: the reason why imports credits were under control was to avoid excessive accumulation of foreign obligations and also to prevent the freeing of importers capital resources thus increasing the pressure on the internal economy.
8. Pending the negotiations for the accession of Iceland to the General Agreement under Article XXXIII to be held in the course of the forthcoming trade negotiations, the Working Party recommends that the CONTRACTING PARTIES make the necessary arrangements for the provisional accession of Iceland. To that end it has prepared a draft Declaration on the Provisional Accession of Iceland and a draft Decision on the Participation of Iceland in the Work of the CONTRACTING PARTIES. It recommends that the CONTRACTING PARTIES open the draft Declaration for acceptance and adopt the draft Decision.

ANNEX I

PROVISIONAL ACCESSION OF ICELAND

Draft Declaration

The Government of Iceland and the other governments on behalf of which this Declaration has been accepted (the latter governments being hereinafter referred to as the "participating governments"),

Considering that the Government of Iceland on 11 December 1963 made a formal request to accede to the General Agreement on Tariffs and Trade (hereinafter referred to as the "General Agreement"), and that the Government of Iceland will be prepared to conduct the negotiations with contracting parties which it is considered should precede accession under Article XXXIII in the course of the forthcoming Trade Negotiations,

Considering that, pending accession under Article XXXIII, Iceland is prepared to accept the obligations of the General Agreement,

Considering the desirability of basing the trade relations of Iceland with contracting parties upon the General Agreement as soon as possible, and consequently the desirability of providing for the provisional accession of Iceland to the General Agreement as a step towards its accession pursuant to Article XXXIII,

1. Declare that, pending the accession of Iceland to the General Agreement under the provisions of Article XXXIII, which will be subject to the satisfactory conclusion of negotiations on customs tariffs or their equivalent, in accordance with rules and procedures to be adopted by the CONTRACTING PARTIES to the General Agreement (hereinafter referred to as the "CONTRACTING PARTIES") for this purpose, the commercial relations between the participating governments and Iceland shall be based upon the General Agreement, subject to the following conditions:

- (a) The Government of Iceland shall apply provisionally and subject to the provisions of this Declaration (i) Parts I and III of the General Agreement, and (ii) Part II of the General Agreement to the fullest extent not inconsistent with its legislation existing on the date of this Declaration; the obligations incorporated in paragraph 1 of Article I of the General Agreement by reference to Article III thereof and those incorporated in paragraph 2(b) of Article II by reference to Article VI shall be considered as falling within Part II of the General Agreement for the purpose of this paragraph;

- (b) while Iceland under the most-favoured-nation provisions of Article I of the General Agreement will receive the benefit of the concessions contained in the schedules annexed to the General Agreement, it shall not have any direct rights with respect to those concessions either under the provisions of Article II or under the provisions of any other Article of the General Agreement;
- (c) in each case in which paragraph 6 of Article V, sub-paragraph 4(d) of Article VII, and sub-paragraph 3(c) of Article X of the General Agreement, refer to the date of that Agreement, the applicable date in respect of Iceland shall be the date of this Declaration;
- (d) the provisions of the General Agreement to be applied by Iceland shall be those contained in the text annexed to the Final Act of the second session of the Preparatory Committee of the United Nations Conference on Trade and Employment as rectified, amended, supplemented, or otherwise modified by such instruments as may have become effective by the date of this Declaration.

2. Request the CONTRACTING PARTIES to perform such functions as are necessary for the implementation of this Declaration.

3. This Declaration, which has been approved by a majority of two thirds of the contracting parties, shall be deposited with the Executive Secretary of the CONTRACTING PARTIES. It shall be open for acceptance, by signature or otherwise, by Iceland, by contracting parties to the General Agreement and by any governments which shall have acceded provisionally to the General Agreement.

4. This Declaration shall become effective between Iceland and any participating government on the thirtieth day following the day upon which it shall have been accepted on behalf of both Iceland and that government; it shall remain in force until the Government of Iceland accedes to the General Agreement under the provisions of Article XXXVIII thereof or until 31 December 1965, whichever date is earlier, unless it has been agreed between Iceland and the participating governments to extend its validity to a later date.

5. The Executive Secretary of the CONTRACTING PARTIES shall promptly furnish a certified copy of this Declaration, and a notification of each acceptance thereof, to each government to which this Declaration is open for acceptance.

Done at Geneva this . . . . . day of March one thousand nine hundred and sixty-four, in a single copy in the French and English languages, both texts authentic.

ANNEX II

PARTICIPATION OF ICELAND IN THE  
WORK OF THE CONTRACTING PARTIES

Draft Decision

Considering that the CONTRACTING PARTIES have approved and opened for signature the Declaration of March 1964 on the provisional accession of Iceland,

Taking account of the preambular considerations and provisions of that Declaration,

Noting that the aforementioned Declaration requests the CONTRACTING PARTIES to perform such functions as are necessary for its implementation, and

Desiring that the Government of Iceland, pending its accession under Article XXXIII, shall be associated in the discussions and deliberations of the CONTRACTING PARTIES,

The CONTRACTING PARTIES

Decide:

1. To invite the Government of Iceland to participate in sessions of the CONTRACTING PARTIES and of subsidiary bodies established by the CONTRACTING PARTIES;
2. To accept such functions as are necessary for the operation of the Declaration referred to in the preamble to this Decision;
3. To make arrangements for the negotiations referred to in paragraph 1 of the aforementioned Declaration.

This Decision shall continue in effect until the accession of Iceland to the General Agreement following negotiations with contracting parties or until 31 December 1965, whichever date is the earlier, unless the CONTRACTING PARTIES agree to extend it to a later date.