

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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ACCESSION OF ICELAND

Statement by the Icelandic Government

1. On 5 March 1964 the CONTRACTING PARTIES approved the declaration on the provisional accession of Iceland. At that time it was stated that the Government of Iceland would be prepared to conduct the negotiations with the CONTRACTING PARTIES which should precede accession under Article XXIII in the course of the trade negotiations which are now being concluded. Icelandic representatives have recently discussed with some of the contracting parties about the conditions for Iceland's accession and are under the impression that they will not present an obstacle to the CONTRACTING PARTIES' approval. It is, therefore, hoped that the necessary formalities can be concluded in time to coincide with the formal conclusion of the trade negotiations.

2. Reports on the Icelandic import system have been submitted in connexion with the provisional accession (L/2134 and Add.1) and the two consultations under Article XII:4(b) in May 1965 and November 1966 (BOP/59 and BOP/R/3) under the auspices of the Committee on Balance-of-Payments Restrictions. On these three occasions the import system, the economic situation and the balance-of-payments position were thoroughly discussed. It should, therefore, not be necessary to repeat that general information now. Consequently, this statement will be brief as it is intended primarily to bring up to date the information previously supplied.

3. Since 1960 the Government has gradually abolished the greatest part of the quantitative restrictions that had been applied for nearly thirty years. About 86 per cent of the commodity imports have now been liberalized, based on 1965 imports. In January this year new liberalization measures were announced which included commodities representing 2.2 per cent of 1965 imports. The main items were coffee, plywood, glass and electric motors.

Attached to this statement is the negative list covering the commodities subject to import licence control. All other commodities can be imported freely.

4. The liberalization of imports has been made possible by the favourable development of the balance of payments in recent years. During 1961-1965 the adjusted balance of goods and services has been in surplus every year except 1963. As a result the foreign exchange reserves have increased and amounted to US\$44.5 million (IKr 1,912 million) at the end of 1965, which corresponds to over three months commodity imports.

5. The year 1966 marks a turning point in this favourable development. The terms of trade deteriorated suddenly as the price of the three most important export products - frozen fish, fish oils and fish meal - dropped substantially. In spite of this, the total value of exported goods and services increased by nearly 11 per cent. On the other hand the value of imported goods and services increased by 18 per cent in 1966. It is, therefore, estimated that there will be a deficit on the balance of payments of goods and services amounting to US\$8.1 million (IKr 350 million). The exchange reserves were not affected by the deficit owing to a corresponding net capital import.

6. The outlook for the Icelandic economy is not for the time being bright. The prices for export products have so far failed to recover. The pressure on internal demand has, however, also declined. Although the deficit is expected to increase this year, the level of reserves should be adequate to meet temporary upsets and enable the Government to prepare remedial measures should the difficulties become more lasting.

7. It should be recalled that Iceland maintains a non-discriminatory single-column customs tariff. A substantial part of imports enters under nil or low rates of less than 5 per cent but many other customs duties are relatively high. The bulk of these are maintained for revenue purposes and customs duties provide one half of the Central Government's total revenue. However, in three successive tariff amendments enacted after Iceland acceded provisionally to the GATT many of these high rates have been unilaterally reduced anticipating a favourable outcome in the Kennedy Round. While at the time of writing the outcome of Iceland's negotiations is not settled, clearly the benefits to be derived in reduced tariffs on fish and fish products will be much smaller than had been hoped for. This is a source of disappointment to the Icelandic Government which nevertheless reaffirms its earlier declarations of wishing to accede to the General Agreement as a full contracting party.

ANNEX

Commodities Subject to Import Licence

Customs tariff No.	Commodity
01.01.00-) 01.06.20)	Live animals
02.01.10-) 02.01.50)	Meat and edible offals falling within heading No. 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
02.04.01) 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)	Ryemeal, excluding ryeflour
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

Customs tariff No.	Commodity
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)	Cube sugar
17.01.22)	
17.01.23)	Granulated sugar
17.01.24)	
17.04.01)	Sugar confectionery, not containing cocoa, excluding paste of powdered almonds and sugar or persipan in blocks of 10 kgs. or more
17.04.03-)	
17.04.09)	
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
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
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, supersulphate cement and similar hydraulic cements, whether or not coloured in the form of clinker
27.01.10	Steam coal
27.04.00	Coke and semi-coke of coal, of lignite or of peat
27.05.00	Gas carbon
27.09.00	Petroleum and shale oils, crude
27.10.10	Partly refined petroleum, including topped crudes
27.10.29	Motor gasolene, excluding aviation gasolene
27.10.40	Gas oil (distillate fuel)
27.10.50	Fuel oil (residual fuel oil)

Customs tariff No.	Commodity
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, excluding plastic coated plates
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
ex 58.07.02	Yarn and ropes for the manufacture of fishing gear made from polyethylene and polypropylene, weighing 0.5 grammes per metre or more excluding plaited ropes of the same material, 10 mm. or more of thickness
59.04.01	Fishing lines and cords
ex 59.04.02	Ropes, excluding grass ropes and metal twined ropes
ex 59.05.01	Fishing nets made of polyethylene and polypropylene, excluding fishing nets of nylon and other synthetic material
60.03.01	Ladies' stockings of silk or artificial fibres
73.23.01	Drums of sheet or plate iron or steel
ex 85.01.00	Transformers, excluding ballasts for fluorescent lamps
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
93.03.00)	
93.04.03-)	
93.07.29)	
94.01.00)	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
ex 94.03.00)	
94.04.00)	

Customs tariff No.	Commodity
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) Other brooms and brushes, excluding brushes of a kind used as parts of machines, paint rollers, squeegees and mops, tooth brushes and artists' brushes
ex 96.02.09	
96.04.00	Feather dusters
99.01.00-) Works of art, collectors' pieces and antiques
99.06.00	