

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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1971 CONSULTATION UNDER ARTICLE XII:4(b) WITH ICELAND

Basic Document for the Consultation

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 of invisible payments.

On 27 May 1960 two regulations were issued, one of them implementing the provisions of the Act and the other specifying the commodities to be subject to import licence, which in effect eliminated a great part of the quantitative restrictions then in existence. Since 1960 the Government has every year except 1968 and 1969 taken new measures of liberalization. When Iceland joined EFTA on 1 March 1970 the list of liberalized commodities was further expanded. The regulation on licensed commodities now in force was issued on 19 February 1970 and contains the negative list attached hereto as Annex I.

2. Methods used in restricting imports

Licences for imports and foreign exchange are granted by a 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 according to global quotas are valid for all countries with which Iceland carries on trade on a multilateral basis. The allocation of exchange and import licences in convertible currencies is limited to amounts of the global quotas.

3. Treatment of imports from different sources including the use of bilateral agreements

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

The following table shows the actual imports in 1970 under different import procedures:

	Value (c.i.f.)	
	Million IKr.	Percentage
Liberalized commodities	12,596.9	91.0
Commodities under global quotas	69.3	0.5
Other licensed commodities	176.6	8.5
Total	13,842.8	100.0

(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 from all countries. The liberalized sector includes agricultural commodities purchased from the United States under a P.L. 480 agreement. The last such agreement, for the year 1970-1971, includes the following items:

	<u>US dollars</u>
Wheat flour	639,000
Tobacco	282,000
Corn	375,000
Total	<u>1,296,000</u>

In order to ensure the execution of the P.L. 480 agreement the foreign exchange banks are authorized to control the foreign exchange allotments for the purchase of the commodities in question.

(b) Global quotas

Licences for global quota imports are issued:

- (i) to industrial enterprises and other direct users of imported goods in accordance with their requirements as estimated by the licensing authorities, and
- (ii) to regular importers according to their imports in a previous period, some consideration being given to new importers.

The global quotas for 1971 are shown in Annex II. In 1970 imports of commodities now under global quotas represented 0.5 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 8.5 per cent of total 1970 imports. The most important commodities in this category are gasoline, gas oil and fuel oil (6.8 per cent).

Iceland has bilateral trade and payments agreements with the following countries: Romania, Soviet Union and Brazil. Trade with Eastern Germany is based upon a non-official agreement between the Kammer für Aussenhandel, Berlin, and the Iceland Barter Association. The trade agreement with the Soviet Union contains 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 1969 and 1970:

BTN	Name of commodity	1969	1970
		C.u.f.	M IKr.
11.01.26	Ryemcal	17.7	18.6
17.01.21-17.01.25	Sugar	95.2	109.3
27.10.29	Motor gasoline	137.6	138.9
27.10.40	Gas oil	554.7	689.8
27.10.50	Fuel oil	125.4	114.9
59.04.02	Ropes, excluding grass ropes	18.0	25.0
94.01.09; 94.03.09; 94.04.00	Furniture	20.0	24.0

5. Imports under State trading

State trading in Iceland is limited to fertilizers, tobacco, wine, liquor and matches. 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 1970 total imports of commodities subject to State trading amounted to M IKr. 626.2 or 4.5 per cent of total imports. Imports of the State-trading companies in 1970 were as follows:

	C.i.f. M IKr.
Fertilizers	167.3
Tobacco	209.8
Wine and liquor	135.6
Telegraphs and other telecommunications apparatus	113.5
Total	626.2

6. Measures taken since the last consultations

The trade and tariff measures adopted by Iceland in connexion with its entry into EFTA on 1 March 1970, were fully described to and discussed in the Committee at the last consultation in March 1970. Since then the only significant measure to be reported is the termination of Iceland's bilateral trade and payments agreement with Hungary. In its place a new trade agreement was signed in June 1970, according to which trade between the two countries is to be conducted on a multilateral payments basis.

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 imported mostly 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 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 restrictive effects of the present controls and completely abolish them before 1 January 1975.

Annex I

COMMODITIES SUBJECT TO IMPORT LICENCE IN 1971

<u>BN No.</u>	<u>Commodity</u>
01.01.00) 01.06.29)	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, salted 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
ex 11.01.25) ex 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>BN No.</u>	<u>Commodity</u>
17.01.23)	Granulated sugar
17.01.24)	
17.01.28)	
17.04.01)	Sugar confectionery, not containing cocoa, excluding paste of powdered almonds and sugar or marzipan 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 nougat 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, supersulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinker
27.09.00	Petroleum oils and oils obtained from bituminous numerals, 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	Ground lines and fishing lines
ex 59.04.02	Ropes, excluding grass ropes and metal-twined ropes
ex 85.01.09	Transformers, excluding ballasts for fluorescent lamps
ex 94.01.09)	Furniture and parts thereof, bedding, mattresses, mattress supports, cushions and similar stuffed furnishings, excluding medical furniture and filing cabinets of iron and steel and seats for motor vehicles
ex 94.03.09)	
94.04.00)	
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)	

Annex II

GLOBAL QUOTAS FOR 1971

The Ministry of Commerce announced on 28 December 1970 the following global quotas for imports to Iceland in 1971:

Number in Icelandic Customs Tariff	Commodity	Icelandic kronur
09.01.11	Coffee roasted in retail packings 2 kgs. or less	Kr. 4,000,000
20.04.00	Fruit, fruit peel and parts of plants preserved by sugar (drained glacé or crystallized)	Kr. 4,000,000
59.04.01	Fishing lines and cords	100 tons
ex 59.04.02	Ropes, excluding grass ropes and metal twined ropes	240 tons
ex 85.01.09	Transformers	Kr. 9,000,000
ex 94.01.09	Chairs and other seats (other than those falling) within heading No. 94.02) whether or not convertible into beds and parts thereof, excluding chairs for motor vehicles)	Kr. 29,000,000
94.03.09	Other furniture and parts thereof)	
94.04.00	Mattress supports, articles of bedding or similar furnishing, fitted with springs or stuffed or internally fitted with any material or of expanded, foam or sponge rubber or expanded, foam or sponge artificial plastic material, whether or not covered (for example mattresses, quilts, eiderdowns, cushions, pouffes and pillows))	
96.00 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, artists' brushes and toothbrushes	