

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

BOP/128
9 October 1972

Limited Distribution

Committee on Balance-of-Payments Restrictions

Original: English

1972 CONSULTATION UNDER ARTICLE XII:4(b) WITH ICELAND

Basic Document Supplied by the Icelandic Authorities

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, a regulation implementing the provisions of the Act was issued. Another regulation specified the commodities which were subject to import licence, which in effect eliminated a great part of the quantitative restrictions. Since 1960 the Government has periodically expanded the scope of liberalization. When Iceland joined EFTA on 1 March 1970, the list of liberalized commodities was also somewhat 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 imports from all countries with which Iceland carries on trade on a multilateral basis. The allocation of exchange and import licences in convertible currency is limited to the amounts of the global quotas.

3. Treatment of imports from different sources and the use 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 1971 broken down according to different import procedures:

	<u>C.i.f. value</u> <u>Million IKr</u>	<u>Percentage</u>
Liberalized commodities	17,929.6	92.6
Commodities under global quotas	77.0	0.4
Other licensed commodities	1,355.3	7.0
Total	<u>19,361.9</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 from all countries. The liberalized sector includes agricultural commodities which are purchased from the United States under a P.L. 480 agreement. The agreement for the fiscal year 1971-1972 included the following items:

	<u>US\$</u>
Wheat flour	520,000
Tobacco	282,000
Total	<u>802,000</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 according to the following general rules:

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

The global quotas for 1972 are shown in Annex II. In 1971 the imports of commodities under global quotas represented 0.4 per cent of the value of total imports. The global quota imports have decreased as commodities previously imported under that system have been liberalized. However, this year global quotas were established for the first time for candy, cement and beer in accordance with Iceland's undertaking when entering EFTA.

(c) Other licensing

Commodities in the category "other licensing" represented 7.0 per cent of total 1971 imports. The most important commodities in this category are gasoline, gasoil and fuel oil (6.2 per cent).

Bilateral agreements

Iceland's only remaining bilateral trade and payments agreements are with the Soviet Union, Eastern Germany and Brazil. The trade with Eastern Germany is based on a non-official agreement between the Amt für Aussenwirtschaftsbeziehungen and the Iceland-Barter Association. The trade agreement with the Soviet Union contains fixed quotas. The payments agreements stipulate swing credit margins. Liberalized goods are importable from these countries on the same conditions as from other countries. Trade with Romania is now on a multilateral basis.

4. Commodities affected by various forms of restrictions

The value of imports of the main commodities subject to quantitative restrictions was as follows in 1970 and 1971:

<u>BTN</u>	<u>Name of commodity</u>	<u>1970</u> <u>C.i.f.</u>	<u>1971</u> <u>IKr million</u>
7.01.10	Potatoes	41.1	27.8
11.01.26	Ryemeal	18.6	13.1
17.01.21-17.01.25	Sugar	109.3	130.0
27.10.29	Motor gasoline	138.9	170.4
27.10.40	Gasoil	689.8	882.9
27.10.50	Fuel oil	114.9	154.4
59.04.02	Ropes, excluding grass ropes	25.0	30.0
94.01.09; 94.03.09; 94.04.00	Furniture	24.0	27.0

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 these commodities, which the State companies import, are liberalized.

In 1971 total imports of commodities subject to State trading amounted to IKr 692.6 million or 3.5 per cent of total imports. Imports of the State-trading companies were as follows in the year 1971:

	<u>1971</u>
	<u>C.i.f. IKr million</u>
Fertilizers	225.3
Tobacco	179.3
Wine and liquor	129.6
Telegraphs and other tele- communications apparatus	158.4
Total	<u>692.6</u>

6. Measures taken since the last consultations

As has already been mentioned, new global quotas for candy, cement and light beer were established this year. The quota for candy is IKr 25 million f.o.b. this year (i.e. for sweetened liquorice and liquorice preparations, sugar bonbons, sweet tablets and lozenges, chewing gum, whether or not covered with sugar, caramels, other sugar confectionery not containing cocoa and other food preparations containing cocoa).

The quota for Portland cement was fixed at 10,000 tons and the quota for beer containing 2 1/4 per cent of alcohol by volume or less was set at IKr 5 million. Imports of the above-mentioned commodities will be liberalized on 1 January 1975.

The payments agreement with Romania has been changed. The clearing system has been abolished and the trade with this country is now on a multilateral basis. A free-trade agreement with EEC was signed on 22 July 1972.

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

The remaining import restrictions are insignificant and have in fact only a minor effect on the volume of imports. 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 this purchase is 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, 1972

<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
17.01.23) 17.01.24) 17.01.28)	Granulated sugar

<u>BN No.</u>	<u>Commodity</u>
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 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, cement 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	Gasoil (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) ex 94.03.09) 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 seats for motor vehicles
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

<u>Number in Icelandic customs tariff</u>	<u>Commodity</u>	<u>Icelandic kronur</u>
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	
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 inter- nally 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, eider- downs, cushions, pouffes and pillows	Kr 35,000,000
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	Kr 3,000,000