

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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ACCESSION OF ICELAND

Report of the Working Party

1. At the twenty-second session the CONTRACTING PARTIES made arrangements for the participation in the Trade Negotiations of six governments, which were not contracting parties, and for the examination of their applications for full accession on the basis of the results of those negotiations. For the latter purpose a Working Party was to be set up with respect to each application to examine any matters concerning the terms of accession which were not directly related to the Trade Negotiations and to prepare a draft protocol of accession. In accordance with this procedure a Working Party was convened and met on 23 and 25 May 1967.
2. The Working Party had before it the following documents to serve as a basis for its discussion:
 - (a) the report of the 1964 Working Party recommending the provisional accession of Iceland (BISD, Twelfth Supplement, page 60);
 - (b) the Declaration on Provisional Accession of Iceland (BISD, Twelfth Supplement, page 24);
 - (c) a statement on Iceland's foreign trade régime (L/2794);
 - (d) the basic document (BOP/59) and the report (BOP/R/3) of Iceland's 1966 consultation on balance-of-payments restrictions.
3. In the course of the meeting the representative of Iceland replied to, or commented on, various questions put to him by members of the Working Party, and at their request supplied supplementary information. He recalled that his country's import régime had been discussed previously on the occasion of its provisional accession to GATT and also in the course of the consultations on its balance-of-payments restrictions. His delegation had also submitted a statement on the latest developments in Iceland's foreign trade. The salient feature since his country's provisional accession was a move towards a greater liberalization of imports. In 1964, about 70 per cent of imports were liberalized and this figure had now risen to 86 per cent. This evolution, together with the tariff reductions which had been undertaken since 1964 demonstrated the spirit with which Iceland intended to approach the GATT in the future.

4. A question was asked as to the manner in which Iceland would envisage eliminating the remaining quotas and other restrictions, as well as bilateral agreements. The hope was expressed that Iceland would do its best to relax and remove these restrictions and that progress would be made in this direction in a non-discriminatory manner. The representative of Iceland replied that his country had demonstrated in the past its willingness to diminish these restrictions whenever possible. This was a question directly tied to the balance-of-payments situation. Certain products which found no outlets on the international market at remunerative prices had to be exported through bilateral agreements. This resulted in certain imports also being channelled through bilateral arrangements, the amounts of which had nonetheless diminished from one third to 12 per cent of total imports from 1959 to 1965. He found it difficult to say exactly how rapidly liberalisation would be pursued in the future as this would depend on the evolution of the balance-of-payments situation. The question was reviewed annually with the aim of relaxing and removing restrictions to the largest extent possible and in a non-discriminatory manner. His Government was giving this matter the most careful consideration and restrictions would only be maintained in the future to the extent they were justified under the GATT.

5. In answer to a question, the representative of Iceland said that his Government undertook to comply with the full range of obligations and commitments embodied in the GATT.

6. The representative of Iceland said, in reply to another question, that his country's tariff law of 1963 contained provisions relating to anti-dumping measures which were in conformity with the provisions of Article VI of the General Agreement.

7. In answer to an enquiry, the representative of Iceland pointed out that automobiles were included in the list of free imports since 1961. Some members of the Working Party mentioned a difference in the credit terms allowed in Iceland depending on the country of origin of the automobiles and expressed concern over this. The representative of Iceland stated that he had taken note of this concern and assured the Working Party that his Government would study this question with the spirit of the General Agreement in mind.

8. The representative of Iceland confirmed that his country maintained certain export subsidies on a very limited number of products such as lamb and mutton, and milk powder.

9. In respect of any mandatory legislation incompatible with Part II of the GATT the representative of Iceland said that he did not think any problem would arise in this respect, but the matter would be examined and dealt with in the appropriate manner.

10. Having carried out the examination of the foreign trade régime of Iceland and in the light of the assurances given by Iceland, the Working Party reached the conclusion that, subject to the satisfactory conclusion of the relevant tariff negotiations, Iceland should be invited to accede to the General Agreement under the provisions of Article XXIII. For this purpose the Working Party has prepared a draft protocol, annexed to this report. It is proposed that this text be approved by the Council when it approves this report. When the tariff negotiations between Iceland and contracting parties in connexion with the accession have been concluded, the resulting Schedule of Iceland would be annexed to the Protocol, while concessions granted by contracting parties would be contained in the 1967 Geneva Protocol, and on the instructions of the Council a Decision would then be submitted to a vote by contracting parties in accordance with Article XXIII. When the Decision is adopted, the Protocol would be open for acceptance and Iceland would become a contracting party thirty days after it accepts the Protocol.

11. The Working Party recommends further that the Council instruct the Trade Negotiations Committee and its subsidiary body, the Legal Drafting Group, to examine the draft Protocol, to make any formal changes which might be required to link the Protocol of Accession to the Protocol embodying the results of the current Trade Negotiations. In the meantime and taking into account the timetable of meetings the Chairman of this Working Party is asked to present this Report to the Legal Drafting Group for the latter's information.

ANNEX

Draft Protocol for the Accession of Iceland

The governments which are contracting parties to the General Agreement on Tariffs and Trade (hereinafter referred to as "contracting parties" and "the General Agreement", respectively), the European Economic Community and the Government of Iceland (hereinafter referred to as "Iceland").

HAVING regard to the results of the negotiations directed towards the accession of Iceland to the General Agreement,

HAVE through their representatives agreed as follows:

Part I - General

1. Iceland shall, upon entry into force of this Protocol pursuant to paragraph 6, become a contracting party to the General Agreement, as defined in Article XXIII thereof, and shall apply provisionally and subject to this Protocol:

- (a) Parts I, III and IV of the General Agreement, and
- (b) Part II of the General Agreement to the fullest extent not inconsistent with its legislation existing on the date of this Protocol.

The obligations incorporated in paragraph 1 of Article I by reference to Article III and those incorporated in paragraph 2(b) of Article II by reference to Article VI of the General Agreement shall be considered as falling within Part II for the purpose of this paragraph.

- 2. (a) The provisions of the General Agreement to be applied by Iceland shall, except as otherwise provided in this Protocol, be the provisions 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 or otherwise modified by such instruments as may have become at least partially effective on the day on which Iceland becomes a contracting party; provided that this does not mean that Iceland undertakes to apply a provision of any such instrument prior to the effectiveness of such provision pursuant to the terms of the instrument.
- (b) In each case in which paragraph 6 of Article V, sub-paragraph 4(d) of Article VII, and sub-paragraph 3(c) of Article I of the General Agreement refer to the date of that Agreement, the applicable date in respect of Iceland shall be the date of this Protocol.

Part II - Schedule

3. The schedule in the Annex shall, upon the entry into force of this Protocol, become a Schedule to the General Agreement relating to Iceland.
4. (a) In each case in which paragraph 1 of Article II of the General Agreement refers to the date of that Agreement the applicable date in respect of each product which is the subject of a concession provided for in the schedule annexed to this Protocol shall be the date of this Protocol.

(b) For the purpose of the reference in paragraph 6(a) of Article II of the General Agreement to the date of that Agreement, the applicable date in respect of the schedule annexed to this Protocol shall be the date of this Protocol.

Part III - Final Provisions

5. This Protocol shall be open for signature by Iceland until 1 July 1968. It shall also be open for signature by contracting parties and by the European Economic Community.
6. This Protocol shall enter into force on the thirtieth day following the day upon which it shall have been signed by Iceland.
7. Signature of this Protocol by Iceland shall constitute final action to become a party to each of the following instruments:
 - (i) Protocol Amending Part I and Articles XXIX and XXX, Geneva, 10 March 1955;
 - (ii) Fifth Protocol of Rectifications and Modifications to the Texts of the Schedules, Geneva, 3 December 1955;
 - (iii) Sixth Protocol of Rectifications and Modifications to the Texts of the Schedules, Geneva, 11 April 1957;
 - (iv) Seventh Protocol of Rectifications and Modifications to the Texts of the Schedules, Geneva, 30 November 1957;
 - (v) Protocol Relating to the Negotiations for the Establishment of New Schedule III - Brazil, Geneva, 31 December 1958;
 - (vi) Eighth Protocol of Rectifications and Modifications to the Texts of the Schedules, Geneva, 18 February 1959; and
 - (vii) Ninth Protocol of Rectifications and Modifications to the Texts of the Schedules, Geneva, 17 August 1959.

8. Iceland, having become a contracting party to the General Agreement pursuant to paragraph 1 of this Protocol, may accede to the General Agreement upon the applicable terms of this Protocol by deposit of an instrument of accession, with the Director-General. Such accession shall take effect on the day on which the General Agreement enters into force pursuant to Article XXVI or on the thirtieth day following the day of the deposit of the instrument of accession, whichever is the later. Accession to the General Agreement pursuant to this paragraph shall, for the purposes of paragraph 2 of Article XXXII of that Agreement, be regarded as acceptance of the Agreement pursuant to paragraph 4 of Article XXVI thereof.

9. Iceland may withdraw its provisional application of the General Agreement prior to its accession thereto pursuant to paragraph 8 and such withdrawal shall take effect on the sixtieth day following the day on which written notice thereof is received by the Director-General.

10. This Protocol shall be deposited with the Director-General who shall promptly furnish a certified copy thereof and a notification of each signature thereto, pursuant to paragraph 5, to each contracting party, to the European Economic Community and to Iceland.

11. This Protocol shall be registered in accordance with the provisions of Article 102 of the Charter of the United Nations.

Done at Geneva this [] day of [] one thousand nine hundred and sixty-seven, in a single copy, in the English and French languages, except as otherwise specified with respect to the schedule annexed hereto, both texts being authentic.