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## II. TRADE AND INVESTMENT POLICY FRAMEWORK

### (1) OVERVIEW

1. No significant changes have affected Iceland's general legal framework since its last Review in 2000. Given Iceland's small size, participation in international trade is seen as an indispensable element of economic policy and one of the factors explaining the country's economic success. Iceland conducts trade policy within the framework of its participation in the European Economic Area (EEA); it has transposed into domestic law most EU single market legislation. This has resulted in the adoption of wide-ranging economic reforms since 2000, while also widening the gap between the treatment afforded to EEA and non-EEA partners in various economic sectors. Iceland has participated actively in the multilateral trading system, particularly considering the small size of its public administration, and has submitted several proposals in the context of the Doha Development Agenda. Iceland has never been involved in any dispute in the WTO.

2. As a member of the EEA, Iceland grants largely unrestricted access to goods, workers, services, and capital from other members. In the context of its participation in the European Free Trade Association (EFTA), Iceland has a large and growing network of free-trade agreements, which mirrors that of the European Union. Excluding the EEA and EFTA, free-trade agreements cover a very limited amount of Iceland's trade; it is thus an open question whether their overall benefits outweigh the complexity they add to the trade regime, and the burden they impose on Iceland's small administration.

3. Iceland maintains sector-specific restrictions on foreign investment in fisheries, energy, and airline operations. Other restrictions on investment apply only to non-EEA or non-OECD nationals and companies. In addition, Iceland's legislation gives the State the authority to limit foreign investment in the event of serious economic difficulties in particular sectors.

### (2) TRADE POLICY FORMULATION AND IMPLEMENTATION

#### (i) General legal framework

4. No changes have occurred in the constitutional regime since Iceland's Trade Policy Review in 2000. According to the Constitution, the president "and other governmental authorities" jointly exercise executive authority.<sup>1</sup> However, the Constitution also states that the President's authority is entrusted to ministers, who are accountable for all executive acts.<sup>2</sup> In practice, executive power is exercised by a cabinet led by the Prime Minister, who is the head of government.

5. Legislative authority is vested jointly in the President and a unicameral parliament composed of 63 members.<sup>3</sup> Bills passed by parliament must be submitted to the President for confirmation.<sup>4</sup> If the President rejects them, a referendum must be held to determine whether they remain in force or become void. The President has used this veto power only once, in 2004. Parliamentary and presidential elections are held every four years. The most recent elections took place in 2003 (parliament) and 2004 (president). Re-election is permitted.

6. The judiciary is independent of the executive and legislative branches of government. The two-level court system consists of eight district courts, and the Supreme Court. The nine justices of

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<sup>1</sup> Article 2, Constitution of the Republic of Iceland.

<sup>2</sup> Articles 13 and 14.

<sup>3</sup> Article 2, Constitution of the Republic of Iceland.

<sup>4</sup> Article 26, Constitution of the Republic of Iceland.

the Supreme Court are appointed by the President. In addition, there are two special courts with limited jurisdiction.

7. The authority to conclude international treaties rests with the executive.<sup>5</sup> Parliamentary approval is required for treaties that entail amendments to domestic legislation. Under Iceland's legal system, the terms of an international treaty are not considered domestic law unless expressly incorporated into the domestic legal order.

8. Iceland's membership in the Agreement on the European Economic Area imposes a requirement to transpose into domestic law EU legislation covered by the Agreement (see section (4)(ii)). Changes in EU legislation that do not require any amendments to or the adoption of Icelandic laws are accommodated through regulations or decrees issued by ministers, and thus entail no involvement by Iceland's parliament. According to the Icelandic authorities, only around 4% of the 2,527 EU acts incorporated into the EEA Agreement between 1994 and 2004 required amendments to existing Icelandic laws, or the adoption of new laws.

9. Taxes may only be imposed or changed through an Act.<sup>6</sup>

### **(ii) Trade policy formulation, implementation, and objectives**

10. Foreign trade policy is the responsibility of the Government in general, and the Minister for Foreign Affairs in particular. Within the Ministry for Foreign Affairs, foreign trade policy is the responsibility of the External Trade Department. The Icelandic authorities have indicated that the Ministry for Foreign Affairs works closely with other ministries in formulating and applying Iceland's foreign trade policy. The Ministry for Foreign Affairs is responsible for trade negotiations and represents Iceland at the WTO.

11. International trade is at the core of Iceland's economic policy. Iceland sees its efforts to "trade with a great variety of nations" as one of the elements underlying its economic success; it considers that its reliance on international trade is an imperative given its small size, and that it cannot afford to isolate itself and build barriers towards the rest of the world.<sup>7</sup> One of Iceland's primary policy goals in international trade is to strengthen the competitiveness of domestic businesses in world markets by extending its bilateral trade relations. However, the authorities indicate that the focus of trade policy remains Iceland's membership in the EEA, EFTA, and the WTO.

12. Iceland's close integration with the European Union through the EEA Agreement establishes the framework within which Iceland conducts trade policy. Although the EEA does not entail either a common external tariff or a common commercial policy, Iceland's trade policy towards third countries is closely aligned with EU policy. As part of the European Free Trade Association (EFTA), Iceland has concluded preferential trade agreements with several countries, many of which also have preferential agreements with the European Union (section (4)(ii)).

### **(3) FOREIGN INVESTMENT REGIME**

13. The formulation of investment policy is the responsibility of the Ministries of Industry and Commerce. The main legislation on foreign investment is the Act on Investment by Non-residents in

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<sup>5</sup> Article 21, Constitution of the Republic of Iceland.

<sup>6</sup> Article 40, Constitution of the Republic of Iceland.

<sup>7</sup> Prime Minister's Office online information, "Why Small States Must Think Big", Opening Address by Prime Minister Mr. Halldór Ásgrímsson at the Workshop on Small States, Reykjavik, 17 September 2004. Available at: [http://eng.forsaetisraduneyti.is/minister/Speeches\\_HA/nr/1517](http://eng.forsaetisraduneyti.is/minister/Speeches_HA/nr/1517) [17 January 2005].

Business Enterprises.<sup>8</sup> A Committee on Foreign Investment is responsible for monitoring the implementation of the law's foreign investment restrictions in various sectors (see below).<sup>9</sup> It is composed of five members, elected by parliament in proportion to the seats held by each political party. In the context of Iceland's Review in 2000, the Icelandic authorities indicated that the Minister of Industry and Commerce had set up a committee to formulate recommendations on reforms to the foreign investment regime.<sup>10</sup> The committee did not issue any recommendations. The Invest in Iceland Agency, a joint venture between the Ministries of Industry and Commerce and the Trade Council of Iceland (see Chapter III(3)(iv)), is in charge of promoting foreign direct investment into Iceland.

14. Although Iceland has greatly liberalized its foreign investment regime since 1980, it is among the OECD countries with the highest level of overall restrictions to foreign direct investment.<sup>11</sup>

15. Foreign investment is subject to notification and review.<sup>12</sup> According to Article 12 of Act No. 34/1991, a foreign investment is not permitted if the Minister of Industry and Commerce determines that it "threatens national security, public order, public safety or public health"; neither is a foreign investment allowed "in the event of serious economic, social or environmental difficulties in particular economic sectors or particular areas which are likely to be of lasting nature". The Minister is required to determine the admissibility of foreign investment within eight weeks of receiving the relevant notification, after having consulted with the Committee on Foreign Investment. No foreign investment has ever been rejected on the basis of Article 12 of Act No. 34/1991.

16. There are no exchange control restrictions on capital flows.

17. With exceptions, foreigners must obtain a permit from the Ministry of Justice to own real estate in Iceland. The following do not need a permit: EEA and EFTA citizens; Icelandic residents; and companies whose headquarters or main operations are in an EEA or EFTA State, or whose articles of association state their residence in an EEA or EFTA State. These companies must have real and on-going connections with the business sector of the EEA or EFTA State of residence.<sup>13</sup> The Icelandic authorities indicate that, in practice, a liberal policy is applied with respect to the issuance of permits to non-EEA/EFTA citizens and companies, and that no permits have been denied during the past few years.

18. Limited liability companies (other than financial companies) domiciled outside the EEA, EFTA, or OECD are required to obtain a permit from the Minister of Industry and Commerce to establish a branch in Iceland, unless an agreement between Iceland and the country where the company is domiciled provides otherwise.<sup>14</sup> Limited liability companies domiciled in the EEA, EFTA, or OECD can establish a branch in Iceland without further regulatory approval. Parent companies, regardless of country of domicile, must designate a branch manager, who must be either a resident in Iceland, or an EEA/EFTA/OECD citizen and resident. The Minister of Industry and Commerce may waive the citizenship and residency requirements. Investors from outside the EEA, EFTA, or OECD are required to obtain authorization from the Minister of Industry and Commerce

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<sup>8</sup> Act No. 34/1991, 25 March 1991.

<sup>9</sup> Article 12, Act No. 34/1991.

<sup>10</sup> WTO document WT/TPR/M/65, 5 April 2000.

<sup>11</sup> Golub (2003).

<sup>12</sup> Article 7, Act No. 34/1991.

<sup>13</sup> Act on the Right to Own and Use Real Estate, No. 19/1966, and Article 4, Regulation No. 702/2002.

<sup>14</sup> Investment restrictions in the financial sector are discussed in Chapter IV(6)(iii)).

before they can "take part" in an unlimited company.<sup>15</sup> No such authorization is required for EEA, EFTA, or OECD investors.

19. The managers and a majority of the members of the board of directors of non-financial companies domiciled in Iceland are required to reside in Iceland, unless they are EEA or EFTA citizens and residents (for limited liability companies, also OECD citizens and residents), or they have received a waiver from the Minister of Industry and Commerce.<sup>16</sup> For limited liability companies, some of the founders must also reside in Iceland, unless they are EEA, EFTA, or OECD citizens and residents, or they have received a waiver from the Minister of Industry and Commerce.<sup>17</sup>

20. Foreign states cannot invest in companies domiciled in Iceland, unless they receive a permit from the Minister of Industry and Commerce.<sup>18</sup> The Icelandic authorities indicate that no applications for such permits have been received (February 2006).

21. Iceland maintains various sector-specific investment restrictions, including in fishing (Chapter IV(3)), energy (Chapter IV(5)), and air transport (Chapter IV(6)(iv)).

22. Under the General Agreement on Trade in Services, Iceland undertook full market access and national treatment commitments relating to investment for a number of service activities, including telecommunication, construction and related engineering services, and distribution services (Chapter IV(6)). Iceland has bilateral investment treaties with China, Latvia, Lebanon, Lithuania, Slovakia, and Viet Nam; all except the treaty with Lebanon are in force.<sup>19</sup>

#### **(4) INTERNATIONAL RELATIONS**

##### **(i) World Trade Organization**

23. Iceland is an original Member of the WTO. The Icelandic authorities indicate that there had been no need to implement the Marrakesh Agreement through a single legislative instrument, and that care had been taken to ensure that domestic laws are in accordance with Iceland's WTO membership. Iceland participated in the post-Uruguay Round negotiations on telecommunications and financial services; its commitments in these areas were annexed to the Fourth and Fifth Protocols to the GATS.<sup>20</sup> Iceland is a party to the Agreement on Government Procurement and a participant in the Information Technology Agreement.

24. Iceland met most of its notification obligations between January 2000 and December 2005. Exceptions include notifications on special safeguards and export subsidies in agriculture; preferential rules of origin; and government procurement (Table AII.1).

25. Iceland has not been involved as a complainant or respondent in any WTO dispute since its last Review in 2000; neither has it participated as a third party in any WTO dispute.

<sup>15</sup> Article 6, Act No. 34/1991.

<sup>16</sup> Article 10, Act No. 34/1991.

<sup>17</sup> Article 3, Act No. 2/1995; Article 3, Act No. 138/1994; and Announcement Respecting General Exemption from the Conditions of Residence of the Limited Company Legislation, No. 260/1997, 16 April 1997.

<sup>18</sup> Article 4, Act No. 34/1991.

<sup>19</sup> Entry into force of Iceland's bilateral investment treaties: China (1 March 1997), Latvia (1 May 1999), Lithuania (18 April 2003), Slovakia (19 June 2003), and Viet Nam (10 July 2003).

<sup>20</sup> WTO documents GATS/SC/41/Suppl.1, 11 April 1997, and Suppl.2, 26 February 1998.

26. In the context of the WTO Doha Development Agenda, Iceland has made contributions or proposals in various areas (Table II.1). It has proposed an agreement to "eliminate or substantially liberalize tariffs and address unjustified non-tariff barriers" in fisheries, and improved disciplines on fisheries subsidies. It has underscored the need to achieve a proper balance between trade and non-trade concerns in the negotiations on agriculture. Iceland has made initial and revised services offers.

**Table II.1**  
**Selected submissions by Iceland in the context of the Doha Development Agenda, December 2005**

| Negotiating area      | Co-sponsors  | Themes   | Reference  |
|-----------------------|--|--|--|
| Rules                 | Argentina, Chile, New Zealand, Norway, Peru  | Possible ways to categorize fisheries subsidies                            | TN/RL/W/58,<br>10 February 2003                                  |
| Rules                 | Australia, Chile, Ecuador, New Zealand, Peru, Philippines, United States   | Need for improved WTO disciplines on subsidies in the fisheries sector     | TN/RL/W/3,<br>24 April 2002                                      |
| Market access         | Canada, New Zealand, Norway, Singapore, Thailand   | Liberalization of trade in fish and fish products                          | TN/MA/W/63,<br>18 October 2005                                   |
| Agriculture           | Bulgaria, Chinese Taipei, Israel, Liechtenstein, Mauritius, Norway, Switzerland  | Statement on non-trade concerns  | TN/AG/GEN/1,<br>14 March 2003                                    |
| Services              | None   | Initial and revised offers   | TN/S/O/ISL,<br>4 April 2003<br>TN/S/O/ISL/Rev.1,<br>14 June 2005 |
| Services              | Australia; Canada; Chile; Chinese Taipei; Djibouti; European Union; Hong Kong, China; Japan; Korea; Liechtenstein; Mauritius; New Zealand; Nicaragua; Norway; Panama; Peru; Singapore; Switzerland; United States  | Liberalization of logistics services                                       | TN/S/W/34,<br>18 February 2005                                   |
| Services              | Australia; Canada; Chile; China; Chinese Taipei; Croatia; Cyprus; Czech Republic; Dominican Republic; Estonia; European Union; Gambia; Georgia; Guatemala; Hong Kong, China; India; Japan; Korea; Kyrgyz Republic; Latvia; Lithuania; Malaysia; Malta; Mexico; New Zealand; Nigeria; Norway; Pakistan; Panama; Papua New Guinea; Peru; Poland; Romania; Singapore; Slovenia; Switzerland | Liberalization of maritime transport services                              | TN/S/W/11,<br>3 March 2003                                       |
| Intellectual property | Bulgaria, Cyprus, Czech Republic, European Union, Georgia, Hungary, Malta, Mauritius, Moldova, Nigeria, Romania, Slovakia, Slovenia, Sri Lanka, Switzerland, Turkey  | Establishment of a multilateral system to protect geographical indications | TN/IP/W/3,<br>24 June 2002                                       |

Source: WTO Secretariat.

## (ii) Preferential trade agreements and other arrangements

### (a) European Free Trade Association

27. Iceland has been an EFTA member since 1970; the other members are Liechtenstein, Norway, and Switzerland. A revised EFTA Convention, which entered into force in June 2002, extends the provisions of the EEA Agreement and the Switzerland-EU bilateral agreements to the relations between Iceland, Liechtenstein, and Norway on the one hand, and Switzerland on the other.<sup>21</sup>

28. The EFTA Convention establishes a free-trade area among its members in industrial products and in fish and other marine products. It also contains disciplines on state aid, practices of public undertakings, competition rules, intellectual property rights, free movement of persons (including coordination of social security systems and mutual recognition of professional qualifications), investment, trade in services, and government procurement.

<sup>21</sup> Agreement Amending the Convention Establishing the European Free Trade Association, 21 June 2001.

(b) European Economic Area

29. Iceland is a founding member of the EEA. The EEA Agreement stipulates the free movement of goods, services, capital, and persons among Iceland, Liechtenstein, Norway, and the 25 members of the European Union.<sup>22</sup> However, it does not entail the application of a common external tariff. In addition, it excludes from free trade a significant number of agricultural products; for imports into Iceland, these are mostly in HS Chapters 01 (live animals), 06 (live trees and other plants), 08 (fruit and nuts), and 10-12 (cereals, products of the milling industry, and oil seeds and grains).<sup>23</sup> The EEA Agreement calls on the parties to "continue their efforts with a view to achieving progressive liberalization of agricultural trade".<sup>24</sup> To this end, the agreement requires the parties to undertake biannual reviews of the conditions of trade in agricultural products.<sup>25</sup> The last such review was concluded in February 2006.

30. In addition to single market disciplines, the EEA Agreement covers a number of related areas, including competition policy, state aid, consumer protection, and company law. EEA members may not apply anti-dumping or countervailing duties on other members' imports.<sup>26</sup> Iceland has a wide derogation from EEA sanitary legislation (Chapter III(2)(ix)).

31. To ensure uniformity across the EEA of the rules underpinning the single market, Iceland and other EEA-EFTA states are required to transpose into domestic law, on a continuous basis, EU legislation covered by the Agreement. The mechanism envisaged by the EEA Agreement to extend new EU legislation to EEA-EFTA states involves amending the agreement to reflect such legislation, and then transposing the amended part of the agreement into the domestic legal order of EEA-EFTA states.<sup>27</sup> Decisions to amend the EEA Agreement in the light of new EU legislation are taken by consensus in the EEA Joint Committee, composed of representatives from EFTA-EEA states and the European Union. In the event that the Joint Committee is unable to reach agreement within a specified time limit, the relevant part of the EEA Agreement can be suspended provisionally.<sup>28</sup> This has never happened. There are also mandatory exchanges of information and consultations between the EU Commission and EEA-EFTA states throughout the elaboration and adoption of EU legislation.<sup>29</sup>

32. The EFTA Surveillance Authority is responsible for monitoring the implementation of EEA provisions in the EEA-EFTA states. In general, EEA-EFTA states are required to notify the Authority of the transposition of EEA provisions into domestic law. As at end 2004, Iceland had fully transposed into domestic law 98.2% of the 1,360 EU directives it was required to implement under the EEA Agreement.<sup>30</sup> Legislation still to be implemented as at mid-2005 related to the removal of technical barriers to trade and transport.<sup>31</sup>

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<sup>22</sup> Article 1(2), Agreement on the European Economic Area, 2 May 1992. The EEA enlargement instrument, through which the ten new EU members became part of the EEA, was signed in October 2003 and entered into force provisionally as from May 2004; it is awaiting full ratification by member states.

<sup>23</sup> Article 8(3), and Protocols 3 and 9, EEA Agreement.

<sup>24</sup> Article 19(2), EEA Agreement.

<sup>25</sup> Article 19(3), EEA Agreement.

<sup>26</sup> Article 26, EEA Agreement.

<sup>27</sup> Articles 97-104, EEA Agreement.

<sup>28</sup> Article 102(5), EEA Agreement.

<sup>29</sup> Article 99, EEA Agreement.

<sup>30</sup> EFTA Surveillance Authority (2005a).

<sup>31</sup> EFTA Surveillance Authority (2005b).

33. The EFTA Surveillance Authority can investigate alleged infringements of EEA provisions, either on its own initiative or following a complaint.<sup>32</sup> A formal infringement proceeding begins with a letter of formal notice from the Authority to the EEA-EFTA State concerned, requesting observations on the alleged infringement within a specified time limit. If the matter is not resolved at this stage, the Authority issues a reasoned opinion and requests the EEA-EFTA State to take the necessary measures to end the alleged infringement. Depending on the EEA-EFTA State's response to the reasoned opinion, the Authority may decide to refer the case to the EFTA Court.

34. The EFTA Surveillance Authority addressed 36 letters of formal notice to Iceland, and four reasoned opinions in 2004.<sup>33</sup> No cases involving Iceland were referred to the EFTA Court. An annual average of 22 letters of formal notice and a reasoned opinions were addressed to Iceland during 2000-03. Only one case was referred to the EFTA Court; it concerned Iceland's air passenger tax (Chapter IV(6)(iv)). Of all infringement cases open in July 2005, 30% concerned Iceland, 28% Liechtenstein, and 43% Norway.<sup>34</sup>

35. In addition to handling cases referred to it by the EFTA Surveillance Authority, the EFTA Court may issue advisory opinions on the interpretation of EEA rules following a request from a domestic court.<sup>35</sup> Since 2000, two such requests have been made by Icelandic courts. One related to the higher VAT rate levied on books in foreign languages than in Icelandic.<sup>36</sup> The Court determined that this measure was incompatible with EEA provisions and could not be justified "on grounds relating to the public interest of enhancing the position of the national language". The second request related to Iceland's state monopoly on the import and wholesale distribution of alcoholic beverages.<sup>37</sup> The Court ruled that maintaining such a monopoly was incompatible with the EEA Agreement (see also Chapter III(4)(iv)).

(c) Other free-trade agreements

36. As an EFTA member, Iceland participates in an expanding network of free-trade agreements (Table II.2). The Icelandic authorities indicate that EFTA members seek to support and reinforce the processes of European and inter-regional integration, and to contribute to world-wide trade liberalization efforts through these agreements. The authorities also note that free-trade agreements allow EFTA countries to secure access for their businesses to markets outside the EEA on terms that are comparable to those available to EU businesses, and to establish a pan-European system of rules of origin that facilitates exports. According to the authorities, the burden imposed on the Icelandic administration by such an extensive network of free-trade agreements is reduced significantly given that the agreements are negotiated under the EFTA umbrella.

37. Iceland also has bilateral trade agreements with the Faeroe Islands and Greenland.

38. All free-trade agreements between EFTA and third countries cover trade in industrial goods, fish and other marine products, and processed agricultural goods. Trade in unprocessed agricultural products is covered to a very limited extent, usually through bilateral arrangements between individual EFTA members and free-trade partners. The agreements also contain disciplines on

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<sup>32</sup> Article 31, Agreement between the EFTA States on the Establishment of a Surveillance Authority and a Court of Justice, 2 May 1992.

<sup>33</sup> EFTA Surveillance Authority (2005a).

<sup>34</sup> EFTA Surveillance Authority (2005b).

<sup>35</sup> Article 34, Agreement between the EFTA States on the Establishment of a Surveillance Authority and a Court of Justice.

<sup>36</sup> Case E-1/01, Hörður Einarsson and The Icelandic State, 22 February 2002.

<sup>37</sup> Case E-4/01, Karl K. Karlsson hf. and The Icelandic State, 30 May 2002.

competition policy, state aid, and intellectual property rights. Government procurement, services, and investment are generally addressed through so-called "evolutionary clauses", whereby EFTA members and their free-trade partners agree to work gradually towards liberalization. The free-trade agreements with Chile, Mexico, and Singapore are exceptions, since they provide for reciprocal market access in these three areas upon entry into force.<sup>38</sup>

**Table II.2**  
**Iceland's participation in preferential trade agreements, November 2005**

| Agreement/partner(s)  | Signature                    | Entry into force | GATT/WTO reference                                | Share of Iceland's imports (%) <sup>a</sup> | Share of Iceland's exports (%) <sup>a</sup> |
|---|------------------------------|------------------|---|---|---|
| European Free Trade Association (Liechtenstein, Norway, and Switzerland); convention revised in June 2001 | 4 December 1969 <sup>b</sup> | 1 March 1970     | L/3328 (GATT)<br>WT/REG154/1                      | 10.7  | 4.6   |
| Greenland   | 31 January 1985              | 1 February 1985  | ..  | 0.3   | 0.2   |
| Turkey <sup>c</sup>   | 10 December 1991             | 1 April 1992     | L/6989/Add.1 (GATT)                               | 0.6   | 0.1   |
| Agreement on the European Economic Area (EU Member States, Norway, and Liechtenstein)                     | 02 May 1992                  | 1 January 1994   | WT/REG138/1 (goods) and<br>WT/REG138/2 (services) | 70.5  | 78.2  |
| Faroe Islands   | 6 August 1992 <sup>d</sup>   | 1 July 1993      | WT/REG23/N/1                                      | 0.9   | 1   |
| Israel <sup>c</sup>   | 17 September 1992            | 1 January 1993   | L/7129 and Add.1 (GATT)                           | 0.2   | 0   |
| Romania <sup>c</sup>  | 10 December 1992             | 1 May 1993       | L/7215 and Add.1 (GATT)                           | 0.1   | 0   |
| Bulgaria <sup>c</sup>   | 29 March 1993                | 1 July 1993      | L/7257 and Add.1 (GATT)                           | 0   | 0   |
| Morocco <sup>c</sup>  | 19 June 1997                 | 1 December 1999  | WT/REG91/N/1                                      | 0   | 0   |
| Palestinian Authority <sup>c</sup>  | 30 November 1998             | 1 July 1999      | WT/REG79/N/1                                      | 0   | 0   |
| Former Yugoslav Republic of Macedonia <sup>c</sup>  | 19 June 2000                 | 1 May 2002       | WT/REG117/N/1                                     | 0   | 0   |
| Mexico <sup>c</sup>   | 27 November 2000             | 1 July 2001      | WT/REG126/N/1                                     | 0.1   | 0   |
| Croatia <sup>c</sup>  | 21 June 2001                 | 1 April 2002     | WT/REG132/N/1                                     | 0   | 0   |
| Jordan <sup>c</sup>   | 21 June 2001                 | 1 September 2002 | WT/REG133/N/1                                     | 0   | 0   |
| Singapore <sup>c</sup>  | 26 June 2002                 | 1 January 2003   | WT/REG148/N/1                                     | 0.1   | 0   |
| Chile <sup>c</sup>  | 26 June 2003                 | 1 December 2004  | WT/REG179/N/1 and<br>S/C/N/309                    | 0.1   | 0.1   |
| Lebanon <sup>c</sup>  | 24 June 2004                 | Not yet in force | ..  | 0   | 0   |
| Tunisia <sup>c</sup>  | 17 December 2004             | 1 March 2006     | WT/REG201/N/1                                     | 0.1   | 0   |
| Korea   | 15 December 2005             | Not yet in force | ..  | 0.9   | 0.2   |

.. Not available.

a 2004 data.

b Date refers to Iceland's accession.

c Agreement concluded by Iceland as part of EFTA.

d A more comprehensive free-trade agreement was signed on 31 August 2005; it is expected to enter into force during the first half of 2006.

Source: WTO Secretariat; and EFTA Secretariat (2004), *Annual Report of the European Free Trade Association 2004*. Available at: <http://secretariat.efta.int/Web/Publications/AnnualReport/>.

<sup>38</sup> With respect to government procurement, the free-trade agreement with Singapore does not entail additional market access beyond that offered by the parties under the WTO Government Procurement Agreement.



39. As at early 2006, the EFTA states were negotiating bilateral free-trade agreements with Canada, Egypt, Thailand, and the members of the Southern African Customs Union.<sup>39</sup>

(d) Other arrangements

40. Iceland has granted unilateral preferential tariff treatment to 48 developing countries since 2002.<sup>40</sup> The preferences granted mirror those provided to EEA countries; a significant number of agricultural products are therefore excluded. Originating goods covered by the scheme receive mostly duty- and quota-free treatment.

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<sup>39</sup> EFTA Secretariat (2004).

<sup>40</sup> Regulation on a General System of Preferences – Tariff Preferences in Regard to the Importation of Products Originating in the World's Poorest Developing Countries, No. 119/2002, 29 January 2002. The regulation was notified to the WTO Committee on Trade and Development under the enabling clause. (WTO document WT/COMTD/N/17, 10 October 2003). Tariff preferences are granted to the countries listed in Annex V to the Customs Act No. 55/1987, as amended. These are: Afghanistan, Angola, Bangladesh, Benin, Burma, Burkina Faso, Burundi, Bhutan, Cambodia, Cape Verde Islands, Central African Republic, Chad, Congo, Comoros, Djibouti, Eritrea, Equatorial Guinea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Laos, Lesotho, Liberia, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Nepal, Niger, Rwanda, Solomon Islands, Samoa, Sao Tome and Principe, Sierra Leone, Somalia, Sudan, Tanzania, Togo, Tuvalu, Uganda, Vanuatu, Yemen, and Zambia.