OPENING STATEMENT BY
THE REPRESENTATIVE OF ICELAND

These are the first consultations under Article XII 4(b) with Iceland since Iceland acceded provisionally to the GATT on 5 March 1964. I therefore think it is appropriate to begin my statement with a brief historical description of the Icelandic restrictive system.

Quantitative restrictions were introduced in Iceland, as into many other countries, during the world depression, in the early thirties. Restrictions have since been applied with differing degrees of strictness in view of the fluctuations in the balance of payments. Until 1950 all commodities were subject to import licence control, although in many cases licenses were granted automatically.

In connexion with the economic stabilization measures of 1950, and influenced by the liberalization efforts of the OEEC, quantitative restrictions were then abolished on a fairly large share of the total imports. The liberalization had to be curtailed within a few years due to the difficult balance-of-payment position and the growing trade with the State-trading countries. The second half of the fifties saw further tightening of restrictions while the economic balance steadily deteriorated.

The year 1960 marks a turning point in the development of the restrictive system. In February of the year a substantial devaluation took place and various other stabilization measures were adopted. The liberalization of imports was an integral part of this comprehensive stabilization programme. In June 1960 about 60 per cent of the imports were liberalized. Every year since the liberalized list has been expanded. Since Iceland's provisional accession to the GATT a little over a year ago new liberalization measures have twice been put in effect. First on 1 August 1964 twenty commodities or groups of commodities were liberalized and at the same time it was announced that a further fifteen commodities would be freed effective 1 July 1965. The recent liberalization measures have primarily affected a large number of consumer goods. The number of commodities which remain on the restricted have now been reduced to about 100.
The liberalization has now reached 79.2 per cent of the actual imports in 1964. Document BOP/47, page 3, contains a table of 1963 imports, broken down according to import procedure. The table shows the liberalization percentage as 75.7 as compared with 79.2 according to 1964 imports. The reasons for this difference are that imports of ships and planes, which are liberalized, were abnormally large in 1964 and imports of certain items liberalized in August 1964 increased substantially. In order to complete the comparison between 1963 and 1964, I want to tell you that commodities under global quota represented 10.2 per cent of 1964 imports, (in 1963 11.7 per cent) and other licensed commodities in 1964 10.6 per cent (in 1963 12.6 per cent).

The main commodities under global quota are lumber 1.9 per cent of 1964 imports, plywood and building board 0.7 per cent, iron and steel 2.5 per cent, sugar 1.6 per cent, fishing lines and ropes 0.7 per cent, stockings 0.6 per cent, glass and glassware 0.4 and electrical cables 0.4, totalling 8.8 per cent, which leaves only 1.4 per cent for miscellaneous articles. Other licensed commodities consist mostly of petroleum products 7.2 per cent of 1964 imports, wooden barrels 1.5 per cent and coffee 1.3 per cent leaving only 0.6 per cent for miscellaneous. Generally speaking these commodities are important for the maintenance of trade with the seven countries with which Iceland still has bilateral trade and payments agreements.

These trade arrangements facilitate the sale of Icelandic fish products to Eastern Europe and Brazil. The maintenance of these traditional markets is important for the balance-of-payments position. These exports to the bilateral trading countries have, however, declined in recent years. They represented 14.8 per cent of total exports in 1964 compared with 34.7 per cent in 1959. Consequently, it has been possible to reduce substantially the restrictions that had previously been maintained for the sake of the trade agreements. The growing competitiveness of our trading partners has also furthered this liberal development, which we hope will continue.

Liberalization of imports has been made possible by the favourable development of the balance of payments in recent years. Until 1961 the current account of the balance of payments had for many years shown a substantial deficit, but this changed with the stabilization programme of 1960. Both 1961 and 1962 showed a surplus, 7.1 million and 11.4 million dollars respectively. In 1963 there was a deficit of 4.3 million dollars owing to an unusually large increase in imports. Last year is estimated to show a deficit of 7.7 million dollars, because of the exceptionally high imports of ships and planes. These imports amounted to 22 million dollars, whereas the average annual imports of ships and planes over the last ten years has been 8 million dollars. As these imports are largely financed by foreign credit the foreign exchange reserves continued to grow both in 1963 and 1964. At the end of 1964 the gold and foreign exchange position of the banks amounted to 37 million dollars, which corresponds to four months imports.
In view of the uncertain outlook for the economy the present level of reserves is hardly adequate. The fish catch during the winter season has been considerably less than during the record season last year. Although export prices remain favourable it is to be expected that exports will be somewhat lower in 1965 than last year. During the first quarter exports have been 2.6 per cent lower than in the same quarter of 1964, while imports were 5.8 per cent higher.

Despite the favourable development of the external balance, the internal balance continues to be subject to serious inflationary pressures. Negotiations for general wage agreements, which expire in June, are starting. For the time being it is impossible to predict their outcome. One thing is clear, however, that external balance and the reserve position may be threatened if the negotiations cannot be concluded without large wage increases.

The progress that Iceland has made since 1960 in dismantling restrictions, after thirty years of import controls, is gratifying. The question can, however, always be raised - and we ask it ourselves during our regular reviews of the remaining restrictions - cannot something more be done in this field? This is always subject to discussion. The Government has tried to follow the goal of liberalizing as much as it has seemed possible each time, without risking a relapse. A steady progress forward is better than a jump forward followed by a retreat. I want to assure the Committee that the Government will continue to review the remaining restrictions with the view of gradually abolishing most of them.