

No. 398

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**UNITED STATES OF AMERICA  
and  
ICELAND**

**Exchange of Notes constituting an agreement relating to the application of most-favoured-nation treatment to the merchandise trade of certain areas under occupation or control. Reykjavik, 3 July 1948**

*English and Icelandic official texts communicated by the Permanent Representative of the United States of America at the seat of the United Nations. The registration took place on 1 April 1949.*

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**ETATS-UNIS D'AMERIQUE  
et  
ISLANDE**

**Echange de notes constituant un accord relatif à l'application du traitement de la nation la plus favorisée aux échanges commerciaux de certaines régions soumises à occupation ou contrôle. Reykjavik, 3 juillet 1948**

*Textes officiels anglais et islandais communiqués par le représentant permanent des Etats-Unis d'Amérique au siège de l'Organisation des Nations Unies. L'enregistrement a eu lieu le 1er avril 1949.*

No. 398. EXCHANGE OF NOTES<sup>1</sup> CONSTITUTING AN AGREEMENT BETWEEN THE GOVERNMENTS OF THE UNITED STATES OF AMERICA AND ICELAND RELATING TO THE APPLICATION OF MOST-FAVOURLED-NATION TREATMENT TO THE MERCHANDISE TRADE OF CERTAIN AREAS UNDER MILITARY OCCUPATION OR CONTROL. REYKJAVIK, 3 JULY 1948

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I

*The American Minister to the Icelandic Minister for Foreign Affairs*

THE FOREIGN SERVICE OF THE UNITED STATES OF AMERICA  
AMERICAN LEGATION  
REYKJAVIK, ICELAND

No. 78

July 3, 1948

Excellency:

I have the honor to refer to the conversations which have recently taken place between representatives of our two Governments relating to the territorial application of commercial arrangements between the United States of America and Iceland and to confirm the understanding reached as a result of these conversations as follows:

1. For such time as the Government of the United States of America participates in the occupation or control of any areas in western Germany, the Free Territory of Trieste, Japan or southern Korea, the Government of Iceland will apply to the merchandise trade of such area the provisions relating to the most-favored-nation treatment of the merchandise trade of the United States of America set forth in the Trade Agreement between the United States of America and Iceland signed August 27, 1943,<sup>2</sup> or, for such time as the Governments of the United States of America and Iceland may both be contracting parties to the General Agreement on Tariffs and Trade, dated October 30, 1947,<sup>3</sup> the provisions of that Agreement, as now or hereafter amended, relating to the most-favored-nation treatment of such trade. It is understood that the undertaking in this paragraph relating to the application of the most-favored-nation provisions of the Trade Agreement signed August 27, 1943, shall be subject to the exceptions recognized in the General Agreement on Tariffs and Trade

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<sup>1</sup> Came into force on 3 July 1948, by the exchange of the said notes.

<sup>2</sup> United States of America, *Executive Agreement Series*, 342; 57 Stat. 1075.

<sup>3</sup> United Nations, 1947.II.10, Volumes I-IV.

permitting departures from the application of most-favored-nation treatment; provided that nothing in this sentence shall be construed to require compliance with the procedures specified in the General Agreement with regard to the application of such exceptions.

2. The undertaking in point 1, above, will apply to the merchandise trade of any area referred to therein only for such time and to such extent as such area accords reciprocal most-favored-nation treatment to the merchandise trade of Iceland.

3. The undertakings in points 1 and 2, above, are entered into in the light of the absence at the present time of effective or significant tariff barriers to imports into the areas herein concerned. In the event that such tariff barriers are imposed, it is understood that such undertakings shall be without prejudice to the application of the principles set forth in the Havana Charter for an International Trade Organization<sup>1</sup> relating to the reduction of tariffs on a mutually advantageous basis.

4. It is recognized that the absence of a uniform rate of exchange for the currency of the areas in western Germany, Japan or southern Korea referred to in point 1 above may have the effect of indirectly subsidizing the exports of such areas to an extent which it would be difficult to calculate exactly. So long as such a condition exists, and if consultation with the Government of the United States of America fails to reach an agreed solution to the problem, it is understood that it would not be inconsistent with the undertaking in point 1 for the Government of Iceland to levy a countervailing duty on imports of such goods equivalent to the estimated amount of such subsidization, where the Government of Iceland determines that the subsidization is such as to cause or threaten material injury to an established domestic industry or is such as to prevent or materially retard the establishment of a domestic industry.

5. The undertakings in this note shall remain in force until January 1, 1951, and unless at least six months before January 1, 1951, either Government shall have given notice in writing to the other of intention to terminate these undertakings on that date, they shall remain in force thereafter until the expiration of six months from the date on which such notice shall have been given.

Accept, Excellency, the renewed assurances of my highest consideration.

Richard P. BUTRICK

His Excellency Bjarni Benediktsson  
Minister for Foreign Affairs  
Reykjavik

<sup>1</sup> United Nations, 1948.II.D.4.

## II

*The Icelandic Minister for Foreign Affairs to the American Minister*

ICELANDIC TEXT — TEXTE ISLANDAIS

UTANRÍKISRÁÐUNEYTIÐ  
REYKJAVÍK

hinn 3. júlí 1948

Háttvirtí sendiherra,

Eg leyfi mér að skírskota til viðræðna, sem nýlega hafa farið fram milli fulltrúa frá ríkisstjórnnum okkar beggja, viðvikjandi umráðasvæðum, sem viðskiptasamningar milli Íslands og Bandaríkja Ameríku skulu ná til og staðfesti, að samkvæmt þessum viðræðum hefur samkomulag náðst um eftirfarandi skilning:

1. Á meðan ríkisstjórn Bandaríkja Ameríku tekur þátt í hernámi eða gæzlu einhverra svæða í Vestur-Þýzka-landi, fríríkinu Trieste, Japan eða Suður-Koreu mun ríkisstjórn Íslands láta ákvæðin um beztukjaramæðferð fyrir framleiðsluvörur Bandaríkja Ameríku í viðskiptasamningi, sem gerður var hinn 27. ágúst 1943 milli Íslands og Bandaríkja Ameríku, ná til framleiðsluvara slíkra svæða, og á meðan Ísland og Bandaríki Ameríku kunna bæði að vera samningsaðilar að hinum almenna samningi um tolla og viðskipti, sem gerður var hinn 30. október 1947, ákvæði þess samnings, er snerta beztukjaramæðferð slíkra við-

TRANSLATION<sup>1</sup> — TRADUCTION<sup>2</sup>MINISTRY OF FOREIGN AFFAIRS  
REYKJAVIK

July 3, 1948

Mr. Minister:

I take the liberty of referring to the conversations which have recently taken place between representatives of our two Governments, relating to the territories to which the commercial agreements between Iceland and the United States of America shall apply, and to confirm that as a result of these conversations an understanding has been reached, as follows:

1. For such time as the Government of the United States of America participates in the occupation or control of any areas in western Germany, the Free Territory of Trieste, Japan or southern Korea, the Government of Iceland will apply to the products of such area the provisions relating to the most-favored-nation treatment for products of the United States of America in the trade agreement concluded on August 27, 1943 between Iceland and the United States of America, or for such time as Iceland and the United States of America may both be contracting parties to the General Agreement on Tariffs and

<sup>1</sup> Translation by the Government of the United States of America.

<sup>2</sup> Traduction du Gouvernement des Etats-Unis d'Amérique.

skipta, eins og þau eru nú eða verður síðar breytt.

Svo er til ætlazt, að loforð það, sem veitt er þessari málsgrein um beitingu beztukjaraákvæða samkvæmt viðskipta-samningnum, sem gerður var hinn 27. ágúst 1943, skuli háð þeim undantekningum, sem viðurkenndar eru í hinum almenna samningi um tolla og viðskipti, þar sem heimilað er að víkja frá beitingu beztukjarameðferðar. Það er þó áskilið, að ekkert í þessum lið skuli skýrt þannig að fylgja beri þeim aðferðum, sem tilteknar eru í almenna samningnum með tilliti til beitingar slíkra undantekninga.

2. Loforðið í 1. málsgrein hér að framan skal einungis ná til framleiðsluvara þeirra landsvæða, sem þar eru talin, jafn lengi og að svo miklu leyti, sem þessi landsvæði veita framleiðsluvörum Íslands gagnkvæma beztukjarameðferð.

3. Gengið er að loforðum þeim, sem nefnd eru í 1. og 2. málsgrein hér að framan af því að engar tollahömlur, sem raunhæfar geta talizt eða þýðingu hafa, eru nú til varðandi innflutning til landsvæða þeirra, sem hér er um að ræða. Nú verða slíkar tollahömlur settar og skulu þá téð loforð ekki vera því til fyrirstöðu, að beitt verði meginreglum Havana sáttmálans um alþjóða viðskiptastofnun, varðandi lækkun tolla á gagnkvæmum hagstæðum grundvelli.

4. Það er viðurkennt að vegna þess, að samskonar gengi er ekki á land-

Trade, concluded on October 30, 1947, the provisions of that Agreement, relating to the most-favored-nation treatment of such trade, as they now are or may hereafter be amended.

It is understood that the undertaking in this paragraph relating to the application of the most-favored-nation provisions according to the Trade Agreement concluded on August 27, 1943, shall be subject to the exceptions recognized in the General Agreement on Tariffs and Trade, permitting departure from the application of most-favored-nation treatment. It is stipulated, however, that nothing in this section shall be construed to require compliance with the procedures specified in the General Agreement with regard to the application of such exceptions.

2. The undertaking in point 1, above, will apply only to the products of the areas referred to therein for such time and to such extent as such areas grant reciprocal most-favored-nation treatment to products of Iceland.

3. The undertakings in points 1 and 2, above, are entered into because no effective or significant tariff barriers now exist with respect to imports into the areas herein concerned. In the event that such tariff barriers are imposed, the undertakings will not interfere with the application of the principles of the Havana Charter for an International Trade Organization relating to reduction of tariffs on a mutually advantageous basis.

4. It is recognized that because there is no uniform rate of exchange in the

svæðum Vestur-Þýzkalands, Japan eða Suður-Koreu, sem nefnd eru í 1. málsgrein, geti það haft þau áhrifl að verðbæta óbeinlínis útflutning þessara landsvæða á þann hátt, sem erfitt getur orðið að reikna út nákvæmlega. Á meðan slíkt ástand ríkir, og ef ekki reynist unnt að leysa málið í samráði við Bandaríki Ameríku, er litið svo á, að það mundi ekki vera í ósamræmi við loforðið í 1. málsgrein, að ríkisstjórn Íslands leggi gjald á innflutning slíks varnings, er nemi áætlaðri fjárhæð slíkrar verðuppbótar, og þar sem ríkisstjórn Íslands ályktar, að verðuppbótin sé þess eðlis að geta valdið eða að hætt sé á, að hún hafi verulegt tjón í för með sér fyrir innlendar atvinnugreinar, sem fyrir hendi eru, eða geti hindrað eða tafið verulega fyrir því, að innlendum atvinnugreinum verði komið á fót.

5. Loforðin í þessu erindi skulu vera í gildi til 1. janúar 1951, og nema því aðeins að önnur hvor ríkisstjórnin hafi tilkynnt hinni skriflega með sex mánaða fyrirvara fyrir þann dag, að hún óski, að þau skuli ganga úr gildi, þá skulu þau halda gildi sínu þangað til sex mánuðir eru liðnir frá því, að slík tilkynning hefur verið gefin.

Ég leyfi mér, háttvirtu sendiherra, að votta yður sérstaka virðingu mína.

Bjarni BENEDIKTSSON

Herra sendiherra Richard P. Butrick  
Ameríska sendiráðið  
Reykjavík

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areas of western Germany, Japan or southern Korea referred to in point 1, that may have the effect of indirectly subsidizing the exports of such areas to an extent which it would be difficult to calculate exactly. So long as such a condition prevails, and if it does not prove possible to solve the problem in consultation with the United States of America, it is understood that it would not be inconsistent with the undertakings in point 1 for the Government of Iceland to levy a duty on the importation of such goods, equivalent to the estimated amount of such subsidization, where the Government of Iceland determines that the subsidization is such that it may cause or there is danger that it may do material injury in and of itself to established domestic industries, or can prevent or materially retard the establishment of domestic industries.

5. The undertakings in this note shall remain in force until January 1, 1951, and unless six months before that date either Government has announced in writing that it desires that they shall cease to be in effect, they shall remain in force thereafter until the expiration of six months from the date on which notification has been given.

I take the liberty, Mr. Minister, of expressing to you my special consideration.

Bjarni BENEDIKTSSON

Minister Richard P. Butrick  
American Legation  
Reykjavík