

**UNITED STATES OF AMERICA
and
ICELAND**

Exchange of notes (with annex) constituting an agreement replacing Schedule II annexed to the Trade Agreement of 27 August 1943. Reykjavik, 12 and 15 July 1963

Exchange of notes constituting an agreement revising Schedule I to the above-mentioned Trade Agreement of 27 August 1943. Reykjavik, 29 May and 2 June 1964

Official text of the notes: English.

Official texts of the annex: English and Icelandic.

Registered by the United States of America on 26 February 1965.

**ÉTATS-UNIS D'AMÉRIQUE
et
ISLANDE**

Échange de notes (avec annexe) constituant un accord remplaçant la liste II annexée à l'Accord commercial du 27 août 1943. Reykjavik, 12 et 15 juillet 1963

Échange de notes constituant un accord modifiant la liste I annexée à l'Accord commercial susmentionné du 27 août 1943. Reykjavik, 29 mai et 2 juin 1964

Texte officiel des notes anglais.

Textes officiels de l'annexe anglais et islandais.

Enregistré par les États-Unis d'Amérique le 26 février 1965.

No. 7616. EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT¹ BETWEEN THE UNITED STATES OF AMERICA AND ICELAND REPLACING SCHEDULE II ANNEXED TO THE TRADE AGREEMENT OF 27 AUGUST 1943.² REYKJAVIK, 12 AND 15 JULY 1963

I

The American Embassy to the Icelandic Ministry for Foreign Affairs

No. 5

The Embassy of the United States of America presents its compliments to the Ministry for Foreign Affairs of Iceland and has the honor to refer to the Embassy's Notes No. 2 of July 8, 1963, and No. 54 of June 12, 1963,³ as well as conversations which have been held between representatives of the Government of the United States and the Government of Iceland with respect to Schedule II to the trade agreement between the United States and Iceland, which was signed on August 27, 1943.²

It is the understanding of the Government of the United States that, in order to reflect the nomenclature of the revised Tariff Schedules of the United States, a transposition to the new nomenclature will be made in Schedule II and that it is mutually agreed that Schedule II, being equally authentic in the English and Icelandic languages, annexed to this note shall replace Schedule II annexed to the 1943 trade agreement on and after the date on which the Tariff Schedules of the United States become effective.⁴

If the above also represents the Ministry's understanding of these conversations, and it is agreeable to the Government of Iceland, it is proposed that this note and the Ministry's reply so indicating will constitute an agreement between the Governments of the United States and Iceland.

The Embassy takes this opportunity to renew to the Ministry for Foreign Affairs the assurances of its highest consideration.

Embassy of the United States of America
Reykjavik, July 12, 1963

¹ Came into force on 15 July 1963 by the exchange of the said notes.

² United Nations, *Treaty Series*, Vol. 29, p. 317.

³ Not printed by the Department of State of the United States of America.

⁴ 31 August 1963. See Proclamation by the President of the United States of America No. 3548 of Aug. 21, 1963; 28 Fed. Reg. 9279.

UNITED STATES SCHEDULE OF CONCESSIONS ANNEXED
TO TRADE AGREEMENT WITH ICELAND

SCHEDULE II

(See notes at the end of this Schedule)

| <i>TSUS Item No.</i> | <i>Description of Products</i> | <i>Rate of Duty</i> |
|--------------------------|---|-----------------------|
| | Fish, dried, whether or not whole, but not otherwise prepared or preserved, and not in airtight containers : | |
| 111.10 | Cod, cusk, haddock, hake, and pollock | 1.25 ¢ per lb. |
| 111.15 | Shark fins | 0.625 ¢ per lb. |
| 111.18 | Other | 0.625 ¢ per lb. |
| | Fish, salted or pickled, whether or not whole, but not otherwise prepared or preserved, and not in airtight containers : | |
| | Herring : | |
| 111.32 | In bulk or in immediate containers weighing with their contents over 15 pounds each | 0.5 ¢ per lb. |
| | Fish, smoked or kippered, whether or not whole, but not otherwise prepared or preserved, and not in airtight containers : | |
| 111.84 | Mackerel | 12.5 % <i>ad val.</i> |
| 111.92 | Other | 12.5 % <i>ad val.</i> |
| | Fish, prepared or preserved in any manner, not in oil, in airtight containers : | |
| 112.05 | Bonito and yellowtail | 12.5 % <i>ad val.</i> |
| | Herring : | |
| | In containers weighing with their contents not over 15 pounds each : | |
| 112.10 | Other | 12.5 % <i>ad val.</i> |
| 112.14 | Pollock | 12.5 % <i>ad val.</i> |
| | Sardines : | |
| | In containers weighing with their contents not over 15 pounds each : | |
| 112.20 | In immediate containers weighing with their contents under 8 ounces each | 12.5 % <i>ad val.</i> |
| 112.22 | Other | 12.5 % <i>ad val.</i> |
| 112.36 | Other | 12.5 % <i>ad val.</i> |
| | Fish, prepared or preserved in any manner, in oil, in airtight containers : | |
| | Pollock : | |
| 112.48 | Smoked | 15 % <i>ad val.</i> |

| <i>TSUS</i> Item No. | <i>Description of Products</i> | <i>Rate of Duty</i> |
|-------------------------|---|-----------------------|
| | Fish balls, cakes, puddings, pastes, and sauces (including any of such articles in airtight containers) : | |
| | Balls, cakes, and puddings : | |
| | Not in oil : | |
| | In immediate containers weighing with their contents not over 15 pounds each : | |
| 113.08 | In airtight containers | 12.5 % <i>ad val.</i> |
| | Fish roe, fresh, chilled, frozen, prepared, or preserved : | |
| | Other fish roe : | |
| 113.35 | Boiled and in airtight containers | 15 % <i>ad val.</i> |
| 113.40 | Other | 10 ¢ per lb. |
| | Other furskins, raw or not dressed, or dressed : | |
| | Dressed : | |
| | Not dyed : | |
| | Other : | |
| ex 124.40 | Other—Lamb and sheep | 12.5 % <i>ad val.</i> |
| | Marine-animal oils : | |
| | Fish-liver oils : | |
| 177.02 | Cod | Free |
| | Fish oils other than liver oils : | |
| 177.14 | Cod | Free |
| 177.22 | Herring | 1.83 ¢ per lb. |
| | Tankage ; dead fish and whales ; fish and whale scrap, meal and solubles ; homogenized condensed fish and whales ; all the foregoing not fit for human consumption : | |
| ex 184.55 | Other—Fish and whale scrap, meal and solubles ; and homogenized condensed fish and whales | Free |
| | Those grades of all substances (other than are described in the foregoing items of this part) used chiefly for fertilizers, or chiefly as an ingredient in the manufacture of fertilizers : | |
| ex 480.80 | Other—Fish scrap and fish meal | Free |

NOTES

1. Products (articles) are described in this Schedule in terms of the provisions therefor in the Tariff Schedules of the United States (TSUS), modified, when appropriate, as indicated in note 2. The provisions of this Schedule shall be construed and given the same effect, and the application of the collateral provisions of the customs laws of the United States shall be determined, as if each provision of this Schedule appeared respectively in the TSUS item specified at the left of the respective product descriptions.

2. A "TSUS item" is a rate category in the TSUS. When all of a TSUS item is included in this Schedule, but different rate treatment is provided for parts of such item, the subdivisions are set forth in underscored language. When only part of a TSUS item is intended to be included in this Schedule, the item number is preceded by "ex", e.g., "ex 708.92", and (1) the part of the item included is described in one or more indented rate provisions following a superior description in terms of the pertinent TSUS item ; or (2) the pertinent TSUS item description is stated with the products excluded in underscored language ; or (3), where the pertinent TSUS item includes a series of named products, the products excluded are omitted from the Schedule description ; or (4) any combination of such techniques.

3. Unless otherwise specifically indicated, references in the columns headed "Description of Products" and "Rate of Duty" to headnotes, parts, subparts, schedules, or items are references to headnotes, parts, subparts, schedules, and items of the TSUS .

4. In the case of any product provided for in this Schedule, which is subject on the effective date of the Agreement substituting this Schedule for the Schedule which it supersedes to any additional or separate ordinary customs duty, whether or not imposed under the TSUS item specified at the left of the product description, such separate or additional duty shall continue in force, subject to any reduction indicated in this Schedule or hereafter provided for, until terminated in accordance with law, but shall not be increased.

ATHUGASEMDIR

1. Allri framleiðslu (vöru) er lýst í þessum lista í samraami við skilmála og ákvæði sett í tollskrá Bandaríkjanna (TSUS), breytt þegar við á, svo sem nánar er skýrt í málsgrein 2. Ákvæði þessa lista skulu skiljast á sama veg og vera ákvæðin á sama hátt og jafnhliða ákvæði í toll-lögum Bandaríkjanna, þ.e. svo sem hvert ákvæði þessa lista birtist hvert fyrir sig í tollskrá Bandaríkjanna, sem tiltekið er til vinstri handar við viðkomandi vörulýsingu.

2. Númer í tollskrá Bandaríkjanna er gjaldflokkur í tollskrá Bandaríkjanna. Þegar um er að ræða tollskrárnúmer í heild í þessum lista, en mismunandi gjaldmeðferð á við hluta af slíkum tollflokki, eru undirflokkarnir birtir undirstrikaðir. Þegar ætlast er til að aðeins hluti af tollskrárnúmeri sé innifalið í þessum lista, fer "ex" á undan flokksnúmeri, t.d. "ex 708.92", og (1) hluta af flokki, sem innifalinn er, er lýst í einum eða fleiri undirflokkum, sem koma á eftir heildarlýsingu á skilmálum viðkomandi tollskrárnúmers; eða (2) viðkomandi tollskrárflokkslýsing er birt þannig, að strikað er undir undanþegnar vörur; eða (3), þar sem viðkomandi tollskrárnúmer innifelur fjölda tiltekinnna vara, þá eru felldar niður úr vörulýsingu þær vörur, sem undanþegnar eru; eða (4) hverskonar sambland slíkra aðferða.

3. Nema öðruvísi sé sérstaklega tiltekið, eru tilvitnanir í dálkunum "Lýsing vöru" og "Tollur", tilvitnanir til aðalflokka, flokka, undirflokka, lista eða númera í tollskrá Bandaríkjanna.

4. Að því er varðar sérhverja vöru, sem tilgreind er í þessum lista, sem á gildistökuþegi samningsins og þessa lista, sem kemur í staðinn fyrir fyrri lista, er háð einhverjum viðbótar eða sérstökum almennum tolli, hvort svo sem álagður samkvæmt tollskrárnúmeri Bandaríkjanna, sem tilgreint er til vinstri við vörulýsingu, þá skulu slíkir sérstakir eða viðbótartollar halda gildi sínu, þó háðir sérhverri lækku, sem fram kemur í þessum lista, eða sem síðar verður ákvæðin, þar til felld úr gildi samkvæmt lögum, en skulu ekki hækka.

II

*The Icelandic Ministry for Foreign Affairs to the American Embassy*UTANRÍKISRÁÐUNEYTIÐ¹

REYKJAVÍK

No. 26

The Ministry for Foreign Affairs presents its compliments to the Embassy of the United States of America and has the honour to acknowledge receipt of the Embassy's Note No. 5, dated July 12th, 1963, reading as follows :

[See note I]

¹ Ministry for Foreign Affairs.

In reply the Ministry has the honour to state, that the before-mentioned proposal is acceptable to the Icelandic Government and it is agreed that the Embassy's Note and the present reply shall be regarded as constituting an agreement between the two Governments in this matter.

The Ministry avails itself of this opportunity to renew to the Embassy of the United States of America the assurances of its highest consideration.

Ministry for Foreign Affairs
Reykjavik, July 15th, 1963

[SEAL]

Embassy of the United States of America
Reykjavik

EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT¹
BETWEEN THE UNITED STATES OF AMERICA AND
ICELAND REVISING SCHEDULE I TO THE TRADE
AGREEMENT OF 27 AUGUST 1943.² REYKJAVIK, 29 MAY
AND 2 JUNE 1964

I

The Icelandic Ministry for Foreign Affairs to the American Embassy

UTANRÍKISRÁÐUNEYTIÐ³
REYKJAVIK

No. 24

The Ministry for Foreign Affairs presents its compliments to the Embassy of the United States of America and has the honour to refer to discussions between officials of the Government of Iceland and the Embassy relating to the Icelandic Tariff Act No. 7 of April 29, 1963, and the United States-Icelandic Trade Agreement of August 27, 1943.²

Schedule I of the Trade Agreement contains a list of commodities the tariff of which were bound against future increases by the Icelandic Government. While in the ensuing years until 1963 no increases were made in the bound tariff rates themselves general import surcharges of various types were added to the duties so that total import levies on several of the bound commodities were gradually raised very substantially. On the other hand some of the bound duty rates were reduced to zero. The purpose of the levying of the general import surcharges was to obtain revenue principally to offset an unrealistic exchange rate. This the Icelandic authorities did not hold to be contrary to the obligations for tariff bindings under the 1943 U. S.-Icelandic Trade Agreement nor were these measures contested by the U. S. authorities.

Some two years ago the Icelandic Government launched a study of the Icelandic customs tariff with a view to its complete revision. Such a revision was felt to be necessary for both technical and economic reasons. The technical aspects of the revision entailed adopting of the Brussels Tariff Nomenclature and substituting the previous specific and *ad valorem* rates as well as the numerous import surcharges

¹ Came into force on 2 June 1964 by the exchange of the said notes.

² United Nations, *Treaty Series*, Vol. 29, p. 317.

³ Ministry for Foreign Affairs.

with a single equivalent *ad valorem* rate. The equivalent *ad valorem* rate was in certain cases somewhat adjusted and in a very few cases supplemented with a specific rate. Only in the case of automobiles was the import levy retained. The tariff revision was completed last spring and a new Tariff Law was enacted incorporating these reforms.

The 1963 Tariff Law included new tariff rates which in many cases greatly exceeded the bound rates in the U. S.-Iceland's Trade Agreement. These new rates, however were roughly equivalent to the total of import levies which previously had been collected on commodities on which bound rates were in force. This is shown in the attached list¹ over previous and present import duties on commodities listed in Schedule I of the U. S.-Icelandic Trade Agreement. The list shows :

In col. 1 : The previous tariff number.

In col. 2 : The present ("Brussels") tariff number.

In col. 3 : The commodity description.

In col. 4 : The *ad valorem* equivalent of the specific and *ad valorem* rates bound in 1943 on the basis of 1943 prices and rounded off to the nearest effective rate in the present Icelandic customs tariff.

In col. 5 : The total *ad valorem* equivalent of all import duties and surcharges in force prior to the adoption of the new Icelandic tariff.

In col. 6 : The customs rate now in force according to the new Icelandic tariff as amended.

A comparison of columns 4 and 6 of the list shows that the deviation of the present duty rates from the bound rates is quite substantial for many of the commodities while the present rates by and large conform with the previous total import levies shown in column 5.

The Icelandic Government was aware of the discrepancies which the 1963 Tariff Act would introduce between the tariff rates as bound in the U. S.-Icelandic Trade Agreement and those appearing in the new customs tariff. For this reason the Tariff Act contained a provision authorizing the authorities to reduce the tariff rates in conformity with stipulations under existing trade agreements. However, the general rates structure is such that a reduction of duties on commodities covered by the trade agreement would create such serious distortions and injustice that the Government is of the opinion that a revision of Schedule I is urgently required.

Until such revision could take place the Icelandic Government has changed the following tariff rates conforming with 1943 bound rates by an announcement of the Ministry of Finance on November 29, 1963 :

¹ See p. 57 of this volume.

| <i>Tariff Number</i> | <i>Commodity</i> | <i>Duty Rate under Tariff Act %</i> | <i>Reduced Duty Rate %</i> |
|----------------------|--------------------------|---|------------------------------------|
| 08.06.10 | Fresh apples | 30 | 15 |
| 08.06.20 | Fresh pears | 30 | 15 |
| 08.04.21 | Raisins | 50 | 25 |
| 08.12.01 | Prunes | 50 | 25 |
| 15.07.82 | Cottonseed oil | 30 | 10 |
| 15.07.81 | Soybean oil | 30 | 10 |

Furthermore the Government by the same announcement reduced the duty on the two following positions as follows :

| <i>Tariff Number</i> | <i>Commodity</i> | <i>Duty Rate under Tariff Act %</i> | <i>Reduced Duty Rate %</i> |
|----------------------|--------------------------------------|---|------------------------------------|
| 19.05.00 | Rice and other cereals, etc. | 80 | 50 |
| 20.07.09 | Fruit juices, other | 100 | 60 |

The United States is a substantial supplier to Iceland of practically all the commodities to which bound rates have been applied after the above change was made. The commodities on Schedule I on which no tariff reduction is possible for the time being are office machinery, rubber boots and harrows. The U. S. share in such imports is 17 per cent in the case of office machinery, 2 per cent in the case of rubber boots and 6 per cent in the case of harrows.

It should be pointed out that the largest commodity groups, under Schedule I viz. cereals and lubricating oils, are importable into Iceland at either a zero duty rate or a lower rate than envisaged in the 1943 Trade Agreement. Consequently, the overall incidence of the duties on the commodities in Schedule I is lower than provided for in the Trade Agreement.

The Icelandic Government hopes that the temporary measures explained above will meet with no objection until a formal revision of Schedule I has taken place. The Icelandic Government is prepared to negotiate a revision of Schedule I and other trade and tariff matters with the United States Government no later than October 1, 1964, in the event that no other agreement has at that time been reached.

The Ministry takes this opportunity to renew to the Embassy of the United States of America the assurances of its highest consideration.

Ministry for Foreign Affairs
Reykjavik, May 29, 1964
(Initialled) [illegible]

The Embassy of the United States of America
Reykjavik

PREVIOUS AND PRESENT IMPORT DUTIES ON COMMODITIES LISTED IN
SCHEDULE I OF THE U.S.-ICELANDIC TRADE AGREEMENT

| <i>Previous Tariff Number</i> | <i>Present Tariff Number</i> | <i>Commodity</i> | <i>Ad va- lorem equiva- lent of bound rates</i> | <i>Total import duties and charges prior to present tariff</i> | <i>New Tariff Rate</i> |
|---------------------------------------|--------------------------------------|---|---|--|--------------------------------|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 8/6 | 08.06.10 | Fresh apples | 15 | 28.5 | 15 |
| 8/15 | 08.06.20 | Fresh pears | 15 | 28.3 | 15 |
| 8/33 | 08.04.21 | Raisins | 25 | 46.2 | 25 |
| 8/34 | 08.12.01 | Prunes | 25 | 46.2 | 25 |
| 10/3 | 10.06.11 | Rice, with hull or | | | |
| | 10.06.19 | without outside hull, unground | 2 | 0 | 0 |
| 10/6 | 11.05.00 | Corn, unground | 4 | 0 | 0 |
| 11/1 | 11.01.11 | | | | |
| | 11.01.12 | Wheat flour | 10 | 0.5 | 0 |
| 11/5 | 11.02.22 | | | | |
| | 11.01.23 | Oatmeal | 2 | 0 | 0 |
| 11/6 | 11.01.22 | Cornmeal | 8 | 0 | 0 |
| 11/10 | 11.02.22 | | | | |
| | 11.02.23 | Oat grits | 2 | 0 | 0 |
| 11/11 | 10.06.11 | | | | |
| | 10.06.19 | Rice grits | 2 | 0 | 0 |
| 15/14 | 15.07.82 | Cottonseed oil | 10 | 26.1 | 10 |
| 15/17 | 15.07.81 | Soybean oil | 10 | 26.2 | 10 |
| 19/5 | 19.05.00 | Rice and other cereals and edible roots, roasted, steamcooked or processed in other like manner | 12 | 77.4 | 50 |
| 20/7 | 20.06.01 | Pulp and juices of fruit (unsweetened) | 10 | 26.9 | 40 |
| 20/9 | 20.07.01 | Juice from fruit | | | |
| | 20.07.09 | and plant parts | 12 | 65.7 | 40 & 60 |
| 27/18 | 27.10.60 | Lubricating oils of all kinds | 3 | 2.3 | 2 |
| 54/6 | 65.01.01 | Rubber boots | 10 | 26.4 | 25 |
| 72/11 | 84.24.02 | Harrows | 3 | 19.0 | 10 |
| 72/22 | 84.52.02 | Calculating machines | 15 | 72.2 | 60 |
| 72/23 | 84.51.00 | Typewriters | 15 | 72.2 | 60 |
| 72/24 | 84.52.03 | Adding machines | 15 | 84.9 | 60 |
| 72/25 | 84.54.01 | Duplicating machines | 15 | 84.9 | 60 |
| 72/26 | 84.52.09 | Other office machines and parts therefor, n.o.s. | 15 | 84.8 | 60 |

II

The American Embassy to the Icelandic Ministry for Foreign Affairs

No. 60

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Affairs of Iceland and has the honor to refer to the Ministry's Note No. 24 of May 29, 1964, concerning the revision of Schedule I to the United States-Icelandic Trade Agreement of August 27, 1943.

The Government of the United States accepts as a temporary arrangement the modification of Schedule I made by the Government of Iceland on November 29, 1963, as described in the Ministry's Note.

The Government of the United States appreciates that the Government of Iceland is prepared to negotiate a revision of Schedule I and other trade and tariff matters with the Government of the United States no later than October 1. The Government of the United States is taking steps toward preparation of such negotiations with a view to conducting them as part of the Kennedy Round of negotiations under the General Agreement on Tariffs and Trade.¹ Consequently, timing of their initiation and conclusion is dependent upon the procedures worked out for such negotiations multilaterally within the framework of GATT.

The Government of the United States considers the Ministry's Note and this reply to constitute an interim agreement pending further negotiations.

The Embassy takes this opportunity to renew to the Ministry of Foreign Affairs the assurances of its highest consideration.

J. K. P.

Embassy of the United States of America
Reykjavik, June 2, 1964

¹ United Nations, *Treaty Series*, Vol. 55, p. 187; for subsequent actions relating to this Agreement, see references in Cumulative Indexes Nos. 1 to 4, as well as Annex A in volumes 402, 405, 411, 419, 421, 424, 425, 429, 431, 435, 438, 440, 441, 442, 444, 445, 449, 451, 452, 456, 460, 462, 463, 468, 471, 474, 475, 476, 478, 483, 489, 496, 501 and 525.