



AIDE – MEMOIR: Um íslenskt samfélag

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A I D E - M E M O I R E

1. Iceland is a sparsely populated country and possesses no natural resources encouraging aggression by other nations. No military danger therefore threatens the country for reasons of wealth or a numerous population. From a military point of view the importance of the country is based on its position between Great Britain and the United States and generally on its geographical position between the Western Hemisphere and Northern Europe. That situation places the nation in a danger which otherwise would not exist.
2. The Icelandic nation is unable to defend its country and possesses no army or military equipment. On the other hand the nation has through the North-Atlantic Treaty declared its willingness to grant the parties thereto Military facilities in Iceland in wartime.
3. Because of Iceland's complete lack of military defence in time of peace and the very weak police power in the country the internal economic position which everywhere is considered to be of great importance in matters of stability and order becomes more important in Iceland than elsewhere. In Iceland it is not possible in the final analysis to enforce obedience. It is therefore of vital importance that industrial, financial, social and political conditions are such that the elements of unrest cannot succeed in inciting serious disturbances.
4. By nature the fisheries constitute the basis of the economy of Iceland. To some extent agriculture satisfies the domestic requirements but export of agricultural products, at least for the present, is mostly out of the question. Besides the fisheries, water-power constitutes the only significant natural resource of the country. Plans have been prepared for the utilization of this power for the production

of fertilizer and cement, but these plans have not been favoured by the OEEC. Experience has shown that about 95 per cent of the exports from Iceland are derived from the fisheries.

5. During the war the fishing vessels were utilized to the utmost and the Icelandic fishing fleet carried fish to Great Britain during the entire war. These activities caused a loss of lives to the Icelandic nation proportional to that suffered by the Allies. About 21 per cent of the trawlers and 42 per cent of merchant vessels were lost because of the war. By the end of the war the remaining vessels were in such a condition that the reconstruction of the fleet was unavoidable. Steps were then taken for the construction of new trawlers and other vessels as well as for the erection of various fishing plants.

6. However, this reconstruction of the means of production was not sufficient by itself. The Icelandic fishing grounds have been increasingly overfished by the fishermen of various nations and this has led to the deterioration of various important fishstocks. Steadily diminishing returns have therefore been experienced and it is evident that the Icelandic fisheries have been seriously jeopardized. The Government of Iceland therefore has taken steps for the conservation of the fisheries against the incessant exploitation by foreign fishing vessels. These measures are still in their initial stages and the Icelandic nation trusts that they will be met with understanding.

7. Although a modern fishing fleet and fish factories are available and although the necessary measures will be taken for the protection of the fishing grounds, this is of no avail unless at the same time markets for the products are secured. This, however, is becoming increasingly difficult, mainly for two reasons.

8. On the one hand difficulties were created by the inflation which occurred in Iceland during the war because of the presence of the military forces of Great Britain and

the United States and which led to a tremendous increase in the cost of production. The Government of Iceland has taken radical measures to control the inflation, i.e. through a 42.6 per cent devaluation of the krona in addition to the devaluation following that of the sterling last autumn, and through efforts to balance the budget as well as other measures to establish an equilibrium in the financial system of the country. It is confidently expected that these measures will be successful particularly in view of the valuable assistance rendered under the Marshall Plan.

On the other hand, and this is now the main difficulty, several restrictions have been imposed on the importation of fish to the countries which have been the chief markets for Icelandic fish products (mostly countries participating in the OEEC). These restrictions are to some extent based on the fact that the countries concerned wish to protect their own fisheries, in Icelandic waters as well as elsewhere.

9. Difficulties in obtaining markets.

- a) In spite of the measures mentioned above which clearly show the intention of the Icelandic nation to take all steps in its power to facilitate the sale of its products in other countries, the export of Icelandic fish products is made disastrously difficult, not least in the countries participating in the OEEC, for instance by high import duties, direct import restrictions or various obstructions made by the domestic fishing interests.
- b) Since the beginning of trawl fishing in Iceland Great Britain has been the principal market for fresh fish. No restrictions on the import of fresh fish existed until 1932 when a 10 per cent import duty was imposed and in 1933 quota restrictions on the landing of fresh fish from Icelandic vessels were enforced. Already in the autumn of 1939 all quota restrictions on the importation of fresh fish to Great Britain were removed followed in 1940 by the lifting of the 10 per cent import duty. During the war Iceland concentrated its fishing

this year.

fleet on supplying Great Britain with fish and the British markets to a very large extent relied on these supplies. In 1946, however, Great Britain again imposed the 10 per cent import duty on fresh fish. At the same time British fishing interests started to obstruct or delay the unloading of fresh fish from Icelandic trawlers in British ports through various special rules regarding foreign unloading. The application of these measures creates all kinds of difficulties for Icelandic vessels. During the years 1943-1945 the average quantity of fresh fish unloaded by Icelandic vessels in Great Britain was 133.000 tons. Last year this quantity was reduced to 57.000 tons and its value was proportionally even more reduced. This year the export of fresh fish to Great Britain has been still further reduced. In the first four months of 1950 it amounted to only 21.000 tons as compared with 31.000 tons in 1949, but that year it only amounted to 2/3 of a normal quantity owing to labour disputes in Iceland. This reduction is mainly caused by the above mentioned landing obstructions, for although quantitative restrictions were enforced at certain periods of the year since 1947 they did not have harmful effects on the economy of Iceland during the last two years owing to the German market.

During the war the entire production of frozen fish was sold to Great Britain and in 1945 the British Government arranged for the purchase of up to 30.000 tons of frozen fish from Iceland. In 1949 the British Government purchased about 14.000 tons of frozen fish which was about one-half of the production that year. This year the British Government does not intend to buy any frozen fish from Iceland. Although import of this item is said to be unrestricted, those who control the import are only interested in buying a special type of fish and it can be taken for granted that only a fraction of previous quantities will be sold to Great Britain this year.

- c) The arrangements for the sale of fish to Germany in 1948 and 1949 were of inestimable value for the Icelandic economy. These arrangements were made under the auspices of Great Britain and the United States. In 1950, on the other hand, arrangements had to be made directly with the Germans and now they only buy about 25.000 tons of fresh and frozen fish as compared with 70.000 tons in 1949 and 64.000 tons in 1948. Much lower prices than before will presumably be obtained and it is estimated that the total value will be about 70 per cent lower than last year. Now the Germans have been aided directly and indirectly in the development of their own fisheries also in Icelandic waters. Thus e.g. the Government of the United States has provided them with 12 trawlers.
- d) The Netherlands in 1949 bought 4.500 tons of frozen fish. Now the Dutch Government does not buy any frozen fish and although no import restrictions exist, there does not seem to be any market for the product.
- e) In recent years France has bought a considerable quantity of frozen fish and in the autumn of 1949 a commercial arrangement was made between Iceland and France providing for the export to France of up to 4.500 tons of frozen fish. This arrangement has proved impracticable because of a 35 per cent import duty on fish.
- f) In order to obviate these difficulties the production of iced fish and frozen fish has had to be curtailed and the production of salted fish increased. During the first four months of this year the production of salted fish amounted to 28.000 tons as compared with 9.000 tons last year. This has improved the situation somewhat, but does not solve the problem as there are, of course, limits to the increase of that production due to technical difficulties as well as limited markets, one of the difficulties being that some of the importing countries

offer only clearing transactions which are particularly unfavourable for Iceland because of the smallness of the population and the consequently restricted market.

10. Impending Danger

- a) As a consequence of the situation described above the economy of Iceland now faces a great danger and if the herring season should again fail this summer as in the previous five summer seasons, an economic collapse seems unavoidable. That situation would greatly strengthen the disruptive elements in their damaging activities.
- b) In Iceland there is a comparatively strong communist party. Before the war it did not have any political influence. The greatest increase in its support occurred in 1942, when the effects of the occupation and the inflation resulting therefrom became clearly noticeable. They then succeeded in gaining a strong position in the trade unions where they still have considerable influence. The communist party now has 19.5 per cent of the votes and in the last elections for the Althing (Parliament) it obtained 28.5 per cent of the votes in Reykjavík. Many of the leaders of the communist party have stayed in Moscow for varying periods of time and it is evident that they have maintained their connection with Moscow. It is also known that the Soviet Legation in Reykjavík maintains close contact with the communists. In recent years the communists have on two occasions created serious disturbances in Reykjavík, i.e. in the autumn of 1946 when the agreement was made with the United States about the Keflavík airport and on March 30th 1949 when the Althing approved the North-Atlantic Treaty.
- c) The strength of the communist party is mainly based on two arguments. On the one hand the party appeals to the most sensitive national feeling of the Icelandic people and points out that very close relations in military affairs with foreign nations will endanger the

national existence of the Icelandic people who only number 140.000. On the other hand they point out that it can be foreseen that the markets for Icelandic products in the Western democracies will be restricted to an ever increasing extent. In that connection the communists emphasize that while they participated in the Government from 1944 until the beginning of 1947 markets had been found for Icelandic products in Soviet-Russia and that in 1946 Soviet-Russia bought 62.8 per cent of the frozen fish exported that year and 30.8 per cent in 1947, but that since then no trade has existed between Iceland and Soviet-Russia due to the fact that the Icelandic Government has cooperated ever more closely with the Western countries and joined them politically under the Marshall Plan and the North-Atlantic Treaty. The main accusation of the communists is that the present Minister of Foreign Affairs, who has held his post since 1947, has destroyed the Soviet market and demolished the prosperity of the nation through his friendly policy towards the Western countries.

11. a) When the Minister of Foreign Affairs of Iceland signed the North-Atlantic Treaty he said that Iceland was one of the Western democracies and wanted to be a part of their cooperative system. If the normal markets for Icelandic products - which are primarily in the OEEC countries, should be closed, it will be very difficult to maintain and increase the nation's support of this policy.
- b) The Icelandic nation has always been of the opinion that the basis and ideal of European economic cooperation should be the concentration by each country on the production for which it is best fitted by nature. It is obvious that Iceland is primarily suited for fisheries.
- The Icelandic people must be permitted to sell their products on a competitive basis not only in time of war but also in peace. They expect to be allowed to sell their products in countries where buyers are to be found, without