
Fishery Leaflet 257

Chicago 54, Ill.

August 1947

STATE TRADING IN ICELAND WITH RESPECT TO ITS FISHERIES ^{1/}

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Iceland is a small country with a population of 133,000. However, on a per capita basis, it maintains perhaps, a more extensive foreign trade than any other country in the world. In 1946 the country's exports totalled 291,446,000 Kronur (\$44,838,000) and its imports totalled 443,288,000 Kronur (\$68,198,000) providing a per capita total trade of 5,524 Kronur (\$850).

Fish products comprise more than ninety percent of the exports. Agricultural products, consisting of wool, sheep skins and mutton account for the remainder. The country's imports are diverse and include nearly all of the items required for the everyday living of the population and for maintaining the industries of the country.

The Icelandic Government has full control over exports through export licensing and over imports through import and currency (foreign exchange) licensing. With regard to the export sales, each year the Government sends delegations to countries which may be prospective purchasers of the Icelandic products and these delegations endeavor to arrange agreements with the respective Governments for the sale of a certain amount of the year's production of fish and fish products, and/or agricultural products, as the case may be. What is not sold through these negotiations may be offered for sale in the open market. For example, in 1946 agreements were concluded for most of that year's fish production at predetermined prices with the Governments of Great Britain, U.S.S.R., Sweden, Czechoslovakia, Finland and France. Those with Czechoslovakia and France were clearing agreements. In the cases of Sweden and Finland, hard currencies were used but Iceland committed herself to purchasing certain amounts of goods in each of their countries in order to achieve an equilibrium in the balance of payments. The Russian agreement called for payments in dollars and, under it, Iceland was committed to spending only a small fraction of the earnings from exports to the U.S.S.R. on imports from there. The British agreements, on the other hand, provided for payments in blocked sterling and held Iceland to spending the £ sterling gained for fish products delivered to the United Kingdom on unspecified imports from the sterling area.

^{1/} Report No. 22 from American Legation, Reykjavik, Iceland, dated June 4, 1947.

While this bilateralism and government control of trade is not state trading in the strict sense of the term, it may be broadly classed as such since it definitely places the Icelandic Government in the position of basic seller of the bulk of the country's export products. The producers merely make deliveries against Government contracts. Further, through some of the bilateral contracts, the Government predetermines the origin and prices for certain imports.

Free commercial export trade is, of course, not discouraged. Where producers are able to maintain their own commercial exports such as in the cod liver oil industry, where there is an extensive trade with United States firms, the Icelandic Government endeavors to refrain from interfering. From time to time, nevertheless, the Government may allocate a certain fixed quantity of the exports of this product to one of the foreign countries with which a bilateral commercial agreement exists, if that agreement includes the purchase of such a quantity of the cod liver oil. The free export is then affected proportionately.

Apart from the broad state trading activities engaged in by the Government of Iceland, there currently exists in the country one government export monopoly organization which controls the exports of herring and herring products and five government import monopolies which handle imports of alcoholic beverages and certain drugs, tobacco products, radio and communications equipment, vegetables and fertilizers.

In the following paragraphs, the State Herring Board monopoly is described.

The Herring Board has complete control over the export of herring and herring products. It was established by law in 1934 and consists of a board of five members who grant export licenses, fishing licenses, licenses for curing and salting herring, and it licenses firms which may engage in the export of herring. The Board supervises all attempts to find new markets for herring products and all matter relevant to the herring industry. No person may offer for sale or transport abroad salted herring or otherwise processed herring caught by Icelandic vessels or in Icelandic territorial waters or processed in Iceland or landed in a processed condition in Iceland unless licensed by the Herring Board.

In licensing herring exporters, the Board determines the number that may engage in the trade and the period of validity of the license. Licensed herring exporters are obliged to comply with the price schedules established by the Herring Board and cannot sell for a lower price than the one set by the Board on the herring production of a particular year. The Board sets provisions for the divisions for the markets, the period of export, the type of currency which is to be obtained for products and other conditions regulating the trade. Herring exporters must provide the Board with all information about their dealings with foreign purchasers.

When it deems it desirable, the Board may limit herring fishing activities with the view of safeguarding the quality of the herring or maintaining its price level on the foreign market. The Board, in licensing vessels for herring fishing may limit the number engaged in the activity each year. The Herring Board at all times has within its power to establish a rigid monopoly for the exportation of herring products which it may take under its own administration. However, to date, it has maintained a rather flexible control and has permitted private persons and firms to engage in the mechanics of the export of the products.

(next paragraph) to the opportunities for American importers to purchase Icelandic herring and herring products, it may be said that the Board, on the whole, favors exports to the United States of such herring as may be produced above and beyond that which is sold under prior bilateral agreement commitments to other countries. A translation of the law, Act No. 74 of 1934, which established the Herring Board, follows:

HERRING BOARD LAW

Act No. 74, 1934

ACT

On Herring Board, the Export of Herring, the Utilization of Markets, etc.

Article 1.--A Herring Board composed of 5 regular and 5 alternate members shall be established. Three shall be nominated by the Joint Althing, one by the Federation of Iceland Labor Unions and one by the herring producers in accordance with regulations established by the Minister for Labor. The Minister for Labor appoints one of the members nominated by the Joint Althing as chairman. The Board members hold office for 3 years, but the Chairman is appointed for one year. The members and alternate members must all reside at Siglufjordur during the herring season. If one of the parties concerned fails to nominate its member, the Minister (for Labor) shall do so in their behalf. The board may employ a representative to handle daily activities and, if necessary, other help. The wages received by Board members shall be determined by the Minister (for Labor) and shall be paid from Treasury Funds.

Article 2.--The Herring Board handles the granting of export licenses, fishing licenses for curing, curing (salting) licenses and licenses herring exporters. It shall take steps to develop new fishing methods and new production processes in connection with herring exports. It shall supervise attempts to find new markets for herring and all matters relevant to the development of (herring fishing) the herring industry.

The herring Board may, if sanctioned, by the Minister (of Labor), determine that 2% of the value of sold herring (shall) be placed in a special fund for the purpose of meeting the cost of the board's activities. If this fund becomes sufficiently large to warrant such action, the herring board may, if sanctioned by the Minister (for Labor), decide to reimburse herring owners from this fund in correct proportion to the value of sold herring.

Article 3.--No person may offer for sale, sell or transport abroad salted herring or otherwise processed herring caught by Icelandic ships or in Icelandic territorial waters, or processed in Iceland or landed in a processed condition in Iceland, unless licensed by the Herring Board bills of lading covering herring for shipment abroad, with the exception of herring on ice, must not be accepted for despatch unless this license is at hand. Licenses for herring export shall not be granted others than licensed herring exporters. The Board may, however, grant exceptions in cases involving small shipments of medium herring.

Article 4.--The Herring Board licenses herring exporters, determines (fixes) their number and the period of license.

In order to become licensed exporters, individuals must fulfill the conditions of Act No. 52, June 27, 1925, and companies must be legally registered as corporations, cooperative societies or a sales union of herring producers open to all herring producers, and the applicants must have at their disposal a minimum quantity of fish fixed by the (Herring) Board.

If a sales union of herring producers or a cooperative society controls more than 75% of the nation's herring production, or the same percentage of herring which is processed in some special manner, the Herring Board may decide to grant it an export license for an equal or a higher percentage of the herring production, or the specially processed herring, it has at its disposal providing supreme power in the affairs of the union (or society) is held by the members themselves and the voting power of each member is based only to a small extent on the quantity of herring (he has at his disposal) so that no individual member may hold more than 1/20 of the voting power of the union (or society) on his own or other's behalf at its meetings.

Article 5.--It is obligatory for those who, in accordance with the provisions of Article 4, have been licensed as exporters by the Board to comply with its instructions in connection with herring offers and the minimum price of herring sold abroad, division of markets, period of export, delivery of currency and other conditions set by the Board in connection with the granting of export licenses in accordance with the provisions of this act. Regulations to the effect that herring exporters must accept herring from herring producers for sale against a reasonable maximum commission, providing the herring is marketable, and other provisions to insure the greatest possible enjoyment of equality by all herring producers in connection with the sale of their produce.

Article 6.--It is obligatory for exporters to supply the Board with all the information it desires concerning the sale and export of herring and the Board shall be granted unhindered admittance to their accounts and all documents pertaining thereto. The Board must treat as confidential information concerning importers' trade which it receives in this manner.

Article 7.--If the Herring Board considers it necessary to limit fishing activities with a view to safeguarding the quality of herring or the sale of herring products, the Board is authorized to determine when salting may begin and also to limit or prohibit salting for a shorter or longer period of time and to determine the quantity (of herring) which may be salted on (by) each vessel.

Article 8.--The Herring Board allocates fishing and processing licences. All herring producers shall, prior to a date fixed by the Herring Board, apply for fishing licenses for their vessels. The application shall specify the number of vessels, their size and registration numbers and shall contain an estimate the catch for processing. The application shall also specify where and how the herring is to be processed and who is to handle its sale.

All herring salters shall, prior to the same date, apply for processing licenses and shall specify how many barrels of each kind they wish to process and what vessels.

Each licensed salter to comply with the Board's instruction concerning a maximum processing charge per barrel (salted for the producers) and its provisions concerning responsibility for the herring which is processed.

It is obligatory for all herring producers to supply the Board with such information as it demands and which may assist in bringing fishing activities into conformity with market possibilities. They shall comply with the Board's instructions in these matters, but it is obligatory for the Board to cooperate as closely as possible with the herring producers. Daily reports on the herring catch and on processing activities shall be submitted to the Board.

Article 9.--The Minister (for Labor) shall issue further regulations concerning the execution of the preceding provisions such as that each herring owner is responsible for the quality of his herring, provisions concerning a standard price for herring of equal quality, commission payments for the purpose of meeting sales expenses and other such as he may deem essential.

Article 10.--If a license exporter violates the provisions of this act or regulations issued in accordance with this act, the Herring Board may deprive him of his license and lodge a suit against him demanding that he be fined.

Article 11.--If the Government and the Herring Board, taking into consideration foreign markets and local conditions, are of the opinion that market possibilities would increase if a monopoly were established the Government, with the consent of the Herring Board, and if a union of herring producers which fulfills the conditions of paragraph 3 of Article 4 so desires, may, for a specific period of time, grant it a monopoly on the sale and export of fish, providing the union has two managing directors, one of which is nominated by the Herring Board.

If such a union does not exist or if the Herring Board does not recommend granting it such a monopoly, the Government may grant the Herring Board a monopoly on herring exports, providing the Board agrees to this. The Board shall then employ two managing directors to handle the sale of herring and shall take such other steps as necessity demands. The Minister for Labor shall issue regulations on the organization of the monopoly, the duties of the Board of Directors and other matters resulting from the provision of this Article.

If the Herring Board is granted a monopoly on herring, the cost of its activities shall be included in the operating expenses of the Monopoly.

Article 12.--Violations of the provisions of this Act and of regulation issued in accordance with them shall be treated as common police cases and are subject to fines of up to 200,000 kronur unless heavier penalties are provided for in other acts.

Article 13.--This Act takes immediate effect.

Passed by the Althing, December 22, 1934.
