

Iceland, OEEC and the Trade Liberalisation of the 1950s

ABSTRACT

While Western Europe was experiencing a trade boom and adopting a more liberal economic framework during the 1950s, Iceland was moving in the opposite direction. External trade was historically at its lowest point and its external economic policy was characterized by extreme caution towards European cooperation and integration. Iceland's commitment to a more open economy and closer economic integration with Europe was at best half-hearted as her participation in the OEEC's Trade Liberalisation Program (TLP) clearly demonstrates. This article examines Iceland's external economic relations between 1945 and 1960 with particular emphasis on the TLP. It seeks to explain why Iceland, so highly dependent on strong ties with the outside world, chose to cling to protectionism longer than most Western European countries. It is argued that the external shock caused by the war, creating an artificial economy internally and the overvaluation of the króna, made adjustment to peacetime circumstances extremely difficult. The task was made harder by a public policy prioritizing on growth and investment rather than balanced macroeconomic management. Last but not least, Iceland's commercial interests were not easily reconcilable with those of the other members of the OEEC because of her special pattern of trade.

Iceland in the 1950s bore little resemblance to the popular depictions of small economies embracing an outward-oriented trade regime. The economic and political environment in Iceland was marked by a difficult and painful adjustment from a booming wartime economy to peacetime conditions, an adjustment that took the form of one of the most extensive protectionist policies in Western Europe. Although Iceland was going through a stage of rapid economic development her economic performance relative to other Western European countries was disappointing, and aggravated by a prolonged recession between 1948 and 1952. The foreign trade sector found itself in an increasingly difficult position at the same time as many European countries were experiencing an unprecedented export boom. Iceland's export ratio dropped to about 20% on average during the 1950s, reaching its lowest point in the 20th century.¹

¹ The article draws substantially on Guðmundur Jónsson and Sigurður Snævarr's unpublished article, "Nothing to expect but trouble": Iceland's response to European economic integration, 1945-1960".

Foreign trade had played a crucial role in the development of a modern market economy in Iceland since the end of the 19th century. A liberal foreign trade policy was pursued consistently until 1914 and restored in principle after the First World War. During this period of greater openness, Iceland's development was characterized by an extremely one-sided export specialisation and a fairly passive adjustment to international markets. Endowed with few natural resources, the most important of which were the rich fishing grounds off its coast, the country developed an extensive and a fairly modern fishing industry after 1900, geared towards exports. Thus, the country's export ratio steadily rose from 1890 onwards, peaking at more than 40% during the 1910s and 1920s. In the 1930s, a radically new trade regime was adopted in response to greatly reduced exports and falling prices. Iceland set up extensive trade barriers in the form of quotas, tariffs and currency rationing, at first with the aim of balancing the external economy and tackling the urgent currency shortages, and then taking comprehensive protectionist measures in 1934 in order to stave off foreign competition and boost employment. This policy was maintained throughout the Second World War in spite of completely changed economic circumstances.

The predicament of the newly rich: external economic relations after 1945

The Icelanders had good reasons for nurturing high hopes at the end of the Second World War. Only the year before a republic had been founded and the last vestiges of political power and state functions had been transferred from Denmark to Iceland. The founding of the republic raised the hopes and ambitions of the Icelanders for a new and prosperous society, reshaped around the central idea of economic and social security.

The optimism of the newborn republic was above all driven by a sudden wealth brought about by the special circumstances of the war. Never before or since has Iceland experienced greater economic expansion and more radical improvements in living standards. GDP per capita grew on average by no less than 9.2% per annum between 1938 and 1945, a much faster growth than anywhere in Europe. The export industries, especially the fishing sector, profited considerably from greatly increased demand abroad, mainly Britain. The occupation of Iceland in 1940 by the British armed forces, replaced by the Americans in 1941, had an even bigger impact. Icelanders had become one of the richest nations of the world in a span of six years, superseded in terms of per capita income only by the United States, Britain, Sweden and Switzerland.² Table 1 shows the comparatively high economic growth in Iceland, with the annual growth rate reaching 5.5% compared to 1.4% in Western Europe between 1938 and 1950.

The new-found wealth did not, however, come without a cost. The overheating of the economy during the war led to inflation of about 30% a year until inflationary pressures abated in 1943, after which inflation remained below 5% during the last two years of the war. The price rises far exceeded the inflation levels of Iceland's main trading partners, causing a real appreciation of the Icelandic króna by almost 90% from 1938 to 1945. Figure 1 shows the development of prices in

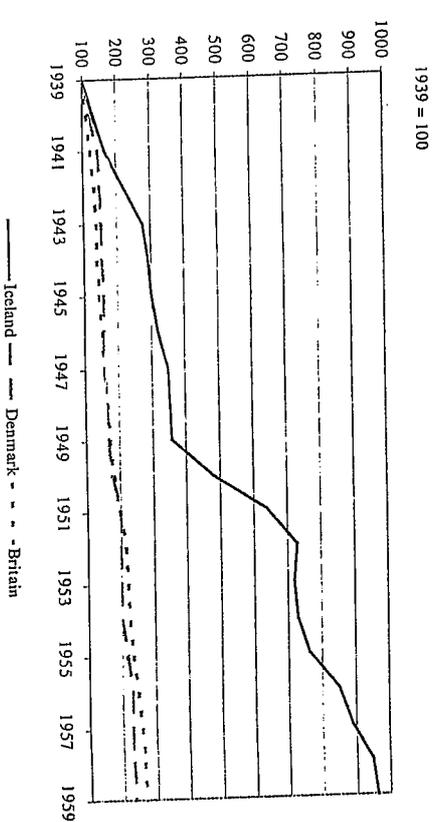
² Jónsson, Guðmundur, *Hagkerfur og iðnvæðing, fjáðarfremileðsla á Íslandi 1870-1945*. Reykjavík: National Economic Institute 1999, 178, 386-387.

Table 1. GDP per capita in Europe, 1938-1960

Annual average rate of growth (%)	1938-1950		1950-1960	
Western Europe ¹	1.4	3.5		
Denmark	1.6	2.4		
Finland	1.4	3.9		
Norway	1.9	2.8		
Sweden	3.0	2.6		
Iceland	5.5	2.4		

Note: 1) Arithmetic mean of 12 Western European countries.

Sources: Maddison, Angus, *Monitoring the World Economy, 1820-1992*. Paris: OECD 1995, 194-197; *fjórðagsrættir 1945-1992*. Reykjavík: National Economic Institute, 1994, 117; Jónsson, Hagnóttur og iðnvæðing, 386-387.

Figure 1 Consumer price indices in Iceland, Denmark and UK 1939-1959

Sources: Maddison, Angus, *Dynamic Forces in Capitalist Development: A Long-Run Comparative View*. Oxford: Oxford University Press 1991, 301-304; *Hagskíma, ícelandic Historical Statistics*. Ed. by Guðmundur Jónsson and Magnús S. Magnússon. Reykjavík: Statistis Iceland 1997, 637.

Iceland, Denmark and Britain during 1939-1959. Between 1939 and 1943 consumer prices rose by 38% in Britain and 52% in Denmark, while in Iceland the rate was 188%. Price inflation remained much higher in Iceland than in the other countries of Western Europe in the post-war period.

There were few signs of firm anti-inflationary measures in the immediate post-war period. On the contrary, the government added to the inflationary pressures with the implementation of its ambitious economic reconstruction programme. The National Bank of Iceland voiced its concern over monetary developments and the anticipated balance of trade problems, stating in its report for 1945 that "timely

actions must be taken to bring domestic prices and income into line with prices and incomes of our main trading partners both in order to make domestic production competitive in foreign markets and to establish a balanced external trade.³ The adverse developments in the external economy, the massive inflation and excessive demand leading to deterioration in the balance of payments, were among the most serious and protracted problems of the post-war economy and were of overriding concern in Icelandic external economic policy until a systemic change was initiated in 1960. The price discrepancies were on such an enormous scale that nothing less than a total reversal of economic policy was required to bring Iceland in line with other European countries. Until 1950, neither of the two possible strategies to tackle the problem - massive deflation, or a large devaluation of the currency supported by fiscal and monetary measures - were adopted while demand management was highly accommodating.

Iceland had accumulated huge foreign exchange reserves worth ISK 580 million by the end of the war, amounting to more than 40% of the country's GDP. The reserves were quickly run down by increased imports in 1946 and 1947 as the reconstruction plans were being implemented. For the first time in many years, Iceland showed a current account deficit on the balance of payments. By March 1947 the sterling reserves were exhausted and dollar reserves were critically low. The situation was aggravated by deterioration in terms of trade, starting in 1947 and persisting until 1952. A deep-seated imbalance in the external economy continued for years with the result that Iceland showed a deficit on current account of the balance of trade every year between 1946 and 1960.

In the spring of 1947, the government resorted to harsh measures including strict import quotas, sharp rises in tariffs and rationing of imported consumer goods in order to preserve a viable external balance in the overheated domestic economy. The rationing system, the harshest ever to be implemented in peacetime, remained in place until 1950. The government was also forced to subsidise the fish export industry, which was facing lower prices in international markets and squeezed between internal inflation and a fixed exchange rate for the *króna*. Export subsidies were introduced in 1946 and extended in 1948. These measures marked the beginning of a complex and a wide-ranging system of import levies and controls on the one hand and export subsidies on the other hand, a system that was to characterise the Icelandic economy throughout the 1950s.

Commercial policy and foreign trade

Foreign commentators on the post-war economic situation in Iceland frequently remarked that Icelanders could only blame themselves for the difficulties in foreign markets and the chronic balance of payments deficits: they had priced themselves out of the market. Although this view is correct in a narrow sense, it ignores the question of how the economy got into this entrenched position and does not address other sources of difficulties faced by the export sector during the 1940s and the 1950s.

The economy was based on a complementary pattern of trade where the relatively large export sector was dominated by fish products, accounting for no less than 85%-90% of all merchandise exports, while imports consisted of a vast range

3 *Landshornití Islands: Annual Report*, 1945, 3-4.

of manufactures, cereals, coal, oil, timber and various inputs for industries. Southern Europe had been the main outlet for the single most important export article, salted cod, which alone accounted for 55%–60% of all exports during the inter-war period. With the outbreak of the Civil War in Spain in 1936 the biggest market for Icelandic salted fish collapsed, leading to bankruptcies of fishing firms and a desperate search for new markets. In the following years the fishing industry went through a major restructuring process and market adaptation, concentrating on the development of herring fishing and, more importantly, frozen fish production. One of the greatest challenges of the export sector after the Second World War was to find outlets for the rapidly expanding production of frozen fish.

Denmark was still Iceland's biggest trading partner after 1918, although political and economic ties were becoming weaker as Iceland developed stronger commercial and financial links with Britain. During the 1930s, Britain became the principal source of imports while it played only a moderate role as an outlet for exports, receiving on average about 15% of total exports. Iceland moved closer into the British sphere of influence during the Second World War when the country was not only occupied by Britain, but also became a member of the sterling area and conducted most of its trade with Britain and, to lesser extent, the United States.⁴

Table 2. Geographical distribution of foreign merchandise trade, 1945–1965

current prices	1945	1950	1955	1960	1965
Exports, million \$US	41	28	52	73	129
Percentage distribution	100	100	100	100	100
The dollar area (U.S.)	10	14	12	16	17
Britain	71	12	8	15	20
Other EPU countries	20	49	35	41	45
Soviet Union	0	0	18	15	5
Other clearing countries	0	25	25	14	12
Imports, million \$US	49	31	68	89	137
Percentage distribution	100	100	100	100	100
The dollar area (U.S.)	67	22	24	17	21
Britain	22	22	11	9	14
Other EPU countries	10	37	34	46	45
Soviet Union	0	0	14	14	9
Other clearing countries	1	18	18	15	12

Source: *Hagskifna*, 454–462.

4 Iceland's membership of the sterling area was largely a historical accident springing from the Iceland's breakaway from Denmark during the war. It was also of special kind since Iceland never pooled her dollar earnings with those of the other sterling area countries; cf. Public Record Office, London: 1236/3881. D.R. Sempell, Treasury, to S.H. Levine, Board of Trade, 5 October 1950.

Traditional patterns of foreign trade were only partially restored after the war. Exports of fresh fish to Britain were bound to decline with the restoration of the trawler fishing industry on Humber-side, resulting in greatly reduced volume from the war years. More serious for the fast developing frozen fish production industry, which had been boosted by Allied purchases during the war, was the closing of the British market to frozen fillets in 1946, followed by much smaller purchases than the pre-1946 imports.⁵ A further blow to Anglo-Icelandic trade was a ban imposed on landings of Icelandic fish in British ports in 1952, in response to Iceland's extension of the fishery limits from 3 miles to 4 miles that year. The boycott on Icelandic fish, organized by fishing interests in Grimby and Hull with the tacit agreement of the British government, lasted for four years and proved very damaging to the fishing industry, as the most important market for fresh fish remained almost closed. The dispute was not resolved until after the intervention of the OEEC in 1955 and the boycott was ended in the following year.⁶

The markets for salted fish in Southern Europe gradually improved, but the volume was far below pre-war levels. Similarly, the German market was not as significant as before the war, accounting on average for less than 7% of exports during the 1950s, although it remained an important outlet for fresh fish. Icelandic fish exporters pinned their hopes on the relatively new technology of fish refrigeration, as frozen fish promised a higher value added than either salted fish or fresh fish production. However, this strategy faced various problems, as it required large investments in plants, equipment and market development in Europe, which lacked facilities for handling frozen fish. The American market was, on the other hand, technologically advanced and had huge potential, although it still maintained strict controls on fish imports.

One of the few positive signs in the fish export sector during the immediate post-war period was a major bilateral trade agreement with the Soviet Union in 1946, which entailed the provision of considerable amounts of frozen fish fillets, herring and herring meal in exchange for mainly lumber and oil. The trade agreement was, however, only temporary as the Soviets lost interest in trade with Iceland over the following years, a change that seems to have been primarily politically motivated.⁷ Between 1946 and 1949 Iceland became firmly aligned with the United States and its western allies, which ruined the Soviet government's hope that Iceland would maintain its neutrality policy. In any case, Iceland was unable to renew the trade agreement with the Soviet Union in 1948.

Iceland and the OEEC

The Cold War entered Icelandic politics in August 1945 when the US government requested three military bases in Iceland on a long-term basis. Amid political turmoil, the issue was concluded with the so-called Keflavik agreement in 1946, un-

5 Hannibalsson, Ó. and J. Hjalason, *Síminniðvíðir Íræðingurinn* 150 ár. *Með spriklið í spottinum saga SH 1942–1996*. Reykjavík: Söluútgáfa hradhyfshússanna 1997, 120–121.

6 Jóhannsson, G. Th., 'Troubled Waters: Cod War, Fishing Disputes, and Britain's Fight for the Freedom of the High Seas, 1948–1964'. Unpublished Ph.D. thesis, Queen Mary, University of London 2003, 62–124.

7 Thorsteinsson, P.J., *Umrithöfðunin Íslands og umrithöfðunin*. *Síguhlutur yfir* I. Reykjavík: Hið íslenska bókmenntafélag 1992, 470–471.

der which the US government was to withdraw its military forces from Iceland in exchange for landing rights in Keflavik during a period of 6½ years. The government coalition, consisting of the right-wing Independence Party (IP), the Social Democratic Party (SDP) and the Socialist Party (SP), collapsed as a result because the Socialists were unwilling to accept any American military presence in the country.⁸ The Cold War not only broke up the broad political consensus that had formed between the left and the right towards the end of the war, but it also left the labour movement without influence on economic policy making, setting Iceland apart from the more corporatist Nordic countries. The Socialists, with their strong influence in the labour movement, were thus excluded from government, except for a brief period between 1956 and 1958. This political configuration made it even more difficult for the government to pursue a balanced incomes policy and obtain the support of the labour movement for any radical overhaul of macroeconomic policy during the 1950s.

Balance of payment problems continued to grow in the course of 1947, compounded by increasing marketing difficulties in Europe. Part of the problem was the Icelandic exporters' reluctance to adjust to lower price levels. In the spring of 1947, foreign minister Bjarni Benediktsson and the Icelandic ambassador in Washington, Thor Thors, urged the US administration to assist Icelandic exporters in the sale of fish to the Allied Zone in Germany as a reward for the landing rights in Keflavik. Failing this, Iceland would have to depend more on trade with the Soviet Union or even face the collapse of its foreign trade.⁹ Not wanting to jeopardise their long-term objective of gaining permanent military bases in Iceland the American government responded positively to Iceland's request. An agreement was reached with the military authorities in the Allied Zone in Germany for the sale of 70 thousand tons of fish and a smaller amount of herring meal in 1948 at above-market prices. The US government also facilitated the sale of 20 thousand tons of salted fish to Greece and Italy by subsidising the sale price.¹⁰

These were the economic and political circumstances under which the Icelandic government agreed to participate in the Paris conference on European Economic Co-operation in the summer of 1947. All the political parties except the SP were in favour of sending a delegation to the Paris conference.¹¹ Three of the four political parties had recently formed a coalition government, the SP being replaced by the rural, middle-of-the-road Progressive Party (PP) in government. The policy of the new government towards the Marshall Plan and increased economic cooperation was cautious and not at all clear. Publicly, the government claimed that the purpose of participating in the conference was not to ask for aid, but to promote Iceland's export interests and stress the importance of fish products in the future organisation of food production in Europe.

8 Whitehead, *för, leiðin frá hlutleysi 1945–1949*, *Saga*, vol. XXIX, 1991, 63–121; Same author, *The Ally Who came in From the Cold. A Survey of Icelandic Foreign Policy 1946–1956*, Reykjavík: Centre for International Studies 1998; Ingimundarson, *Valur, í eiddinu kalda stríðsins. Samspil íslands og Bandaríkjanna 1945–1960*, Reykjavík: Vaka-Helgafell 1996; Ingimundarson, *Valur. The Struggle for Western Integration. Iceland, The United States, and NATO during the First Cold War*, Forsvarsstudier 3/1999.

9 Whitehead, *Leiðin frá hlutleysi*, 78–79.

10 Cf. Ingimundarson, *Í eiddinu kalda stríðsins*, 149–50.

11 *Alþingisráðindi* 1947 D, 118.

In a parliamentary debate on the Marshall Plan in October 1947, Benediktsson said that the main purpose of Iceland's participation had been to avoid foreign loans.¹² The remark did not necessarily mean that Iceland would reject American aid. From Benediktsson's point of view the greatest advantage of the European Recovery Program (ERP) for Iceland was its strengthening of international trade, which provided the country greater opportunities to sell its products to Europe for US dollars. But Benediktsson's emphasis on the link between the ERP and US assistance in fish sales to Germany and Greece earlier in the year lends support to the interpretation that the Icelandic government was expecting further favours from the United States in marketing their products in Europe.

The Americans also linked assistance to Iceland with the ERP, referring to it as "the introduction to the Marshall Plan."¹³ The US government wanted the Icelandic government to join the ERP in the hope that it would promote political and economic stability in the country and increase the possibility of acquiring military bases on a long-term basis.¹⁴ Iceland belatedly decided to take part in the Marshall Plan and was one of the 16 founding member countries signing the OEEC treaty on 16 April 1948. On July 3 of that same year Iceland and the United States signed a bilateral treaty and an Economic Co-operation Administration (ECA) office was opened in Iceland shortly afterwards. In October 1948 the legislation on the Marshall Plan was passed after a long and heated debate in the *Alþingi*, the Icelandic parliament.

The Icelandic government soon developed a more positive attitude towards the Marshall Plan and even started to press for aid. However, it resisted incorporation into a more general aid programme formulated within the OEEC and made instead direct representation about aid to Washington. By turning directly to the Americans and appealing to their strategic interests in Iceland, the government succeeded in obtaining very generous aid, amounting to a total of \$38.7 million between 1948 and 1953. Of this sum, grants accounted for no less than 77.2%, conditional grants 13.7% and loans 9.1%. In addition, \$141,000 was granted through the Technical Assistance Program. In *per capita* terms, Iceland received \$209 in grants – more than any other member of the OEEC, the Netherlands coming second with \$109.¹⁵

The fact that Iceland, one of the very few countries of Europe emerging not only undamaged but also much enriched from the war, should receive more grants *per capita* than any other nation participating in the Marshall Plan is certainly one of "history's ironies."¹⁶ How did the Icelandic authorities justify their claims for more aid than the war-ravaged countries on the continent? Foreign minister Benediktsson was in no way hiding the fact that Iceland had prospered during the war and "enjoyed higher living standards than any other country in Europe." Nevertheless, he added, Iceland was in real need of assistance because it was the country

12 *Alþingisráðindi* 1947 D, 120. See also Ingimundarson, *Í eiddinu kalda stríðsins*, 148.

13 *Alþingisráðindi* 1948 B, 1937.

14 Ingimundarson, *Í eiddinu kalda stríðsins*, 150–151.

15 Gunnarsson, Gunnar A., *Ísland og Marshalláætlunin 1948–1953*, *Saga*, vol. XXIV, 1996, 96.

16 Ingimundarson, *Í eiddinu kalda stríðsins*, 141.

vate account to 22% of the 1948 imports, which amounted to 17% of imports from the OEEC the same year.³¹

The government's stabilisation programme allowed a considerable relaxation of import controls and rationing. The reduced demand caused by the devaluation and a more balanced budget resulted in a greater internal stability towards the end of 1950 than had been seen for many years. A balanced budget was attained in 1950 and 1952, while in 1951 there was a substantial budget surplus. Nevertheless, inflationary pressures persisted due partly to external inflation but also to a lenient credit policy. The government came under pressure from the fishing industry which was facing higher costs and marketing problems, especially in the OEEC countries. In March 1951 an agreement was concluded between the government and vessel owners allowing them to dispose of 50% of the foreign exchange proceeds of parts of their produce, which they were allowed to sell at a premium in a "free market". The purchasers were allowed to use this currency only for purchases of certain goods outside the liberalised sector. This was a special sector of imports designed for these purchases, the so-called "conditional free-list" or "boat list". Dollars and EPU currencies were sold at a 60% premium while currencies of clearing countries traded at a 25% premium. These measures entailed both a veiled subsidy to the boat owners and a double exchange regime.³² The dollar inflows under the Marshall Plan paved the way for further liberalisation of trade. The government aimed at releasing 60% of imports to the free list and 15% to the conditional list, in total 75%. But due to the balance of payments situation a much more modest target of 41% was notified with a new free list issued on 6 April 1951.³³ Iceland was forced to apply for exemption from further liberalisation.³⁴

In 1952 the economy started to pick up at long last and during the following three years, 1953-1955, Iceland experienced rapid economic growth. Little progress was made, however, with regard to trade liberalisation. There were increasing marketing difficulties for fish exports to Europe, the most serious one caused by a fishery dispute between Iceland and Britain during 1952-1956 and the boycott on Icelandic fish in Britain. Iceland had to retreat even from the limited degree of liberalisation hitherto granted to imports from Europe. New restrictions on imports were set up in 1952, aimed at previously liberalised imports from the OEEC countries, with the result that the liberalised sector shrank from 41% to 26% that year.³⁵ About 70% of total imports in 1952 were, however, exempt from import licenses, of which 13.6% were goods on the conditional free list. OEEC recog-

31 *Arskýrsla Landbúnaðsins* 1950, 66-67. - *Báttaköfn Hagskipti Íslands*. Icelandic Report for the Fourth Quarter of 1950. Prepared by the Ministry of Commerce, 22.

32 The scheme was not in conformity with the IMF's Article of Agreements from 1946. The Icelandic authorities struggled with the IMF on the issue for most of the 1950's, cf. Sveinarr, Sigurður, *Ísland og alþjóðaférfahagsstjórnir* 1945-1960. *Ráðsgerðir I, Íslenzka söguþingir* 28-31. maí 1997. Eds. Guðmundsson, G.J. and E.K. Björnsson. Reykjavík: Sagntæðisstofnun Háskóla Íslands 1998, 243-253.

33 *Verslunarráð Íslands. Skýrsla um starfssemi jans* 1951, 14.

34 *Arskýrsla Landbúnaðsins* 1951, 57. *Báttaköfn Hagskipti Íslands*. Icelandic Report for the Fourth Quarter of 1951, 1.

35 *Íf. Vskm.* 1944-Fl/6 1952-1969. OEEC skýrslur. General Economic Review 1953. Memorandum for OEEC, August 1953, 17.

nized Iceland's retreat as legitimate, "primarily on account of its exceptional position as an exporter of only one class of commodity, fishing products."³⁶

Exporters looked increasingly to markets outside the OEEC countries, i.e. the promising market for frozen products in the United States, but even more importantly to the markets of Eastern Europe and some other clearing countries. Iceland made important bilateral agreements with Finland, Czechoslovakia, Poland, Spain, Austria (until 1952) and Brazil, covering on average a fifth of total exports during 1948-1952. A further step down this road was taken with a major bilateral agreement with the Soviet Union in 1953, welcomed by the Icelandic government and fish export industry as compensation for the loss of the British market. The agreement marked the beginning of extensive trade between the countries for decades. Already in 1953, more than 13% of all exports went to the Soviet Union, and for the 1950s as a whole an average 17% of Iceland's total exports were to the Soviet Union - much more than any other NATO member state. This extensive trade came close to the level of Finnish exports to the Soviet Union and raised the share of the clearing countries to 40% on average between 1953 and 1959, most of them being Warsaw Pact countries.

The increase in bilateral trade tied the imports still further as the government was forced to direct purchases to these countries using various policy instruments such as import quotas, lower premiums on currencies of the clearing countries than of the EPU countries or the United States, and controls of currency licenses through the banks. One of the direct consequences of the Soviet-Icelandic trade was a considerable shift in imports from the United States to the Soviet Union, including almost all oil imports.

Trade relations with the EPU area were, on the other hand, fraught with difficulties and throughout the 1950s Iceland continued to have serious balance of payments problems with western Europe, its main supplier of general manufactures. The dependence on fish on the exports side made it extremely difficult for the country to balance its books against its most important trading partners in the OEEC, particularly Britain. As already mentioned, adverse developments in the continental market for fish products, coupled with the boycott of Icelandic fish in Britain during 1952-1956 aggravated Iceland's unfavourable trade position with the EPU. Iceland found itself unable to maintain exports to the EPU area, the share of exports to the area dropping dramatically from 75% of total exports during 1945-1949 to 44% during 1955-1959.

Officially, the OEEC took a sympathetic stance towards Iceland and its special economic problems, which were blocking further liberalisation of foreign trade. In OEEC reports the fact is also acknowledged that increased import restrictions on agricultural products, including fish products, in some member countries made it more difficult for countries like Iceland to improve their trade balance with the OEEC countries. Still, the OEEC took a critical stance on various aspects of Icelandic economic policy and urged the government to take stronger measures to curb excess demand, control investment and bank lending. The expansion of trade with Eastern Europe from 1953 onwards and its effect on trade relations with member countries was also a cause for concern, as the shift of trade not only meant

36 *Íf. Vskm.* 1944-B/259. OEEC C(53)263/07. Council. Present Economic Situation and Problems of Member Countries. Report by the Economic Committee. Iceland, 8.

a deteriorating position against the EPU area but also encouraged the Icelandic authorities to impose further controls on imports from western Europe.

The Steering Board for Trade took the view that although Iceland did not discriminate between individual member countries, its policy entailed discrimination vis-à-vis member countries as a whole by imposing quantitative restrictions on imports from the OEEC, and directing purchases to important buyers of fish and fish products in Eastern Europe.³⁷ Furthermore, the multiple exchange rate system, which became ever more elaborate during the 1950s, discriminated against imports from member countries since a much higher premium was levied on imports from the EPU countries than on imports from the clearing countries.

Table 3. Progress of trade liberalisation, 1950–1960

	TLP index end of year ¹ %	Imports on the free list as % of all imports ²
1950	17	
1951	41	43
1952	26	46
1953	29	48
1954	29	52
1955	29	51
1956	29	53
1957	36	66
1958	36	69
1959	36	67
1960	(85)	n.a.

Notes: 1) Based on 1948 imports. 2) Current year.

Sources: *Twelfth Annual Economic Review*, Paris: OEEC, 1961, 185; *Ársskýrsla Landsbankans 1950*, p. 67; *Þf. Vskm.* 1944–F/1/6, 1952–1960; OEEC skýrslur, General Economic Review 1953, Memorandum for OEEC, August 1953, 17–18; *Þf. Vskm.* 1994–B/7259, Sixth Report, 3; *Þf. Utanríkisráðgjafi* 1998–B/431 1 1956–1958, Efnahagssamvinnustíðun Evrópu, Position of Iceland with regard to liberalization of trade, Memorandum from the Icelandic delegation, 5; *Þf. Vskm.* 1994–B/260 1956–1960, Periodical Report on Iceland, 2.

Iceland's special position within the OEEC became even more evident in the mid-1950s when its trade with non-member countries increased at the same time as the country was lagging far behind in the Trade Liberalisation Program. Iceland's performance is presented in Table 3, which shows official TLP targets achieved by Iceland.³⁸ The table also shows free imports as a percentage of total imports in the same year as opposed to 1948, the base year used in the OEEC

37 *Þf. Vskm.* 1994–B/ 259, OEEC C(54)282, Invocation of articles 3(c) and 20(a) of the code of liberalisation by the government of Iceland. Report by the Steering Board for Trade to the Council, 25th October 1954.

38 The modest extension of the liberalisation percentage from 29 to 36 seems not to have registered in some of the literature.

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calculations. The Icelandic authorities complained from the start that 1948 was not representative of the country's import trade because of unusually high imports of investment goods from OEEC countries during that year, and argued therefore that it was not a suitable base year. When compared with the TLP indices for other OEEC countries the Icelandic figures are staggeringly low, with only Turkey trailing behind.³⁹ Even with such low targets, the quota removal included much sham liberalisation as the government retained other trade and exchange controls.⁴⁰ The targets for 1957 and 1958, for example, were unrealistically high since foreign exchange was heavily rationed.

More attention was given to Icelandic economic problems within the OEEC from the mid-1950s onwards, when two strategies were explored with the aim of improving trade relations with the OEEC. One was to examine every possibility of increasing fish exports to the area and a special committee was set up to examine the OEEC fish market and its potential. The other was to encourage Icelanders in their pursuit of a more diversified economy and assist them to reduce the reliance on fish exports. Hydroelectric power production in conjunction with power-intensive industries was considered to be the most promising strategy in this respect. These investigations did not, however, lead to any concrete policy action in the short term.

A return to freer trade

In 1956 economic growth started to slow down and remained sluggish for the next six years. Balance of payments difficulties became more severe with exchange reserves in 1955 at their lowest level since 1939. Inflationary pressures persisted, with the rate of inflation far exceeding those of Iceland's main trading partners in the first half of the 1950s. The overheating of the economy seriously undermined the operation of the export industries, which were kept going by fast increasing government subsidies, financed mainly by levies on most imports. The elaborate system of multiple exchange rates, import controls, subsidies and selective levies of varying rates produced enormous price distortions and inefficiencies. Subsidies helped keep the fishing industry at a high activity level even though many enterprises were operating at a loss.

The government concentrated its efforts on various measures to counteract the inflationary pressures, i.e. by temporarily freezing wages and prices, and subsidising consumer goods. Devaluation was not regarded as a realistic option for two reasons. The huge devaluation in 1950 had produced mixed results, only temporarily restoring external balances while pushing up prices. Secondly, devaluation was politically unacceptable to the left-wing parties, the SDP and the SF, and the trade unions. The option of stabilisation through devaluation was ruled out when a left-wing government, with the participation of both left-wing parties and the PP, took power in 1956.

A comprehensive overhaul of the subsidy system was undertaken in 1957 in order to improve the profitability of the export industries, based on a compromise between the trade unions, farmers and the fishing industry. The import cer-

39 *Brusse, Tariffs, Trade, and European Integration*, 83.

40 Benediktsson, *Einar, Ísland og Evrópu, tímni 1950–2000*. Reykjavík: Félöstin 2000, 31.

tificate system of 1951 was abolished and the subsidy system simplified by the founding of the Export Fund through which all export subsidies were paid. The level of subsidies was raised by 40%–50% and financed by raising sales and excise taxes and import levies. The free list was increased moderately, with imports by private individuals now raised from 29% to 36%.⁴¹

Increased government support did not solve the export industries' problems. With foreign aid less forthcoming than before, the deficit on the current account of the balance of payments rose from 24 million *krónur* in 1954 to 166 million *krónur* in 1957, accounting for nearly 3% of GDP every year during 1955–1957. To cover the balance of payments deficits the government increasingly turned to foreign borrowing. Under these precarious circumstances in the external economy and acute shortages of foreign currencies, the free list was hardly effective as many goods on the global free list were in reality reserved for the clearing countries.⁴²

New economic measures in May 1958 aimed at restoring the external balance by yet another increase in export subsidies and import levies coupled with tighter budgetary policy. These measures resulted in moderate improvements for the export industries and a more balanced budget, but they did not address the problems of the economy on a broad front, leaving out important fields such as investment, bank lending and incomes policy. Bank advances rose significantly and the rise in import levies led, through the indexing of wages, to a new wage-price spiral. On 1 December 1958, a wage compensation increase of 9.2% was due. The government was unable to negotiate a postponement of this increase with the trade unions and resigned after the wage increase had taken effect.

In 1959 there was a sharp deterioration in the foreign exchange position, partly caused by the accumulation of inventories and partly by inflationary pressures. The growing deficit was financed by drawing exchange reserves down to a minimum, increasing foreign overdrafts of the banks and by heavy public and private borrowing. Public debt was at an all-time high and the burden of repayments one of the heaviest in the world.⁴³

The left-wing government was replaced by a minority government of the SDP, whose main task was to reform the electoral law with the support of the IP and the SP and avert runaway inflation. A new electoral law was enacted, leading to a more equitable distribution of parliamentary seats. The more densely populated areas were given more weight, shifting the balance of political power from the predominantly rural Progressive Party to the other three parties. The change also created a new political realignment as the SDP and IP now gained a majority in the *Althingi*. In December 1959 these two parties formed a government with a slim majority in the *Althingi*.

The IP-SDP government embarked on sweeping changes in economic policy. A comprehensive stabilisation programme was launched during the first months of 1960. The system of multiple exchange rates was abolished and a uniform ex-

41 *Ífl. Útanríkisáæðuneytið* 1998-B/431 1 1956–1958. Efnahagssamvinnustofnun Evrópu. Position of Iceland with regard to liberalization of trade. Memorandum from the Icelandic delegation, 5.

42 *Sec. Þjálfmálafélagið* janúar-júní 1950, 28; *Ífl. Vskm.* 1994-F/16 1952–1969 OEBC-skýrslur. The new regime of imports and foreign exchange.

43 *Ífl. Vskm.* 1994-B/260, 1956–1960. OEBC-skýrslur. Iceland. General Economic Review 1959 and a Report on the Stabilization Program, June 1960, 11.

change rate was introduced, coupled with a devaluation of 34% against the US dollar.⁴⁴ All special compensations for exports were discontinued and the Export Fund was liquidated, while a uniform export tax of 5% was enacted to finance the Fund's arrears. The system of linking wages to the cost-of-living index was made illegal and the government declared that from now on unions and employers would have to shoulder responsibility for wage settlements. In order to mitigate the expected price rises following the devaluation and other increases in the cost of living, the government increased family allowances and old age pensions and sharply reduced income taxes. Consumer subsidies were increased, financed to some extent by a new general sales tax of 3% and other tax rises. Measures taken to tighten monetary policy included raising interest rates, discontinuing automatic Central Bank loans and overdraft facilities to the fisheries and agriculture.

A law on imports and foreign exchange transactions took effect on 1 June, liberalising the major part of imports and invisibles. About 60% of imports, based on 1958 imports, were liberalised while 40% remained subject to license, most of them coming from countries with which Iceland maintained bilateral payment arrangements. These included potatoes, flour and sugar, coal, oil, iron, steel and lumber and most cotton textiles. Liberalising these goods would have had serious repercussions on imports from these countries, which in turn would have reduced their purchases of Icelandic goods. Thus, the share of liberalised goods varied greatly between countries and areas; only 14% of imports from the OEEC were under license (on the basis of 1958 imports) compared with 72% of the total imports from the clearing countries.⁴⁵

The stabilisation programme was viewed with satisfaction within the OEEC, which had for years encouraged the government to undertake fundamental reforms of its economic policies. During the transition period Iceland received substantial financial aid through the OEEC in the form of drawing rights corresponding to the gold tranche made on the IMF and \$5 million was drawn on the European Fund.

In a broader perspective the stabilisation programme of 1960 marked a distinctive turning point in post-war economic policy, installing a more liberal framework for the economy with emphasis on abolishing trade restrictions. The programme marked the beginning of an era in which devaluation, instead of direct controls, became the standard tool for maintaining balance in the external economy. The massive devaluation of the *króna* was an indication of both enormous disparity in price levels between Iceland and Europe and also of a political boldness on part of the government. It led to deep cuts in real wages for a while and clashes between the labour movement and the government for years. The economic measures also brought Iceland onto a new path in its foreign relations, external balance was restored and foreign exchange reserves at long last exceeded more than several weeks' requirement of imports. The success of the stabilisation programme depended also to a considerable degree on luck for the herring fishing started at long last to pick up by 1961 with favourable results for the external balance.

44 Accounting for the abolition of import levies. However, the nominal devaluation was much greater with the US dollar shooting up to 38 kr. from 16.26 kr, which equals a devaluation of 57%.

45 *Ífl. Vskm.* 1994-F/16 1952–1969 OEBC-skýrslur. The new regime of imports and foreign exchange. *Ífl. Vskm.* 1994-B/260, 1956–1960. OEBC-skýrslur. Iceland. General Economic Review 1959 and a Report on the Stabilization Program, June 1960, 26.

Tariffs and plans for a Nordic customs union

In the light of the peculiar and complex system of economic management in Iceland up until 1960, it is not surprising that participation in international efforts to reduce tariffs was not high on the government's agenda. One of the early attempts to initiate regional economic integration in Europe were customs union discussions starting among several groups of countries, one of which was the group of the Nordic countries.⁴⁶

Iceland's relations with the other Nordic countries had greatly diminished during the Second World War; trade and communications with Scandinavia being brought almost to a halt. With the occupation by the British and later the American armed forces Iceland severed most of her economic ties with Denmark, shifting the greatest part of her trade to the Allies. After the war, trade resumed with the other Nordic countries but the volume was down to almost half of pre-war levels, accounting for only 10.1% of exports and 15.9% of imports during 1946-1950, as compared to 20.3% and 28.5% respectively during 1936-1940.⁴⁷ Still, Iceland's intra-Nordic trade was at least as extensive as that of Denmark, Norway and Sweden, exports even increasing moderately during the 1950s with the most important interests laying in the herring exports to Sweden and, increasingly, exports of herring and frozen fish to Finland.

Despite much lower stakes in the intra-Nordic trade than before, the Icelandic government expressed a general interest in the idea of increased economic cooperation between the Nordic countries in the wake of the Marshall Plan, and no doubt spurred by the desire of the US government to encourage regional customs unions. The process was initiated at the meeting of the foreign ministers of Sweden, Denmark, Norway and Iceland in Copenhagen in August 1947 and followed by the setting up of a Common Nordic Committee for Economic Cooperation (CNC) in the following year.⁴⁸

The Icelandic government was, however, less than enthusiastic about the idea of a customs union and since the discussion soon focused mostly on that issue the Icelandic representatives acted rather as spectators than active contributors to the negotiations. Commenting on the draft mandate for the CNC in February 1948, the Icelandic foreign minister Benediktsson expressed the will of the Icelandic government to take part in the cooperation, while stressing that it would be bound by Iceland's special economic structure and her present financial situation.⁴⁹ It soon turned out that the Icelandic government was neither willing nor able to devote many resources to the CNC. The two Icelandic representatives in the committee, Birgir Kjartan, an industrialist and a prominent member in the Independence Party, and Jón Krabbe, a senior civil servant at the Icelandic Embassy in Copenhagen, decided to stand aside and not get involved in work of the committee or take a firm stand until a unified customs nomenclature was ready, Iceland did

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not appoint a member to the specialist committee on the nomenclature and had therefore no say in the major plank of the provisional report in 1950. In the following years the Icelandic representatives hardly attended meetings and Iceland was not a party to the final report submitted in 1954.⁵⁰

It is not difficult to understand the Icelandic government's lack of interest in a Nordic customs union. From early on the CNC discussions focused on industrial goods whereas agricultural products, including fish products, were to be excluded. As Birgir Kjartan reported to the government after a CNC meeting in August 1949:

Especially interesting for Iceland was the view expressed in the discussion that if a customs union would be established, the fisheries would be treated in the same way [as agriculture], i.e. protective tariffs on fish and fish products would be maintained ... If that would be the conclusion, the only possible advantage for Iceland in a Nordic customs union would disappear.⁵¹

With a foreign trade structure such as Iceland's, where marine products accounted for over 90%, agricultural products 6% and industrial goods some 3%, the case for a Nordic customs union was a non-starter for the Icelandic authorities. There were no gains for Icelandic exports to be reaped from a customs union that excluded agricultural and fish products, and in addition, there was an obvious threat to the sheltered domestic manufacturing industry from Nordic competitors if tariffs were lowered or abolished. At the last meeting before the preliminary report, on 3 January 1950, Jón Krabbe declared, seemingly in a somewhat defiant mood, that if a customs union would allow unrestricted imports of Icelandic mutton and fish to the other Nordic countries, it would more than weigh up the loss incurred by the removal of protective tariffs on its manufacturing industry.⁵²

There were other serious obstacles to a customs union in the view of the Icelandic government.⁵³ The enormous price discrepancies between Iceland and the other Nordic countries placed Icelandic producers in an unfavourable position compared with that of their foreign competitors. Secondly, tariff levels were much higher in Iceland, which was partly a legacy from the 1930s but primarily a result of the strict import controls introduced in early 1947 in order to battle the rapidly deteriorating external situation. The new system of economic management was therefore extremely vulnerable to any significant reduction, let alone abolition, of tariffs. Customs revenue accounted for 3.5% of the value of total imports in Denmark in 1947, 6.5% in Norway and 6.4% in Sweden but no less than 19.8% in Iceland.⁵⁴ It also meant that customs revenue constituted a significant part of gov-

⁴⁶ See Pjølund, Hans Otto, European Trade Liberalisation and the Stillborn Nordic Customs Union in the 1950s, *Scandinavian Economic History Review*, vol. 51, 2004: 2-3.

⁴⁷ *Hagstíma*, 444-447. Finland excluded.

⁴⁸ *Nordisk økonomisk samarbejde*. Copenhagen, 1950.

⁴⁹ Þf. Sögusafn uttanríkisráðuneyris 1939/52 2 1948-1956. Tollabandalag Norðurlanda. Bjarni Benediktsson to Halvard Lange, 14. February 1948.

⁵⁰ *Et fælles Nordisk marked*. Copenhagen: J.H. Schultz A/S 1954.

⁵¹ Þf. Utanríkisráðuneytið 1998 B/393 3 1947-1949. Norræn samvinnna. Skýrsla um sjöunda fund norrænu efnahagsnefndanna, sem haldinn var í Stokkhólmum dagana 17. til 19. ágúst 1949. Birgir Kjartan til uttanríkisráðuneyris (Ódags.).

⁵² Þf. Utanríkisráðuneytið 1996 B/393 3 1949-1950. Norræn samvinnna um viðskiptamáli. Jón Krabbe to the Forsteign Ministry 6 January 1950.

⁵³ See e.g. Þf. Utanríkisráðuneytið 1996 B/393 3 1949-1950. Norræn samvinnna um viðskiptamáli. Ísland og tollabandalag Norðurlanda.

⁵⁴ *Nordisk økonomisk samarbejde*, 13. *Þráttapúr hins opinbera*, fjórhagsreikningsskýrslur nr. 2. Reykjavík: fjórhagsstofnun 1983, 35; *Hagstíma*, 561.

ernment revenue. Icelandic data on customs revenue from Nordic trade is not readily available, but the total customs revenue share of government revenue gives an indication of their importance for the public finances: in Iceland the ratio was over 30% as compared to only 5% in Denmark, 10% in Norway and 9% in Sweden in 1947.⁵⁵ Fiscal concerns were bound to rank high in the Icelandic government's calculations of the gains and losses of a customs union.

Iceland was invited to participate in the second General Agreement on Tariffs and Trade (GATT) Round in Annecy in 1949, but the government declined the offer on the grounds that tariffs were impossible to reduce in Iceland for fiscal reasons.⁵⁶ Since the 1930s Iceland had maintained a high level of protective tariffs. The devaluation of the currency had been more modest than in the other Nordic countries in the 1930s, but instead the government introduced high protective tariffs, causing a rise in the incidence of import duties to about 1.6% in the late 1930s and even above 1.8% after 1940. In 1947, tariffs were increased sharply to finance increasing export subsidies. Thus, the nominal rate of protection rose from about 1.8% to above 30% in the 1950s.

The system of import levies and export subsidies blocked all hopes of Iceland's participation in GATT and it was not until the stabilisation measures in 1960 that conditions for participation were at hand. Hoping to further Iceland's trade interests by negotiating reductions in tariffs on fish products among the main trading countries, the Icelandic government accepted the invitation to join GATT as a temporary member in 1964. Iceland participated in the Kennedy round that year and became a full member of GATT four years later.⁵⁷

The obstacles to participation in a Nordic customs union and GATT were also at play when the issue of a Free Trade Area within OEEC emerged in the late 1950s. The discussions were keenly watched by the Icelandic government, but because of the system of economic management and, even more importantly, the exclusion of fish products under the terms of the Free Trade Area, Iceland was bound to stand aside in the process leading to the foundation of the European Free Trade Association (EFTA) in 1960. Iceland's stance was not determined by economic interests alone. Her stubborn nationalism would have made it very difficult for the government to accept the loss of sovereignty entailed in EFTA membership at that time. Last but not least, the 'cod war' of 1958-1961, i.e. the intense dispute between Iceland and Britain over the extension of the Icelandic fishery limits to 12 miles, soured the relations of the nations and made the British government determined to keep Iceland out of EFTA. Iceland, together with Greece, Ireland, Spain and Turkey, belonged therefore to the group of nations, sometimes referred to as the 'forgotten five', who stood aside in the negotiations leading to the founding of EFTA.

55 *Nordísk efnahagsleg samantvöðun*, 15; *Biskapur hins opinbera*, 35.

56 NA, RG 469, Records of the U.S. Foreign Assistance Agencies, 1948-61, Mission to Iceland, Office of the Director, Subject Files 1948-53, Telegrams relating to the Recovery Program, 1949-1950, Box 1, Lawson to Secstate ECA November 23, 1949.

57 Thorsteinsson, *Utanríkis þingustjórnun* 11, 781-785.

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Conclusion

Few, if any, Western European countries took as cautious a position on post-war European cooperation and integration as Iceland. The new republic of Iceland was admittedly eager to secure and raise its standing as a fully independent state within the international community by joining the major international economic institutions set up at the end of the war. Its commitment to a more open economy and closer economic integration with Europe was, however, at best half-hearted. Participation in the OEEC's Trade Liberalisation Program was the clearest example of this, where Iceland had the lowest score of all the OEEC countries except Turkey, but this also applies to her policy towards a Nordic customs union, GATT and EFTA. As Western Europe was adopting a more liberal economic framework, Iceland was moving in the opposite direction. Foreign trade was at an all-time low during the 1950s and the major thrust of economic policy was to develop an increasingly elaborate system of import levies and export subsidies coupled with high protective tariffs.

Why was Iceland's foreign economic policy so out of touch with the rest of Western Europe after the war? We can point to three different but related answers to that question. First, the economic problem that confronted Iceland in the immediate post-war period was not how to get the economy running again, as faced by the war-torn countries of Europe, but to scale down the level of economic activity and incomes in such a way that it did not impair the growth potential of the economy. Severe balance of payments problems and currency shortages emerged with the transition to a peacetime situation, compounded by a deterioration in terms of trade between 1947 and 1952. The government failed to bring the economy into line with peacetime conditions; instead it imposed severe restrictions on imports and an increasingly complex system of import levies and export subsidies from 1947, which lasted until the end of the 1950s. This type of economic management gave little room for outward-oriented trade policy.

Secondly, Iceland's structure of output and trade was very different from most of the OEEC countries and its commercial interests therefore did not fit well with those of most of the other member states. Iceland's economic structure was based on a complementary pattern of trade, exporting mainly fish products and importing a range of manufactured goods. Iceland needed trading arrangements that opened up foreign markets for its highly competitive fishing sector, but met with little understanding within the OEEC as fish products were classified as agricultural products and hence increasingly protected in member countries. Exporters therefore turned their sales to other areas and found outlets for frozen fish in the US market but even more importantly in Eastern Europe and the Soviet Union, which became one of Iceland's principal trading partners during the 1950s. Conversely, trade with the OEEC countries was at its lowest during the 1950s, about 44% on average during 1955-59 compared with 76% during 1945-49. In order to protect its export interests Iceland directed its purchasing of imports away from the OEEC countries and towards Eastern Europe.

Iceland's failure to liberalise the economy in the 1950s was a result not only of structural restraints but also of policy priorities. Commitment to trade liberalisation was of secondary importance to what can be described as a "policy of growth", initiating various investment programmes with the aim of sustaining high levels of growth and employment, while adding at the same time to the difficulty of pursuing a balanced macroeconomic policy.

From a political point of view, Iceland was able to shy away from its international commitments to freer trade and closer integration for two main reasons. Firstly, the Icelandic economy was too small to matter to anybody other than the Icelanders and the government was therefore able to pursue its own commercial policies without serious fear of retaliation. Secondly, because of its military-strategic interests in Iceland, the American government was reluctant to put pressure on Iceland to adhere to the Trade Liberalisation Program, participate in GATT or adopt an economic policy in line with the ERP. The Marshall Plan and the generous treatment of Iceland within the EPU helped the government to carry out ambitious investment plans and postpone painful measures to extinguish the chronic balance of payment deficits and the system of import levies and export subsidies. Iceland, along with Austria, Turkey and Greece, did not have to play by the same rules as the rest of the OEEC, since a large part of its trade debts with the EPU was financed by American aid through the granting of "initial balances", "special resources" and, in the Icelandic case, by the use of its drawing rights with the EPU and military receipts from the US base in Keflavik.⁵⁸ Not until the stabilisation programme of 1960 was Iceland able to break out of the deadlock of low growth and balance of payments restraints, and abolish the peculiar system of economic management that had characterised the 15 years since the war.

⁵⁸ Rees, *Britain and the Postwar European Payments Systems*, 111-124; Milward, Alan S. and George Brennan, *Britain's Place in the World. A Historical Enquiry into Import Controls 1945-60*, London: Routledge 1956, 67.