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EXPORT ORGANIZATIONS OF THE
NEWFOUNDLAND AND ICELANDIC SEA
FISHERIES

University — Université

CARLETON UNIVERSITY

Degree for which thesis was presented — Grade pour lequel cette thèse fut présentée

M.A. SOC.

Year this degree conferred — Année d'obtention de ce grade

1984

Name of Supervisor — Nom du directeur de thèse

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Sigmar Thormar

EXPORT ORGANIZATIONS OF THE NEWFOUNDLAND AND
ICELANDIC SEA FISHERIES
- a political economy comparison

By

Sigmar Thormar B.A.

A THESIS SUBMITTED TO THE
FACULTY OF GRADUATE STUDIES AND RESEARCH
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE DEGREE OF MASTER OF ARTS

Department of Sociology and Anthropology
Carleton University

June, 1984

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submitted by Sigmar Thormar
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A B S T R A C T

This thesis focuses on the problems of economic development in Newfoundland. In order to clarify reasons for slow economic growth in the province a comparison with the fisheries of Iceland is presented. An important aspect of Iceland's more successful fisheries is found to be that the export of the main groundfish products, saltfish and frozen fish was organized. Attempts to form similar organizations in Newfoundland proved unsuccessful.

According to the theoretical framework of the thesis decisions on historical alternatives impact on the long term development of a local economy. The reasons for different decisions on the historical alternative of fish export organization in Newfoundland and Iceland are partly explained by three factors. In Newfoundland a high level of structural fragmentation of the merchant class and lack of a political party hampered unity on the issue of organized marketing. A stronger nationalistic orientation of Icelandic fish merchants was also suggested to have been a factor in establishing more unity on organized marketing compared with Newfoundland.

ACKNOWLEDGEMENTS

I wish to acknowledge the assistance by Faculty members of the Department of Sociology, Carleton University, and by fellow students. My thanks go in particular to my advisor, Prof. Dennis Olsen. My thanks also go to my other committee member, Prof. Wallace Clement, for his considerable assistance.

Thanks are also due to fellow graduate students: Harry Thaler of Sociology, Alex Netherton of Political Science, and Halldor, P. Palsson of Economics, for many hours of discussion pertaining to the topic of this thesis.

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INTRODUCTION

This thesis is an examination of underdevelopment 1). The Canadian province of Newfoundland, in particular, will be observed in this context. Newfoundland has experienced problems of slow economic development throughout this century. The province has a considerably lower per capita income than the rest of the country. Unemployment is a persistent problem. The fisheries, the main industry of Newfoundland, have been a definite part of this underdevelopment. The Newfoundland fishing fleet consists to a great extent of small fishing boats. Their technological level is lower than that of many other fishing nations and total fish catch is, therefore, relatively low. The fish processing industry has experienced severe financial difficulties in the past. The thesis will examine the underdevelopment of the Newfoundland fisheries with the focus on the groundfish 2) sector. Despite the province's location near some of the best groundfish fishing banks in the world, Newfoundlanders have experienced problems in exploiting this resource.

To give a satisfying overview of these issues a comparative approach will be presented. The country of Iceland relies heavily on groundfish fisheries but unlike Newfoundland runs an efficient industry. Around the island fish is caught by high technology equipment and processed in modern facilities. The case of Iceland should help in clarifying the central problem of this thesis which can be presented in the question: given the industry's potential for development why have the Newfoundland

fisheries not developed into a viable industry? Although this can be stated as the thesis' research focus it must be kept in mind that a broader issue than the development of a single industry within Newfoundland is at stake here. The frequent economic problems of the fisheries added to the general underdevelopment of the province. By comparing Newfoundland and Iceland the intention is to find factors that slowed or facilitated the development of the fisheries. At the same time by examining thoroughly the development of the fisheries, light might be cast on Newfoundland's problems of development in general.

The scope of the paper does, however, not allow a thorough search for every factor that might have added to the problems of the Newfoundland fisheries. The main focus will be on fish export associations. The failure to form such organizations added to the problems of the fisheries. The thesis will point out what factors of the social and economic structure of Iceland were more favourable for allowing the formation of fish export associations. The reader should note that the scope of this thesis is that of a two nation comparison in the North Atlantic region. The results, therefore, are not intended to apply to South America or third world countries where some of the theories, such as dependency theory, were first developed. Before presenting the substantive analysis a clarification of the general methodology of this thesis will be supplied. This will be done in the next section.

Methodological considerations

In this section the methodological approach of the thesis will be explained. This explanation is concerned with the connection of theory and empirical findings. Another concern is the abstract character of a sociological analysis. Within the discipline of sociology disagreement on these issues is frequent. Before continuing the discussion on the research problem of this paper, a clarification of the methodological approach is therefore needed. The writings of C.W. Mills will be employed for this purpose. In his book The Sociological Imagination Mills criticizes methods of sociological research. He states that as the methods of research are frequently faulty, many studies have not added to our general understanding of society. Mills' book was widely noted when first published in the 1950's and it has been influential since that time.

The intention is not to review Mills' critique of sociological research. However, his guidelines of how studies should be correctly approached are appropriate. Mills defines a sociological analysis in the following way.

In brief, I believe that what may be called classic social analysis is a definable and usable set of traditions; that its essential feature is the concern with historical social structures; and that its problems are of direct relevance to urgent public issues and insistent human troubles. (Mills, 1959: 21)

But how should a sociological analysis then be performed? Mills answers by stating that the important work in social

science has usually been, and usually is, carefully elaborated hypothesis, documented at key points by more detailed information. Social science should also address important and significant problems

what is meant by the demand that our studies be concerned with important, or as it is more usually put, significant problems? Significant for what? At this point it must be said, that I do not mean merely that they should have political or practical or moral meaning - in any of the senses that may be given to any such terms. What we should mean in the first instance is that they should have genuine relevance to our conception of a social structure and to what is happening within it. By 'genuine relevance' I mean that our studies be logically connected with such conceptions. And by 'logically connected' I mean that there is an open and clear shuttle between broader expositions and more detailed information, within the problem plane, and within the explanatory phase of our work. (Mills, 1959: 72-73)

These are important points. Mills is strongly opposed to both abstract theories (what he terms 'Grand Theories') and also research done on extremely limited topics (what he terms 'Abstracted Empiricism'). Research should, however, be done by choosing particular and minute features for intensive and exact study in accordance with our less exact view of the whole, and in order to solve problems having to do with structural whole (see Mills, 1959: 73). To attain these objectives, sociology should make use of comparative and historical research. He finds the connection between history and sociology to be strong. Although certain differences exist historical backing is necessary for sociological analysis.

In so far as historians study types of

institutions they tend to emphasize changes over some span of time and to work in a non-comparative way; whereas the work of many social scientists in studying types of institutions has been made more comparative than historical. But surely this difference is merely one of emphasis and of specialization within a common task. (Mills, 1959: 144)

According to Mills comparative study and historical study are deeply involved with each other.

You cannot understand the underdeveloped, the Communist, the capitalist political economies as they exist in the world today by flat, timeless comparisons. ... to understand and to explain the comparative facts as they lie before you today, you must know the historical phases and the historical reasons for varying rates and varying directions of development and lack of development. (Mills, 1959: 150-151) (emphasis mine)

The intention is to study the development of the Icelandic and Newfoundland fisheries in accordance with Mills' views. The study problem ^{of this thesis} is, as Mills would term it, a significant problem. Studies concerned with the reasons for persistent unemployment and low income must always be seen as significant. They indicate at once a tragic loss of human potential and a critique of the existing social structure. A theoretical Chapter will be presented clarifying theories of economic development. A historical comparative analysis of the fisheries of Newfoundland and Iceland will then be presented. The intention is to identify key periods in the development of the fisheries and observe historically important decisions that affected this development. Statements of an explanatory nature will be supported by

comparative statistics and historical examinations.

Newfoundland and Iceland : contemporary society and economy

This section will review important differences between the economies of Newfoundland and Iceland. Iceland and Newfoundland (aside from Labrador) are in some respects similar. Both are islands of almost the same size. Both are isolated, with cool climates, both were settled by Europeans and could today be termed scarcely populated areas. The island of Newfoundland contains less than 600,000 people and Iceland's population is less than half that number. The groundfish fisheries are a major industry in both areas, although the fishing grounds of Newfoundland are considerably larger stretching in some places to over 200 miles from shore. The Icelandic economy is more dependent on the fisheries than is Newfoundland. Although farming is practised and rivers have been tamed for hydro-electric power the fisheries are by far the most important industry in Iceland. As no forests and no minerals exist on the island fish can be said to be Iceland's sole staple. In contrast Newfoundland has a more diversified resource base, a forest covers the island and minerals exist in the ground.

Despite Newfoundland's richer access to resources and closeness to the important North American market the Newfoundland economy has experienced more problems than the economy of Iceland. Throughout this century Newfoundland has experienced

problems connected to slow economic development. Unemployment, has been a pervasive problem in the province. The official rate of unemployment at the end of the last decade was close to 20%. However, according to the Report of the People's Commission on Unemployment the official rate which includes only those jobless who 'actively seek work' is invalid in Newfoundland. The pervasive unemployment in the province has led many to see the search for employment as unrealistic. Therefore, the commission did its own calculations based, among other factors on the receivers of unemployment insurance. The commission found the unemployment rate to be 34% of the total labour force in 1977 (see People's Commission on Unemployment, 1978: 51).

Another indicator of Newfoundland's underdevelopment is urban growth. Despite official attempts to encourage such trends with so-called 'resettlement programs', urban growth has been slow in Newfoundland and a major part of the population still lives in isolated outports. Other official attempts to affect the underdeveloped situation of the province included the invitation of outside capital into Newfoundland with tax concessions and other encouragements. The most comprehensive attempt of this nature occurred following the province's confederation with Canada. At that time both the federal and provincial government encouraged increased industrial activity in ~~mining~~ mining, lumbering and the taming of hydro-electric resources. Within the fisheries, the building of freezing plants was encouraged and that fish processing method became increasingly common. Quick freezing was

seen as a more 'modernized' method of processing the fish compared with the traditional method of salting.

In retrospect the results of attempts to advance the Newfoundland economy must be seen for the most part as failures. Many of the firms that opened plants in the 1950's have since ceased operation. The attempt to 'modernize' the fishing industry had limited results. Frozen fish products are destined almost exclusively for the United States market. The Newfoundland fisheries became heavily vulnerable to the price fluctuations of this one market. Competitors, such as Iceland, took over Newfoundland's saltfish markets in Europe and now also supply the American frozen fish market. The problems of the Newfoundland fisheries in the postwar era are reflected in the fact that despite the huge size of its resource the province's fish catch actually declined from the early 1950's to the early 1960's (see Alexander, 1977: 151).

The problems of the industry are apparent today. Around 50% of the total groundfish catch is still caught by low technology and small inshore fishing boats during the summer. Its competitor Iceland, however, operates a fleet of big offshore trawlers and boats. These vessels make use of the latest developments in computer technology to locate and catch the fish. Despite much smaller fishing grounds Iceland's catch of cod (the most important groundfish species) has been considerably higher than Newfoundland's, 460,000 tons and 191,000 tons respectively in

1981 (see A New Policy for the Atlantic Fisheries, 1983, p.13 and p.163). The problems of the frozen fish processing industry in Newfoundland have become so severe in the last few years that the federal and provincial governments recently bought a majority share in the biggest processing companies to prevent a complete closure of the industry. (For a discussion on this point see for example; The Globe and Mail, Nov.5 p.40 and Nov.7 p.7, 1983)

Iceland is more dependent on fish exports than Newfoundland. Close to 80% of Iceland's exports are fish products. The country has not had an initial advantage in exploiting its fishing resources compared to Newfoundland. Iceland was an underdeveloped farming colony at the turn of the century. The standard of living is, however, high today. The profitable fisheries are one of the reasons Iceland now has a higher per capita income than for example Canada. Per capita income in Iceland in 1981 was 12,410 us\$, while per capita income in Canada in that same year was 10,580 us\$ (OECD, Economic Survey for Canada, June 1983). Unemployment is virtually non-existent in Iceland. The unemployment rate in 1981 was 0.4% which is the same number as the average unemployment rate of the country of the last 10 years (OECD, Economic Survey for Iceland, June 1982, 20).

Urbanization has been rapid in this century. Over half the Icelandic population now lives in the capital area. This trend has in fact been so rapid that a governmental program was created (Byggdastefna or 'The Settlement Program') aiming at discouraging

people from leaving the rural areas. These measures are, therefore, the opposite of those elicited in Newfoundland's 'resettlement programs' described in this Chapter. Other signs of the modernization of Icelandic society is a high level of private consumption. Iceland ranks among the highest OECD country's as regards per capita private consumption, relative ownership of cars, telephones, and television sets, and consumption of energy (see OECD Economic Survey for Iceland, 1970-1983).

Despite this overall success in terms of economic development in this century, Icelandic society suffers from problems. Even though novel attempts have been made to meet inevitable fluctuations in fish catch and market prices (see Chapters 2 and 3) poor fishing years create problems for the society as a whole. The common governmental strategy of solving economic problems by attacking workers real wages through devaluations of the currency, the Icelandic krona, has led to rampant inflation, the inflation rate reaching in some years 60 per cent. Attempts to diversify the country's industrial base, and make it less dependent on the fisheries, have not resulted in any substantial changes.

Problems can be identified in attempting to classify the Icelandic economy. As the society relies heavily on a single export staple, and must import most industrial goods, it could be termed 'dependent'. If this term is used it must be specified that unlike many dependent societies in the third world Iceland

has achieved a high degree of modernization through its export staple. Success in making use of a natural resource constitutes the comparative difference between Iceland and Newfoundland that is under study in this thesis. Both areas have, however, a relation with the external advanced industrial societies that could be termed dependent.

Problems of comparison

In this thesis important comparisons will be made between Newfoundland and Iceland. Some problems can be identified in employing such a comparison. Although both areas have a colonial past which have been formally severed in the past 40 years, the present political jurisdiction of the two areas are different. Iceland is an independent nation having received complete independence from Denmark in 1944. Newfoundland was formerly a British colony but has since Confederation in 1949, been a province of Canada. Although these differences are important they will not be seen as overwhelming obstacles to this study. The similar resource and market orientation of the fishing industries of Newfoundland and Iceland probably outweigh the differences in political jurisdiction. The intention is also to consider the differences of political development as explanatory factors for the development of the fisheries. In this case the politics of, for example, nationalism would be employed in understanding the development of the two economies (see Chapter 4).

Groundfish: different processing methods

The thesis will focus on the most important sector of the Newfoundland and Icelandic fisheries, the groundfish fisheries. As the different processing methods of groundfish and the markets for these products are of importance for this study these will be briefly explained.

Stockfish is the oldest known processing method of groundfish. After the fish has been gutted and headed it is left to dry (without the fish being salted). The fish is later consumed in its dry form. Salting is also a traditional method for processing groundfish. After the fish has been put in layers of salt, it is left to dry in the sun or dried artificially in fish plants. In contrast with these centuries-old methods, freezing fish is only a few decades old. The fish is quick frozen inside a processing plant. It is then transported frozen in the form of for example fillets and fishblocks.

Markets for groundfish products are largely determined by consumption habits in the importing countries. Newfoundland and Iceland supply frozen fish to the United States. Iceland also supplies this product to Russia and eastern European markets. The most important markets for saltfish are in the southern hemisphere. Newfoundland and Iceland ship saltfish to Spain, Portugal and Italy, and Newfoundland also has a market in the Caribbean. Newfoundland does not produce stockfish but the most important importer of Icelandic stockfish is Nigeria.

The aim of the study

The thesis attempts to offer explanations of the differences of economic development of Iceland and Newfoundland. Theoretical guidelines in Chapter 1 call for the examination of decisions on historical alternatives. Such decisions are seen as impacting on an area's development. In the context of the Icelandic and Newfoundland fisheries organized export is seen as constituting such an alternative. Chapters 2 and 3 demonstrate how fish export organizations were voluntarily formed in both the salt and frozen fish trade's of Iceland. Organized export is seen to have strengthened the Icelandic fisheries while failures to organize export successfully in Newfoundland left major problems of the fisheries unsolved in the area. The reasons for different decisions on organized marketing in Iceland and Newfoundland must be addressed. This is attempted in Chapter 4. The differences between Iceland and Newfoundland in terms of the nature of the merchant class, political party formations and nationalism are concluded to have affected decisions on organized marketing.

1) Since the thesis deals with a comparison of two nations of the western world, some of the indicators of underdevelopment used in this chapter might not be applicable to third world situations.

2) Groundfish: The collective term used to describe species that feed near the ocean bottom; the principal species include cod, haddock, redfish, pollock, turbot and a variety of species of flatfish (e.g. flounder, sole).

CHAPTER 1: THEORETICAL CONSIDERATIONS

Modernization theory and dependency theory

In recent years the dependency tradition has become increasingly popular within academic circles. Followers of 'dependency theory' and its later North American version 'world system theory' have attacked previous theoretical approaches to underdevelopment, such as Rostow's 'modernization theory' (Rostow, 1971). Modernization theory saw a country's development as dependent on its ability to go through necessary 'stages of growth'. Rostow, and others who worked within the modernization approach, stated that a country's failure to progress through these growth stages was caused by the internal aspects of each society. Examples of such growth hampering aspects were among other factors 'lack of entrepreneurial spirit' and 'low level of skill of labor force'.

Followers of 'dependency theory', however, place less stress on these internal factors. They point out that a country's development must be seen as dependent on its relations to other countries. The advanced capitalist countries of the west exploit and extract surplus value from less advanced third world countries. The western countries prosper by keeping the third world locked in an underdeveloped situation. An example of this line of thought is A.G. Frank who argues that the incorporation of South America into an international trade network destroyed a

growing manufacturing and industrial base that had been developing in these countries. This could be seen by the fact that South American countries experienced industrial revival and economic growth when the international capitalist trade network went through economic depressions. Frank comments on the effect of the economic depression of the 1930's:

Thanks to the consequent loosening of trade and investment ties during these periods, the satellites initiated marked autonomous industrialization and growth. Historical research demonstrates that the same thing happened in Latin America during Europe's seventeenth-century depression. Manufacturing grew in Latin American countries, and several, such as Chile, became exporters of manufacturing goods. (Frank, 1969: 10)

With dependency theory underdevelopment became less a consequence of inhibiting factors of the domestic economy and explained more in terms of the historical position of the society within the world economy. In this way 'core' centers of the world economy exploited underdeveloped 'peripheries'. A version of dependency theory, Wallerstein's 'World System Theory' has supplied a detailed historical analysis of how these cores developed. The development of the present world economy can be traced back to around the year 1500. The English and Dutch capitalists were able to beat back the Hapsburg-Catholic trade empire. Following this event capitalism proceeded to spread throughout the globe (see Wallerstein, 1974). Chirot and Hall in their review of Wallerstein's theory suggest:

This world-economy developed a core with well-developed towns, flourishing manufacturing, technologically progressive

agriculture, skilled and relatively well-paid labor, and high investment. But the core needed peripheries from which to extract the surplus that fuels expansion. Peripheries produced certain key primary goods while their towns withered, labor became coerced in order to keep down the costs of production, technology stagnated, labor remained unskilled or even became less skilled, and capital, rather than accumulating, was withdrawn toward the core. (Chirot et al., 1982: 85)

Material written within the dependency tradition has mainly focused on the relation of third world countries to industrial countries. In this way South American authors commonly use this approach to explain their home countries' underdevelopment and dependency on the United States and Western Europe. Attempts have, however, also been made to apply dependency theory to regional underdevelopment within industrial countries. Matthews finds this to be a viable approach in explaining regional differences within Canada (Matthews, 1983). Veltmeyer has applied the theory of the reserve army of the unemployed in explaining the underdevelopment of Atlantic Canada. He traces how concentration of capital in central Canada leads to the creation of a reserve industrial army of labor in the Atlantic region. This locks eastern Canada into an underdeveloped dependency situation with central Canada (Veltmeyer, 1979).

Cardoso's critique

The dependency approach suffers, however, from certain faults. Those problems are brought out by Cardoso. Cardoso agrees

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with the emphasis dependency theorists have put on observing each country's economic development as part of an international capitalist environment. However, he has problems with the writings of many dependency theorists. In discussing the notion of an international exploiting capitalist system he states:

... we do not pretend to derive mechanically significant phases of dependent societies only from the "logic of capitalist accumulation". We do not see dependency and imperialism as external and internal sides of a single coin with the internal aspects reduced to the condition of 'epiphenomenal'. Conceived in this manner, imperialism turns into an active and metaphysical principle which traces out the paths of history on the sensitive but passive skin of dependent countries. (Cardoso et al., 1979: xv)

He explains that the expansion of capitalism in Bolivia and Venezuela did not have the same consequences in spite of the fact that both countries were exposed to the same global dynamic of international capitalism. The difference in their development must be explained by different moments at which sectors of local classes allied or clashed with foreign interests, organised different forms of state, sustained distinct ideologies, or tried to complement various policies or defined alternative strategies to cope with imperialist challenges in diverse moments of history. More specifically Cardoso states the following on how underdevelopment should be approached:

Historical-structural analysis illuminates the basic trends through which capital expansion occurs and finds its limits as a socio-political process. In that sense, the understanding of capitalist development requires the analysis of social classes and political context that allow or prevent the actualization of different forms and phases

of capital accumulation. (Cardoso et al., 1979: xx)

The question, however, arises: how should an analysis of this interplay be approached? Cardoso would answer this question by stating that historical decisions are fundamental in this context. He states that social change depends on historical alternatives. In the tensions between groups with divergent interests and directions, we find the filter through which the purely economic influences have to pass (see Cardoso et al., 1979: 14). He also states that the basic theoretical problem is how to determine what forms the structure of domination will adopt, because through these structures the dynamics of class relations may be understood. In Cardoso's view decisions on the fundamental historical alternatives come out of a struggle of interest groups and social classes. These decisions impact on an area's economic development. The interest struggles within each society should, therefore, be studied through historical decisions that affected social and economic development.

Cardoso, therefore, stresses that the political situation within a country can steer the form of capital accumulation. The international capitalist system, is important, but in each society the local political environment, with which this system meshes, along with the nature of the local class structure, must be studied.

Other authors, although not working within the dependency tradition stress similar factors as Cardoso. Zysman analysed the

electronics industry of France and in that study comments on how economic development should be approached. He states that a nation's economy must always be viewed in terms of its structures. These structures refer to who controls decisions and directs particular actions. The decisions commonly lie with firms in a capitalist economy. According to Zysman part of that control may in fact also lie with trade associations, the state, or the unions. For Zysman these structures:

... themselves are initially established during the process of industrialization, with the particular national route to industrialization establishing a nationally specific pattern of relationships. The confrontation between the demands of industrialization at a specific historical moment and the existing organization of politics and the state bureaucracy is most important in defining the strategies open to the several actors within the economy. (Zysman, 1977: 12)

These structures are, therefore, always interplaying with the international industrial environment. Although addressing a different research problem from Cardoso, Zysman would agree that a nation's economic development must be seen both in the context of an international trade environment and local political strategies and organizations. The outcome of these two factors determines economic development.

Regional underdevelopment

Canadians who study regional underdevelopment within their country have adopted a similar line of thought as Cardoso and

Zysman. An example of this can be found in Bickerton's criticism of the book 'Underdevelopment and Social Movements in Atlantic Canada'. Veltmeyer's ideas about Atlantic Canada's dependency relationship with central Canada, which were mentioned earlier in this chapter, were a part of that book. Bickerton is among other things criticizing Veltmeyer's theories.

I have suggested that an underdevelopment/dependency approach does not capture the most important facets and contractions of Atlantic Canada's historical evolution. The alternative is a more precise class analysis one acknowledging the historical claims of particular class structures... Instead of stressing the overwhelming importance of a continuous and general process of underdevelopment, we should stress the importance of regional class structures and the outcome of class struggles to the specific trajectory of a region's capitalist development. (Bickerton, 1982: 201)

Moving this discussion closer to the case study of this paper Alexander, while commenting on the economic problems of Newfoundland argues the following when discussing explanations of underdevelopment. He is criticizing explanations of development practised within neo-classical economics.

It is fashionable, these days to use neoclassical models that assume perfectly operating factor and products markets to show that history unfolds in the only way it can. ... Little weight is allowed for the cumulative effect in a country of making the right decisions, maximizing all the opportunities, and, above all, defining economic, social and cultural goals and means independently of modal patterns emanating from metropolitan countries. (Alexander, 1983: 6)

Alexander, therefore, stresses the analysis of the

organizational structure and the nature of decision making within a local economy, when attempts are made to explain the effects of foreign influences and international competition.

By observing various authors' critiques of dependency theory a clarification of how the study of underdevelopment should be approached has been found. The silences in dependency theory that were identified by Cardoso will be applied to an understanding of the differences in development between Iceland and Newfoundland. The economic development of nations and regions should be seen in light of the international environment they operate in and how that environment interplays with local political structures and decision making.

Conclusion

How does this discussion relate to the research problem? What can explain the differences in the development of the Newfoundland and Icelandic groundfish fisheries? Cardoso would be able to supply the most detailed answer to this question. He argued that social change depends on historical alternatives. Decisions made about these alternatives can be seen as impacting on an area's development. In the context of the fisheries such decisions must, therefore, be found. The historical period of special importance is the inter-war period. This period was important for the development of the fisheries for two main reasons. Firstly, marketing difficulties in the great depression

created a variety of problems for the Newfoundland and Icelandic fisheries, which went on to create problems for their societies as a whole. It will be important to study local decision making meant to respond to these problems. Secondly a radical change in fish processing methods was witnessed in this period. The quick freezing method enabled Newfoundland and Iceland to supply fresh fish to new markets, the most notable one being the United States. The way the change from salting to freezing was handled had an effect on the development of the fisheries.

As shall be seen, fish export associations were important in the context of both the aforementioned factors. Where such organizations were formed they prevented undercutting among local producers and took part in improving the quality of the product. As will be shown in the next two chapters, Iceland's success in forming such organizations lessened the impact of the great depression on the country and was a factor in preventing the decline of the saltfish trade. The failure to form export associations in Newfoundland added to the problems of the fisheries, problems that are still present today. Decisions surrounding the attempts to form and operate export associations will, therefore, be used as an example of what Cardoso termed historical alternatives.

The fish production of both Newfoundland and Iceland is mainly destined for export. Factors of the international political and trade environment, therefore, clearly impact on the

development of the two area's. The most important such issues are; first, the issue of currency exchange rates, whereby Iceland operates its own currency and can meet unfavourable terms of trade with currency devaluations. The Icelandic government frequently makes use of devaluations of the Icelandic krona to assist the fishing industry (see Thormar, 1982). This alternative is not open to Newfoundland. The marginal position of the fisheries in Canada compared with other economic activity makes the federal government unwilling to use this alternative to assist the industry.

Secondly, the politics of the N.A.T.O. alliance had a possible impact on the development of the Icelandic fisheries. Iceland's position as a 'reluctant ally' within NATO, with a strong local Communist party pressing for the country leaving the military alliance, possibly encouraged a favourable access of Icelandic fish to the important American market. Alexander states that because of this position of Iceland within NATO the United States avoided admitting any preferential trade agreements to Newfoundland over Iceland in the postwar era (see Alexander, 1977: 12). The existence or nature of further American favouritism towards Iceland is not clear. Historical research on the matter is being undertaken at the University of Iceland, although no definite conclusions currently exist on this matter.

The last factor that will be mentioned to have possibly impacted on the development of the fisheries of Newfoundland and

Iceland concerns national jurisdiction over fishing grounds. Since Iceland became an independent country a firm foreign policy of establishing jurisdiction over the fishing grounds around the island has been practised. The fishing limit was moved from 3 to 4 miles off shore in 1952, to 12 miles in 1957, to 50 miles in 1972 and to 200 miles in 1975, each time resulting in conflicts (the so called 'cod wars') with the nations that operated vessels on the Icelandic fishing grounds. Canada was, however, passive on the issue of the rights of coastal states to have jurisdiction over offshore fishing grounds. It even astounded most coastal states by vigorously defending the three-mile territorial limit at the 1958 Law of the Sea conference (see Alexander, 1977, 164). Canada did not obtain full rights over the fishing grounds until 1977 after decades of foreign overfishing following the second world war.

The three factors just mentioned may possibly add to an explanation of the different development of the fisheries of Newfoundland and Iceland. They will not be the primary explanation in this analysis. This analysis intends to focus upon decisions of organized marketing as a case example of how decisions within a region or a country can impact on its development. By using the example of decisions on organized marketing important social and economic factors that impact on these decisions will possibly be identified. According to this view currency policies, politics of military alliance, and a country's foreign policy on such matters as fishing jurisdiction

are also examples of historical alternatives. An analysis of the bases of decision on organized marketing should add to an understanding of decisions on other historical alternatives.

After providing a short historical description of the fisheries of the two areas in Chapter 2; Chapter 3 will explain further the importance of export associations and review attempts to form such organizations in Iceland and Newfoundland. Chapter 4, the last chapter of the thesis, will be concerned with identifying reasons for Iceland's success in forming fish export associations compared with Newfoundland. The analysis of this thesis will be finalised by addressing the question: what factors of the class, political and cultural structure of Newfoundland and Iceland affected the formation of fish export associations?

CHAPTER 2: THE ICELANDIC and NEWFOUNDLAND SEA FISHERIES; A SHORT HISTORY

In this chapter a short review will be given of the development of the Icelandic and Newfoundland fisheries. The time period around the turn of the century is of special importance. The reason is that in this period the Icelandic fisheries rose from the status of a marginally unimportant supplement of farming to become the most important industry of the country. In Newfoundland the opposite occurs since the fisheries ⁿⁱdimish relative to other economic activity. These developments must be seen as important and to have shaped the contemporary position of the fisheries of the two areas.

Another crucial time period in the development of the fisheries of Iceland and Newfoundland was the economic depression of the 1930's. That period will, however, only be slightly discussed in this chapter as the intention is to consider it in more detail in chapters 3 and 4.

In this chapter a few important aspects of the fisheries will be discussed. The most important are: the changing nature of the fishing fleet, the changing nature of fish processing along with markets and marketing. The chapter will focus on the development of these and related factors at the turn of the century, but also review developments in this century that are of importance to this thesis.

ICELAND: from a farming society to a fishing economy

a) The rise of the fisheries"

Throughout the 19th century the Icelandic economy did not experience any substantial change. Icelandic society was similar to what it had been for centuries. Farming was the most important economic activity. The island was a colony of Denmark. At the beginning of the 20th century important changes were, however, taking place. An independence struggle led to limited home rule in 1904. The Icelanders gradually severing their ties with Denmark and received complete independence in 1944. Another important change around the turn of the century which will be discussed in more detail here is the rise of the fisheries as a major industry in the country.

Fishing in Iceland was traditionally performed in small open row boats. The fishermen were mostly farmers or farm labourers who fished over the groundfish season in late winter. Fishing was seen as a supplement to farming and it was uncommon for individuals to be employed in this activity the year round. No major towns or fishing ports, therefore, existed. The first noticeable change in the traditional fishing methods was the introduction of decked sailing smacks. They were an advance on rowing boats as they could fish further out from the coast and had considerably greater range and mobility. Experiments with fishing from such vessels had been performed in the early 19th century. It is, however, not until the latter part of that

century that they increased considerably in number. Jonsson explains the role of the sailing smacks at the turn of the century:

By 1900 the smacks caught about 1/3 of the total catches in Iceland. The smacks were mainly operated from rapidly emerging fishing villages which provided sheltered anchorages while the rowing boats represented the traditional declining element of the fisheries; the part-time occupation by coastal farmers and crofters in small fishing villages. (Jonsson, 1981: 85)

An even more radical change occurred with the advent of trawler operations from Icelandic shores. British steam trawlers had exploited in increasingly large numbers the Icelandic fishing grounds from the late 19th century and onward. After some initial problems in introducing the new technology, a steam trawler was bought in 1905 by an Icelandic company and started operation. It soon became apparent that trawlers were more profitable than smacks. The number of trawlers operating from Iceland rapidly increased. Reykjavik was the main port of the new vessels. The nation's capital witnessed a rapid increase in population. Supply and service industries for the fisheries grew. The profitable fisheries also encouraged other manufacturing. This seems to be a clear example of an export industry encouraging manufacturing and a diversification of economic activity. On this point Jonsson states:

In Reykjavik and its neighbouring town Hafnarfjörður the all-year-round and capital-intensive trawling fishery stimulated much greater spread effects than did the less advanced and more labour intensive fisheries elsewhere. (Jonsson, 1981: 282)

The Icelandic fisheries were also mechanised by the introduction of steam and motor vessels. Trawlers operated mainly from the capital, Reykjavik and the nearby town Hafnarfjordur. Motor boats were, however, more commonly employed from provincial towns like Isafjordur and Vestmannaeyjar. In time trawlers and motor boats completely replaced rowing boats and sailing smacks. The Icelandic fisheries continued their expansion despite occasional depressions. Olafsson explains that this expansion was not only reflected in an increased fish catch, but also other factors.

The total fish catch in 1929 was about six times that of 1909. The quantity of landed fish in 1967, by comparison, was only twice as big as that of 1929. However, the value of the total catch has increased much faster than the quantity. On the whole this reflects changing composition of the catch, increased and improved processing, and favourable terms of trade. (Olafsson, 1982: 91)

An important aspect which will be of significance when the Icelandic fisheries are compared with those of Newfoundland is productivity per fisherman. In Iceland this factor has rapidly increased throughout this century. As Olafsson notes the fleet was able to catch tremendous amounts of fish following the trawler revolution, and its productivity has increased extensively since then. That increase is reflected in the fact that the overall number of fishermen has not changed much since 1910, except for some increase in the thirties, despite the growing size of catches and improved quality (see Olafsson, 1982: 91)

The rising importance of the fisheries for the Icelandic economy can be seen in the growth of fish products as a percentage of total exports. This number grew from 59.0 per cent between 1901 and 1905 to an average of 89.4 per cent between 1931 and 1935 (See Jonsson, 1981: 171). The share of fish exports as a percentage of total exports stayed around the 90 per cent level for the next decades. This number decreased slightly with the introduction of heavy industry into the country in the late sixties. The share of fish exports of total commodity exports, however, still remains substantial. Throughout the seventies, the export of fish products accounted for between 70 and 80 per cent of total Icelandic exports (see for example OECD economic survey: 1970-1983).

The advancement in technology of both catching and fish processing has continued to the present in the Icelandic fisheries. In recent years a substantial number of modern stern trawlers have been bought. The trawlers, even though not of the factory trawler variety, are a part of the most modern generation of fishing vessels. These trawlers along with most other Icelandic fishing vessels make use of the latest developments in fishing gear and computer technology to locate and catch the fish. Highly productive freezing plants have found their way into most Icelandic outports.

b) Marketing and the rise of the quick freezing method

Icelanders traditionally processed their fish by drying or salting and exported it in that form to foreign markets. With the increased fish catch of the trawler revolution salting fish became an important source of employment in the country. Markets for this product were available in Southern Europe, especially Italy and Spain.

It is important to note a certain change in the form of the Icelandic saltfish trade in the early part of the twentieth century. This change involved the decline of fish exporting as a Danish enclave. Although few Danish merchants were actually based in Iceland most of the small and geographically scattered Icelandic merchants were tied to wholesaling firms in Copenhagen, which sold their export goods to other countries and supplied them with imports. From 1905 to 1907 38.6 per cent of the value of Icelandic exports went to Denmark, but only a small fraction of them were actually consumed there. Icelanders, however, soon increased direct shipments to the market countries. The transfer of control of the export trade from Danish to Icelandic merchants presented itself as a fall in exports to Denmark. The fall was from 38.6 per cent in the time period 1905 to 1907 to 9.4 per cent in the time period 1937 to 1939 (see, Jonsson, 1981: 171).

The Spanish market for saltfish became extremely important for the Icelandic economy. In the period 1921 to 1923 over a

third of the value of Icelandic exports was in the form of saltfish to this one market. When that market closed down completely with the Spanish civil war it added severely to the economic depression in Iceland. This reflects how heavily the country had already become dependent on fish export, in the 1930's.

The depression of the 1930's is of relevance for an understanding of the development of the Icelandic fisheries and will be discussed in more detail in later chapters. It is, however, important to note the rise of a new form of processing in that period, the quick freezing of fish. That method experienced rapid growth in the late 1930's and the war years. Frozen fish was at first mostly sold to the United Kingdom but later the United States and eastern Europe became the most important markets for Icelandic frozen groundfish products. Freezing soon became the most important processing method of the Icelandic fishing industry.

c) Flexible processing capacity

As has been explained, the Icelandic fisheries have become increasingly rationalised and capital intensive. Sea fisheries are usually classified as a primary industry i.e. an industry that extracts resources from nature. However, Olafsson when analysing the Icelandic processing industry states that, because of the industry's high level of technology and high output, it

has more similarities with secondary manufacturing industries than primary industries. According to Olafsson:

The fish processing industry, ... is Iceland's main large-scale industrial sector. Around the coast, the fish is processed into consumer goods and chemicals in large plants, again in high productive factories. Their productivity is, in fact, on level with that of manufacturing industry, which includes a few large-scale plants like an aluminium smelter and chemical plants. The fish processing industry is thus fully a member of the secondary sector. The productivity of high quality food is no less characteristic of a modern industrial society than the production of other consumer items. (Olafsson, 1982: 94)

Despite this success of development certain problems have become increasingly apparent within the fisheries. For a capitalist enterprise to work successfully and maximise returns from investment its operation has to be constant throughout the year. It is clear that it is more difficult for a fish processing company to operate on this basis than enterprises within other industries. Fish catches tend to be seasonal with gluts part of the year and low catches at other times. Another problem is that markets for fish products are unstable, prices fluctuate, and important markets can close down. An example of the latter has already been given i.e. the closure of the Spanish saltfish market in the 1930's. Icelandic fishermen and fishproducers have avoided the problem of seasonality of catch by catching a variety of species that have different seasons and also by using trawlers that can catch groundfish the year around. What is, however, more important for the purpose of this thesis is how the

aforementioned marketing problem has been handled. Icelandic fishproducers have dealt with variations in market conditions with a strategy of processing, the so called flexible processing capacity.

Flexible processing capacity involves each producer retaining processing facilities and skilled personnel to process the groundfish into various forms. The processing form can then change between years in accordance with what products give the best price in foreign markets. The most important processing forms of groundfish are freezing, salting and drying (stockfish). The following table shows production of these three commodities.

EXPORT OF SEAPRODUCTS

ICELAND

(1977 - 1982)

PERCENTAGE DIVISION BETWEEN PRODUCTION FORMS

	1977	1978	1979	1980	1981	1982
1. Frozen Groundfish	44.6	43.7	43.8	38.2	33.6	43.3
2. Other Frozen Prod.	5.4	4.7	6.3	5.5	4.8	6.6
3. Saltfish	14.5	13.3	14.7	16.8	20.9	24.8
4. Stockfish	3.2	5.5	2.5	10.0	15.9	6.2
5. Fishmeal and fishoil	23.4	22.3	18.7	15.5	12.7	5.8
6. Salted Herring	2.7	3.1	3.8	3.1	3.1	4.3
7. Fresh Fish	1.9	4.2	5.6	6.5	3.9	6.1
8. Other Seaproj.	4.3	3.2	4.6	4.4	5.1	2.2

100.0 100.0 100.0 100.0 100.0 100.0

(Thjodhagsstofnun, 1983: 17)

(translation of table mine)

If the three main processing forms of groundfish, frozen (column 1), salted (column 3) and stockfish (column 4) are viewed in this table it can be seen that it varies between years as to how the groundfish is processed. The frozen fish production is in every year the most important method, even though the amount that is put into freezing varies considerably. It varies for example from a high of 44.6 per cent in 1977 to a low of 33.6 per cent in 1981. The amount salted is around 15 per cent of total seafood production the first four years of the table. However, with better marketing conditons in 1981 and 1982 the amount of saltfish increases up to 24.8 per cent in 1982. Stockfish production was 2.5 per cent of total seaproducts in 1979. The most important market for Icelandic stockfish is in the African country of Nigeria. With Nigeria's increased revenue from oil production its government allowed more imports of stockfish. As profits of stockfish to the Nigerian market were substantial the production of this commodity goes up to 15.0 per cent of total seafood production in 1981.

Flexible processing capacity is also used to meet the problem of variable quality of the raw material. It is less damaging to process low quality groundfish into stock or saltfish than into the frozen form. Icelandic producers, therefore, have the opportunity to process only high quality raw material for the quality conscious American frozen fish market while leaving the inferior qualities for salting or drying. In Newfoundland where flexible processing capacity does not exist, all the catch must

be put into freezing resulting in a lower average quality of the product (see next section).

Icelandic fish producers have, therefore, used flexible processing capacity to cushion the effect of price fluctuations, marketing difficulties, and variations in the quality of the raw material.

NEWFOUNDLAND - problems of development in the fisheries

a) The fisheries as a traditional industry

Unlike Icelanders the people of Newfoundland have never relied to any substantial extent on farming. Agricultural land is scarce on the island and Newfoundlanders turned instead to the rich fishing grounds for their livelihood. The fisheries have traditionally been the most important industry of the island.

Newfoundland's main export in the nineteenth century was salted codfish. It frequently constituted over 80 per cent and only twice less than 50 per cent of her total exports between 1836 and 1900 (see Neis, 1981: 127). Newfoundlanders were the biggest suppliers of this commodity in the world market. At the turn of the century, despite losing considerable ground to competitors throughout the century, Newfoundland's exports of salted fish accounted for between 40 and 50 per cent of the total volume of such exports in the world between 1898 and 1909 (see Neis, 1981: 127). A series of problems were, however, experienced

within the fisheries in the latter part of the 19th century. These problems are reflected in a slow or declining output along with stagnant technological development. One sign of the problem was the fact that productivity per fisherman declined. Alexander explains:

The absolute level of employment in the fishing industry grew from some 38,500 men in 1857 to around 60,400 in 1884, and fishing rooms in use expanded from some 6,000 to around 10,500. This meant that the average volume of production per fisherman was falling from around 30 quintal in the 1850's and 60's to a low of some 23 quintals in the late 1880's, after which there was a modest recovery. (Alexander, 1980: 22)

In the last decades of the nineteenth century and the first decades of the twentieth century industries such as forestry, mining and manufacturing experienced growth in Newfoundland. The fishing industry, however, stagnated or even declined, especially from 1910 to 1939 when the industry ^{was} overwhelmed by troubles with real growth in the fisheries contracting at an average yearly rate of - 2.3 per cent. The decline of the fisheries in comparison with the advance of other Newfoundland industries can be seen in the following table.

INDUSTRIES IN NEWFOUNDLAND
 REAL OUTPUT GROWTH RATES
 (% per annum, growth in \$)

	Agricul.	Forestry	Mining	Fish	Manuf.	Total
1884-1911	5.6	7.2	3.5	1.2	1.7	2.2
1911-1939	1.4	8.9	5.7	-2.3	3.2	2.3
1884-1939	3.4	8.0	4.5	-0.6	2.4	2.2

(Alexander, 1983: 62)

One aspect of the problems of the fishing industry was marketing. Newfoundlanders not only failed to expand their trade, but in several cases lost some of their most important markets. As Ryan notes:

Newfoundland's export trade did not keep pace with the increase in world demand. The actual quantity exported to Portugal, for a time the major market, and to Italy did not change very much; but other producers increased their business in these markets. In Spain the quantity of fish purchased from Newfoundland declined substantially while total Spanish consumption increased to the advantage of other producers, particularly Norway. (Ryan, 1980: 55)

These marketing problems were caused by many factors. One of the more important ones was inferior quality. This was the result of improper handling and storage of the fish. Ryan explains some of the reasons for the quality problem.

Every exporter had his own cullers, who graded fish, and his own standards, which were liberal when demand was high and stringent when it was low. In addition the exporters were forced to compete with each other in difficult market conditions and consequently no uniform standards were possible. With such fluctuations, fishermen often felt that it was better to concentrate on catching fish rather than on curing, since a large quantity of a poorly cured product often brought a larger reward than a smaller quantity of a well-cured product. (Ryan, 1980: 51)

b) Problems of modernizing the fisheries

Ryan was describing the situation of the fisheries in the nineteenth century. The situation did, however, not improve in

this century. Its only prosperous moments were the years of the two world wars. In those periods demand for food increased considerably and buyers placed less emphasis on quality of fish products. If the fisheries at the end of the second world war are observed their situation is the following. The fishing fleet was largely constituted of technologically backward small inshore fishing boats. Salting the fish was still the most important processing method. Important European saltfish markets were, however, lost to competitors such as Norway and Iceland when their higher quality saltfish production recovered after the war. The backward state of the fisheries in the postwar era is reflected in the fact that while foreign fishing in Newfoundland waters increased rapidly from the early 1950's to the late 1960's the increase in Newfoundlanders fish catch was modest.

"This meant that Newfoundland's share of the catch fell from about 26 per cent in 1954 to some 17 per cent in 1968, which includes the 'protected' inshore species that are not exposed to foreign catching. This indicates that there was, potentially, no resource shortage limiting major expansions of Newfoundland output during this period. More significantly, it also indicates there was no shortage of world demand for the fish from Newfoundland and Labrador waters: the only questions were who would catch it, process it and sell it? (Alexander, 1977: 151)

The adoption of the quick freezing technology was slow in Newfoundland. However, following Confederation with Canada in 1949 the decision was made by federal and provincial authorities to support the use of this method of fish processing. This along with the establishment of a fleet of offshore trawlers was seen

as a step in 'modernizing' the Newfoundland fisheries. Modern technology fishing vessels would supply frozen fish to the United States. That country was seen as an immense available market for this product. The saltfish industry, however, received less support. It was looked upon as a 'traditional' and 'backward' element in the Newfoundland economy. The constant problems and depressions of the saltfish trade since the late 19th century reinforced this view. Little interest was given to research on, for example, technology to make the drying of the saltfish more efficient. Such technology might have increased the profitability of saltfish production. An important marketing organisation (N.A.F.E.L.) of the saltfish trade was dissolved in this period (see Alexander, 1977 and ch.3 and ch.4 of this thesis). The result was a rapid decay of the saltfish trade from the late forties until the late sixties when it had become virtually nonexistent. As can be seen in the following table the frozen fish industry witnessed a rapid increase in production in this period while saltfish production declined.

VALUE OF SALTED AND FROZEN PRODUCTS
NEWFOUNDLAND

	Salted		Fresh/Frozen		Total
	\$000	%	\$000	%	\$000
1948	\$16,851	87%	\$2,496	13%	\$19,327
1955	8,249	39%	12,960	61%	21,218
1960	12,855	46%	15,017	54%	27,872
1965	11,978	28%	31,300	72%	43,268
1972	5,069	8%	67,627	92%	73,569

(Alexander, 1977: 149)

In retrospect it has become clear that it was a mistake to let the saltfish trade decline. The frozen fish industry did not manage to 'modernize' the Newfoundland fisheries to any substantial degree. Frozen cod products from Atlantic Canada today receive a lower price than comparable products from Iceland and Norway (see "A New Policy for the Atlantic Fisheries", 1983). This has led to low returns in that market for the Newfoundland fishing industry and repeated financial difficulties.

With the decay of the saltfish trade, markets for fish in Europe were lost. Instead the United States became the most important receiver of Newfoundland fish. This heavy reliance on one market has created problems of its own. The Newfoundland fisheries became heavily vulnerable to price fluctuations of this one market. A price drop of frozen cod in the American market in 1968 and again in 1974 created major depressions in the Newfoundland fisheries. Complete closure of the fish processing industry was only avoided by direct financial support from Canadian federal authorities. In a recent governmental report the following comments occur on the situation of the fisheries in the Atlantic provinces in 1974:

The 1974 crisis was weathered, but at a cost to the federal treasury of about 140 million dollars in special assistance over the succeeding three years. It was a salvage operation in which a battered industry was hauled off the rocks, but neither repaired nor strengthened. (A New Policy for the Atlantic Fisheries, 1983: 19)

The wording of this quotation shows that the fisheries of

Newfoundland are still suffering from severe structural problems. The improper handling of the commodity both on board the fishing vessels and ashore resulting in poor quality which seems to be an almost insolvable problem. As has been noted, this problem was already recognised in the 19th century. Another problem relates to the fact that more than half of the groundfish catch is caught in a relatively short time span during the summer months. Many processing facilities are, therefore, idle the rest of the year. With the lack of alternative employment opportunities in Newfoundland this leads to seasonal unemployment. The fishing fleet, especially the inshore fishing vessels, are technologically backward and productivity per fisherman is considerably lower than in other countries that harvest groundfish.

Flexible processing capacity, the strategy Icelandic processors use to avoid marketing difficulties by changing processing forms in accordance with market conditions (see section on Iceland in this chapter) is not practised in Newfoundland. Stockfish production is nonexistent. In a recent governmental report on the Atlantic fisheries, it is recognised that lack of stockfish production hampers the industry from having an outlet for low quality groundfish (as the quality of the raw material for stockfish does not have to be as high as the raw material for frozen fish). Secondly, lack of stockfish production makes it harder to acquire flexible processing capacity. The report states:

The development of a commercially viable stockfish industry in Canada will help Canada take full advantage of emerging marketing opportunities. But equally important, it will also increase the flexibility of the Canadian fish processing industry by giving it another product and market that can be used to keep the industry adjust to the changing economic and marketing environment. (A New Policy for the Atlantic Fisheries, 1983: 174)

Lack of stockfish production along with the serious weakening of the saltfish trade that took place in the last few decades, stands in the way of Newfoundland acquiring flexible processing capacity.

The fishing limit of Canada was moved out to 200 miles in 1977. Foreign overfishing is, therefore, no longer a problem and Newfoundlander along with fishermen in the Maritimes now have sole access to the huge groundfish resources of the east coast fishing banks. As, however, Atlantic Canada has not managed to do away with the aforementioned structural problems, an extended fishing limit has not prevented a recent depression of the fishing industry. The largest frozen fish processors have in the last few years been moving into a financial crisis. To prevent a closure of the processing industry the federal and provincial governments at the end of last year (1983) bought out the largest processing companies in Newfoundland. Despite this act, and a recent federal program aiming at an improvement in quality (The Quality Improvement Program), the future of the fisheries is uncertain.

CHAPTER 3: EXPORT ORGANIZATIONS OF THE FISHERIES

In this chapter export associations in the Newfoundland and Icelandic fishing industries will be discussed. In the theoretical discussion in Chapter 1 the conclusion was that economic development should be seen as a synthesis of an international structure's interplay with internal structures and political formations of a local economy. Export associations will be seen as a part of an areas internal development. The different success in establishing such organizations in Newfoundland and Iceland affected the development of the fisheries in these two areas. The chapter will concentrate on reviewing organization over export of the two most important production forms of groundfish, salted and frozen.

The nature and role of fish export organizations

Export organizations have an important function in the marketing of fish. They constitute an important alternative to each producer marketing the product on his own. Firstly they reduce overhead costs of marketing. Instead of each production firm running a marketing section sales would go through a single desk. An association of producers for marketing would prevent undercutting and distress selling. The exporters within a region, such as Newfoundland, would not compete against each other in foreign markets but instead present themselves united in the face of competition from foreign processors.

Distress selling refers to the selling of a few exporters in situations of marketing difficulties of their product at an exceptionally low price. An export organization would prevent such sales. This would result in an increased average yield for the industry as a whole. With their power of centralization and unity export organizations could also make a search for new markets easier and research on and introduction of more efficient production technology could be directed by the organization. In addition to this, a market country can unite buyers into purchasing only through a sole import agency. Within the saltfish trade buyers used this method to force sellers to lower prices. Organized marketing of fish exporters in each supplying country prevents such practise as buyers can no longer play fish exporters of the same country against each other.

Another important function of organized marketing refers to the nature of the product in question. The products of the fisheries are meant for human consumption and fish is an easily perishable type of food if not correctly processed and handled. Export associations can regulate and set a minimum quality standard disciplining each producer. This can give a better price for the product and increase buyer's confidence in fish coming from a certain region.

One more possible role of an export organization which will be further discussed in this chapter is the fact that such associations can develop interest and lobby roles. The

association can unite processors in pressing for what are perceived as the industry's interests toward such agents as state and labour.

In short a fish export association can develop a role beyond that of simplifying marketing procedure and preventing competition among local processors. A marketing organization can take part in solving common problems of a fish trade, examples of such being quality problems of the product and lack of markets. This role, which will be termed their developmental role, is of importance to the following discussion.

Newfoundland: organized export of the salt and frozen fish trades

This section will mainly be concerned with reviewing attempts to form fish export organizations in Newfoundland in this century. The failure of the producers to organize the trade voluntarily will be explained and the establishment of a crown corporation to handle marketing of the saltfish trade will be discussed.

a) The saltfish trade: problems of organizing for export

Newfoundland saltfish exporters never managed to organize successfully the export of their products. Some attempts of this nature were made. It is generally recognised that the two most important events in this context were the so called Coaker Regulations of the 1920's and the actual formation of a saltfish

export organization The Newfoundland Associated Fish Exporters Limited (NAFEL) at the end of the second world war. In this section of the paper these two attempts to organize the saltfish industry for export will be described along with a discussion on the important problem of why they failed to achieve their objective.

In the first world war the demand for salted fish expanded rapidly. This resulted in less care in handling the product and a decline in quality. Some saw a disaster facing Newfoundland if its products were not competitive in international markets when its competitors revived after the war. The situation needed to be acted upon. In an attempt to force quality improvement at the end of the war William Coaker, Minister of Marine and Fisheries of Newfoundland, issued a series of proclamations which imposed marketing regulations on the saltfish trade. These came to be known as the Coaker Regulations. ^{In 1920 a} commission was established with responsibilities for regulating all aspects of catching, processing, culling, warehousing, and transportation of saltfish.

The objective of these regulations was to establish a national grading system which would command respect in the markets and undercut buyer's claims relating to poor quality when the product was landed overseas. A board was created which had the task of establishing the minimum conditions under which a sale abroad would be allowed. The board was granted apparently strong powers. This involved minimum prices for a market and

maximum volume to be shipped at any time. The objective of this was to end distress-selling and pricecutting, and to stabilize returns on an annual long-term basis to the maximum level that the market could bear under orderly conditions of sale. These measures were seen by Coaker as a first step towards improving the quality of Newfoundland exports and the development of a national marketing agency (information from Alexander, 1977).

However, despite initial interest of exporters, the measures were not successful. Sudden distress selling by producers at prices below those established by the regulations, along with strong opposition to the measures by a few exporters and politicians led to the break of the regulation policy. The banks also took part in undermining the new policy. By an unexpected tightening of credit, the banks placed financial pressure on a number of firms which encouraged them to dispose of their fish rapidly and at prices below those established by the regulations (see Alexander, 1977: 23). The whole regulations were soon repealed and the industry went back to its 'free' form of marketing through individual producers. McDonald comments on the failure of the Coaker regulations:

The difficulty with the Coaker regulations policy was not that the Government had too much control, but too little. The chief problem of Newfoundland's export trade was its chronic instability and the skittishness of exporters notoriously incapable of any long-term cooperation. ... They realized that governmental intervention was the only answer, but they had not been prepared to give the government the necessary power to secure adherence to regulations set down by exporters themselves. (McDonald,

1975: 50)

The failure to organize the saltfish trade resulted in continuing problems for the fisheries. These problems became clear in the great depression of the 1930's. The Amulree commission, a Royal commission established by Britain in 1933 to look into the huge financial difficulties of Newfoundland, blamed much of these difficulties on the merchants' failure to organize through cooperation a national fishing industry which would be internationally competitive in the technology of catching, processing and marketing (see Alexander, 1977, 2). The problems of the depression resulted in the colony's political collapse - the loss of dominion status, and the substitution of a British Commission of Government for the representative and responsible institutions (so called Responsible Government) established in the nineteenth century.

The next serious attempt at organized saltfish marketing is the establishment of The Newfoundland Associated Fish Exporters Limited (N.A.F.E.L.). The important events leading to the formation of this organization were the following. In the 1930's, although cautious after the experience with the Coaker regulations, the Newfoundland government began introducing legislation attempting to encourage more disciplined selling. The most important act here was perhaps the "Act for the Creation of the Newfoundland Fisheries Board" in 1936. The board had authority to license premises where fish were handled, processed, and stored. More important the Newfoundland Commission Government

empowered the board to form groups or associations of licensed exporters. From 1936 and on through the war years the Fisheries Board encouraged the formation of boards of exporters supplying the same country or market. In the following year the "West Indies Codfish Association" was formed, and in 1938 the "Puerto Rico Exporters Limited". Marketing to Spain and Portugal were also later coordinated through the activities of the board.

It was, however, at the end of the second world war, that the board accomplished its most remarkable achievement when it took part in uniting all saltfish exporters into one association and the Newfoundland Associated Fish Exporters Limited (N.A.F.E.L.) was formed. The Fisheries Board awarded it the sole right to export saltfish from Newfoundland. According to Alexander NAFEL was a success in terms of the functions for which the company was established. The single-desk sales put an end to weak consignment sales and price cutting. Other positive issues were achieved with NAFEL's co-ordinated marketing. Alexander explains:

A major advantage of the single-desk operation was that the company could allocate supplies around the world to achieve a maximum global return: if the Spanish market, say, was suddenly closed, the company could immediately open negotiations in Greece or Italy without the threat of a weak seller being thrown into panic and driving down prices. In addition, there were significant scale economies to the operation. In its first year marketing costs under NAFEL fell to 1 1/2 per cent of sales, compared with the 5 per cent or more that had prevailed in the 1930's. (Alexander, 1977: 36)

However, less satisfactory features of the organization did

emerge. The most/notable problem was that NAFEL did not acquire the role of a development company, either on the marketing side or, most certainly, on the production side. Its export licence was granted with the premise that it would not buy fish on its own or interfere in any way in the negotiations between fishermen and merchants over the price of fish. This resulted in problems for the organization of amending the persistent problem of the Newfoundland saltfish trade, the quality problem.

To a large extent then, NAFEL was left stranded between the requirements of the market and what fishermen and merchants were prepared to offer. Its management was highly sensitive to the shifting requirements of the markets, but it could only exhort member-firms to produce what was required; it could not force them. The company, moreover, was organized to perpetuate at a higher level the old evil of tal qual buying, for claims from the markets that were accepted and paid were charged against all shippers in the pool, not only against the offender. Within the limits of the rough -and sometimes very rough- grading system operated by the Fisheries Board and its inspectors, there was no price incentive to deliver excellent quality and little penalty for offering the opposite. (Alexander, 1977: 37)

Although the association operated successfully for a number of years it experienced problems following a marketing crisis in 1949 and 1950. At this time various factors were also undermining the organization. According to Alexander (Alexander, 1977) lack of understanding of N.A.F.E.L.'s role by the provincial and federal government, opposition to the association, from Nova Scotia along with political bickerings within Newfoundland itself, led to its downfall. At the end of the fifties N.A.F.E.L.

had all but ceased operation.

The saltfish trade was back to its former state of marketing through individual exporters in the 1960's. The trade also continued its decline. At the end of the decade Newfoundlanders have lost nearly all of their markets in southern Europe due to quality problems and uncoordinated marketing. The volume of saltfish export was down to a trickle compared to previous shipments. Once again government stepped in to regulate the trade.

By the mid-1970's the saltfish situation had steadied out in Newfoundland. The new element was the Canadian Saltfish Corporation. After the continued troubles in the saltfish industry during the 1960's, including subsidies in 1967, federal fisheries minister Jack Davis (1968-1974) led the federal government into setting up the Canadian Saltfish Corporation in 1970 to handle all saltfish export from Newfoundland. (Canadian Fishing Report, 1933: 13)

Despite how recently it was established the organized marketing that came with the Canadian Saltfish Corporation has been functional to the saltfish industry in Newfoundland. It has prevented overexpansion by keeping the number of plants stable, a policy that proved beneficial when the problems of the 1980's hit the industry. It has given each producer on the average a higher price for the product as undercutting of prices between producers no longer exists. The corporation has reclaimed old saltfish markets in Spain and Portugal. However, the corporation also suffers from problems of organization. In this way it has to take all the fish brought to it. That includes small codfish caught

during the summer months which are hard to market (see Canadian Fishing Report, 1983: 12-13). The low quality of Newfoundland saltfish also makes marketing of the product difficult and the corporation does not seem to have as active a role in controlling quality matters as the the Icelandic saltfish export organization (see next section).

b) The frozen fish industry

The discussion on export organizations within the Newfoundland frozen fish trade will understandably be short as no such entity's exist. The frozen fish industry was until a recent governmental restructuring for the most part in the hands of four major companies: Fishery Products, the Lake Group, National Sea Products, and H.B. Nickerson. The firms have established re-processing plants in the United States for the purpose of finalizing the processing of the frozen fish in that country. This is made necessary because of high import tariffs on finalised fish products in the United States.

Iceland: the formation of export associations of the salt and frozen fish trades

Freezing and salting are the two most important processing forms of Icelandic groundfish. Export and marketing of these products is co-ordinated by export organizations. These associations were formed in the 1930's and 40's. This section will examine the reasons for the original formation of these

organizations and how their roles have developed since then. The associations in question are: within the saltfish trade Association of Icelandic Fish Producers (Solusamband islenskra fiskframleidenda or S.I.F.), which has monopoly on all saltfish exports from the country, and within the frozen fish trade: The Icelandic Freezing Plants Corporation (Solumidstod Hradfrystihusanna or S.H.) which handles over 2/3 of frozen fish products exported from the country.

a) The saltfish trade: the formation of S.I.F.

It was explained in Chapter 2 that saltfish production increased rapidly in Iceland in the first decades of this century. In the time period 1926 to 1930 saltfish had become the far most important export of the country constituting nearly 60% of total export value. Export was in the hands of five firms of which three were by far the largest (Kveldulfur, Alliance, and The Fish Sale Cooperative of Faxaflói). These firms were major producers themselves but also handled export for smaller producers. The exporters marketed separately in direct competition with each other. The Icelandic saltfish trade retained this form until the early 1930's.

In 1929 Icelandic saltfish exporters were experiencing difficulties related to various factors. Saltfish production both domestic and of competing countries had increased considerably going above the level the importing countries were able to receive. This resulted in a price drop in 1930 with

financial losses for those involved in the trade. After the experience of that year importers in the market countries refused to buy the saltfish at a fixed price but instead it had to be handled by commission. Added to this problem was a decrease in demand as an effect of the worldwide economic depression. As a result the price which the Icelandic producers received for the saltfish continued to decline. When Icelandic exporters faced bankruptcy they resorted to distress selling and vicious undercutting of each other. This was the situation in the year 1931. It was foreseen that 1932 would be an even worse year and that the Icelandic saltfish trade and the economy as a whole would suffer a severe depression if the situation was not acted upon.

Under these conditions the idea of unifying saltfish export into one marketing body received increased interest. Ideas of this nature had apparently been vocalised before but no serious attempts to unify were made until the arrival of the difficulties of the early 1930's. The incentive to form such an organization came from two main parties: the exporters and the banks. The position of the banks is interesting in comparison with the position banks took under similar circumstances in Newfoundland (i.e. when they took part in undermining the Coaker regulations). Valdimarsson states that the banks in Iceland experienced problems with the financial difficulties of the saltfish trade. They saw it as in their interest to restructure saltfish export. The role of the banks will be further discussed in the next

chapter.

As a result of these negotiations Alliance of Icelandic Fish Exporters (Sölusamband Íslenskra Fiskframleidenda or S.I.F.) was formed in which the three largest fish producing firms united their exports. Each firm along with two Icelandic banks elected members to the board of directors. The organization offered to handle the export of other producers. The banks encouraged their clients, the smaller producers, to accept that offer. The result was that S.I.F. handled for the rest of the 30's most of Iceland's saltfish export.

Within a relatively short time period the export of most Icelandic saltfish had been united into one marketing body. S.I.F., however, quickly came under attack. The association was criticised for operating undemocratically. Decisions were solely in the hands of the largest producers while smaller producers had no influence at all. This was, however, amended with a restructuring of the organization in 1935. It was decided that no member could acquire more than 8% of the total number of votes on decisions of the association. This change terminated the dominant role of the large exporters within S.I.F.

The most serious threat to the association came, however, from the governmental level. In 1932 when S.I.F. was formed resistance from government was not an issue. At that time Olafur Thors the manager of the biggest saltfish firm and one of S.I.F. establishers held the position of minister of industry. He

granted S.I.F. a monopoly on saltfish exports and since that time producers have needed to apply for official permits if they wanted to export outside the organization. However, in 1934, a leftist government took power. One of its main objectives was to deal with the economic depression by means of governmental intervention into industry. The fisheries were no exception to this policy. A governmental committee was established and fish exports become dependent upon licensing from this body. A bill was introduced in the Icelandic parliament which stated that granting of export monopoly on saltfish could only be given to an organization that had control of at least 80% of saltfish production. Various other requirements were also made which S.I.F. would have needed to fulfill. The objective of this legislation was clearly to take the marketing role away from S.I.F. and put it into the hands of the governmental agency.

The bill was the source of heavy debate in parliament. As S.I.F. , however, received support from important institutions such as Iceland's National Bank (Landsbanki Islands) important changes were made to the bill before it was passed. The conditions for S.I.F.'s operations were reduced to it only having to handle 65% of saltfish exports to retain its monopoly. Some of the requirements on its organizational structure were also removed from the bill. In fact Valdimarsson states that in the form the bill was finally passed it in fact strengthened the organization (Valdimarsson, unpublished).

Saltfish production declined in the second world war. After the war it revitalised. S.I.F. acted as an important agent in opening up again traditional saltfish markets and finding new ones. The organization, however, continued to receive resistance. This resistance was most persistent among producers that wanted to export their saltfish independent of the organization. In 1951 a bill was presented in parliament which would have permitted producers within The Federation of Co-Operative Societies (S.I.S.) to export independently of S.I.F. After a lengthy debate and strong protests from S.I.F., claiming that lifting the monopoly would undermine the Icelandic saltfish trade the co-operative was granted a limited export permit. It could export to Denmark and U.S.A. which are relatively unimportant saltfish markets. S.I.F. kept its monopoly on the most important markets in southern Europe. The debate over S.I.F.'s monopoly position, therefore, came out in S.I.F.'s favor.

In the first decades of its operation S.I.F. handled around 80-90% of all saltfish exports. The other 10-20% were in the hands of producers that managed to temporarily receive governmental permits to export on their own. Independent exports have apparently ceased ~~in~~ later years and S.I.F.'s monopoly position has, therefore, been strengthened.

In retrospect it appears that S.I.F. has been highly beneficial to the Icelandic saltfish trade. The association took part in relieving the problems of the 1930's by terminating

undercutting among local producers resulting in a higher average price for the saltfish. Market search and withholding ties with traditional markets has been an important function of the organization. S.I.F. has emphasised quality matters and controls the quality standard of the saltfish that leaves the island. Higher quality Icelandic saltfish won important markets away from inferior quality Newfoundland saltfish in the postwar era (see Alexander, 1977: 80). The organization seems to be capable of imposing detailed requirements on individual producers. In an article the present co-manager of S.I.F. explains that one of the marketing countries, Greece, had recently upgraded the quality standards on imported saltfish. The Greeks complained about codworm (a small harmless insect sometimes found in groundfish) in the cod they received from Iceland.

Supervisors from S.I.F. and S.I.F.'s agent in Greece traveled last spring between producers, explaining the problem to them and requesting that all fish destined for Greece be cleaned of worm. After some initial difficulties this problem was solved because of positive reactions on behalf of the producers. The latest report from Greece indicates that the quality of fish sent there has been high and the fish free of worm. (Haraldsson, 1982: 184) (translation from Icelandic mine)

S.I.F. has, therefore, taken an active role in handling the common problems of the saltfish trade of which quality matters is perhaps the most important one.

In Iceland salting was not given up for freezing but instead the more traditional method took its place in the flexible

processing capacity (see Chapter 2). The reason why the Icelandic saltfish trade did not decline as it did in Newfoundland must be partly attributed to the existence of a strong organization within the saltfish trade.

b) The frozen fish trade: the formation of S.H.

The modern method of freezing fish was first made possible with the rapid development in the late 1920's of the quick freezing method. This method provided fish exporting countries with an alternative method of freezing their products and transporting them frozen to other countries.

In Iceland this processing method became increasingly common in the 1930's. The Icelandic government established The Fisheries Board (Fiskimalanefnd) to handle various tasks which were felt that the frozen industry required. The functions of the board were the following.

- 1) The board marketed the frozen fish. It attempted to ensure high quality of the product.

- 2) The board was advisory on such matters as the size and construction of plants, machinery and equipment and purchased goods the industry needed. It stored fish for plants that lacked storing facilities.

- 3) The board supplied skilled personnel to direct in use of the quick freezing method.

- 4) The board provide loans to most of the freezing plants to help them in constructing facilities and the buying of machinery. (Bjorgvinsson, 1952: 10) (translation from Icelandic mine)

Members of the board were appointed by the Icelandic parliament. The producers themselves could not vote members to the board. In the year 1942 the owners of frozen fish plants showed interests in taking over the tasks of The Fisheries Board. At a meeting of 15 processors in Reykjavik the decision was made to form The Icelandic Freezing Plants Corporation. In a declaration released at the formation of the corporation the following was stated.

The objective of the Corporation is to sell sea products supplied by its members to foreign markets, to handle purchasing of goods for the industry and to experiment in new products and new production methods for the common benefit of the frozen fish industry. (Morgunbladid, 25.feb 1982: 23)
(translation from Icelandic mine)

The governmental board was disbanded and the corporation took over its tasks. S.H. was established as a voluntary association of fish producers. Final decisions of the association lie in the hands of a general meeting, where each freezing plant stands for one vote (from Nielsson, unpub. manuscript).

Since its formation the corporation has operated successfully. In 1980, 70 freezing plants operated within it. The corporation today handles 70 to 80% of all frozen fish exports from Iceland (the other 20 to 30% is exported through another corporation The Federation of Icelandic Co-Operative Societies) which makes up a total of around 100.000 tons of frozen seafood each year. The United States market is the most important market for Icelandic and Canadian frozen groundfish production. The

Icelandic Freezing Plants Corporation runs a processing subsidiary in the United States by the name of Coldwater Seafood Corporation. This subsidiary finalises the processing of the frozen fish as United States tariff laws make it uneconomical to finish the processing before the production is exported from Iceland.

The corporation has not limited its activities to coordinated processing and marketing, it also vocalises political interests of the industry. The corporation lobbies the Icelandic government and has pressed for economic measures that are seen to be to the advantage of the frozen fish industry such as devaluations of the Icelandic currency. It also has the power to elect members to governmental committees that handle affairs concerning the fishing industry (see Thormar, 1982).

In short the frozen fish industry in Iceland has since the 1940's been organized by a voluntary association of fish producers, The Icelandic Freezing Plants Corporation. The corporation has coordinated the export activities of the frozen fish industry and at the same time operated as an interest organization vocalising the industry's interest within Iceland.

Organizing for fish export in Newfoundland and Iceland: a comparison

The problem that will now be addressed is: what features were different surrounding the formation of fish exporting

associations in Newfoundland and Iceland can factors be identified which hampered the solidarity of Newfoundland exporters over the issue of marketing?

The export of Iceland's two most important producers has in the last forty years been organized by two voluntary associations of fish producers. Within the saltfish trade The Association of Icelandic Fish Producers has a near monopoly on saltfish export. The organization has cleared away competition between local producers. This along with the associations emphasis on maintaining a standard of quality of Icelandic fish has crucially strengthened the competitive position of the saltfish trade. Once a voluntary export organization was formed the saltfish exporters showed a remarkable determination to resist any change to that form of export. This is expressed in how well the association resisted both the overtaking of its functions by the Icelandic government and its succesful fight to retain the export monopoly.

With the rise of the frozen fish trade a voluntary export organization was also formed in this sector. Although export and the development of the industry is at first handled by a governmental body a voluntary organization of exporters The Icelandic Freezing Plants Corporation (S.H.) emerges to take on this role. S.H. establishes a sophisticated export and marketing system supplying frozen groundfish products to the United States and east European markets. Locally it acts as an interest organization for the fish processing industry.

The Association of Icelandic Fish Producers and The Icelandic Freezing Plants Corporation was formed in the thirties and early forties at the same time as events were leading up to the formation of N.A.F.E.L., which as has been shown was the most effective attempt to organize the saltfish trade in Newfoundland. Even though the time period is similar the nature of the formation of the two associations is different. The Icelandic associations are formed by a common agreement between the fish processors themselves. As was discussed the Association of Icelandic Fish Producers was voluntarily formed by the largest saltfish processors. In 1942 producers in the frozen fish industry decide to take coordinated marketing out of the hands of the government when The Icelandic Freezing Plants Corporation was formed.

Marketing organizations in Newfoundland never developed along a pattern similar to the Icelandic cases. The attempts that were made to organize marketing in Newfoundland did not occur by voluntary agreement among processors. Alexander makes a comment on this point. He is comparing the organization of marketing fish that came with N.A.F.E.L. with the organization of marketing of wheat that came with The Canadian Wheat Board.

(Fish) exporters had, not been beaten or overthrown; they had been more-or-less housetrained. Without the coaxing of the government and the Fisheries Board, it is certain no such co-operation would have existed in the trade by the end of the war. While it was assumed that fishermen would indirectly benefit from co-operative marketing, it was not like the Canadian Wheat Board, a system dragged out of a reluctant

government by hard-pressed but well organized primary producers. Co-operative marketing in Newfoundland, like Commission Government (the governmental form of Newfoundland from 1933 to 1949, comment mine) was an exercise in paternalism on behalf of both capitalists and fishermen, particularly the former. (Alexander, 1977: 33-34)

The disunity of fish exporters in Newfoundland is also an important explanation of why attempts at organized marketing were unsuccessful in Newfoundland. The pattern surrounding attempts to organize marketing in Newfoundland seems to have been the following. A depression in prices for fish and undercutting and competition between Newfoundland processors made clear the need for more organization in terms of exports. As processors were, however, unable to unite over the matter the government stepped in and encouraged through regulations organized export. The local government did this in 1920 with the Coaker Regulations and laws and regulations in the 1930's encouraged the formation of N.A.F.E.L. . Finally the federal government established a crown corporation in 1970 (The Canadian Saltfish Corporation) handling all saltfish export from Newfoundland, or what little was left of it at the time.

It is the lack of solidarity among fish processors in Newfoundland that seems to have prevented disciplined marketing of the fish products of the island. The problem that needs further analysis at this point pertains to the question; why did exporters in Iceland find it relatively easy to organize over the issue of coordinated marketing while solidarity on this matter

has never been achieved in Newfoundland?

Decisions concerning organized marketing will be used as examples of what Cardoso termed 'historical alternatives'. As discussed in Chapter 1 Cardoso sees decisions on these alternatives having an impact on an area's development. The argument has been made in this chapter and Chapter 2 that the failure to organize export of the saltfish trade in Newfoundland led to problems and took part in creating the present reliance of the fisheries on a medium quality low return frozen fish trade. The decisions of Icelandic fish producers in the 1930's and 1940's to form export associations were, however, acts that took part in establishing the Icelandic fisheries as a profitable entity. The problem that becomes apparant at this stage of the analysis could be worded in the following way: what led fish producers in the two areas to make such different decisions on the issue of marketing?

According to the conclusions of the theoretical chapter important historical decisions are the outcome of a struggle between interest groups and classes. Chapter 4 will examine how the nature of this struggle was different in the two areas. In reviewing these differences an attempt will be made to point out what were the most important factors in creating different decions by producers on the issue of organized marketing.

CHAPTER 4: ORGANIZED EXPORT; SOME EXPLANATIONS

In this chapter an attempt will be made to explain the most distinct differences of organized marketing in the fisheries of Newfoundland and Iceland. This difference is twofold; firstly Icelandic fish producers were more ready to form collective export organizations than their counterparts in Newfoundland. Export organizations were voluntarily formed and controlled by the fish exporters in Iceland. Secondly the export associations that were formed in Iceland have had a more successful history of operation compared with similar attempts in Newfoundland. Export organizations in the Icelandic salt and frozen fish industries have not only united the export of these products, they have also acquired a developmental role in processing. Examples of such tasks would be coordination of technological innovations for the processing industry and disciplining individual processors to turn out higher quality and more marketable commodities.

In Newfoundland, however, the fish exporters showed a remarkable reluctance to unite their marketing efforts, resulting in a more active role of official agencies in eliciting this response. Fish marketing organizations that were established in Newfoundland also functioned differently from their Icelandic counterparts. The defunct NAFEL and the present Canadian Saltfish Corporation did not acquire an active developmental role. Quality control of the organizations seems to have been minimal or non-existent. They were not allowed by official

The credit system existed in Newfoundland well into this century with relatively few changes.

Neis reviews how historical events of the late 19th century took part in fragmenting the Newfoundland merchants. The Newfoundland fisheries were hard hit by events in the late 19th century. Prices fell in the world market of saltfish in 1880-1884 and 1895-9 and this led to the collapse of local banks and withdrawal of capital by the merchants from the offshore sector. The Newfoundland offshore fisheries virtually disappeared after 1886. The role of the local banks was taken over by Canadian banks. These events were important in influencing what Neis terms the structural fragmentation of the Newfoundland merchant class.

Neis states that previous studies have recognized that underdeveloped areas are characterized by a considerable variety of historical relations of production, whose influence on the solidarity and organization of producers has been used to explain variations in the historical pattern of class struggle in Newfoundland. She is looking at the Newfoundland saltfish merchants in explaining the rise and decline of a labor organization, the Fishermen's Protective Union (F.P.U.). In her analysis an interesting insight is to be found into the structure of the Newfoundland merchant class.

Neis' analysis focuses on the fact that the F.P.U. was stronger in northeast Newfoundland than along the southwest coast. She finds the explanation for difference in support for

exporters organized voluntarily while unity was not achieved on this matter in Newfoundland.

But how should an examination of this nature be approached? The theoretical discussion in Chapter 1 concluded on the point that political and interest struggles in a specific area affects decisions on historical alternatives. Cardoso and the Canadian author that was reviewed, Bickerton, point out that class struggle can be seen as the most important sphere of this conflict. Cardoso stresses the significance of historical alliances or conflict between classes and class fractions within each area. Such an alliance or such conflict within the class structure will be termed in this thesis structural factors. One section of this chapter will be devoted to examine structural factors of the Newfoundland and Icelandic fisheries that affected the historically important decisions to organize marketing.

Even though the structural factors must be seen as important they should not be considered apart from their ideological context. An analysis of the struggle and alliance of classes and class fractions would not be complete unless the historical and ideological environment in which this struggle occurs would be analysed. One example of an important ideological difference will be presented in this thesis. Nationalism and national identification will be used as an example of an ideology that had a role in creating unity on organized marketing. In addition to this differences in the system of political party organizations

could have affected decision on organized marketing. In Iceland united fish merchants supported a party on the right while Newfoundland merchants did not unite under a local political party.

The following analysis will more frequently draw examples from the saltfish trade than the frozen fish trade. The reasons for this is on the one hand the fact that more sources exist on the development of the saltfish trade than the frozen fish trade (in the case of Newfoundland Alexander's "The Decay of Trade" and for Iceland Valdimarsson's unpublished history of S.I.F.). What furthers the importance of organized marketing of the saltfish trade is that it is probable that the frozen fish industry drew on the experience of the saltfish trade. In Newfoundland the frozen fish trade expanded (in the 50's) at a time when all attempts at organized marketing seemed to have failed within the saltfish trade in Newfoundland. These failures may have discouraged exporters from making similar attempts within the frozen fish industry. In Iceland S.H. (The Icelandic Freezing Plants Corporation) was formed after S.I.F. had been operating successfully for a number of years. The successful example the frozen fish trade in Iceland received from the saltfish trade in terms of organized marketing is, therefore, the opposite of the Newfoundland case. S.I.F. had proven that export organization were possible and beneficial in Iceland. S.I.F., therefore, encouraged the formation of S.H.

The examples that will most frequently be referred to in the case of Newfoundland are the Coaker regulations of the 1920's and the formation and dissolvment of NAFEL after the second world war. For Iceland the formation and the first operating years of S.I.F. in the 1930's will be the case example most frequently referred to.

Structural differences: the Newfoundland and Icelandic merchants

What will be termed here structural differences of the Newfoundland and Icelandic merchants refers to factors of the historical development of these groups. This involved a more rapid development of capitalism in Iceland than Newfoundland. While the Icelandic fisheries expanded as a capitalist enterprise, the Newfoundland merchants operated within a more traditional mode of production reflected in the so called credit system. A second important difference, heavily related to the first one, will also be mentioned. This refers to the Icelandic merchants themselves owning the means of their supply, the fishing vessels. In Newfoundland the merchants source of supply was, however, the independent inshore fisherman.

The Icelandic fisheries emerged in the early years of the twentieth century out of a traditional agrarian society. As was noted in Chapter 2 capital accumulation of the fisheries, especially following the trawler revolution led to the formation of a class of capitalist fish merchants and created an urban

working class along with other features of a capitalist society. The new production mode spread from the fisheries to other sectors of the Icelandic economy. The expansion of the fisheries has in fact frequently been referred to as Iceland's 'industrial revolution' (see for example Thorleifsson, 1977 and Olafsson, 1981). It is also of importance to note the nature of the operation of the Icelandic fish merchants. An important point to observe in this context is that new methods of catching (especially the trawlers) but not of processing was the main reason for the expansion of the Icelandic fisheries. The fish merchants supplied their processing facilities with trawlers they owned themselves. They, therefore, had control over both catching and processing.

In Iceland a capitalist class was created within the fisheries. The fisheries develop out of the rural farming Icelandic society with distinctly different features from the former mode of production. In this way crews of fishing vessels were paid in wages, not in kind as would have been the case had the ties been closer to the agrarian production mode.

In contrast to this the Newfoundland fisheries remain more closely tied to a non-industrial production mode. The intention is not to explain why the Newfoundland fisheries developed so slowly out of their traditional mode. It is, however, important to stress the historically different development of the fisheries of Newfoundland and Iceland which was pointed out in Chapter 2. The

Icelandic fisheries expand rapidly at the turn of the century. The opposite development occurs in Newfoundland. The Newfoundland fisheries were traditionally the most important economic activity of the island but in the late 19th century in the context of a series of difficulties, their importance declines. The Icelandic fish merchants must, therefore, be seen as a part of an expanding capitalist industry while the Newfoundland merchants were a part of a traditional structure experiencing a series of problems. By reviewing Neis's analysis of the structural fragmentation of the Newfoundland merchants the intention is to show how these differences in the development of the fisheries of Newfoundland and Iceland might have affected decisions on organized marketing.

Neis focuses on how important events of the late 19th century created problems that affected the structure of the Newfoundland fisheries. It is important to observe the credit system as it reflects important facts about the fisheries in this time period.

Under the credit system, merchants advanced fishermen the supplies necessary for the fishery at the beginning of the fishing season and took payments in the form of part of their catch at the end of the season. A formal system of price collusion between merchants, and the lien on the catch created by advancing supplies, reduced the possibility of competition between merchants. This created a quasi-monopoly situation within any given part of the island, allowing the local merchants to control both the price of fish and the price of supplies. (Neis, 1981: 130)

The credit system existed in Newfoundland well into this century with relatively few changes.

Neis reviews how historical events of the late 19th century took part in fragmenting the Newfoundland merchants. The Newfoundland fisheries were hard hit by events in the late 19th century. Prices fell in the world market of saltfish in 1880-1884 and 1895-9 and this led to the collapse of local banks and withdrawal of capital by the merchants from the offshore sector. The Newfoundland offshore fisheries virtually disappeared after 1886. The role of the local banks was taken over by Canadian banks. These events were important in influencing what Neis terms the structural fragmentation of the Newfoundland merchant class.

Neis states that previous studies have recognized that underdeveloped areas are characterized by a considerable variety of historical relations of production, whose influence on the solidarity and organization of producers has been used to explain variations in the historical pattern of class struggle in Newfoundland. She is looking at the Newfoundland saltfish merchants in explaining the rise and decline of a labor organization, the Fishermen's Protective Union (F.P.U.). In her analysis an interesting insight is to be found into the structure of the Newfoundland merchant class.

Neis' analysis focuses on the fact that the F.P.U. was stronger in northeast Newfoundland than along the southwest coast. She finds the explanation for difference in support for

the union to be in the level of fragmentation of the merchant class. The higher the level of fragmentation the harder it was for them to hamper the growth of the union. South-west coast merchants were less fragmented and managed to establish a higher level of co-operation than their northeastern counterparts.

The combination of a merchant class fragmented by divisions between wholesale and retail as well as by differences in size, access to credit and to resource, and a fishing in which petty production was a strong and viable force, provided the structural basis for competition between northeast coast merchants during the period 1900-1915. (Neis, 1981: 134)

Northeast coast merchants made several attempts to set local prices for fish and regulate the export trade between 1900 and 1915. However, competition regularly undermined these attempts. She identifies at least three main forms of competition between merchants on the northeast coast; struggles between wholesalers and retailers; competition between large export merchants; and, competition between large and small merchants, including speculators.

Neis finds the explanation for the fragmentation of northeastern Newfoundland merchants to be in historical factors of the late nineteenth century. Price fluctuations of saltfish in foreign markets caused less concentration of capital in the industry and a collapse of local banks. Disruption of ownership structure and different access to credit fragmented the merchant class.

Thus at the end of the 19th century, Newfoundland's merchant class consisted of a

range of firms with different degrees of access to credit, some heavily involved in the export trade and acting as wholesalers and others operating primarily at the retail level. (Neis, 1981: 133)

Because of these factors (and other more detailed ones not reviewed here) the merchants of Newfoundland seem to have been unable to organize for export. Neis is presenting certain structural conditions of the merchants, their relation to inshore fishermen, and other parties such as banks, which fragmented them at the beginning of this century. Neis' explanations are of value as they add explanations to the topic of this paper. Newfoundland saltfish merchants suffered, at least in certain areas of the island, from structural fragmentation which made it harder to organize the export trade.

Neis' analysis is interesting to compare with the Icelandic case. At the time of the formation of S.I.F. and S.H., in 1932 and 1942 respectively, Icelandic capitalists had a different and shorter history than similar groups in Newfoundland. The structural fragmentation might, therefore, be hypothesised to have not had as much time to develop as in Newfoundland when important decisions were made on organized marketing. One reason for the fragmentation in Newfoundland were the frequent collapses in prices for fish in the world market in the late 19th century. In the case of Iceland the marketing difficulties of the great depression are, however, the first major problems to affect the fisheries after they had become an important industry in the country. The fact that the problems may have been perceived as

more unique in Iceland could possibly have encouraged the 'new' class of Icelandic fish exporters to organize the saltfish trade. This argument, therefore, implies that the late 19th century price depressions in the context of other events fragmented the Newfoundland merchants, making them unable to unite later on the issue of marketing. At the same time the depression of the 1930's had opposite effects in Iceland. As the history and structure of the Icelandic merchant class was different from that of Newfoundland the depression of the 1930's actually united the Icelanders on the issue of organized marketing.

Another important point in this context relates to the fact that the Newfoundland merchants had the option of passing external difficulties, such as low market prices, over to the inshore fishermen through the credit system. As Neis explained the credit system allowed local merchants to control both the price of fish and the price of supplies which the inshore fisherman received. This option was not as readily open to Icelandic exporters as the capitalist operation of the fishing vessels was in their own hands. The Icelandic merchants may, therefore have seen organized marketing as the only possibility of maintaining profits, while alternative options existed for the Newfoundland merchants.

Political parties

The Newfoundland merchants lacked a strong unifying party

which could have acted as a forum for their interests. The fact that Newfoundland merchants did not support, nor were they supported by a definite local political party will be seen to have added to disunity on the question of organized marketing. Although the intention is to support this statement in this section it must be emphasized that this is merely put forward as a tentative hypothesis. A clarification on this matter would demand a more comprehensive analysis of the party system of Newfoundland and Iceland.

In Iceland the fish merchants had been united to form a political party when decisions were made in the depression of the 1930's to organize marketing. The formation of this party, the Independence party, must be seen in light of the development of Icelandic politics in this era. With the achievement of partial independence from Denmark in 1918 a remarkable shift occurred away from what have been termed nationalistic politics to what have been termed class based politics. The reason for this shift, beside the fact that politics of the independence struggle were over was the development of capitalism in the country. The industrial development of the country created parties with followings based on social class rather than approaches to the issue of independence from Denmark. The most substantial party on the right was at first the Conservative party (Ihaldsflokkurinn) formed in 1924. In 1929, however, this party and another party on the right united to form the Independence party (Sjalfstaedisflokkurinn). This party has ever since its

formation been a party with a strong following, attracting a substantial portion of the vote and has been frequently a member of coalition governments. Thorleifsson comments on the popularity of the Independence party and its electoral base shortly after its formation.

... in the first election the party participated in (the national election of 1930) it received 48% of the total vote. This support came from all social classes which had also been the case with the Conservative party. Nearly all traders (kaupsyslumenn) and fish merchants supported the party. (Thorleifsson, 1977: 196) (translation from Icelandic mine)

The independence party was, therefore, a party with a strong following which had the united support of the fish merchants.

In Newfoundland no strong political party on the right existed into which the merchants might have united their local political efforts. One reason for the lack of such a party was the peculiar nature of the party system within Newfoundland in the political system of Responsible Government. Again it will be necessary to draw on an analysis of the Fishermens Protective Union although the operation of that organization is not a part of this analysis. In explaining the problems the F.P.U. had in forming alliances with other political elements around the year 1920 McDonald suggests.

Despite the fact that the FPU held eleven assembly seats, the political system was at once too rigid and too fluid for the successful operation of its political strategy, which entailed the sharing of ministerial responsibility: rigid in that the power of the Roman Catholic Church and Water Street seemed insurmountable obstacles

blocking union cooperation with opposition elements, and fluid in the sense that Newfoundland politicians were showing an increasing disposition to operate on an individual level. ... Political parties were increasingly becoming mere aggregates of individuals, who were for the most part unable to define Newfoundland's interests, let alone serve them, and who had settled for maintaining their own self interests. (McDonald, 1980: 170-171)

By observing McDonald's argument it becomes clear that although merchants in Newfoundland constituted a powerful force they were never united to form a political party.

It will be suggested that the difference between Newfoundland and Icelandic fish merchants in terms of local political organization was a factor in the differences in organized marketing that was experienced in the two areas. When the important decision was made in the early 1930's to form S.I.F. the Icelandic fish merchants had established their support behind one political party. The importance of this party (the Independence Party) was made clear in Chapter 3. According to Valdimarsson's history of S.I.F., the party strongly supported the formation of the export association and defended S.I.F. against attempts to have the marketing role minimized or taken away from the organization.

A strong and coherent political party in Newfoundland could have aided the fish merchants in realising and defining their common problems of which the clearest one was the need for organized marketing. The nature of Newfoundland politics in this

time period did, however, not allow the formation of such a party.

An ideological factor: the role of nationalism.

A possible explanation for more success in forming export organizations in Iceland than in Newfoundland could be seen in light of differences in nationalistic orientation of the two communities. As has been explained, one of the main functions of export organizations is to unite producers of a certain area in the face of foreign competition. This, however, involves the problem of identifying boundaries of unity within which members of an organization see themselves. Here, ideologies such as nationalism and national identity can play a role. In the case of Iceland national identification is strong. This is especially true for the period around the formation of S.I.F. and S.H.. In this time period the finalization of the Icelandic independence struggle with Denmark was witnessed. In a national referendum in 1944 with a turnout of 98.6% , 97.4% voted for total independence of the country (see Thorleifsson, 1973, 237). It is likely that fish exporters supported the high degree of nationalism that is reflected in these numbers. As this is, however, an important point it must be examined further. Separation from Denmark did not involve problems of market access or similar difficulties which would have made the fish merchants see the independence struggle as a threat to their interests. Iceland had in the first decades of this century become less dependent on trade with

Denmark. A good example of this is the one mentioned in Chapter 2 where it was explained how the saltfish trade moved away from being a Danish enclave to Icelandic merchants shipping their products directly to the marketing countries of southern-Europe. The hypothesis will be put forward that nationalistic ideologies and a clear idea of national boundaries lessened problems of forming export organizations in the Icelandic fisheries.

Within Newfoundland regional or national identification constitutes a more complex matter. In the time period under observation here (i.e. from the Coaker regulations at the end of the first world war to the present) Newfoundland moved from the status of a British colony to confederation with Canada. Ideas of what the political status of the region should be were in considerable conflict. The 1949 referendum on the matter of confederation accepted it with only a slim majority, reflecting a great deal of conflict on the matter.

In this context the formation of export organizations involved difficulties in establishing their jurisdiction. Should they be limited to certain areas of Newfoundland. Or should they be limited to Newfoundland and Nova Scotia (the two largest groundfish producers), or possibly be extended over Canada as a whole? The breakup of N.A.F.E.L., the most complete attempt at forming an export organization in Newfoundland occurred partly because of the idea of forming one export organization for all of Atlantic Canada (which never materialised), (see Alexander,

1977). Lack of a strong ideology of nationalism is hypothesised here to have hampered the formation of voluntary export associations.

Unexplained factors: position of banks and ownership structure

After a review of possible explanations of why or why not exporters decided to organize fish export in Iceland and Newfoundland unclear matters must be mentioned. These matters are the position local banks took on organized marketing and secondly the nature of ownership structure of processing firms.

a) position of local banks

It was mentioned in Chapters 2 and 3 that banks in Newfoundland took part in undermining the Coaker regulations of the 1920's. In Iceland, however, the banks were active supporters of the formation of S.I.F. This radically different stand of the banks on organized marketing could be part of an explanation of why it was easier for fish exporters to organize over export in Iceland than Newfoundland. Decisions of important financial institutions must always be seen as having an influential role, as fish merchants depend upon the banks for necessary credit.

What, however, could explain this difference in the attitude of the banks must remain speculative. In the sources this thesis has made use of the position of the banks on organized marketing is noted without a thorough explanation of their stand (the most important sources on this were for Newfoundland; McDonald, 1975

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clear at certain historical moments. In Newfoundland marketing attempts occurred following both world wars as the threat of revitalized high quality foreign competition after the wars was apparent. In Iceland the saltfish trade was organized in an attempt to ease some of the difficulties created by the great depression. Despite the realization of the positive functions of organized marketing, producers were unable to unite over the matter in Newfoundland. The result was the decay of the saltfish trade and a general weakening of the Newfoundland fisheries. Voluntarily formed organized marketing, however, helped the Icelandic fisheries continue its expansion and solidified its role as the most important industry of the country.

The reasons for different decisions on the important matter of organized marketing can be related to a complex of factors in the social and economic structures of the two areas. The explanations put forward in the thesis focused on the different nature of the Newfoundland and Icelandic merchants at the time of decisions on organized marketing. The Newfoundland fish merchants were in the early decades of this century part of a traditional economic structure that had experienced a series of problems that had given rise to internal conflicts. In contrast, the Icelandic merchants were part of a new and rapidly emerging capitalist industry. These 'new' capitalists were concluded to have been more free of structural fragmentations than fish merchants in Newfoundland. Other factors that could have added to the unity of organized marketing in Iceland, include the fact that Icelandic

main concern in this context is concentration of ownership and how this might have influenced decisions on organized marketing. If the contemporary situation of the frozen fish industry of both Newfoundland and Iceland is observed the following pattern emerges. In Iceland ownership of processing firms is diversified while considerable concentration exists in Newfoundland.

The processing firm to receive the largest amount of groundfish of any company in Iceland in the year 1971 was Utgerðar fel. Akureyringa of Akureyri. This quantity 11,964 tons, however, constituted only 4.5% of the groundfish catch that went into freezing that year (see Framkvæmdastofnun Ríkisins, 1975). A few other processing firms in the capital and the major fishing port The Westman Islands handled a similar capacity, the remaining processing being imposed by smaller companies in outports around the island. As can be seen by these facts the processing companies are small and even the largest firms limit their activities to a single port.

The experience in Newfoundland has been different. Before a recent governmental restructuring of the industry, the processing industry was dominated by a few large companies. Before the restructuring 153 groundfish processing holders existed in Newfoundland. However, production in the plants owned by the four large firms (National Sea Products, Fishery Products, The Lake Group, H.B. Nickerson) accounts for approximately 80 per cent of Newfoundland's output of fresh and frozen products (see A New

Policy for the Atlantic Fisheries, 139).

In the context of organized marketing this difference could be important. An array of small exporters would be more willing to unite their export into a marketing association. The reduction in overhead costs would for example be an obvious benefit to each of the small producers. At the same time large companies could more readily perceive each other as competitors and with the high output of each company they might prefer to continue marketing independently.

It, however, remains unclear how effective this factor was in the time period that was most heavily focused on in this thesis. As was noted in Chapter 3 saltfish processing and saltfish export was heavily concentrated in Iceland at the time of the formation of S.I.F. . Three firms were the largest with one (Kveldulfur) handling up to two third of saltfish export. The manager of the largest firm was one of the strongest advocates of the formation of S.I.F. . Even though Kveldulfur went bankrupt in the depression and ownership concentration of Icelandic processing facilities later became more diversified the existence of the large companies make clear that ownership of the fish processing industry was not diversified when the historically important decision of forming S.I.F. was made. An analysis of the important relationship between ownership concentration and decisions on forming marketing associations will, therefore, be left for further research.

CONCLUSION

This thesis concludes that the theoretical approach of Cardoso et al. to economic development can be applied to an understanding of the economic development of Newfoundland and Iceland. Decisions on historical alternatives were identified in the history of the fisheries of Newfoundland and Iceland. The ability of Icelandic fish exporters to form and maintain export associations in both the saltfish trade (from 1932 with S.I.F.) and the frozen fish trade (from 1942 with S.H.) furthered the expansion of the Icelandic fisheries. The Newfoundland saltfish trade is currently organized through the Canadian Saltfish Corporation (C.S.C.) but this organization was formed considerably later (in 1970) than the Icelandic organizations. The history of the saltfish trade demonstrates that Newfoundland fish exporters failed to operate voluntary export associations. It was related to this that organized marketing attempts in Newfoundland have been more limited in scope than similar Icelandic efforts. In this way the Canadian Saltfish Corporation has a limited role in terms of quality control and authority over what fish merchants produce. The corporation can also be viewed more as an official attempt to 'patch up' a crisis (of the late 1960's) than a serious effort at reorganizing production and marketing of saltfish.

Both in Newfoundland and Iceland attempts were made to organize fish marketing when the need for such structures became

clear at certain historical moments. In Newfoundland marketing attempts occurred following both world wars as the threat of revitalized high quality foreign competition after the wars was apparent. In Iceland the saltfish trade was organized in an attempt to ease some of the difficulties created by the great depression. Despite the realization of the positive functions of organized marketing, producers were unable to unite over the matter in Newfoundland. The result was the decay of the saltfish trade and a general weakening of the Newfoundland fisheries. Voluntarily formed organized marketing, however, helped the Icelandic fisheries continue its expansion and solidified its role as the most important industry of the country.

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fish merchants had unified in support of a political party, the Independence Party, before the first marketing organization was formed in 1932. No such internal solidarity in terms of party support existed in Newfoundland depriving the merchants of a possible forum in which common disagreements could have been addressed. Adding to the unity of Iceland's merchants was the process of nation building that was taking place in the country. A clear idea of national identity is seen to have made it easier for Icelandic fish merchants to organize marketing and face foreign competition united.

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