



Foreign and Commonwealth Office

London SW1A 2AH

15 February 1982

Dear John,

Visit by President Vigdis Finnbogadottir of Iceland

President Vigdis is visiting the UK from 16 to 19 February as a guest of Her Majesty's Government. This is the first official visit by an Icelandic President since the State Visit of President Asgeirsson in November 1963 (although President Eldjarn visited the Isle of Man in 1979 for the Millennium celebrations and President Vigdis herself attended the Royal Wedding).

The Cod War has passed into history and Anglo-Icelandic relations have returned to normal. The purpose of this visit therefore, both from our own and the Icelandic point of view, is to underline this fact. In addition we want to bring Iceland to the notice of the general business public as trade with Iceland has shown an overall decline over the last few years (see Brief No 3).

The President will be accompanied by the Icelandic Foreign Minister Dr Johannesson who will have talks with Lord Carrington in the FCO before joining the Prime Minister and President Vigdis.

There are no fixed agendas for either meeting. However, we understand that the President is likely to be interested in discussing Education (see Brief No 1A), Equal Opportunities, Conservation of the Environment (see Brief No 1C) and Inflation (see Brief No 2C). As a non-executive Head of State, President Vigdis prefers to avoid substantive discussion of major political issues.

Our main objective in both talks will nevertheless be to encourage the Icelanders to continue to adopt the robust stand they have taken on recent world events and especially Poland (see Brief No 2B). Iceland's geo-strategic position is of crucial importance to NATO, but her political system and a national inclination to isolationism mean that she cannot be taken for granted.

For the Prime Minister's talks I attach the following Annexes:

- (a) Programme
- (b) Draft Speech
- (c) Personality Notes
- (d) List of Briefs
- (e) Check-list of Points to Make
- (f) Briefing Pack 1-3

A J Coles Esq
10 Downing St

Yours over.
[Signature]
(F N Richards)
Private Secretary

VISIT BY PRESIDENT VIGDIS FINNBOGADOTTIR OF ICELAND

17-19 FEBRUARY 1982

LIST OF BRIEFS

1. Education
2. Equal Opportunities for Women
3. Conservation of the Environment
4. Internal Scene
5. East West/NATO
6. Economic
7. Bilateral Relations including Trade
8. Personality Notes

VISIT BY PRESIDENT VIGDIS FINNBOGADOTTIR OF ICELAND:

17-19 FEBRUARY 1982

EDUCATION

POINTS TO MAKE

- I Organisation of Secondary Schools (understand Iceland is introducing Comprehensive secondary schools).
- II School Curriculum (understand Iceland has compulsory schooling from 7-15).
- III 16-19 (Iceland has many separate vocational schools).
- IV Overseas Students' Fees (If raised).

1. Government policy to welcome overseas students, but to ensure that cost of providing for them is covered by the fees. Public expenditure constraints prevented us from continuing to subsidise overseas students' fees; 1979/80 the subsidy running at £100 M a year, or 60% of average real cost of each course. 1971 to 1979 the number of overseas students rose from 39,000 to 87,000, an increase of 123%.

2. We are monitoring the effects of introducing full cost fees. The Overseas Students Trust, a voluntary body founded by industry, is reviewing policy options on overseas students' fees, and we will consider their recommendations carefully when they are available.

VISIT BY PRESIDENT VIGDIS FINNBOGADOTTIR OF ICELAND:

17-19 FEBRUARY 1982

BACKGROUND FACTS

1. 1979 legislation removed compulsion on local authorities to phase out the remaining selective Grammar schools; some authorities took advantage of this to reverse Comprehensive plans. In 1981 89% of all secondary pupils were in Comprehensive schools. The Government's Assisted Place Scheme supports able children from less well-off families at independent schools, giving them a wider range of educational opportunities.
2. Primary schools have an overriding responsibility to teach English and Mathematics, as part of a broad curriculum. Secondary school pupils up to 16 should also follow a broad curriculum, covering key subjects, but related to life outside the school. Recent report by Professor Cockroft concludes that Mathematics teaching is unsatisfactory and that major changes are needed in the way Mathematics is taught.
3. Because of falling pupil numbers, local authorities have been urged to review their provision for the 16-19 age group.
4. Proposals for a new pre-vocational examination at 17+ for both school and college use, have been published.
5. Measures costing some £500 million aimed at relieving acute unemployment were announced in July. They included £60 million next year to enable 50,000 more young people to continue in full-time education.
6. Proposals for a new Youth Training Scheme, and an expansion of the present unified vocational preparation schemes were contained

/in



in December's White Paper 'A New Training Initiative: Proposals for Action'.

ICELANDIC STUDENTS IN UK

7. 124 students from Iceland studying in the UK from 1979/80. 94 in universities (43 under-graduates; 51 post-graduates); 20 in advanced further education; 10 in non-advanced further education.

8. In 1980/81 (the first year affected by increased overseas students' tuition fees) the total dropped to 96: 78 in universities (36 under-graduates; 42 post-graduates); 15 in AFE, 3 in NAFE.

9. Five Icelandic post-graduate students were offered bursaries under the Bursary Scheme for Talented Students, administered by the Committee of Vice-Chancellors and Principals, for 1981/82.



VISIT BY PRESIDENT VIGDIS FINNBOGADOTTIR OF ICELAND:

17-19 FEBRUARY 1982

EQUAL OPPORTUNITIES FOR WOMEN

POINTS TO MAKE

1. The United Kingdom Government is fully committed to eliminating discrimination and promoting equal opportunities for women.

2. The United Kingdom plays a full part in the work of the United Nations, European Community and Council of Europe and supports the activities undertaken by those bodies to improve the status of women.



VISIT BY PRESIDENT VIGDIS FINNBOGADOTTIR OF ICELAND:
17-19 FEBRUARY 1982

EQUAL OPPORTUNITIES FOR WOMEN
BACKGROUND INFORMATION

Sex Discrimination Legislation

1. The Sex Discrimination Act 1975 and the Sex Discrimination (Northern Ireland) Order 1976 make sex discrimination unlawful in employment, training and related matters, in education, in the provision of goods, facilities and services, and in the disposal and management of premises. The legislation gives individuals a right of direct access to the civil courts and to industrial tribunals for legal remedies for unlawful discrimination.

Equal Pay Legislation

2. The Equal Pay Act 1970 and the Equal Pay Act (Northern Ireland) 1970 make it unlawful to discriminate against a woman on the grounds of sex in regard to pay and other terms of her contract of employment (eg. overtime, bonus, output and piece-work payments, holiday and sick leave entitlement) when she is employed on work of the same or broadly similar nature to that of a man or in a job which, though different from that of a man, has been given an equal value to the man's job under job evaluation.

The Equal Opportunities Commission

3. The Equal Opportunities Commission was established in December 1975 by the Sex Discrimination Act 1975. It has statutory duties to work towards the elimination of discrimination and to promote equality of opportunity between men and women generally. The Commission also has a general responsibility for advising the Government on the working of the Sex Discrimination and Equal Pay Acts, and it is also a principal source of information and advice for the general public about the Acts. (The Northern Ireland EOC has similar powers.)
4. In January 1981 the Equal Opportunities Commission submitted to the Government 25 proposals for amending the sex discrimination legislation. The proposals, some of which would have far-reaching implications if implemented (eg. equalisation of pension ages for men and women), are being given careful and sympathetic consideration. But the Commission is aware that there is little probability

of Government time being made available for their implementation in the near future.

Positive action

5. The legislation does not permit "reverse discrimination" : for example, it is unlawful to discriminate in favour of women in recruitment or promotion. It does, however, permit employers to encourage women to train for a particular form of work or to give preference to women in allocating training places, provided it can be shown that women have been under-represented in that work over the previous twelve months. Training bodies may provide training courses to meet women's special needs (for example, courses for women returning to work after bringing up a family) and a further exception permits trade unions and professional organisations to take positive action to ensure that both sexes are fully represented at various levels in the organisation.

The United Nations Convention on the Elimination of all Forms of Discrimination against Women.

6. The United Kingdom signed the Convention in June 1981 and the Government is now actively pursuing consultations in the hope that it will prove possible to ratify the Convention. This will take some time, partly because the Convention itself covers a very wide field and bears on the responsibilities of many Government Departments, and partly because of the need to consult the Channel Islands, the Isle of Man and the Dependent Territories. There is also more than one legal system to take into account.
7. Iceland has signed but not yet ratified the Convention.

Home Office
10 February 1982

VISIT BY PRESIDENT VIGDIS FINNBOGADOTTIR OF ICELAND: 17-19 FEBRUARY

TITLE OF BRIEF: CONSERVATION OF THE ENVIRONMENT


BACKGROUND INFORMATION

NATURE CONSERVATION

1. The main area of a potential divergence of views between the UK and Iceland is in respect of whales. HMG's policy is to seek an indefinite ban on all commercial whaling within the International Whaling Commission (IWC) framework, until catch limits can be determined to prevent a continuing decline in stocks and until satisfactory killing methods can be developed.

2. Annual IWC Meeting in Brighton in July 1981 agreed, with strong UK support to extend the existing ban on use of cold-grenade (non-explosive) harpoon to Minke whales as well as other species.

3. Iceland has exercised her right under the 1946 Whaling Convention to object to this measure, which will therefore not be binding on Icelandic operations (Norway and Japan have made similar objections). UK has formally expressed 'disappointment' at the Icelandic and other objections with the hope that they can be withdrawn as soon as possible.



4. The IWC has also agreed a ban on the taking of Sperm whales
from the 1982 season until a resumption can be agreed on the basis
of scientific advice. There is an exemption for 1982 in the
North Atlantic to enable Iceland to phase out its operations.

DOE

10 February 1982

VISIT BY PRESIDENT VIGDIS FINNBOGADOTTIR OF ICELAND: 17-19 FEBRUARY

FORESTRY IN BRITAIN

EXTENT

1. Britain has 1.8 million hectares of productive woodlands divided equally between the Forestry Commission and the private sector. These comprise 9% of the total land area which, but for Ireland, is the lowest percentage in the European Community. They produce 9% of the domestic wood requirements and production is expected to rise to between 15% and 20% by 2025. The predominant species are coniferous because most of the land available for forestry is too poor or too exposed to support broadleaves satisfactorily.


ADMINISTRATION

2. The Forestry Commission, whose responsibilities do not extend to Northern Ireland, was set up in 1919. In its forestry authority role it is responsible for advising on and implementing forestry policy, grant-aid to the private sector, research and plant health. It also manages the forestry enterprise, ie the government-owned woodlands. The present Chairman is Sir David Montgomery. The Commission post-dates the Icelandic Forest Service which was established before the first World War.

POLICY

3. Successive governments have supported the expansion of forestry and the mixed economy approach. On 10 December 1980 the present

/government



government reaffirmed its support for further expansion in order to reduce the nation's dependence on imported wood and to provide continued employment in forestry and the wood-using industries. The government considered that there was scope for expansion to continue for the immediate future at broadly the historic rate of the last 25 years (30,000 hectares per annum) while preserving an acceptable balance with other rural interests. There would, however, be greater participation by the private sector, and in accordance with the policy of reducing public expenditure the Forestry Commission's dependence on the Exchequer would be reduced by the proceeds of selling some of its land and plantations. Sales are now proceeding.


AID FOR THE PRIVATE SECTOR

4. A new grant scheme was introduced last October, old schemes are being phased out. There are differential rates of grant in recognition of the higher costs of small-scale planting and of planting broadleaves. The initial response has been encouraging and suggests a return of confidence in the industry. These are special income tax and CTT arrangements for forestry which recognise the long-term nature of the industry.

WOOD MARKETS

5. Markets and prices for wood have been depressed, reflecting the general economic situation, and markets for small roundwood have also suffered from the closure of pulpmills at Fort William, Ellesmere Port and Bristol. The effects of the closures have been partly alleviated by exports to Scandinavia but the aim for

/the longer



the longer term is to encourage new investment at home, steps are being taken to this end. There has been recent new investment in the sawmilling of British grown softwoods which is expected to increase as the sawlog supply doubles over the next 15 years.

EMPLOYMENT

6. Total employment in forestry and the wood processing industries is about 30,000.

CONTACTS WITH THE ICELANDIC FOREST SERVICE

7. The Forestry Commission has contacts with the Icelandic Forest Service and is at present helping them with research on spruce seed collected from British Columbia. Mr Sigurdur Blondal, Director of the Icelandic Forest Service, toured Commission forests in Scotland in May 1978. The topics discussed included new afforestation, crop protection, wildlife, landscaping and conservation.

ICELAND: INTERNAL POLITICAL BRIEF

1. A former Danish dependency, independent since 1944. Parliamentary elections required every four years, but governments usually unstable coalitions. Party strengths in Althing and list of Cabinet attached. Political equivalents with UK (approx) as follows:

Independents	=	Conservatives
Progressives	=	Farmers and Cooperatives
Peoples' Alliance	=	Left-wing Socialists with Communist elements
Social Democrats	=	Labour

2. The formation of a Coalition Government under Gunnar Thoroddsen in February 1980 was a surprising move since it involved his departure, with two other Independence Party colleagues, from the main body of the party, which remained in Opposition. Although a loose system of consultation was instituted between the two wings of the Independence Party, Thoroddsen, as Vice Chairman, was initially seen by fellow members as having betrayed the party by going behind the back of its leader, Geir Hallgrimsson.

3. The government itself appears stable, although with a majority of only one it could fall at any time. Gunnar Thoroddsen himself at 71 may be a weak link. Though unorthodox, the government does not appear unpopular and the inclusion of Olafur Johannesson (Progressive Party), as Foreign Minister, can have done nothing but good for the coalition.



PARTY REPRESENTATION IN THE ICELANDIC PARLIAMENT AND CABINET

PARLIAMENT

Independence Party	22
Progressives	17
Social Democrats	10
People's Alliance	<u>11</u>
	60
	—

CABINET

Independents	3
Progressives	4
People's Alliance	<u>3</u>
	10
	—

THE ICELANDIC GOVERNMENT

Ministers

Prime Minister	Dr Gunnar Thoroddsen, Vice-Chancellor, Independence Party
Foreign Affairs	Olafur (David) Jóhannesson, Progressive Party
Agriculture	Palmi Jóhnnsson, Independence Party
Fisheries and Communications	Steingrimur Hermannsson, Chairman, Progressive Party
Industries	Hjorleifur Guttormsson, Peoples' Alliance
Education and Culture	Ingvar Gislason, Progressive Party
Commerce	Tómas Arnason, Progressive Party
Health, Insurance and Social Affairs	Svavar Gestsson, Peoples' Alliance
Justice and Ecclesiastical Affairs	Fridjón Thórdarson, Independence Party

ICELAND - BASIC STATISTICS, 7.7.81

Population (thousands)	1979	228
Labour Force (thousands)	1979	94.5 (estimate)
Unemployed (% of labour force)	1979	0.4%
Gross Domestic Product (US \$)	1979	2.47
	1980	2.80
Annual Rate of Growth of Volume of GDP (%)	1979	2.7
	1980	1.3
Annual Rate of Growth of Industrial Production (%) (Manufacturing Industry)	1979	5.5
Fish Catch (%)	1979	+5.4
	1980	-8.9
Consumer Prices (change over year earlier) (%)	1979	27.0
	1980	54.6
Balance of Payments on Current Account (US \$ million)	1979	-23.1
	1980	-100 (OECD estimate)
Trade with United Kingdom		
UK Exports to Iceland	1980	£47.2 million
UK Imports from Iceland	1980	£82.0 million



VISIT OF PRESIDENT VIGDIS FINNBOGADOTTIR
17 - 19 FEBRUARY

EAST/WEST: POLAND

POINTS TO MAKE

Icelandic Attitude

1. Welcome Iceland's firm public stand on Poland, and funds for humanitarian assistance.

VISIT BY PRESIDENT VIGDIS FINNBOGADOTTIR OF ICELAND
17-19 FEBRUARY

EAST-WEST: POLAND

Background Information

Icelandic Attitude

1. Icelandic statements on Poland have been robust and in line with other NATO Allies. Although the Icelanders are not taking active measures against Poland, they have now provided funds for humanitarian assistance to Poland. At the NAC Meeting on 3 February, the Icelandic representative reported that a Soviet approach on the possibility of three Soviet factory ships carrying out experimental fishing off Iceland had been rejected.

EASTERN EUROPEAN AND SOVIET DEPARTMENT

10 FEBRUARY 1982



VISIT BY PRESIDENT VIGDIS FINNBOGADOTTIR OF ICELAND:
17-19 FEBRUARY

NATO ISSUES

POINTS TO MAKE

Icelandic Contribution to NATO

Value Iceland's contributuion through facilities
available at Keflavik. Vital r^ole in defending Western
security interests in North Atlantic.



VISIT BY PRESIDENT VIGDIS FINNBOGADOTTIR OF ICELAND:

17-19 FEBRUARY

NATO ISSUES

BACKGROUND INFORMATION

Icelandic Contribution to NATO

Iceland has never had armed forces. Only reluctantly joined NATO, but clear majority of Icelanders now support membership. Principal contribution is through Defence Agreement of 1951 with US, which grants latter use of Keflavik. Of crucial importance in wartime as base for surveillance, interception, air defence and attack operations against Soviet naval movement into the North Atlantic.

Defence Department
10 February 1982

VISIT BY PRESIDENT VIGDIS FINNBOGADOTTIR OR ICELAND:

17-19 FEBRUARY 1982

THE ICELANDIC ECONOMY

BACKGROUND INFORMATION

Economic Structure and Output

1. Iceland has a small open economy with exports dominated by fish products (75%). Real GNP grew at $3\frac{1}{2}\%$ p.a from 1975 to 1980, then by $1\frac{1}{2}\%$ last year and it is projected by the OECD to grow another 1% in 1982. The economy is at full employment - in fact there are labour shortages.

Balance of Payments

2. A current account deficit of $3\frac{1}{2}\%$ of GNP in 1980 was all but eliminated in 1981 due to sustained growth in exports by the fishing and energy-intensive industries (aluminium and ferrosilicon processing).

Interest rates

3. Real interest rates were negative for several years with consequently low household savings. Government bonds now give a real rate of return of 3-6%. Investment fell last year and is below the level achieved in 1974.

Inflation

4. Iceland's major economic problem: it rose from 30% pa in 1977 to 57% in 1980, was 55% in 1981, and is forecast by the OECD to be 40% this year. The cost-of-living index has not been rebased since 1964 and gives excessive weight to agricultural produce (which have government-influenced prices for milk and meat).

5. Wage negotiations will begin again in May.

Monetary and fiscal policy

6. Monetary targets are not set. Kronur M3 rose 55% in the year to October 1980 and 85% in the next 12 months. Central government ran a fiscal surplus in 1981.

Exchange rate

7. The consequence of Iceland's inflation rate persistently exceeding the rest of the OECD's has been a fall in the exchange rate from 119 US cents per Kronur in 1973 to $10\frac{1}{2}$ cents per Kronur now.

VISIT BY PRESIDENT VIGDIS FINNBOGADOTTIR OF ICELAND:

- 19 FEBRUARY 1982

ICELANDIC INFLATION POLICY

BACKGROUND INFORMATION

1. Attached graph shows Iceland's rate of inflation since 1970 compared with the average for the OECD and for OECD Europe. Clearly demonstrates the effect of imported inflation (from oil price rises of 1973 and 1979) on an economy where virtually everything is automatically increased with rises in cost-of-living index. Not only are wages and pensions index-linked, but also other transfer payments, farmers' incomes and some financial instruments. Profits too, tend to be index-linked because of standard mark-up rules on costs.

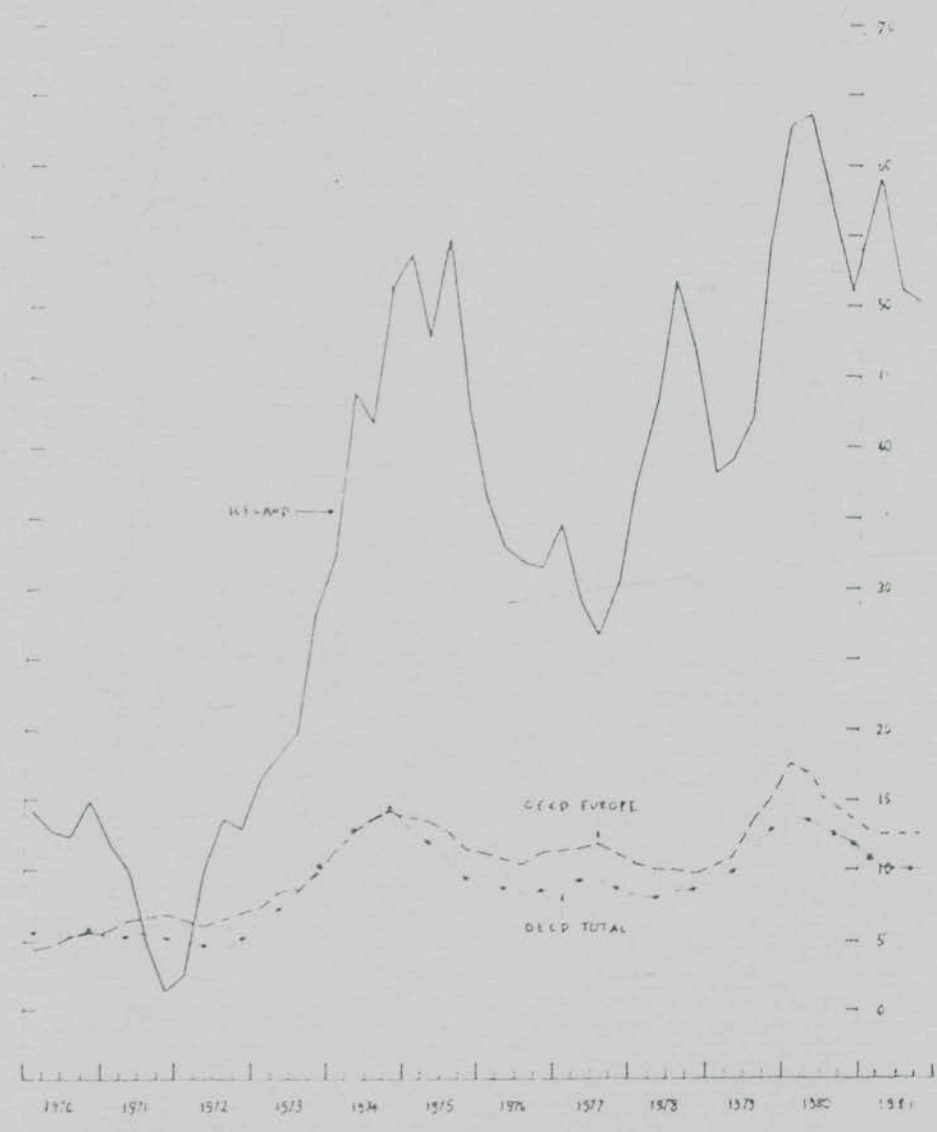
2. Iceland faces classic problem of a small country where trade is important to it but world prices of exports and imports are beyond its control. Price of oil is set in global markets and dollar price of fish products is determined largely in USA. The Kronur/\$ exchange rate is therefore set, and so the country has an exchange rate policy, not a monetary policy.

3. Apart from increasing the coverage of indexation, one major attempt was made in 1975 to control inflation with an incomes policy. Resulted in a 12% fall in real wages and a backlog of pent-up wage claims which caused another bout of wage inflation in 1977 and price inflation in 1978 (see graph).

4. Because of openness of economy (50% of GNP is exported) country's exposure to potential external shocks is very large and present system of full indexation causes a once-and-for-all inflationary shock to spiral round for years. Solutions mooted include either strict, but temporary, mandatory price and wage controls, or alteration of the cost-of-living index to exclude indirect taxes, or energy costs or all imports. The last option would reduce the general vulnerability of Iceland's price level to external shocks very substantially.



Icelandic Consumer prices - Comparison with the OECD average
Percent change from same quarter of previous year



Source: OECD Main Economic Indicators

VISIT BY PRESIDENT VIGDIS FINNBOGADOTTIR OF ICELAND:
17-19 FEBRUARY

BILATERAL RELATIONS

BACKGROUND INFORMATION

1. The Cod war is four years behind us and relations have returned to their traditional warmth. A list of recent official visits is attached.
2. A Convention for reciprocal health care and social security arrangements is currently in the final stages of negotiation and it is hoped to bring the Convention into force during 1982.
3. There are no major problems in relations although the Icelanders may raise the following topics:
 - a) revocation of import licences for Icelandic sheapmeat
 - b) UK Icelandic air services

Briefs are attached.

BILATERAL RELATIONS

BACKGROUND

Visits from Iceland 1980

April Mr Arnason, the Minister for Commerce
July Mr Johnsson, the Minister of Agriculture, had talks
with Mr Walker

Visits to Iceland 1980

The Prince of Wales called on President Vigdis during a private fishing holiday.

Visits from Iceland in 1981

January Director of the National Bank, Mr Vilmundarson
Chairman of the Social Democratic Party, Mr Johannsson
Vice Chairman of Progressive Party, Mr Asgrimsson
called on Mr Hurd
May Minister for Fisheries and Communication,
Mr Hermansson, called on the Lord Privy Seal

(All above were COI Category I visitors)

July The President visited the UK for the Royal Wedding.



VISIT BY PRESIDENT VIGDIS FINNBOGADOTTIR OF ICELAND : 17 - 19 FEBRUARY

IMPORTS OF ICELANDIC SHEEPMEAT (REVOCAION OF THE OFFICIAL CERTIFICATE)

POINTS TO MAKE (ONLY IF RAISED)

1. Hope Iceland has understood why it was not possible for us to treat them differently from all our other suppliers.
2. Never our intention to prevent production of national dish ("burnt sheeps head"). Only concern was that meat entering the UK should be from approved slaughterhouses.
3. (If necessary) Total trade involved no more than £150,000 (256 tonnes).

VISIT BY PRESIDENT VIGDIS FINNBOGADOTTIR OF ICELAND : 17 - 19 FEBRUARY

IMPORTS OF ICELANDIC SHEEPMEAT (REVOCATION OF THE OFFICIAL CERTIFICATE)

BACKGROUND INFORMATION

1. Under both Community and UK meat hygiene regulations, sheep heads must be de-horned and skinned prior to post mortem inspection.
2. In 1980, a MAFF veterinary inspector found that this requirement was not being met in Icelandic slaughterhouses. The Icelanders' explanation was that keeping sheep heads whole was essential for making "burnt sheeps head" - a national delicacy.
3. We informed the Icelandic authorities that, regrettably, we could make no exceptions and that only meat from slaughterhouses where the requirement was met could be accepted for import into the UK.
4. The Icelanders replied that it was not practicable for them to differentiate between slaughterhouses, so that their whole trade with the UK would have to cease.
5. This trade amounted to only 256 tonnes (of offal) in 1980. In addition, the requirement in question had only recently and reluctantly been accepted by our major overseas suppliers (new Zealand and Australia). Given also the public health considerations, we felt obliged to confirm our intention to revoke the Official Certificate approving Icelandic exports but agreed to delay implementing our decision until 31 December 1981 to allow time for existing contracts to expire.
6. We have now informed the Icelandic authorities that revocation of their Official Certificate will take place on 12 February 1982.



VISIT BY PRESIDENT VIGDIS FINNBOGADOTTIR OF ICELAND:
17 - 19 FEBRUARY 1982

AIR SERVICES
BACKGROUND INFORMATION

Icelandair enjoys a monopoly on the route between the United Kingdom and Iceland. They extend 3 flights a week to cover the section Glasgow to Copenhagen. In 1978 British Airways complained that Icelandair's operations on the Glasgow - Copenhagen section was affecting their own interests on this route, and following protracted negotiations, in 1980 Icelandair were cut back to 1 flight a week. British Airways subsequently withdrew from this route, and in the absence of any other UK airline wishing to take it on Icelandair were, last November, granted increased frequency to 3 flights a week between Glasgow and Copenhagen.

Mr Biffen has been briefed in detail on Air Services by the Department of Trade.

MARITIME, AVIATION AND ENVIRONMENT DEPARTMENT

10 February 1982



VISIT BY PRESIDENT VIGDIS FINNBOGADOTTIR OF ICELAND:

17-19 FEBRUARY 1982

GENERAL TRADE QUESTIONS

POINTS TO MAKE

1. Bilateral trade balance 2:1 in Iceland's favour. British companies hope to do better in your market.
2. Glad to offer continuing market here for Iceland's fish.
3. UK, within Community, attaches importance to trade relations with old EFTA partners.
4. Prospects for Icelandic economy?



VISIT BY PRESIDENT VIGDIS FINNBOGADOTTIR OF ICELAND:

17-19 FEBRUARY

GENERAL TRADE QUESTIONS

BACKGROUND INFORMATION

1. In 1980 UK exports to Iceland were worth 47m, and UK imports £82m (of which £38m of fish). Fish accounts for 75% of total Icelandic exports; the trade is price - sensitive and demand is currently low, especially in the USA.
2. The UK takes 9% of Icelandic exports of fish and fish products. Many of their catches are landed direct in UK ports. Icelandic finance is participating in British fish processing, mainly on Humberside.
3. The Icelanders have expressed some concern at the use of the Community reference price system for fish products. In the summer of 1981 a proposed Community regulation would have suspended imports of Icelandic frozen cod fillets for four months (because they were too cheap compared with the reference price). After representations from the Icelanders, however, the regulation was amended to their satisfaction.
4. Iceland's other significant natural resource is cheap hydro-electric and geo-thermal energy (used for eg. aluminium production).



British companies hope to sell equipment for developing this resource.

5. Iceland has to import most capital and consumer goods. The UK share of the market is 10%. There are no important obstacles to UK exports. All industrial trade is duty-free under the Community's 1972 Free Trade Agreement with Iceland.

6. Zero growth in Iceland's economy is expected in 1982. The rate of inflation was 58% in 1980 but only 40% in the first ten months of 1981. The Krona is devalued periodically. Unemployment is almost negligible.

Department of Trade

10 February 1982



VALUE OF UNITED KINGDOM TRADE WITH ICELAND

(£ million)

	UK Exports	UK Imports	UK Balance (£ million)
1970	9.3	9.0	+ 0.3
1971	12.0	9.3	+ 2.7
1972	13.4	9.3	+ 4.1
1973	14.5	13.9	+ 0.6
1974	20.8	12.8	+ 8.0
1975	24.9	16.2	+ 8.7
1976	26.2	31.7 ^A	- 5.5
1977	39.3 ^B	44.9 ^C	- 5.6
1978	44.4	63.8	- 19.4
1979	48.5	83.3	- 34.8
1980	47.2	82.0	- 34.8

Source: UK Overseas Trade Statistics

A = Mainly due to the increase in Non ferrous metals (£9.8m).

B = General increase in exports.

C = Mainly due to increases for feeding stuff for animals, animal oils and fats, fats and non ferrous metals

FINNBOGADOTTIR, Vigdis

President of Iceland, since 1980

Born 1930, daughter of a well-known Professor. Her mother is President of the Icelandic Nursing Association.

Read French Literature at the Sorbonne, English at University of Iceland and History of the Theatre in Copenhagen.

Librarian at the National Theatre 1962-8, teacher at a Reykjavik High School 1968-72, Director of the Reykjavik City Theatre 1972-80.

She became a candidate in the Presidential Election of 1980 partly to demonstrate that a woman could be considered for the highest office. Besides those supporting her for this reason, she had the support of most left-wing sympathisers, and her attractive personality and good TV technique secured her 33% of the vote. She thus became President by a margin of 1% over her nearest competitor in a four-cornered contest.

President Vigdis is an opponent of the US military presence in Iceland and took part some years ago in demonstrations against the Keflavik base. But this does not mean that she is anti-West: her attitudes are those of an Icelandic nationalist mainly interested in culture. She seeks to play the part of President of the whole nation, not just her supporters, with correct regard to Constitution which leaves foreign policy to Ministers and Parliament.

Despite her city and cosmopolitan education, she is well versed in the Icelandic countryside, traditions and landscapes and an accomplished guide for visitors.

/Was



Was briefly married: has an adopted daughter of 7, called Astridur.

Speaks excellent English and French.

JOHANNESSON, OLAFUR (DAVID)

Minister for Foreign Affairs.

Born 1913

Educated Akureyri and University of Iceland

Lawyer and auditor for the Federation of Iceland, Co-operative societies 1939-1943. Member of the Commercial Council 1943-1944. Legal Adviser of the Federation of Iceland Co-operative Societies 1944-1947. Professor of Law at the University of Iceland 1947-1971. Member of the State Radio Council 1946-1953. Delegate to the United Nations Assembly 1946. Member of the Board of Directors of the Central Bank of Iceland 1957-1964. Member of the Central Committee of the Progressive Party since 1946. Vice-Chairman of the Progressive Party 1960-1968 and Chairman 1968-1970. Alternate Member of the Althing 1957 and Member of the Althing since 1959. Alternate Member of the Nordic Council 1959-1963 and Member 1964-1969. Parliamentary leader of the Progressive Party 1969-1971. Representative to the Council of Europe Parliamentary Assembly 1971-1972. Prime Minister and Minister of Justice and Ecclesiastic Affairs 1971-1974. Minister of Commerce and of Justice and Ecclesiastical Affairs 1974-1978. Prime Minister 1978-1979.

As Prime Minister of the 1971-1974 coalition with the People's Alliance and Left-Wing Liberals, his main attention was engaged on the review of the defence agreement with the United States and the fisheries dispute with Britain. When he judged the moment to settle the latter had been reached in the Downing Street talks of 1973 he made up his mind and stuck to it. As Minister of Justice in the 1974-1978 administration, he was directly responsible for the tactics of the Icelandic Coastguards in harassing British and German trawlers and cutting their warps, and cast himself for the role of the strong man, behind the relatively concilliatory Prime and Foreign Ministers.

/his

His second premiership (1978-1979) was difficult and unfruitful owing to constant disagreements between his coalition partners, the People's Alliance and the Social Democrats. He made it clear that he would not be party to any change of policy as regards the Defence Agreement with the United States, a position he has reaffirmed as Foreign Minister.

Solid, professional, stubborn, crafty, evasive, opportunist, inscrutable and at times irascible.

Olafur's forte is the waiting game. His emergence as Prime Minister after his party had suffered more than any other in the 1978 elections showed that he has no match as a tactician. But it is probably true that he half hankered to end his days back in the Law Faculty (he only resigned his professorship in late 1978), and genuinely felt as events indeed showed that no one else could form an administration and that the hiatus had gone on too long. When in 1979 he resigned from the chairmanship of the party, which passed to his thrustful young colleague, Steingrimur Hermansson, this impression was strengthened. But his return to the office as Foreign Minister shows how hard it is for the old master to give up, and incidentally ruled him out as a possible President in 1980.

Married, Dora, who has been a research chemist, and both speak English fairly well.

ICELAND

SIGURDUR BJARNASON

AMBASSADOR TO LONDON SINCE 21 JUNE 1976

Born 1915. Graduated in Law at the University of Iceland. Further studies at Cambridge in 1945. Chairman of Isafjorour Town Council 1946-1950. Member of the Althing (Parliament) 1942-1970. Speaker of the Lower House of the Althing 1949-1956 and again 1963-1970. Chairman of the Foreign Relations committee of the Althing 1963-1970. Member of the Central Council of the Independence Party since 1953. Political Editor of the Paper Morgunbladid 1947-1956, editor of the same paper 1956-1970.

Ambassador Copenhagen 1969, and concurrently to Irish Republic 1970, Turkey 1970 and China 1973.

Because of the fisheries dispute he had to wait nine months including the break in Diplomatic Relations after agrément had been conveyed before taking up his appointment in London.

Well disposed towards Britain, talkative and anxious to appear friendly. Remained on easy and friendly terms with HM Ambassador in Copenhagen during the fisheries dispute.

Married with one son and one daughter. He and his wife speak good English. Mrs Bjarnason is a sculptress of some distinction.

VISIT BY PRESIDENT VIGDIS FINNBOGADOTTIR: 17 - 19 FEBRUARY
CHECK-LIST OF POINTS TO MAKE

Trade and Economy (Briefs No 2-3)

1. UK attaches importance to trade with EFTA partners. British companies hope to do better in your market. UK market for Icelandic fish.
2. Interested to hear President's views on attempts to combat high level of inflation. Reasons for low unemployment?

Education (Brief No 1A)

3. Interested to hear more about Icelandic policy on introducing comprehensive secondary schools, and on vocational schools.
[If asked about student fees: government will study carefully the findings of the Overseas Student Trust currently undertaking a review.]

Equal Opportunities for Woman (Brief No 1B)

4. UK is fully committed to eliminating discrimination and promoting equal opportunities for women. UK plays a full part in the work of the UN, EC and Council of Europe in this field. What is the position in Iceland as regards equal opportunities?

Conservation of the Environment (Brief No 1C)

5. Understand President spoke at length in New Year's address about this subject, especially afforestation. Understand UK Forestry Commission is in touch with Iceland authorities. What are other areas of concern to Iceland? [If asked about whaling: regret Icelandic decision not to ban cold-grenade harpooning. Express hope that decision can be reviewed.]

6. Because the President is not the head of government the following points may be appropriately made when Dr Johannesson is present:

NATO Issues (Brief No 2B)

Value Icelandic contribution to Alliance. Strategic position of Iceland of crucial importance.

East-West: Poland (Brief No 2B)

Welcome Iceland's firm public stand on Poland, and funds for humanitarian assistance.

John Coles agreed + P & C Dept. to rd


CAROLINE

June Reed (P & C. Dept)

Iceland

Iceland Visit - 17 February

The Foreign Office would like to know urgently whether it is all right for the following to attending the talks from 12.30 onwards

The Two Foreign Ministers

HE Icelandic Ambassador

Mr. David Gladstone (acting as our Ambassador, Reykjavik
FCO who is ill)

Lord Carrington's Private Secretary

Sue

12 February 1982

Iceland

VISIT OF HER EXCELLENCY VIGDIS FINNBOGADOTTIR, PRESIDENT
OF THE REPUBLIC OF ICELAND

16 - 21 FEBRUARY 1982

ADMINISTRATIVE ARRANGEMENTS

(to be read in conjunction with the programme)

TUESDAY 16 FEBRUARY

- 1010 Sir Edwin Arrowsmith, Special Representative of the Secretary of State for Foreign and Commonwealth Affairs arrives at London Heathrow Airport Brabazon VIP Lounge.
- 1020 His Excellency Ambassador Sigurdur Bjarnason and Mrs Bjarnason arrive at London Heathrow Airport, Brabazon VIP Lounge.
- 1030 The Lord Skelmersdale, Lord in Waiting to Her Majesty The Queen arrives at London Heathrow Airport, Brabazon VIP Lounge.

As soon as the aircraft has landed a representative of the British Airports Authority will escort the greeting party from the VIP lounge to the bottom of the aircraft steps. The Icelandic Ambassador will board the aircraft and accompany the President to the tarmac where he will present the following (in order):

The Lord Skelmersdale, Lord in Waiting to Her Majesty The Queen.

Sir Edwin Arrowsmith, Special Representative of the Secretary of State for Foreign and Commonwealth Affairs
Mrs Bjarnason

Mr D A S Gladstone, Western European Department, Foreign and Commonwealth Office
Brigadier J A C Cowan, Secretary, Government Hospitality Fund

The Hon Diana Makgill, Lady Ceremonial Officer

Mr Neville Coppel, Escort Officer, Government Hospitality Fund

The party will proceed to the VIP lounge where the Icelandic Ambassador will present the members of the official suite.

Transport

Cars are provided for the official suite throughout the period of the visit as indicated in Annex 1.

/WEDNESDAY

WEDNESDAY 17 FEBRUARY

Call by the Secretary of State for Foreign and Commonwealth Affairs

The following will also be present:

ICELAND

His Excellency Dr Olafur Johannesson
His Excellency Ambassador Hoerdur Helgason
His Excellency Ambassador Sigurdur Bjarnason
His Excellency Ambassador Olafur Egilsson

UNITED KINGDOM

Private Secretary
Mr D A S Gladstone

Call by Secretary of State for Trade

The following will also be present:

ICELAND

His Excellency Dr Olafur Johannesson
His Excellency Ambassador Hoerdur Helgason
His Excellency Ambassador Sigurdur Bjarnason
His Excellency Ambassador Olafur Egilsson

UNITED KINGDOM

Private Secretary
Mr D A S Gladstone

Ambassador S Bjarnason and Mr D A S Gladstone will be present at the talks at the Foreign and Commonwealth Office.

Talks with the Prime Minister

The Private Secretaries of the President and the Prime Minister will be present at the Tête-à-tête Talks. At 1230 they will be joined as indicated in the programme;

Ambassador S Bjarnason
Mr D A S Gladstone

will also be present.

/Luncheon

Luncheon given by Her Majesty's Government

The following are also invited:

His Excellency Dr Olafur Johannesson and Mrs Johannesson
His Excellency Ambassador Hoerdur Helgason and Mrs Helgason
His Excellency Ambassador Sigurdur Bjarnason and Mrs Bjarnason
His Excellency Ambassador Olafur Egilsson and Mrs Egilsson

Visit to the British Museum

The following will accompany the President:

His Excellency Dr Olafur Johannesson and Mrs Johannesson
His Excellency Ambassador Hoerdur Helgason and Mrs Helgason
His Excellency Ambassador Sigurdur Bjarnason and Mrs Bjarnason
His Excellency Ambassador Olafur Egilsson and Mrs Egilsson
Mr D A S Gladstone and Mrs Gladstone

Tour of the National Theatre and theatre/supper party

The following will accompany the President:

His Excellency Dr Olafur Johannesson and Mrs Johannesson
His Excellency Ambassador Hoerdur Helgason and Mrs Helgason
His Excellency Ambassador Olafur Egilsson and Mrs Egilsson
Mr D A S Gladstone and Mrs Gladstone

THURSDAY 18 FEBRUARY

Visit to Pimlico School

The following will accompany the President:

His Excellency Dr Olafur Johannesson and Mrs Johannesson
His Excellency Ambassador Hoerdur Helgason and Mrs Helgason
His Excellency Ambassador Sigurdur Bjarnason and Mrs Bjarnason
His Excellency Ambassador Olafur Egilsson and Mrs Egilsson
Mr D A S Gladstone and Mrs Gladstone

The programme at the school includes visits to the Fifth year chemistry class, First year integrated science class and First year mathematics class. After coffee with the Headmaster, other senior members of the staff, senior officials of the Inner London Education Authority and a boy and girl from both the first and sixth years, the President and her party will see examples of art produced by pupils at the school. The final twenty minutes of the programme will be with musicians for which the school is particularly noted.

/Luncheon

Luncheon with Her Majesty The Queen

The following are also invited:

His Excellency Dr Olafur Johannesson and Mrs Johannesson

His Excellency Ambassador Sigurdur Bjarnason and Mrs Bjarnason

Visit to the House of Commons, Dinner given by the Lord Mayor and Corporation of London

The following are also invited:

His Excellency Dr Olafur Johannesson and Mrs Johannesson

His Excellency Ambassador Hoerdur Helgason and Mrs Helgason

His Excellency Ambassador Sigurdur Bjarnason and Mrs Bjarnason

His Excellency Ambassador Olafur Egilsson and Mrs Egilsson

Mr D A S Gladstone and Mrs Gladstone

FRIDAY 19 FEBRUARY

Visit to Oxford and Stratford-upon-Avon

The following will accompany the President:

His Excellency Dr Olafur Johannesson and Mrs Johannesson

His Excellency Ambassador Hoerdur Helgason and Mrs Helgason

His Excellency Ambassador Sigurdur Bjarnason and Mrs Bjarnason
(Oxford only)

His Excellency Ambassador Olafur Egilsson and Mrs Egilsson

Mr D A S Gladstone

Jane H. W. Reid

10 February 1982

J H W Reid (Miss)
Visits Section
Protocol and Conference Department
FOREIGN AND COMMONWEALTH OFFICE

C A R P L A NTuesday 16 FebruaryLondon Heathrow Airport to Hyde Park Hotel

Car 1 Her Excellency the President
 His Excellency Sigurdur Bjarnason
 The Hon Diana Makgill
 Security Officer

Car 2 His Excellency Dr Olafur Johannesson
 Mrs Johannesson
 Mrs Bjarnason
 Mr Neville Coppel
 Security Officer

Car 3 His Excellency Ambassador Hoerdur Helgason
 Mrs Helgason
 Mr W R McQuillan
 Mrs McQuillan

Car 4 His Excellency Ambassador Olafur Egilsson
 Mrs Egilsson

Wednesday 17 FebruaryHotel to Foreign and Commonwealth Office

Car 2 His Excellency Dr Olafur Johannesson
 Ambassador S Bjarnason
 Mr D A S Gladstone
 Group Captain A O'Neill

Hotel to 10 Downing Street (at 1145 hours)

Car 1 Her Excellency the President
 His Excellency Ambassador Olafur Egilsson
 The Hon Diana Makgill
 Mr Neville Coppel
 Security Officer

Hotel to 10 Downing Street (at 1245 hours)

Car 3 His Excellency Ambassador Hoerdur Helgason
 Mrs Johannesson
 Mrs Helgason
 Mrs Egilsson

10 Downing Street to British Museum; British Museum to Hotel

Car 1 Her Excellency the President
Dr D M Wilson (to British Museum only)
The Hon Diana Makgill
Security Officer

Car 2 His Excellency Dr Olafur Johannesson
Mrs Johannesson
Mr Neville Coppel
Security Officer

Car 3 His Excellency Ambassador Hoerdur Helgason
Mrs Helgason
Mr D A S Gladstone
Mrs Gladstone

Car 4 His Excellency Ambassador Olafur Egilsson
Mrs Egilsson

Hotel to National Theatre, Savoy Hotel and return to Hotel

Car 1 Her Excellency the President
The Hon Diana Makgill
Mr Neville Coppel
Security Officer

Car 2 His Excellency Dr Olafur Johannesson
Mrs Johannesson
Security Officer

Car 3 His Excellency Ambassador Hoerdur Helgason
Mrs Helgason
Mr D A S Gladstone) Savoy to FCO
Mrs Gladstone)

Car 4 His Excellency Ambassador Olafur Egilsson
Mrs Egilsson

Thursday 18 February

Hotel to Pimlico School and return to Hotel

Car 1 Her Excellency the President
The Hon Diana Makgill
Mr Neville Coppel
Security Officer

Car 2 His Excellency Dr Olafur Johannesson
Mrs Johannesson
Security Officer

Car 3 His Excellency Ambassador Hoerdur Helgason
Mrs Helgason
Mr D A S Gladstone) outward journey only
Mrs Gladstone)

Car 4 His Excellency Ambassador Olafur Egilsson
Mrs Egilsson

Hotel to Buckingham Palace, Buckingham Palace to House of Commons and return to Hotel

Car 1 Her Excellency the President
The Hon Diana Makgill
Mr Neville Coppel
Security Officer

Car 2 His Excellency Dr Olafur Johannesson
Mrs Johannesson
Security Officer

Hotel to House of Commons and return to Hotel

Car 4 His Excellency Ambassador Hoerdur Helgason
Mrs Helgason
His Excellency Ambassador Olafur Egilsson
Mrs Egilsson

Hotel to Mansion House and return to Hotel

Car 1 Her Excellency the President
The Hon Diana Makgill
Mr Neville Coppel
Security Officer

Car 2 His Excellency Dr Olafur Johannesson
Mrs Johannesson
Security Officer

Car 3 His Excellency Ambassador Hoerdur Helgason
Mrs Helgason

Car 4 His Excellency Ambassador Olafur Egilsson
Mrs Egilsson

Friday 19 February

Hotel to Oxford, Stratford-upon-Avon and return to London

Car 1 Her Excellency the President
The Hon Diana Makgill
Mr Neville Coppel
Security Officer

Car 2 His Excellency Dr Olafur Johannesson
Mrs Johannesson
Security Officer

Car 3 His Excellency Ambassador Hoerdur Helgason
Mrs Helgason
Mr D A S Gladstone

Car 4

His Excellency Ambassaodr Olafur Egilsson
Mrs Egilsson

NOTE: The Lord Lieutenant of the County of Oxfordshire, Sir Ashley Ponsonby will travel with the President from the John Radcliffe Maternity Hospital to the Nuffield Orthopaedic Centre, thence to Green College. During this time Mr Coppel will travel in Car 2.

Sunday 21 February

Hotel to London Heathrow Airport

as on inward journey

DISTRIBUTION

Buckingham Palace

Private Secretary to Her Majesty The Queen (2)
Press Office (2)

10 Downing Street

Private Secretary (2)
Press Officer (2)

Icelandic Embassy (10)

Foreign and Commonwealth Office

Private Secretary (2)
Private Secretary/Lord Privy Seal (2)
Private Secretary/Permanent Under Secretary (2)
Mr J L Bullard
Mr A C Goodison
Mr D A S Gladstone (2)
WED (Mr Duncan) (6)
News Department (Mr Hannaby) (3)
Resident Clerk
Miss Lothian
PCD (6)

Medical Advisory Service

Dr Semmence (2)

Ministry of Defence

Major B Cockroft (2)

Department of Trade

Private Secretary (2)
Mr R Devonshire, Exports to Europe Branch (1 Victoria St R 362)

Government Hospitality Fund

Department of Education and Science

Private Secretary/Minister for the Arts (2)
Miss Carpenter

Mr G W Woodward, Inner London Education Authority

Chief Supt G Brown (4)
Thames Valley Police Headquarters



13 FEB 1982

BRING UP FRIDAY 12 FEB

CF Photograph signed & wrapped

NOTE FOR THE FILE

16/2

The Prime Minister should give a large colour signed photograph to the President of Iceland who is lunching with her on Wednesday 17 February. Could this be put in her box for signature over the weekend 13/14 February? The President's name is Mrs. Vigdis Finnbogadottir. After signature please put in a leather frame and gift wrap.

es.

29 January 1982

CF

I have taken the guest
list off the file and am circulating it.

Sue Gochild