Why Did the Cod Wars Occur and Why Did Iceland Win Them?  
A Test of Four Theories

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MA Thesis in International Affairs
School of Social Sciences
June 2015
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June 2015
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090390-3689

Reykjavík, Iceland 2015
Abstract

Few attempts have been made to provide theoretical explanations for the occurrence and outcomes of the Cod Wars. In this thesis, I test hypotheses derived from four IR theories and perspectives on the Cod Wars: the Rationalist Explanations for War perspective, which sees information problems, commitment problems and issue indivisibility as drivers of conflict; Liberal IR theory, which expects democracy, commercial ties, and institutions as pacifying influences; Structural Realism, which expects states to pursue their security interests; and Neoclassical Realism, which expects statesmen’s pursuit of security interests to be distorted by domestic pressures. I find that Liberal and Structuralist Realist expectations were not met, that rational miscalculation and misinformation contributed to the occurrence of the disputes, and Neoclassical Realist expectations were fully met in all of the disputes. Following these tests, I provide a new, structurally informed explanation of the Cod Wars. The disputes occurred due to powerful domestic pressures on statesmen to escalate. As the disputes escalated and security interests were put at greater risk, British statesmen were able to make greater concessions due to weaker domestic constraints than those faced by Icelandic leaders. Iceland therefore reached a highly favorable agreement in all Cod Wars.
Preface

This thesis is submitted in partial fulfillment of the requirements for the degree of Master of Arts in International Affairs at the University of Iceland. It comprises 30 ECTS credits. My gratitude goes to my instructors, Silja Bára Ómarsdóttir and Guðni Th. Jóhannesson, for advice and constructive comments. I would also like to thank Bradley Thayer, Erla Hlín Hjálmarsdóttir, Ólafur Darri Björnsson and Þorsteinn Kristinsson for constructively commenting on drafts of this thesis. All remaining errors are my own. I gratefully acknowledge the University of Iceland Research Fund for supporting this project with a grant.
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1. Introduction

In 1976, Iceland’s exclusive economic zone extended to 200 nautical miles after a highly favorable resolution to the Third Cod War. This Cod War was the last of four post-WWII disputes in which Iceland and the UK incurred great costs and risks to achieve their preferred delimitation and fishing rights in the waters off the shores of Iceland.\(^1\) The first Anglo-Icelandic post-WWII dispute over fishery limits occurred in 1952-56 over Iceland’s unilateral extension from 3 to 4 nautical miles.\(^2\) The second dispute, referred to as the First Cod War, occurred in 1958-61 and revolved around Iceland’s unilateral extension from 4 to 12 miles.\(^3\) The Second (1972-73) and Third Cod Wars (1975-76) revolved around Iceland’s unilateral extensions from 12 to 50 miles, and 50 to 200 miles, respectively.

In these four disputes, Iceland and the UK experienced bargaining failure, as territorial limits were extended without the agreement of both parties, leading both states to take on costs and risks in trying to compel the other party to comply with their demands.\(^4\) For the Icelanders, the costs included the patrolling of contested waters, the closure of important markets, delayed free-trade agreements, and reputational costs. For the British, the costs included those associated with sending the Royal Navy to contested waters, the seizure of British trawlers, spoiled catches, and reputational costs. The risks for Iceland and the UK were that Icelandic statesmen would go through with threats, such as withdrawal from NATO and/or expulsion of US forces from Iceland. Going through with either of those threats would have jeopardized the strength and unity of NATO, and compromised the balance of power in the North Atlantic.\(^5\) For Iceland, acting on the threats would, in addition to these costs, have led to the loss of a special relationship with the US that provided Iceland with unique and substantial political and economic benefits.

Given these costs and risks, the first aim of this thesis is to explain why the Cod Wars occurred. The second aim of this thesis is to account for the outcomes of the disputes.

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\(^1\) I will refer to all four disputes collectively as “the Cod Wars”, even if the dispute of 1952-1956 is not traditionally considered as one of the Cod Wars (see Jónsson (1981) and Thorsteinsson (1983) for exceptions) and will not be termed the “First Cod War” in this thesis. I stick to the traditional labels of the dispute of 1958-61 as the “First Cod War”, the dispute of 1972-73 as the “Second Cod War”, and the dispute of 1975-76 as the “Third Cod War” to avoid confusion.

\(^2\) I will refer to “nautical miles” as “miles” from here on.

\(^3\) According to Thór (1995, 182), a British journalist coined the dispute a “cod war” in early September 1958. Iceland and the UK never went to war, as the term is traditionally defined in political science. The Cod Wars are militarized interstate disputes, which are defined as “cases of conflict in which the threat, display or use of military force short of war by one member state is explicitly directed towards the government, official representatives, official forces, property, or territory of another state” (Jones et al. 1996, 163).

\(^4\) Iceland’s unilateral extensions also impacted the distant water fleets of other states, leading to some confrontations at sea and tense negotiations with those states. This thesis only concerns the disputes between Iceland and the UK.

Despite the great size asymmetry, and the costs and risks incurred by both sides, Iceland essentially emerged victorious from all four disputes with deals in hand that were better than, equal to or slightly worse than what they had been willing to offer prior to the on-set of each Cod War. In an attempt to account for these puzzles, I examine four theories and perspectives that purport to account for cooperation and conflict in international politics. From these four theories and perspectives, I derive four hypotheses on the occurrence of the disputes and four hypotheses on the outcomes of the disputes.

The first perspective that I examine is the Rationalist Explanations for War (REW) perspective presented in Fearon (1995). The REW perspective explains how rational states can end up taking costly and risky actions, such as going to war, when a mutually preferable bargain can be struck. Fearon (1995) argues that it can be rational for states to go to war, despite its costs and risks, when states are misinformed about their relative power, miscalculate the resolve of the other side, face commitment problems or bargain over an indivisible issue. I therefore examine whether these bargaining problems contributed to the occurrence of the Cod Wars, and whether the outcomes of the Cod Wars can be explained by an alleviation of these bargaining problems.

The second theory that I examine is Liberal IR theory. Liberal thinkers argue that democracy, commercial ties and institutions have a pacifying influence on actors and contribute to the peaceful resolution of disputes. These factors facilitate peace by shaping pacifist norms, providing common interests between states, constraining leaders legislatively, raising the costs of mobilization for war, and making it easier to signal resolve. I therefore examine whether these factors had a pacifying influence on the UK and Iceland, and contributed to the resolution of the Cod Wars.

I also examine two variants of Realist IR theory. The first variant that I examine is Structural Realism. While Structural Realism does not make sharp predictions about specific events, it posits that the anarchic international system creates powerful pressures on states to preserve their security. States can take actions that undermine their security, but in the long-term, those states will cease to exist. I therefore examine whether the occurrence and outcomes of the disputes between Iceland and the UK reflect each state’s pursuit of security interests.

The other variant of Realism that I examine is Neoclassical Realism. Neoclassical realists hold, just like structural realists, that structural incentives are important and that statesmen are under great pressure to respond to them, but Neoclassical Realists

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6 I refer to these as "dispute hypotheses".
7 I refer to these as "outcome hypotheses".
8 Also known as Neorealism.
emphasize how the ability of statesmen to respond to structural incentives will be influenced by domestic pressures. This means that statesmen will tend to respond to structural incentives in somewhat accurate ways over the long-term but that domestic pressures may prevent accurate responses in specific instances, in which case the state’s security is undermined. The occurrence and outcomes of the Cod Wars should therefore reflect a desire by statesmen to ensure long-term security interests but that their ability to do so will be constrained by domestic pressures.

After tracing the events of the Cod Wars, I find that the REW perspective accurately identifies factors that contributed to bargaining failure. Disagreements about relative power and resolve made it difficult for the parties involved to locate a mutually preferable bargain. Commitment problems were not a major problem. There was no rational basis for the objects of the disputes having an indivisible nature, but as the disputes escalated, the objects of each dispute took on an indivisible nature for the Icelanders for irrational reasons. The seemingly indivisible nature of the objects of the dispute made it difficult for Icelandic leaders to compromise with the UK.

Liberal explanations for the disputes are only right in so far as actual war was highly unlikely between the states due to their democratic characteristics, economic ties and common membership of institutions. However, democratic processes and economic interests were crucial factors in escalating the disputes and in limiting the ability of statesmen to resolve them. Common membership of institutions had a mixed record. Iceland tended to use its strategic importance to NATO as a bargaining chip by threatening to withdraw from NATO unless the British would meet Icelandic demands. NATO membership therefore hardened Icelandic resolve and eagerness to act unilaterally. While NATO’s mediation capabilities were left wanting, NATO did engage in informal and/or formal mediation during the last three disputes, which helped both sides find a possible agreement. The OEEC also provided helpful mediation during the Dispute of 1952-56. The liberal characteristics of the states therefore placed a threshold on how far the disputes could escalate but played a crucial role in escalating the disputes as far as they went.

The outcomes of the disputes are consistent with structural realist expectations. Neither side ended up damaging its security interests. For both sides, it was important that Iceland stayed in NATO; the US maintained the military base in Keflavík; NATO remained strong, and; the balance of power in the North Atlantic was not jeopardized. For Iceland, it was crucial to maintain its special relationship with the US due to the considerable political and economic benefits that came with it. Throughout all four disputes, these security interests were maintained. Nonetheless, the behavior of both the UK and Iceland is inconsistent with structural realist expectations. Iceland, in particular, showed a willingness to
gamble its long-term security interests to achieve highly favorable agreements on fishery limits over more modest agreements. In all four disputes, Iceland threatened to withdraw from NATO and/or expel US forces from the Keflavík base, even though the Icelandic statesmen making the threats, recognized the importance of NATO membership and the US base to Iceland’s long-term security. The UK was unwilling to resolve the disputes at early stages even though the costs and risks of the disputes were apparent before their on-sets. British statesmen only became willing to back down from their demands regarding fishing rights in the disputed waters after the on-set of crises where both states’ long-term security interests were jeopardized.

Both the manner and outcome of the disputes fit Neoclassical Realist expectations. The outcomes of the disputes – the maintenance of long-term security interests – reflect the pressures on statesmen, stemming from anarchy, to respond to structural incentives. The manner in which statesmen handled the disputes reflects how domestic pressures affect the calculations of statesmen, contribute to errors in foreign policy, and make it more difficult to follow what they consider to be in their state’s long-term security interest. Domestic pressures led British statesmen to pursue what they considered to be unwise and escalatory policies (such as sanctions and naval protection), ultimately creating a crisis for NATO. Domestic pressures shaped the timing of Iceland’s unilateral extensions, the demands at any given time, and even the ability of Icelandic leaders to engage in negotiations with the British. Icelandic domestic politics created incentives for Icelandic political parties to advocate for earlier extensions of fishery limits, make larger demands on the British, and resort to threats that, if implemented, would have been self-defeating. The four disputes therefore amounted to four shows of brinkmanship. The outcomes of the four disputes reflect the fact that British leaders were not under as powerful domestic constraints as Icelandic leaders were, which meant that as the security stakes were raised, British statesmen mostly gave in to Icelandic demands. Had the domestic pressures on British leaders been more powerful, it is doubtful that the long-term security interests of both states could have been maintained and structural realist expectations for outcomes met.

From these findings, I propose a new, structurally informed interpretation of the origins, conduct and outcomes of the Cod Wars. I argue that the Cod Wars can be understood as a two-level game between states that tried to pursue their domestic and international interests, and between leaders (who value long-term international interests over short-term domestic interests) and their publics (who value short-term domestic interests over long-term international interests). The reason why Iceland achieved a highly favorable outcome in all four disputes is that Icelandic leaders were constrained by more powerful
domestic pressures than British leaders were. In a game of brinkmanship where long-term international interests were put at risk, British leaders were first to chicken.

The structure of the thesis is as follows. In chapter two, I present and discuss the methodology of this thesis. The goals of my thesis are explained, along with the methods by which I fulfill them. In chapter three, I present the theoretical framework, which lays out the assumptions, conclusions and internal logics of the theories that are used to answer the research questions. The framework covers Realist IR theory, Liberal IR theory, the Rationalist Explanations for War perspective, and Constructivism, but hypotheses will only be derived from the first three theories (two hypotheses will be derived from two variants of Realism). In the first part of chapter four, I review the literature on the Cod Wars. I follow the literature review with tests of the dispute and outcome hypotheses on each of the Cod Wars in chronological order. After testing the hypotheses on each of the Cod Wars, I analyze the Cod Wars as a whole in chapter five to identify patterns and provide a comprehensive but concise explanation of the Cod Wars. I conclude the thesis with a summary of my findings.
2. Methodology

This thesis examines four cases with two goals in mind. The first goal of this thesis is historical explanation. Whereas case studies are often used to identify new variables and hypotheses in existing theories (George and Bennett 2005, 76-77, 92), my thesis uses theories to provide historical explanations of cases. My thesis is therefore, what Van Evera (1997) and George and Bennett (2005, 92) term, “historical explanatory”. The primary aim is to use theories to interpret and explain the Cod Wars. The major works on the these disputes have been, what George and Bennett (2005, 553-554) term, “detailed narratives”, referring to narratives that are “highly specific and [make] no explicit use of theory or theory-related variables” (George and Bennett 2005, 553), or what Levy (2008, 4) terms “inductive case studies”, referring to studies that are atheoretical, highly descriptive and without a theoretical framework. My thesis, on the contrary, moves “up the ladder of abstraction” (George and Bennett 2005, 562) by starting out with theories, specifying the predictions that the theories generate or imply, and assessing the predictions of the theories. More specifically, I derive eight hypotheses from four theories and perspectives, the affirmation or rejection of which makes it possible to place a comprehensive and original account of the Cod Wars within the appropriate theoretical context.

The second goal of this thesis is theory testing (Van Evera 1997, 55). Besides improving our understanding of the Cod Wars, this thesis examines whether the expectations of four theories or perspectives match the reality of the Cod Wars. The theories and perspectives examined in this thesis are not meant to account for every relevant case (in part, due to a trade-off between descriptive accuracy and explanatory power), which means that the affirmation or rejection of the hypotheses does not help us determine the veracity of these theories in general (Friedman 1966, Waltz 1979, Mearsheimer and Walt 2013, 432). Nonetheless, as Flyvbjerg (2006, 227) points out, case studies can have provide critical insight and “cut a path toward scientific innovation”. George and Bennett (2005, 580) also argue that “process-tracing of cases relevant to the theory can identify causal processes not yet identified by the theory. In this way, process-tracing contributes not to the testing of the theory, but to its further development”. More specifically, the thesis may expose factors omitted from a theory to have significant influence.

In meeting these two goals, I use the method of process tracing. I examine each step of the hypothesized causal processes on all the relevant aspects of the Cod Wars. This thesis falls under a scientific realist school of thought, as the causal processes studied here are understood to be identifiable and verifiable. This thesis adopts a similar understanding of causal processes as that provided by George and Bennett, who define causal processes:
as ultimately unobservable physical, social, or psychological processes through which agents with causal capacities operate, but only in specific contexts or conditions, to transfer energy, information, or matter to other entities. In so doing, the causal agent changes the affected entity’s characteristics, capacities, or propensities in ways that persist until subsequent causal mechanisms act upon it. If we are able to measure changes in the entity being acted upon after the intervention of the causal mechanism and in temporal or spatial isolation from other mechanisms, then the causal mechanism may be said to have generated the observed change in this entity. (2005, 386)

I collect no original primary data for this thesis. I merely analyze existing historical documentation. This thesis makes use of several scholarly works on the Cod Wars, but the historical literature is unfortunately not large and does not have a diverse set of authors, which arguably weakens the construct validity of the study (Yin 2014, 47). The four cases chosen for this study were chosen due to their similarities. They involve the same actors (the same states), similar issues (fishery limits), the same stakes (the US base in Iceland, Iceland’s membership of NATO and the balance of power in the North Atlantic), and a similar international environment (bipolarity).

It is worthwhile to study the Cod Wars for two reasons, in particular. First, most works on the Cod Wars have been detailed narratives. Few attempts have been made to provide theoretical explanations of the occurrence and outcomes of the disputes. Works by historians on the Cod Wars are descriptively rich but lack explanatory and evaluative power. Infinite variables are used to explain the Cod Wars, and little effort is made to distinguish factors of primary importance and those of secondary importance. Some political scientists have written on the Cod Wars but these texts are few and superficial. To my knowledge, the only comprehensive study of the Cod Wars in a top tier political science journal remains Hellmann and Herborth’s (2008) application of the democratic peace thesis to the last three Cod Wars. Among few political science books about the Cod Wars, Davis (1963) analyzes the First Cod War and Hart (1976) the Second Cod War. In top tier university presses, there is a chapter in both Habeeb (1988, ch. 6) and Ásgeirsdóttir (2008, ch. 4) on the Cod Wars.

A second reason is that the Cod Wars are intrinsically important cases. On the surface, they run contrary to commonsensical expectations and theoretical predictions. A small state essentially won four disputes, three of which were militarized, against a world power. The behavior of Iceland and the effectiveness of its foreign policy confounded the most seasoned of diplomats (Kissinger 1982, 172-173; Jóhannesson 2004, 554) and defies conventional wisdom that the strong defeat the weak. Furthermore, the militarized disputes occurred between states whose relations are purportedly pacified by the Kantian tripod for peace (Russett et al. 1998). The states in question are democracies with considerable
economic interests that can be compromised by a militarized dispute. Iceland and the UK are also members of NATO, OEEC, GATT and the World Bank, and during the last two Cod Wars, had considerable ties through European institutions. Cohen (1994, 216) and Kacowicz (1995, 270) refer to the disputes as a rare exception to the tendency of North Atlantic and Western European states to solve their problems by peaceful means. The puzzling nature of the Cod Wars is therefore suitable for the case study approach. As Levy (2008, 5) notes, “case studies can be particularly useful in explaining cases that do not fit an existing theory, in order to explain why the case violates theoretical predictions and to refine or replace an existing hypothesis or perhaps specify its scope conditions”.

There are several limits to my study. First, my narratives of the Cod Wars are simpler and more abstract than many other narratives, due to the emphasis on explanation over description. This can lead to a tendency to over-intellectualize and simplify the policy process (George and Bennett 2005, 287). Second, this study relies on secondary sources, making my findings conditional upon the accuracy of the existing historical literature (Yin 2014, 47). Third, as had been noted previously, this study cannot disprove the theories that it tests. It can only affirm or reject the expectations of the theories to the reality of the Cod Wars. Fourth, the hypotheses constructed for this study are general and simplified implications from the four theories chosen, which is helpful for historical explanation but makes the hypotheses prone to vagueness and counterexamples (George and Bennett 2005, 130).
3. Theoretical Framework

In this chapter, I present the essentials of four major IR theories or approaches, which are necessary to place and understand this study. I begin by outlining the assumptions, conclusions and internal logics of Realist IR theory, and deriving dispute and outcome hypotheses from Structural Realism and Neoclassical Realism. I do the same with Liberal IR theory, but only derive one set of hypotheses. I examine Constructivism, which is an important approach in IR scholarship, but I do not derive any hypotheses from the approach. Finally, I lay out the logic and argument behind the Rationalist Explanations for War perspective.

3.1. Realism

Realism is a philosophical tradition in international relations that comprises a diverse set of thinkers and variants of theories. These thinkers and theories are united by a set of core characteristics (Donnelly 2000, 7-8). Realists see the international system as anarchic. Unlike states, which are hierarchically ordered, there is no government of the international system that can make rules, enforce rules, and settle disputes. In anarchy, states are therefore at perennial risk to coercion and subjugation by others (Waltz 1979, Mearsheimer 2001). States, being interested in survival, will or should therefore act rationally and pursue power. The pursuit of power is central to all realist theories, as states, the primary unit of analysis, compete with each other in an anarchic international environment where conflict and subjugation is possible (Morgenthau 1948, Grieco 1988, Waltz 1979, Mearsheimer 2001). Realists therefore see conflict as an unavoidable feature of the international system and cooperation between states as difficult (Waltz 1979, Grieco 1988, Mearsheimer 2001). Realists, however, disagree as to the fundamental causes of power politics, the extent to which conflict is necessary and unavoidable, and the degree of interstate cooperation that is possible.

Classical Realism is a label that has been put on various thinkers and texts. What unites this diverse set of thinkers and sets them apart from structural realists, is their heavy reliance on processes that occur within states or that can be traced to human nature as causes of power politics. Classical realists therefore rely on, what Waltz (1959) terms, first image and second image variables. How and whether a state will pursue power depends on the characteristics of statesmen (the first image: the individual) and their ability to effectively translate their aims into foreign policy (the second image: the state). Many of the thinkers
appropriated by realists and given a classical realist label are known for their pessimistic descriptions of humans and human nature, which give rise to competition and conflict. Niebuhr emphasized the “ignorance and selfishness of men” (Niebuhr 1932, 23), Hobbes noted the vanity and glory that drove the actions of men (Hobbes 1996, 83), and Machiavelli described men as “insatiable, arrogant, craft and shift and above all malignant, iniquitous, violent and savage” (quoted in Donnelly 2000, 25). For Hans Morgenthau, the most influential classical realist (Jordan et al. 2009, 43, 47), “politics, like society in general, is governed by objective laws that have their roots in human nature” (Morgenthau 1993, 4, emphasis mine). The pursuit for power was, in Morgenthau’s view, rooted in a natural urge to dominate others (Morgenthau 1948, 17).

The third image, the anarchical structure of the international system, is somewhat important to classical realists (Taliaferro et al. 2009, 20). Anarchy (the third image), the lack of a government or hierarchy at the international level, permits subjugation and conflict. It is, however, not anarchy that causes states to pursue power. The pursuit of power is rooted in the characteristics of individuals or states. The fact that competition and coercion characterize so much of international politics stems from the desire of some states to pursue more than just security. The identities and interests of states therefore vary. Whereas some may be security seekers, others may pursue hegemony (Kirshner 2012, 69-70; 2015).

Since Classical Realism has so many variables and vague ideas about which factors are of primary importance and which are of secondary importance, Classical Realism is therefore not of much use to predict general patterns of behavior in international relations (Kirshner 2015, 163). After all, to do so, one would have to account for countless factors (the individual characteristics of statesmen and the internal characteristics of all states), which do not lend themselves to useful hypotheses. Classical Realism does not meet many of the characteristics of well-developed theories, such as defining concepts and assumptions, stipulating how those concepts relate to each other, specifying causal mechanisms, highlighting which factors are excluded, making falsifiable claims, yielding unambiguous predictions and specifying boundary conditions (Van Evera 1997, Mearsheimer and Walt 2013, 432). What we can deduce from classical realists is that first image and second image variables are necessary components of any explanation of a particular state’s foreign policy. In explaining the Cod Wars, one might argue that a classical realist would not expect states to solely pursue interests related to security or position in the international system but also interests that are shaped by history, ideology and domestic politics, and run counter to pure and rational raison d’être. The attempts by statesmen to pursue interests related to security may also be heavily colored by the emotions of fear, honor, glory and hubris (Lebow 2008, 2010).
Structural Realism, as the name suggests, is a third image theory, as it posits that the anarchic structure of the international system logically leads states to act in certain ways. Since there are no guaranteed limits on the behavior of states in anarchy, states will be unable to trust other states not to use their military capabilities against them (Waltz 1988, 619-620; Mearsheimer 2001, 66-68). Assuming that states are rational — capable of considering the immediate and long-term consequences of their actions — and value survival above all other goals, states have to engage in self-help behavior and accumulate power to be secure (Mearsheimer 2001, 66-68). Cooperation with other states is difficult and consequently rare, due to concerns over relative gains and fears over cheating (Mearsheimer 1995, 12-13). The relative gains problem and cheating are the consequences of interaction in an anarchic international system. Cheating will be prevalent since there is no authority that can enforce agreements. Even if states are not worried about cheating, cooperation will still be difficult since states will fear that their cooperating partner is benefitting more than they are (Grieco 1988).

Cooperation will therefore be in short supply, as today’s friend may become tomorrow’s enemy. To what extent that states trade or cooperate in international organizations, such cooperation cannot be relied on for the long-term. Trade either has no impact on peace (Buzan 1984) or worsens the prospects for peace (Grieco 1988, Barbieri 2005, 18). Waltz (1979, 138) argued that, if anything, trade should increase the likelihood of conflict due to the fact that it adds another avenue for disputes to emerge. To what extent international organizations impact world politics, it is merely by reflecting the balance of power (Mearsheimer 1995, 13). International organizations, per se, have no pacifying impact on interstate relations (Grieco 1988, Mearsheimer 1995).

One type of cooperation is, however, bound to occur and that is alliance formation. As there is no world government to guard states against potential hegemons, states will attempt to curtail the potential hegemon by forming an alliance and thus balance against it (Waltz 1979, 116). History is therefore rife with tightly managed balances of power. Waltz (1979, 116) argued, “if there is any distinctively political theory of international politics, balance-of-power theory is it”. The concept of polarity accounts for the state of the distribution of power in the international system. Multipolarity refers to the presence of multiple great powers, bipolarity to the presence of two great powers and unipolarity to the presence of only one great power. Patterns of state behavior can often be assumed to concern the maintenance

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9 Waltz (1979, 118) claims not to use the rationality assumption, “the theory says simply that if some do relatively well, others will emulate them or fall by the wayside”. Others scholars (Keohane 1986, 173) argue that he essentially does use the rationality assumption. In Waltz (1986, 330), concedes, to some extent, to using the rationality assumption.
by “status-quo powers” of the balance of power and the attempted alterations by “revisionist powers” of the balance of power.

Structural realists are therefore not concerned about the internal characteristics of states. States will, despite their differences, ultimately behave in similar ways. States are, in this sense, black boxes. Whether a state is democratic or authoritarian, capitalist or communist, religious or secular, or its leaders “good” or “evil”, it will pursue power at the expense of other states (Waltz 1979, 51-54). States that fail to act accordingly will, over time, cease to exist (Waltz 1979, 118). Structural realists point towards the persistent patterns of self-help and balances of power throughout history as evidence of the enduring logic of anarchy.

Structural Realism is not meant to explain the foreign policies of states, only general patterns in international relations (Waltz 1979, 72; 2000, 38-39; Schweller 2003, 317). After all, to explain why one state’s foreign policy differs from another, one would have to examine first and second image variables, which Structural Realism does not do. Structural Realism is a parsimonious generalizable theory, which tries to account for broad patterns of behavior by relying on only a few assumptions. The goal of the theory is to explain much by little. It is therefore the type of theory that attempts to explain similarities across a wide range of phenomena but is unable to fully explain each phenomenon in depth (Friedman 1966). Structural Realism explains a lot about most states’ foreign policies even though it may not fully explain each and every one of them. The theory therefore sacrifices descriptive power for explanatory power.

Since Structural Realism is not meant to account for specific foreign policies and specific events (George and Bennett 2005, 55), some might charge that the hypotheses derived from Structural Realism for the disputes between Iceland and the UK is not going to tell us much about the validity of Structural Realism. The fact that I examine four disputes between the UK and Iceland dispersed over a period of more than 25 years, does however give us an opportunity to examine whether the disputes display any of the patterns of behavior that structural realists might expect.

For the purposes of this essay, two structural realist hypotheses are constructed (one on the occurrence of the disputes and another on the outcome of the disputes) that, while somewhat simplified, will effectively measure whether structural realist expectations match the reality of the Cod Wars.

**Structural Realist dispute hypothesis:** Both states were willing to pursue their fishing and territorial limit preferences in any manner that would maintain or improve their security.
**Structural Realist outcome hypothesis:** The outcomes of the disputes reflect the superior ability of one side to impose costs on the other, the greater willingness by one side to incur costs, and the desire of both states not to jeopardize their own security.

If both hypotheses are accurate, we should expect both states to pursue their preferred territorial limits by all effective means possible, short of jeopardizing their own security. This means that when the pursuit of a state’s fishing and territorial limit preferences come into conflict with long-term security interests (such as maintaining the balance of power in the North Atlantic, staying in a strong NATO, and keeping the US base in Iceland), we should expect the latter to prevail. As for the questions of costs, risks and security, we should expect the UK and Iceland to see their disputes through a Cold War lens, and be wary of US pressure. US influence should be expected once its interests get entangled.

With the previous two variants of Realism in mind, one can see why it can be difficult to study the foreign policies of states in any comprehensive manner through a realist lens. As Waltz acknowledges, Structural Realism can only explain why states behave in similar ways. It cannot explain why states do not behave in identical ways (Waltz 1979, 72; Schweller 2003, 313). We are therefore unable to understand how decision-makers assess international threats, who determines the response to international threats, how leaders translate their ideas into foreign policy, and most importantly: why states may occasionally fail to respond to systemic incentives. Structural Realism only gives us the general patterns of state behavior. Classical Realism, on the other hand, is interested in those aspects but lacks predictive power due to the breadth of variables offered by its proponents.

In the 1990s, a set of writings tried to bridge the gap between Structural Realism and Classical Realism. A group of scholars that Rose (1998) would later term “neoclassical realists” recognized the importance of anarchy in explaining general patterns of behavior but were also willing to examine how the effects of anarchy on state behavior were affected by first and second image factors. To neoclassical realists, anarchy is therefore a “permissive condition, rather than an independent causal force” (Taliaferro et al. 2009, 7). Anarchy and the distribution of power create systemic incentives and constraints on states, compelling them to pursue similar strategies, making structural realist predictions correct over the long term.

The problem at the centre for neoclassical realists though is that the so-called “transmission belt” between systemic incentives and the actual foreign policies selected by states will be imperfect (Rose 1998, 146-147, 158). “In the shorter term... the policies states pursue are rarely objectively efficient or predictable based upon a purely systemic analysis”
(Taliaferro et al. 2009, 4). The domestic constraints faced and perceptions held by elites therefore pose a set of intervening variables between the independent variable (the relative distribution of power) and the dependent variable (a state’s foreign policy) (see Table 3.1.1). Neoclassical Realism can therefore not explain general patterns of behavior. As three neoclassical realists put it, “a neoclassical realist hypothesis might explain the likely diplomatic, economic, and military responses of particular states to systemic imperatives, but it cannot explain the systemic consequences of those responses” (Taliaferro et al. 2009, 20, emphasis mine).

Table 3.1.1. Classical Realism, Structural Realism and Neoclassical Realism

<table>
<thead>
<tr>
<th>Theory</th>
<th>View of international system</th>
<th>View of units</th>
<th>Dependent variable</th>
<th>Causal logic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Classical Realism</td>
<td>Somewhat important</td>
<td>Differentiated</td>
<td>Foreign policies of states</td>
<td>Internal factors -&gt; foreign policy</td>
</tr>
<tr>
<td>Structural Realism</td>
<td>Very important</td>
<td>Undifferentiated</td>
<td>International political outcomes</td>
<td>Systemic incentives (independent variable) -&gt; internal factors (intervening variables) -&gt; foreign policy (dependent variable)</td>
</tr>
<tr>
<td>Neoclassical Realism</td>
<td>Important</td>
<td>Differentiated</td>
<td>Foreign policies of states</td>
<td>Systemic incentives (independent variable) -&gt; foreign policy (dependent variable)</td>
</tr>
</tbody>
</table>


To what extent does structure matter to neoclassical realists? Neoclassical realists disagree among each other as to the extent that the internal processes of states lead to foreign policies that fail to meet systemic incentives and constraints (Taliaferro et al. 2009, 32). This is a key question, since the repeated failure to respond to systemic pressures has dire consequences. “Over the long term... regimes or leaders who consistently fail to respond to systemic incentives put their state’s very survival at risk” (Taliaferro et al. 2009, 7). Several scholars have argued that the foreign policies of small states will reflect systemic incentives and constraints more accurately than those of big states. According to Jervis, the lack of “a margin of time and terror” leads them to be “more closely attuned” to external constraints (Jervis 1978, 172-173). According to Snyder (1991, 20), the lack of “a substantial buffer from the pressures of international competition” makes domestic constraints less significant than international pressures in the calculations of leaders.
For the purposes of this thesis, two Neoclassical Realist hypotheses are constructed (one on the occurrence of the disputes and another on the outcome of the disputes) that, while somewhat simplified, will effectively measure whether Neoclassical Realist expectations match up to reality of the Cod Wars.

**Neoclassical Realist dispute hypothesis:** Statesmen in both states were willing to pursue their fishing and territorial limit preferences in any manner that would satisfy both domestic and security interests, prioritizing whichever of these interests was more powerful in the event of a clash between the interests.

**Neoclassical Realist outcome hypothesis:** The outcomes of the disputes reflect the goals of statesmen from both states to satisfy both domestic and security interests, prioritizing whichever of these interests was more powerful in the event of a clash between the interests.

If both hypotheses are accurate, we should expect statesmen to attempt to satisfy both domestic pressures (maintain the government by meeting the demands of coalition partners, the legislature, public opinion, the media, and special interest groups) and international pressures (keep their state secure by keeping Iceland in NATO, keeping the NATO base in Iceland, and maintaining the balance of power in the North-Atlantic). In a clash between domestic and international interests, statesmen should, unless domestic pressures are exceptionally severe, prioritize meeting international pressures when security interests are put at serious risk. In other words, the disputes will be resolved when the security interests of either state become so jeopardized as to outweigh domestic pressures. As Neoclassical Realism lacks the explanatory power of Structural Realism, there are problems associated with disproving these hypotheses. The Neoclassical Realist hypotheses constructed here are therefore more suited to the task of historical explanation by highlighting factors that we should look out for and less suited to comprehensive theory-testing unless the hypotheses are made more specific.
Table 3.1.2. Structural Realist and Neoclassical Realist expectations of the Cod Wars

<table>
<thead>
<tr>
<th>Theory</th>
<th>Primary determinant of foreign policy</th>
<th>Other determinants of foreign policy</th>
<th>The balance of power in the North Atlantic</th>
<th>Fishing rights and delimitation off Icelandic shores</th>
<th>When the balance of power collides with the delimitation off Icelandic shores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural Realism</td>
<td>Insecurity and uncertainty resulting from anarchy</td>
<td>None</td>
<td>Very important to both states</td>
<td>Slightly important to the UK + somewhat important to Iceland</td>
<td>Maintaining the balance of power</td>
</tr>
<tr>
<td>Neoclassical Realism</td>
<td>Insecurity and uncertainty resulting from anarchy</td>
<td>Domestic constraints and elite perceptions</td>
<td>Very Important to both states</td>
<td>Somewhat important to the UK (somewhat strong domestic pressures and slightly important international interests) + Very important to Iceland (Very strong domestic pressures and somewhat important international interests)</td>
<td>Leaders attempt to find amicable solutions for both, but prioritize the balance of power</td>
</tr>
</tbody>
</table>

3.2. Liberalism

Liberal IR theory unites a diverse set of thinkers who tend to hold a more optimistic view of international politics than realists. In relation to realists, liberals tend to see conflict as a more avoidable and less necessary component of international politics. For liberals, it is the lack of regulating mechanisms that explains why competition and conflict is so prevalent in international politics. Liberals, however, disagree with one another over the nature of these regulating mechanisms, the explanations for why states can be pacified by regulating mechanisms, and the limits to interstate cooperation even when regulating mechanisms are in place. Democracy, commercial ties and institutions feature prominently in liberal writings as factors that can pacify state relations and provide a foundation for lasting cooperation (Doyle 1986, Russett 1993, Moravcsik 1997, Oneal and Russett 1999, Kant 2012, Hegre 2014).

Democratic states are supposed to be more peaceful towards other states (other democracies in particular) due to normative constraints, legislative constraints, mobilization constraints, and credible commitments. Just as disputes within democracies are resolved with compromises and nonviolence, democratic leaders are expected to “externalize” those norms when in dispute with other states (Doyle 1986, Russett 1993, Hegre 2014, 161). Given that democratic leaders have to govern with the consent of the governed, they will also have
to mobilize public opinion in favor of any war and overcome potential legislative constraints. This largely precludes wars that do not reflect the interests of citizens and influential groups (Hegre 2014, 161). This makes it more time-consuming and difficult for democratic leaders to mobilize for war, decreasing the likelihood that they would do so without a demonstrably favorable ratio of costs and benefits (Russett 1993, 38-39; Hegre 2014, 161). Furthermore, all these constraints largely preclude any surprise attacks by democratic states, reducing other states’ fear of attack (Russett 1993, 38-39).

Democratic leaders are also more credible in interstate disputes due to audience costs and greater transparency, which make bargaining problems concerning resolve less severe (Fearon 1994, Gelpi and Griesdorf 2001, 645). In disputes, states are incentivized to exaggerate their power and resolve by making threats. This poses a problem in interstate bargaining, as it may be difficult to gauge whether a leader is bluffing or making a serious threat. Due to the accountability they have towards voters and the fear that they will incur electoral losses, democratic leaders tend not to make threats unless they are willing and able to go through with them (Fearon 1994, 580-581). At the very least, the opposing state can easily find out, due to the transparent nature of political processes in democracies, whether the leader making threats has the support of the cabinet, legislature and public opinion, and thus the likelihood of the leader going through with the threats (Schultz 2001, ch. 3). Bargaining problems are therefore less likely to occur between democracies, preventing the unnecessary escalation of disputes.

Trade between states is also meant to have a pacifying influence on interstate relations. After all, economic ties create greater common interests between sub-state groups in both states, making it more difficult for leaders to mobilize support for war. Not only is actual war costly in terms of physical destruction, the severance of trade ties, and flight of capital but hostile rhetoric and the mere risk of war can often be costly enough, as it drives away investment. The greater costs and lower benefits of war between two trading states (Angell 1910, Moravcsik 1997, 530; Gartzke 2007, 172) makes it both more difficult for leaders to go to war and make empty threats that could unnecessarily escalate disputes into war. Leaders of economically interdependent states should also be able to signal resolve more efficiently, as economic ties raises the costs of the signals and therefore the credibility of them (Gartzke, Li, and Boehmer 2001, 400-401; Morrow 2003, 89-90). Not only do trade ties between a dyad decrease the chances of conflict, but common trade ties to third parties also deter them, as those ties stand to be severed in case of conflict (Lupu and Traag 2013, Kinne 2014).

Liberals see international organizations as a way to improve interstate cooperation. The most forceful arguments for the prospects of international organizations have been
made by liberal institutionalists.\textsuperscript{10} Liberal institutionalists share with other liberals the view that institutionalized cooperation is both possible and can have a significant impact in world politics but they base their argument on the same assumptions that structural realists make. Liberal institutionalists accept most of the core assumptions that structural realists make, namely that \textit{states are the primary actors} in world politics and they pursue their \textit{self-interest} in a \textit{rational} manner in an \textit{anarchic} international system (Keohane and Martin 2003, 73-74). Liberal institutionalism is in this sense a third image theory, like Structural Realism, due to the causal logic given to anarchy.

Liberal institutionalists, however, draw different conclusions from those assumptions than realists do. They find that cooperation is not only possible but that international organizations are key to cooperation. This is because neoliberals see conflict and non-cooperation as largely the result of collective action problems. Anarchy is an “information-scarce environment” (Keohane and Martin 2003, 98), which makes it difficult for states to locate mutually satisfactory bargains and avoid being cheated on (Keohane 1984, 26). States therefore have incentives to increase their information about other states’ actions, so as to make cheating less likely and bargains more likely, and increase their own credibility, so as to make other states more willing to cooperate (Keohane 1984, Keohane and Martin 2003, 98). This leads states to create and maintain institutions, as they “provide information, reduce transaction costs, make commitments more credible, establish focal points for coordination, and in general facilitate the operation of reciprocity” (Keohane and Martin 1995, 42). International organizations allow states to cooperate in ways that would otherwise be very difficult or impossible (Abbott and Snidal 1998, Ikenberry 1998, 2001, 52-64). The utility of international organizations therefore raises the costs of conflict between members (and even non-members) and provides a pacifying influence on states.

\textbf{Liberal dispute hypothesis:} \textit{Democracy, economic ties and institutions had a pacifying effect on both states, making it harder for statesmen to escalate the disputes.}

\textbf{Liberal outcome hypothesis:} \textit{Democracy, economic ties and institutions had a pacifying effect on both states, putting pressure on statesmen to resolve the disputes.}

If both hypotheses are accurate, we should expect democracy to make the disputes less likely due normative constraints, legislative constraints, mobilization constraints, and credible

\textsuperscript{10} Liberal institutionalism is also referred to as neoliberalism.
commitments. Mutual trade should provide common interests that raise the costs of the disputes, making them less likely to occur. Iceland and the UK’s common membership of institutions, such as the UN, NATO and OEEC, and considerable ties through European institutions (even if Iceland was not a member of some of them) should provide common interests that further raise the costs of the disputes. Fellow members of these organizations also have interests in preventing the occurrence of the disputes and resolving them once they occur. We should therefore expect fellow members to pressure and encourage both sides to resolve their differences.

3.3. Constructivism

Constructivism is not a substantive theory of international relations, unlike realist or liberal theories (Finnemore and Sikkink 2001 393). It is instead an approach to studying international relations, one that seeks to understand “social facts”. Constructivists hold that the identities and interests of actors are shaped primarily by ideational, not material, factors, and that these ideational factors are intersubjective beliefs, which means that they cannot be reduced to individuals (Finnemore and Sikkink 2001, 392-393). More specifically, constructivists claim that identities – “relatively stable, role-specific understandings and expectations about self” – and interests – the basis of which stem from identities – are shaped through social interaction (Wendt 1992, 397). Identities and interests are therefore not exogenously driven, as in neorealistic and liberal institutionalist theories where states are assumed to be self-interested rational actors bound to respond to the effects of anarchy in a predictable manner. Actors do not therefore solely respond to material forces but also to ideational forces “which have no material reality but exist only because people collectively believe they exist and act accordingly” (Finnemore and Sikkink 2001, 392-393).

Constructivists therefore examine all three images, as agent and structure are mutually constituted (Wendt 1987, 350). To what extent that the world seems to fit realist or liberal descriptions, it is not due to a natural logic of anarchy or interests constituted solely at the individual or state level, but structures that are determined primarily by shared ideas. Wendt, for instance, argues that “self-help and power politics do not follow either logically or causally from anarchy and that if today we find ourselves in a self-help world, this is due to process, not structure” (Wendt 1992, 394). This has profound consequences, as it points towards different causes for patterns in world politics, the importance of ideas and socialization (Checkel 1999, 2001), and the possibility of variation (Wendt 1992, 1999; Adler and Barnett 1998).
While ideas can be powerful, and actors can diverge in their behavior, this is not say that constructivists believe that change is easy in world politics or that all ideas will change world politics for the better (Hopf 1998, 180; Wendt 1999, 411; Finnemore and Sikkink 2001, 404). Hopf, for instance, notes that understandings of anarchy are “quite impervious to change” due to difficulties in challenging intersubjective structures (Hopf 1998, 180). Wendt argues that social change may be difficult as “intersubjective understandings and expectations may have a self-perpetuating quality, constituting path-dependencies that new ideas about self and other must transcend” (Wendt 1999, 411). A lot of behavior is furthermore determined by habits and routines, because they provide actors with predictability and order (Hopf 2010). Just as a state’s moral reputation can lead the state to change behavior that it considers immoral (Löwenheim 2003, 44), a state’s pursuit for ontological security (security of Self) can lead it into perpetuating behavior, even when the behavior puts physical security at risk (Mitzen 2006, Steele 2008, Zarakol 2010).

Nonetheless, a large constructivist literature indicates that norms can shape state preferences in ways that run counter to realist conceptions of state interests. Constructivist scholars have, for instance, shown how norms have constrained the pursuit for nuclear and chemical weapons (Price 1995, Tannenwald 2005), encouraged states to regulate landmines (Price 1998), slavery (Ray 1989), racial discrimination (Klotz 1995) and labor standards (Hertel 2006), and driven states to intervene in other states to protect human rights (Finnemore 2003).

Constructivism therefore makes claims about the nature of the social world but does not “make any particular claims about the content of social structures or the nature of agents at work in social life” and is therefore unable to predict political outcomes (Finnemore and Sikkink 2001, 393). While this thesis does not construct any constructivist hypotheses or specifically aim to show how ideational factors impact the four disputes examined in this essay, readers will invariably be able to see how ideational factors shape events and outcomes. Liberal and realist scholars alike have been influenced by constructivism and have appropriated ideational factors into their analyses (see Walt 1985, 1998, 41; 2015, Posen 2014, 50-54). Constructivism should therefore not be seen as necessarily incompatible with either liberalism or realism. There are, for instance, proponents of a “liberal constructivist approach” (Risse-Kappen 1996, see also Adler and Barnett 1998) and “realist constructivism” (Barkin 2003, see also Lebow 2001, 2003, Löwenheim 2003).
3.4. The “Rationalist Explanations for War” Perspective

Fearon (1995) attempted to solve a puzzle within the IR literature, namely why rational states go to war (a costly and risky action) when they can reach a mutually preferable bargain that avoids the costs and risks that are associated with war. Fearon argued that war does not have to be an irrational action, and proposed several pathways for rational states to go to war. The first of these pathways to war is a disagreement over relative power. States have incentives to mislead each other over their capabilities, which can cause states to have inaccurate understandings of their relative power. An inaccurate understanding of relative power makes it more difficult to locate a zone of possible agreement, as one or both sides overestimate their leverage (Fearon 1995, 390-392). Another factor that contributes to bargaining failure is a miscalculation of resolve. Since states have an incentive to exaggerate their resolve in order to achieve the best possible bargain, states may have an inaccurate understanding of each other’s resolve (Fearon 1995, 393-397). States will, for instance, have problems distinguishing empty threats from genuine threats, with the consequence that genuine threats may not be taken seriously, which leads states into conflict.

A commitment problem is the third pathway to conflict. Commitment problems refer to situations where one or both sides fear that the party to an agreement will renege on the agreement when it suits them and when the other side is vulnerable (Fearon 1995, 401-404). A fourth pathway to conflict is issue indivisibility. In rare cases, the object of the dispute may not be divisible, unlike money or non-strategic territory. Territory that has crucial strategic value that precludes sharing can be indivisible, as one or both sides are unable to accept the loss or sharing of the territory (Fearon 1995, 389-390).

The REW perspective draws upon rational choice, which, like Constructivism, is an approach to studying international relations rather than a theory of international relations. Rational choice has, like Constructivism, influenced liberal and realist theories of international relations. By making the assumption that actors in international relations are rational, rationalist scholars are able to deduce tendencies and logics of behavior. Whether the assumption that actors are rational is accurate or not is insignificant, if it allows us to identify regularities and account for behavior (Friedman 1966, 31-33). Nonetheless, as Harrison Wagner argues, a lot of human behavior is predictable:

Many people would say that human behavior is too unpredictable for such explanations to be possible. However, after saying that, such people will often literally bet their lives that what they have said is not true by driving a car at seventy miles an hour down a highway while separated from cars traveling at the same speed in the opposite direction only by a painted yellow line. And in buying the car they drive they will have bet a lot of money that wherever they go there will be
people willing to supply them with oil and gasoline to keep it running and to fix it when it breaks down. Human behavior is, in fact, very predictable, and if it were not, social organization would be impossible. (Wagner 2007, 8)

In using rationalist assumptions, scholars have identified logics of behavior that are counter-intuitive and highlighted ways in which seemingly irrational outcomes can be brought about by rational actions. Even critics of rational choice concede that analyses like Fearon’s (1995) can clarify issues “in an insightful and intelligent way” (Walt 1999, 28).

While this thesis does not examine actual wars, the REW framework still applies, given that the four disputes examined were all costly and risky, and mutually preferable bargains could have been located.

**REW dispute hypothesis:** Disagreement over relative power, miscalculation of resolve, commitment problems, and issue indivisibility led to bargaining failure.

**REW outcome hypothesis:** Accurate information about relative power, greater understanding of resolve, alleviation of commitment problems, and greater issue divisibility contributed to the locating of a mutually preferable bargain.
4. The Cod Wars

The following chapter will be organized as follows. The first part runs through theories on the Cod Wars and explains why there is no major theory that adequately explains the occurrence and outcomes of the disputes. The examination of the Cod Wars begins with a summary of each Cod War, an analysis of the costs and risks of no agreement, a test of the REW dispute hypothesis, followed by a test of the liberal dispute hypothesis, then a test of the structural realist dispute hypothesis, and finally with a test of the neoclassical realist dispute hypothesis. The outcome of each dispute will then be examined and tests taken as to which outcome hypotheses can be affirmed. Narratives of the four disputes are told alongside tests of the dispute and outcome hypotheses.

4.1. Theories on the Cod Wars

There is no major theory of the Cod Wars. The major works on these disputes have been what George and Bennett (2005, 553-554) term “detailed narratives”, referring to narratives that are “highly specific and [make] no explicit use of theory or theory-related variables”. Most works on the Cod Wars have been written by historians with the primary purpose of describing the events of the Cod Wars in detail rather than applying general theories to the events to explain and evaluate behavior and outcomes. Some of these works do apply general theories but those applications are usually brief and simple. The application of theories is clearly a secondary goal in most of the historical narratives of the Cod Wars. Other historical works on the Cod Wars do not explicitly rely on theory, but the way that the narratives are told and decision-making explained, gives one the impression that the authors have been “drawing on certain principles of a theoretical nature” (Trachtenberg 2006, 34-35).

Several factors tend to feature heavily in most narratives of the Cod Wars: bureaucratic struggles; the effects of public opinion on leaders; the effects of electoral competition on the policies of Icelandic political parties; the role of emotions; the influence of special interest groups; crucial instances of miscalculation; and the role of alliance politics. These factors are, however, only used to describe the events of the Cod Wars and account for the environment in which decision-makers took decisions. The historian’s tendency for leeriness of general theories, aversion to evaluation and preference to “letting the facts speak for themselves” (Van Evera 1997, 5, 93) has in the case of the Cod Wars, left explanatory and evaluative gaps.
Some historians have touched on how mainstream IR theory might be used to understand the Cod Wars. Ingimundarson (2002, 20) briefly notes that the Cod Wars do not fully fit the democratic peace thesis, but does not expand on this. Ingimundarson also questions the pacifying influence of common interests. In a study of the Second Cod War, Ingimundarson (2002, 337-338) argues that common interests deterred neither Iceland nor the UK. He contradicts himself in Ingimundarson (2003, 93), though, when he argues that the UK was “constrained by alliance politics” in both the Second and Third Cod Wars when the UK could not impose any costs on Iceland or take proactive measures to defend British trawlers. The only reason that alliance politics constrained the UK was that it had a common interest with Iceland in keeping NATO strong and maintaining the balance of power in the North Atlantic. These interests would have been undermined by further escalation.

Two political scientists, Hellmann and Herborst (2008) examine to what extent the Cod Wars fit the expectations of democratic peace theory. Hellmann and Herborst (2008, 500-502) argue that “negative effects on trade relations” were not strong enough to deter escalation, that “joint membership in international organisations” was used as a bargaining chip rather than a channel for conflict resolution through democratic processes, and that there was “disregard for international jurisdiction”. Nonetheless, Hellmann and Herborst (2008, 482) insist that the democratic peace set a threshold for escalation, which made war highly unlikely.

In a study of asymmetrical negotiation, Habeeb (1988) devotes a chapter to the Cod Wars. Habeeb (1988, 127) argues that Iceland won the Cod Wars due to its issue power advantage. This issue power advantage stemmed from Iceland’s greater commitment (Habeeb 1988, 110, 120, 127). Since Iceland had no other means to maintain and improve its economy, which was highly dependent on fishing in the increasingly crowded and exploited waters off Icelandic shores, Iceland was essentially forced to persuade other states to accept Iceland’s extended fishery limits (Habeeb 1988, 102, 112). Iceland’s greater commitment made it willing to incur the costs of the extensions and broaden to scope of the negotiations by linking its NATO membership with the dispute outcomes (Habeeb 1988, 127-128). The British economy was not at all reliant on its fishing industry, which meant that it was able to accept the loss of the Icelandic fishing grounds (Habeeb 1988, 103, 112-113) and unwilling to incur all the costs associated with the dispute (Habeeb 1988, 127-128). Habeeb (1988, 128) is however confounded by the fact that the “British never seemed to grasp Iceland’s favorable issue power balance” and argues that “this reveals the difficulty structurally stronger states have in recognizing that the issue power balance may not be in their favor”.

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Jóhannesson (2007, 202) compares liberal and realist behavior briefly in his analysis of the behavior of British statesmen in the First Cod War. He argues that the British decision to offer naval protection for trawlers in Icelandic waters was “Realpolitik, pure and simple”, and that this was a shift away from a liberal predisposition to liberalism (Jóhannesson 2007, 202). Jóhannesson (2007, 24-26) also suggests that the decision to send in the Navy reflects a typically realist preference for military capabilities in a dispute where military capabilities did not count for much. Jóhannesson (2007, 24-26) therefore implies that Realism led British statesmen astray. It is also implied that realists would expect the state with superior military capabilities and commitment to win disputes of this nature. Iceland’s victory in all four disputes should therefore be troubling to Realism, given the state’s meager military capabilities. I would argue that this is an inaccurate application of Realism, though.

First, Iceland’s strategic importance to NATO strengthened its bargaining position and limited the action that the UK could take against Iceland. It would have been poor realpolitik for the UK to respond forcefully against Iceland and turn Iceland out of NATO. A realist would precisely expect Iceland’s strategic importance to NATO to strengthen Iceland’s bargaining position, and place it in a position to make demands. In short, despite Iceland’s non-existent military capabilities, it was in a position to cause considerable harm to the UK due to its key role in NATO’s defenses and influence on the balance of power in the North Atlantic.

Second, it is difficult to characterize the British willingness to send in the Navy as a realist action. Of the British departments and bureaucrats involved in the Cod Wars, the Foreign Office is depicted as the department most concerned about the UK’s long-term security interests and international standing. The Foreign Office was also most reluctant to send in the Navy and most predisposed towards meeting Icelandic demands, precisely because diplomats recognized that the UK’s long-term security interests would be better maintained by resolving the disputes (Ingimundarson 2002, Jóhannesson 2007). The most aggressive department was the Ministry of Agriculture and Fisheries (later the Ministry of Agriculture, Fisheries and Food), which was predisposed towards the interests of the trawling industry, not the national security interests of the UK (Ingimundarson 2002, 34; Guðmundsson 2006, Jóhannesson 2007). So within the British bureaucracy, the actors who were thinking in realist terms were also least willing to resort to the use of force.

Jóhannesson (2004, 544) also touches on rationality, as he argues that “on neither side was foreign policy formulated by rational actors, immune from the outside world” during the First Cod War, yet he does not present evidence that the actors involved were irrational, besides achieving a collectively irrational outcome. It is, after all, possible for collectively irrational outcomes to be the result of decisions that were rational on an individual basis. Davis (1963, 100), Hart (1976, 50) and Guðmundsson (2006, 111), for instance, argue that
British statesmen had rational reasons to miscalculate Icelandic resolve. Jóhannesson (2007, 85) also notes that high-level officials lacked accurate information during the dispute of 1952-1956, and Thór (1995, 187, 189) argues that this was the case during the First Cod War. Information shortage and miscalculation by decision-makers suggests that a more thorough examination needs to be made to determine if decision-makers were boundedly rational.

Scholars also tend to note how bureaucratic struggles influenced the Cod Wars. Jóhannesson (2007) emphasizes bureaucratic struggles and misguided statesmen as key factors in explaining the Cod Wars. In his analysis of the dispute of 1952-1956, he notes how “interdepartmental infighting ensued, where foresight and realism clashed with backwardness and wishful thinking. When the decision finally emerged it was long overdue, largely irrelevant, and entirely incorrect” (Jóhannesson 2007, 77). Ingimundarson (2002) similarly argues that British departments were in conflict with one another over the dispute with Iceland. In all of the disputes, historians have noted how Icelandic diplomats often took unilateral actions and worked at cross-purposes with their own governments (Ingimundarson 1996, 2002, 144-145; Guðmundsson 2006, Jóhannesson 2004, 553, 559; 2007, 195-196). However, in his study of the Second Cod War, political scientist Jeffrey Hart stakes out an extreme position on the role of bureaucratic politics, as he asserts, “bureaucratic politics played almost no role in the Cod War” (Hart 1976, 4).

Scholars differ as to what extent domestic politics mattered over international politics but they all agree that domestic politics played a key role (Hart 1976, Thór 1995, 187; Ingimundarson 2002, 261; Guðmundsson 2006, Jóhannesson 2007, 148). Guðmundsson (2006, 102, emphasis mine) takes a rather extreme stance as he asserts, “internal politics always had priority over common western Cold War interests in the minds of Icelandic politicians”. Jóhannesson (2007, 282) finds that domestic politics are a powerful constraint on Icelandic politicians but that they were capable of rejecting “the primacy of domestic politics”. Hart finds in a study of the Second Cod War that “internal conflict and bargaining among the two main parties in the Icelandic coalition government were important factors in the resort to violence” and “contributed to the confusion in the British government concerning the bargaining position of the Icelandic government” (1976, 50). For Davis (1963, 96-97), the Icelandic public did not constrain Icelandic leaders and shape the foreign policy. On the contrary, he argues that Icelandic “parties… do not so much respond to as stimulate public opinion in society to which they may then say that they are responding” (Davis 1963, 100).

Political scientists and IR scholars often make off-hand remarks to the Cod Wars, using the disputes to illustrate paradoxes and puzzles. Scholars who write on the democratic peace have shown some interest in the Cod Wars. Gleditsch and Hegre (1997, 289) argue,
for instance, that it would be “unreasonable to expect joint democracy to eliminate all militarized conflict down to the level of force found, for instance, in the Cod Wars”. Russett (1993, 21-22), a proponent of the democratic peace, cites the Third Cod War as a rare exception to the democratic peace but argues that the dispute was trivial. For Muller and Wolff (2006, 57), the Cod Wars illustrate how “powerful democracies do not in general resort to threatening weaker democracies” and “that often the more powerful state backs down to avoid escalation”.

For Ned Lebow, the fact that Iceland and the UK resumed amicable relations after each Cod War illustrates the persistent pacifying influence of political and economic interdependence on both actors. He writes, “membership in communities and long-standing alliances stretch identities, making violence against fellow members increasingly repugnant. As we observed in the case of the three Iceland–Britain “cod wars,” military incidents were followed by mutual efforts by both countries and their negotiators to befriend one another and thereby signal their continuing commitment to good interpersonal and interstate relations” (Lebow 2010, 198). For Gelpi and Griesdorf (2001, 636-637), the Cod Wars are seen as a possible example of how the stronger of two allies concedes to the weaker ally “because it fears alienating the support of the weaker ally against the common foe [The Soviet Union]”.

IR scholars have made references to the unique position that Iceland found itself in within NATO and how it translated into far greater power than one would expect from such a small state. Morgenthau (1959, 190), for instance, wrote, “it is possible that a weak nation possesses an asset that is of such great value for its strong ally as to be irreplaceable. Here the unique benefit the former is able to grant or withhold may give it within the alliance a status completely out of keeping with the actual distribution of material power. The relationships between the United States and Iceland with regard to bases and between Great Britain and Iraq with regard to oil come to mind”. Henry Kissinger was confounded by the power that the Icelanders exhibited in the Second Cod War:

Here was an island with a population of 200,000 threatening to go to war with a world power of 50 million [the UK] over codfish, and here was a superpower [the US] that considered it necessary (a) to express a view and (b) to restrain not the stronger but the weaker. Nixon and Rogers made soothing noises while the Icelandic ministers implacably insisted on what in any previous period would have seemed suicide. I thought of a comment by Bismarck over a century earlier that the weak gain strength through effrontery and the strong grow weak because of inhibitions. That little tableau in the town hall of Reykjavik – the beseeching superpower, the turbulent tiny country threatening to make war against a nation 250 times its size and to leave NATO (without which it would be defenseless) – said volumes about the contemporary world and of the tyranny that the weak can impose on it. (Kissinger 1982, 172-173)
The problem with the historical narratives and political science analyses of the Cod Wars is that it remains unclear what the order of preferences is for the statesmen involved. British statesmen ultimately concede to most of Iceland’s demands, and Icelandic statesmen, even if constrained by domestic pressures, work at cross purposes with public opinion and try to reach an agreement with the British that jeopardizes their position in domestic politics more than strengthen it. Readers are therefore left with an unclear understanding of how domestic constraints and incentives shaped the calculations of statesmen during the Cod Wars, and how the domestic factors explain the occurrence and outcomes of the disputes. This is unfortunate given the intrinsic importance of the Cod Wars for IR scholars. It is also unfortunate for Icelanders, whose understanding (or lack thereof) of the Cod Wars play a significant role in how they perceive themselves and the world (Thorhallsson 2004, 191; Jóhannesson 2008, Bergmann 2011, 127, 308-309; 2014, 43, 46).

In all explanations of the Cod Wars, the pathways to the on-set and resolution of the disputes remain unclear. We know of instances where bureaucratic struggles shaped foreign policy, domestic politics constrained leaders, emotions drove public opinion, and where leaders took decisions that turned out to be unwise. The ways in which these factors drove Iceland and the UK into disputes and prevented the resolution of the disputes is, however, unclear. It is left unsaid which factors were of primary importance and which were of secondary importance in each of the Cod Wars, and how these factors precluded the two sides from avoiding the costs and risks of the disputes by locating and reaching a mutually preferable bargain. Furthermore, it is unclear why the outcomes of all the Cod Wars were highly favorable to Iceland, and how we should make sense of that. The fact that all four disputes share the same patterns, namely that the disputes were costly and risky to both sides, and they had a highly favorable outcome to Iceland, suggests that it is possible to rate the importance of various factors, identify causal mechanisms, and simplify the disputes in ways that the major works on the Cod Wars have not done.

4.2. The Dispute of 1952-56

This dispute lasted from May 1952 to November 1956. It began with Iceland’s unilateral extension of its fishery limits from three to four miles, and the failure of the British to comply with the Icelandic regulations. During the dispute, the British trawling industry imposed a landing ban on Icelandic fish in British ports, precluding the sale of Icelandic fish to its biggest export market (Thorsteinsson 1992a, 440). Icelandic statesmen warned the British, the US and other NATO members of the adverse impact that the dispute would have on Icelandic public opinion towards NATO and the US, possibly leading to Iceland’s withdrawal.
from NATO and expulsion of US forces (Guðmundsson 2006, 99; Jóhannesson 2007, 104-105, 142). The USSR, seeking to gain influence in Iceland, provided a market for Icelandic fish, which alleviated the costs of the British landing ban for the Icelanders (Jóhannesson 2007, 114-115). The US, fearing for greater Soviet influence in Iceland, also provided market access for Icelandic fish, alleviating the costs of the British landing ban further for the Icelanders (Ingimundarson 1996, 288; Jóhannesson 2007, 116-118). An agreement was reached between the UK and Iceland in November 1956 that was highly favorable to Iceland.

For Iceland, there was considerable value for domestic constituents in extending the Icelandic fishery limits to four miles. According to Thór (1995, 256), fish products accounted for more than 90% of Icelandic exports at the time. Icelanders resented the presence of foreign fishing vessels off the coasts of Iceland competing for a finite resource that was the lifeblood of the Icelandic economy (Jóhannesson 2007, 51). The waters surrounding Iceland were also vital to the British trawling industry, which would have suffered with the loss of the fishing grounds within the four miles. According to Thór (1995, 131) roughly half of the total catch of the British distant fishing fleet in the period 1951-1976 came from the Icelandic grounds. For the UK, accepting the new Icelandic limits would therefore have been costly for domestic constituents. The local economies of British fishing ports such as Hull and Grimsby would have suffered immensely (Thór 1995, 237-240; Jóhannesson 2007, 44). Both Icelandic and British statesmen therefore had domestic constituents for whom the issue of Iceland’s extension was important.

In addition to the demands of domestic constituents, both states had international interests to safeguard. The importance of fishing to the Icelandic economy meant that greater catches and conservation were a security interest. British statesmen furthermore had strategic interests in maintaining narrow territorial limits, as they allowed its Navy to travel more freely and thus project power globally, maintain access to access to all parts of the Empire during peacetime and be less constrained during wartime (Jóhannesson 2007, 69, 80).

4.2.1. The Costs and Risks of No Agreement

Having established that the issue under dispute was important to both sides, the question is why the two sides failed to reach an agreement over the terms of the Icelandic fishery limits. After all, it was in neither side’s interest to have a unilateral and unrecognized Icelandic extension. Both sides recognized the costs and risks.

Icelandic statesmen pursued more favorable fishing rights in a cautious manner: making limited demands, pursuing the demands in multilateral venues, giving other states
time to respond, and offering recalcitrant parties exemptions from new regulations. At first, Icelandic statesmen pursued limited goals. According to Jóhannesson (2007, 52), Iceland applied a “cautious policy” in the years prior to the unilateral extension “because the Icelanders sincerely wanted to reach an amicable settlement, and partly because they calculated that a unilateral extension at one swoop would not work”. Iceland wanted to negotiate with interested parties about partial concessions. In 1949, Iceland tried to convene a conference about the temporary closure of Faxaflói to alleviate overfishing in key breeding grounds (Jóhannesson 2007, 52-53). Such an agreement would not have jeopardized the legal basis for three mile limits (a key interest for the UK), according to internal British documents (Jóhannesson 2007, 53), and other states were willing to accept the Icelandic proposal (Jóhannesson 2007, 53). The conference was, however, cancelled when the British explained that they were not going to budge at all on this issue (Jóhannesson 2007, 52).

Despite the British snub, Icelandic statesmen remained cautious. In April 1950, Iceland extended its fishery limits to four miles north off Iceland and drew new borders in a very expansive manner by using baselines that kept the vast waters of Faxaflói within the new limits (Thór 1995, 166; Jóhannesson 2007, 53), but agreed to allow British trawlers in the waters until October 1951, at which point an older treaty on the fishery limits could be legally abrogated (Thór 1995, 166-167; Jóhannesson 2007, 53). After a request from the British, Iceland postponed the date of extension until after a ruling from the ICJ in the dispute between Norway and the UK over four-mile limits (Thór 1995, 167; Jóhannesson 2007, 73).

British statesmen were very passive during this period, but resisted pressures to threaten countermeasures in case of a unilateral Icelandic extension, knowing that the possible countermeasures would be costly. The trawling industry pushed heavily for countermeasures against the planned Icelandic extension. Calls were made for naval protection for British trawlers, which would have rendered Icelandic patrolling of the new waters difficult to enforce, and sanctions on Icelandic fish imports (Jóhannesson 2007, 55), which would have made the extension prohibitively costly due to the fact that the UK was Iceland’s largest export market for fish (Thorsteinsson 1992a, 440). The British government was unwilling to apply the Navy but were open to the use of sanctions on Icelandic imports as a “last resort” (Jóhannesson 2007, 55), knowing that such an action would run counter to the UK’s position on trade barriers in the OEEC, trade treaty with Iceland, and the spirit of the amicable relationship with Iceland (Guðmundsson 1999, 78; Jóhannesson 2007, 55-56). The British were also aware of the fragility of Iceland’s position in the Western Alliance, and how sanctions could drive Iceland closer to the Soviet Union. As one high-level member of the British government put it, sanctions “might cause such ill-feeling in Iceland that the
Icelanders would become obstinate and almost be driven into the Soviet camp instead of into the camp of the North Atlantic Treaty” (quoted in Jóhannesson 2007, 57).

4.2.2. Testing the REW Dispute Hypothesis

REW dispute hypothesis: Disagreement over relative power, miscalculation of resolve, commitment problems, and issue indivisibility led to bargaining failure.

Finding: Affirmed.

There is evidence that the two sides disagreed about their relative power, and thus their ability to impose costs on the other side and incur costs from the other side. The UK had the ability to coerce Iceland economically, due to Iceland’s dependence on British markets for its fish exports (Thorsteinsson 1992a, 440). The UK also had a Navy that it could send into disputed waters to protect its trawlers from the Icelandic patrol ships that would try to enforce the new Icelandic regulations. Icelandic leaders knew that the British had the ability to impose significant costs on Iceland but they deemed it very unlikely that the UK would actually take those steps. Icelandic leaders did not find British claims that they would allow the trawling industry to use economic pressure against a Western ally credible nor did they find the prospect of a NATO ally sending its warships to face another NATO ally likely (Jóhannesson 2007, 88, 103). Icelanders expected its institutional ties with the UK to constrain British leaders. Icelandic leaders also knew of their importance to NATO and that it was common knowledge how fragile support for NATO was in Iceland. The British were, however, unconvinced that Iceland would ever seriously contemplate to jeopardize its special relationship with the US, due to crucial and unique political and economic benefits that Iceland received. Iceland was therefore deemed unlikely to use the NATO card against the UK.

The potential involvement of other states added uncertainty to the relative power of the two states. Icelandic leaders suspected that the US would not turn against Iceland in the dispute (Jóhannesson 2007, 87) and might even help Iceland. The role of the USSR was uncertain prior to the unilateral extension. In March 1952, the Soviet Union had shown an interest in resuming trade relations with Iceland but neither Iceland nor the UK believed that it would actually resume trade relations. British documents show that British officials considered Soviet involvement highly unlikely (Guðmundsson 2000, 79; Jóhannesson 2007, 114).
There was uncertainty regarding the legality of Iceland’s claims. Both sides disagreed as to the strength of their legal cases. Icelanders believed that they had the superior legal claim (Jóhannesson 2007, 87-88). This was due to a ruling from the ICJ in the dispute between Norway and the UK. Norway’s baseline claims in that dispute were somewhat similar to Iceland’s demands, and the ICJ ruled in favor of Norway (Thór 1995, 145-146). The UK rejected the manner in which Iceland had drawn the lines and argued that the lines were not comparable to those that the ICJ ruled in favor of in the Norway case (Thór 1995, 169).

Both sides disagreed about the other’s resolve. Due to their disagreement about relative power, the British saw Iceland as unwilling to incur the possible costs of unilateral extension. Despite Icelandic claims to the contrary, British diplomats considered it unlikely that Iceland would jeopardize its special relationship by threatening to move out of the Western Alliance and towards the Soviet Union. Contradictory statements and behavior by members of the different Icelandic government parties may have contributed to the perception that the Icelanders were not united on this issue. This was a clear case of miscalculation by the British. Icelandic leaders and the Icelandic public were fully behind a unilateral extension, especially after trying to reach a compromise with the UK for so long. According to Jóhannesson (2007, 87), “the Icelandic government would have been flatly condemned at home, had it not followed the precedent which was set by the ruling at The Hague”.

Iceland may also have underestimated British resolve due to its past behavior in similar disputes and due to recent events that weakened the British bargaining position. The UK had, for instance, compromised in previous disputes over fishery limits (Thór 1995, 145-146; Jóhannesson 2007, ch. 1), and accepted the ruling in favor of Norway’s claims at the ICJ (Thór 1995, 145-146; Jóhannesson 2007, ch. 1). The norm of three-mile limits had also weakened considerably in recent years, which provided precedents for an Icelandic extension (Thorsteinsson 1992b, 595-597; Ásgeirsdóttir 2008, 83) and cast doubts on the long-term future of three-mile limits.

There is no evidence that commitment problems or issue indivisibility made it more difficult to locate a bargain acceptable to both sides. While the UK wanted assurances that Iceland would not extend its fishery limits again within a certain period, there is nothing to indicate that the UK believed that Iceland would renege on any agreement that it would reach with the UK. The object of the disputes was neither indivisible nor was it impossible to offer side payments in exchange for concessions.
4.2.3. Testing the Liberal Dispute Hypothesis

**Liberal dispute hypothesis:** *Democracy, economic ties and institutions had a pacifying effect on both states, making it harder for statesmen to escalate the disputes.*

**Finding:** *Rejected.*

The pacifying role of democratic norms was highly limited. Neither state appeared willing to solve the issue in multilateral avenues unless those avenues would be favorable to their cause. Using the ICJ to resolve the dispute was not an option for either side. The British were unwilling to use the ICJ after the Norway ruling, because it feared that the ruling would go against them (Jóhannesson 2007, 86). Iceland was unprepared to pursue the case in the ICJ, due to the time it would take to get a ruling and the uncertainty about which way it would fall. Icelandic leaders expected democratic norms to pacify the UK and prevent it from sanctioning Iceland or sending the Navy into disputed waters. When the British implemented a landing ban, Icelanders were “shocked” and saw the landing ban as one step short of a declaration of war (Jóhannesson 2007, 103).

Neither the Icelandic public nor the British public provided a pacifying constraint on statesmen. Pressure from the Icelandic public, political parties and media made it difficult for the Icelandic government to delay the extension for the purpose of continuing to negotiate with the British. According to Jóhannesson (2006, 32), the outermost lines across Faxaflói were drawn by the Icelandic government to prevent Icelandic opposition parties from accusing the government of being too soft. The government had come under criticism for its cautious prior policies, such as only calling for extensions north of Iceland in 1950 and trying to find a compromise with the UK in 1951 (Jóhannesson 2006, 32). Pressure from the public also prevented Icelandic statesmen from meeting the UK halfway and backing down from some of their demands. Despite the significant costs of the landing ban, there is no evidence of public pressure on Icelandic statesmen to settle after the British trawling industry implemented a landing ban on Icelandic fish exports. Behind the scenes, Icelandic leaders were “deeply pessimistic” about the situation they had now found themselves in (Jóhannesson 2007, 104) but there is no evidence that this was the result of domestic pressure. If anything, the landing ban turned public opinion further away from compromise. Political parties in Iceland did not exert pressure on the Icelandic government to compromise in the wake of the landing ban.

There is no evidence of any significant pacifying influence by the British public on British decision-makers. One can, however, point to domestic actors’ crucial role in pushing
British decision-makers into escalating the dispute. One of the reasons why British statesmen were not willing to settle for the new Icelandic regulations was that they worried about the public and parliamentary reaction to surrender (Jóhannesson 2007, 97). By September 1952, British leaders began to contemplate escalatory measures (Jóhannesson 2007, 95-96), because the status quo was unsatisfactory. As one diplomat put it, “[s]o long as it does not get out of control, a little retaliatory action by our trawler owners may be about the best way of getting the Icelanders to see reason” (quoted in Jóhannesson 2007, 99). There was, however, also reluctance towards a landing ban in the British government.

The UK and Iceland were not economically interdependent. Iceland was dependent on trade with the UK but the UK did not have any significant trade with Iceland (Jóhannesson 2007, 105, 107). One might expect the landing ban to encourage the fishing industry in Iceland to pressure Icelandic leaders into compromise, given the unexpected costs that the unilateral extension had imposed on the industry. The Icelandic fishing industry was as vigilant as ever though. Even if the UK was not economically dependent on Icelandic markets, some British commercial interests lost out on the landing ban. British petroleum companies lost their market in Iceland when the landing ban pushed Iceland into making a trade agreement with the Soviet Union where it bartered fish for oil (Jóhannesson 2007, 114). There is also evidence of some discontent among fishmongers in the UK about the loss of Icelandic fish products (Jóhannesson 2007, 131). Even if the UK was not economically dependent on Iceland, it was dependent on the trading community that they were joint members of. This means that the ability of the trading community to punish the UK if it escalated the dispute with Iceland beyond a certain threshold should have had a pacifying influence on the UK (Lupu and Traag 2013, 1026).

Contrary to what liberals would expect, domestic actors had an escalatory effect on the disputes. British statesmen were reluctant to implement a landing ban or offer naval protection for their trawler fleet in the disputed waters. Internal documents from the British foreign ministry show that British officials considered a landing ban to be contrary to the UK’s treaty obligations and even domestic laws (Jóhannesson 2007, 104). The decision to implement a landing ban was effectively taken by the British trawling industry. After the landing ban was implemented, the British government did not force the trawling industry to rescind it. This speaks to the influence of the British trawling industry, which managed to take decision-making out of the hands of British leaders and escalate the dispute on their own.

Attempts to reach a compromise were also undermined by the British trawling industry. In January 1953, the UK offered the Icelanders a compromise that would have seen the delimitation of Faxaflói referred to the ICJ (Jóhannesson 2007, 108). Icelandic leaders were however only willing to refer the delimitation of Faxaflói to the ICJ if the landing ban
would be lifted in the meantime and the new limits would remain unchanged until a verdict had been reached (Jóhannesson 2007, 108). The British government showed a willingness to accept this but were however incapable of doing so due to the refusal of the trawling industry to lift their ban in exchange for these meager concessions (Jóhannesson 2007, 108-109).

Iceland and the UK were close to a deal by the end of 1955 but domestic politics in both the UK and Iceland delayed the passage of the deal. The British trawling industry delayed its passage, as the agreement was highly favorable to Iceland. Iceland would have gotten four-mile limits drawn at the outermost baselines, and a quota for Icelandic fish on British fish markets (Jóhannesson 2007, 140). To alleviate fears over Iceland's commitment to the agreement, the Icelanders assured the British that there would be no further extensions until after the next UN conference on the Law of the Sea (Jóhannesson 2007, 140). The passage of this deal was delayed by the opposition of the trawling industry, which wanted longer assurances of no further extensions, and scrutinized details of the quota agreement (Jóhannesson 2007, 141).

As these concessions were being negotiated, elections in Iceland (spring of 1956) jeopardized the provisional agreement. The Progressive Party, which was a coalition partner in the government, now opposed the deal with the UK, which it had previously supported (Jóhannesson 2007, 142). It did this for electoral reasons, as the party looked set to form a leftwing, anti-Western government in 1956. If there were doubts about Iceland’s willingness to exit NATO and seek out greater relations with the Soviet Union, this new government showed a willingness to go through with those threats. The new leftwing government wanted to remain in NATO but remove all US troops from military installations in Iceland (Ingimundarson 1996, 128-129; Jóhannesson 2007, 142).

Domestic politics led to a hardened stance by Iceland. After the creation of a leftwing government in the spring of 1956, Icelandic negotiators were unwilling to offer any assurances that there would be no further extensions, except after the Law of the Sea Conference in November-December 1956. The British trawling industry wanted assurances, however, that Iceland would not extend for a longer period of time than that (Jóhannesson 2007, 146). British leaders, dismayed with the intransigence of the British trawling industry, chose to agree to the demands of a newly formed Icelandic leftwing government and force the British trawling industry to rescind the landing ban (Jóhannesson 2007, 146).

The institutional ties between the states appear to have set a threshold on the actions that either state could have taken. There is evidence that the British refused to offer naval protection for their trawler fleet, due to its common institutional ties with Iceland. British diplomats expressed that their possible responses to Iceland’s extension were constrained
by their “fidelity to the principles of international co-operation under the UN Charter and our partnership with Iceland in the North Atlantic Treaty Organisation” (quoted in Jóhannesson 2007, 98). One of the fears that prevented the UK from sending the Navy into Icelandic waters was the fear that it would encourage Iceland to leave NATO (Jóhannesson 2007, 136). These institutional ties were not strong enough though for the British government to put a halt to the landing ban implemented by the trawling industry.

There was no NATO mediation in this dispute. The OEEC did, however, offer mediation between the UK and Iceland, which had a pacifying impact on the dispute. The OEEC talks began in early 1955 and lasted until the end of the dispute (Jóhannesson 2007, 131-139). The OEEC talks kept both sides at the negotiating table when there were domestic incentives not to negotiate. These negotiations ultimately produced an agreement in November 1956.

4.2.4. Testing the Structural Realist Dispute Hypothesis

**Structural Realist dispute hypothesis**: Both states were willing to pursue their fishing and territorial limit preferences in any manner that would maintain or improve their security.

**Finding**: Rejected.

Both states had conflicting security interests to safeguard in the dispute. It was important for the long-term prospects of the Icelandic economy, which was highly dependent on fishing, to increase catches, exclude competing trawler fleets and conserve important fishing grounds. For the UK, the strategic interest lay in maintaining the principle of three-mile territorial limits. British statesmen came to see the principle of freedom of the seas as a crucial necessity of future British policy (Jóhannesson 2007, 84). According to Jóhannesson (2007, 101), “ministers and officials often argued about what to do but they all agreed that the new Icelandic regulations could not be accepted” for this reason.

Despite their friendship ties and common liberal characteristics, neither state was willing to budge. When push came to shove, both states were willing to pursue their interests in the disputed waters. The British did not go as far as to send in the Navy, as it was understood to jeopardize Iceland’s membership of NATO and undermine support for the US base in Iceland (Jóhannesson 2007, 55). Hesitant to sanction Iceland (Jóhannesson 2007, 55), the UK nonetheless allowed its trawling industry to implement a landing ban on Icelandic fish exports. This economic coercion would have been effective had it not been for Soviet
and American economic support. Prior to American economic support, Icelandic leaders were very worried about the effects of the landing ban on the Icelandic economy (Jóhannesson 2007, 104). After all, the UK was the largest market for Icelandic fish (Thorsteinsson 1992a, 440).

Competition between the superpowers for influence in Iceland undermined the effectiveness of the landing ban. The UK effectively lost the means to compel Iceland into compliance, short of escalating the dispute by providing naval protection for the British trawler fleet in the disputed waters. Having recognized that the position was untenable, British statesmen should have met Iceland halfway, despite pressure from the British trawling industry to not back down from their demands. The dispute was, however, allowed to simmer, without any signs that the Icelandic government would back down from its demands. It was not until a leftwing government was formed in the 1956 elections, with a harder stance in the fishery dispute and with a policy to expel US forces from Iceland, that the British government became willing to offer significant concessions and act contrary to the wishes of the British trawling industry. British behavior is therefore not entirely consistent with the expectations of structural realists, as the dispute was allowed to develop into a full-blown crisis before the British corrected course.

Icelandic behavior is more consistent with what structural realists might expect but still not fully consistent. After making repeated attempts to reach an agreement with the UK (Jóhannesson 2007, 87), and thus avoid the potential costs and risks of a unilateral extension, Iceland decided to extend its fishery limits unilaterally. This was a somewhat risky move due to the UK’s ability to put economic pressure on Iceland and the potential for naval protection of British trawlers. Iceland had reason not to expect the UK to take such actions given British behavior in similar disputes, the weak British legal case, and a growing international trend away from three-mile limits. The implementation of a landing ban took Icelandic leaders by surprise and worried them (Jóhannesson 2007, 103). Without new markets for Icelandic fish, it is possible that the Icelandic leaders would have looked for a way out and fallen back from most of their demands in the dispute. Iceland was, however, saved by Soviet and American competition for influence in Iceland. Access to new markets and American economic aid made it tenable for Iceland to adopt a passive posture and wait for the British to concede to Icelandic demands. It was not until a leftwing government was formed, which was willing to wager Iceland’s long-term security interests, that the British surrendered to Iceland.
4.2.5. Testing the Neoclassical Realist Dispute Hypothesis

**Neoclassical Realist dispute hypothesis:** Statesmen in both states were willing to pursue their fishing and territorial limit preferences in any manner that would satisfy both domestic and security interests, prioritizing whichever of these interests was more powerful in the event of a clash between the interests.

**Finding:** Affirmed.

Neoclassical realist expectations are met in the dispute. As the test of the liberal and structural realist hypotheses show, both domestic and international pressures shaped the calculations of British and Icelandic leaders, often in a way that prevented them from formulating an effective foreign policy. These imperfections were apparent prior to Iceland’s unilateral extension. Domestic politics pushed Icelandic leaders to extend Icelandic fishery limits quicker, extend more expansively, offer fewer concessions in negotiations with the British and delay passage of a highly favorable provisional agreement. This made it harder for Iceland and the UK to find a mutually satisfying agreement that would have avoided the costs and risks of a unilateral extension.

If domestic politics interfered with Icelandic leaders, British policymaking was rendered ineffective prior to Iceland’s unilateral extension by divisive, delayed and uninformed analyses and estimates by the British foreign policy establishment. Jóhannesson (2007) presents compelling evidence that the issue was not important enough for the British to devise a functioning foreign policy and consider the costs and benefits of various actions and compromises. The dispute was left on the backburner, with the British Cabinet taking more than a year to stake out a position on baselines, which it then had to quickly revise (Jóhannesson 2007, 166). The UK also refused to negotiate with Iceland in multilateral avenues years prior to Iceland’s extension, which was a lost opportunity to make compromises with Iceland at a time when Iceland was prepared to meet the British halfway.

Even after Iceland’s unilateral extension, there appeared to be a lack of proper British policy on the issue. The UK was neither prepared to concede to Icelandic demands nor escalate the dispute. In the absence of an active British policy, the British trawling industry led the way and formed the response of the British to the Icelandic extension. After the implementation of the landing ban, the British foreign secretary noted that “[w]e must have a policy on this subject” and “we have been too long without one” (Jóhannesson 2007, 100). British statesmen, unable to shape a proper response and hesitant in their stances, except that which saw freedom of the seas as vital, went along with the response devised by the trawling industry. This policy, devised by the trawling industry, was effective, even if Icelandic
leaders did not show their worries openly. The landing ban was, however, made ineffective by Soviet and American entry into the dispute, providing market access for Icelandic fish products and making up much of the damage caused to the Icelandic economy by the landing ban.

After the landing ban was rendered ineffective, British decision-makers did not make the concessions that they inevitably had to make. Foreign policy continued to be shaped by the trawling industry, which was not willing to concede to Iceland's demands, despite the ineffectiveness of the landing ban. Attempts by British statesmen to compromise with Iceland were hindered and delayed by the trawling industry. It was not until an Icelandic leftwing government was formed in 1956 that British statesmen overruled the trawling industry and put an end to the dispute. The new Icelandic government took a harder stance in the fishery dispute, in addition to calling for the expulsion of US forces from Iceland. This raised the risks (namely, that the dispute would push Iceland further towards the Soviet Union, and away from NATO and the US), which gave British leaders greater incentives to resolve a dispute where there was not much hope left of Iceland backing down from its demands.

4.2.6. Testing the Outcome Hypotheses

REW outcome hypothesis: Accurate information about relative power, greater understanding of resolve, alleviation of commitment problems, and greater issue divisibility contributed to the locating of a mutually preferable bargain.

Finding: Rejected.

The REW outcome hypothesis is rejected. Neither side adjusted their demands and posture after miscalculations of resolve and relative power had been corrected. Iceland, for instance, did not become more conciliatory after the British unexpectedly implemented a landing ban. The British did not become more conciliatory after the USSR and the US intervened on Iceland's behalf, undermining the British landing ban. A fuller realization of the costs that both sides were willing to impose on each other, and a realization of the costs that the other side was willing to incur in the dispute did not appear to contribute to the two sides locating a mutually preferable bargain. The resolution of the dispute cannot be traced to two rational states alleviating their bargaining problems.
Liberal Outcome Hypothesis: *Democracy, economic ties and institutions had a pacifying effect on both states, putting pressure on statesmen to resolve the disputes.*

**Finding:** Rejected.

The Liberal outcome hypothesis is, for the most part, rejected. The two sides were not brought to the bargaining table because of pressure from actors given a voice by a democratic system or by commercial interests seeking to avoid the costs associated with the dispute. For both states, domestic politics was a hindrance to finding a mutually satisfying agreement. In the British case, the trawling industry escalated the disputes, hindered negotiations and delayed a provisional agreement from passing. For the Icelandic government, public opinion and political discourse pressured Icelandic leaders not to compromise. A provisional agreement was delayed and complicated by the 1956 elections in Iceland where the Progressive Party, a coalition partner in the sitting government, reneged on its previous support for the provisional agreement, in order to make electoral gains and form a leftwing coalition government. The institutional ties between the two states created common interests that encouraged the UK to resolve the dispute. Mediation by the OEEC also kept negotiations alive and helped the two sides reach an agreement. Democracy and economic ties (with the exception of OEEC mediation) were therefore a hindrance to resolving the disputes. Institutions had a limited impact.

Structural Realist Outcome Hypothesis: *The outcomes of the disputes reflect the superior ability of one side to impose costs on the other, the greater willingness by one side to incur costs, and the desire of both states not to jeopardize their own security.*

**Finding:** Affirmed.

The Structural Realist outcome hypothesis is affirmed. Both sides ultimately maintained their security interests. Iceland, through its strategic importance to the US, was able to lessen the effects of the British landing ban. Without any effective economic coercion, the British had no other effective steps to compel Iceland to fall back from the four-mile limits. The UK could have sent in the Navy to protect trawlers within the 3-4 mile zone, but such an action would amount to a serious escalation, potentially encouraging a fragile NATO member and US ally to threaten to leave NATO, expel US forces and turn towards the Soviet Union. Iceland therefore had the ability to inflict serious harm on the UK. Furthermore, Iceland was more willing to incur the costs associated with the dispute due to the importance of the object of
the dispute for Iceland. The object of the disputes did not have the same importance for the
UK, making the British government unwilling to compel Iceland through force and thus incur
the potential costs that Iceland could impose by leaving NATO, expelling US force and
turning to the Soviet Union.

Neoclassical Realist Outcome Hypothesis: The outcomes of the disputes reflect
the goals of statesmen from both states to satisfy both domestic and security
interests, prioritizing whichever of these interests was more powerful in the event of a
clash between the interests.

Finding: Affirmed.

The Neoclassical Realist outcome hypothesis is affirmed. Leaders in both states tried to
satisfy both domestic and international pressures. The British decision not to allow the
Icelandic extension was to safeguard the interests of the British trawling industry within the 3-
4 mile zone, and to prevent states from defying the norm of three-mile territorial limits, which
would have consequences for British projection of power. As the dispute progressed, it was
clear that neither of these goals could be met. British decision-makers essentially took
decisions together with the trawling industry for much of the dispute. It was only when the
situation in Iceland changed drastically for the worse and a leftwing government was elected,
that British decision-makers overruled the trawling industry. As the dispute with Iceland
began to pose serious risks to the UK’s security interests, and as the chances of fulfilling the
original goals had plummeted, British leaders gave Iceland a highly favorable agreement.
Icelandic leaders were constrained by the public in the concessions they could make.
Icelandic leaders therefore had little choice but to wait for the UK to come closer to what the
Icelandic public was willing to give away.

4.3. The First Cod War

This dispute lasted from September 1958 to February 1961. It began with Iceland’s unilateral
extension of its fishery limits from 4 to 12 miles, and the failure of the British to comply with
the Icelandic regulations. The UK refused to withdraw its fishing fleet and sent the Royal
Navy in to defend British trawlers (Jóhannesson 2006, 49). During the dispute, there were
confrontations at sea between Icelandic patrol ships and British trawlers and/or warships
(Jóhannesson 2006, 49-53; Welch 2006). Icelandic officials threatened to withdraw Iceland’s
membership of NATO and expel US forces from Iceland unless a satisfactory conclusion
could be reached (Ingimundarson 1996, 33-34). In 1961, an agreement was reached between Iceland and the UK wherein Iceland got 12 mile fishery limits whereas the UK got temporary fishing rights within those 12 miles (Jóhannesson 2006, 61). As part of the agreement, any future disagreement over the fishery limits would be settled through the ICJ (Jóhannesson 2006, 62).

The issue was important to domestic constituents in both states. For the British trawling industry, the loss of the 4-12 mile zone would have been very costly. Not only would it deprive them of fruitful fishing grounds but create a precedent that could see them lose other distant fishing grounds. Due to Iceland’s dependence on fishing, there were significant domestic interests tied to an extension of fishery limits. According to Thór (1995, 256), fish products accounted for more than 90% of Iceland’s total exports at the time. The decline in fish stocks in the Icelandic waters created pressing incentives to prevent overfishing (Thór 1995, 171-172). An expansion would have led to greater catches, the expulsion of competing trawler fleets and conservation of important fishing grounds.

The issue also had strategic implications for both states. It was still strategically important for the UK not to allow states to extend territorial limits and thus limit the maneuverability of the British Navy and merchants. The UK still tried to retain three-mile territorial, but due to an international shift away from the three-mile principle and the determination of Iceland to extend its limits, the British became willing to settle for six-mile territorial limits (Thorsteinsson 1992b, 596-597; Thór 1995, 151). The goal for the British therefore became to prevent the loss of waters outside of the six miles. Due to the dependence of the Icelandic economy on fishing, an extension to 12 miles strengthened the long-term prospects of the Icelandic economy.

4.3.1. The Costs and Risks of No Agreement

Both sides were aware of the costs and risks that a unilateral extension entailed. The British knew that the Icelanders were highly resolved and that the Navy might have to stay in Icelandic waters for a considerable amount of time. British statesmen also knew that Iceland was a fragile member of the Western Alliance, and were warned by the US that escalation could lead to domestic pressure against Iceland’s NATO membership and the US base on Icelandic soil (Ingimundarson 1996, 380, 382). British politicians were aware of the importance of Iceland to NATO and the anger that other NATO members would feel if the UK’s actions led to Iceland’s withdrawal from NATO (Guðmundsson 2006, 102). The Icelandic government threatened during the summer of 1958, prior to extension, to withdraw
from NATO and expel US forces if the British Navy entered the 12 miles (Guðmundsson 2006, 100).

The UK also had reasons to expect future Law of the Sea conferences to pass more expansive fishery limits. While no conclusion had been reached on the Law of the Sea, the winds were favorable for 12-mile fishery limits (Jóhannesson 2008, 459). The US showed itself willing to support such limits in 1957 as long as the right to navigate freely beyond three miles was maintained (Jóhannesson 2007, 164). Other states had also pushed for more expansive fishery limits (Thorsteinsson 1992b, 595-597). Any conclusion by the Law of the Sea conferences would ultimately constrain the UK.

Icelandic statesmen showed an awareness of the costs and risks of a unilateral extension. The Icelandic government delayed extension of the fishery limits, partly due to fears that it would jeopardize its special relationship with the US. According to Jóhannesson (2007, 163-164) and Ingimundarson (1996, 377), the decision not to extend abruptly was influenced in part by the awareness of some members of the government that it would dismay the US and therefore compromise the various economic benefits afforded to Iceland. Without these unique benefits, the economic situation in Iceland and the viability of the government would be jeopardized.

A failure to meet the UK halfway might backfire if proponents of narrower territorial limits would manage to pass a proposal at the 1960 Law of the Sea Conference. There is evidence to suggest that any conclusion reached at the 1960 Law of the Sea Conference would have weakened Iceland’s bargaining position considerably, with some Icelandic leaders claiming that Iceland would have had to abide by whatever limits that the 1960 Conference would have set (Jóhannesson 2007, 248). Icelandic statesmen knew, like British statesmen, that NATO and the US base might get dragged into the dispute, which pro-Western individuals in the Icelandic government tried to avoid. If the dispute escalated, it might lead to greater animosity towards the US and NATO, and make it difficult for pro-Western Icelandic statesmen to keep Iceland as a member of NATO and keep the US base in Iceland. The extension of fishery limits might therefore unintentionally compromise what Icelandic statesmen considered to be Iceland’s long-term security interests.

4.3.2. Testing the REW Dispute Hypothesis

REW dispute hypothesis: Disagreement over relative power, miscalculation of resolve, commitment problems, and issue indivisibility led to bargaining failure.

Finding: Affirmed.
There is evidence that the two sides disagreed about their relative power, and thus their ability to impose costs on the other side and incur costs from the other side. The miscalculation is most apparent among British decision-makers who incorrectly assumed Icelanders to lack resolve and thus overestimated their leverage in the wake of a unilateral Icelandic extension. Icelandic statesmen knew that the British aimed to offer their trawlers naval protection in Icelandic waters (Ingimundarson 1996, 381). This meant that there would likely be confrontations at sea and the reaction by the Icelandic public would be hostile. Whether Iceland would suffer additional costs, such as a landing ban, was unclear. Some in the trawling industry might have implemented one without the formal approval of the British government. Iceland was not as vulnerable to a loss of British markets as they were at the start of the dispute of 1952-56 but a landing ban would still damage the Icelandic economy.

The potential involvement of the US or NATO in the dispute was uncertain. Icelanders were, at the very least, inclined to believe that the United States and NATO were capable of exerting pressure on the UK. Whether the United States and NATO were willing to exert that pressure was far more uncertain. Once the dispute got underway, there is some evidence to suggest that Icelandic leaders and the Icelandic public expected the US and NATO to put pressure on the UK (Ingimundarson 1996, 377-378).

Iceland and the UK had differing perceptions of each other’s resolve. The Icelandic government threatened during the summer of 1958, prior to extension, that Iceland would withdraw from NATO and expel US forces if the British would send the Navy into the 12 miles (Guðmundsson 2006, 100). High-level British officials were mistakenly under the impression that the Icelandic government and the Icelandic public were divided on the issue of the 12-mile extension and that the Icelandic government did not have the resolve to go through with its threats and would eventually fall back from its demands (Thór 1995, 187, 189). According to Jónsson (1982, 91) and Guðmundsson (1999, 68-69; 2006, 100, 111), the British belief that Iceland was not fully united behind an extension stemmed from the discourse of the opposition parties and their news outlets, and the divisions within the coalition government. Guðmundsson (2006, 111) and Davis (1963, 35) therefore argue that the British had every reason to suspect that the Icelanders were not united.

Days prior to the extension, Harold Macmillan, the British PM, suspected that the Icelandic leftwing government was in some way being influenced by the Soviet Union but this was a misreading of the situation in Iceland, where all parties roughly agreed on 12-mile limits (Jóhannesson 2007, 197). British officials believed that a refusal by the British government to compromise would cause the Icelandic public and the two coalition partners in the three-party leftwing government to turn against the Socialist Party, which they saw as the driver of Iceland’s extreme demands. They believed that any compromise with the Icelandic
government would just strengthen the position of the Socialist Party, but the opposite was true. British officials did not even believe the Socialist Party to be willing to resolve the dispute, as they suspected the party was using the dispute to drive a wedge between Iceland and its allies in NATO (Jóhannesson 2007, 197).

The relative power and resolve of both states would be affected by a conclusion at future Law of the Sea conferences. There is evidence that both states had overly optimistic expectations of support for their ideal delimitation of fishery and territorial limits (Jóhannesson 2007, 164, 232-233, 236). This led both states to overestimate the strength of their bargaining positions, as they believed their cause to have greater international support and expected future Law of the Sea conferences to reach a favorable conclusion which the other side would have been obliged to comply with.

There is no evidence of any significant commitment problems providing a stumbling block towards a final agreement. While the UK wanted assurances of no further unilateral extensions, there is nothing to indicate that they considered Iceland likely to renege on any such assurances.

4.3.3. Testing the Liberal Dispute Hypothesis

**Liberal dispute hypothesis:** *Democracy, economic ties and institutions had a pacifying effect on both states, making it harder for statesmen to escalate the disputes.*

**Finding:** *Rejected.*

The pacifying role of democratic norms was highly limited. Both sides made claims that international law was favorable to their cause. Despite these claims, neither side was fully prepared to pursue the dispute in the ICJ, due to time constraints and fears that the ICJ would rule against them. The unwillingness of the British to use the ICJ puts some doubt on the norm externalization argument of the democratic peace, as the British were reluctant to refer the case to the ICJ for fear of losing the case (Jóhannesson 2004, 558). Both sides wanted to reach a conclusion at the Law of the Sea conferences. Once at these conferences however, they pushed for proposals that were too extreme to pass. With no conclusion in sight, Iceland was unwilling to wait for additional Law of the Sea conferences to settle the issue, and chose to extend the fishery limits unilaterally instead. Nonetheless, had a conclusion been reached by any Law of the Sea conference, evidence suggests that both
states would have been obliged both states to comply with the conclusion (Jóhannesson 2007, 248).

There is some evidence that democratic norms constrained the actions that the British government could take.11 The British knew the costs that naval protection would entail (Jóhannesson 2007, 186). In addition to the costs of diverting the fleet to Icelandic waters and disobeying its NATO partners, it risked getting into confrontations with Icelandic patrol boats. These confrontations, which could lead to deaths, would rile the Icelandic public against NATO and the US, and could therefore jeopardize Iceland’s membership of NATO, US basing in Iceland, and balance of power in the North-Atlantic. British statesmen therefore instructed the Navy to never open fire on Icelandic patrol ships unless opened fire upon, and to then only destroy the weapons on the patrol boats (Jóhannesson 2007, 187). While the British were willing to send in the Navy, they wanted to avoid clashes, as they would reflect poorly on the UK.

There is not much evidence that supports the notion of public constraints on British policy-makers. There are no signs that the British public opposed the actions of the British government or put pressure on the government to resolve the dispute. There are however clear signs of the reverse. The trawling industry and local communities that depended on distant water fishing put pressure on the British government to offer naval protection, coerce Iceland economically, avoid compromise and push for restricted fishery limits during Law of the Sea conferences. The Ministry of Agriculture and Fisheries, the government department most beholden to the interests of the trawling industry, was the hard-liner within the British bureaucracy during the dispute (Jóhannesson 2007, 262-264).

The British trawling industry was not as combative in this dispute as they had been in the dispute of 1952-56 though. To improve the chances of reaching a beneficial agreement at the 1960 Law of the Sea Conference, the British government asked the trawling industry to voluntarily withdraw its fleet from the 12 miles for the duration of the Geneva Conference. The trawling industry calculated that improving the chances of a beneficial agreement at the 1960 Conference by withdrawing the fleet temporarily outweighed keeping the unsatisfactory status quo (British trawlers were either harassed by Icelandic patrol ships or confined into small zones protected by British warships) in the dispute with Iceland (Jóhannesson 2007, 237).

Despite protestations from the trawling industry, the British government did not allow trawlers to return to the 12 miles after the failure at the Geneva Conference. This was in the hopes that it would draw Iceland to the negotiation table (Jóhannesson 2007, 257-258). British trawlers regularly violated these instructions, which meant that the British Navy had to

11 See Hellmann and Herborth (2008, 490-491) for a different take.
start policing them and preventing trawlers from moving into the 12 miles to fish (Jóhannesson 2007, 258-259). This shows that the British government was capable of keeping the trawling industry in check.

Iceland’s domestic politics (public pressure, coalition politics and hard-liner veto players) had a significant adverse influence on the dispute. Public pressure made it difficult for political parties in Iceland not to push for greater fishery limits. Icelandic politicians on both sides of the aisle were determined to extend the fishery limits again after the resolution of the Dispute of 1952-56 but differed on the timing and size of the next extension (Ingimundarson 1996, 377; Jóhannesson 2007, 159-160). As time passed, Iceland became less willing to compromise with the UK. As the chief negotiator for Iceland noted, the 12 miles had assumed an “almost religious importance” for Icelanders (Jóhannesson 2007, 236).

Icelandic coalition politics played a key role in the dispute. In 1956, a three-party leftwing government was formed. The parties in the government clashed over how to pursue greater fishery limits. The Socialist Party were the hard-liners in the government, whereas the Progressive Party and the Social Democratic Party were internally divided but led by elites who preferred to pursue extensions cautiously. The Socialist Party pushed the government to adopt a more uncompromising negotiating stance, extend the fishery limits earlier, and refuse to meet the British at the negotiating table after the entry of the Navy into the disputed waters (Guðmundsson 2006, 99-100).

The soft-liners in the government managed to delay the unilateral extension and make demands of the British that fell short of what the Socialist Party wanted. To keep the Socialist Party in government and avoid a collapse of the coalition government, the other two parties had to agree to a date at which Iceland would put an end to negotiations and unilaterally extend. The coalition government agreed internally not to extend until the UN Law of the Sea conference had reached a conclusion (as per the wishes of the soft-liners) but that in the absence of a conclusion, the fishery limits would be extended (as per the wishes of the hard-liners) (Ingimundarson 1996, 377; Jóhannesson 2007, 160).

Prior to the extension, some Icelandic statesmen showed themselves willing to accept 12-mile limits with 3-4 year fishing rights for the British in the outer six miles (Jóhannesson 2007, 188). The coalition government was however divided, with Jósepsson, the Minister of Fisheries, threatening to extend the limits on his own. The Social Democrats and Progressive Party secretly reached out to NATO for 12 miles and temporary fishing rights in the outer six miles, even though such a compromise would lead to the collapse of the fragile coalition government and pit both parties against public opinion (Jóhannesson 2007, 188). As the UK rejected the offer and NATO noted that it would oppose any unilateral extension, the Progressive Party did not want to pursue negotiations further. According to Jóhannesson
(2007, 189) and Thór (1995, 175-176), the coalition government was on the verge of collapse as the Social Democratic Party was unsure about unilateral extension. In the end, the Social Democrats "most reluctantly gave in" to the hard-liners (Jóhannesson 2007, 189).

Even after the collapse of the leftwing government (it collapsed over economic reforms) and formation of a new rightwing government in the fall of 1959 (a Social Democrat minority government ruled for a short period in-between), coalition politics made it difficult for the Icelandic government to compromise. This was due to the small majority that the government had in the legislature, which meant that hard-liner MPs in the government parties essentially acted as veto players (Guðmundsson 1999, 68). Even if the rightwing government had been able to compel its members to support any compromise, any agreement with the UK would likely have complicated the economic reforms that the Icelandic government was pursuing as its main priority (Guðmundsson 2006, 101). The domestic political situation in Iceland did not favor a conclusion to the First Cod War, short of full victory.

After the unilateral extension and entry of the Navy into disputed waters, the Icelandic public became agitated. A month after the extension (October 1958), the Icelandic Prime Minister warned the US that public pressure might lead the government to break off diplomatic relations with the UK and withdraw from NATO (Jóhannesson 2007, 214-215). In May 1959, an Icelandic representative at a NATO meeting indicated that the Icelandic government would be under significant pressure to withdraw from NATO unless the dispute with the UK got resolved favorably (Jóhannesson 2007, 217).

Domestic politics prevented the Icelandic government from compromising with the UK, even when the UK had moved significantly closer to the Icelandic demands and delayed the re-entry of British trawlers into Icelandic waters. During negotiations in July 1960, Guðmundsson (2006, 101-102) for instance notes, that Icelandic officials had difficulties in convincing the Icelandic public of the utility of negotiations with the British. Icelandic statesmen therefore enquired about the possibility of secret negotiations between the prime ministers of the two countries (Guðmundsson 1999, 91).

Even as the British became more desperate to reach an agreement, public pressure prevented Iceland from meeting the British halfway. The British government managed to convince the trawling industry to delay re-entry into the 12 miles for two months in an attempt to restart negotiations (Jóhannesson 2007, 265). As crisis was averted on August 8, the Icelandic government asked that negotiations should start after a month, so as to alleviate the domestic pressures. Once negotiations re-started, the Progressive Party and Socialist party were criticized domestically for renewing negotiations (Jóhannesson 2007, 267).
At this time, the government parties were unsure that they even had a majority to pass any agreement with the British through the Althing, due to possible defections by individual MPs from the two parties (Guðmundsson 1999, 75-76; Jóhannesson 2007, 268-269). On October 1, 1960, 12 days prior to the deadline for re-entry, negotiations began in earnest. During these negotiations, thousands protested against deviation from the 12-mile limit (Jóhannesson 2006, 271). Furthermore, members of the government expressed doubts about offering concessions (Jóhannesson 2007, 271). These negotiations did not result in an agreement, as the Icelanders demanded baseline changes and fishing rights outside of the 12 miles. The British government consequently pleaded with the trawling industry for a further delay on re-entry into the 12 miles, which it complied with (Jóhannesson 2007, 273).

The two sides managed to reach a provisional agreement. Even though this provisional agreement was highly favorable to Iceland, domestic politics delayed its passage. Icelandic leaders tried to conclude negotiations in time for the Christmas season of 1960 because they presumed that the attention of the Icelandic public would be diverted, increasing the chances that the agreement would pass the Althing (Guðmundsson 1999, 102). The Icelandic government had to convince individual hard-liner MPs in the coalition government to support the agreement (Jóhannesson 2007, 279). The passage of the provisional agreement was delayed by tense labor negotiations in the Icelandic fishing industry, which led to strikes in January 1961 (Guðmundsson 1999, 106; Jóhannesson 2007, 279). During this time when the Icelandic government was stalling, British trawlers had to stay outside of the 12 miles on an indefinite basis, which led to greater pressure on the British government, as well. This led the British government to pressure the Icelandic government into announcing the agreement. It took until February 28, 1961, several weeks after the agreement was made, for the Icelandic government to publicly announce the agreement and put it to a vote in the Althing (Guðmundsson 1999, 107; Jóhannesson 2007, 180). The agreement was highly criticized by opposition parties. Prolonged debates occurred in the Althing, but the Icelandic government managed to get the approval that it needed (Guðmundsson 1999, 107; Ingimundarson 2002, 34-35; Jóhannesson 2007, 281).

The role of institutional ties was highly limited. As has been pointed out, neither the ICJ nor the Law of the Sea conferences were used as avenues for resolving the dispute. Icelandic statesmen rejected a Danish suggestion of a conference to settle the question of fishery limits in the North Atlantic. The reason was that it might delay and interfere with the planned extension (Ingimundarson 1996, 381). The disapproval of all NATO members of Iceland’s unilateral extension (Ingimundarson 1996, 377) was not enough to deter Iceland. Pressure from NATO members on the UK built over time but was not powerful enough to push the UK towards compromise until 1961.
As in the previous dispute, an international organization to which both states belonged attempted to mediate the dispute. Paul-Henri Spaak, the Secretary-General of NATO, undertook mediation and attempted to help the two sides to reach an agreement both prior to and after the unilateral extension (Thorsteinsson 1992b, 601-606; Jóhannesson 2007). As Hellmann and Herborth (2008, 482) point out however, this mediation was nonexistent during crucial stages of the dispute. Nonetheless, this mediation, once offered, was helpful at pushing Iceland to the negotiation table when there were domestic pressures on Icelandic statesmen not to. NATO mediation also brought the UK to make the concessions needed to keep Iceland at the bargaining table and entice Iceland into accepting a provisional agreement.

The liberal dispute hypothesis is, for the most part, rejected. Democracy and economic factors had an adverse impact on the ability and willingness of statesmen to compromise. The role of institutional ties is more mixed. NATO membership was used as a bargaining chip by Iceland, hardening the resolve of Icelandic leaders. The institutional ties between the two states did not appear to deter British leaders or Icelandic leaders. NATO did, however, belatedly undertake mediation between the two states, which aided in the locating of a satisfactory bargain.

4.3.4. Testing the Structural Realist Dispute Hypothesis

**Structural Realist dispute hypothesis:** Both states were willing to pursue their fishing and territorial limit preferences in any manner that would maintain or improve their security.

**Finding:** Rejected.

The behavior of both states is inconsistent with structural realist expectations. Both states had international interests to safeguard in the dispute, but the costs and risks incurred in the dispute could not be justified. The British certainly miscalculated Icelandic resolve prior to the extension, but it quickly became apparent that both the Icelandic government and Icelandic public opinion was comprehensively in favor of the unilateral extension to 12 miles. With this in mind, the British should have met Iceland at the bargaining table when it became apparent that the dispute was not going to end quickly.

Confrontations at sea were very costly to and counterproductive for the UK. The UK diverted parts of its Navy to Icelandic shores, which was a very costly action. Navy ships were costly to maintain, their involvement in Icelandic waters diverted them from other duties,
and the Icelandic waters damaged them (Jóhannesson 2007, 213). For these reasons, the Navy could not be kept in the disputed waters indefinitely. As the Commander-in-Chief of the Home Fleet noted, ‘the continuation of the Icelandic dispute, far beyond the time limits originally foreseen, is now exerting a serious and adverse effect upon the weapon efficiency of the fleet’ (quoted in Jóhannesson 2007, 234). Ships were damaged and lives put at risk in these confrontations, and the UK bore the brunt of the costs.

The entry of the Navy also dragged NATO and the US base into the dispute, as the Icelandic public became increasingly hostile. This led to public pressure on Icelandic statesmen not to compromise with the British but to increase their demands. Despite having been willing to accept 12-mile limits where the British would gain temporary concessions in the 6-12 mile zone, Icelandic statesmen were now unable to demand anything but 12 miles outright (Jóhannesson 2007, 164-165, 244-245).

The British actions were therefore costly, risky and counterproductive. The international interests of the UK were jeopardized by the dispute with Iceland. Not only did the British actions and intransigence cause dismay among its NATO allies, but they managed to turn a fairly unimportant dispute into a crisis, as Iceland could have been set on a collision course with NATO and the US. The UK put the strength of NATO and the balance of power in the North Atlantic at risk in a foolish fashion.

Icelandic behavior is also difficult to reconcile with structural realist expectations. If the British were intransigent, so were the Icelanders. Icelandic statesmen knew very well that Iceland’s security arrangements could be tied into the dispute. Iceland chose to make expansive demands and expand its fishery limits quickly, rather than decrease their demands and delay the extension to allow for further negotiations with the British. After the unilateral extension and failure to compel the British to comply with the new limits, Icelandic leaders chose to gamble Iceland’s long-term interests by threatening to exit NATO and expel US forces to extract concessions from the British over something relatively unimportant. If Icelandic leaders were first and foremost motivated by a concern not to jeopardize Iceland’s long-term security interests, they would not have made such high demands on the UK, expanded its fishery limits so quickly and wagered its security interests for slightly more favorable fishery limits.
4.3.5. Testing the Neoclassical Realist Dispute Hypothesis

**Neoclassical Realist dispute hypothesis:** Statesmen in both states were willing to pursue their fishing and territorial limit preferences in any manner that would satisfy both domestic and security interests, prioritizing whichever of these interests was more powerful in the event of a clash between the interests.

**Finding:** Affirmed.

The Neoclassical Realist hypothesis is affirmed. Statesmen of both states tried throughout the dispute to safeguard the long-term security interests of their own state. Their efforts to do so were, however, complicated by pressure from domestic actors (evident in both Iceland and the UK), and a miscalculation by British officials about Icelandic resolve.

The domestic political situation in Iceland led Icelandic leaders to escalate the dispute to a level which they had not intended at the outset of the dispute. Guðmundsson (2006, 99-100) characterizes three camps in Icelandic politics prior to the unilateral extension. The Socialist Party and parts of the Conservative Party (in particular MPs from regions dependent on fishing) wanted a unilateral and immediate extension. Elites from the Independence Party and the Social Democratic Party wanted to avoid confrontation with NATO and reach a compromise with other states with distant water fleets within the 12 miles. The Progressive Party was somewhere in-between these two camps, as the party wanted to negotiate for the 12 miles through NATO, but did not hesitate to extend unilaterally if these negotiations would not show results (Guðmundsson 2006, 99-100).

The prime minister and foreign minister of the leftwing government that initiated the unilateral extension managed to delay the extension for a considerable period in order to negotiate further with the British (Thór 1995, 174). The hard-liner party in the leftwing government, the Socialist Party, threatened to leave government unless the government would set a deadline for negotiations, at which point Iceland would extend unilaterally (Thór 1995, 175-176). At the time, the prime minister and foreign minister believed that Iceland’s long-term security interests did not necessarily have to be dragged into the dispute, even if the risk was there. Icelandic leaders could either let the coalition government collapse and maintain Iceland’s security interests or extend the fishery limits unilaterally and possibly risk Iceland’s security interests. As the choice for Iceland’s leaders was between the certainty of failing to meet their domestic goals and the possibility that they might fail to meet their international goals, they chose to meet the domestic goals and thus extended the fishery limits unilaterally.
A pro-Western government was formed in Iceland in 1959, which held a small majority in the legislature. This government was constrained in negotiating with the British due to public opinion and hard-liner MPs from the governing parties in the legislature (Guðmundsson 1999, 75-76). The government was essentially unable to reach an agreement with the British that the hard-liners in the government parties would accept. Without the support of the hard-liners, the agreement would not pass the legislature and the government might collapse. If the government collapsed, a new leftwing government was likely to be formed, which would not have had Iceland’s security interests at heart, as the rightwing government did. Elections would have also incentivized the political parties to adopt more extreme stances. The government was therefore unable to accept any proposal from the British unless it met the demands of hard-liners. There was no easy way out of the dispute.

British failures to meet Iceland halfway can be attributed to an uninformed foreign policy, miscalculation prior to Iceland’s extension and the pressure of domestic groups during the dispute. This meant that British leaders failed to fully realize the security risks that were at stake, and were therefore prepared to pander to the interests of the British trawling industry. Jóhannesson (2007) describes how the British failed to form an informed and deliberated policy on fishery limit extensions, which contributed to the failure of the 1958 Law of the Sea Conference, which pushed Iceland to go ahead with a unilateral extension. At lower levels in the British bureaucracy, preparations for the 1958 Geneva Conference only began in October 1957, four months prior to the conference (Jóhannesson 2007, 166). The first Cabinet discussion in five years on British policy on territorial waters occurred a week prior to the 1958 Law of the Sea Conference. The discussion was brief and saw the Cabinet adopt a fairly unyielding stance (Jóhannesson 2007, 168-169).

British leaders also failed to properly gauge Icelandic resolve over a unilateral extension. Even if the British had reasons to believe that the Icelanders were divided, better intelligence would have helped the British understand that Icelanders were fairly united behind 12-mile limits. Even though he rightly suspected that hard-liners in the Icelandic government pushed Iceland to make extreme demands and extend earlier, the British ambassador to Iceland understood as early as 1957 that Icelandic politicians would have found it difficult not to go along with a unilateral extension (Jóhannesson 2007, 160). The British ambassador believed that it was possible to prevent a unilateral extension if the British tried to move closer to Icelandic demands or at least show a willingness to negotiate (Jóhannesson 2007, 171).

British officials only seemed to adjust their stance in the dispute once there was little hope to achieve the interests of the trawling industry and no prospects of achieving narrow
territorial limits for freedom of the seas. Once the prospect of success diminished and the dispute started to escalate and jeopardize the UK’s international interests, British leaders went a long way to meet Icelandic demands. After being pressured by the British trawling industry to not compromise, British leaders were towards the final months of the dispute standing up to the pressure of the British trawling industry. Despite promising the trawlers re-entry into the disputed waters in case the 1960 Law of the Sea Conference and negotiations with Iceland failed, British leaders persuaded the trawling industry to delay re-entry so as to allow for more time to negotiate with Iceland (Jóhannesson 2007, 257-259). British trawlers regularly violated these instructions, which meant that the British Navy had to start policing them and preventing trawlers from moving into the 12 miles to fish (Jóhannesson 2007, 258-259).

British leaders also maintained secrecy on a provisional agreement that had been reached with Iceland, in addition to allowing Iceland to stall on the agreement due to the perilous domestic political situation in Iceland, so as to improve the chances of the agreement passing. British leaders did this, despite the dismay it caused in the British trawling industry, which had to keep trawlers out of the disputed waters indefinitely while Iceland stalled. The final agreement was not popular in the British trawling industry, leaving them with a feeling of betrayal (Guðmundsson 1999, 108).

4.3.6. Testing the Outcome Hypotheses

REW outcome hypothesis: Accurate information about relative power, greater understanding of resolve, alleviation of commitment problems, and greater issue divisibility contributed to the locating of a mutually preferable bargain.

Finding: Rejected.

The REW outcome hypothesis is rejected. Whereas both sides had reasons to miscalculate each other's power and resolve, there is not much evidence to suggest that a better understanding of power and resolve helped both states to locate a mutually preferable bargain. The British did not adjust their policy once it was clear that Iceland was fully resolved. Icelandic demands increased, rather than decreased, after the extension. The reason for this was not rational (a better understanding of power and resolve) but driven by the emotions of the public and the pressure that the public put on Icelandic politicians.
Liberal outcome hypothesis: Democracy, economic ties and institutions had a pacifying effect on both states, putting pressure on statesmen to resolve the disputes.

Finding: Rejected.

The Liberal outcome hypothesis is, for the most part, rejected. In the case of Iceland, public opinion, the legislature, domestic constituencies and the media did not have a pacifying influence on statesmen. As has been documented in the previous subchapters, pressure from these actors made it difficult for Icelandic statesmen to compromise. Fears of Icelandic statesmen that these actors would prevent the passage of the provisional agreement with the UK or use it to disrupt economic reforms, led them to delay the announcement of the provisional agreement and delay the resolution of the dispute. British leaders had to overcome the pressure put on them by the trawling industry to reach an agreement with Iceland. Institutions were used as a bargaining chip by Iceland, hardening its resolve. NATO mediation came late, but once offered contributed to the resolution of the disputes.

Structural Realist outcome hypothesis: The outcomes of the disputes reflect the superior ability of one side to impose costs on the other, the greater willingness by one side to incur costs, and the desire of both states not to jeopardize their own security.

Finding: Affirmed.

The Structural Realist outcome hypothesis is affirmed. The outcome of the dispute maintains both states’ long-term security interests. Iceland remains a member of NATO, the US base remains in Iceland and the balance of power in the North Atlantic is not undermined. The outcome reflects Iceland’s greater commitment to the dispute and its greater relative power. Due to Iceland’s greater commitment, Iceland’s greater power and willingness to threaten dangerous measures, Iceland managed to compel the UK to comply with many of its demands in the end.

Neoclassical Realist outcome hypothesis: The outcomes of the disputes reflect the goals of statesmen from both states to satisfy both domestic and security interests, prioritizing whichever of these interests was more powerful in the event of a clash between the interests.

Finding: Affirmed.
The Neoclassical Realist outcome hypothesis is affirmed. The outcome of the disputes reflects both sides’ attempts to reconcile their domestic goals with the security interests of their state. In the case of Icelandic leaders, a compromise could not be struck with the UK, except prior to the dispute or during early stages of the dispute, due to fears that coalition governments (first the leftwing government, then the rightwing government) would collapse, that the legislature would not approve of the agreement, and the risks that any agreement would have on the rest of the government’s agenda. British leaders were likewise under pressure by domestic actors but this pressure was considerably less than the pressure felt by Icelandic leaders. Once the hopes for a favorable resolution looked distant and the dispute with Iceland began to undermine security interests, British leaders were, due to weaker domestic constraints, able to essentially give Iceland much of what it wanted.

4.4. The Second Cod War

The Second Cod War lasted from September 1972 to November 1973. It began with Iceland’s unilateral extension of its fishery limits from 12 to 50 miles, and the failure of the British to comply with the Icelandic regulations. During the dispute, Icelandic patrol ships employed wire cutters for the first time, which cut the trawling wires of British trawlers, sabotaged their fishing and endangered their crews (Jóhannesson 2006, 78-79). British trawlers were consequently reluctant to enter Icelandic waters without warship escort (Jóhannesson 2006, 81). This led the British Navy to, once again, reluctantly enter Iceland’s newly declared limits in May 1973 (Jóhannesson 2006, 86; Welch 2006). After Iceland’s unilateral extension, the International Court of Justice ruled in favor of the UK but Iceland refused to comply with the verdict (Ingimundarson 2003, 90). The Second Cod War also prevented Iceland from signing an agreement that it had negotiated with the European Economic Community (EEC) over lower trade barriers on marine products (Ingimundarson 2002, 150-151). During the dispute, Iceland once again threatened to expel US forces from Iceland and withdraw from NATO (Ingimundarson 2002, 213, 217, 244). The Second Cod War came to an end in November 1973 with an agreement providing a 50-mile fishery limit for Iceland with some temporary fishing rights for British trawlers (Jóhannesson 2006, 102-103).

Both the UK and Iceland placed high value on the object of the dispute. The British trawling industry would be jeopardized by Iceland extending its fishery limits to 50 miles. Recognition of Iceland’s newly declared fishery limits would set a precedent and create uncertainties in the UK’s other fishery disputes (Ingimundarson 2002, 144). British diplomats argued that the new Icelandic limits would reduce the total landings of fish by British
fishermen by 20-30% and might put 100,000 British jobs at risk (Hart 1976, 20-21). The Icelandic economy was, as in previous disputes highly dependent on fishing. According to Thór (1995, 256), fish products accounted for 75% of Iceland's total exports at the time. The collapse of the herring fisheries, the decline in cod stocks and the decline of the Icelandic economy (Thór 1995, 196; Ingimundarson 2002, 120-121) created incentives for Iceland to extend its fishery limits, exclude foreign trawler fleets and conserve fishing grounds.

4.4.1. The Costs and Risks of No Agreement

Having established that the issue under dispute was important to both sides, the question is why the two sides failed to reach an agreement over the terms of the Icelandic fishery limits. After all, it was in neither side's interests to have a unilateral and unrecognized Icelandic extension, and both sides recognized what the costs and risks were.

For Iceland, significant costs were attached to the unilateral extension. If the US Defense Agreement were revoked, Iceland knew that it would likely lose many of the unique political and economic benefits of its special relationship with the US (see Ingimundarson 2002, 93, 174-175, 237-238, 289). The extension also meant that an agreement with the EEC, which would have halved trade barriers on fish imports from Iceland, could not come into effect (Hart 1976, 20; Ingimundarson 2002, 150). For the UK, it was important keep NATO strong, keep the UK in good standing among its allies and keep the relationship with the US strong. If Iceland were to withdraw from NATO, expel US forces or in some way undermine the balance of power in the North Atlantic as a consequence of its dispute with the UK, the UK would have undermined its own interests and caused dismay among its allies. A unilateral extension also meant that British trawlers would be harassed in the disputed waters and their catches sabotaged. The failure to reach an agreement was therefore a costly and risky action.

4.4.2. Testing the REW Dispute Hypothesis

REW dispute hypothesis: Disagreement over relative power, miscalculation of resolve, commitment problems, and issue indivisibility led to bargaining failure.

Finding: Affirmed.

There is evidence that the two sides disagreed about their relative power, and thus their ability to impose costs on the other side and incur costs from the other side. There was
considerable disagreement between Iceland and the UK regarding Iceland’s leverage. The first disagreement concerned the potential role that the US would play in the dispute. The British realized that Iceland was important to the US, but was unsure as to any American interference on Iceland’s behalf in case the dispute escalated. Iceland had become more important to the US since the end of the First Cod War. Nuclear submarines and ballistic missiles had given Iceland an important strategic purpose in tracking Soviet submarines in the North Atlantic and serve as a frontline in any war against the Soviet Union (Ingimundarson 2002, 36-37, 133). Both the UK and the US realized how interconnected the fishing dispute was to NATO and the base issue (Ingimundarson 2002, 144). To alleviate American fears, British diplomats explained to American diplomats prior to the unilateral extension that they would prevent the dispute from escalating as the First Cod War had (Ingimundarson 2002, 151-152). The British therefore believed that the dispute could be managed, so as not to jeopardize US interests and provoke the US to get involved. Whereas the British were uncertain about any US involvement, Icelandic statesmen believed that the US could and would interfere on their behalf in the dispute and put pressure on the UK to settle (Guðmundsson 2006, 106).

The second disagreement concerned Iceland’s secret weapon: a wire cutter. Unbeknownst to the UK, Iceland had developed a wire-cutter that would make it easier for Icelandic patrol ships to sabotage British trawling without the risks that it had during the First Cod War, where warning shots had to be fired and trawlers boarded (Ingimundarson 2002, 158-159). The wire cuttings were so effective that the British trawler fleet placed an ultimatum on the British government to offer naval protection, or else the trawler fleet would leave the disputed waters (Thór 1995, 205-206). The UK was therefore forced to escalate the dispute (or give Iceland de facto recognition of the 50 mile limits by leaving the waters) in ways that it could not have expected to prior to the on-set of the Second Cod War.

There were uncertainties about whether the UK would be willing to offer naval protection for its trawler fleet. The experience of the First Cod War had been negative for the UK. Naval protection had been costly and unproductive. Whereas the British trawling industry warned Iceland that the British Navy would protect British trawlers (Ingimundarson 2002, 155), the British government had not made any claims to that effect prior to Iceland’s unilateral extension.

The UK also miscalculated Iceland’s resolve. British officials mistakenly believed that Icelandic leaders lacked the will go through with their threats. A leftwing government formed in 1971 appeared to support the closure of the US base in Iceland. There were, however, reasons to doubt whether the government was willing to do this. The language of the government manifesto on these issues was vague (Ingimundarson 2002, 128-129) and
statements by leaders of the government parties contradicted each other (Ingimundarson 2002, 141). The only thing that united the new Icelandic government was a willingness to extend unilaterally, but whether the government would risk NATO membership and the US base to achieve improved fishery limits was unclear (Ingimundarson 2002, 127-128).

The British, as in the First Cod War, were inclined to believe that only the Socialist Party was willing to go through with the threat of withdrawing from NATO and closing the US base (Hart 1976, 22-23; Ingimundarson 2002, 141). The British suspected that the Socialist Party saw the dispute as a means to weaken Iceland’s relations with NATO and the US (Hart 1976, 22-23; Ingimundarson 2002, 150). Negotiations were made difficult by British suspicions that Lúðvik Jósepsson, the Fisheries Minister who was also a member of the Socialist Party, was not negotiating in earnest (Ingimundarson 2002, 151). The British therefore had reason to believe that the Icelandic government was divided, and that the Socialist Party, which relished the prospects of bargaining failure, was responsible for the hard stance of the Icelandic government.

There is no evidence that commitment problems or issue indivisibility made it more difficult to locate a bargain acceptable to both sides.

4.4.3. Testing the Liberal Dispute Hypothesis

**Liberal Dispute hypothesis:** *Democracy, economic ties and institutions had a pacifying effect on both states, making it harder for statesmen to escalate the disputes.*

**Finding:** *Rejected.*

There is limited support for the Liberal dispute hypothesis. The rightwing government of 1959-1971 was constrained by liberal norms. This was the government that concluded the First Cod War. As part of the agreement ending the First Cod war, Iceland agreed not to extend its fishery limits without the approval of the ICJ. This government was in charge until 1971 and argued that reneging on the previous agreement would ruin Iceland’s credibility and impose reputational costs on Iceland. Furthermore, if the British were to refer the dispute to the ICJ, the sitting government worried that the ICJ would rule against Iceland (Ingimundarson 2002, 122). That government was therefore constrained by liberal norms in its dealings with the UK, despite the pressure from Icelandic opposition parties and public opinion to renege on the previous agreement (Guðmundsson 1999, 111-112; 2000, 102-103; Ingimundarson 2002, 119).
A leftwing government was formed in 1971, and was elected on a promise to extend the fishery limits no matter what. This government did not show much concern for the legitimacy and legality of its actions. It was not constrained by liberal norms. The provision on referring future disputes to the ICJ was ignored. The government was even unwilling to make its case before the ICJ when the British referred the dispute to the Court (Thór 1995, 203). The Icelandic government was not even willing to hold off on the extension and wait for the conclusion of the 1973 Law of the Sea conference. The government cited the failure of previous conferences to produce conclusive rules as a justification to go ahead unilaterally (Hart 1976, 7). For Hellmann and Herboth (2008, 492), the Icelandic government’s “aggressive unilateralism is particularly surprising as the contested issues were on the agenda of the third UN Law of the Sea Conference at that time”. The government went ahead with the extension despite the opposition of all Western-European states, along with the Warsaw Pact (Ingimundarson 2002, 146).

Even though the parties that formed the rightwing government of 1959-1971 (the Independence Party and the Social Democratic Party) had been constrained by norms in extending the fishery limits, these same parties put no constraints on the new leftwing government once it tried to extend the fishery limits unilaterally. Due to the popularity of the leftwing government’s proposed extension, the Independence Party and the Social Democratic Party rubber stamped the unilateral extension, even though they recognized how costly and risky it was (Ingimundarson 2002, 147-148). The opposition parties were therefore too heavily constrained by public opinion to challenge the government. This meant that the government had unanimous parliamentary support for its resolution to extend the fishery limits (Thór 1995, 201; Ingimundarson 2002, 148).

Commercial interests drove the disputes. There was no pressure to extend fishery limits during the 1960s, in part due to the relative importance of herring fisheries (Thór 1995, 195; Ingimundarson 2002, 120). As herring could be caught in shallow waters, an extension of fishery limits would not have a significant commercial impact. This changed by 1967-1968, when herring fishing failed, which led to a renewed emphasis on trawling (Ingimundarson 2002, 120). By 1971, Icelanders had become more dismayed by their narrow fishery limits, as cod stocks were on the decline, foreign fishing vessels were in record numbers beyond the 12 miles and the Icelandic economy was declining (Ingimundarson 2002, 121).

The fact that the unilateral extension would have an adverse impact on Iceland’s prospective trade agreements did not deter Iceland from going through with the extension. A trade agreement with the EEC that reduced tariffs by 50% on Icelandic fish products would have come into effect, had it not been for the dispute with the UK (Hart 1976, 20; Jónsson (1982, ch. 4).
Ingimundarson 2002, 150). There is no evidence that this led to any commercial interests affected by the prospective trade agreement to lobby against the unilateral extension.

The UK was not deterred enough by world and domestic public opinion not to send the Navy into disputed waters, but there is evidence that they resisted sending the Navy in so as to not raise the stakes and entangle NATO in the dispute (in addition to concerns relating to logistics and the costs of maintaining the fleet in the disputed waters) (Ingimundarson 2011, 104). Once the British trawling industry gave the British government an ultimatum, the government bowed to the demands of the trawling industry and offered the trawler fleet naval protection in the disputed waters.

Icelandic decisions on whether to use multilateral venues were dependent on whether those venues could predictably serve Icelandic interests. Iceland wanted to pursue the dispute in the UN Security Council, so as to shame the UK and appeal to world opinion. Iceland chose not to do this when they realized that it would most likely be counterproductive. They were dissuaded by representatives at the Nordic Council who felt that this would likely to lead the US and France to take the UK’s side (Guðmundsson 2000, 70; 2006, 104). After the Althing passed a resolution in February 1972 to extend the fishery limits on September 1, 1972, the British referred the dispute to the ICJ. The Icelandic government was divided on whether to send representatives to argue Iceland’s case for the ICJ, with the Socialist Party wholly opposed to the idea but the other governing parties undecided. Ultimately, the Icelandic government chose not to send representatives to the ICJ (Ingimundarson 2002, 148). In August 1972, the ICJ issued a preliminary ruling against Iceland’s proposed 50-mile extension (Ingimundarson 2002, 153). Iceland refused to abide by this ruling.

Institutions did not have any meaningful pacifying influence on the dispute until a crisis emerged. NATO was reluctant to get actively involved in mediating the dispute, due to fears that the Icelanders would be more encouraged to use its NATO membership as blackmail (Ingimundarson 2002, 224-225). In mid-late May 1973, the issue was only addressed in an unofficial manner. NATO only began to take initiative to resolve the dispute once Iceland began to threaten to withdraw from NATO and break off diplomatic relations with the UK (Guðmundsson 2006, 107). NATO mediation was helpful in getting the British to make the concessions needed to keep Iceland at the negotiating table and then give in to most of Iceland’s demands (Hart 1976, 45).
4.4.4. Testing the Structural Realist Dispute Hypothesis

**Structural Realist dispute hypothesis:** Both states were willing to pursue their fishing and territorial limit preferences in any manner that would maintain or improve their security.

**Finding:** Rejected.

The Structural Realist dispute hypothesis is rejected. While both states had valuable interests that were in conflict, there was no pressing need for Iceland to extend so quickly and make such tough demands, and for the UK not to meet Iceland halfway. The British decision to send in the Navy instead of compromising was a complete miscalculation, as it hardened Iceland’s negotiating stance, made Icelandic leaders threaten both states’ security interests and made it more difficult to resolve the dispute. For the UK, it was important to keep NATO strong, keep the UK in good standing among its allies and keep the relationship with the US strong. If Iceland were to withdraw from NATO, expel US forces or in some way undermine the balance of power in the North Atlantic as a consequence of its dispute with the UK, the UK would have undermined its security interests. Not only was the naval protection risky but it was also costly. The clashes at sea were more serious and dangerous in this dispute than in the First Cod War.

Iceland had, as has been outlined in the earlier subchapters, significant interests that were put at risk by the dispute. The willingness to put the NATO membership and special relationship with the US on the line cannot be reconciled with structural realist expectations. The failure to reach an agreement was therefore a costly and risky action that both sides were responsible for and which could have been avoided if the two sides had made modest concessions. As in the previous disputes, the willingness of the UK to pursue its preferred delimitation until the dispute developed into a crisis, and of Iceland to escalate by self-defeating means, is inconsistent with the Structural Realist dispute hypothesis.

4.4.5. Testing the Neoclassical Realist Dispute Hypothesis

**Neoclassical Realist dispute hypothesis:** Statesmen in both states were willing to pursue their fishing and territorial limit preferences in any manner that would satisfy both domestic and security interests, prioritizing whichever of these interests was more powerful in the event of a clash between the interests.

**Finding:** Affirmed.
By the end of the 1960s, domestic politics in Iceland created incentives for Icelandic politicians to call for an extension of fishery limits, even if it meant that Iceland would renege on the agreement concluding the First Cod War. In the 1971 elections, the sitting government wanted to wait for conclusion of the 1973 Conference on the Law of the Sea before considering violating the agreement (Ingimundarson 2002, 121; Guðmundsson 2006, 103). The Progressive Party and Socialist Party had, since the end of the First Cod War, opposed the agreement, and had, as its top political priority, the unilateral extension of fishery limits (Guðmundsson 2006, 102-103). The sitting government lost the 1971 elections due, in part, to a refusal to advocate for a unilateral extension (Ingimundarson 2002, 119-123). Even if there were domestic incentives to take a hard stance, the government chose to stand by the agreement it had signed and pursue an extension of fishery limits in a cautious and legitimate manner. It remains uncertain whether the sitting government was fully aware of its vulnerabilities on the issue domestically when it chose to respect the agreement concluding the First Cod War or if it just miscalculated the unpopularity of its policy.

The new leftwing government formed in 1971 wanted to extend unilaterally but was divided on the timing of the extension. The Socialist Party wanted to extend the fishery limits on September 1, 1971, without any compromise, whereas the Progressive Party and Union of Liberals and Leftists wanted to extend unilaterally but do so more cautiously (Ingimundarson 2002, 119-121). The parties agreed to extend, at the latest, on September 1, 1972. When the new government declared that an extension would go into effect in September 1972, all parties in Iceland, responding to electoral incentives, jumped on the bandwagon and supported the extension. A resolution to extend the fishery limits on September 1, 1972, got unanimous support in the Althing in February 1972 (Ingimundarson 2002, 148).

The prime minister and foreign minister of the leftwing government tried to negotiate with the UK, avoid a unilateral extension and avoid entangling NATO into the dispute. They were however constrained in doing so by their coalition partner, the Socialist Party. When it came to forming a government, the only issue that fully united what would become the three-party coalition government of the Progressive Party, Socialist Party and Union of Liberals and Leftists was the extension of fishery limits to 50 miles (Ingimundarson 2002, 127-128). The policy of the new government on the US base was vague but it indicated, at a minimum, a decrease in US military presence in Iceland (Ingimundarson 2002, 128-129). The new government expressed that Iceland would stay in NATO, other things being equal (Ingimundarson 2002, 128). The Progressive Party tried to keep NATO and the fishery extensions separate, so as to not jeopardize the NATO membership and split up the party, which was divided on the issue (Ingimundarson 2002, 140).
In the weeks prior to the extension, the Icelandic foreign minister, Einar Ágústsson, tried as a last resort to appeal for US help in pressuring the UK. Ágústsson’s fears were that an escalation of the dispute would create pressure on the Icelandic government to expel US forces and compromise its NATO membership (Ingimundarson 2002, 154). Other representatives of the Icelandic government had previously threatened that Iceland’s NATO membership hung on the line if NATO did not help Iceland against the UK (Ingimundarson 2002, 157). It was therefore clear prior to the extension that the base issue and, perhaps, NATO membership would invariably be connected to the fishery dispute unless it was resolved. The US did not intervene on Iceland’s behalf though, other than by encouraging caution on the part of UK behind the scenes (Ingimundarson 2002, 154-155, 158).

After the extension, pro-Western individuals in the government continued to engineer a deal that would be feasible. This was made more difficult by the hard line adopted by the Socialist Party, which could, unless satisfied, leave government and thus cause the collapse of the coalition government. After the extension, hard-liners and soft-liners in the Icelandic government made contradictory demands of the British. Lúðvik Jóseppsson made it difficult to get negotiations off the ground with the British immediately after the extension in September 1972 since he demanded that the British must, at the very least, accept that Iceland had the right to extend to 50 miles. Ágústsson disagreed with this demand, since he knew that the UK could not recognize the right to unilateral extensions, and that it was possible to reach a mutually satisfactory agreement without forcing the UK into that position (Ingimundarson 2002, 162).

Negotiations in late September and early October 1972 gave the British the impression that Iceland either did not want any British fishing in the 50 miles or that there was disunity in the Icelandic government but that the hardliners were in control (Hart 1976, 29-30; Guðmundsson 2006, 104). In late 1972, attempts were made to reach a temporary agreement but internal divisions in the Icelandic government over what compromises were acceptable made it difficult, yet again, to reach an agreement (Ingimundarson 2002, 165-166).

As the Second Cod War escalated, hard-liners within the more pro-Western government parties started to put more pressure on their party leaders to take a harder stance. This, along with pressure from the Socialist Party and the general public, led the Icelandic government to use the US base and Iceland’s NATO membership as bargaining chips in the spring of 1973. Under immense pressure, the pro-Western representatives of the Icelandic government, Ólafur Jóhannesson and Einar Ágústsson, threatened to close the US base unless the US would pressure the UK into making concessions (Ingimundarson 2002, 214-215). On April 7, 1973, Icelandic leaders declared their intentions to initiate the six-
month revision clause of the US Defense Agreement. Six months after the initiation, Iceland would be free to unilaterally revoke the Defense Agreement (Ingimundarson 2002, 215). Iceland had therefore raised the stakes and put considerably pressure on all stakeholders to resolve the Second Cod War within six months. Ingimundarson (2002, 216) argues that the Progressive Party was willing to raise the stakes to such an extent to appease dissidents within the party and to prevent the Socialist Party from leaving government.

When the UK sent the Navy into the disputed waters, the dispute turned into a crisis. The entry of the Navy in May 1973 led to a massive backlash in Iceland (Ingimundarson 2002, 222). On May 24, 1973, 20,000-30,000 Icelanders protested against the British action to send the Navy into the 50 miles. Protesters threw rocks at and defaced the British embassy in Iceland (Ingimundarson 2002, 226). Even firmly pro-Western politicians were willing to escalate the dispute after the entry of the Navy. Pro-Western politicians within the Progressive Party had become more willing to withdraw Iceland from NATO unless the UK would withdraw its warships (Ingimundarson 2002, 226-227). Within the Independence Party, the most pro-Western party in Iceland, support for NATO and the US base was on the decline (Ingimundarson 2002, 227, 235-236). The US base and Iceland’s membership of NATO was now in jeopardy.

The Icelandic government was under serious pressure to escalate. The Icelandic government declared that it would withdraw its ambassador to the UK and would not negotiate with the British unless the warships were withdrawn (Thór 1995, 210; Ingimundarson 2002, 223). No negotiations were possible unless the warships were first withdrawn. Even tit-for-tat concessions for the withdrawal of the warships were impossible. On May 30, 1973, Joseph Luns, the Secretary General of NATO, proposed that the UK withdraw its warships and Iceland stop harassing British trawlers so as to facilitate negotiations (Ingimundarson 2002, 241-242). Icelandic statesmen rejected the proposal, as it made them vulnerable to domestic pressures (Ingimundarson 2002, 242).

In June 1973, Iceland initiated the six-month revision process of the Defense Agreement, which it had threatened to do (Ingimundarson 2002, 245). Shortly afterwards, the United States finally got actively involved in the dispute, as William Rogers, US Secretary of State, planned a proposal with Luns on how to get Iceland and the UK to the bargaining table (Ingimundarson 2002, 249). They proposed that the UK withdraw its warships but that Iceland would leave British trawlers alone in return. According to Ingimundarson (2002, 249), Iceland could not agree to that, due to fears that it would be made public that they had ordered their patrol ships to relax.

In August 1973, Icelandic statesmen called for the immediate stop of the flights of British Nimrod planes, which had been collecting intelligence on the whereabouts of Icelandic
patrol ships, culminating in the Progressive Party unanimously approving a resolution at its party congress calling for Iceland’s withdrawal from NATO unless the Nimrod flights were cancelled (Ingimundarson 2002, 257). The Icelandic government parties came to a compromise and declared that they would terminate Iceland’s diplomatic relations with the UK unless the Nimrod flights were cancelled (Hart 1976, 44; Ingimundarson 2002, 258).

In September 1973, reporters captured clashes at sea. Attempts by a British frigate to collide with an Iceland patrol ship created immense pressure on the Icelandic government to go through with an earlier promise to break off diplomatic relations with the UK unless attempted collisions came to an end (Ingimundarson 2002, 262). On September 27, 1973, the Icelandic government therefore announced that diplomatic relations with the UK would be broken off on October 3, 1973, unless the Navy withdrew from the 50 miles (Ingimundarson 2002, 263). One day prior to the breaking off of diplomatic relations, the UK agreed through mediation by Luns to withdraw the Navy from the 50 miles and to hold negotiations later in October even without a promise by Iceland to leave the British trawlers alone (Ingimundarson 2002, 263).

Even as the UK proposed a highly favorable agreement for Iceland at these negotiations, the Socialist Party demanded more and delayed the negotiations. When a provisional agreement was finally achieved between the two governments, the Socialist Party continued to try to spoil the negotiations. The Socialist Party leaked a report of the negotiations with the intention to derail them via public pressure (Ingimundarson 2002, 266). This attempt failed though, as the Icelandic public did not rail against the agreement. Despite the attempt to derail the negotiations and undermine the provisional agreement, the Socialist Party, aware that a failure to support the agreement would lead to the collapse of the government, later supported the agreement (Ingimundarson 2002, 267-268).

British leaders pursued an awkward and ineffective policy for most of the dispute. In May 1973, they were faced with an ultimatum by the trawling industry to offer naval protection or else the trawler fleet would leave the disputed waters (Hart 1976, 39; Ingimundarson 2002, 221; Guðmundsson 2006, 104). The British government, under pressure from the trawling industry and the Fisheries and Agriculture departments, therefore decided to send warships into the 50 miles (Ingimundarson 2002, 222; Guðmundsson 2006, 104). The first British warships entered the 50 miles on May 19, 1973 (Hart 1976, 39; Guðmundsson 2006, 104). As has been explained above, this created a full-blown crisis, which worried NATO allies (Ingimundarson 2002, 224), led to calls for caution (Ingimundarson 2002, 230, 143), and the first serious initiatives by NATO to mediate the dispute (Ingimundarson 2002, 227).
There is some evidence that the UK continued to believe that the Icelandic government lacked resolve and that the Icelandic government was essentially hijacked by the Socialist Party. When the UK appealed for the help of the US in the summer of 1973, they claimed that the moves towards canceling the US Defense Agreement were driven by the Socialist Party, and that such moves did not have popular support in Iceland. Consequently, the best way to ensure NATO's long-term interests would be not to concede to the Socialist Party’s policies, so as to show how unfruitful their policies were (Ingimundarson 2002, 245-246). This illustrates that the UK deeply miscalculated both the popular support that the extension had in Iceland and that the US would ever be willing to openly side with the UK. Once Iceland’s NATO membership and the fate of the US base hung on the line, the US became actively involved in pressuring the UK and concocting a mutually satisfactory agreement (Ingimundarson 2002, 249)

British leaders mostly gave in to Iceland’s demands after pressure built on the UK in the aftermath of its counterproductive decision to send the Navy into disputed waters. The entry of the Navy into disputed waters hardened Iceland’s negotiating stance, and the threats of Icelandic leaders appeared more credible when there were clear signs of public anger towards the UK, and growing animosity towards NATO and the US. Due to weaker domestic constraints, the British were able and willing to give in to Iceland’s demands when its security interests were being undermined by the dispute. As Ingimundarson (2011, 127) argues, it was “British willingness to heed the interests of NATO and the United States in Iceland” that ended this Cod War.

4.4.6. Testing the Outcome Hypotheses

REW outcome hypothesis: Accurate information about relative power, greater understanding of resolve, alleviation of commitment problems, and greater issue divisibility contributed to the locating of a mutually preferable bargain.

Finding: Rejected.

The REW outcome hypothesis is rejected. Iceland’s demands increased as the dispute went on, but this was not an adjustment owing to a fuller understanding of each other’s bargaining power. It was instead driven by the emotions of the Icelandic public, which were the result of the entry of the British Navy into the disputed waters and publicized clashes at sea. The British were very slow to adjust after they realized the extents of Iceland’s relative power and resolve. There were clear signs of public anger towards the UK, NATO and the US. It was
also obvious that the Icelandic government lacked maneuverability. The dispute was allowed to continue with no end in sight and at serious risk and cost to the UK until the US and NATO got seriously involved in the dispute and pressured the UK.

**Liberal outcome hypothesis:** Democracy, economic ties and institutions had a pacifying effect on both states, putting pressure on statesmen to resolve the disputes.

**Finding:** Rejected.

The Liberal outcome hypothesis is, for the most part, rejected. Neither side was brought to the bargaining table due to pressures from citizens or legislators, or adherence to democratic norms. In the case of Iceland, democracy and economic ties made it difficult for the Icelandic government to compromise and adopt a conciliatory policy. In the case of the UK, commercial interests pushed the UK into making tougher demands prior to the on-set of the dispute and then played a key role in the UK’s decision to send in the Navy, which escalated the dispute significantly. Pressure and mediation from NATO only had a pacifying impact after Iceland escalated the dispute by threatening to withdraw from NATO and expel US forces. At that point, NATO mediation helped keep the two states at the bargaining table, pressured the UK into making concessions, and aided the two states in locating a zone of possible agreement.

**Structural Realist outcome hypothesis:** The outcomes of the disputes reflect the superior ability of one side to impose costs on the other, the greater willingness by one side to incur costs, and the desire of both states not to jeopardize their own security.

**Finding:** Affirmed.

The Structural Realist outcome hypothesis is affirmed. Both states ultimately maintained their security interests. Iceland remained in NATO, the US base remained in Iceland and the balance of power in the North Atlantic was maintained. The highly favorable agreement for Iceland reflects its greater power, stemming from its greater commitment and strategic importance to NATO. Due to its strategic importance to NATO, Iceland was able to limit the UK’s actions and drag its NATO allies into the dispute to put pressure on the UK. Once the pressure became severe enough, the UK, which had weaker commitment, conceded to most of Iceland’s demands.
Neoclassical Realist outcome hypothesis: The outcomes of the disputes reflect the goals of statesmen from both states to satisfy both domestic and security interests, prioritizing whichever of these interests was more powerful in the event of a clash between the interests.

Finding: Affirmed.

The Neoclassical Realist outcome hypothesis is affirmed. Leaders in both states tried to satisfy both domestic and international pressures. To what extent the dispute escalated, it was due to domestic pressures on leaders from both states. Due to more powerful domestic pressures on Icelandic leaders, they were highly constrained in their efforts to safeguard Iceland’s security interests. Whereas they had some maneuverability prior to the on-set of the Second Cod War and during early stages of the Cod War, their maneuverability decreased as the dispute went on, especially after the UK sent the Navy into the disputed waters. Nonetheless, Icelandic leaders tried to compromise with the UK even when it was not fully in their domestic interest to do so. British leaders were somewhat constrained by the trawling industry but as the dispute escalated, security interests were put on the line and the hopes vanished of compelling Iceland to fall back, they mostly conceded to Iceland’s demands.

4.5. The Third Cod War

The Third Cod War lasted from November 1975 to June 1976. It began with Iceland’s unilateral extension of its fishery limits to 200 miles when the temporary agreement concluding the Second Cod War expired, and the failure of the British to comply with the Icelandic regulations. The dispute was however mainly about the fishing grounds within the 50 miles, which had not been permanently resolved in the Second Cod War (the dispute only concluded with a temporary agreement) (Jónsson 1981, 8; Guðmundsson 2006, 103). During the dispute, there were many clashes at sea between Icelandic patrol ships and British warships and/or trawlers (Thór 1995, 222; Jóhannesson 2006, 119-120, 131-132, Welch 2006). Iceland broke off diplomatic relations with the UK, which was a first between NATO members. During this dispute, Icelandic officials hinted that NATO membership was at stake but they did not go as far as to threaten the expulsion of US troops (Ingimundarson 2003, 92; 2011, 136; see also Jónsson 1981, 45). The Third Cod War concluded with a highly favorable agreement for the Icelanders, giving them a 200-mile exclusive economic zone (EEZ) with very limited temporary fishing rights for the British (Jóhannesson 2006, 144). The
final agreement was essentially as good for the UK as the deal proposed by Iceland prior to the unilateral extension.

The issue was important to domestic constituents in both states. Iceland’s dependence on fishing meant, just as with previous extensions, that it was important to extend the fishery limit to 200 miles. According to Thór (1995, 256), fish products accounted for 75% of Iceland’s total exports at the time. Conservation resonated more than ever with the Icelandic public and leaders. The Icelandic Marine Research Institute published a report in 1975 that painted a dark picture of the state of cod stocks in the waters off Iceland (Thór 1995, 218-222; Eythórsson 2003, 132). Without an extension of fishery limits and exclusion of foreign fleets, Icelanders would be forced to reduce their fishing significantly (Jónsson 1981, 19).

The British were motivated by short-term economic interests in their attempts to stop Iceland from extending to 200 miles. The British trawling industry was in dire straits. More than a hundred British trawlers had gone bankrupt between January 1974 and June 1975 (Habeeb 1988, 121). Losing the 12-200 mile zone would therefore have been a significant blow (Jónsson 1981, 11-12; Guðmundsson 2006, 108; Jóhannesson 2006, 112). According to Guðmundsson (2006, 108), “the British fishing industry was at this time facing enormous difficulties because of over-fishing, rising operating costs and low fish prices. Britain’s entry to the EEC also posed problems for the industry. The British government wanted to buy time before the new Law of the Sea took effect and the EEC extended its fishing limit”. At the time, it was apparent that 200 mile EEZs would eventually be formalized in international law (Thór 1995, 217; Jóhannesson 2006, 151; 2008, 460). The British were in fact eager to extend their own fishery limits to 200 miles but were unable to do so due to their membership in the European Economic Community, which prohibited unilateral extensions (Jónsson 1981, 11). The goal was therefore to delay the Icelandic extension and obtain reasonable temporary catch quotas in the 12-200 mile zone before 200-mile limits were formalized in international law.

4.5.1. The Costs and Risks of No Agreement

Both sides were aware of the costs and risks that a unilateral extension entailed. The British knew that the dispute could weaken NATO, as previous disputes came close to doing. Iceland remained strategically important to the US and NATO. In addition to security risks that the dispute entailed, it was costly for the UK to have warships in the disputed waters and to take on the damage of the clashes, which was significant (Jónsson 1981, 83). According to Guðmundsson (2006, 108), both Icelandic patrol ships and British frigates took on damage
“but the frigates were more vulnerable and many of them were seriously crippled and taken to dock for repairs”.

A unilateral extension was costly and risky for Iceland, as well. The government was fairly pro-Western (the Independence Party was firmly pro-Western whereas the Progressive Party was more evenly split in its values) and the Icelandic public was arguably at its most supportive of NATO and the US base (Ingimundarson 2002, 169). Nonetheless, escalation of the dispute was likely to drag Iceland’s NATO membership and the US base into the dispute, as had been the case in previous Cod Wars. In addition to the security interests that could be permanently damaged by the dispute, economic interests would also be adversely affected by a unilateral extension. Iceland could not sign an agreement with the EEC to lower tariffs on fish exports due to the unresolved dispute with West Germany over the 50-mile extension, and knew very well that a new dispute with the UK would not help Iceland conclude its agreement with the EEC (Jóhannesson 2006, 112). The Icelandic government also calculated that Icelandic unilateralism might reduce support for 200-mile fishery limits at coming Law of the Sea conferences (Jónsson 1981, 102).

4.5.2. Testing the REW Dispute Hypothesis

REW dispute hypothesis: Disagreement over relative power, miscalculation of resolve, commitment problems, and issue indivisibility led to bargaining failure.

Finding: Affirmed.

There is evidence that the two sides disagreed about their relative power, and thus their ability to impose costs on the other side and incur costs from the other side. The British also had good reasons to doubt the resolve of the Icelandic government. It did not seem likely that the new pro-Western Icelandic government would wager its NATO membership or expel US forces over the issue judging by its behavior since its formation in 1974 (Guðmundsson 2000, 78). The British miscalculation of its relative power and of Icelandic resolve contributed to its failure to reach a mutually satisfactory bargain with Iceland. According to Guðmundsson (2006, 112), “the Progressives took a much tougher stand in the dispute than the Independents and this continually caused confusion and lack of directive in decision-making and undoubtedly confused both the British negotiators and Iceland’s allies in NATO”. After the entry of the British Navy into the disputed waters, the Progressive Party became increasingly willing to gamble Iceland’s NATO membership to reach a satisfying conclusion to the Third Cod War (Jónsson 1981, 52).
The British miscalculated legal developments. The British did not expect UNCLOS to reach an agreement on EEZs in the near future (Guðmundsson 2006, 108), even though there were powerful signs that 200-mile limits would soon be accepted (Jóhannesson 2008, 460). The British did not expect the US and Canada to decide to unilaterally extend their own limits to 200 miles, which was a major setback for proponents of narrow territorial limits. Whereas the British miscalculated legal developments, Icelanders followed legal developments closely and were inspired to extend due, in part, to the perception that 200-mile limits would be the norm sooner or later (Thór 1995, 217; Jóhannesson 2006, 151; 2008, 460). West Germany and Belgium, both of which had contested Iceland’s extension to 50 miles, settled with Iceland over the 200-mile limits. This took the UK by surprise, as they had expected members of the European Economic Community to adopt a united stance against Iceland’s unilateral extensions. It has been argued that this weakened the UK’s bargaining position (Ingimundarson 2003, 92).

The British also appeared fairly uninformed about the facts of the issue, leading them to cast doubts on the accuracy of Icelandic claims and encouraging them to contest them. The British were unconvinced of the veracity of Iceland’s claims about the state of the fish stocks (Jóhannesson 2006, 113), despite the fact that scientists backed up Iceland’s claims. According to Guðmundsson (2006, 108), Roy Hattersley, the head of the British delegation during negotiations, was taken “completely by surprise” when scientists from both Iceland and the UK declared that the fish stocks in the disputed waters were overexploited. A later report by the British Parliament “criticized Hattersley’s lack of understanding on the poor condition of the fish stocks and blamed him for the outcome of the dispute” (Guðmundsson 2006, 108).

The UK threatened to send the Navy into the disputed waters if Iceland were to enforce the newly declared limits and harass British trawlers (Jónsson 1981, 21). Iceland had reasons to doubt the resolve of the UK though. After all, 200-mile fishery limits seemed inevitable (Jóhannesson 2008, 460). Icelanders were also aware that the British desired 200-mile limits of their own (Guðmundsson 2000, 72-73), which may have indicated weak commitment towards stopping Iceland’s extension.

There is no evidence that commitment problems or issue indivisibility made it more difficult to locate a bargain acceptable to both sides.
4.5.3. Testing the Liberal Dispute Hypothesis

**Liberal Dispute hypothesis:** *Democracy, economic ties and institutions had a pacifying effect on both states, making it harder for statesmen to escalate the disputes.*

**Finding:** Mixed.

There is mixed evidence for the Liberal dispute hypothesis: democracy, commercial interests and institutions had an escalatory influence on Icelandic statesmen but the results were mixed for the British. Democracy, commercial interests and institutional ties led Iceland to extend the limits unilaterally, make strong demands, and use NATO as a bargaining chip. They also constrained the ability of Icelandic leaders to compromise, and made it difficult for Icelandic leaders to finalize the highly favorable deal that ended the dispute. A report published by the Icelandic Marine Research Institute in 1975 led to great domestic pressure on the Icelandic government not to compromise with the UK (Jónsson 1981, 19). In the lead-up to the extension, Icelandic leaders therefore had narrower room to compromise.

There is some evidence to suggest that Iceland was enticed to compromise due to the prospects of being able to finally sign an agreement with the EEC on the reduction of tariffs on fish. British diplomats tried to use this carrot to convince Icelandic leaders to compromise (Jónsson 1981, 13). Geir Hallgrímsson, the Icelandic prime minister, partly justified his decision to seek an amicable compromise with the UK and other interested states by pointing towards the reduction in tariffs that would inevitable follow (Jónsson 1981, 15-16).

The opposition parties in Iceland did not have a pacifying impact on the government. The Socialist Party and their prime news outlet criticized the government for sacrificing Iceland’s interests in the fishing grounds in order to maintain unity in NATO (Jónsson 1981, 15). This pressure magnified after the UK sent the Navy into the disputed waters (Jónsson 1981, 34-35). Even MPs of the pro-Western Social Democratic Party criticized the government for being too tepid and conciliatory (Jónsson 1981, 80-81). When the Third Cod War heated up, there were individual MPs from all parties who pushed for escalatory measures, such as the withdrawal of the Icelandic Permanent Representative to NATO (Jónsson 1981, 82).

The Third Cod War was difficult to resolve due to struggles within the Icelandic coalition government. Pro-Western politicians in the Independence Party were reluctant to jeopardize Iceland’s security interests whereas the Progressive Party was not
The Icelandic Prime Minister tried to get his coalition partners in the Progressive Party to accept 65,000-ton catch quotas for the British for a period of two years, but they would not accept the proposal (Guðmundsson 2006, 109). The Progressive Party became noticeably more combative in its rhetoric after the Navy entered the disputed waters, and was not as hesitant to threaten Iceland’s NATO membership as it had been in earlier stages of the dispute (Jónsson 1981, 52).

The entry of the Navy into the 200 miles led to demonstrations in Iceland. The Icelandic government responded to this pressure and banned British military aircraft from using the NATO base in Keflavík and denied British vessels access to Icelandic ports (Ingimundarson 2011, 135). Public pressure led the government to use Iceland’s NATO membership as a bargaining chip, but the government resisted trying to connect the US base to the dispute (Ingimundarson 2011, 135-136). Public pressure also made it impossible for Iceland to negotiate unless the British would agree to the pre-condition of withdrawing its Navy (Ingimundarson 2011, 135-136). Icelandic statesmen also threatened to break off diplomatic relations with the UK unless British warships would stop ramming Icelandic patrols (Ingimundarson 2011, 136). The failure to withdraw the Navy led the Icelandic government to go through with its threat of breaking off diplomatic relations with the UK.

Even when the two sides reached a provisional agreement, one highly favorable to Iceland (Iceland essentially got what it had wanted prior to on-set of the dispute), the “sensitive domestic political situation” in Iceland made it difficult for Icelandic leaders to accept the deal (Ingimundarson 2011, 137). All opposition parties in Iceland opposed the provisional agreement (Jónsson 1981, 98). According to Ingimundarson (2011, 137), “there were protests in Iceland against the agreement on the grounds that the British should not be allowed to fish anything”. Nonetheless, the Icelandic government signed the agreement.

The results were mixed for British behavior though. The British were emboldened by commercial interests to escalate. The trawling industry was in dire straits and needed better terms for fishing in the disputed waters than Iceland was willing to concede. With the loss of the fishing grounds around Iceland, the trawling fleet from the Icelandic waters would either have to be shelved or diverted to British waters (Jónsson 1981, 12). The latter option was not attractive since the British fishing grounds were already overexploited (Jónsson 1981, 12).

The British decision to send the Navy into Icelandic waters was, as in the previous Cod War, driven by an ultimatum by the British trawling industry. The British trawler fleet in the disputed waters threatened to abandon the waters and give Iceland de facto recognition of its newly claimed limits unless the British government would send in the Navy to protect British trawlers from the harassment of Icelandic patrol ships (Jónsson 1981, 22-23; Ingimundarson 2011, 135-136). Once in the disputed waters, the British government
imposed restraints on the Navy even if those restraints made the naval protection less effective. Ingimundarson (2011, 137), for instance, documents how the Navy asked for permission to use gunfire and cut the trawling wires of Icelandic trawlers, but the British government understandably rejected these proposals. The UK also withdrew the Navy temporarily from the disputed waters so as to facilitate negotiations but sent it back into the disputed waters when negotiations failed.

In addition to being able to withstand some of the pressure from the trawling industry, there is some evidence of public pressure on the British government to resolve the dispute. The central committee of the Labour Party criticized its own government, and the British press complained about the costs of the dispute (Guðmundsson 2006, 109). Nonetheless, Jónsson (1981, 33) argues that the British public tended towards supporting the decision to send the Navy into the disputed waters.

Pressure from NATO on the UK mounted after the UK sent its Navy into the disputed waters for the second time in the dispute, which led Iceland to break off diplomatic relations (Jónsson 1981, 61-62; Guðmundsson 2000, 75). NATO mediation helped bring a resolution to the dispute. The Norwegians, in their efforts to bring the two parties to the negotiation table, even proposed to its other NATO members that they offer to pay the British trawlermen to leave the disputed waters, so as to bring Iceland to the negotiation table (Jóhannesson 2006, 129). Even the United States, which had attempted to stay out of this dispute, became involved. In the weeks prior to the conclusion of the dispute, “the United States government finally took some initiative in solving the dispute and put pressure on the British to give in” (Guðmundsson 2006, 110). It was ultimately through mediation by Luns that the British agreed to withdraw its warships (without Icelandic counter-concessions), so as to begin negotiations (Ingimundarson 2011, 136). After an agreement was reached between Iceland and the UK, the British foreign minister pointed to the pressure from other NATO states as an influence on British calculations (Jónsson 1981, 99).

4.5.4. Testing the Structural Realist Dispute Hypothesis

**Structural Realist dispute hypothesis:** Both states were willing to pursue their fishing and territorial limit preferences in any manner that would maintain or improve their security.

**Finding:** Rejected.
The Structural Realist dispute hypothesis is rejected. It is difficult to reconcile the willingness of both states to, once again, pursue their preferred delimitation of fishery limits off the shores of Iceland with structural realist expectations. The costs and risks were, as in the other disputes, high. As in the other disputes, greater caution and a greater will to compromise would have avoided the costs and risks of a unilateral extension and led to a mutually satisfying agreement. In the hopes of compelling the British into conceding to Iceland’s demands, Icelandic statesmen put its NATO membership on the line, despite recognizing that Iceland’s long-term security interests were best served by remaining in NATO. The risks that Icelandic statesmen took on to pry away a couple of thousands of ton-quotas from the British cannot be reconciled with structural realist expectations.

British behavior was even more baffling, given the relatively meager and short-term economic interests in the disputed waters. There is some evidence to suggest that British leaders and diplomats did not have the UK’s security interests at heart. As the dispute escalated and other NATO members began to pressure the UK, British leaders appeared nonchalant and uninformed. In discussions with Helmut Schmidt, British leaders allegedly claimed that Iceland’s importance to NATO was exaggerated (Guðmundsson 2000, 78; 2006, 110). This indicates a willingness to risk Iceland’s withdrawal from NATO due to a failure to realize Iceland’s importance to NATO. Understandably, “the West Germans were very concerned after this revelation” (Guðmundsson 2006, 110). The failure to recognize Iceland’s importance to NATO goes some way to indicate why the UK was willing to incur the costs and risks of yet another Cod War.

4.5.5. Testing the Neoclassical Realist Dispute Hypothesis

**Neoclassical Realist dispute hypothesis:** Statesmen in both states were willing to pursue their fishing and territorial limit preferences in any manner that would satisfy both domestic and security interests, prioritizing whichever of these interests was more powerful in the event of a clash between the interests.

**Finding:** Affirmed.

The Neoclassical Realist dispute hypothesis is affirmed. Neoclassical realist expectations are met in the dispute. As the test of the liberal and structural realist hypotheses show, both domestic and international pressures shaped the calculations of British and Icelandic leaders, often in a way that prevented them from formulating an effective foreign policy. These pressures were apparent both prior to and after Iceland’s unilateral extension.
Weaker domestic constraints on British leaders allowed them the maneuverability to resolve the dispute in a way that was highly favorable for Iceland. Icelandic leaders faced significant domestic constraints (public pressure, criticism by opposition parties and pressure from coalition partners) both prior to the unilateral extension but particularly after the entry of the Navy into the disputed waters. These pressures made it difficult for Icelandic leaders to compromise with the UK and encouraged statesmen to put Iceland’s NATO membership on the line, despite their genuine belief that Iceland’s long-term security interests were best served in NATO.

The opposition parties in Iceland did not have a pacifying impact on the government. They had an escalatory influence instead, with accusations of timidity and attempts to entangle Iceland’s NATO membership into the dispute (Jónsson 1981, 15, 80-81). As the dispute escalated, Icelandic leaders were ultimately, due to domestic pressures, brought to put Iceland’s NATO membership on the line.

The Third Cod War was difficult to resolve due to struggles within the Icelandic coalition government. Pro-Western politicians in the Independence Party were reluctant to jeopardize Iceland’s security interests whereas the Progressive Party was not (Ingimundarson 2011, 135). According to Jóhannesson (2006, 126), Geir Hallgrímsson was worried that the Progressive Party would leave the government if he were too conciliatory. If the Progressive Party left the government, it was possible that a more anti-Western government would take charge and jeopardize Iceland’s long-term security interests.

Despite these pressures, Icelandic leaders (from both governing parties) resisted acting on the threats to put Iceland’s NATO membership on the line and break off diplomatic relations with the UK (Jónsson 1981, 45-46). In delaying escalatory actions, the Icelandic government incurred domestic costs. In their attempts to find amicable solutions to both their domestic and international pressures, leaders from both parties tended towards prioritizing the vaguer but more substantial long-term interests of Iceland, even if one party was ultimately quicker to satisfy domestic pressures.

British behavior in the Third Cod War is troublesome, as some scholars (Guðmundsson 2006, 111-112) have noted. Not only did the British government incur great costs and risks in an attempt to only stave off fishing concessions in the short-term, but failed completely to achieve a better deal than that proposed by Iceland prior to the unilateral extension. The agreement gave the British the right to catch 30,000 ton within the 200 miles for the next six months, which was roughly the same catch that they would have gotten had they accepted the Icelandic proposal in November 1975 (Jóhannesson 2006, 144; Ingimundarson 2011, 137-138). There is evidence to suggest that British officials did not understand the security interests at stake (Guðmundsson 2000, 78; 2006, 110), the basic
facts of the issues up for dispute (Guðmundsson 2006, 108) and gave the trawling interests inordinate influence on British foreign policy (Guðmundsson 2006, 111-112). This culminated in the breaking of diplomatic relations and the entanglement of NATO into the dispute. With pressure from other NATO members and nothing to suggest that Iceland was going to give in, the British ultimately surrendered.

4.5.6. Testing the Outcome Hypotheses

**REW outcome hypothesis:** Accurate information about relative power, greater understanding of resolve, alleviation of commitment problems, and greater issue divisibility contributed to the locating of a mutually preferable bargain.

**Finding:** Rejected.

The REW outcome hypothesis is rejected. The British did not adjust their demands in the dispute after being made aware of how united Iceland was behind the 200-mile extension. When Iceland threatened to break off diplomatic relations with the UK if they were to send the Navy into Icelandic waters again, the British government still chose to send in the Navy (Ingimundarson 2011, 136). After Iceland had gone through with its threat and broken off diplomatic relations, the UK was still slow to adjust. The threat to withdraw from NATO did not face British leaders either. It took pressure from other NATO members for the UK to make concessions, at which point it could only achieve a highly unfavorable agreement due to the Icelandic hostility that had built up and constrained Icelandic leaders’ room for maneuver.

**Liberal outcome hypothesis:** Democracy, economic ties and institutions had a pacifying effect on both states, putting pressure on statesmen to resolve the disputes.

**Finding:** Mixed.

There is mixed evidence for the Liberal outcome hypothesis. Democracy, commercial interests and institutions had an escalatory impact on Icelandic statesmen. Public opinion, coalition politics, political parties, media and commercial interests provided constraints on Icelandic statesmen’s ability to compromise with the UK. The Icelandic government therefore chose, due to domestic pressure, on several instances not to accept British offers, even though individuals within the government considered the offers favorable to Iceland (Guðmundsson 2006, 109). Institutions were used as bargaining chips by Iceland (hardening
Icelandic resolve and intransigence), rather than as avenues for compromise and dispute resolution. The story is more mixed for the UK. The trawling industry had an escalatory influence on the British government, but the British government still exhibited some autonomy from the trawling industry. The impact of democracy is more uncertain, with some evidence to suggest that there was pressure on the British government to put an end to the dispute (Guðmundsson 2006, 109). Pressure from NATO members contributed to the British offering concessions to Iceland (Jónsson 1981, 99).

**Structural Realist outcome hypothesis:** The outcomes of the disputes reflect the superior ability of one side to impose costs on the other, the greater willingness by one side to incur costs, and the desire of both states not to jeopardize their own security.

**Finding:** Affirmed.

The Structural Realist outcome hypothesis is affirmed. Iceland remained in NATO, the US base remained in Iceland and the balance of power in the North Atlantic was maintained. Iceland’s strategic importance to NATO and commitment to the object of the dispute gave it the ability to impose costs on the UK and bring great costs upon itself. The UK, which only had relatively meager economic interests tied to the object of the dispute, mostly gave in to Iceland’s demands when the stakes were raised and security interests were jeopardized.

**Neoclassical Realist outcome hypothesis:** The outcomes of the disputes reflect the goals of statesmen from both states to satisfy both domestic and security interests, prioritizing whichever of these interests was more powerful in the event of a clash between the interests.

**Finding:** Affirmed.

The Neoclassical Realist outcome hypothesis is affirmed. The ability of statesmen from both states to form and follow coherent foreign policies was distorted by domestic politics in the case of Iceland. Domestic politics created incentives for Icelandic statesmen to extend earlier and make more expansive demands. When the UK sent in the Navy, the issue took on a far greater salience for the Icelandic public, making it very difficult for Icelandic statesmen to accept deals that they considered highly favorable. Domestic politics along with uninformed diplomacy distorted the British foreign policy. The UK miscalculated its own power and the resolve of the Icelanders. Even if there is evidence to suggest that the UK did not highly rate
the strategic importance of Iceland to NATO, pressure from other NATO members seems to have led the UK to concede to many of Iceland’s demands. The UK was able to do this, despite the pressure of the trawling industry, because the importance of distant water fishing to the British economy was not major. Due to weaker domestic constraints, the British government was therefore able to shift its foreign policy when Iceland raised the stakes.
5. Explaining the Cod Wars

The previous chapter provides some intriguing results, which run counter to commonsensical expectations and some theoretical predictions. Despite the puzzling nature of each of the Cod Wars, and the different persons, different claims, varying levels of third party involvement and other nuances particular to each of the Cod Wars, all four disputes followed a similar pattern:

- Prior to Iceland’s unilateral extension:
  - First stage: Iceland and the UK attempt to find a mutually preferable bargain.
  - Second stage: Iceland and the UK cannot locate a mutually preferable bargain due to disagreements about relative power (the ability to incur and impose costs) and disagreements about resolve (willingness to incur costs).
  - Third stage: Each side believes that the other side will back down from their demands once costs are imposed or threats are exposed as being empty.

- After Iceland’s unilateral extension:
  - First stage: Iceland pursues somewhat important domestic interests at a potential risk to its international interests. The goal is to impose costs on the British and force them to compromise.
  - Second stage: The British respond by failing to comply with Iceland’s extension and in doing so pursue slightly important domestic interests (fishing rights) and slightly important international interests (maintain narrow territorial limits and/or avoid setting precedents for other distant fishing grounds). The goal is to impose costs on Iceland and force Icelandic leaders to back down from their demands.
  - Third stage: Neither state backs down from its demands but the status quo works for Iceland (due to greater resolve) whereas the British are incurring too many costs to their trawler fleet. To pursue its low domestic interests and low international interests, the British sanction Iceland and/or send in the Navy, which creates a medium risk to their international interests (by escalating the dispute and giving Iceland the opportunity to go through with its threats).
  - Fourth stage: The British escalation galvanizes the Icelandic public, raising the salience of the issue to high for the Icelandic public and giving the object of the dispute an indivisible nature for Icelanders. The change in Icelandic domestic preferences lead Icelandic leaders to make threats that posed high...
risks to both Icelandic and British security interests (a weakening of NATO). Compromise becomes impossible for Icelandic politicians. Anything but full victory would be a loss to Icelandic leaders domestically.

- Fifth stage: The British give up when there is no hope of fulfilling their weak domestic interests (fishing rights) and when British international interests (the strength of NATO) are seriously put at risk.

The behavior of both states in the disputes is indicative of how domestic pressures distort leaders’ preferred foreign policies. Whereas Icelandic leaders preferred actions that safeguarded the long-term interests of their state (which in the heat of the Cod Wars felt distant, uncertain and meaningless in the eyes of an Icelandic public, stimulated by the discourse of hard-liners), the public favored actions that seemed just and likely to reap relatively meager, short-term benefits even if those actions endangered Iceland’s more substantial, broader, long-term interests. Icelandic politicians and parties, pursuing electoral gains, often outbid one another by adopting extreme policies and presenting them as viable choices to the public. Icelandic political culture and party competition therefore encouraged political parties and elites to adopt policies that they considered unproductive and risky because those policies helped them maintain or improve their electoral chances. This meant that Iceland pursued greater fishery limits earlier, more expansively, more combatively and more uncompromisingly than was in Iceland’s best interest.

A combination of domestic pressure from the trawling industry and gaps in knowledge about the issue under dispute, legal developments and Icelandic intentions hindered British leaders in forming an informed foreign policy and executing it so as to best protect British interests. This led the British to miscalculate Iceland’s intentions and capabilities, fail to engage the Icelanders in dialogue at early stages, and to downplay the international interests at stake. Once Iceland unilaterally extended its limits, the British government had little means by which to compel the Icelanders to give up their demands. The trawling industry, which had the ability to effectively grant Iceland de facto recognition of its new fishery limits by leaving the waters, chose to force the hand of the British government by threatening to leave the waters. This meant that the trawling industry exercised an inordinate influence on foreign policy and forced British leaders into a dilemma of either escalating in ways that carried

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13 This somewhat resembles the ‘outbidding’ thesis from the political violence literature, which holds that groups in a movement may often adopt extreme methods to illustrate to potential followers that they have the greatest resolve in the movement and thus greatest ability to compel opponents into making concessions (Bloom 2005, 95; Kydd and Walter 2006, 51; Krause 2014, 86; Nemeth 2014). While this behavior can be rational on an organizational basis, the extreme methods and spirals of violence that are created contribute to the failure of the broad movement to achieve its aims (Krause 2014, see also Abrahms 2006, Stephan and Chenoweth 2008, Chenoweth and Stephan 2011).
potentially great security risks or surrendering to Iceland that would certainly lead to domestic costs. British leaders chose to avert the more certain of the two threats when faced with that dilemma.

The choices by leaders of both states to respond to the more direct domestic incentives led them into spirals that ultimately jeopardized their states’ security interests (see Tables 5.1 and 5.2). When crises occurred in the four Cod Wars, leaders from both states tried, despite domestic constraints, to fashion agreements putting an end to the disputes. Icelandic leaders were, however, much more constrained by domestic pressures when the disputes reached crisis-points. Unless they were highly favorable, agreements with the UK would not be approved by the Althing, would put an end to coalition governments and/or lead to elections whereby the public would choose more extreme policies in the disputes. Given that Icelandic leaders did not have much room for maneuver, British leaders, who faced relatively meager domestic pressures, were willing to give in to most of Iceland’s demands when there was no other way to ensure that Iceland would stay in NATO, the US base would remain in Iceland, the reputation and unity of NATO would remain intact, and the UK’s standing among its allies would remain high.

While other scholars have highlighted the importance of domestic politics in understanding why the Cod Wars started, escalated and were won by Iceland, I propose that it is crucial to understand the interplay between systemic incentives and internal factors to answer those questions. The ceaseless tendency of leaders from both states to guard the security interests of their states, despite powerful domestic incentives not to do so, and conclude the disputes without resorting to self-defeating measures is indicative of the strength of Structural Realism in predicting political outcomes. The fact that those crises emerged in the first place and could have, in event of chance or foolishness, led Iceland out of NATO or the US base out of Iceland, illustrates how internal factors distort the foreign policy calculations of both states. It is therefore necessary to incorporate both internal factors and systemic incentives, as Neoclassical Realism does, to fully understand why the Cod Wars occurred and why Iceland won them.
Table 5.1. Options for British statesmen

<table>
<thead>
<tr>
<th>(1) Refuse to compromise</th>
<th>(2) Meet Iceland halfway</th>
<th>(3) Fully meet Iceland’s demands</th>
<th>(4) Implement naval protection</th>
<th>(5) Sanction Iceland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic costs</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Domestic benefits</td>
<td>Medium</td>
<td>Low</td>
<td>None</td>
<td>Medium</td>
</tr>
<tr>
<td>International costs</td>
<td>Medium</td>
<td>Low</td>
<td>Medium</td>
<td>Medium-high</td>
</tr>
<tr>
<td>International benefits</td>
<td>Low</td>
<td>Medium</td>
<td>Medium</td>
<td>None-low</td>
</tr>
</tbody>
</table>

Note: A refusal to compromise pleased domestic actors with a stake in the disputed waters, but contributed to Icelandic unilateralism and combativeness. A refusal to compromise therefore had somewhat important domestic benefits to British leaders (at least in the short-term) but encouraged Iceland to extend unilaterally, which led to security risks (a potential weakening of NATO) and also imposed some costs on British domestic actors with a stake in the disputed waters (harassment of trawlers). Meeting Iceland halfway would have dismayed invested domestic actors in the short-term but improved the chances of reaching a mutually preferable bargain, which would have avoided the security risks and given invested domestic actors medium/long-term stability. A full surrender to Iceland was unacceptable to domestic actors, but would have certainly avoided a costly and risky dispute. A full surrender would have been somewhat costly, as it would have set a precedent for the UK’s other distant water disputes and corroded existing norms on territorial and fishery limits. The implementation of naval protection or sanctions pleased invested domestic actors but led to greater Icelandic intransigence (refusal to compromise) and risk-taking (threatening actions that would have weakened NATO).
Table 5.2. Options for Icelandic statesmen

<table>
<thead>
<tr>
<th></th>
<th>(1) Refuse to compromise – extend at all costs</th>
<th>(2) Meet the UK halfway</th>
<th>(3) Fall back from demands</th>
<th>(4) Threaten withdrawal from NATO</th>
<th>(5) Threaten expulsion of US forces</th>
<th>(6) Break off diplomatic relations with the UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic costs</td>
<td>Low</td>
<td>Medium-high</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Domestic benefits</td>
<td>High</td>
<td>Low</td>
<td>None</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>International costs</td>
<td>Medium</td>
<td>None</td>
<td>Low</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>International benefits</td>
<td>Low</td>
<td>Medium</td>
<td>Medium</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

Note: The domestic political situation in Iceland tended to favor the Icelandic government and political parties adopting a stance of refusing to compromise with the British, even if such a stance would complicate the extension of fishery limits and potentially incur great cost and risks. Meeting the UK halfway (or exercising caution and offering delays) also came with domestic risks for Icelandic leaders, but made it easier to find a mutually preferable bargain with the UK and avoid the costs and risks of a unilateral extension. Surrender was completely unacceptable in the Icelandic political climate and would have delayed extension indefinitely (leading to lower catches, greater competition and overexploitation), but would not have jeopardized Iceland’s security arrangements and special relationship with the US. Threats to withdraw from NATO, expel US forces and break off diplomatic relations were wildly popular among the Icelandic population. Making these threats put Iceland one step away from going through with them, which was a distinct possibility in the domestic political climate in case the dispute continued or if the British escalated.
Conclusion

This thesis is one of rare theoretically driven studies of the Cod Wars. Existing works by historians are descriptively rich but have been averse to general theories, evaluation and clarification. Some political scientists have studied the Cod Wars but the studies have usually been brief and narrow, which is surprising given the intrinsic importance of the Cod Wars and the tendency for political scientists to make off-hand remarks about the puzzling nature of the Cod Wars. In this thesis, I derive hypotheses from four IR theories and perspectives. The affirmation and rejection of these hypotheses (the findings are summarized in Table 6.1) makes it possible to place a comprehensive and original account of the Cod Wars within the appropriate theoretical context. The contribution of this study is therefore in providing theoretically informed explanations of the Cod Wars and identifying avenues for future research. The history of Iceland’s foreign relations is full of explanatory and evaluative gaps, due to an absence of research informed by IR theory. This study, which accounts for some of the most definitive events in Icelandic history, fills some of those explanatory and evaluative gaps.

As I have noted earlier, there are limits to my study. The narratives offered here are narrower and more abstract than those offered by historians, which means that I leave out a lot of information. Description therefore suffers at the expense of explanation. My findings are also limited in that they are conditional upon the accuracy of the existing historical literature. It bears noting, again, that my tests of the hypotheses derived from the four theories cannot disprove the theories. This thesis only measures whether the expectations of the theories match up to the reality of the Cod Wars. The hypotheses that I test are also general and simplified expectations derived from the four IR theories. My hope is that other scholars construct more specific hypotheses, so as to be able to look closer at some of the processes that I only examine briefly. It would, for instance, be worthwhile to study the specific effects of nationalism, elite perceptions, political culture, media, business interests, mediators, third parties, coalition governments, party competition etc. on each of the Cod Wars.
Table 6.1. Findings for Dispute and Outcome Hypotheses

<table>
<thead>
<tr>
<th>The REW Perspective</th>
<th>1952-56 Dispute</th>
<th>First Cod War</th>
<th>Second Cod War</th>
<th>Third Cod War</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagreement over relative power</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Disagreement over resolve</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Commitment problems</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Issue indivisibility</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Liberal IR Theory</td>
<td>Democracy</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Trade</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Structural Realism</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Neoclassical Realism</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

I find that the REW perspective accurately identifies factors that contributed to the on-set of each of the Cod Wars. Disagreements about relative power and resolve made it difficult for the parties involved to locate a mutually preferable bargain. One or both states usually miscalculated the capabilities and intentions of the other state. An overestimation of one’s ability to compel the other side into compliance led to unilateral extensions, threats and crises. Commitment problems were not a major problem nor were there any issue indivisibilities.

Democratic processes and economic interests were crucial factors in escalating the disputes and in limiting the ability of statesmen to resolve the disputes. Common membership of institutions had a mixed record. Iceland’s NATO membership and strategic importance was used as a bargaining chip, which gave Iceland the means by which to blackmail the UK. NATO membership therefore hardened Icelandic resolve and eagerness to act unilaterally. Mediation by NATO and OEEC did, however, contribute to the resolution of all the Cod Wars. Neither state wanted to rely on the ICJ, unless it was certain that the ICJ rulings would be favorable to its cause. Iceland put a lot of effort into influencing the UN conferences on the Law of the Sea but was impatient and chose unilateralism when those conferences did not produce satisfying results. To what extent that the Cod Wars escalated, it was due to these liberal characteristics. However, the common interests of the two states, namely that they were both democracies, members of trading communities and allies in the Cold War, also set a threshold on how far the Cod Wars could escalate. This is where Liberalism and Realism overlap, where common interests were important security interests.
The liberal characteristics of the states therefore placed a threshold on how far the disputes could go but played a crucial role in escalating the disputes as far as they went.

The outcomes of the disputes are consistent with structural realist expectations. Neither side ended up damaging its security interests. For both sides, it was important that Iceland stayed in NATO; the US maintained the military base in Keflavik; NATO remained strong, and the balance of power in the North Atlantic was not jeopardized. For Iceland, it was crucial to maintain its special relationship with the US due to the considerable political and economic benefits that came with it. Throughout all four disputes, these security interests were maintained.

Nonetheless, the behavior of both the UK and Iceland is inconsistent with structural realist expectations. Whereas some scholars have hypothesized that domestic politics matter more in the foreign policy calculations of leaders from big states and less in small states (Jervis 1978, Snyder 1991), the Cod Wars illustrate the contrary. Iceland showed a willingness to gamble its long-term security interests to achieve highly favorable agreements on fishery limits over more modest agreements. In all four disputes, Iceland threatened to withdraw from NATO and/or expel US forces from the Keflavik base, even though the Icelandic statesmen making the threats recognized the importance of NATO membership and the US base to Iceland’s long-term security. Had the UK been as willing to bow to domestic pressures or been under more domestic pressures, the disputes might have escalated to the point whereby the security interests of both states would have been permanently damaged. While British statesmen bowed to domestic pressures at early stages in the disputes, they were willing to concede to Iceland’s demands once the disputes reached a point where long-term security interests were being jeopardized. Structural realist outcome expectations were therefore met in each Cod War: substantial long-term interests were not damaged by attempts to achieve relatively meager fishing concessions.

Both the manner and outcome of the disputes fit Neoclassical Realist expectations. The outcomes of the disputes – the maintenance of long-term security interests – reflect the pressures on statesmen, stemming from anarchy, to respond to structural incentives. The manner in which statesmen handled the disputes reflects how domestic pressures affect the calculations of statesmen, contribute to errors in foreign policy, and make it more difficult to follow what they consider to be in their state’s long-term security interest. Domestic pressures led British statesmen to pursue what they considered to be unwise and escalatory policies (such as sanctions and naval protection), ultimately creating a crisis for NATO. Domestic pressures shaped the timing of Iceland’s unilateral extensions, the demands at any given time, and even the ability to approve highly favorable provisional agreements. Icelandic domestic politics created incentives for Icelandic political parties to advocate for earlier
extensions of fishery limits, make larger demands on the British, and resort to threats that, if implemented, would have been self-defeating. The four disputes therefore amounted to four shows of brinkmanship. The outcomes of the four disputes reflect the fact that British leaders were not under as powerful domestic constraints as Icelandic leaders were, which meant that as the security stakes were raised, British statesmen mostly gave in to Icelandic demands. That is why the Cod Wars occurred and why Iceland won them.
Bibliography


