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Iceland

History

John J. Horton

Current international perceptions of Iceland are of a country spectacularly (though in no way uniquely) incapable of managing its financial affairs, and of one equally spectacularly (though in no way culpably) capable of disrupting air traffic across half of the world. It remains to be seen whether these perceptions eventually fade into and merge with the abundance of other (mis-)conceptions about Iceland. Hitherto the general hazy picture has been of a barren and icy landscape, an ancient form of literature known as the `saga', and an involvement in `cod wars'. Too often, these facets of Iceland and its people have been studied in isolation: the geographical fieldworker has only occasionally paused to consider how this elemental landscape has bred and moulded the character and activity of those who live in it; the literary student rarely follows through from the old to the modern period of Icelandic literature; and those who have had their attention drawn towards Iceland for the first time by the international implications of its fisheries or security policy have reacted or reported with a frequent lack of awareness of those traditions—cultural, social, political and economic—that so clearly help towards explaining Icelandic attitudes. It is difficult to think of another country where geography, culture and contemporary affairs are so closely interrelated, and where the key to understanding it requires a triple engagement of the old, the new and the constant.

That Iceland should exist at all as a modern independent nation state is remarkable in itself. Inhospitably located at the north-western extreme of Europe astride the mid-Atlantic ridge, it has sustained for over 1,100 years an alternately resolute and vibrant society against all the odds. Today it exhibits in microcosm most of the features of a developed European country, except for its own army and a railway network (neither of which it currently requires); and yet the development of its elemental resources is still to be fully exploited. To categorize Iceland as either developed or underdeveloped is unhelpful. Internationally, it has created an impact out of all proportion to its size: its total population was 321,857 at 1 January 2013, according to Statistics Iceland (Hagstofa Íslands)—an increase of only 0.65% on the previous year—with immigrants (those born outside Iceland) constituting 8% of the total (the maincategory being Polish. Nearly two-thirds of the population live in the capital, Reykjavík, and its neighbouring municipalities on the south-west peninsula. Iceland's population, therefore, is no more than that of an average British city, on a land mass roughly equivalent in area to that of the island of Ireland; on several fronts (notwithstanding recent financial aberrations) its conduct and achievements have been a model for small-state diplomacy.

The permanent settlement of Iceland began in 874, although there is clear evidence of a Celtic presence pre-dating the Viking settlement by perhaps three-quarters of a century; these Christian Celts appear to have left when confronted with the arrival of the heathen Norsemen, but further Celts came to Iceland together with the Norse settlers, evidence of which can be confirmed by observations of aspects of the physical anthropology and national character of today's Icelanders when compared with continental Scandinavians. The settlement of Iceland was a process that took nearly 60 years; both the exact provenance and the total number of the settlers are matters of some debate, but a figure of over 25,000, with a significant proportion from Norway, could be reasonably suggested from approximately contemporary evidence. There are two features of significance for the subsequent development of the Icelanders that stem from the nature of this original settlement. The first is that, although the settlement took place at a time when Viking expansion was at its height, it was political force in Norway and the class of people affected that gave the settlement its initial impetus and particular character: for this was an exodus not of refugees belonging to a politically downtrodden class, but of noblemen with their retinues and followers, fired by a fierce spirit of independence rather than

resigned to an inevitable exile; a significant degree of sophistication, both political and artistic, was therefore inherent from the start of the Icelandic settlement. The second important factor concerning the nature of the settlement of Iceland is that the land contained no indigenous population; there were, therefore, none of the problems, then or since, associated with relationships between colonists and colonized. These two factors have been underestimated in their relevance to the remarkable degree of cultural awareness and social cohesion that characterizes contemporary Iceland.

By 930 the Old Icelandic Commonwealth became fully established with the foundation of the Althingi (Alþingi), or national parliament. Iceland was the last country in Europe to be settled, but the first to adopt a representative parliamentary system. Although it acted more as a safety valve than as a political regulator, the system was a fundamental element in both the rise of the Commonwealth and its eventual fall. Uniquely, it managed to solve by political means a religious question of the greatest magnitude—the adoption of Christianity in the year 1000. (Shortly before this the Viking spirit of adventure had been rekindled and, between 982 and 1000, resulted in an Icelandic colonization of Greenland and the discovery of the North American continent.)

It was the conversion to Christianity that laid the foundations for the greatest achievement of the Commonwealth period. The 11th century was a time of relative peace and stability, in which the Icelandic bishops exerted great influence upon the intellectual development of the new nation: religious writings from abroad were translated, and the seeds of an Icelandic vernacular literature were thus sown. One outcome of this was the remarkable flowering of Icelandic writing in the 12th and 13th centuries—an isolated beacon of cultural achievement at a time of comparative darkness in continental Europe—in forms such as a vernacular history by the meticulous Ari, the literary genius and historical acumen of Snorri and the splendid `sagas of Icelanders'; these sagas, although they cannot be said to have affected the European literary tradition (hardly surprising in view of their isolation), themselves owed virtually nothing to external influences, which serves only to emphasize their unique character. However, their own influence upon many Icelandic writers of the modern period has been both subtle and profound. Poetry, too, flourished during the early centuries, in two major forms: the mythical-heroic poems of the *Edda* owe more to the continental tradition, but their themes are magnificently enhanced by the poets; and whereas the personal and commemorative expression of the skaldic poets can never reach a foreign audience as directly as can the sagas, because of their intensely intricate structure and wordplay, it is these very qualities that imply much about the intellectual facility of this class of people and their audience.

In several ways the Old Icelandic Commonwealth contained the seeds of its own destruction. The Age of the Sturlungs (1230–64), named after the most powerful of the Icelandic families at that time, saw the Commonwealth complete a fateful transition from a form of democracy into an outright oligarchy, which, in turn, bred civil strife as local chieftains sought to extend their power and influence beyond their own localities, and violently to flout the traditional relationships between themselves and their farming freeholders. Assistance was sought and was readily forthcoming from Norway, where the King had already gained the support of the church in Iceland. The `Golden Age' of Iceland and its Commonwealth ended in 1262–64, when Iceland was brought under the Norwegian Crown.

In the following century, during which the authority of the Norwegian-manipulated church increased, Iceland was struck by a series of volcanic disasters followed by famine and disease; the outbreak of the Black Death in Norway severely affected the levels of Icelandic trade. In 1380 Iceland, together with Norway, came under Danish rule, as it was to remain over the next 500 years, for the most part of which the Icelanders battled against overwhelming odds imposed by natural disasters and foreign oppression. The effect of the Black Death, which reached Iceland in the first years of the 15th century and reduced the population by approximately one-third, was long-lasting, and an already shattered economy was subjected to trading disputes between Denmark, England and the German Hanseatic League.

The 16th century was dominated by the politics of religion. The Lutheran cause at first infiltrated and later overtly imposed itself on Iceland amid increasing bitterness and eventual violence, culminating in the murder of the last Roman Catholic bishop of Iceland in 1550. (Iceland today is nominally around 85% Lutheran—although in 2009–10 the Lutheran Church lost by deregistration several thousand of its members, some of these to independent churches; the election and ordination of the first female Bishop of Iceland, Agnes M. Sigurđardóttir, in 2012 may well restore impetus to the Church.) The Reformation thus began, and with it the two darkest centuries in Icelandic history, during which the country was subjected to further climatic deterioration, volcanic activity and epidemics, to foreign piracy and to total domination by Denmark on two fronts: economic, through the imposition of a foreign trade monopoly in 1602; and political, through the declaration of absolute monarchy over Iceland by Frederick III in 1662. Yet, in spite of all this, the 16th and 17th centuries in Iceland were notable for a spiritual, intellectual and literary creativity that seemed to grow out of adversity.

During the 18th century there was some improvement on the economic front, chiefly as a result of the efforts of Skúli Magnússon, the first Icelander to hold the office of tax collector, who chipped away at the practices of the Danish Trading Company to such effect that in 1787 the Danish trade monopoly was removed. Once again, however, natural and political factors intervened to delay any more broadly based progress: a massive eruption of the Laki volcano in 1783–84 devastated most of the country; shortly afterwards the continuity of Iceland's religious and political institutions was severed by a reorganization of the bishoprics and by the abolition of the Althingi.

It was not until the 19th century that Iceland, for the first time, became significantly affected by events on the European continent. The economic disintegration of Denmark as a result of the Napoleonic wars was inevitably reflected in Iceland. However, it was the rise of European movements that was most deeply to affect the development of the Icelandic nation during that century. Iceland had been only superficially affected by the earlier ideas of the Enlightenment; yet the romantic and nationalist movements were to dominate the course of Icelandic history, the former reawakening the passion of the Icelanders for their literary heritage, the latter firing the thrust towards a national autonomy. A parallel movement for the preservation and purification of the Icelandic language added another strand to the patriotic and nationalist cause. The literary renaissance was personified by a number of 19th-century Icelandic writers, but the political advances were due chiefly to the efforts of one man, Iceland's national hero, Jón Sigurðsson. Three major advances were achieved during the middle of the 19th century: in 1843 the Althingi was reconstituted; in 1854 trade restrictions with the rest of the world were lifted; and in 1874 (the millennium of the original settlement) a Constitution was granted that bestowed legislative, though not executive, powers upon the Althingi, and gave Iceland control over its own finances. Although these developments represented a major and, in retrospect, unstoppable advance towards long-term independence, a general dissatisfaction with the slow pace of political change and economic progress, coupled with continuing climatic problems, led to large-scale emigration of Icelanders to the North American continent during the last 30 years of the century.

However, the momentum towards independence was maintained through the birth of the co-operative movement in 1882, the establishment of the National Bank in 1885, the inauguration of the University of Iceland in 1911 and the achievement of female suffrage in 1915. Iceland gained home rule in 1904 and, following a referendum held in 1918, became an independent sovereign state in personal union with Denmark; Iceland was to share the Danish King and entrust to Denmark only matters of national security and foreign relations. This Act of Union was to be reviewed at the end of 1940, at which time either party could seek a revision; if no agreement were possible within a further three years, either country could unilaterally abrogate the Union.

On 9 April 1940 German forces occupied Denmark. From that moment Denmark was in no position to conduct the foreign affairs of Iceland, and on the following day the Althingi resolved to exercise the

powers hitherto assigned to the Danish King by the Constitution. In the following year the Althingi gave notice of its intention to sever the Union, and in May 1944 the issue was put to a referendum; the participation rate was 98.6%, of which 97.4% voted for abolition of the Act of Union and 95.0% for the new republican Constitution. The Republic of Iceland was born at Þingvellir (the site of the original Althingi) on 17 June 1944 (the birthday of Jón Sigurðsson).

If the war years brought Iceland's political development to a climax, they also transformed the country's economic situation. Iceland was catapulted into the 20th century and the international arena. The British and, one year later, the USA's occupying presence in Iceland during the Second World War resulted in the construction of two airfields that were to revolutionize Iceland's communications with the outside world. Likewise, the amount of money brought into Iceland with the US base, although not huge in absolute terms, none the less acted as a catalyst on the employment opportunities and standard of living in a small-scale economy, and provided a starting point for the post-war development of Iceland.

Iceland Today

This sudden meeting with the outside world brought to Iceland the problems, as well as the benefits, of supranational politics and economics: the wartime military base became a North Atlantic Treaty Organization (NATO) base, prompting arguments over international commitments and neutrality. A small-scale economy is vulnerable not only to global inflation, from which Iceland, in European terms, suffered badly until the late 1980s, but also to specific sectoral trends. Attempts to diversify the economy have been partly successful, particularly in the field of geothermal and hydroelectric energy, but Iceland's economy remains largely dependent upon fish, and for the foreseeable future it is with fish that Iceland's prosperity or otherwise will lie. It is against this background that Iceland's stance in successive disputes with the United Kingdom and, more recently, Norway and Denmark over fishing rights and territorial waters must be understood. What is remarkable is the way in which Iceland, in so short a time, and without any period of transition, has adapted itself to a successful international profile. The deeper reasons for this are to be explained only by reference to the many strands that have historically shaped the Icelandic national character.

Iceland has one of the highest life expectancies in the world, and the lowest infant mortality rate in Europe; moreover, the country has one of the highest and most evenly distributed standards of living in Europe. Politically, Iceland has remained comparatively stable in spite of, or perhaps because of, coalition politics; social class differences are observably less pronounced than in other Western societies; gender equality performance placed Iceland top of the international table (as measured by the World Economic Forum in 2010), and in 2013 in Iceland was nominated as most peaceful country in the world by the Global Peace Index, citing factors such as proportionately low expenditure on defence, low rates of murder, etc. The population is 100% literate,and 95% of Icelandic households are connected to the Internet. Yet for more than a millennium, the very survival of the Icelandic nation was threatened either by natural or economic disasters. Survival in Iceland has become a fine art, in which sophistication has been added to fortitude. Today it is not the nation, but rather the national identity that is seen by some to be under threat. Of all the international pressures to which Iceland has been exposed since the Second World War, the most subtle has been that of cultural intrusion. However, the Icelanders' perception of their own cultural tradition remains firmly rooted throughout a changing but still homogeneous society, which, in spite of urbanizing factors, will continue to be dominated by its natural environment: in November 1996 an eruption of the volcano underneath Europe's largest ice cap, Vatnajökull, sent unstoppable floods of melting ice across the outwash plains, destroying power lines, bridges and the main coastal road linking Reykjavík with south-east Iceland; in May 2008 an earthquake measuring 6.2 on the Richter scale centred around Selfoss in the south-west was also felt at Ísafjörður in the north-west; in April 2010 an eruption of the volcano under Eyjafjallajökull, in the shadow of the historically notorious larger volcano Katla, created clouds of volcanic ash that paralysed

air travel across large parts of Europe; and this was followed by the much more violent, though less disruptive, eruption of Grímsvötn in 2011. Remarkably, none of these events caused loss of human life. UNESCO has placed the island of Surtsey, created by volcanic activity in 1964, on its official list of World Heritage sites.

Perhaps the most cohesive defence of the nation's culture lies in the Icelandic language. The equation of language and race is a concept often challenged by anthropologists and historians, but in the case of Iceland it is undeniable. The Icelandic language has changed comparatively little from the Norse standard of Viking times. Linguistically, as well as in literature, there remains a strong bond between the modern era and the `Golden Age'. The language, by geographical accident and, latterly, by conscious design, has remained relatively free from foreign influences. It is spoken only by the Icelandic nation; within Iceland its character is uniform; it is what most obviously distinguishes the Icelanders from other peoples, and it is the constant living reminder of their origin, culture and national identity.

Political Development

The 1944 Constitution of the Republic of Iceland provides for a president as the head of state. The post is filled by direct election with no overt political party candidature. Executive power is notionally vested in the presidency, but in practice its function is a mixture of celebrational, representational and advisory. There have been five Presidents since the formation of the Republic. In 1980 Vigdís Finnbogadóttir became the country's fourth President and the first woman in the world to be democratically elected as a head of state. Her popularity abroad and at home was reflected in her serving for four terms of office, for the second and fourth of which she was elected unopposed. She retired in 1996 and was succeeded in the subsequent election, one in which the political association of the candidates became an unofficial feature, by Ólafur Ragnar Grímsson, a political scientist and former Minister of Finance, who had previously led the left-wing People's Alliance (PA—Alþýðubandalagið). He was elected with 41% of the total votes cast in a field of four candidates (a further candidate withdrew in protest at the politicization of the process). In July 2000, at the end of his constitutional term of four years in office, no other candidates presented themselves for election and, consequently, Grímsson was installed as President for a further four years. In March 2004 he announced his intention to stand for a third term, and on 26 June he was re-elected with 85.6% of the votes cast.

Subsequently, Grímsson was the subject of some controversy relating to the scope of his role. In June 2008 his term was extended by a further four years, again no other candidates having presented themselves for election. Despite using his presidential veto on several occasions in relation to the banking crisis and the Icesave question, plus his unprecedented (although constitutional) use of public referendums on motions passed by the Althingi, in March 2012 Grímsson—having previously indicated that he would not stand again—was buoyed by a supporting petition of 30,000 citizens and announced his decision to present himself for a fifth term of office. The presidential election was duly held on 30 June, this time involving five other candidates, who included a geological environmentalist, a social and environmental activist, a professor of law and human rights campaigner, and a business consultant. The main opponent to Grímsson to emerge, however, was Thóra (Þóra) Arnórsdóttir, a journalist and popular television presenter aged only 37, whose campaign coincided with the birth of her third child and was based on a promise to return the presidency to its more traditionally ceremonial role. In the event, Arnórsdóttir secured a more than respectable 33.2% of the total vote, against the 52.8% won by the incumbent President, who was therefore elected for a further four years.

The Althingi has been a single chamber since 1991 and comprises 63 members elected by proportional representation. There is universal suffrage above the age of 18 years. Since independence Iceland has always been governed by coalitions, as no single party has secured an overall majority at any of the general elections, which are normally held every four years. The main political parties were,

traditionally, the Independence Party (IP—Sjálfstæðisflokkurinn; centre-right), the Progressive Party (PP—Framsóknarflokkurinn; agrarian and co-operative based), the Social Democratic Party (SDP—Alþýðuflokkurinn; centre-left) and the leftist PA. The SDP and the PA merged with two smaller left-wing parties in 1999 to form the Social Democratic Alliance (SDA—Samfylkingin). Other significant parties have emerged over the last two decades, notably (though recently without parliamentary representation) the free market Liberal Party (Frjálslyndi flokkurinn), established by a former IP member, Sverrir Hermannsson, and the Left-Green Movement (Vinstrihreyfingin—grænt framboð), originally formed by three dissident members of the PA, the latter of these parties having subsequently developed into a strong political force. The most recent addition is The Movement (Hreyfingin), a radical grass-roots party formed in 2009 as a response to the economic crisis, and currently with three members of the Althingi.

The IP dominated the political scene from the 1990s until the late 2000s. At the general election held on 12 May 2007, the turn-out of 83.6% of the electorate was some 4% lower than that for the election of 2003. The voting resulted in the narrowest possible majority for the governing coalition of the IP and PP, headed by Geir Haarde, the Chairman of the IP and Prime Minister since June 2006. The IP won 25 seats in the Althingi, three more than in the previous legislature, while the PP won seven seats (five fewer than previously), giving the coalition a total of 32 of the 63 seats. The SDA won 18 seats (a loss of two) and the Left-Green Movement nine seats (a gain of four). The largest gains were, therefore, made by the Left-Green Movement, under the widely popular leadership of Steingrímur Sigfússon; the main loser was the PP, whose leader, Jón Sigurðsson, failed to win his seat in the Althingi. As the combined opposition was one seat short of being able to form a majority government, the IP was in a position to decide whether to remain in power precariously, with the support of a badly wounded partner, or to seek a new coalition with the relatively unscathed SDA. After five days of intense political activity it was decided to end the coalition that had led the country for the previous 12 years, and to approach the Pres-ident for a mandate for the IP to form a new majority coalition with the SDA, the largest of the opposition parties. Sigurðsson resigned as leader of the PP and was replaced by the former Minister of Industry, Guðni Ágústsson. The new Government took office at the end of May 2007, with Haarde remaining Prime Minister and Ingibjörg Solrún Gísladóttir of the SDA becoming Minister of Foreign Affairs.

In the six months following the election, the new coalition Government functioned relatively smoothly and enjoyed a further surge in public support. During 2008, however, tensions began to surface between the two partners with regard to environmental and foreign policy issues: notably, on new legislation relating to water resource rights and their potential to allow the growth of heavier industry with environmental consequences, and on the question of whether to cancel Iceland's current exemption from the Kyoto Protocol in respect of greenhouse gases, whereby Iceland is allowed a small increase in emissions, compared with the overall reduction required of members of the EU. The IP was also compromised by controversy surrounding the control of the Reykjavík municipal council and experienced a decline in support for itself and its leader, while that of the SDA rose by several percentage points. Furthermore, popular support for the Government as a whole declined significantly during 2008, mainly as a result of major problems with the state of the economy.

These problems dramatically intensified in October 2008 when the banking system in Iceland collapsed into liquidation, dragging the economy and the currency into deep recession. After a further three months of the crisis and the resulting decline in both the credibility and the popularity of the IP, the Prime Minister and the Government bowed to pressure and resigned on 26 January 2009—Haarde having also announced three days earlier his resignation as Chairman of the IP following a diagnosis of oesophageal cancer. On 1 February a new interim Government was formed from a coalition of the SDA and the Left-Green Movement. The general level of support for the SDA had not been significantly affected by its participation in the previous Government, as it had not had prime responsibility for the financial portfolio, while the Left-Green Movement was entering government for the first time. Having

for some months been prevented from exercising her leadership of the SDA, owing to serious illness, Gísladóttir, whose position might have been less sustainable as part of the failed Government, resigned and was succeeded unopposed by the widely popular Jóhanna Sigurðardóttir, who also became Prime Minister of the new coalition Government (and thereby the world's first openly gay national leader), with Steingrímur Sigfússon, leader of the Left-Green Movement, taking the crucial role of Minister of Finance, Fisheries and Agriculture. The full Cabinet of 10 ministers comprised five men and five women. The policy of the new minority Government was set out in a joint declaration under seven headings: increasing democracy, rebuilding the economy, restructuring the administration, introducing measures favouring households, promoting business, rebuilding the financial system and its institutions, and focusing on international agreements (particularly with the EU). The two parties also agreed on the necessity for an early general election (the next one was constitutionally due by 2011) and set the date as 25 April 2009.

In the weeks before the election the major parties were distracted by internal difficulties. The IP, which elected its new Chairman, Bjarni Benediktsson, at its conference in March 2009, was divided on two fronts: the question of membership of the EU and the reaction to the intervention of Davið Oddson, a former Prime Minister and leader of the IP. Oddson, who had refused to resign as Chairman of the Central Bank, was forced out of office in February by legislation adopted by the Althingi. Oddsson denied the IP's responsibility for the country's financial collapse and opposed the more `apologetic' approach favoured generally by the party. The PP also changed its Chairman (for the fifth time in three years) in January. The position was taken by a young leader, Sigmundur Davið Gunnlaugsson, who controversially agreed to vote with the minority Government in the event of a motion of no confidence. The SDA had for some time occasionally revealed tensions between its left-wing elements and those more committed to the European social democratic profile, in terms of favouring responsible business enterprise and moves towards membership of the EU. Its coalition partner, the Left-Green Movement, was meanwhile trying to decide which of its two main planks, socially-based economics or the environmental agenda, should form its major focus in the short term.

At the general election held on 25 April 2009 the turn-out reached 85.1%, higher than the election of 2007, but still below Iceland's historical average of just over 90%. The SDA/Left-Green Movement coalition won 34 of the 63 seats in the Althingi, thereby being transformed into a majority government. The SDA won 29.8% of the votes, an increase of 3% compared with the previous election, and took 20 seats, while the Left-Green Movement won 21.7% of the votes, an increase of 7.4%, and took 14 seats. The IP's support declined significantly: it won 23.7% of the votes cast (down 9%) and only 16 seats, compared with 25 at the previous election. The PP, although well below its historical best, could take some comfort from its showing; it won nine seats, compared with seven in the previous election. At its first election the Citizens' Movement (Borgarahreyfingin) won four seats, while the Liberal Party failed to gain representation in the Althingi.

Following the election, the new Government increased the size of the Cabinet from 10 to 12 members, eight of whom had served in the minority Government. The new line-up of ministers comprised five from each of the two parties, and two without party affiliation. The immediate task of the two parties revolved around their differences on policies, most notably the question of European Union (EU) membership, favoured by the SDA but opposed by the Left-Green Movement. Within a fortnight they had reached a form of compromise whereby the Althingi as a whole would be entrusted with the decision as to whether to begin discussions with the EU, and any ultimate decision on formal application for membership would be decided by national referendum. This at least delayed any potential rift between the parties in the short term, without jeopardizing their general co-operation in a government that had much work to do on domestic issues. To this end the Government drafted an agenda for its first 100 days in office, which echoed the declaration it had made three months earlier as an interim government. The agenda included the restructuring of the banking system, dealing with foreign claims, instigating democratic reforms and tackling unemployment. At the end of June 2009 a

potentially significant stability pact was signed by the Government, unions, employers and local authorities, covering the next 18 months. In July the Althingi voted in favour of the Government's proposal to apply for membership of the EU by 33 votes to 28 with two abstentions; the IP's amendment in favour of a referendum on the application to the EU, as well as on membership, was defeated by 32 votes to 30 with one abstention. The formal application for membership was submitted on the following day.

During its first year in office the new coalition generally contrived to hold together as it struggled to deal with the economic disarray and its social and political implications, including an unemployment rate of 7%–8%—the highest since official records began in 1991 (although by early 2012 this had improved to 5%). However, the political scene soon became dominated by reaction to measures concerning the collapse of Icesave, an online savings brand operated by one of Iceland's three failed banks, Landsbanki Íslands. An agreement negotiated with the United Kingdom and the Netherlands in October 2009, and narrowly ratified by the Althingi in December, bound Iceland to repay the British and Dutch Governments in respect of the compensation they had issued to depositors in their respective countries; however, in response to public pressure, President Grímsson refused to sign the legislation ratifying the agreement and sanctioned a national referendum on the matter, which was held on 6 March 2010. This resulted in 93.2% of voters rejecting the proposals, on a turn-out of 62.7% of the electorate; just 1.8% of voters were in favour, while 5.0% cast blank or invalid ballots. The result was interpreted as a protest against the perceived harshness of the terms rather than a denial of Iceland's responsibility or a rejection of the IMF's conditions for helping Iceland to meet its financial obligations. The Icesave crisis resulted in a strong recovery in opinion polls (by as much as 11 percentage points) for the opposition IP, along with mixed fortunes for the governing coalition partners: a broadly maintained level of support for the Left-Green Movement, but a sharp decline for the main partner, the SDA. The municipal elections at the end of May 2010 indicated a mood of general frustration: a new, satirical political entity, the Best Party (Besti Flokkurinn), founded by a comedian, Jón Gnarr, narrowly beat the incumbent IP in Reykjavík, winning over one-third of the vote. Gnarr went on to become Mayor of Reykjavík, forming a coalition with the SDA.

During the Government's second year of office the divisions between the coalition partners became more apparent, and the coalition was also confronted by a partial recovery by the opposition. In December 2010 three members of the leftist wing of the Left-Green Movement voted against the proposed budget for 2011, resulting in its parliamentary approval by a majority of only one vote. Furthermore, in March 2011 two of these three members withdrew their support for the Government entirely and decided to serve as independent members of the Althingi (one later announcing a decision to form her own party), thereby reducing the Government's majority to only three. However, these divisions did not seem to have fatally dented the Government's approval rating in public opinion polls, which, though lower than that of the IP (which saw a substantial increase), remained fairly stable at over one-third. Nor was there a manifest enthusiasm by the populace for an early general election, despite controversies such as alleged violation of gender equality laws by the Prime Minister herself in connection with an appointment made to her office.

It was therefore left to the IP, itself not without internal divisions relating to the EU and to the Icesave agreement, to threaten and eventually force a vote of no confidence in the Government, which took place on 3 April 2011. The Government narrowly survived by a majority of two votes: one member of the Left-Green Movement opposed to EU negotiations and conditions imposed by the IMF voted against the Government, but this was partly offset by the abstention of one PP member of the opposition. Simultaneously defeated by a larger majority was a motion to adjourn the Althingi prior to an early general election (otherwise scheduled for April 2013). Meanwhile, there was speculation in the press that the Government was seeking to approach a third party to reinforce its potentially vulnerable position.

The motion of no confidence had been largely triggered by the result of a second referendum, held a few days earlier, on the Icesave agreement: a version less disadvantageous to Iceland than the previous proposal had been approved by the Althingi in February 2011 by 44 votes to 16, and was again made subject by the President to a national referendum. This time the vote against was not as overwhelming, but the proposal was still rejected by 58.9% on a much increased turn-out of 75.3%. The matter was therefore referred to the Surveillance Authority of the European Free Trade Association (EFTA), prior to the initiation of full legal proceedings by the Governments of the United Kingdom and the Netherlands. However, by mid-2012 the situation was barely nearer to being resolved (see Foreign Relations).

Another consequence of the financial crisis was the decision of the parliamentary committee examining the official record of the banking collapse. Five of its nine members originally voted to summon four former ministers—the former Prime Minister, Haarde, and the ministers formerly responsible for foreign affairs, finance and trade—to appear before the Landsdómur, a special court established to pass judgment on ministers accused by the Althingi of misconduct in office. Notionally comprising six judges, a professor of law and eight members chosen by parliament, the Landsdómur had not previously been assembled since its establishment in 1905. In the event, the three ministers were saved by the Althingi from the impeachment process, which began in April 2011, and which therefore involved only Haarde. The former Prime Minister denied, with some vigour, any personal responsibility for the events leading to the crisis in the banking system. In October two of the six charges against him were dropped; his trial on the remaining charges took place in April 2012. Three of the four charges, including the most serious one involving gross negligence, were dropped, but Haarde was found guilty of the lesser charge of failing to hold emergency cabinet meetings at a critical stage. However, no punishment was imposed and he was absolved from legal expenses. Haarde's reaction was that the Court had been obliged to find him guilty on one charge if only to save face and justify the time and public expense of the whole affair, and that his conscience was clear. Haarde remains the only national leader to have faced criminal charges over the financial crisis in the interests of public accountability.

A reorganization of the Cabinet took place in January 2012, resulting in both the removal of the Minister of Fisheries and Agriculture, and, for the first time, a majority of female members. However, subsequent opinion polls indicated that these changes had not stemmed the decline in support for the coalition (which, by mid-2012 was down by one-third since the general election of 2009). Rather than the IP, the beneficiaries were two new parties on the left: Bright Future (Björt Framtíd), led by an independent member of the Althingi and former PP member, Guđmundur Steingrímsson, which formed a collaborative arrangement with the aforementioned Best Party—thus conveniently sharing their initials in Icelandic; and Solidarity (Samstađa), assembled by a former member of the Althingi from the Left-Green Movement. Polls conducted in the first half of 2012 suggested that these two parties were collectively attracting the support of up to 15% of the electorate, with Solidarity attracting two-thirds of that support,,and In October 2012 the coalition actually lost its majority. At general meetings of the parties in February 2013 the SDA announced that Árni Páll Árnason would take over from Jóhanna Sigurđardóttir as leader, and the LGM almost unanimously elected Katrin Jakobsdóttir as its new Chair; meanwhile the IP re-elected Bjarni Benediktsson. In March the Government survived by just three votes a motion of no-confidence proposed by an MP for The Movement. These events had little effect on opinion polls, and it seemed that the PP held the strongest hand in the run-up to the general election, benefiting from its firm stance against negotiations on the Icesave dispute and the ruling of the EFTA Court that Iceland should pay no penalty to either the UK or the Netherlands, plus PP promises of mortgage writedowns.

The election took place on Saturday 27th April 2013. The turnout was 81.2%,- the lowest for a parliamentary election in the history of the Republic, reflecting a general disillusion with the political and economic process in general, notwithstanding a significant improvement in unemployment figures

which by then were half that of the average for the Eurozone. In the event it was the IP who emerged as the largest single party with 26.7%, though this was its second lowest ever vote, and an increase of only 2.8% on its showing in 2009. The PP came second with 24.4%, an increase of 9.6%. The combined drop in support for the coalition parties was a massive 57%, with the SDP gaining 13% and the LGM 11% of the total vote. The only two other parties to reach the 5% threshold for parliamentary representation were Bright Future with 8.2%, and the Pirate Party (Pirata), standing for political transparency and internet freedom , instigated on the Swedish model by a former MP for The Movement, Birgitta Jónsdóttir, who secured 5.1%. The resultng allocation of the 63 seats was 19 each for the IP and PP, 9 for the SDA, 7 for the LGM, 6 for Bright Future and 3 for Pirata. 27 of the seats are now held by MPs new to parliament, and the rerepresentation of women members is 40%. The election also produced Iceland's youngest ever MP, Jóhanna María Sigmundsdóttir, a sheepfarmer from the West Fjords, who won a seat for the PP at the age of 21.

The only two-party arrangement which could therefore achieve the 32 seats necessary for a majority in the AlÞingi was that of the historically well precedented IP/PP. Negotiations lasted for most of the following month, as a result of which it was announced that the Chairman of the PP, Sigmundur Davíđ Gunnlaugsson, would become Prime Minister, with Bjarni Benediktsson of the IP appointed to the crucial role of Minister of Finance and Economic Affairs. On 23rd May the new coalition published its Platform for Government under 19 sectoral headings, staing its prime concerns as "to improve the situation of households in Iceland and to strengthen business and industry with greater value creation for the common good". This was almost immediately followed by two major announcements: firstly that all ministries be required to submit proposals for cutbacks of 1.5% of expenditure; secondly, that the new Minister for Foreign Affairs had asked staff temporarily to suspend all work on Iceland's application to join the EU (both parties in the new coalition having long been opposed to membership).

On a broader political front, and after several stages and forms of public discussion resulting in the establishment of a Constitutional Council chaired by Salvör Nordal, head of the Institute of Ethics at the University of Iceland, a national referendum on the Council's proposals for a new draft Constitution was held in October 2012. There was a turnout of just under 50%, with the majority voting 'yes' to all six questions, though there were reservations on the status of the Church in Iceland as the Council had not presented an actual provision.

Another recently formed, though less formal, national grouping is the `Ministry of Ideas'—a grassroots organization which meets regularly, and is designed to draw on Iceland's human potential by sharing experience, skills and ideas, with a view to stimulating entrepreneurial activity and innovation across a broad range of social and economic activity.

Foreign Relations

Iceland is a member of several international organizations, including the UN, NATO, the Organisation for Economic Co-operation and Development, the Organization for Security and Co-operation in Europe, the Council of Europe, the Nordic Council, the Arctic Council, the Barents Euro-Arctic Council, the Council of Baltic Sea States, and the European Economic Area (EEA). In 2007 Iceland applied for one of the two seats available on the UN Security Council from 2009 allocated to countries from Europe, Australia, New Zealand or Canada, claiming pledges of support from over one-half of the member countries of the UN. At the election in October 2008 at the UN General Assembly, however, Iceland received only 87 votes, the successful countries being Turkey (151 votes) and Austria (135). The Government's position was, with some justification, that the economic collapse in Iceland and, possibly, the resulting deterioration in Iceland's relations with the United Kingdom had worked against Iceland's cause in the last stages of the campaign. However, it maintained that the effort had not been wasted in the context of Nordic co-operation.

Over the years Iceland's membership of NATO and non-membership of the EU have dominated the foreign policy agenda and debate within the country. This is a reflection of the country's two major concerns since independence: national defence and rights over natural resources.

The defence of Iceland has been virtually underwritten by its somewhat reluctant membership of NATO (dating back to NATO's foundation, in 1949) and to the 1951 agreement with the USA, which established the Iceland Defence Force (IDF), based at Keflavík, in the south-west. Over the first three decades the arrangement rarely produced a settled political situation, as the traditions of Iceland's cultural and national feeling caused many to oppose a foreign presence on Icelandic soil. The dominance of the IP to some extent ensured continued membership, but the unfolding events of the Cold War and the differing stances of the other political parties also ensured vocal proponents for membership, neutrality, opposition or, indeed, compromise (i.e. continued membership without IDF presence). However, during the 1980s a more positive, even active, attitude towards NATO emerged, further hastened by the collapse of the Warsaw Pact. The more recent concern had been that as NATO had called for closer ties with the EU, Iceland's non-membership of the EU might leave it marginalized in the context of new developments. Notwithstanding plans to reduce expenditure by NATO further, the USA remained committed to maintaining the present level of its forces in Iceland, but negotiations continued as the USA reconsidered its international deployment priorities in the context of conflict in the Middle East. In 2001–02 Iceland unreservedly affirmed its political support for the international action against terrorism and specifically for the US-led military campaign in Afghanistan, where the Government has continued to maintain a non-military contribution to NATO's peace-keeping force. Iceland has also had a peace-keeping role in Afghanistan, the Palestinian territories and the former Yugoslavia. In the context of the popular uprising in Libya in 2011, Iceland declared its support for the establishment of an air exclusion zone; however, the Left-Green Movement wing of the coalition, historically inclined towards a non-aligned, pan-Nordic stance, and opposed to interventions in Iraq and Afghanistan, was firmly opposed to the transfer of command to NATO in the UN-authorized action to protect civilians in Libya.

On 15 March 2006 the USA took Iceland by surprise in declaring that it would be withdrawing the majority of its forces from the military base at Keflavík by the end of September. The Icelandic Government had already come to realize that it would have to take more responsibility for, and financially contribute to, the operation of the base and the international airport, but it had not expected such drastic action, nor at such short notice. While it could be argued that the international strategic significance of the base had diminished over the previous two decades, the decision would have an impact on Iceland's domestic capability to protect itself, prompting the Government to discuss the implications with NATO. The organization approved plans in July 2007 for the patrol and surveillance of Icelandic airspace by fighter planes stationed intermittently on Icelandic territory. Also of concern were the social and economic consequences if the almost 1,000 Icelandic personnel connected with the operation were to lose their jobs. In October 2006, following further negotiations between the Icelandic Prime Minister and the US Secretary of State, during which Iceland sought certain guarantees for its defence and a co-ordinated transfer of land and operations at the Keflavík base, an agreement was reached whereby the USA would continue to provide a more flexible, if unspecified, form of support for the security of Iceland and its preparedness for defence. At a regional level this new situation stimulated in 2007 an agreement of co-operation with the Norwegian and Danish Governments on monitoring maritime security and Icelandic airspace—although an official agreement on more comprehensive mutual defence co-operation was not imminent. Iceland also signed a consultative agreement on defence co-operation with the United Kingdom in 2008, which covered various factors affecting the north Atlantic, and with Canada in October 2010. Such agreements with neighbouring countries are considered increasingly important in the context of potential rivalries further afield over access to petroleum, natural gas and other resources under the Arctic Ocean, along with potential extensions to the Icelandic continental shelf. In June 2010 the

Ministry of Foreign Affairs established the Iceland Defence Agency, with a staff of 50, to oversee both internal security and all NATO matters affecting Iceland.

Iceland's relations with the Netherlands and the United Kingdom remain uneasy in the wake of repayment issues following the Icesave crisis and its obligations to creditors in these two countries. By 2012 the EFTA Surveillance Authority (ESA), subsequently backed by the EU, decided to bring the case against Iceland to the Court of EFTA. Public referenda and the stance of all Iceland's political parties have demonstrated opposition to the ESA's action, and—notwithstanding some preliminary repayments of principal from the assets of the new Landsbanki—in the event the Court ruled that Iceland pay no penalty to either government; however, this fraught episode may continue to affect Iceland's relations with the EU as a whole. A more constructive development in Iceland's relations with the United Kingdom and the Netherlands is the proposal to exploit its abundance of natural energy by constructing an undersea cable measuring 1,500 km to transmit power to those countries, thus benefiting both the Icelandic economy and the demand for electricity at the other end. Preliminary discussions began in May 2012. Iceland's official relations with Europe started with its membership of EFTA in 1970, followed two years later by a free trade agreement with the European Economic Community (EEC). Further measures at that time were precluded by Iceland's economic dependence on control over its fishing rights, partly for reasons of conservation of stocks, but mainly to protect the country's most essential natural resource from foreign exploitation; between 1958 and 1975 Iceland had unilaterally extended its fishing limits, progressively, from four to 200 nautical miles, resulting in three separate armed disputes with the United Kingdom, echoed even in the mid-1990s by further disputes with Norway and Denmark.

Following negotiations between the countries of EFTA and the European Communities (EC, of which the EEC was part, and which became the EU in 1993), the EEA was established in 1991, effectively bringing Iceland into many areas of the single market, and producing an agreement whereby Iceland would enjoy access to EC markets free of tariff for most of its marine exports and also partial access to EC waters in return for a quota of catch by EC fishing vessels. Furthermore, in order to retain the freedom of movement that Iceland had long enjoyed with the other Nordic countries, Iceland became, in 1998, an associate member of the Schengen Agreement on open borders, which became part of the EU's jurisdiction. Iceland officially joined the Schengen Agreement in March 2001. Iceland's foreign policy stance, therefore, reflected its dilemma about how to keep open the door to eventual full membership of the EU by co-operating on several fronts, while being acutely aware that such membership was precluded by the common fisheries policy of the EU—which would be likely to entail sacrifice of Iceland's sovereignty over fishing rights, as well as undermining Icelandic agricultural policies, with severe economic consequences. More than a decade later these remain significant hurdles.

With the onset of the crisis in the Icelandic banking system and the plummeting of the Icelandic króna from September 2008, public opinion veered towards support for pursuing membership of the EU. However, by 2012, three years after the newly elected Althingi's decision to apply for membership (notwithstanding differences in the stances of the two coalition partners—the SDA being generally in favour and the Left-Green Movement against), opinion polls indicated that up to 57% of the electorate was in favour of withdrawing the application. In the meantime the EU had agreed to start negotiations with Iceland, stating that, despite `structural weaknesses', Iceland fulfilled the necessary preconditions. Preliminary processes continued with a view to commencing formal negotiations leading to a potential referendum on the outcome, though one of the first acts of the new government in May 2013 was to suspend all work on Iceland's application.

A further example of Iceland's vulnerability in an increasingly globalized world relates to its stance on whaling, over which Iceland, along with Norway and Japan, has been in dispute with the International Whaling Commission (IWC) for a quarter of a century. Iceland, for whom whaling forms a

disproportionate percentage of economic activity, resigned from the IWC in 1992<?Pub Caret>, following the Commission’s ban on whaling for commercial purposes. In 2009 Iceland was invited, somewhat surprisingly, to join the IWC task force with a view to establishing reconciliation between opposing groups. The annual meeting of the IWC in 2010 attempted to reconcile the commercial, scientific, and environmental arguments for and against whaling in the context of sustainability; accordingly, it issued a proposal to permit Iceland (whose current policy was in any case to continue whaling until at least 2013) to continue its activity, but only according to an annual quota set by the IWC .There were subsequently allegations that Iceland was breaching its quotas. Iceland’s current quota for fin whales is 180. Itrecently suspended its policy of harpooning the endangered fin whale, and although one of the last acts of the coalition was to issue a regulation extending one of the protected reserves for whales, the new government immediately revoked it The conflict between one of Iceland’s traditional activities and the majority of international opinion remains largely unresolved.

Iceland’s foreign relations, therefore, illustrate that the balance between dependence, independence and interdependence remains very fine for the small nation state that is Iceland.

`Make the place where you belong your stronghold is my advice to small and large alike—at least until we know what is large and what small in this world’. Halldór Laxness (Icelandic author and Nobel Prizewinner for Literature).

`We remember our past to plan our future’. Vigdís Finnbogadóttir (former President of Iceland).