

From: eGram Gateway
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To: eD EU DIRECTORATE
Subject: [REDACTED] ICELAND: ANUUAL REVIEW 2007:Id=8463630
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DETAIL

1. [REDACTED]

The Economy

2. [REDACTED] despite periodic blips, on which the year ended, the economy did pretty well. The stock exchange peaked in July but ended more or less where it started the year. The abrupt reversals of the final quarter prompted unaccustomed nervousness and a bit of a shake-out, with one or two swaggerers sacked or moved out of sight to lick wounds [REDACTED]. The past 5 or 6 years has of course seen spectacular successes: property prices doubled in that time; overseas investments raced ahead; the power/aluminium project in the east of the country was completed and contributed some 20% to GDP, which probably grew by another c3.5%; and per capita income grew to be among the highest in the world. A week before Christmas, the World Bank made Iceland the most expensive country in the world. While in November, Iceland had been placed at the top of a UN list as the most desirable country to live in [REDACTED]

3. The Krona [REDACTED] finished up quite a bit higher than it started - particularly strong against the dollar (nothing unusual about that), though only 1% higher against the Euro, which itself generated debate about adopting it unilaterally, or even applying for EU membership. Notwithstanding the downs of the last couple of months, the banks have done well, and are not significantly exposed to sub-prime loans. They continued to grow, as did profits; for the first time they contributed more to GDP than the fisheries sector. There was a reminder that fish still mattered (not nearly as much as it used to but...), when the scientists advised a reduction (by 60%) of the cod quota. In the event the Minister of Fisheries decided on 33%, which has been partly offset by increased catches of other species. The fishing industry is now only 6% of GDP, although it is still a very important source of export revenue; inflation fell back only to start climbing again by late summer; wage inflation ran ahead of price inflation; while the business community busily invested overseas, particularly in Scandinavia.

4. [REDACTED]

NATO, Security, UN and Peacekeeping

5. This has been the first full year since 9 May 1940 (when British occupation began, handing over to the Americans a year later) when there has been no foreign military based on Icelandic soil. [REDACTED] They [REDACTED] signed a couple of MOUs with Norway (after the election) and Denmark that at least gave the impression of filling the gap left by the Americans. [REDACTED]

[REDACTED] they carried an important message in themselves both to the people and government. They also managed to secure commitments from allies (US, France, Denmark, Spain, Norway and Poland) at December's NATO force generation conference, to deploy to Iceland periodically as part of air-policing arrangements. A defence and security committee of experts was set up in November by the Minister for Foreign Affairs to consider future threats to Iceland's security and to make appropriate policy recommendations.

6. Following the election, they finally committed wholeheartedly to going for the Security Council seat in 2009/10. They don't believe they have left it too late [REDACTED] but are also realistic about their chances. With this in mind and given her disposition to soft security and non-military peacekeeping, the new Foreign Minister has been keen to show support for Palestinian development and soft security participation in both UN and NATO operations.

7. We also discussed with the Ministry of Justice (Home Office/Ministry of Justice) coastguard co-operation, search and rescue, serious crime, immigration and other CT.

Europe

8. [REDACTED]

Energy, the Environment and Whaling

9. They went to Bali broadly supporting the UK. In any case, they have had their own long-term strategy since February 2007 year for reducing greenhouse gases by between 50% and 75% by 2050. They would have liked the conference to have resulted in a more concrete agreement but recognised the significance of what had been achieved. The Minister expressed to me her admiration and support for Hilary Benn's efforts to get the eventual deal, which at various points seemed unachievable.

10. The business community, the Nature Conservation Association of Iceland and IFAW (with a fair bit of encouragement, guidance and co-ordination with us) continued to speak out against whaling. In August we were rewarded with a (slightly disguised) signal from the Minister of Fisheries in an interview to Reuters that there would be no more commercial whaling. His caveat was: for so long as there is no market for the meat. [REDACTED]

2008

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

FOI Request Ref. 0734-14

The following are extracts of relevant information from the joint Nordic Network Annual Reviews from the periods requested in the FOI.

From the Nordic Baltic Network Annual Review: 2008

Paragraph 9: "The financial crisis defined the year, here as elsewhere, but its impact varied across the region. In Iceland the banking sector collapsed under a debt burden ten times bigger than GDP. Post supported HMT – led negotiations to ensure that Iceland honoured EEA commitments to UK depositors and treated fairly all creditors of failed Icelandic banks". *Final sentence exempted under Section 27(1) (a).*

Paragraph 10: *Exempted under Section 27(1) (a).*

Paragraph 15: *First sentence exempted under Section 27(1) (a).* "Sustained public and parliamentary demands for answers continue. Some argue for the refounding of the State; many more for EU membership. The latter issue could split the governing coalition and, if the pro-EU lobby prevails, usher in a Social Democratic dominated coalition, with FM Gísladóttir as Prime Minister."

From the NBN: Annual Review 2009

Paragraph 1: *Exempted under Section 27(1) (a).*

Paragraph 2: *Exempted under Section 27(1) (a).*

From the NBN: Annual Review 2010

Paragraph 4: "Iceland continues to wrestle with the aftermath of her financial crash. A fractious coalition muddled through, trying to rebuild the economy, resolve icesave (after the March referendum rejection) and promote EU accession against an isolationist public discourse. We achieved a third icesave agreement, hopefully to be ratified by February. *Final sentence exempted under Section 27(1) (a).*