

# Iceland: Angry protests over economy force early elections

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Special forces had to rescue Iceland's Prime Minister Geir H. Haarde in the early hours of Thursday morning, as ongoing protests over the country's economic crisis erupted into angry clashes outside parliament. On Friday, Haarde announced early elections for May 9.

During the protest, Haarde had been trapped in his car, as several hundred protesters gathered outside the building, threw paint, eggs and tins at the vehicle and called for immediate elections. Police used teargas to disperse the protesters, and extricate the prime minister.

The protest began on Tuesday, when parliament reconvened for its first session after the Christmas break. At least 2,000 people attended in what was described as a "tense" atmosphere, with demonstrators chanting, "The USA is getting rid of Bush today, we want to get rid of you." Over 100 policemen were deployed and pepper spray was used repeatedly to disperse the crowd. At least 30 protesters were arrested by police, but the protest continued well into the night.

Large crowds reassembled on Wednesday at lunchtime, forcing the day's parliamentary session to be abandoned. Instead, Haarde held emergency talks with other party leaders, attempting to hold together his ruling coalition with the Social Democrats. It was after Haarde attempted to leave his office later that night that protesters surrounded his car, and began pelting it.

The recent protest is thought to be the largest seen in Iceland in 60 years. Demonstrations also took place in other towns, including Egilsstaðir and Akureyri.

Later Wednesday, the Social Democrats Reykjavik section held a meeting at which a recommendation was passed calling for the party to pull out of the coalition with Haarde's Independence party. Gunnar Helgi Kristinsson, a political scientist of the University of

Iceland, is just one of the commentators predicting that the current coalition will not survive the coming weeks. "I think it is more likely than not (that the government will fall)," he stated. "It could happen today, next week or the weekend at the end of the month, especially since the Independence Party convention will be held next weekend."

Less than 48 hours later, Haarde called a May general election. They were not constitutionally required until 2011. Haarde said that he would not be standing in the elections because of a recent diagnosis of a throat tumour, and that he had decided to stand down as leader of the Independence Party at its national congress in March.

The protests are being driven by a dramatic deepening of the social and economic crisis now confronting whole sections of the island's population. December figures revealed a massive jump in the number of those out of work, as the effects of the banking collapse continues to spread—up from 45 percent compared with November, reaching 4.6 percent of the workforce.

The new figures represent a seven-fold increase since the same period in 2007. The sharpest rise in unemployment is amongst young people and in Reykjavik, Iceland's capital.

The difficulties facing the unemployed, as well as the population at large, are compounded by the continuing weakness of the Icelandic krona (ISK) which is currently trading at nearly 200 to the Euro. For those living on savings or fixed incomes, such as unemployment benefits, there has been sharp rises in prices for imported commodities.

Even for those employed, the situation is dire. A recent survey revealed that 62 percent of Icelanders held mortgages with interest linked to inflation, which

remains high. Added to this, 30 percent of respondents held loans in foreign currency, which have risen in price dramatically as the krona collapses in value. Thirty percent of respondents added that they felt it "very likely" that they would have difficulty meeting their costs in the coming period, with the figure rising to 57 percent of those who are out of work.

The firm who conducted the poll, Capacent Gallup, stated in a press release, "Car loans in foreign currencies are common among higher earners, whereas the house loans in foreign currencies are more popular among students than those in full-time employment. Payments on so called 'basket of foreign currencies' loans have nearly doubled in a year due to the weakness of the krona."

As the ruling elite has tried to extricate itself from the crisis in which it is implicated, the debate over beginning membership negotiations with the European Union has intensified. On January 16, the opposition Progressive Party voted to work towards EU membership. EU membership is to be discussed at the Independence Party's congress at the end of January.

While substantial sections of the political establishment have traditionally been hostile to EU membership, the scale of the economic crisis has forced many to change their minds. The finance ministry has been compelled to vastly downgrade its estimates for economic performance in the coming years.

Its latest forecast sees a contraction of 9.6 percent of GDP for this year and 2010. Unemployment is predicted to reach 8.6 percent next year, although this figure may still be an underestimation. A recent survey indicated that fully 70 percent of Icelandic companies were technically bankrupt, raising the possibility of an explosion in the unemployment rate. The same survey put the rate of personal bankruptcies at 40 percent of the population.

It is under such circumstances that demands are growing for new elections, and the resignation of the central bank chief David Oddsson.

A petition demanding a complete change in government has been issued by the "movement for a New Republic in Iceland". The petition states in part, "We, the People of the Republic of Iceland in this period of economic turmoil and near national bankruptcy, declare to the International Monetary Fund, to the Central Banks of all our neighbouring countries

and to their respective governments, that it is not in the interest of the people of Iceland that our current government receive loans from anyone."

Blaming "corruption in government and severe mismanagement of economic and monetary policy" to the banking collapse, it states that funds should be withheld until a new government and "a new professional governance structure" has been achieved.

"Since the start of the kreppa [the Icelandic term for financial crisis] there have been no changes at all made in the make-up of the government... No one has resigned and no one has been fired. They are hard at work at getting what little is left here back into the hands of those who crashed our economy to begin with," commented one of the protesters.

But without addressing the fundamental source of the economic crisis in the private ownership and control of the financial system, a mere change in personnel will do nothing to resolve the social catastrophe.

Moreover, the IMF can hardly be held up as a counterweight to the efforts of the Icelandic elite to extricate itself from the crisis at the expense of the population. Under the terms of the \$2.1 billion loan agreed between the IMF and the government, plans are being made to scale back pension payments and implement vast cuts in public spending on social services.

In a bid to placate its critics, the government had announced plans to move forward with its own investigation into the banking collapse. The character of this investigation, however, is far from exhaustive, a fact demonstrated by the decision to appoint a local government official to head the probe. Whereas a number of commentators have urged a team of international experts be sent to fully examine the banks and their dealings, there is a clear desire to restrict any investigation that takes place, lest it raise unwelcome questions about the role of the entire ruling establishment.



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