Iceland’s parliament votes to apply for European Union membership

By Jordan Shilton
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On July 16, Iceland’s parliament (Althingi) voted by 33 votes to 28 to apply for membership of the European Union (EU). The vote followed lengthy discussions during recent weeks in parliament, with splits emerging in the major parties over the issue. In the end, parliamentarians from all five main parties voted in favour of the application. The Independence Party remained the most vocal opponent of entry.

The Left Greens, who campaigned in the recent elections against EU membership, provided critical support to ensure the passage of the proposal. Eight Left Greens, including party leader Steingrimur J. Sigfússon, gave their support to the application, while only five voted against.

The government will now formally submit an application to the EU at the upcoming meeting of foreign ministers in Brussels on July 27. Sweden, which holds the rotating EU Presidency until the end of 2009, has indicated that it will make any application from Iceland a priority. Negotiations could begin as soon as 2010, with a referendum held on a final agreement within two years.

Brussels responded with enthusiasm to the vote. Wilfried Martens, President of the European Peoples’ Party (EPP), the main centre-right grouping in the European parliament, stated, “Iceland is an important European country with a long democratic tradition and has strong links not only with the Nordic EU Member States but also with the EU at-large. It is my strong belief that Iceland has a place in the European Union family.”

Membership is, however, problematic. Public attitudes to membership are almost evenly split, with the most recent poll placing those in favour of EU entry at 39 percent of the population, with 38 percent against.

Opposition is driven by several factors. Many Icelanders are well aware that joining the EU will require further cuts in government spending in order to bring down state debt. The beginning of this strategy was revealed in the recent “stability pact” between the government, trade unions and employers’ groups, which proposed spending cuts of up to 70 billion kronur (390 million euros) over a three-year period.

Another significant constituency for opposition is the fishing industry. Fisheries account for 39 percent of Iceland’s exports. The main concern is that EU membership will require Iceland’s acceptance of the Common Fisheries Policy (CFP), which would result in control over fishing rights in Icelandic waters passing to Brussels. Access to fish stocks within Icelandic waters would be opened to fleets from other European countries.

A further issue stoking anti-EU sentiment is the IceSave agreement with the UK and Netherlands, which appears to be a condition for Iceland’s admission to the bloc. The agreement relates to the reimbursement of savers who lost their deposits as Iceland’s main banks collapsed in October last year. IceSave, the internet banking operation of Landsbanki, attracted over £2 billion (2.3 billion euros) of deposits from UK savers alone. Under the agreement struck last month, the Icelandic state assumes full responsibility for the reimbursement of the lost sums.

The deal led to the re-emergence of protests in Reykjavik. On a per capita basis, it means that Iceland will have to pay more than Germany was compelled to pay under the Versailles treaty after World War I.

The agreement remains before parliament, with a vote due soon. A final decision has been delayed due to fears that parliamentarians may reject the terms, fearing a backlash from the population. If the agreement is rejected, support from Britain and the Netherlands for Iceland’s bid to join the EU would most likely be withdrawn.

Opposition to the EU is being channelled in a nationalist direction, in particular by the Independence Party.

Party leader Bjarni Benediktsson has insisted that there are “no credible reasons” for Iceland to give up control of its natural resources. He maintains that Iceland will be in a better position managing its own affairs and that a country of Iceland’s size will have little influence in Brussels.

In reality, however, the krona continues to weaken on international markets, although at a slower rate than earlier this year. The currency has lost over two-thirds of its value since the start of 2008, with the result that prices for imports have skyrocketed for ordinary people and local businesses. The Icelandic economy depends heavily on exports and this has led to a massive increase in both personal and company bankruptcies. At the time of the banking collapse last October, one estimate suggested that fully one-third of Icelanders were technically bankrupt.

Unemployment has risen dramatically in recent months, passing 9 percent compared to a rate of below one percent at the beginning of last year. The full effects of unemployment have only recently become apparent, as employers are required to give 90 days notice to workers made redundant in Iceland. Inflation is still running high at over 12 percent, forcing the central bank to maintain high interest rates.

As joblessness increases, the government is preparing deep spending cuts, removing the social safety net upon which many depend. Under the crippling dictates of the International Monetary Fund (IMF), Iceland must balance its state budget by 2013, even as its estimated debts from the nationalisation of the banks surpasses 200 percent of GDP.

While ordinary people are faced with rising unemployment and rapid reductions in government spending, Iceland’s banks are to be fully recapitalised. On Monday, the government released a proposal which will see 270 billion kronur (1.5 billion euros) used to complete the restructuring of the three main banks, New Kaupthing, New Landsbanki and Islandsbanki. In the case of New Kaupthing and Islandsbanki, former creditors will be permitted to take majority stakes in the banks, despite the role played by these institutions in last year’s economic meltdown. For New Landsbanki, progress has been complicated by the claims of Dutch and British savers who deposited funds in IceSave.

In order to fund the massive bail-out of the financial elite, Reykjavik was compelled to turn to Russia for a further loan, reportedly worth 64 billion kronur (351 million euros) to bolster its reserves. Loans have also been agreed with the Scandinavian countries worth a total of 2.5 billion euros, and with Britain and the Netherlands, worth over 5 billion euros. Together with the remaining instalments of a 1.5 billion euro loan from the IMF, these loans are dependent on the passage of the IceSave agreement in parliament.

Under such circumstances, claims that Iceland can manage the economic crisis while ameliorating its social consequences independently are bogus. Such “independence” would in any case be a mere formality, since the government in Reykjavik will have to submit to the dictates of international finance capital, led by the IMF.

At the same time, no confidence can be placed in the claims of those who promote the EU as a solution to Iceland’s economic future. The EU represents the most powerful corporate interests in Europe. Across the continent it is responsible for imposing the privatisation of public services, deregulation and other anti-working class measures in the interests of the continent’s ruling elite.

The EU is in no position to offer the prospect of economic growth to current members, let alone new ones. Ireland and Latvia are to face worse economic contractions than Iceland this year, despite being members of the bloc. Ireland’s GDP looks set to shrink by over 10 percent, while Latvia’s will drop by a staggering 18 percent.

Working people in Iceland must advance their own perspective, based on the struggle to unify the working class throughout Europe to defend their common interests against the banks and major corporations. This must reject demands that working people should pay for the speculative practises of the bankers who brought about the financial collapse, and fight for the socialist reorganisation of society.