



A cunning plan, Darling...

Birgir Thorgeirsson picks past political skulduggery to restore the bridges Brown burnt

A few days ago, I was stopped by a charity worker on my way to the LSE. After noticing my accent, she asked, "Where are you from?" The once-obvious answer didn't seem so straightforward anymore.

"I am Scandinavian", I said after a moment's hesitation. I was deliberately hiding the fact that I am actually Icelandic. After all, it is a country full of terrorists.

Why is that the case? It all began with the much-reported-on financial crisis. Only cavemen could have missed the recent headlines involving Icelandic banks. The credit crunch claimed first Icelandic scalp when the bank Glitnir was, controversially, nationalised with the Icelandic government taking a 75 per cent stake. In a financial world stricken with mistrust and doubt, this raised more questions than answers about the fiscal health of the remaining Icelandic banks Landsbanki and Kaupthing.

Fearing a total collapse, large numbers of people withdrew their money from the Landsbanki-owned Icesave internet bank. All eyes were upon the small island nation. Struggling to maintain public confidence and secure any kind of funding in a dried-up money market, Landsbanki was nationalised. This left Kaupthing, the biggest company in Iceland, as the last bank standing. The intention was not to nationalise Kaupthing, but to support the bank through the financial maelstrom by giving them a €500 million loan. This could be the lifeline Kaupthing needed.

As Landsbanki was nationalised, there were immediate concerns about British deposits in the now-infamous Icesave accounts. Iceland, a tiny nation of 320,000 people, entered a state of shock as the second of Iceland's banks collapsed dramatically.

The total liabilities of the banks had grown to vastly outside the country's gross national product, and the króna went into a freefall. Many lost their savings while others became gravely worried about their jobs, pensions and, in all honesty, the future of the country.

Enter the dynamic duo of Alistair Darling and Gordon Brown. Darling drew first blood with an outrageous statement on BBC radio: "The Icelandic government believe it or not, have told me yesterday they have no intention of honouring their obligations here." However, there had been in fact no statement suggesting anything of the kind.

The Financial Times recently got hold of a transcript of the conversation between Darling and his Icelandic counterpart Árni Mathiesen. The relevant excerpt from the transcript is as follows:

Alistair Darling: "What about the depositors you've got who've got deposits in London branches?"

Árni Mathiesen: "We have the [deposit] insurance fund according to the Directive and how that works is explained in this letter [to the UK] and the pledge of support from the government to the fund." AD: "So the entitlements the people have which I think is about £16,000, they will be paid that?"

ÁM: "Well, I hope that will be the case. I cannot state that or guarantee that now but we are certainly working to solve this issue. This is something we really don't want to have hanging over us."

It is much alike having the taxman at your door asking for money while you're having a stroke. The Icelandic minister clearly stated that everything was being done to ensure that obligations will be filled. This does not support Darling's claim that Iceland had no intention of fulfilling its obligations in the UK.

Yet all hell broke loose following

Darling's bombshell. Iceland became front page news across Britain for all the wrong reasons. We became the convenient scapegoats of the credit crunch's making. Icelanders, driving expensive jeeps and Mercedes-Benz, holders of the largest hedge fund in Europe, have used money from Britons to finance their extravaganzas and now they had the nerve to ignore international obligations.

However, things ought to be put into perspective. Cheap money was everywhere. Icelanders were not in the exception when it came to making use of that. Many went about remortgaging their houses to buy new cars or go on holidays, since it was written the laws of physics that housing prices would only go up (what goes up, keeps going up). Such behaviour was commonplace across the western world, and beyond.

What Brown and Darling did next was even more outrageous, if not unlawful. They sent their Nato ally its most-unwelcome treat while it was in its most-vulnerable state. Anti-terrorism laws were used to seize Icelandic assets associated with Landsbanki. Expecting some help perhaps from friends, Iceland was kicked while it was down. Brown and Darling were now on a roll. Next they turned on the UK branch of a still-operational and only-surviving Icelandic bank, Kaupthing. Again, this was done under using the freezing act of the anti-terrorism law.

The reasoning, as given by the HM Treasury: "Acting on the advice of the Bank and FSA, and in light of announcements made by the Icelandic authorities in recent days, the Chancellor has taken action today to protect the retail depositors in Kaupthing Singer & Friedlander, a UK-based banking subsidiary of Kaupthing Bank. He has taken this action to ensure the stability of the

UK financial system. Savers' money is safe and secure."

Still they continue make the unfounded claim that Iceland had no intention of fulfilling their financial obligations. The lifeline thrown Kaupthing's way by the Icelandic government never had a chance to succeed. Brown and Darling had pulled the plug. On what was Iceland's largest company, our equivalent to America's Ford or General Motors.

I wonder if this was truly the best option to ensure the stability of the UK financial system. The induction of the collapse of an international bank can hardly be seen as the method of first choice to ensure stability for UK depositors, or any other customer of Kaupthing for that matter. While banks across the world received bailouts, Icelanders are left wondering if Kaupthing could have survived if they had been given similar support. I am not defending the reckless behaviour of the banks, Kaupthing included. However, for the sake of public interest both in the UK and Iceland, an attempt to save Kaupthing would have been appreciated.

But what truly hurt Icelanders was the use of anti-terrorism laws. Terrorists! To call it an insult would be an understatement. Was Gordon Brown in search of cheap political gain? Did he make use of a defenceless small country to prove a point? Would he have done this if it was Germany, France or even the United States? Of course not. Can you picture Brown using this piece of legislation against a large US bank? Now imagine the response of the American government. Needless to say, it is extremely unlikely and would have had grave political and diplomatic consequences.

Perhaps if Iceland had been a more influential player, Darling

might have had the decency to get his facts straight before delivering that catastrophic statement. Why was a delegation not sent to Iceland if he truly felt that they were not going to fulfil their obligations? Did he not realise the impact of such a statement and the use of the anti-terrorism law? With friends like these, Iceland would not need enemies.

Icelanders understand full well that there are obligations to be fulfilled. They are angry with the government and financial regulators for allowing the banks to grow out of control and do business in ways that were beyond the means of a small nation. They are angry with the few high-flying billionaires who, as it turned out, did not have a clue. Icelanders also feel for the foreign depositors and wish for the good name of their country to be restored. They are also furious with the British government for putting them into the league of Al-Qaeda, Taliban and North Korea.

The average Icelander is not to blame for the crisis, just as I understand that my friends from Britain are not to blame for the irresponsible and improper branding of Iceland. We call for cooperation and end of diplomatic hostilities between the two countries. Icelanders cherish their friendship with Britain and do not want irresponsible bankers or diplomats to ruin this. I encourage you, the reader, to log on to www.indefence.is and sign the petition to stop the abuse of anti-terrorism laws and restore friendship between our countries.

The banks are gone, the billionaires nowhere to be seen. But the common people remain to pay the price in lieu of the rich. As for myself, I just hope that I will not have to provide a hesitant answer the next time someone asks me where I am from.

