

# LESSONS FROM ICELAND

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## *Desolate Outpost Transformed*

Iceland is one place which certainly does not suggest a total population of just 280,000 people. A big island of over 100,000 square kilometres just outside the Arctic Circle, Iceland had entered the twentieth century as an isolated nation of small scale fishers and poor farmers both toiling in an unforgiving climate, a forlorn colony under the Danish crown. There were no towns, let alone cities, and the population was huddled along the warmer and more protected coastal regions. Today, the island has been transformed into a developed sovereign state: a world leader in fisheries and fisheries management; a recently discovered tourism destination; and expanding in high value, knowledge based services. The economy is booming, to the extent that unemployment is practically non-existent and Polish guest workers are being requested to work in the labour-intensive fish plants. The Icelanders are demonstrably proud of their national identity and unique language, which resembles Old Norse: a deliberate attempt is made to find indigenous equivalents to new words, preventing the reckless infiltration of imported, mainly English, terms. Icelanders have recently overtaken the Finns in GSM mobile phone per capita ownership. Half the total population travels abroad, at least once a year. As Maltese football fans would know, to our embarrassment, this small nation has also managed to beat us, even at Ta' Qali\*! Rather than settlers of a forsaken cold water outpost in the middle of nowhere, Icelanders see themselves today at the centre of the world.

## *Success Story*

The secret of Iceland's success is mainly attributable to a unique combination of natural resources as well as shrewd political, economic and cultural policies. A neutral territory during the Second World War, the island was occupied by British forces in May 1940 in order to preempt a likely German invasion. When the occupying British Troops were badly needed elsewhere, the U.S.A. accepted to take over the stewardship of the island. Once hostilities ceased, the U.S. negotiated a sustained presence at the air force base of Keflavik. The strategic value of the base has diminished with the eclipse of the cold war, but the facility remains a lucrative source of specialised tourism and foreign exchange for the south-west villages of the island. The international airport and the surrounding area continue to benefit from American investment.

A second major factor is the existence of natural energy sources. Geo-thermal energy is an underground resource which provides heating facilities to residences, workplaces, greenhouses and public swimming pools - the Icelandic equivalent of us going to the beach! While hydro-electric power, harnessed from innumerable rivers and waterfalls, provides cheap electricity. Thanks to this asset, the largest aluminium smelter in Europe - a power intensive industry - is located outside the capital (and only) city, Reykjavik. This also means is that Iceland is spared an onerous fuel import bill; while the country enjoys a clean environment and hardly any air pollution. One can actually catch salmon through a river which passes right through the

cosmopolitan capital of 120,000 residents. The impressive natural features – including active geysers, glaciers, lava beds, volcanos and waterfalls – are now the key assets in an upmarket tourist industry.

Third factor consists in the exploitation of regional cooperation. The country is an active member of the Nordic Council and of Scandinavia. Its colonial links with Denmark (many Icelanders speak Danish) and earlier links with Norwegian settlers, allow it to benefit from, and compete in, a regional market.

Fourthly, the motor of the economy remains the fishing industry. An elaborate and scrupulously adhered to quota system allocated to each fisher has ensured the sustainable exploitation over decades of what are probably the richest fishing grounds in the North Atlantic. The industry has benefited from Iceland's bold move in the mid-1970s to extend its exclusive economic zone of 320 kilometres, entering into a head-on conflict with the United Kingdom, whose fishers also used to operate in those waters. The resulting 'cod wars' are instructive episodes of 'small state - big state' diplomacy, much like our own 'Mintoff-Callaghan' showdown over the future of the British military base in Malta, at just about the same time. The effective control and management of this natural resource remains the main stumbling block to Iceland's entry into the European Union; the Icelanders remain understandably reluctant to share jurisdiction over this vitally important resource. However, the country is a full member of the European Economic Area, enabling free trade within the single European market in all products and services, except agriculture and fisheries.

Finally, the investment in tertiary education is vigorous. An impressive 25% of all 20-year-old Icelanders proceed beyond secondary schooling. The University of Iceland was set up in 1911 and today boasts over 6,000 students. There are no less than seven other, small but specialised, tertiary level institutions. Beyond university life, reading is a national obsession: in spite of the obvious limitations of a small market, Icelandic publications in the vernacular are popular and make good companions, especially in the long, dark winter: note that, in mid-December, the sun rises in Reykjavik at 10.30 am and sets at 3.30 pm!

### ***Benefits of Being 'in between'***

Malta and Iceland remain the only two unitary small island sovereign states in Europe. They have gone through long centuries of colonialism but have both demonstrated the credibility of their foreign policy as sovereign states by being invited to host key USA-USSR superpower talks: Gorbachev met Ronald Reagan in Iceland and later on George Bush in Malta. In spite of obvious differences, they are both expected to compete in a global market where their relative small size and isolation should be seen as harbouring unique opportunities for development. An unfortunate geographic status of marginalisation may be seen instead as being one of lucrative 'in betweenity'. One crucial difference, to my mind, is that we do not have the added benefit of a regional market; and most Maltese remain reluctant to even consider a Mediterranean outlook. While what could to us be readily available energy sources – such as the sun, sea and wind – remain sadly under utilised.

***\* Ta' Qali is where Malta's football/soccer stadium is found.***

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