

# Referendum on the Icesave Agreement Law a round up one week before the vote

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**D-7**  
7 days  
before the  
referendum

On 20<sup>th</sup> February last Icelandic President Olafur Ragnar Grimsson announced that there would be a referendum on the new Icesave Agreement law. This decision shocked some of the political class, the media and many Icelanders. *"The time for negotiations on Icesave are over,"* declared the headline in the daily Frettabladid the day after this announcement. *"The President has become a political player, but not the symbol of unity which the people thought he was,"* wrote its chief editor Olafur Stephenson.

The referendum on 9<sup>th</sup> April is the second one organised over the Icesave Agreement. The first which was held on 6<sup>th</sup> March 2010 resulted in a majority of the Icelanders (93%) rejecting the Icesave Agreement which had been approved by parliament at the end of December 2009.

Icesave, which was an on-line bank established by Landsbanki, promised major profits based on high interest rates and attracted many Britons and Dutch (around 320,000 people). In the autumn of 2008 the financial system in Iceland collapsed and the country found itself in a state of economic bankruptcy; the Landsbanki was nationalised. Reykjavik then had an enormous debt (3.8 billion € i.e. around 12,000€/per inhabitant, representing around 40% of the GDP) towards the UK and the Netherlands. An agreement between the three countries was signed in 2009 but rejected by the population on 6<sup>th</sup> March 2010 during a referendum convened by the President of the Republic.

The second law on the Icesave Agreement approved on 16<sup>th</sup> February includes new measures:

- the assets of the new Landsbanki, a bank built on the ruins of the former establishment, have been revalued (it is now admitted that it can cover 75% of the total debt with its own assets). The remaining sum totals 47 billion Icelandic crowns (293 million € i.e. 900€ per inhabitant). A year ago the total debt was three times this sum;
- the reimbursement period has been extended; payments will start as of 2016 and may go on for 30 years. This gives Iceland time to manage the present socio-

economic crisis without being penalised by the reimbursements;

- the interest rates have been reduced, down from 5.0% to 3.2% on average. Reykjavik will have to pay a total of 3.9 billion €, 1.3 billion of which to The Hague (interest rate of 3%) and 2.6 billion € to London (interest rate of 3.5%).

The new agreement includes a State guarantee clause which conditions the reimbursements according to Iceland's economic performance: indeed they cannot be more than 6% of Iceland's GDP growth.

As 9<sup>th</sup> April approaches the lead taken by the "yes" vote (credited with 61.3% of the vote at the end of February) is declining. Hence a poll by Market and Media Research, (MMR), published on 17<sup>th</sup> March by Business News Weekly revealed that 52% of Icelanders were about to vote in support of the adoption of the new law on Icesave whilst 48% said they were against it. Less than one quarter of those interviewed (23.1%) were still undecided. There is greater support for the text amongst Icelanders living in and around Reykjavik and the more highly qualified.

Most of the Progress Party's supporters, a centrist, agrarian party led by Sigmundur David Gunnlaugsson intend to reject the law. In the daily Morgunbla-

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did, former Prime Minister (1991-2004), David Oddson (Independence Party) has also said he wants the "no" vote to win believing that a rejection of the text would oblige the government led by Johanna Sigurdardottir (Social Democratic Alliance) to convene early general elections.

A poll undertaken at the end of March by the Capacent Gallup for the Afram group credited the "yes" vote with 56% and the "no" vote with 44%. It revealed that 70% of those close to the Progress Party tended to reject the law like 42% of the Independence Party's supporters. However 80% of those close to the Social Democratic Alliance supported the adoption of the text.

The law on the Icesave Agreement should be accepted by the Icelandic population on 9th April.

Turnout will be a decisive factor in the referendum results. Last year 54.50% of Icelanders turned out to ballot in the first consultation organised in the country since 1944.

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