

Iceland says NO to Debt-Slavery

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By **Notsilvia Night** (*The Peoples Voice*)[\[1\]](#)

Here in Iceland people say, that if the country's government agrees to give in to British and Dutch blackmail to pay the debts of the private internet-subsiary Ice-Save of the private bank [Landsbanki](#), we all will become *Ice-Slaves*. So public opinion is forcing the parliament to refuse unconditional debt-payments. According to a new agreement payments are only to be made conditional as a percentage of economic growth.

Already a large group of international banks have come together to sue Iceland for full and unconditional payments. Joseph Tirado, from the British law-firm Norton Rose said that a large group of banks will be part of this law-suit. He did not want to give the names of those institutions neither would he say in what court the case would be heard. EU officials and others are threatening Iceland with international isolation.

[Michael Hudson](#), economic professor, researcher and economic adviser to the Icelandic government calls the Parliament's agreement a quantum leap, which might, if it succeeds to be implemented, change the world's financial environment. He explains in his article [The Specter of Debt Revolt Is Haunting Europe -Why Iceland and Latvia Won't \(and Can't\) Pay for the Kleptocrats' Ripoffs](#)

- how Iceland, like Latvia and other east-European countries was tricked into the neo-liberal model of debt-accumulation and how this led to the financial melt-down;
- how the Dutch and, most of all, the British government deliberately increased the damage and so the debt, which by now has become practically un-payable;
- how the demand to pay the debt would lead to inevitable economic destruction;
- how the British and Dutch government subservient to their country's private financial institutions blackmailed the Icelandic government negotiators into a self-destructive agreement;
- how even EU- and international financial and legal rules were broken in the process;
- and how this all – *with the help of the internet* – was made public and so forced the Icelandic parliament to set tight limits on the debt-repayments, limits which connects the repayment with the real growth of the Icelandic economy, preventing also the whole-sale of Icelandic resources to foreign creditors as collateral of the

debts

In Hudson's opinion, if Iceland succeeds with this strategy, if the country can protect its sovereignty, then it will become a precedent for all other debtor countries all over the world and will end the unlimited powers of exploitation of the global banking kleptocracy. Some excerpts from Hudson's article:

The Althing (Icelandic Parliament) agreed a deal, () which would severely restrict payments to the UK and Netherlands in compensation for their cost in bailing out their domestic Icesave depositors.

This agreement is, so far as I am aware, the first since the 1920s to subordinate foreign debt to the country's ability to pay. Iceland's payments will be limited to 6 per cent of growth in gross domestic product as of 2008. If creditors take actions that stifle the Icelandic economy with austerity and if emigration continues at current rates to escape from the debt-ridden economy, there will be no growth and they will not get paid....

Will Britain and the Netherlands accept this new reality? Or will they cling to neoliberal – that is, pro-creditor – ideology and keep on stubbornly insisting that “a debt is a debt” and that is that. Trying to squeeze out more debt service than a country could pay requires an oppressive and extractive fiscal and financial regime, Keynes warned, which in turn would inspire a nationalistic political reaction to break free of creditor-nation demands. This is what happened in the 1920s when Germany's economy was wrecked by imposing the rigid ideology of the sanctity of debt.

A similar dynamic is occurring from Iceland to the Baltics. The EU is telling Iceland that in order to join, it must pay Britain and Holland for last autumn's Icesave debts....

Of most serious concern are the long-term consequences of replacing defaults by debt pyramiders and outright kleptocrats with a new public debt to international government agencies – debt that is much less easy to write off. Eva Joly, the French prosecutor brought into sort out Iceland's banking kleptocracy, warned earlier this month that if Iceland succumbs to current EU demands, “Just a few tens of thousands of retired fishermen will be left in Iceland, along with its natural resources and a key geostrategic position at the mercy of the highest bidder – Russia, for example, might well find it attractive.” The post-Soviet countries already are seeing voters shift away from Europe in reaction to the destructive policies the EU has been supporting...

Iceland's Depositors' and Investors' Guarantee Fund (TIF) is privately funded by domestic banks, not public like America's Federal Deposit Insurance Corp. (FDIC) or Britain's Financial Services Agency (FSA). Reflecting Iceland's neoliberal philosophy at the time the banks were privatized, the TIF lacked the capital to cover the losses that ensued. It was like America's A.I.G. insurance conglomerate, whose premiums were set far too low to reflect the actual risk involved. The problem is typical of the neoliberal "rational market" idea that debts cannot create a problem, but merely reflect asset prices that in turn reflect prospective income.

In an environment that saw Northern Rock and the Royal Bank of Scotland fail, Iceland's Commerce Ministry wrote to Clive Maxwell at Britain's Treasury on October 5 to assure him that the government would stand behind the TIF in reimbursing Icesave depositors in accordance with EU directives. Yet three days later, Chancellor of the Exchequer Alistair Darling claimed that Iceland was refusing to pay. On this pretense Mr. Brown used emergency anti-terrorist laws enacted in 2001 to freeze Icelandic funds in Britain. He did so despite Iceland's promise to abide by the EU rules. Icelandic authorities were given no voice in how to resolve the matter. Britain and the Netherlands (as they acknowledge in the proposed agreement with which they confronted Icelandic negotiators on June 5, 2009) merely "informed" Icelandic authorities, without following the rules and consulting with them to get permission for their quick bailout of depositors.

This affects the question of who is legally responsible for British and Dutch reimbursement of Icesave and Kaupthing depositors. The relevant EU law gives the responsible authorities a breathing space of three months to proceed with settlement – with a further six-month period where necessary. This would have enabled Iceland to collect from British bank clients such as the retail entrepreneur (and major Kaupthing stockholder) Kevin Stanford, who borrowed billions of euros, far in excess of what was proper under banking rules. It is now known that Icelandic banks in Britain were emptying out their deposits by making improper loans to British residents. But rather than helping Iceland move in a timely manner to recover deposits that Landsbanki and Kaupthing had lent out, Britain's precipitous action plunged it into financial anarchy. The Serious Fraud team has started to help with the investigation and recovery process only in the past few weeks – now that the funds are long gone!

Gordon Brown has spent much of 2009 trying to pressure the IMF to collect for Kaupthing's insolvency as well as that of Landesbanki's Icesave accounts. In Parliament on May 6 he announced his intention to ask the IMF to pressure

Iceland to reimburse depositors in Kaupthing affiliates. He was reminded that unlike the Icesave branches, these were incorporated as British entities, making their accounts the responsibility of British regulation and deposit insurance. What was improper was his crass treatment of the IMF as a debt collector for the creditor nations, using it as a supra-legal lever to pressure Iceland to pay money that its negotiators felt they did not owe under EU rules. This was the position even of the neoliberal former Prime Minister and Governor of the Central Bank, Mr. Oddson himself.

Why bring such pressure to bear if the obligation is clearly specified in the contract? It looked like Mr. Brown wanted to avoid blame by paying British bank depositors and assuring them that foreigners would pay. He proved to be incorrigible, pressuring the EU to tell Iceland that it could not negotiate to join until it settled “its” Icesave debt to Britain. And the Dutch Foreign Affairs Minister Maxime Verhagen was equally explicit on July 21. In an official statement he warned his Icelandic counterpart that it was “absolutely necessary” for Iceland to approve the compensation deal agreed for people who lost savings when internet bank Icesave went bankrupt.

“A solution to the problems round Icesave could lead to the speedy handling of Iceland’s request to join the European Union,” the minister hinted. “It could show that Iceland takes EU guidelines seriously.” What it showed, of course, was that the EU was letting Britain and the Dutch use extortionate threats to veto membership if they did not get what they wanted: the nearly €4 billion in bailout reimbursement plus interest at 5.5%.

It would be hard to imagine what could have been more effective in deterring Icelandic desire for membership in the EU. On July 23 the Law Faculty at the University of Iceland discussed the details and criticized the confidential agreement – without even having access to it. Britain and the Netherlands insisted that the terms and details of the agreement not be published, on pain of the leakers facing prosecution. But apparently through a secretarial error it appeared on the Internet on July 27! The result was an explosion of anger, not only at Britain and the Dutch but at its own financial negotiators for not simply walking out when the authoritarian terms were dictated at political and financial gunpoint.

The flames were fanned further on July 31 when Wikileaks published a Kaupthing report from September 25, 2008, detailing the loans to insiders that had helped drive the bank into insolvency. Major stockholders had borrowed against their bank stock to bid it up in price and give the appearance of prosperity and

solvency. (Evidently deciding that the time had come to take the money and run, the bank owners emptied out the coffers by making loans to themselves. This signaled the death knell for any further fantasies about “efficient markets” in today’s neoliberalized jungle of financial deregulation.

Despite the fact that Kaupthing had been nationalized by Iceland’s government, it sued to block Iceland’s national TV network from broadcasting the details. This backfired, being the equivalent of getting a book banned in Boston – every publisher’s publicity dream! The imbroglio got the entire nation fascinated, prompting so many Icelanders to go on-line to read the document that the gag order was lifted on August 4. The response was a shocked fury at the crooked behavior whose backwash threatened to engulf the nation in a bad foreign debt deal....

Why Iceland’s move is so important for international financial restructuring

The preconditions for the extension of government guarantee according to this Act are:

1. That ... account shall be taken of the difficult and unprecedented circumstances with which Iceland is faced with and the necessity of deciding on measures which enable it to reconstruct its financial and economic system. This implies among other things that the contracting parties will agree to a reasoned and objective request by Iceland for a review of the agreements in accordance with their provisions.
2. That Iceland’s position as a sovereign state precludes legal process against its assets which are necessary for it to discharge in an acceptable manner its functions as a sovereign state.

Instead of imposing the kind of austerity programs that devastated Third World countries from the 1970s to the 1990s and led them to avoid the IMF like a plague, the Althing is changing the rules of the financial system. It is subordinating Iceland’s reimbursement of Britain and Holland to the ability of Iceland’s economy to pay.

This weekend’s pushback is a quantum leap that promises (or to creditors, threatens) to change the world’s financial environment. For the first time since the 1920s the capacity-to-pay principle is being made the explicit legal basis for international debt service.

The amount to be paid is to be limited to a specific proportion of the growth in Iceland's GDP (on the assumption that this can indeed be converted into export earnings). After Iceland recovers, the payment that the Treasury guarantees for Britain for the period 2017-2023 will be limited to no more than 4 per cent of the growth of GDP since 2008, plus another 2 per cent for the Dutch. If there is no growth in GDP, there will be no debt service. This means that if creditors take punitive actions whose effect is to strangle Iceland's economy, they won't get paid.

Iceland promises to be merely the first sovereign nation to lead the pendulum swing away from an ostensibly "real economy" ideology of free markets to an awareness that in practice, this rhetoric turns out to be a junk economics favorable to banks and global creditors.

Read the whole article [here](#) or [here](#) .

Of course, the international bankers know only too well, that Iceland's move will be imitated by others, and that's the reason for the threats and the blackmail against the country.

The few billion \$\$ of debt which would break the neck of a tiny country's economy mean practically nothing to the large debtor nations, but allowing Iceland a legal recourse connecting debts to the ability to pay without destroying the country's economy or infrastructure will finally connect economy with social responsibility and general ethics.

The national economy has first and foremost to serve the people, the majority populations of the country and not the other way around. International trade and finance must be a tool to serve the needs of the people around the globe and not a tool for some megalomaniac corporate elites with the support of their intellectual and political lackeys to transfer most of the world's wealth and resources into their own hands.

However the Icelandic stand has its risks. In the past countries which opposed the plans of the corporate and financial elites have experienced assassinations of their political leaders, false-flag terrorist attacks and all kinds of political destabilization tactics. So friends around the world, please keep an eye on us. If something strange happens to us, you will know why it happens.

What we are already seeing here at the moment is, that we are flooded, absolutely flooded, with aggression increasing drugs like amphetamine and cocaine. Since the banking-collapse and the government re-nationalizing of the domestic banks to prevent the foreign take-over of Icelandic resources (like land, fishing quotas and

hydro and thermal energy resources), the Icelandic police has confiscated literally tons of drugs and material for synthetic drug-production, and still, the drug-prices on the Icelandic black market are at an historic low. Prices for aggression and psychosis increasing cocaine and amphetamine are far lower than for the calming drug marijuana.

Teenagers report about aggressive marketing strategies in the drug-market. Drug-promoters infiltrate groups of teenagers and give out drugs seemingly for free for many weeks. When the kids are hooked to the drugs, the drug-promoters ask for money, not only for new drugs but also for the ones already consumed. When the kids can't pay those "debts", they are threatened with violence to them and sometimes even their families. The only way out, they are told, is to become themselves drug-carriers, smuggling in drugs for their "creditors".

At the moment the situation has not yet deteriorated to violent gang-wars. When the minority neighborhoods of Los Angeles and other major American cities were flooded with cheap crack-cocaine by CIA-connected drug-cartels the situation pretty soon deteriorated into near civil-war conditions. (We know from the late Gary Webb's investigation, which even was later verified by an Congressional Investigation, that the CIA was involved. We also know, that this was done to destroy the progress the civil-rights movement had made in the decades before.) So my guess is, that this aggressive pushing of drugs is just as deliberate here as it was in the 90s in America, a way to destabilize a targeted society or the segment of a society.

I think, that the only way to fight covert attacks and destabilization attempts is by telling the truth, refusing the mantle of any official secret's acts to be spread over any corruption, refusing to obey gag-orders, refusing to protect wealthy and powerful crooks and banksters, refusing to obey corrupt government organizations, refusing to give in to blackmail by intelligence agencies, refusing to be paralyzed by fear and trusting in democracy.

The ideologically motivated blindness to the fact that conspiracies do indeed exist must be cured by the courage to look the truth in the eye. The dots must be connected. When we look at what happened in other countries today or some years ago, we will see certain patterns. If we see those patterns reoccur in our own time and our own place we will understand what is happening. We then can denounce it publicly, citing earlier examples, and so in time the tactic of false-flag, destabilization or intimidation will eventually become ineffective.

Source: [\[2\]](#)