



**New Year's Address
by the President of Iceland
Ólafur Ragnar Grímsson
January 1, 2002**

Fellow Icelanders

I wish you all a Happy New Year and hope that you and your families, your friends and colleagues will enjoy good fortune and success, health and peace on the journey on which we are now embarking.

A year ago we welcomed a new century. We were optimistic and full of hope that knowledge and experience had inched mankind forward on the path to maturity, enhanced understanding of the customs and ways of different nations, consolidated the sincere will for peace, trust and tolerance.

At home we had enjoyed peace and plenty, well-being and growing national income, and felt that prosperity would be a steady and effortless process. The dawn of the new century seemed gloriously bright, storm clouds and overcast skies a vast distance away, the vague memory of different conditions which would never again pose an obstacle; but last year we – and the whole world – were harshly reminded that peace is still a distant prospect and a great deal of work remains to be done if our hopes are not to prove a mere illusion.

Terrorist acts and the loss of thousands of innocent lives transformed the world picture in an instant; the most powerful nation on Earth stood exposed to a new threat when civilian aircraft were turned into weapons of war targeted at a workplace in a bustling city, with atrocious consequences. The nations of the world had to begin tackling brutal acts of violence of a new kind, and within a short time the consensus on ethical values became a pressing necessity.

We recall yet again all those who lost their lives in the attacks on New York and Washington, and also those who have died in conflicts where hatred and force, blind extremism and vindictive beliefs have led the quest for peace astray. Our sympathies go out to the families and friends who live with this loss and we pray and hope that the human toll will cease, that the nations of the world will have the good fortune to find ways to counter the new threat.

At the same time as we bow our heads in tribute to those people, we also remember those who have lost their lives in accidents or their routine work, not least the seamen who drowned off the coast of Iceland; we pay our commiserations to their families in their bitter grief. Despite the advances made in so many fields, fishing is still the mainstay of people's livelihoods in Iceland and harvesting the bounties of the ocean continues to be a dangerous task which takes its toll.

Certain events come to represent turning points in world history; their impact is such that we always remember afterwards where we were when we heard the news. While travelling through the sparsely populated countryside of Langanes in northeast Iceland in bright weather and profound calm, my companions and I heard about the appalling acts of terrorism. My first reaction was to wish for careful action without automatically answering with weapons alone, because revenge never provides safety. Now it was more urgent than ever for the global community to show the solidarity that the United Nations Convention has made into a guiding principle.

We must therefore welcome the fact that, through the agency of the United Nations, extensive support has been generated for a new political framework in Afghanistan, to bring representatives of discordant factions to the negotiating table and initiate talks on the economic reconstruction of this tormented country which for so long has been the playground of ruthless war lords and suffered oppression and destitution, tyranny and poverty.

The sequence of events since September 11 has in various respects turned out differently from what many people initially foresaw in the heat of the moment. The USA, with the assistance of the UK, has opted to handle the search for the ringleaders of those frightful acts of terror without NATO or the European Union being directly involved in this mission. In the event, the resolution that NATO had made based on Article 5 of the North Atlantic Treaty turned out to be a general declaration of support rather than entailing a formal announcement of participation in war by the member states, and like most nations we in Iceland have watched the events from a distance.

It is worth pondering that when the ultimate test came, neither NATO nor the European Union emerged as the forum that the most influential nations of the world chose to make synonymous with the actions that were taken. On the one hand, methods were adopted which involve direct action by nation states themselves, and on the other hand the United Nations served to coordinate the reconstruction programme. In this sense we have now witnessed a powerful initiative by nation states and the organization that the nations of the world have made their own.

Thus it is clear that prophecies about a new order in which the European Union would form the core of a new security framework are still not rooted in the real world. The United States have taken action alone and sought the assistance of Britain, Russia and other nations, at the same time as the United Nations have been assigned the role of laying the foundation for a brighter future for the Afghani people.

The world order where the nation state is the fundamental element is still in full effect and it is indeed this order which has proved productive and propitious for our young republic. We Icelanders are well placed with the international relations we now enjoy, with the USA, Europe and more distant nations. We have fared well and there is no reason to fear that we are being isolated, nor to despair despite the difficulties we now have to face.

Last year was a reminder to us that it is primarily our own actions that are decisive, that price stability can neither be taken for granted nor achieved without effort. It is the fruit of coordinated government, discipline and restraint, purposeful cooperation among central and local government authorities, wage-earners and industry.

In my New Year's address a year ago I cautioned about the turmoil that lay ahead, urged restraint and responsibility in the market place to prevent many people from being overwhelmed by dashed expectations if conditions became tougher.

Unfortunately, last year's experience has been for the worse. Danger signs from the old days of inflation have reappeared, the exchange rate has depreciated and uncertainties have left a strong imprint on the economy, difficult business operations are widespread and the fear of bankruptcy lurks in many people's minds. The profits that various people considered they had made from stocks and shares have disappeared at the drop of a hat and instead they are struggling with debts after taking loans to finance them.

The year marked not only a turning point in global affairs but also a crossroads for the Icelandic economy. We are no longer on the straight track of prosperity and stability; events compel us to take a firm stand and hopefully the new agreement made in December between labour unions and employers will restore vigour and balance to the economy.

Just over a decade ago we succeeded in overcoming the inflation which had plagued Iceland and its economic policies for the greater part of the period since the Republic was established. The agreement reached then was a genuine national accord.

We can also continue now to develop greater prosperity for everyone, but we will need to be capable of making difficult decisions, curb the external deficit and impose sufficient restraint and saving to bring the trend back onto the right track.

Part of the problem may lie in the fact that we have not managed, neither at individual nor national level, to create a culture of saving. Perhaps through force of habit from inflationary times, when the best course of action was to spend all funds immediately before they were eroded.

We now see that the precondition for future success is to be prudent in our outlays, show patience and wait until the necessary resources have been accumulated. Anyone who rushes off to borrow money before making his own affairs safe is definitely running a risk. We discovered this last year when the current account deficit undermined the exchange rate.

We Icelanders need to accustom ourselves to restraint and a greater rate of saving and, both in the public sector and in business operations and also at domestic level, within the family and privately. Just as we once managed to gear our thinking patterns away from inflation towards stability, we must now establish the guiding principle of saving, instil it so firmly that our spending will never again go out of control, make prudence a universal virtue.

Successful economic policies, growing prosperity and economic balance are prerequisites for enabling our ideal of independence to hold its ground in the upheavals that will continue to prevail in world trade. Formal sovereignty is not enough; we must also show in practice that difficult decisions are best entrusted to ourselves. If economic unease continues, confidence in the Icelanders' ability to handle our own affairs may wane and support will grow for seeking shelter under another wing.

We must not forget that sovereignty has served us well, and through it we have risen from poverty to become one of the wealthiest nations in the world in per capita terms. Sovereignty gave us the ambition to move forward, to create schools and cultural institutions worthy of an independent nation, establish welfare and living standards for everyone in the country on a par with those enjoyed by other nations.

Experience and knowledge, confidence and initiative have in recent years boosted the impressive advances made by individuals and businesses in diverse fields in distant countries, and our growing participation in international organizations shows a firm determination to undertake greater commitments, testifying to a responsible attitude in a rapidly changing world.

We should not hesitate to join others in creating better times for mankind, contribute to the replacement of poverty with growing prosperity, help to impress mutual understanding and respect on relations between those who adhere to different religions and are brought up in communities where everyday life is brightened with the glow of exotic cultures and diverse ethnic backgrounds.

Tolerance should be the guiding principle in international relations and the advocacy of common interests should eliminate egocentricity and hatred. The appalling acts of terrorism last autumn demonstrated that the fates of everyone on Earth are intertwined, that the world is an indivisible whole and the future of mankind compels all nations to work together.

Few in number though we may be, Icelanders can contribute to this development. We have shown how, by solidarity and initiative, poor fishermen and farmers transformed a static society into a diverse flux where different social classes and new professions succeeded in creating a level of national income that ranks with the best in the world, fostered an independent culture and the arts, creative science and scholarship.

We have also tried to be hospitable to the fine people who come here from afar, many of them from distant continents, to become active participants in our society. It gave me great pleasure last year to attend a festival of nations in the West Fjords and another in East Iceland where people from some 40 different countries celebrated the diversity that now characterizes their communities. In this respect, regional Iceland has set a worthy example for the capital and hopefully the spirit that characterized the festivals of nations in the west and the east will become synonymous with the multicultural society which is now taking shape in our country.

At the same time it is invaluable to preserve the peace and security that have characterized life in Iceland, to allow the open and free society that has evolved here under the banner of democratic rights and community spirit to be Iceland's hallmark for the untold future, to enable what in many parts of the world is a remote dream to continue to be our reality.

In his address to the nation on New Year's Day half a century ago, Sveinn Björnsson, the first President of Iceland, said:

“It cannot be denied that events have occurred in the world over the past year which ought to open people's eyes as to how valuable it is if we could create freedom from, or security against, fear. Many nations are now making great sacrifices in efforts to guarantee such security. Some Icelanders have previously tended to underestimate the value of precisely that: security against fear.”

President Sveinn Björnsson's remarks are certainly relevant to us and shed clear light on a quality which is more precious than most others. We Icelanders have enjoyed good fortune in this respect. For this we are grateful, especially now that security and the eradication of fear have become the goal of all mankind, and the fight against forces of terror the collective task of the nations of the world.

Millions of people worldwide are now celebrating a New Year and praying together for brighter times. We wholeheartedly endorse that prayer and hope that the people of the world will enjoy the well-being that peace has always brought.

I wish you every good fortune and happiness in the future and pray that the Almighty will continue to watch over the people of Iceland.

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