



A Speech
by
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At the beginning of the 20th century Iceland was a sparsely populated and impoverished nation of fishermen and farmers who for centuries had lived under foreign rule, but one hundred years later we have witnessed an almost incredible transformation in national living standards. Iceland now has one of the highest average incomes in the world, and in terms of GDP per capita, within the OECD, is outstripped only by Norway, Switzerland and the USA, and ahead of Canada, Denmark and Germany. We have adopted information technology in such a scale that per capita use of mobile telephones and internet connections is the highest in the world, and the same goes for access to computers. The economy has evolved from the rudimentary techniques of fishermen and farmers towards the diversity which moulds a developed economy, although the technologically advanced and market-driven fisheries sector still plays an important role in our foreign currency revenues.

Iceland has all the conditions in place to seize the opportunities presented by the economy of the 21st century, opportunities that new technology and the globalization of business create every single day. The transformed character of the world economy in recent years is for us more favourable than the conditions that prevailed for most of the 20th century. A strong case can be argued that smaller states have never had opportunities on the scale witnessed today. Former obstacles to their growth have largely been abolished and replaced by an open and wide field where the talents, imagination and creativity of individuals determine what is harvested, and not how big they are or the physical resources available to them.

We all know how the metals industry, oil resources and heavy goods manufacturing generated wealth in the last century. The industrial revolution was the era of large nations and mass production was their means towards advancement. Information technology and globalization, on the other hand, have dramatically transformed the operating environment. Innovations can now emerge from any direction, new types of market goods have appeared, individual initiative and creativity can lay the foundation anywhere in the world for companies which can establish a global presence. Technology and intellectual products, specialist services and information systems developed within a small nation can rapidly become highly lucrative products in the global marketplace. Company growth in small states is no longer subject to the same restrictions. Through globalization, they can grow to gigantic proportions in their respective fields in the space of a few years. It can definitely be said that the new economy of the 21st century has presented small nations with opportunities to flourish. Never before have they enjoyed such potential for prosperity and progress.

With the IT revolution, computerization and a wide spectrum of technological advances, world industry and business have been radically transformed, and these fundamental changes have become increasingly widespread with the impetus given by globalization. Now, in effect, avenues have opened up for ideas and innovations from anywhere in the world. Every entity has the opportunity to profile itself. New companies can emerge regardless of where their home base is, and soon have the whole world as their market region.

There is much to suggest that, in the new economy, a small state like Iceland can be a profitable basis for business innovations, because there it is easy to see the way that different elements link up, establish cooperation between different fields, gain access to information and experience, grasp solutions to difficult tasks. Although Iceland has a small population, it has all the characteristics of developed Western societies, its market is similar and its government administration disciplined – plus the fact that the general public are ready to embrace technological innovations and eager to cooperate with experts and researchers in all fields. Experience shows that our country can serve as a kind of laboratory or research station in precisely the sectors of industry that are increasingly dominating the economy of the new century. In this respect, the new economy has for us truly opened up new horizons.

Many examples can be cited to show how Iceland has managed to establish itself in a world market with innovations in diverse fields, and this success is to a significant extent based on research and development which has been conducted in the small home market. Something that

gains a foothold in Iceland proves competitive elsewhere in the world. Iceland acts as a kind of training centre for penetrating larger national markets. Companies are no longer held back by the boundaries of the small state. The entire world is their playing field. Industrial growth is not restricted. Icelandic businesses can now become the best in their fields in the world. Let us look briefly at a few diverse examples.

Because of the traditional importance of fisheries for Iceland and the necessary specialization that a small population engenders, talented people from engineering, technology, software and marketing have channelled their energies into this sector. The outcome has been a range of innovations that were originally developed within the Icelandic fisheries sector and have since been sold to companies in other branches of the food industry in many parts of the world, including chicken producers in Texas and other parts of the USA. Many companies with roots in Iceland's fisheries sector now sell their technology around the world and some of them have set up plants and branches in other countries to increase their production and strengthen their position.

A number of Icelandic software companies have developed products in recent years which have attracted the attention of major corporations and governments around the world. Icelanders have been engaged in such cooperation with IBM, Ericsson, INTEL, Cisco, Vodafone and Motorola, to name a few examples. On my recent state visit to Russia the authorities there showed a strong interest in Icelandic software for an emergency telephone network linking ambulance, fire, police and rescue teams. A company that earned the President of Iceland's Export Prize has developed a document storage application in which local government authorities, government agencies and major corporations in other countries have expressed an interest. Cooperation with the Icelandic administration played a key role in developing this software. Although Iceland's governmental apparatus is small, its scope is nonetheless sufficiently wide to reflect most of the problems that need to be tackled in larger societies, so Iceland served as a promising site for developing such products.

While more instances of the opportunities available to Icelandic software companies in global markets could be cited, the main problem they have faced has been gaining sufficient access to venture capital. In this sense the small size of the Icelandic economy can be a temporary obstacle, but greater contact with international finance markets, more training of Icelandic experts in this field and wider knowledge of the Icelandic economy among foreign investors ought to give Icelandic software houses easier access to the capital required to put their products on the world market.

Leading Icelandic operators of food store chains and shopping malls have recently shown that such a business background in the small Icelandic market can equip them to make their presence felt in the tough home markets of large countries. They recently acquired Bill's Dollar Stores, a chain of four hundred stores in the USA, and made a bid for the major UK retail chain Arcadia which operates well known stores such as Miss Selfridges, Top Shop, Wallis, Burtons and Dorothy Perkins, or a total of 2,000 shops. These entrepreneurs argue that the skills they have acquired in the Icelandic home market have made them capable of competing in larger markets, perhaps even more capable than others because of how tough a schooling they have been given by its close contact and transparency.

Just over a decade ago an Icelandic inventor developed new prosthetics technology which has provided the foundation for a company that is now one of the largest of its kind in the world. Three years ago the group took over the US company Flex Foot and, operating from Iceland, is even stronger now than ever. The spread of diabetes means that the prosthetics market is continually growing and this company is a classic example of how a small nation can assume a strong position globally for healthcare products. Medical services, pharmaceuticals and rehabilitation will account for an increasing share of economic activity in the future, for reasons including the growth in the oldest age group of the population.

Another example of an Icelandic achievement in the healthcare sector is the growth of pharmaceutical manufacturers, who have recorded major export successes and have also acquired pharmaceutical companies in other countries, including Central Europe, which they aim to make more profitable on the basis of the experience gained in Iceland. Iceland's small size has benefited pharmaceutical companies in various ways, including the fact that international giants forgot "little Iceland" while they were securing patents for certain drugs. When these patents ran out in bigger countries, the Icelandic companies had already produced their own generics which they were ready to ship straight to other markets, including Germany.

Nature has bestowed blessings on Iceland in more fields than fisheries and Iceland's success in geothermal harnessing has won worldwide attention. We have developed a vast bank of knowledge in energy utilization which also extends to urban planning of communities which deploy geothermal energy for space heating. Authorities in China and California, Russia and a number of European countries have sought partnerships with Iceland on energy issues, demonstrating that the technology and experience acquired by a small state can become a

valuable commodity for trading with the most powerful nations in the world.

More examples can be cited to highlight the good position that Iceland has attained in the globalized economy and one area worth special mention is the genetic research initiative that has generated unparalleled media attention. In the space of a few years, one of the most important genetic research companies in the world has been built up in Iceland and its founder never tires of explaining how Iceland's unique combination of conditions has produced a favourable environment: ready access to genealogical information stretching back many centuries, detailed medical records for everyone in the country for most of the 20th century, a homogenous population due to its former geographical isolation from the rest of the world, and a strong public readiness to cooperate with scientists, often more on the basis of personal trust than formal agreements concerning access to private information. This Icelandic genetics company recently acquired a pharmaceutical enterprise in the USA and is now examining the possibility of transferring its operations to Iceland.

It is also interesting to see the results that Icelandic finance companies and banks have achieved in recent years by setting up branches in other countries. Icelandic finance companies now operate in New York, London, Luxembourg and Stockholm, to name a few examples. Within a short space of time, a new generation of Icelanders, with international educational backgrounds, has produced results in a branch of business that we previously left to others. In discussions which I set up a few years ago in Luxembourg with foreign clients of Icelandic finance companies, it emerged that they chose Icelanders to handle their trading because these young people were prepared to work in the evenings and at weekends, to buy or sell when the markets were open in New York or Tokyo, while employees of the established European banks went home at five o'clock, did not want to be disturbed before the next day and fiercely defended their weekend break from Friday evening to Monday morning. The Icelanders, on the other hand, were always ready to work.

The old work ethic from the days of fishing and farming, when everyone chipped in to land the fish or bring the hay indoors without even thinking about the time, has clearly resurfaced as entrepreneurial spirit in the tough arena of global business. The roots of Icelandic culture have now spawned initiatives and enterprises which are well suited to the needs of the global market. Thus our past has produced a beneficial resource for us in the future.

Culture will in many ways have a strong impact on the competitive position of nations, and the creative energy that it nourishes will produce numerous opportunities. We have always respected the talents of individuals who compose poetry and tell good stories, who are creative participants in their companionship with others. People who were original in their choice of words always enjoyed great respect in Iceland and the nation has regarded poets as far superior to officials. These attitudes have been passed on to the business community and the Icelandic term used to describe a pioneer or entrepreneur is “athafnaskáld”, which literally means “poet of enterprise”. Admiration of creative people has been transplanted from ancient times into the new global age and such quality can prove decisive in the competitive world.

At the beginning of the new century the Icelandic business community has demonstrated outstanding abilities to utilize the opportunities offered in many different fields. I could mention numerous additional examples and let us not forget the extraordinary success in the field of aviation with Icelandair providing daily more flights to the United States from Europe through Iceland then exists from Norway, Sweden and Finland combined; and Air Atlanta having become the biggest enterprise of its kind in the world.

The utilization of the abundant energy resources is also an interesting example and has brought three aluminium companies to Iceland: the American companies Alcoa and Columbia Ventures and the Canadian company Alcan which now operates the factory which previously was owned by Alusuisse. The big Italian construction company Impreglio has recently landed the contract to build the largest electricity plant in our history, situated in eastern Iceland.

The overview of the international and global dimensions of the Icelandic business evolution which I have here briefly submitted is noteworthy in many respects, but let me conclude by drawing your attention to one striking feature. That is the absence of German involvement. In the light of the old and extensive historical ties between Iceland and Germany and the excellent relations we enjoy in many fields and with respect to the German desire to be a strong business player in diverse fields the world over, it is rather remarkable that German companies have not actively explored the possibilities of partnerships in Iceland, of developing strategic relationships with innovative Icelandic companies with the aim of bringing new products into the global market.

The importance of the Icelandic – German connection for our exports, our tourism and other areas has produced a wealth of good will in Iceland towards establishing joint ventures with German partners and

towards developing strategic German alliances in the global market. German investors would certainly be welcomed in Iceland; our joint cultural heritage creates a favourable atmosphere of trust and mutual confidence.

There are in the coming years many opportunities for increased German – Icelandic business cooperation and I hope our discussions here today will convince our German friends that the island in the north offers interesting perspectives for the future, that together we can benefit from initiatives and new ideas with which our nations are blessed in abundance.