

## **[Comment] Iceland should be welcomed into the EU**

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EUOBSERVER / COMMENT - The human heart is on the left, a fact seemingly confirmed by the latest statements about Icelandic membership of the EU from the centre-right CSU party in Germany.

It is the dearest wish of everyone who wishes Europe well that the EU should continue to gather together all those democratic and free market European countries that wish to be part.

Now that the Icelandic parliament has voted in favour of joining, surely this should be a matter for rejoicing. But the Bavarian members of the Christian Democrat grouping, who have their own separate party the Christian Social Union, think differently.

Iceland's change of mind follows the economic crash it has recently experienced. Banks such as Landsbanki, Glitnir, and Kaupthing expanded rapidly outside the island of Iceland itself, taking on foreign liabilities equivalent to 800 per cent of Icelandic GDP.

When the financial crisis first struck in America and then spread around the world, Iceland was one of the countries most severely affected. Its banks could no longer borrow the vast amounts of money they needed to service their own debts, and they crashed as a result. The Icelandic krona fell in value by half and many ordinary Icelanders saw their savings wiped out.

The Icelandic portion of the crisis spread too. Icelandic banks had set up retail operations in other European countries, notably in the UK and the Netherlands,



The idea of Europe does not belong to 27 national governments alone, but to the whole of the continent.  
(Photo: Johannes Jansson /norden.org)

where depositors found themselves faced with the prospect of losing their own investments, too. An interconnected world shares the bad news as well as the good.

But pressure from the British and Dutch governments together with some determined goodwill from their counterpart in Iceland has put together a compensation package for the small investor, but at considerable cost to the Icelandic taxpayer.

The details of the compensation package are still to be confirmed – some Icelandic politicians are concerned about the cost – but the intent is clear.

### **Role for the EU?**

Whatever the outcome of the compensation negotiations, there will still be costs outstanding from this Iceland financial debacle. Is there a role for the EU here?

Markus Ferber, head of the CSU's members of the European Parliament, has declared that "The EU cannot play saviour to Iceland's economic crisis." Why should people in other countries foot the bill for someone else's mistake?

To be sure of this, the CSU is considering referendums on every new accession to the EU, and even further changes to the institutions first. "We should discuss the structure of the EU before we discuss extending it," said CSU General Secretary Alexander Dobrindt.

But in an important way, this attitude contradicts an important principle behind European integration.

European countries have shared values and interests and the point of the EU is to enable them to deal with them better together. To punishing a country for a past error in national strategy, such as the failed Icelandic gamble on the financial markets, is the wrong approach: the correct thing to do is to make sure that such a mistake cannot happen again.

I write this article in London, and I concede that the United Kingdom has made national strategic errors of its own, but that does not make it unique. In fact, most European countries have episodes in their history they have needed to close off and move on from in their relations with their neighbours.

It is not right for countries that are already in the EU today to use that position to

prevent others from sharing in the benefits that come from that membership. The idea of Europe does not belong to 27 national governments alone, but to the whole of the continent.

Perhaps the head must overrule the heart in this matter, but Iceland should not be kept out of the EU.

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