

Keynote Speech
By Mrs. Valgerður Sverrisdóttir
Minister for Foreign Affairs of Iceland
Luncheon,
Icelandic – American Chamber of Commerce
Scandinavian House
September 27, 2006

Ladies and Gentlemen,

To begin with, I would like to thank the Board of the Icelandic-American Chamber of Commerce for the opportunity to address this meeting.

This fall trip to New York has been busy and rewarding. Being a farmer, I follow the tradition that when a farmer goes to town, he takes care of more than one errand. After all, you might not make another trip until the spring, when the snow melts.

So, during the last few days, I have met with my Nordic colleagues to discuss issues of mutual concern. I have attended a NATO meeting at which Allies discussed membership of states that did not even exist during the Cold War. Yesterday, I delivered an address to the General Assembly of the United Nations. One of the highlights was a most interesting meeting on Women's Empowerment hosted by Secretary Rice. And in the margins of these formal events, I have had many meetings with foreign ministers from around the globe, firstly, to cultivate Iceland's bilateral relations in general, and, secondly, to campaign for Iceland's seat on the Security Council for the period 2009-2010.

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Ladies and Gentlemen,

This luncheon is another highlight. In the complex world of today, it is important to have clear priorities and, as Foreign Minister, I have put trade and investment at the top of my agenda.

Many of you here today will remember the days when the United States was Iceland's biggest trading partner. For quite a few years now, our trade and economic activity with Europe has far outstripped that with the US. There are various reasons for this, not least the EEA Agreement.

But trade with the US has always been significant. Indeed, the US still accounts for around 10% of our exports of goods. Seafood remains the major contributor to these figures.

Recently, the United States has caught the attention of Icelandic entrepreneurs once again. Fifteen years ago the only Icelandic companies active here were the seafood companies and *Icelandair*.

Today the landscape has changed dramatically. Operating in the US market, we have cutting edge technology companies like *Marel* and *Össur*; financial operators such as *Glitnir*, *KB Bank* and *Landsbanki*; we have *Avion Group* in the transportation sector; we have *Actavis*, one of the five largest generic drugs producers in the world – indeed the US is *Actavis*'s single largest market. And we have smaller companies like *Blue Lagoon*, *Iceland Spring*, *Reyka Vodka*, and *66°North*.

Speaking as an Icelandic farmer, it is very gratifying to see Icelandic lamb and skyr selling in the US. This is, not least, thanks to *Iceland Naturally*, the joint

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public/private venture established in 2000. The results achieved by *Iceland Naturally* since 2000 are impressive. Research carried out recently shows a strong positive trend in the appeal of Iceland. Perhaps one of the most significant indicators shows that we now share second place with Canada, on what countries Americans connect most with natural purity. We are now above Switzerland. Some of our exports, such as seafood, music, water and clothing have a significantly higher appeal than 6 years ago. Iceland is definitely making a foot print in North America.

And we should not forget our latest country promotion – Magni from the Rockstar Supernova reality show.

But we can do better. Indeed, I think now is a good time to build further on your work and on the excellent work of *Iceland Naturally*.

We stand today at a crossroads in our bilateral relations with the US. For more than fifty years we have had *a special relationship* with the United States. This relationship was anchored in our bilateral defence agreement.

This longstanding relationship was put to the test earlier this year when the US Government decided to end the permanent presence of US military forces in Iceland. Considerable cuts had already taken place over a number of years. Although it was clear that some changes were inevitable, there was a certain amount of dismay as to how sudden the US decision was. However, we can now draw a line under this event – an agreement was successfully concluded this week by which the US undertakes to continue to defend Iceland against threats.

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It is now time for us to be constructive and creative in tending a friendship which has much to offer both sides. In particular, we should build up our trade and investments. We recently took the daring step of assessing the feasibility of a free trade agreement with China. Although there have been some informal soundings on a free trade agreement with the US, we should perhaps revisit the feasibility of such an agreement, while keeping our feet firmly on the ground.

Ladies and Gentlemen,

You are well aware of the amazing economic developments in Iceland in recent years, and the energetic outward investment of our companies. This has been thanks, to a large extent, to a business-friendly environment established by a government of which I am proud to have been a member for nearly 7 years.

Given the favourable business conditions in Iceland, I think there is scope for more inward investment from the US. At present, foreign direct investment into Iceland from EU countries outstrips that from the US by about ten to one.

The relatively few US investments in Iceland are very large. I am, of course, referring to the companies which make use of our clean, renewable energy available at competitive prices. The investments by American companies in this sector are very important, both from a regional policy point of view and because they have contributed to the diversification of the Icelandic economy, which in turn promotes more economic growth and stability.

For many years, it has been my firm belief that Iceland should increase its use of renewable energy by offering Iceland as a site for power intensive industries, thus contributing to the reduction of global greenhouse gas emissions.

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The challenges and tasks we are facing in the area of energy, environment and technology are global in nature and, therefore, call for increased global solutions and co-operation. This was brought home to me during my meeting with the Foreign Minister of the Maldives Islands, which are in the Indian Ocean. The maximum elevation in the Maldives is five metres. For them dealing with global warming is a matter of immediate survival.

Our clean energy resources have been fundamental in Iceland's short journey from being among the poorest nations in Europe to one of the richest.

Ladies and Gentlemen,

As many of you will know, the Icelandic economy came under the harsh spotlight of the international press last spring. Instability in Iceland's stock market raised concerns about the stability of the economy in general, and Icelandic banks in particular. The attention in the international media and among international investors and financial institutions was new to us. Unfortunately, it is not always true that all publicity is good publicity. Many of the reports were factually inaccurate, conclusions were based on false assumptions and the special characteristics and strengths of the Icelandic economy were not recognized. This negative coverage resulted in temporary turbulence in the Icelandic Stock Market and the Icelandic Krona came under fire as well.

This was a hard lesson for us. It was clear that a strong and healthy economy was not enough on its own. People needed to know about it too. By a concentrated effort involving both the Icelandic authorities and relevant industries, we managed to demonstrate that Iceland's economic fundamentals are strong and that there is no imminent threat to the Icelandic economy or financial stability. Indeed, ratings this year by major agencies have confirmed

this view, and Icelandic banks have been able to refinance through US banks with no difficulty.

A key event in this process was the presentation here in New York of a report by Professors Fred Mishkin and Tryggvi Þór Herbertsson on Financial Stability in Iceland.

However, even if we might have won this round, there is no room for complacency. The volatility of the Icelandic Krona, and its openness to negative coverage and external shocks, show the difficulties for a small currency in the free flow of financial markets. We are, after all, by far the smallest single currency area in the world.

My party, the Progressive Party, has been in the forefront in Icelandic politics in contributing to a constructive debate on Iceland's relations to the European Union. I mention this because, if we are looking for alternatives to our own currency, then the Euro is perhaps the obvious alternative. Personally, I have never shied away from promoting the debate on the pros and cons of taking up another currency. For this I have been criticised, but I believe it is my political duty to address issues which are fundamental to Iceland's wellbeing and its future relations with its neighbours.

The ongoing debate on our relations to the EU must be broad and informed. It would be very unwise to allow temporary problems in our economy to push us into applying for membership. Such a decision would need to be taken in a consensual manner, on the basis that it would be in the long-term interests of the Icelandic nation to adopt the euro and join the EU. Nevertheless, we should not duck the issue. An informed debate does not have to be a means to an end.

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Indeed, it can be an end in itself. But an informed debate is most likely to lead us to take the right decision.

Ladies and Gentlemen

The future for US-Icelandic relations is bright. The respective governments have put their differences behind them on defense matters. During my term as Foreign Minister I am determined to put energy into strengthening and deepening the US-Icelandic relationship. I look forward to working with all of you for this end.

Thank you.