

Iceland's Saga:

A Conversation With Ólafur Ragnar Grímsson, President of Iceland

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BY ALL RIGHTS, ICELAND—A REMOTE ARCTIC ISLAND inhabited by just 320,000 people—should be a forgotten backwater. And for most of its history, it was. But in recent decades, the former Danish colony has begun to attract outsized attention from abroad. After its banks were fully privatized in 2003, foreign money poured into the financial sector, which grew to almost ten times the size of national GDP before bursting in a matter of days in October 2008. More lasting may be Iceland's potential as a player in its Arctic backyard, where climate change is opening up new shipping routes and resource opportunities. As Iceland's first political science professor, its finance minister from 1988 to 1991, and its president since 1996, Ólafur Ragnar Grímsson has studied and survived these shifts of fortune. He spoke with *Foreign Affairs* senior editor Stuart Reid outside Reykjavik last October.

Foreign Affairs: As the Arctic opens up, is the region going to see increased geopolitical competition or a more peaceful path to shared development?

Ólafur Ragnar Grímsson: For over half a century, the Arctic was perhaps the most militarized region in the world, with vast nuclear arsenals on land and in the ocean. So it was understandable that people came to climate change in the Arctic with this Cold War model of confrontation. However, among the people who have lived in the Arctic for hundreds and even thousands



Ólafur Ragnar Grímsson, Iceland's president, at Bessastaðir, his official residence.

of years, there is a different culture. There's a culture of cooperation, an awareness that you cannot survive in this tough environment unless you rely on others and others rely on you.

Somehow, Russia, the United States, Canada, and the five Nordic countries—Finland, Sweden, Norway, Denmark, Iceland—developed through the Arctic Council a way of discussing and deciding. It also helped that among the Arctic states, the majority had a strong Nordic tradition of cooperation based on the rule of law, democratic dialogue, and formal arrangements. In addition, the Russian leadership realized early on that even Russia, with all its power, would not be able to succeed in the Arctic unless it engaged others.

And this has proven to be so. The Russians have solved their disputes with Norway. They have taken the lead with America in concluding the two treaties that the Arctic Council has now approved. President Putin has for three years now come annually to Arctic conferences organized by the old Russian Geographical Society, making, in my book, very enlightened speeches. So

now, when China, Japan, India, and other Asian countries, as well as the leading European powers, come to our territory, there's already an established way of doing things. I believe—or hope, at least—that these newcomers will be sophisticated enough to respect what has already been established. The Arctic will not be the Wild West.

It is fascinating how people in other parts of the world are beginning to look at this Arctic model and ask themselves, “If nations that confronted each other for over half a century in the most dramatic military buildup the world has ever seen were able within a few years to move to constructive, legally based cooperation, why can't we?” That is why some of us, including myself, have been bringing this Arctic experience to China, India, and Nepal in the Himalayas. I had a meeting with people from Bhutan just before you came.

FA: What do you predict the Arctic will look like economically in, say, 20 years?

Grímsson: Experience has told me to stop predicting the future of the Arctic. In the first years of this century, I got to know the late governor (Walter “Wally”) Hickel from Alaska, who was secretary of the interior in the Nixon administration and twice the governor of Alaska and was very active all throughout his life on Arctic issues. About eight years ago, he invited me to a conference in Anchorage, in Alaska, and there was this young Russian scholar who had just finished his master's thesis at either Harvard or MIT on the Northern Sea Route. Everybody at this conference thought this young man was, in a nerdish way, wasting his time on something that might become relevant only in the middle of the twenty-first century. But we now know what has happened.

If anybody had told me eight years ago that Singapore would have a special division in its foreign ministry on Arctic issues, or that the Arctic Council, which in the first years of this century was still a rather weak talking shop, would accept the leading economies of Asia and Europe as partners, I'm not sure I would have accepted that.

FA: Iceland is a tiny nation with no military. What's the grand strategy for a country like that?

Grímsson: There was never a grand plan to create an open political system without a military. It simply grew naturally out of our history. Remember that the parliament is older than the church in this country. We became a nation with one political system in the year 930 because we established the rule of law and a parliament that met once a year in Thingvellir.

We have demonstrated we can establish the republic, become independent, move from being among the poorest countries in Europe to one of the most affluent in the world, despite the financial crisis, based on an entirely peaceful, nonviolent, nonmilitary political system where the fundamental assumption is you trust other people. That's why when you came here (to the

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presidential residence), we didn't inspect you. There's a gate out there, but it's partly a joke because there's no fence.

Then there was the Cold War, and strategically, Iceland became important. We had an American military base and became a founding member of NATO; we have no armed forces of our own, so our contribution was the American base. It lasted for more than half a century, until George Bush, Dick Cheney, and Donald Rumsfeld decided to close it down seven years ago.

So now, for more than half a decade, we have been a country without a single person bearing arms, with zero military presence. Contrary to traditional thinking, it is possible to have a successful state—highly engaged in international diplomacy, with extensive relations with Russia, the United States, Canada, the Nordic countries, China, India, France, Germany, and others—without any military element whatsoever. And the people who spearheaded that transformation were George Bush, Dick Cheney, and Donald Rumsfeld.

FA: Progressive values seem to take hold first in the Nordic and Scandinavian countries, and then spread to the rest of Europe, and then to North America. Iceland, for example, allowed gay civil unions back in 1996. What explains this pattern?

Grímsson: You've heard of the Nordic model. It's a system where there is a highly competitive market economy but also an extensive network of social welfare institutions. It's proof that socialized medicine and universal education are not, as they are called in America, some socialist conspiracy but an integral part of a successful market economy—because you don't find any business association in any of the Nordic countries wanting to change the nature of the Nordic social welfare state, health service, and education.

It started with education and health care and then extended to immigrants, to women, to gay people, and others. Creating legal barriers that would separate people on the basis of some strange notion was contrary to what we were about. The reason perhaps that this was easier was that the Nordic model proved so successful, and cooperation between the Nordic countries is so tight that a social reform that started in one Nordic country could spread very quickly to the others.

FA: Iceland also seems to punch above its weight culturally. Was this an intentional plan?

Grímsson: No, it's not a conscious decision. Throughout the centuries, this was a nation that always respected those who could tell a story or create a poem. In recent decades, this literary tradition—assuming that everybody can

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be a storyteller—was transformed into the field of theater first, then music, and then filmmaking.

Perhaps in a naive, arrogant way, we assume that we can perform like the best in the biggest countries. It's just a given. That's why some people are very surprised when they come to Iceland and see Björk in a restaurant or in the street. But no Icelander pays any attention to her, because it's just normal. And if young kids that nobody had heard of, like *Of Monsters and Men*, suddenly have a hit on the American charts a year or so after they were founded, it's good, but it's not considered remarkable.

FA: So there are distinct advantages to being a small island nation.

Grímsson: Yes, but we have always looked to other countries, as well. Even in medieval times, the Icelandic chieftains and poets went to the courts of the Norwegian kings and traveled to Greenland, and they created this system of trade between Greenland, Iceland, and Europe 700 or 800 years ago. More than half a century ago, we created student loan funds that give every Icelandic student the right to go anywhere in the world they want and study whatever they decide to study, and they can get a long-term loan with a very low interest rate. This has meant that we have had this continuous stream of people who go for some years to different parts of the world, and 80 percent, 90 percent of them come back within five or ten years.

I had this fascinating conversation with Larry Summers when he was president of Harvard. He asked me how many Icelandic students are studying abroad. And I said at least 9,000 or 10,000. Then he asked how many come back. And I said that within ten years or so, definitely 80 percent, and in 15 years, maybe 85 percent. He made the calculation, multiplying by 1,000 to get the size of the American population. If every year, there were between nine and ten million American students studying in centers of excellence in different parts of the world, and every year, at least seven million or eight million of them came back into the United States, within a decade, 70 million people would come. He started talking about what an impact it would have on America. I've always thought it was an interesting analogy. Of course, it's difficult to execute.

But if you are small and want to be successful and you have the cultural heritage that we have, there is no limit to what you can do. Maybe that was bad when we thought we could also excel in banking, but it's good in the cultural area. Iceland is not an isolated small nation. It's a small nation that has been outward-looking and sought experience, education, and influence from anywhere in the world. And it has heralded the notion that you should not be afraid to compare yourself with the best.