

Iceland to adopt the Canadian dollar?

Written by Johan Nylander

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Iceland, hard hit by the financial crisis, may drop its Icelandic Krona and instead adopt the Canadian dollar, according to news sources.

A group of prominent Icelandic business leaders approached Canadian ambassador to Iceland Alan Bones last year about the idea, the Globe and Mail wrote.

The newspaper pointed out that for 150 years, the rest of the world has shown scant interest in the Canadian dollar – the poor cousin to the coveted U.S. greenback. But now tiny Iceland, still reeling from the aftershocks of the devastating collapse of its banks in 2008, is looking longingly to the loonie [Canadian dollar] as the salvation from wild economic gyrations and suffocating capital controls.

Relative to the size of its economy, Iceland's banking collapse is the largest suffered by any country in economic history.

The Krona is today on half of its value compared to before the crisis. The Canadian dollar could offer the tantalizing prospect of a stable, liquid currency that roughly tracks global commodity prices, nicely matching Iceland's own economy, which is dependent on fish and aluminum exports, and in the future, energy, the newspaper pointed out.

"The average person looks at it this way: Canada is a younger version of the U.S. Canada has more natural resources than the U.S., it's less developed, has more land, lots of water," explained Heidar Gudjonsson, an economist and chairman of the Research Centre for Social and Economic Studies, Iceland's largest think tank.

"And Canada thinks about the Arctic."