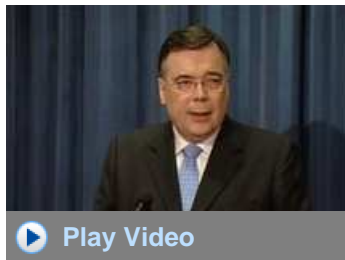




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Iceland's government topples amid financial mess

By DAVID STRINGER, Associated Press Writer - 1 hr 57 mins ago Buzz Up Send Share Print



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REYKJAVIK, Iceland - Iceland's coalition government collapsed on Monday after an unprecedented wave of public dissent, plunging the island nation into political turmoil as it seeks to rebuild an economy shattered by the global financial crisis.

Prime Minister Geir Haarde resigned and disbanded the government he's led since 2006. Haarde was unwilling to meet the demands of his coalition partner, the Social Democratic Alliance Party, which insisted on choosing a new prime minister in exchange for keeping the coalition intact.

"I really regret that we could not continue with this coalition, I believe that that would have been the best result," Haarde told reporters.

Iceland has been mired in crisis since October, when the country's banks collapsed under the weight of debts amassed during years of rapid expansion.

Thousands of angry citizens have joined noisy weekly protests against the government's handling of the economy, clattering pots and kitchen utensils in what some commentators called the "Saucepan Revolution."

The value of the country's krona currency has plummeted, hitting many Icelanders who took out special loans denoted in foreign

currencies for new homes and cars during the boom years. In addition, Iceland must repay billions of dollars to Europeans who held accounts with subsidiaries of collapsed Icelandic banks.

Haarde's government has nationalized banks and negotiated about \$10 billion in bailout loans from the International Monetary Fund and individual countries.

Haarde - a fiscal conservative with degrees from the University of Minnesota, Brandeis and Johns Hopkins - is suffering from cancer and has announced he would not seek another term. He called early elections last week, following the mass protests by Icelanders upset at soaring unemployment and rising prices.

Though largely peaceful, the protests have seen Reykjavik's tiny parliament building doused in paint and eggs hurled at Haarde's limousine. Last Thursday, police used tear gas to quell a protest for the first time since 1949.

Haarde said last week that he wouldn't lead his Independence Party into the new elections because he plans to seek treatment in the Netherlands for his cancer.

Following discussions with Haarde, Iceland's figurehead President Olafur Ragnar Grimsson said he would hold talks with Iceland's four main political parties late Monday before asking one of the organizations to

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form an interim government.

He's likely to ask Foreign Minister Ingibjorg Gisladdottir, head of Social Democratic Alliance, to govern alongside smaller opposition parties until new elections are held.

But Gisladdottir said Monday she won't seek to personally replace Haarde as Iceland's leader. She instead proposed her party's popular Social Affairs Minister Johanna Sigurdardottir.

The restoration of trust in the government is critical, said Iceland's Environment Minister Thorunn Sveinbjarnardottir, an alliance member.

"What is needed straight away is to try to restore trust between the political establishment and the general public," Sveinbjarnardottir told The Associated Press. "What we need is for the general public to believe that the politicians are working in their interests."

Both the demonstrators and the alliance seek the ouster of Central Bank Gov. David Oddsson, who has served for 13 years.

Sveinbjarnardottir said Oddsson's ouster should be accompanied by the tightening of regulations in the country's financial industry. "We need a certain amount of cleansing to be the first steps," she said.

At a rally Monday outside Parliament, protester Svinginn Rumar Hauksson said demonstrations won't end yet.

"The protests will continue until it becomes clear that things are really changing," he said.

Associated Press Writer Valur Gunnarsson in Reykjavik contributed to this report.

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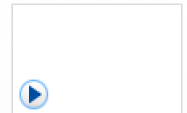
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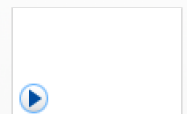
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10 Yr Bond(%)	2.6430%		+0.0210

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