

# Summary of a report by Guðlaugur Þór Þórðarson, Minister for Foreign Affairs, on foreign and international affairs

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## Introduction

This report from the Minister for Foreign Affairs is structured differently than previous reports. It provides an overview of the status of Iceland's foreign affairs and key events in that area in the past twelve months but is aimed primarily at foreign affairs objectives and the measures adopted by the Foreign Service to achieve them. It is based on the Government's fiscal plan and attempts to show targets, metrics, and measures concisely, so as to enable readers to assess our success in foreign affairs. An attempt is also made to lay down detailed, forward-looking foreign policy objectives.

The Government's policy statement provides an important anchor. It stipulates clearly that the pillars of Iceland's foreign policy are collaboration among Western nations, collaboration with Europe and the Nordic region, membership of the United Nations and NATO, the defence agreement, and collaboration on peacekeeping and security. It also states that cooperation in the Arctic region must be attended to and that continued emphasis must be placed on free trade and international cooperation on security and development issues.

This summary is not intended to discuss all of the points in the report itself but rather to present a broad overview of the Minister for Foreign Affairs' priorities for the coming months. Briefly, there are four main areas of focus: safety and security of the land and its people, new challenges in external trade, the importance of resource utilisation and environmental affairs, and a new vision for development cooperation.

## Security and defence

Security and defence are one of the Government's highest priorities. As before, the cornerstones of Iceland's defence are its 1951 defence agreement with the United States and its NATO membership. The Icelandic authorities are responsible for ensuring that defences are credible and visible and for providing contributions to security and defence issues. Recent geopolitical developments in our part of the world confirm Iceland's strategic importance for Western countries' joint defences.

Important steps have been taken recently to coordinate Iceland's security and defence measures. Parliament has approved a parliamentary resolution on a national security policy and legislation on a national security council whose members will be appointed in the near future.

Within NATO, Iceland has emphasised matters pertaining to the North Atlantic and to marine safety, as well as defence planning for the region. Systematic efforts are being made to ensure Iceland's defence and to strengthen cooperation within NATO. Last year, Iceland and the United States signed a joint statement on cooperation on security and defence affairs. This statement represents a supplement to the agreement signed in 2006 and falls within the framework of the bilateral defence agreement. It provides, among other things, for the US' continued air surveillance of the airspace around Iceland, short-term presence of submarine search aircraft, and close consultation on security and defence. Protection of the airspace is unchanged, and a total of nine countries have carried out 26 air-surveillance missions since 2007.

The Icelandic authorities will continue to contribute to joint NATO defence. The number of civil experts working for NATO has risen, and host country support has been increased at the security area at Keflavík Airport. Operation of both defence structures in the security area and the radar system, which covers a large area in the North Atlantic, is an important part of Iceland's contribution to joint NATO defences.

Participation in two extensive NATO exercises is currently underway: *Dynamic Mongoose*, scheduled for summer 2017, and *Trident Juncture*, to be held in Iceland and Norway in autumn 2018. In addition to these, Iceland participates annually in NATO's *Northern Challenge* exercise, whose objective is to rehearse bomb disposal and responses to acts of terrorism.

It cannot be emphasised too often that the Icelandic authorities must participate in safeguarding fundamental Western values: democracy, human rights, the rule of law, and a free economy. Our participation in cross-border cooperation aimed at enhancing stability in Europe, particularly the work of the Organization for Security and Co-operation in Europe (OSCE), the Council of Europe in Strasbourg, and various regional

entities, supports these ideals. Another element in these efforts is the joint declaration on security and defence recently signed by Iceland and Norway.

### **External trade**

Among the Icelandic authorities' most important tasks in the near future are discussions on the future structure of trade relations between Iceland and the United Kingdom. An analysis is needed of the impact of Brexit and Iceland's most important interests in this context. Consultation with the British authorities, EFTA member states, and the EU has already begun. The main objective in Iceland's future contract negotiations with the UK is to ensure that Icelandic entities have the same ready access to the UK and its markets as they have today via the EEA Agreement and other agreements between Iceland and the EU. Access to British markets should be improved still further if at all possible. It is hardly necessary to mention the importance of the UK for Iceland's external trade. In 2016, some 11.6% of Iceland's exports were to Britain, which was second only to the EU (excluding the UK), which accounted for 61% of exports. It should also be borne in mind that EU export figures include exports to the Netherlands (25%), some portion of which are probably sold onwards to countries outside the EU. Interactions between the countries are based on a long history, and the British market is one of the most important for the Icelandic economy. The discussions ahead therefore need to be successful.

The British authorities have stated that they intend to defend free trade after the UK leaves the EU. This objective is well aligned with Icelandic interests and gives rise to expectations that it will be possible to negotiate even better market access for Icelandic exports, particularly marine products. Iceland's interests in trade with the UK are very extensive and include, for instance, landing rights for Icelandic airlines in the British Isles and Icelandic nationals' residence and work permits in the UK.

Hopefully Brexit-related issues will be successfully resolved between the UK and the EU, as it is in the interests of both parties that future interactions between the two be as smooth as possible. In March 2017, the Icelandic and British authorities had exchanges of views on fisheries management-related issues. This is important because the British will now be in charge of matters previously handled by the European Commission as regards disputed species such as mackerel. The political and business environment can change quickly, as can be seen in the case of Brexit. There is every reason for Iceland to keep fully abreast of the push for independence in Scotland, which could create a new situation in the neighbouring region in coming years.

Now that domestic discussion on trade policy is largely free of demands for EU membership, there is a great need to strengthen our work within EFTA and the EEA. The EEA Agreement has obvious advantages for countries like Iceland, which have particular interests at stake in the EU but do not want to join it. The agreement has worked well, both for EFTA states that are EEA members and for the EU. We must make full use of the possibilities in the EEA Agreement in order to affect decisions at the preparatory level within the European Commission and examine the entire process more closely until such decisions are incorporated into Icelandic law.

Collaboration within EFTA is a fundamental element in Iceland's trade policy. The EEA Agreement and participation in the internal market not only enable Icelandic companies to conduct their activities without restriction anywhere in the EEA; they have also made it easier for Icelanders to seek work or an education in any EEA member state and opened up possibilities for Icelandic scientists and scholars to participate in research with collaborators anywhere in the area.

Iceland is an open, export-driven economy. We depend entirely on free trade and access to markets near and far. We are engaging in active dialogue with the Japanese authorities to conclude a free trade agreement, and China to expedite the processing of applications for authorisation to import additional goods of animal origin to the country. In addition, we are making every possible effort to smooth the way for trade with Russia, and work is underway on cooperation agreement with Greenland and the Faroe Islands.

In recent years, the EFTA states have strengthened their free trade network, which now includes 38 countries. Iceland emphasises that, as soon as possible, EFTA must commence free trade negotiations with countries important for Icelandic exporters. Through EFTA, negotiations are underway with important countries, including India, Vietnam, Indonesia, and Malaysia, and discussions with the South American Mercosur bloc are about to begin. The Icelandic authorities also strongly support attempts by members of the World Trade Organization to ensure that further markets open up and that restrictions on trade between WTO member countries are lifted.

In coming years, we must respond to all challenges and take advantage of hidden opportunities such as those in emerging market economies in Asia, South America, and Africa. Iceland must adapt to a constantly changing world in this respect. Service exports have grown strongly, with tourism playing a key role. We have the will to strengthen the Ministry for Foreign Affairs' Overseas Business Services and their cooperation

with the Promote Iceland agency and other domestic stakeholders. The Overseas Business Services office is important for Icelandic firms operating in international markets, as well as for cultural, promotional, and business entities. All of Iceland's diplomatic missions are involved in business services, tourism, and cultural promotion.

### **Resources and environment**

It attests to the importance of resource utilisation and climate change in the work of the Foreign Service, that these issues are under discussion in virtually all of the Ministry's offices and most of its diplomatic missions. The impact of climate change, sustainable use of marine resources, and renewable energy are topics whose importance is constantly growing. It is vital that the Icelandic authorities ensure the development of comprehensive strategies and harmonised discourse on these subjects.

In September, Iceland was among the first countries to ratify the Paris Agreement, whose entry into force must be considered a milestone for humankind and a watershed in policy-making on climate issues. Contractual negotiations with the EU and Norway on Iceland's participation in the 40% reduction of greenhouse gas emissions from 1990 levels by 2030 are underway.

Iceland's presidency of the Arctic Council in 2019-2021 will provide an excellent opportunity to strengthen Iceland's international position in these areas and its more active participation in international cooperation on environmental protection, sustainability, and stability, thereby supporting Iceland's long-term interests.

Iceland's interests in the fight against the adverse effects of climate change lie primarily in the impact on the sea and the marine biosphere, both in nearby oceans and worldwide. Some of Iceland's most vital interests lie in the sea, and protecting those interests is one of the cornerstones of foreign policy. There is grave risk of increased pollution and acidification of the ocean. This must be borne in mind when decisions are made on contributions to climate funds and projects undertaken by various institutions.

Because of these significant interests, Iceland has for years been a leader in international cooperation on fishing and the law of the sea and, including through the UN, the UN Food and Agriculture Organization (FAO), and regional fishery management efforts. We are now facing major challenges in the Arctic region. These will test our natural resources policy, which takes account of climate change, ecosystems, and the protection and exploitation of marine biodiversity. There is good reason to hope that an agreement will be finalised soon in order to prevent unregulated fishing in the Arctic Ocean.

In the recent past, Iceland has participated actively in regular consultation on various topics related to the sea: meetings of the FAO fishing committee, the UN's most important forum on matters relating to the sea; meetings of signatories of the UN Convention on the Law of the Sea; regular review of the UN Fish Stocks Agreement; appraisals of countries' measures to protect the sea floor from hazardous fishing; and contractual negotiations on UN General Assembly resolutions on fishing and the law of the sea. In June 2017, the UN will hold the Ocean Conference in New York, on the implementation of Sustainable Development Goal 14.

Iceland emphasises the importance of maintaining a balance between sustainable exploitation and protection of marine resources based on scientific approaches. Furthermore, Iceland has always supported the UN Convention on the Law of the Sea and the rights that it guarantees to countries, including within the exclusive economic zone and on the continental shelf.

### **Development cooperation**

Development cooperation is an inextricable part of Iceland's foreign policy and is subject to foreign policy principles. This was emphasised when the Icelandic International Development Agency (ICEIDA) was incorporated to the Ministry for Foreign Affairs. Now a single, unit is responsible for all of Iceland's international development cooperation efforts. The Development Cooperation Committee has an advisory role. Its members are Members of Parliament and representatives of the university community, general economy, and civil organisations in the areas of humanitarian and development issues.

The UN's Global Goals for Sustainable Development provide the guiding principles for development cooperation, and the Icelandic authorities' overriding objective is to reduce poverty and hunger and to promote general well-being based on gender equality, human rights, and sustainable development. In this context, Sustainable Development Goal 14 on the oceans and seas is crucial in terms of how important marine resource utilisation is for food security and economic advancement in developing countries.

In our development cooperation, I want to focus on two things. First, we should work in those areas where we have more to offer than others. In this way, Icelanders' expertise can be put to its best use in assisting and cooperating with developing countries. This applies in particular to our expertise in the fishing industry and in harnessing geothermal energy. The experience we have already gained from our work in these areas in developing countries encourages us to continue and do even better. We will work on it both bilaterally, with

partner countries, and through collaboration with the relevant multinational organisations such as FAO and the World Bank.

On the other hand, there is a great need to examine all possibilities to cooperate with the private sector and the broader economy on development projects where possible. It is clear that public resources will not suffice to achieve the Global Goals; private funding is also necessary. When all is said and done, development cooperation is an investment in the future of both recipient country and donor country.

Most leading donor countries and multinational institutions for development cooperation now operate active units that focus on cooperation with the private sector. We should consider forming such a unit within the Ministry's Directorate for International Development Cooperation – a unit that would collaborate closely with the Ministry's Directorate for External Trade and Economic Affairs and the Promote Iceland agency and would benefit from their expertise and their connections with the business community.

A new Strategy for Iceland's Development Cooperation for 2017-2021 is currently in preparation and will be presented before Parliament, together with an action plan for 2017-2018. The new strategy is based on the UN Global Goals. Another project that lies ahead is to review the results of the OECD's peer review report and determine how best to use the recommendations in the report to strengthen our activities.

Furthermore, a task force on the Icelandic Crisis Response Unit's (ICRU) vision and objectives is to submit a report to the Minister for Foreign Affairs. Last year marked the 15<sup>th</sup> anniversary of the establishment of the ICRU. Important changes and developments have taken place in the international environment, and it is important that the ICRU's work take account of this and continue to further the advancement of Iceland's foreign policy.

## **Conclusion**

Geopolitical developments have given the Icelandic authorities reason to hone their foreign policy and encourage Western countries to stand closer together to protect their fundamental values: democracy, human rights, the rule of law, and a free economy. NATO is the cornerstone of cooperation between Europe and North America. The United States has been strong in its support of NATO, as was confirmed at the meeting of NATO Foreign Ministers in late March. This is extremely important, not least in view of Russia's conduct in Ukraine and the general increase in tension vis-à-vis Russia.

Active participation in international cooperation in various areas is essential in order to respond to the various problems facing Western countries. The global refugee crisis cannot be solved without an international response whose primary focus should be to create conditions obviating the need for people to flee their homeland because of conflict and emergencies, but also to take appropriate safety measures at borders and respond to refugees and asylum seekers. The Icelandic authorities have contributed significant funds to refugees in the recent months. Recent terrorist attacks on various European cities call for stronger law enforcement and broad-based international consultation on security matters. These attacks are a threat to fundamental Western values and the safety of all citizens. The authorities in any country must consider protecting citizens as one of their main responsibilities. International solidarity is also an important element in responses to threats in distant regions such as the Korean peninsula, where uncertainty about security is escalating.

Respect for human rights is one of the pillars of our foreign policy, and the Icelandic authorities support human rights both at multinational organisations and vis-à-vis individual countries. Special emphasis has been placed on gender equality, and considerable effort and capital have been devoted to the campaign for equality in recent years. We have taken every opportunity to promote gender equality, LGBTI rights, and children's rights.

The discussion above sheds some light on certain aspects of Icelandic foreign policy. A more detailed discussion of the various foreign policy functions can be found in the body of this report. As mentioned above, the report emphasises targets, metrics, and measures.

Points of focus may change, naturally, and the organisational structure of our work could change likewise. In a small foreign service organisation, it is important that foreign policy objectives be clear and forward-looking. In this context, we must make optimal use of our funding and personnel, both at home and abroad. Regular reviews are conducted of the work, priorities, and objectives of foreign policy, most recently in 1998. Because the last one took place quite a while ago, a new review process has been launched under the leadership of an experienced ambassador. The review should be completed this autumn, providing a reliable guidepost for foreign affairs in the years to come.