

**Report by Guðlaugur Þór Þórðarson, Minister for Foreign Affairs,  
on foreign and international affairs, delivered on 13th April 2018  
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***General***

Although the past year has been a turbulent one in politics, in Iceland as well as abroad, the main outlines of Iceland's foreign policy are clear and the goals unchanged: To ensure security and defence for the country, to protect Iceland's business interests and cultural independence, and to honour the fundamental values of human rights, humanitarianism, and equal rights. In the hundred years that have passed since Iceland became a free, sovereign nation with the passage of the Danish–Icelandic Act of Union in 1918, these outlines have remained the same, although Icelanders took their first steps in foreign affairs and defence as part of the Danish monarchy. A century ago, Iceland formally entered the community of nations and began its shared journey with Western countries that enjoy freedom, democracy, and an open economy.

World War II drove home the reality that the old policy of neutrality would no longer guarantee peace and security. As a result, it proved necessary to abandon that stance and become a participant in security cooperation among Western democracies. The Government platform states as follows: *“The government regards it as a priority to have national security issues in good order. The National Security Policy approved by the Althingi will be followed as a guideline in this area.”*

The outlines have also been clear in the area of external trade. In the first years after Iceland achieved sovereignty, the authorities sent trade representatives, called fisheries representatives, to gain access to foreign markets. These few individuals were the mustard seed that grew into the broad-based business- and trade-related work that the Foreign Service has carried out in latter years. Ever since Icelanders took charge of their own foreign affairs, the Foreign Service has attempted to protect export interests and work towards free trade for the benefit of the Icelandic people. This includes membership of the European Free Trade Association (EFTA) and the European Economic Area (EEA). Iceland has been fortunate enough to navigate these waters successfully, and the Government has formulated a clear position on the European Union (EU), as the Government platform states that Iceland's interests are best protected by remaining outside the European Union.

With sovereignty, Iceland embarked on its long and successful journey with its Nordic partners, and indeed, the Government platform specifies that Nordic cooperation will remain one of the cornerstones of Iceland's foreign policy. A number of exciting projects lie ahead: next year, Iceland will lead this Nordic cooperation, which also involves consultation with the Baltic states, NATO's outposts in the east. Also in 2019, Iceland will assume the presidency of the Arctic Council, where we support scientific cooperation, sustainable resource utilisation, and the affairs of indigenous peoples in many areas. Given the rapid changes in the Arctic region, Arctic Council members must protect their interests and those of the region in a broad sense, with the UN's 17 Sustainable Development Goals as a guidepost.

Even though our first hundred years as a sovereign nation and a republic have been successful ones, Iceland has often had to navigate stormy seas. We lost an estimated 211 persons to the sea while trying to secure export revenues for Iceland during the Second World War. Our wartime losses, 0.17% of our population, were proportionally about the same as those suffered by the United States. Iceland's sense of unity was tested severely during the Cold War, and the hardships of a decade ago, when the financial crisis struck, are still fresh in our minds. It is therefore important to bear in mind that Iceland's success depends on external conditions and on our ability to understand changes in the environment and respond appropriately.

After the fall of the Soviet Union came a period of calm, if one can put it that way, as regards security in the northern seas and Northern Europe — enough calm that the US Government decided to close its military base in Iceland. But uncertainty has returned, and Europe must respond purposefully.

The chemical attack in Salisbury, England, in early March is a serious violation of international law and a threat to security and peace in Europe. Chemical weapons have not been deployed on the continent since the end of World War II. The Russian authorities' response to the attack has thus far been unconvincing, and their statements implausible. The attack has called for coordinated action on the part of Western countries.

The Nordic countries, many NATO partners, and a number of EU member states decided to take action against the Russian authorities. The Icelandic Government decided, in consultation with the Parliamentary Foreign Affairs Committee, to participate in these measures, and all bilateral meetings with Russian leaders and high-ranking officials will be postponed indefinitely. As a result of that decision, Icelandic leaders will not attend this summer's World Championship in football, which will be held in Russia.

Once again, we ensure our security through active participation in Western defence cooperation via the North Atlantic Treaty Organization (NATO), and through the defence agreement with the United States. Sound defence and effective monitoring of the North Atlantic are of paramount importance in this regard. Security in Europe also calls for active participation by European countries, including Iceland, in wide-ranging regional cooperation where representatives of countries with opposing views on politics, social structure, and values often come together. In such a forum, Icelanders can contribute, and sometimes lead, with the aim of improving the cohabitation and cooperation among nations, speaking out for democracy, human rights, and free trade. In 2017, Iceland concluded its term as chair of the Council of the Baltic Sea States, a term that saw the first ministerial meeting of the Council since Russia's military intervention in Ukraine. It is also necessary to participate actively in cooperation with all European countries through the Council of Europe in Strasbourg, where chairmanship also lies ahead, and the Organization for Security and Co-operation in Europe (OSCE) in Vienna, and promote democracy, respect for human rights, and peaceful resolution of disputes, not least in Eastern Europe, where security is uncertain.

I have often, both verbally and in writing, drawn attention to the fact that patterns in world trade are changing and that Icelanders must adapt their working methods to those changes. Trade channels that for decades were straight and wide are now subject to a different set of ground rules in a fast-moving telecom- and technology-driven world. If we are to gain a foothold in export markets in far-flung corners of the world and increase our export revenues, we must use all of the tools at our disposal, not least the Foreign Service.

Iceland's Foreign Service is a living tool whose purpose is to protect the country's wide-ranging interests abroad. Interests and priorities change, of course, and the Foreign Service must take account of this, while honouring the approach that the nations of the world have agreed to use in multilateral relationships, as reflected in the Vienna Convention on Diplomatic Relations.

### *Foreign Service for the future*

My first report to Parliament as Minister for Foreign Affairs, nearly a year ago, focused to a large extent on foreign policy objectives. It was based on the Government's fiscal plan and attempted to define clear objectives, metrics, and measures in a cogent way. The report that I submit to Parliament today goes even further in this regard, and I have benefited from the completion last autumn of the report *Foreign Service for the future, protecting our interests in a constantly changing world*, which has been presented publicly. That report was the result of extensive work taking place within the Ministry and in consultation with a large number of other stakeholders. It sets forth 151 proposals for measures designed to strengthen Iceland's Foreign Service. As a result, the report on foreign affairs that I present today focuses more on the Foreign Service's organisational structure and working methods than has been done to date. I do this so as to give Parliament and the public deeper insight into the work and projects undertaken by the Foreign Service, which have often been difficult to discuss because of confidentiality requirements and the sensitive nature of the issues involved. Therefore, I would like to take some time today to explain how changes in the Foreign Service are intended to support political goals.

It is safe to say that the ongoing changes in the Foreign Service are the most extensive undertaken in a long time. By the end of June, it is expected that over 70% of the proposals outlined in the aforementioned report will have been implemented. Two new offices have been established: a new Permanent Secretary's Office and the reinstated Defence Directorate. New divisions have begun operation, including a division for home-based ambassadors and special envoys and an internal review division, and the information division has been entrusted with overseeing analysis of various topics such as the protection of Iceland's interests within the EEA. Within the Directorate for International Development Cooperation, a new division of regional and private sector cooperation has been established, and the multilateral development cooperation division will lead the extensive harmonisation work within the World Bank's Nordic-Baltic Office when Iceland assumes chairmanship for the 2019-2021 term. In addition, a division of honorary consuls has been

established, and Icelandic peacekeeping activities have been strengthened by transferring them to the Defence Directorate. I am certain that this new organisational structure will strengthen the work carried out by the Ministry.

The Foreign Service must walk hand-in-hand with the business community into new market areas and assist businesses, particularly in countries where Government involvement is necessary to pave the way for trade. Diplomatic missions in distant continents must be used to open the doors to new markets. Iceland's embassies have long been responsible for large districts. Budget cuts in recent years and reductions in embassies' diplomatic staff have made it difficult for embassy personnel to provide good service to countries other than their host country.

Within the new Permanent Secretary's Office is a division for home-based ambassadors and special envoys. Representation vis-à-vis many countries has now been moved to Iceland and put in the hands of experienced ambassadors who will carry out these tasks from here. The practice of entrusting home-based ambassadors with certain specified functions or themes has been reinstated and could therefore create stronger ties to Iceland's business community and bolster trade, innovation, and the country's image. The seven home-based ambassadors currently working in the division handle the affairs of a large number of countries, as well as important topics like geothermal power and equal rights.

A new Honorary Consuls division within the Protocol Department oversees about 230 honorary consuls in some 90 countries. Honorary consuls are important outriders for the Foreign Service, providing business services and citizens' services. The *Handbook for Honorary Consuls* from 1979 is being revised and is to be completed before the Consular Conference is held in Reykjavík in September 2019. Also under review is the possible number of honorary consuls and their location in various parts of the world, particularly in emerging market countries.

Providing services to Icelandic citizens is one of the Foreign Service's chief tasks. Each month, about 700 citizens' service queries are received by the Ministry's main offices, and another 2,200 are received by diplomatic missions. It is estimated that on the whole, over 30,000 queries of various types are received each year. The Ministry for Foreign Affairs operates 24/7 service year-round for Icelanders needing urgent assistance, no matter where they may be located.

At present, there are 25 diplomatic mission offices in 21 countries: 17 bilateral embassies, four permanent missions with international organisations, and four consulates general. Last year, the Embassy in Mozambique was closed, and this spring embassy activities in Vienna will be discontinued, although the Permanent Mission to the Organization for Security and Co-operation in Europe (OSCE) will continue its work in Vienna.

At present, Iceland's diplomatic missions are operated at minimal staffing levels. For example, eleven of them — nearly half — have only one diplomat, the head of mission. Others are hired locally. This is shown clearly in the discussion of diplomatic missions in the report that I present today, which includes information on each mission. It includes statistical information compiled in H1/2017 on distribution of tasks, trade, staffing, and costs, as well as a status report from each mission.

Allocations to diplomatic missions and the Foreign Service's main office (excluding the Translation Centre and the Promote Iceland Agency) total about 5 billion krónur, or 0.61% of total Treasury expenditures. These allocations are proportionally smaller than in recent years, down from 0.7% of total expenditures in 2007 and 2012. Budgetary allocations to diplomatic missions and the main office have also declined relative to allocations to foreign affairs — from 40% in 2012 to just over 32% today.

Total allocations to the Foreign Service were just under 14,961 billion krónur according to the 2018 National Budget, or 1.8% of total Treasury expenditures (Part A). About half of the total is used for development cooperation and contributions to international organisations.

### ***Defence and security***

A separate Defence Directorate has been reinstated in the Ministry for Foreign Affairs, in accordance with a recommendation to this effect in the report *Foreign Service for the future*. This reflects the focus on defence and security issues and the determination that Icelanders are and should be active participants in security cooperation among Western nations. A strong Defence Directorate will be prepared to address the changes and uncertainty currently affecting security in our part of the world. It is supported by the National Security Council and the National Security Policy, which extends to effective foreign policy, defence policy, and civil security.

Icelanders themselves must participate in measures to ensure the country's security. In recent years, contributions to security and defence both in Iceland and through NATO have been increased, in accordance with member countries' obligations concerning preparedness and burden-sharing. Emphasis has been placed on renewing and improving defence infrastructure in Iceland, strengthening host state support for airspace policing, contributing to the NATO Infrastructure Fund, and increasing civil experts' active participation in NATO projects.

Operation of both defence structures in the security area at Keflavík Airport 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. Significant support has been forthcoming from the NATO Infrastructure Fund, with disbursements of 22.4 million euros approved for the renewal of radar stations. Iceland's portion of the project runs to about 3 million euros.

For quite a long time, Icelanders have participated actively in NATO defence exercises and have received good training as a result. The *Dynamic Mongoose* submarine surveillance exercise was carried out in Iceland's territorial waters in June 2017, and the *Trident Juncture* defence exercise is scheduled for autumn 2018. In addition to these, Iceland participates annually in the *Northern Challenge* exercise, whose objective is to rehearse bomb disposal and responses to acts of terrorism. NATO airspace policing in Iceland remains unchanged, and it is an element in monitoring the Organization's northern boundaries. Consultation with various NATO countries has been stepped up, and Nordic cooperation on security and defence matters has been increasing in recent years. Among other things, Iceland participates in the civil part of Nordic defence cooperation efforts. Towards the end of 2017, Iceland became a member of a Nordic agreement facilitating the arrival and departure of unarmed military aircraft for joint exercises or measures.

In recent years, emphasis has been placed on active participation in disarmament. Iceland and Ireland are joint chairs of the Missile Technology Control Regime (MTCR) in 2017-2018. The MTCR's goal is to curb the spread of missile technology for carrying weapons, including weapons of mass destruction. Iceland will host a NATO conference on disarmament and weapons of mass destruction in autumn 2018.

The work of civil experts representing Iceland's peacekeeping efforts is well underway within the NATO framework. Experts have worked in Afghanistan, Georgia, and Estonia. In addition, an appraisal has been done of the bomb disposal training project in Iraq, and it is planned that representatives of the Coast Guard's bomb disposal unit take further part in it. In 2017, Iceland's peacekeeping team sent six individuals to conduct OSCE election monitoring in Armenia, Albania, and Georgia.

### ***Nordic and Arctic regions***

We still have the opportunity to put Arctic regional affairs on a positive path, based on sustainable development in the spirit of the UN Sustainable Development Goals rather than an unfocused approach. Rapid environmental changes in the Arctic region could have a profound affect on the biosphere and on people's lives and livelihoods the world over. Countries in the region, particularly member countries of the Arctic Council, have therefore been entrusted with great responsibility vis-à-vis coming generations.

The Arctic Council has established itself as the most important consultation forum on Arctic issues. Iceland will chair the Council in 2019-2021. It is important that we carry out this role successfully and demonstrate leadership, professionalism, and foresight. Chairing the Council gives Icelanders the opportunity to promote sustainable development, sustainable communities, and efforts to combat the adverse effects of climate change in the Arctic region, with the aim of garnering support among the Council's member countries and partners. In this context, it is critical to focus on the sea, energy, and the interests of indigenous peoples.

The prospect of more sea transportation in Arctic waters has drawn the attention of maritime countries and awakened expectations of easier access to natural resources. The Government platform stresses Iceland's unique position as an Arctic country, as much of its exclusive economic zone is within the Arctic region. It emphasises that increased sea travel and other activities bring opportunities, but also challenges as regards the environment, the marine biosphere, and human lifestyles. Also emphasised is cooperation with the Faeroe Islands and Greenland, as well as West Nordic cooperation.

Harmonisation relating to Iceland's leadership of Nordic cooperation in 2019 and the Arctic Council in 2019-2021 is taking shape within the Ministry for Foreign Affairs. Among the topics of focus are scientific cooperation in the Arctic and the operation of the office for working groups on the protection of the biosphere, on the one hand, and on issues relating to the sea, on the other, which are located in Akureyri. Other areas to be strengthened are search and rescue efforts in the region and the advancement of equal rights.

A key aspect of Iceland's foreign policy is to ensure sustainable utilisation of living marine resources in the spirit of the UN Convention on the Law of the Sea and related agreements. This also applies to Arctic waters. At the end of 2017, a milestone agreement was reached among 10 countries concerning fishery management in Arctic waters outside national jurisdictions, following discussions that had begun in December 2015. The signing of a binding agreement is planned for mid-2018. The Arctic fishery management agreement includes the open sea and entails a pledge by signatories not to authorise fishing in the area concerned until scientific research has laid the groundwork for sustainable fishing. Iceland's participation in the agreement will ensure its involvement in decision-making and research in this vital part of the sea.

## ***EEA***

Participation in EEA cooperation has long been a major part of Foreign Service work. In addition, a sustained effort has been needed to protect Iceland's interests relative to Britain's exit from the EU and therefore the EEA. It is clear that the Icelandic administration and legislature have faced problems in recent years in implementing the EEA Agreement. Adoption and implementation of EEA instruments has been delayed, and the scope to affect such instruments during the formative stage has narrowed. This has happened in spite of willingness and hard work within the relevant ministries and Parliament.

The Government's list of priorities for protecting Iceland's interests vis-à-vis the EEA have been revised for 2018. It identifies the issues in the legislative process within the EU that are of most importance to Iceland. The Ministry for Foreign Affairs analyses how Iceland communicates its views during the formulation of EU legislation and keeps abreast of discussions on issues pertaining to Iceland's interests. A key to protecting Icelandic interests during drafting of EEA legislation is to communicate Iceland's views early in the process. A vigorous campaign is needed in this area.

In this context, it is vital to take advantage of the opportunities Iceland has under the EEA Agreement in order to affect the formulation of new EEA rules. It is possible to participate in expert groups with which the European Commission consults while drafting legislation. Iceland is a non-voting member of the executive committees of the European Commission's daughter institutions in which EFTA states participate.

I intend to advocate for increased flow of information to Parliament and to administration experts and stakeholders on upcoming European legislation. The new EEA database offers the opportunity for increased consultation, and about 250 administration experts now have access to it and can use it to conduct joint analysis of strategic documents on the formulation of EU legislation. The database also provides an overview of the process underlying EEA instruments, from the formative phase to adoption in the EEA Agreement, incorporation into Icelandic legislation, and possible related case handling by the EFTA Surveillance Authority and the EFTA Court. The aim is to make information from the database accessible to Parliament, stakeholders, and the public so as to increase their involvement in EEA-related matters.

## ***Business services and emerging market areas***

I emphasise strongly that the Ministry for Foreign Affairs should provide excellent business services and assist companies in expanding into traditional and emerging markets. Our intention is to strengthen our embassies in Asia by engaging additional trade representatives and appointing new honorary consuls in major cities.

Business services also include responsibility for cultural affairs and image-related matters. This year, the most prominent events are Iceland's sovereignty centennial and its participation in the football World Championship in Russia. Attempts are made to use such occasions to generate interest in business and investment opportunities. Iceland's embassies benefit from local knowledge and networks, and they provide companies with a diverse range of services. Currently, emphasis is not least on strengthening services to innovation companies, high-tech industry, and creative fields. The possibility of opening trade offices in East Asia and in the high-tech region in California is being explored.

### ***Development and trade***

We have also begun looking at regions that have not recently been in our sights. It has been decided, pursuant to recommendations in the report *Foreign Service for the future*, to expand the sphere of activity of Iceland's embassies in Uganda and Malawi, first by appointing an ambassador in Kampala, Uganda. This will put the embassy into a much better position to carry out a wider variety of tasks than before, particularly those involving political relations and trade in East Africa. This is an element in helping Icelandic companies engage in business activities on the continent. There are immense possibilities for geothermal power in the East African Rift Valley, and a need for technical expertise in the region. The plan is for the embassy in Kampala to build up a strong network of honorary consuls in East Africa who will promote Icelandic business interests and provide citizens' services. The embassy will also be accredited to represent Ethiopia and the African Union, whose headquarters are in Addis Ababa. This representation will make it possible to reach all of the countries on the continent and to cultivate political relationships with regional groups of nations.

Nearly half of budgetary allocations to the Foreign Service — almost 7 billion krónur (ISK 6,971 billion) — are dedicated to development cooperation and international institutions. The majority of this funding is used for health- and sanitation-related development cooperation projects in Africa. But Government funding is not the only way to finance development cooperation. It is vital to encourage the business community to participate more actively in development work, in accordance with appeals from the international community, and to encourage investment and trade. This is the conclusion reached by the development finance summit held in Addis Ababa in 2015 and, in the case of Iceland, accords with the recent peer review carried out by the OECD Development Assistance Committee. Work is now being done to better enable Icelandic experts and specialised firms — for instance, in geothermal power and fishing — to use their expertise for the benefit of poor countries, not least at the instigation of the World Bank and the UN Food and Agriculture Organization (FAO). We have great hopes for the new regional and private sector cooperation division within the Directorate for International Development Cooperation.

### ***Conclusion***

In this brief summary, I have emphasised the changes underway in the Foreign Service and attempted to explain how they will strengthen Foreign Service work and advance Iceland's position in the international community. As a result, I have not had time to mention various issues for which I have advocated. The report itself, however, discusses the values that are important to Icelanders and to me personally: human rights, equal rights, LGBTQ rights, sustainability, and environmental protection.

As we pass this milestone in our history, the centenary of our sovereignty, we can ask, as the poet Jónas Hallgrímsson did: "Have we trod promising paths, progress and virtue our goal?" Certainly, we must each answer this question for ourselves, but it is my belief that in these hundred years, Iceland has successfully navigated stormy seas and created an open, diverse society with connections around the world, as participants in the global community devoted to the United Nations' Sustainable Development Goals. Strong and effective Foreign Service has played a leading role in this evolution.