

**The Icelandic Foreign Minister's 2011
Annual Report on Foreign Affairs
to the Icelandic Parliament**

Introduction and Executive Summary

The year since I last submitted my report to Parliament has been eventful for Icelanders, not least in the field carved out for foreign affairs. Foreign Service personnel have been far from quiescent towards their activities while defending and advancing Iceland's interests. A small nation seeking tight protection of its interests during hard times is compelled by virtue of its size to make a greater effort than a larger nation. In particular, this applies when the government tightens its belt to control the budget.

Iceland's application to join the European Union is the largest assignment undertaken by the Foreign Service to date. Participation in European integration is a matter of interest for economic welfare, stability and the future security of Iceland. Therefore, capable conduct is urgent. While taking on this task, I have been delighted that the performance and precision of a small Icelandic administration has both impressed and reaped praise from the representatives of the European nations. Now a turn of page is evident, as the actual negotiations are envisaged to begin this June. No one needs to fear that the negotiating committee for the accession to the EU will fail to assert the matters of interest outlined by Parliament.

While this largest assignment ever undertaken by the Foreign Service is culminating, other new projects have been launched. A new Arctic policy is one example, as well as the preparation of Iceland's first national security policy and the first long-term strategy for development cooperation. Despite new and important assignments, Iceland's foreign policy principles have not been disregarded. Iceland has continued to sustain arguments for human rights, peace, disarmament and the environment and also concentrated its activities on equality at every level. In parallel, the Icelandic Foreign Service has persisted in promoting Iceland's cause in the Icesave dispute. It also participated to a high degree in a combined effort made as Iceland expeditiously sought the assistance of foreign nations at a time when support was lacking for Iceland's economic recovery programme with the International Monetary Fund. Last year, financial conditions were admittedly tighter than before but tasks were completed through better prioritisation and by a vigorous sharpening of policy development and advocacy of Iceland's interests abroad. In this matter, thanks are due, not least on account of the ungrudging efforts of the ministry's personnel, most of whom contributed much more than a minister may reasonably require.

I hope that my report to Parliament demonstrates well the breadth of scope of foreign affairs. They cover a broad spectrum, ranging from the environment and natural resources to human rights, development cooperation and security issues. Other activities not mentioned elsewhere are the silent but meaningful consular services offered by the ministry to Icelandic nationals who run into predicaments abroad, which is rather growing than lessening in scope. The foreign affairs

platform is also variable, extending to bilateral cooperation with individual countries near and far and with regional and international organisations.

How should a small nation at the edge of the North-Atlantic conduct its external relations? From my point of view, Arctic cooperation – in a broad sense – lies closest to home for Icelanders, since interests in the fields of natural resources, the environment and security are highly incidental to the interests of other nations in the area. This applies not least to the cooperation with our neighbouring friend nations in the Faroe Islands and Greenland. Both reason and duty dictates that this cooperation should be strengthened to a large and small extent. I have defined Arctic policy as one of the priority objectives of Icelandic foreign policy and Iceland is now formulating a clear policy in this field, thus strengthening its position.

As a matter of fact, all the countries of the Nordic Region may be regarded as Iceland's most important partner nations, as demonstrated by their solidarity and support when the banking system collapsed. Once beyond the immediate surroundings of the northern world, Europe is a close and natural ally of Iceland. We have cultural heritage and history, core values and interests in common with the European nations. Iceland has the greatest affiliations with Europe, whether in the perspective of business, politics, and culture or education cooperation. Iceland is an integral part of the European extended family, among other things through Nordic cooperation and membership of the European Free Trade Association, the European Economic Area and the Council of Europe. Iceland's history shows that the nation's prosperity has invariably bloomed when ties with Europe have been the closest. We draw strength from European cooperation, where we collaborate with the nations we have the most in common with.

Once beyond Europe, Iceland needs to emphasise continuing a close relationship with the major powers near and far; the United States, with which we have important historical connections, and with our kindred nation of Canada, but also with China, Russia and Japan, with which we have also had friendly and strong relations, in some cases for decades. A responsible state must also develop and mature relations with the rising superpowers. Around the middle of the century, India will both be the most populated country in the world as well as an economic superpower. All those countries stood Iceland in good stead in the wake of the banking crisis, which will not go unremembered for a long while. Iceland needs to continue to cultivate its cooperation with major countries on the basis of shared interests and values. The experience of recent years also shows that when the opportunity arises it is appropriate to plant a sprig for the future, as relates to distant and rising regions of the world such as Southeast Asia and Latin America, particularly Brazil, which is expected to play a leading role around the middle of this century. Visits by persons in authority and business delegations in the coming years could mark a good beginning in this respect. The history of the past few years has proved that planting friendship relations with distant and powerful nations can suddenly become as good as gold.

Thus, foreign policy must aim to strengthen Iceland's position, both in our immediate surroundings and in Europe, but also against old and new superpowers farther away on the globe. We safeguard the fundamental interests of Iceland best with a responsible long-term strategy for issues that are important to us, but also by cultivating ties with other nations near and far in an appropriate manner. Good farmers cultivated the field at home, but also made hay in the farther meadows and kept livestock in outhouses in the mountains.

The first chapter of the report details the silent but meaningful activities of the foreign ministry's consular affairs office, which works on behalf of Icelandic nationals around the world. When Icelandic nationals run into predicaments abroad the office of consular affairs comes to their assistance, as well as supporting their families and loved-ones to the best of its ability. Foreign Service personnel and the administration as a whole pursue this service diligently and with care.

Chapter 2 discusses Iceland's interests in relation to its immediate surroundings, the Arctic. One year ago, the foreign minister announced a new Arctic policy, later submitted to Parliament and unanimously approved. This is the first time that Iceland has engaged in policy making for a single comprehensive Arctic policy, which i.a. puts emphasis on increasing cooperation, seizing opportunities and responding to emerging risks. The chapter also delineates Iceland's cooperation with Nordic allies, which is both powerful and increasing as is evident by a recent Nordic declaration on solidarity. Another example is our increased collaboration with our exclusive Baltic friends, who celebrate the 20th anniversary of their regained independence this year.

Chapter 3 details the main aspects of the negotiations on Iceland's accession to the European Union, as well as the progress made in preparing for negotiations in individual chapters of the acquis. Here, the administration follows the detailed road map approved by Parliament during the summer of 2009, when Iceland decided to apply for membership of the European Union, and has close consultations with the foreign affairs committee and other parliamentary committees, as appropriate. The screening process, which compares Icelandic legislation with the EU acquis, is close to its final stages and foreseeably the first negotiations chapters will be opened at the end of June.

The negotiating committee's objective is to reach an agreement as favourable for Iceland's interests as possible. This includes i.a. that Iceland's resources will be guarded and that joining the Union will bring Icelanders better living standards, a stable economy and an eligible currency in order to create employment and prosperity for the future. Although there are reasonable grounds for concluding that negotiations on chapters where Iceland has already incorporated most of the EU acquis under the EEA Agreement and the Schengen Agreement will be relatively easy, it is clear that during negotiations on other chapters we will fight an uphill battle. Iceland enjoys a unique position as far as fisheries and agricultural and rural development are concerned, for example, which any accession agreement will have to take into account. Accession negotiations with the European Union will bring to light the options available to Iceland for shaping its future in partnership with Europe, and once they are completed, the nation will be able to have its say through popular vote.

Chapter 4 on international affairs and security issues discusses Iceland's role within international organisations towards other states, i.a. in promoting human rights and for the benefit of disarmament and gender equality. The major trends and challenges in security and defence issues are also highlighted. The foreign minister has submitted the first parliamentary proposal on Iceland's first national security policy, which takes the changed security situation of Iceland into consideration and aims at a broad consensus in this important policy area. The chapter also deals with the allocation of tasks that previously were implemented by the Icelandic Defence Agency, as well as with NATO's new strategic concept, which hits new notes in terms of disarmament and increased cooperation with Russia.

Chapter 5 describes development cooperation, which is now planned on the basis of new legislation, thus changing the environment for this policy area for the better. As a part of the strategy, a development cooperation committee and a council on development cooperation perform a consulting role. The chapter also details how collaboration between the foreign ministry and the Icelandic International Development Agency has been reinforced. We Icelanders can contribute and have contributed to the fight against hunger and poverty in the world, not least through knowledge and experience in areas where we ourselves have made progress, i.a. in sustainable fishing and the use of renewable energy. A new long-term primary objective is to achieve the United Nations noble target of committing 0.7 percent of gross national product (GNP) to official development assistance in 2021.

Chapter 6 focuses on Iceland being a part of the European Economic Area (EEA) and its membership of the European Free Trade Association (EFTA). During the period deliberated in this report, the 50th anniversary of EFTA was celebrated, as well as the 40th anniversary of Iceland's membership. Iceland's cooperation within the EEA platform has always been a sound basis for increased export, job creation and diversification of the Icelandic economy. Similarly, through membership of EFTA the free trade network that Iceland and other countries take part in has expanded year by year, for the benefit of Icelandic enterprises. Promote Iceland (Íslandsstofa) was opened in July 2010 and has the basic objective of bringing the promotion of Iceland and marketing operations by public agencies together in one place, for the benefit of Iceland's export, tourism, investment, culture, reputation and image.

Chapter 7 details information policy and cultural activities. In recent years, significant steps have been taken towards making the cultural activities of Iceland's embassies more effective, i.a. by increasing collaboration with the Icelandic Art Center. Media relations of the Foreign Service have likewise been amplified in the past year. It is an old truth but truth none the less that it takes years to build a reputation and only an instant to ruin it. As the Minister for Foreign Affairs said in his speech to Parliament in May 2010: "We Icelanders need to show honesty, dependability and stability in relations with other nations. We need constantly to cultivate relationships at all levels. Trust has never been as important as now. It is the role of the Foreign Service and of foreign policy objectives to build this trust in relations with other nations. That is the only way in which we can regain our reputation."

The eighth and final chapter of the report contains a summary of the ministry's operating activities, where the size and scope of Iceland's foreign-affairs service is compared with other nations' activity. This overview demonstrates that in recent year the Foreign Service has met considerable cutbacks with streamlining and better prioritisation of tasks.