A Small State seeking Hard Security:

Iceland, NATO and the US Defence Agreement

Martin Søvang Ditlevsen

Lokaverkefni til BA-gráðu í stjórnmálafræði

Félagsvísindasvið

HÁSKÓLI ÍSLANDS

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Félagsvísindasvið Háskóla Íslands

Oktober 2012

Reykjavik, Ísland 2012

Útdráttur

Ísland hefur kosið að vera ríki án herliðs, en á árunum 1951 til 2006 nutu Íslendingar verndar bandaríska hersins gegnum tvíhliða varnarsamning í samstarfi við NATO. Árið 2006 drógu Bandaríkjamenn herlið sitt til baka en stóðu við varnarskuldbindingu sína gagnvart Íslandi. Á meðan herlið Bandaríkjanna dvaldi hér þurftu Íslendingar ekki að taka mikla afstöðu til eða eyða miklu fé til varnar- og öryggismála, en það breyttist snögglega við brotthvarf Bandaríkjahers.

Á árunum eftir 2006 hafa hin pólitísku öfl á Íslandi þurft, í fyrsta skipti, að taka afstöðu til varnarmála landsins. Fyrst var áhersla lögð á að endurvekja samstarfið milli BNA og Íslands, en þegar það gekk ekki eftir var leitað eftir samstarfi við nágrannaríki innan NATO og síðar öll NATO ríkin.

Í þessari ritgerð er leitast við að kanna öryggisþörf Íslands sem smáríkis án herliðs og spyrja hvernig Ísland hefur staðsett sig varðandi “hart“ öryggi í samstarfi við BNA og innan NATO samstarfsins. Byggt á lýsingum af fyrrverandi og núverandi aðstæðum munu rannsóknarspurningarnar leitast við að svara því hvort núverandi varnarsamningar henta Íslandi í framtíðinni, og hvernig Ísland getur tryggt hámarks varnarávinninga af framtíðar varnarsamstarfi. Niðurstaða þessarar ritgerðar mun leiða í ljós að varðandi “hart“ öryggi verður Ísland að leggja allt sitt traust á varnarsamninginn við BNA og NATO. En Ísland ætti einnig að leggja áherslu á að bæta eigin aðgerðir í sambandi við “mjúkt“ öryggi í samstarfi við aðrar alþjóðlegar stofnanir.

Abstract

Iceland has chosen to be a nation without a standing army, but in the period from 1951 to 2006 outsourced its security needs to the US through a bilateral defence agreement in the framework of NATO cooperation. In 2006 the US withdrew its forces from Iceland but kept its commitment to the defence of Iceland. While the US forces were in place, Iceland did not have to devote many resources or much independent thinking to defence and security, but this changed dramatically with the withdrawal.

After 2006 the political elite of Iceland had, for the first time, to act to ensure the defence of the nation. Emphasis was initially put on re-committing the US but when that failed, attention was turned to neighbouring NATO members and eventually NATO itself.

This thesis examines Iceland's security needs as a small state without armed forces, and asks how Iceland has been positioning itself with regard to "hard" security cooperation with the US and through the NATO alliance. Based on a description of past and present circumstances, the research questions to be answered are whether the current defence agreements are suitable for Iceland in the future, and how Iceland can make sure of maximizing the security benefits from its future security cooperation. The conclusion of the thesis will reveal that so far as "hard" security goes, Iceland must place its trust in the defence agreement with the US and the NATO alliance but put effort in forming a consolidated security policy. Iceland should also focus on improving its efforts within the "soft" security areas through other international institutions.

Preface

Through my work at the Coast guard I often have to deal with the remains of World War 2 and ammunition from the former US base stationed in Keflavik. This combined with my military background awoke my curiosity about how hard security has been and currently is dealt with in Iceland. In many ways this thesis combines my work at the Coast guard with my interest of international relations.

I would like to thank my wife, Bryndis Helgadóttir, who has supported me through the three years of study and always encouraged me to keep pushing whenever I hit trouble. I would like to thank my children, Simon, Emma and Kristian, who are a constant source of inspiration and the thought of doing well for them keeps me going.

The guidance of Alyson JK Bailes has been of great value and put quality and experience into this thesis that would not be possible to get elsewhere.

This thesis was the final assignment in the BA studies of Political Science at the University of Iceland and accounts for 12 ECTS credits. Instructor during the writing was Alyson Bailes, Adjunct Lecturer at the University of Iceland.

Martin Søvang Ditlevsen

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Introduction

Situated in between the North American and European continents, Iceland has historically sought much of its military security in the sheer distance from mainland to its beaches. However that became a two-edged sword during the World War 2 when Iceland became vital ground to possess in order to cover the supply lines crossing the Atlantic Ocean. From World War 2 to the present day, Iceland has sought its defence from the NATO alliance and through a bilateral agreement with the USA. Since Iceland has no army to contribute within NATO, the only contribution it can deliver is its presence in the Atlantic Ocean - which once was vital, but today has become somewhat irrelevant due to peace in Europe and a shift away from Iceland in the military-strategic focus of the large powers and alliances. Iceland therefore sits rather idle in NATO, without much to contribute and seemingly without any need for NATO assistance.

Yet the political and economic environment has proven to be ever-changing, as seen with the fall of the communist bloc in the early 90s and the financial crisis of today. New trade routes are opening to the Far East as the ice caps melt in the Arctic, which could mean that Iceland could yet again become vital ground for the US and/or NATO. Iceland has in recent years indeed felt that security is not just defined by territorial control or the size of a country's defence. In the case of Iceland the main issue was a loss of financial security, which cascaded into other sectors such as food supply security, domestic unrest etc.

The defence agreement with the USA and joining NATO were both answers to security needs that were apparent 60 years ago. Since then, globalization has interconnected states that previously were competitors and put emphasis on business relationships. NATO itself has evolved, especially over the last five years, into a community for security cooperation amongst member states rather than being just a defence organisation: some would argue that it has thereby returned into its original intent. NATO has realized that there is a security need that stretches far beyond armed response to a threat, and the alliance itself has much more to offer than that.[1]

Nevertheless, and despite Iceland's active membership of other organizations like the UN, OSCE and Nordic Council, the twin factors of NATO and the US defence agreement

[1] NATO strategic concept of 2010.

remain at the heart of Iceland's territorial defence and also of its domestic security debate. For that reason this thesis will focus on these two factors when exploring Iceland's security options and choices for the future.

Important policy choices regarding the EU as well as NATO are, indeed, currently debated in Iceland. Yet the EU is not a source of direct territorial defence and thus not an equivalent or alternative to the US and NATO agreements for this country. It is therefore not part of the core argument of this thesis; although we may note some significant security aspects of Iceland's EU relationship, such as the importance of EEA membership for economy-related challenges, and of Schengen membership for border security. Iceland is also somewhat engaged in the EU's Common Security and Defence Policy (CSDP) with its contributions of personnel to EU missions in the former Yugoslavia.

The Icelandic parliament has recently appointed a working group that will identify the security needs of Iceland. When this has been done, Iceland should logically make policy decisions to work with one or more international partners and institutions in order to cover its security needs, since the nation has not got the capability to provide all its security for itself.[2] Regardless of which security institution Iceland may prioritize, however, it will enter such an institution as a small state with the challenges that brings. Being a small state working with an international institution can prove difficult, but on the other hand a small state unable to provide for itself can make more-than-average gains from joining such institutions.

Against this background, the research question of this thesis is:

> Are the current defence agreements suitable for Iceland in the future, and how can Iceland make sure of maximizing the security benefits from its future security cooperation?

In order to examine what Iceland can expect in this context from the international institutions built in the last 60 years, this thesis will shortly address the theory of liberal institutionalism. Realism will however be the main theory used in the thesis to explain how states act within the international system to make sure their agenda is followed. Further,

[2] Althingi: Law nr. 110/1951 paragraph 1

the small state theories of Professor Baldur Thorhallsson will in this thesis be applied to the choices and efforts that Iceland faces in the future.

In terms of structure, the thesis will first set out the relevant theoretical frameworks, then describe the general course of Iceland's security history and policy leading up to the present arrangements. The past, present and possible future contributions of the US Defence Agreement, and of NATO, are then looked at in more detail. In the conclusion, the answer to the research question will provide advice on what Iceland should consider when working to define its future security cooperation with international partners.

1. Theoretical framework and Background

1.1 Realism

The strong do what they have the power to do, and the weak accept what they need to accept.[3]

Realism is an international relations theory that is founded upon the acts of the rational human and on the belief that the rational human will do everything in his/her power to gain the greatest possible influence. The core elements of realism are statism, survival and self-help. Statism covers the central and unique importance of the state, as the only actor that exercises authority within its borders and over internal actors, thus creating a collective front towards the outside world. Outside the borders is a condition of anarchy in which all states compete in order to maximize their influence and power. The state is a rational actor within an anarchic international environment; there is no supreme judge to control events. This is what distinguishes the realist school from other large international relations theories. According to realism states will always have to keep up their defences due to the anarchy on the international scene. Since realism sees wars as an extended mean of diplomacy, a constant and never-ending battle for survival goes on in between states. The state can only rely on itself in order to provide the defence it needs when the diplomacy no longer provides the outcome that the state leaders were looking for.

Realism is one of the dominant international relations theories for a number of reasons; it was both inspired and confirmed by the way the two superpowers acted during the Cold War, each undermining states that supported the other superpower and seeking peace through military strength. Realism can be seen as the "manual" for large power leaders seeking to maximize the interest of the state, and for this reason all other international relations theories have to deal with realism.

While realism focuses on the state as the actor, it could be described as creating dual standards when it comes to living inside the state compared to how the state acts in the anarchy that thrives on the international scene. The state compels or allows its citizens to live a morally correct life, where cheating, lying and killing is both forbidden and morally wrong; whereas on the international scene the leaders of government find themselves in

[3] Thucydides "History of the Peloponnesian War":302

situations where they need to use all the above-mentioned tools in order for the state to be successful. There is therefore a sharp distinction between domestic and international politics to realism.[4] The statement by Thucydides quoted above is based on his observations of the power struggle in ancient Greece, but matches the way large powers conduct their foreign policy today as well.

The large state has both human and material resources to produce a grand strategic scheme and will use every tool in the box to follow it through. According to realism, international institutions are to be seen as solutions to current problems, since states must act rationally over time in order to ensure survival and may use institutions instrumentally to achieve their aims. The day-to-day pursuit of the state's grand strategic scheme can be carried out through institutions as long the partners in the institution have similar goals. However when crises emerge, the lowest common denominator approach normally found in international institutions is no longer enough for the large state, which means it has to take matter into own hands. This in turn means that the international institutions are to be seen as having a temporary character and not providing a fixed solution to the anarchy that prevails between states.[5] A large state, due to its size and place in history, will feel that it has a role to play on the international scene. Since the large state has the resources to produce a grand strategic scheme and feels it has a place on the international scene, the large state will set the agenda on that scene. It will allow small states to contribute within the institutions, but whenever larger policy decisions are taken the smaller players cannot interfere with the grand strategic scheme of the large state.

1.2 Liberal institutionalism

In order to understand why international institutions nevertheless exist and some seemingly are here to stay, we need to look further than realism. While the main part of the 20th century was war-torn, the organized cooperation by states working within institutions seems to have had a positive influence on the first part of the 21st century. It seems to have calmed down the constant competition between states and put more emphasis on cooperation in

[4] John Baylis, Stephen Smith and Patricia Owens, *The Globalization of World Politics* 4th edition, (Oxford: Oxford University Press, 2008): 93

[5] DeVore, Marc R. 2012. "Armed Forces, States, and Threats: Institutions and the British and French Responses to the 1991 Gulf War." *Comparative Strategy 31*, no. 1: 56-83.

order to increase material benefits and achieve a more secure society. One theory that can explain why states are cooperating on security issues is liberal institutionalism. Liberal institutionalism operates within the framework of realism, but argues that international institutions should be given more credit for the stability we are seeing in the 21st century. Accordingly to liberal institutionalism institutions are products of states working together to solve certain problems, and it makes good sense for states to use them since institutions can provide information, reduce transaction costs, make commitments more credible, establish focal points for coordination and in general facilitate mutual understanding.[6] Supporters of liberal institutionalism reject pure realism and point to the way that European economic interdependence and political cooperation have overcome the traditional hostility of the European states. Furthermore NATO and the EU are used as examples to prove that states, by investing major resources in international institutions, have left the realist competition and themselves believe in the intrinsic importance of international institutions.[7]

1.3 Small state theory

We are quite quick to define Iceland as a small state mainly due to its small population, but there are other factors that define a small state. The traditional way of measuring a state is to look at its capabilities in the area of military power, economic abilities, size of population and geographical size. The general idea when using the classical way of defining a state's strength is that the more the better, which goes for all four factors. It is however hard to argue how large a population should be in order to qualify for being a large power, a medium power or a small state. A viable argument is that the upper limit for "smallness" is 10-15 million for an advanced state and 20-30 million for an underdeveloped state.[8] With regards to the population, however, many other factors come into play, such as the educational level, the level of internal cohesion and the mentality of the state's elite businessmen and politicians. The same qualifications apply to the other factors: even though

[6] Robert Keohane and Lisa Martin, "The Promise of Institutionalist Theory", *International Security 20, 1 (1995)*: 42

[7] John Baylis, Stephen Smith and Patricia Owens, "*The Globalization of World Politics"* 4th edition, (Oxford: Oxford University Press, 2008): 233

[8] David Vital. "The Inequality of States: A Study of the Small Power in International Relations." Edited by Christine Ingebritsen, Iver B. Neumann, Sieglinde Gstöhl and Jessica Beyer. *Small States in International relations* (University of Washington Press), 2006, pp. 80-81.

North Korea has one of the largest standing armies, it does not qualify in anyone's terms as a large power.

Faced with these difficulties over measuring states according to the classical factors, Professor Baldur Thorhallsson is one of the scholars who have realized that traditional factors of statistical size, such as GDP, population and geographical numbers are not sufficient to describe a state's size and thereby its power potential. Thorhallsson defines six categories which we can use to better describe how to measure the size of a state and its power potential. This will also eventually help to analyse features that the state can leverage in order to gain influence in areas where it matters the most for the state in question. These categories area: Fixed size, Sovereignty size, Political size, Economic size, Perceptual size, and Preference size.[9]

Fixed size relates to the more traditional way of measuring a state and covers population and geographical size. The population size tends to be rather constant at least within a certain period of time and lays the foundation for the potential economic size as well as the military power. It further more lays the foundation for human capital which makes population size very important in the globalized world. Geographical size is also covered by fixed size; it varies quite seldom and when it changes it is mainly due to break-up of larger states into smaller. Today the geographic size is important mainly for the reason of resources. A large geographical territory will most often mean that a state can rely more on own resources instead of other state's resources.

Sovereignty size has three sub-conditions for the state to fulfil; (i) whether the state can maintain effective sovereignty over its territory and whether its sovereignty is questioned by others; (ii) whether the state is able to maintain a minimum of state structure and if this structure is effective in forming a policy and executing it domestically; and (iii), whether or not the state has the capability to maintain a minimum presence at international level. Political size comprises another of the traditional measurements, military capabilities, along with the administrative capability and cohesion. The fourth category is economic size. The traditional way of measuring this is based on GDP, but GDP needs to be supplemented with market size and development success if it is not to be an empty statistic.

[9] Baldur Þórhallsson. "The Size of States in the European Union: Theoretical and Conceptional Perspectives." *European Integration Vol.28 No 1*, 2006, pp 7-8

With perceptual size, the view of domestic and international actors is taken into consideration when judging the size of a state compared to another state. A state's internal and external capacity are measured according to how its action competence, and consequently its vulnerability, appear when seen from the standpoints of six different actors: the domestic political elite, the inhabitants, other domestic actors, the elite of other states, the view of international organizations and the view of other international organizations, pressure groups, NGOs and companies. The idea of action competence focuses on the degree to which these six groups feel the state has the capability to "do whatever it likes" both domestically and externally. The higher the action competence, the lower is the vulnerability of the state.

The final category that Baldur Thorhallsson sets up in order to measure the size of a state is the preference size. Preference size consists of three features: the state's ambitions, how it sets its priorities, and the state's ideas about the international system. The argument is that if a state views the international system as one that can benefit itself, it will try to use its strong sides in order to gain influence in line with its ambitions.[10]

With these six categories provided by Baldur Thorhallsson for measuring the capabilities and vulnerabilities of the small state, a foundation exists not only to analyse whether or not the state in question is a small or large power, but also to identify where the state has a potential to develop and even gain influence on the international scene. The small state can to a higher extent than a large power focus on core areas where it has key interests in relation to the international system.

1.3.1 How small states gain influence

Large states set the agenda, but are busy taking care of their interests in ways primarily related to traditional power, leaving room for small states to influence key areas where they have special interests. Small states have less capital to take from in order to establish relevant institutions and man them with talented personnel. The answer to this would be to let international institutions oversee these policy areas that are important but not important enough to make it on the priority list. Theory points to the importance of small states being able to find their focus areas and using their limited bureaucratic system to achieve

[10] Baldur Þórhallsson. "The Size of States in the European Union: Theoretical and Conceptional Perspectives." *European Integration Vol.28 No 1*, 2006: 16-27

influence where their key interests lie. However, large states will still use their power to force their agenda through if not met by a unified front of small states. Small states can by keeping an active policy on focus areas gain influence, examples such as the "green" countries in the EU and the Nordic states with regards to human rights issues. The Danish example of putting all its military effort into providing forces into high risk NATO missions in order to gain more political power within NATO is the clearest example of a small state gaining influence within hard security policy.

Within hard security policy the small state can have yet argument for working within an international security institution. By getting large states to join international institutions and follow common ground rules the small states can put a leash on large powers and raises the threshold for when force is used, which in turn increase security for the small state.[11] It is within this ideology we find the small state wish for an international supreme judge to work the anarchy on the international scene.

1.4 The Case of Iceland

1.4.1 Iceland according to the small state theory

When analysing Iceland in terms of all Thorhallson's parameters, Iceland – with a population little over 300,000 - comes out as being small and vulnerable in areas such as fixed, economic, perceptual and preference size. Iceland must be reckoned to be vulnerable and small in political size as well, with no army and a small population and limited budgets within its administrative system. Cohesion is where Iceland could be thought to have its strengths within the category of political size. The other positive exception is sovereignty size: mainly because Iceland is located on an island in the High North and could only have its territorial sovereignty threatened in a WW2 type of scenario, but also because Iceland is capable of keeping up a state structure and carrying out decisions made domestically.

We have seen that by joining one or more international institutions in the security field a small state, such as Iceland, should be able to gain significantly in terms of security output compared with the relatively small contribution the small state can give (and is expected to give). Further, lacking human and material resources to make an impact by

[11] Anders Kjølber and Tore Nyhamar. "Småstater i internasjonale operasjoner: Muligheder og begrensninger" *Norsk Militært Tidsskrift* Vol. 182 No 1, 2012: 22-23

itself, such a state needs to work out how best to leverage its limited assets and influence and to focus on where the gain is the most. Has Iceland actually followed these prescriptions in the past and is it in a position to do so today? The rest of this introductory section will survey the history of Iceland's defence, leading up to a description of present practical and political arrangements, and ending with some preliminary comments on Iceland's treatment of the relevant institutions.

1.4.2 Historical overview of the defence strategy of Iceland

The geographic importance of Iceland was realized with the UK occupation during the first part of the WW2. When the UK needed its troops for other purposes Iceland was handed over to US forces. With the end of WW2 Iceland initially wanted to become a neutral state with no standing army. An initial hope of neutrality was destroyed by the escalading Cold War between East and West, and with the Communist revolution in Czechoslovakia in 1948 neutrality was given up in favour of becoming a founding member of NATO in 1949.[12] Even as a NATO member, it was agreed that Iceland would keep its status as a state with no army: however, the Korean War created a situation where the political elite saw a need for NATO troops in Iceland.[13] This need was dealt with by the bilateral US/Icelandic defence agreement of 1951; and from then on, the NATO role in Iceland was essentially exercised through US forces. With the aggressive capacity of the fighter jets and surveillance aircraft also followed other assets that eventually would contribute to the non-warlike security of Iceland, such as search and rescue helicopters, structural improvements and direct cash flow.

In a much-changed situation after the Cold War's end, however, the US defence force left Iceland unilaterally in 2006 - much to the Icelanders' surprise - effectually leaving the country without any hard defence, and withdrawing the soft defence factors along with it. The shock of the US withdrawal was initially dealt with by signing bilateral memoranda of understanding with neighbouring NATO states and setting up an air policing program within NATO. For the first time left to handle its own security, the government in 2008 agreed to create a new agency, the Icelandic Defence Agency (IDA), which was to handle all of Iceland's NATO cooperation and deal with other international security issues. The IDA was

[12] Gunnar Þór Bjarnason. "*Óvænt Áfall eða fyrirsjáanleg tímamót?*" (Reykjavik: Leturprent ehf., 2008): 20-21
[13] Ibid: 23

short-lived and was closed down by the current leftist government on 1st January 2011, with lack of finances and more effective use of government resources given as the reasons.[14]

1.4.3 Present Conditions

The shock of the US defence forces leaving spurred thoughts that Iceland had to act itself in order to secure some sort of response to security threats; but it also unleashed a polarization of opinion, with some political groups seeking the closest possible replacement for former US/NATO solutions while others viewed all military relationships including NATO and air policing as now unnecessary. Currently NATO member states provide Iceland with air policing through force visits three times during the year, mainly from neighbouring states, but France and Portugal have also been part of the air policing. The rest of the year Iceland has to trust that Norwegian and UK fighters will intercept Russian planes should they enter Icelandic airspace. Russian planes have not, according to Icelandic media, entered Icelandic airspace since August 2009,[15] which only helps the argument of those who believe that Iceland should not take part in hard security alliances, such as NATO. The reasons for the lack of Russian flying into Icelandic airspace can only be speculated on, but the reason should most likely be found in that other interests, such as the Arctic, weighs heavier in Russian eyes than the old cat and mouse game of flying over Iceland.

The Icelandic Coast Guard, as before, covers the SAR response, sea maps and explosive ordnance disposal within the framework of the ministry of interior as well as overseeing the operation of the NATO air defence radars in Iceland under direction of the ministry of foreign affairs. The ICG has not as such gained directly by having been given the administrative authority over the Icelandic air defence system (IADS), but as a result is drawn into operations, such as host nation support for NATO fighters, which are significantly different from normal ICG operation. The fact that ICG now operates the IADS means that it becomes directly involved with NATO operations and now faces the difficulty of manoeuvring around the potential setback that this might bring in public opinion for the otherwise popular Coast Guard. Other former responsibilities of the IDA have moved to other government agencies: security vetting has landed at the National Commissioner of Police and the direct contact to NATO has reverted to the ministry of foreign affairs.

[14] http://www.lhg.is/sagan/saga-varnarmala/, accessed August 21, 2012.
[15] http://www.mbl.is/frettir/innlent/2009/08/10/birnir_yfir_islandi/, accessed August 21, 2012.

The Civil Protection and Emergency Management agency addresses natural disasters such as volcanic eruptions, heavy storms, avalanche response, oil spills etc. The Civil Protection and Emergency Management agency works together with all other governmental agencies before, during and after an emergency in order to maximize the effect of the effort and de facto takes over authority of the assets of the other government institutions, such as the SAR capability of the ICG, and the many volunteer rescue service teams around the island, during such operations. The Schengen cooperation means that the police can get information on organised crime and their movements through Europe and focus the border control accordingly. A newly published report from the Minister of the Interior states that the Icelandic police force would need to be increased and border control imposed more strictly on all visitors to Iceland without the Schengen cooperation.[16]

In political terms today, the elite in Iceland are split in three different directions when it comes to foreign policy. Even within the currently sitting two-party government there are major differences; one party, the Left/Green party, puts its main emphasis on leaving NATO and is opposing the idea of joining the EU.[17] The other government party, the Social Democrats, wants to build on the NATO security cooperation and is backing Iceland joining the EU. The other major parties not in government are opposing accession into the EU but want to work with NATO and the US in order to provide security for Iceland.[18] There is therefore a lack of cohesion within the political elite in Iceland, which reflects into society as well. It is very difficult for the Icelandic government to manoeuvre in the field of security as long as Iceland has no consistent policy direction in the matter. The lack of a consistent policy on the security matter makes it even more difficult to be a partner with Iceland in these matters since it is very difficult for the partner to interpret the seriousness and depth of the statements from ministers and leading politicians.

These conditions also affect the possibilities for Iceland to develop institutional relationships rationally as a small state. As will be seen further below, Iceland has not – generally speaking - sought to solve its security needs through international institutions or the development of multilateral relationships. Although being a founding member of NATO,

[16] http://www.visir.is/logreglusamstarf-i-haettu-an-schengen/article/2012708229943, accessed August 22, 2012.
[17] http://www.vg.is/stefna/utanrikisstefna/, accessed July 31, 2012.
[18] The Progressive party and the Independence party

Iceland has kept its active engagement in membership to a minimum, because of its practical limitations, its traditional bilateral focus on the US, and also its domestic-political complications. The EU, in turn, was seen in Iceland in 2008-9 as a solution for one particular problem, the financial crisis: Icelanders in general have not yet focussed seriously on its strategic purpose and significance, nor on its possible relevance to their own long-term survival.

As a small state the advantages of joining international institutions comprised of states with the same agenda as it self, Iceland would be able to gain significantly in terms of output with regards to the relative small contribution the small state can give. Being a small state Iceland lacks the political size to produce comprehensive legislation on all policy areas. Iceland might not always be able to influence an international institution in the direct way as any larger state, however as a small state Iceland could let larger states concentrate on producing the grand strategic scheme of the institution, while Iceland focuses on policy issues where it has direct interests. By doing so Iceland could ensure that it would get the most out of the political capital it invests into the institution. In reality, institutions arise as answers for political problems; the predecessors for the EU were all answers to problems with instability and wars in Western Europe. The EU was in effect posited on the need to create security in the broadest sense, not only defence, for its member states. Today it possesses many instruments with the aim of creating security in areas such as the environment, the financial markets, food supply and health etc. Icelanders are as exposed as anyone or even more so in these fields but chose not to see their position as being vulnerable, which might be actually the country's biggest problem - namely not to realize how isolated and vulnerable it is. During the 2008 financial crisis Iceland realized only too late, like many others that security, whether it is financial security or other types, is only important for you when you have a shortage of it. The EU has a number of solutions to some of the problems that Iceland faces, such as financial stability, food security, environmental issues etc.; yet a strategy to explore these on the best possible terms is out of reach so long as the political elite in Iceland has yet to agree on the areas where Iceland is vulnerable and needs outside assistance from an analytic and practical perspective. The exception is hard security, where official statements given priority to the US/Icelandic defence agreement:[19]

[19] Althingi: Law nr. 110/1951 paragraph 1.

but we have seen that the institutional understanding and political consensus behind this actually remains very weak.

As noted above, Iceland has now commissioned a working group to review the full range of national security issues such as economic security, food security, hard security etc. and to make proposals both for an overall strategy and internal follow-up arrangements.[20] It remains to be seen whether its results can point the way to good, agreed solutions including the right ways to exploit institutional relationships. In the next sections we will return to the issues that are key for deciding the way ahead in the hard-security sphere.

[20] Össur Skarpheðinsson, Minister of foreign affairs report to Althingi on foreign- and international issues, 2012: 63.

2 The US/Iceland defence agreement

2.1 Framework of the agreement

The current Iceland-US defence agreement was concluded in the framework of NATO cooperation and was signed in 1951. According to the agreement the US was to guarantee Icelandic defence during conflict and all costs would be covered by the US. The story of the agreement can be divided into two periods; from 1951 to 2006 when the US forces left Iceland, and from 2006 to the present day and looking forward. The agreement was initially an answer to the Korea War; it effectively ensured a US presence in Iceland and thereby outsourced Icelandic defence to the US. Despite the apparent multilateral context of the NATO framework, the US/Icelandic defence agreement has resembled classic small state solutions from the longer past – seeking cover with the one single largest power in the region. When the US in 2006 took the consequence of its new focus towards the Middle East, however, and removed its forces from the Keflavik base in 2006, the defence agreement had to be amended. It clearly stated that the US would live up to previous promises of defence, but Icelandic needs would be served from bases in the US or the UK. At the same time the US ensured that the amended agreement left room for a US return to Keflavik should the need again arise.

In the Cold War the defence agreement with the US made perfectly good sense. Even today and without a physical force presence, any hard defence crisis Iceland may face can in practice only be solved with US help – the nearest NATO neighbours are too small, and would have their hands full with any attack starting from East, while only the US can give help from the West. However assuming that such a response would just be a question of a couple of fighter jets landing in Keflavik would be naive.

2.2 Achievements of the agreement

The defence agreement meant more than just hard defence for Iceland; there were other spill-over effects from having up to 5000 soldiers stationed in Keflavik. The past influence and achievements of having a US presence in Iceland were thus completely different from how the defence agreement influences Iceland today.

As the US was to carry all costs of the defence, there were many structural developments in Iceland built just after the agreement was made. Iceland also received substantial financial support through the Marshall Plan assistance programme, although not being severely affected by the World War 2. Much of this went into building hydropower plants and effectually ensuring everybody in Iceland, including the US forces, enjoyed energy security. In 1953 the Keflavik base accumulated 20 % of Iceland's foreign cash flow, a proportion that was still substantial but declining in the 1960s and 70s.[21] Following the Hungarian revolution direct funding was received in 1956 from the US and NATO in order to keep the military presence in Iceland, in response to the Icelandic government's talk of closing the base: a clear example of the importance of the base in the eyes of the US and NATO.

The Keflavik base was co-located with Iceland's international airport, and the US forces financed the construction of the base and ran essential facilities such as the air traffic control, security and the airport fire department at no cost to Iceland.

Employment was an important issue for various governments during the 50 years of US presence in Iceland. Icelanders, mainly from the Suðurnes Peninsula, were working on the base for the US, creating tax revenue, lowering the unemployment rate in this district and giving Icelanders important experience and training for future staffs.

The stationed forces were not just comprised of fighter jets but also had search and rescue helicopters and surveillance planes, which when not engaged or on standby for the US force in Iceland were made available as assets for the Icelandic search and rescue services. With these helicopters the Icelandic need for SAR helicopters was covered and the Icelandic Coast Guard was running only one helicopter for the covering the gaps when US needed its helicopters for own operations. Today the Icelandic Coast Guard runs three helicopters; however the requirement has been analysed to be four in order to fully cover all SAR operations around Iceland. It is therefore fair to conclude that Iceland was saving substantial resources by having this need covered by US helicopters.

[21] Valur Ingimundarson. *Immunizing against the American Other: Racism, Nationalism, and Gender in U.S.-Icelandic Military Relations during the Cold War.* Journal Of Cold War Studies 6, no. 4:68

During the period from 1951 to 2006 there had been many cases where one of the partners threatened to discontinue the agreement. When the US announced in March 2006 that they would be leaving Iceland within the year, it was first seen as a stimulus for new negotiations by the Icelandic government. The main party in office, the Independence party, and especially its leadership was considered to be amongst the hard liners on security policy and had for a long time argued in favour of the US presence.[22] From the Icelandic point of view the negotiations would not be successful unless the US would continue to base four fighter jets in Keflavik. The US had however a different agenda, which was to cover Iceland with other existing assets and ensure that a return was possible. The Icelandic delegation misjudged their position and never realized that their demand of four fighter jets would be impossible for the US to provide given the need for the assets elsewhere. This led to stalled negotiations, and in the end the Icelandic government had to sign a US-drafted defence plan for Iceland, which did not include a US presence in Iceland. The Icelandic government learned only too late that in order to negotiate there must be a partner willing to do a deal.[23]

Immediately after it became clear that the US was not prepared to commit forces in Iceland, the Icelandic political elite hastily started paying more attention to NATO as a whole and exploring what they could get out of the alliance with regards to physical presence in Iceland. Bilateral defence agreements were made with its other neighbouring states, the UK, Denmark, Canada and Norway.[24] These NATO member states were amongst the first states that participated in the NATO air patrolling over Iceland after the US left the Keflavik base, a relationship that will be more deeply explored in section 3.

Summing up: in what respect did the US previously need Iceland and how did Iceland see the US defence force as a factor in its security? As mentioned, the classic small state approach would be to bilaterally bind itself to the largest state in the region, something that Iceland did in order to tie another party's interests to its survival should the Cold War become a full blown conflict. For decades, Icelanders thought - naively in the eyes of the realists - that the US wanted this agreement to provide specifically for Iceland's security in times of conflict or uncertainty: i.e., that the bilateral relationship had real bilateral feelings

[22] Gunnar Þór Bjarnason. "*Óvænt Áfall eða fyrirsjáanleg tímamót?*" (Reykjavik: Leturprent ehf., 2008): 129
[23] Ibid: 144-145
[24] http://www.mfa.is/foreign-policy/security/cooperation-with-other-neighbouring-states/, accessed August 21, 2012.

behind it on *both* sides. However, when the agreement was signed the US in fact saw Iceland as a forward base for its own strategic defence; and later as NATO plans developed, it would also consider Keflavik as an asset enabling the US's general commitments to NATO for covering the gap in the North Atlantic. This situation created a triangle between Iceland, the US and NATO where all partners agreed on the means but not necessarily on why they were there. After the end of the Cold War and especially after 11 September 2001, the US lost its interest in Iceland as it no longer considered that Russian activity and capacity in the region demanded a permanent US air presence, and the fighters were needed elsewhere.[25] The failure of the Icelandic negotiators either to understand the original relationship, or to see how it had changed, helps to explain their shock at the US's leaving with such short notice.

2.3 Current situation

Regarding US/Icelandic cooperation the minister of foreign affairs stated in his most recent report of 2012 to the Althingi that US/Icelandic cooperation on security matters still works within the framework of the defence agreement of 1951. The current aspects of cooperation developed under the agreement are however somewhat different from the original intention in 1951 and cover areas such as cyber defence, defence against terrorism, environmental protection, SAR and organized crime.[26] These are all rather generic points that can be assumed to be shared and worked on amongst all friendly states, which in turn makes it look as if the defence agreement between the US and Iceland no longer provides anything more than any other Western state gets from cooperation with Washington. On the other hand the US/Iceland defence agreement is so deeply embedded in the way that the Icelandic political elite views security matters, at least in the political centre and on the right, that it would have meant disrespect towards the US to indicate publicly that there were no longer any special security gains from the relationship. The reality of cooperation on the issues mentioned is quite another issue, and it could be argued that on most of them Iceland is in practice already getting more deep-reaching and relevant help from the European side through the Schengen cooperation, and is likely to do even more so in future.

[25] Gunnar Þór Bjarnason. "*Óvænt Áfall eða fyrirsjáanleg tímamót?*" (Reykjavik: Leturprent ehf., 2008): 55.
[26] Össur Skarpheðinsson, Minister of foreign affairs report to Althingi on foreign- and international issues, 2012: 62-63.

From now going forward, by continuing to commit itself to a bilateral defence agreement with the largest state in the region, Iceland will need to trust the US to provide what Iceland needs without having to pay too high a price from its own side. During the Cold War – as we have seen - the US was serving its own as well as NATO interests through the base. Similarly, since the events of 11 September 2001 the US has been putting more emphasis on new, global threats and demanding that its "friends" also take a share in combating those. The danger is thus greater than before that the price of what the US delivers might be too high for Iceland, especially if it draws Iceland into issues between the US and other nations that are not relevant to Iceland's own interests or to its essentially terrorism-free environment.

The fact that the US now considers its capacity to defend Iceland from other bases as being good enough for its NATO obligations, and during negotiations showed no interest in keeping the base in Iceland, suggests that the US does not value and perhaps never valued the defence agreement as highly as Iceland has. This also implies, however, that without the concrete feature of a US troop presence in Iceland any notion of a "special" defence relationship is meaningless.[27] The existence of a bilateral agreement is still important for the US, but only to the degree that it allows NATO to return to facilities in Iceland should the need again arise. In the meantime, and even taking account of the air policing rotation that is now well established within NATO, Iceland is not in practice receiving any more assistance on hard defence, or indeed on newer security issues, from the US than any other NATO member state. To that extent, the bilateral US/Icelandic defence agreement - without US presence in Iceland - can therefore from an Icelandic point of view be seen as an obsolete defence agreement.

[27] Gunnar Þór Bjarnason. "*Óvænt Áfall eða fyrirsjáanleg tímamót?*" (Reykjavik: Leturprent ehf., 2008): 145.

3 NATO

3.1 NATO and Iceland historically

Iceland joined NATO after much discussion, and after the most serious riots in the history of Iceland broke out in front of the Icelandic parliament.[28] It is fair to say that the nation was divided over the NATO issue and was worried that Iceland would become a pawn in the great game on the international scene. Iceland wanted originally to remain a neutral state, but the communist coup in Czechoslovakia of 1948 drove the Icelandic political elite to choose sides and join NATO in 1949 as a founding member. Iceland set certain restrictions on its membership. Initially no foreign forces were allowed to be stationed in Iceland and no army bases were to be in Iceland during peace time. This obviously changed with the US defence agreement and US forces were to be stationed in Keflavik under the name of Icelandic Defence Forces in order to smooth over any misunderstanding with regard to the intent of the base.[29] In 1985 Iceland declared itself to be a nuclear free zone and refused to accept any nuclear objects on land or sea in peacetime. This was something that would trouble Iceland's allies but they had to show understanding for this point of view, something that could not be expected to the same degree with Eastern bloc vessels.

Iceland was important for NATO in respect of covering the gap in the Atlantic Ocean, mainly because of the technical restrictions on fighter jets at that time which made them unable to cross the Atlantic without refuelling. Iceland also covered the radar gap between the Eastern coast of the US and the Greenland/Scotland line and effectively made it possible to have a full radar image of the Atlantic from Norway to the US.

Not having an armed force undoubtedly affected how Iceland did or did not manoeuvre within NATO. Not having an army also meant that Iceland had no arms industry and therefore never took part in any armaments work and stayed out of certain policy groups. Iceland rarely spoke in NATO policy meetings, something that was a consequence of not having an army, which also annoyed the US to such a degree that complaints were made.[30]

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[28] Valur Ingimundarson. *"Immunizing against the American Other: Racism, Nationalism, and Gender in U.S.-Icelandic Military Relations during the Cold War." Journal Of Cold War Studies 6,* no. 4:65

[29] Ibid: 71.

[30] Gunnar Þór Bjarnason. "*Óvænt Áfall eða fyrirsjáanleg tímamót?*" (Reykjavik: Leturprent ehf., 2008): 21.

Being an unarmed nation within a military alliance was not the only hurdle in the relationship between NATO and Iceland. The Icelandic political elite have not always been convinced of the necessity of Iceland being a member of NATO. Especially in the 1960s and 1970s the communist movement was strong in small fishing communities around Iceland. By focussing on causes such as feminism, Iceland as a neutral state and better conditions for the working class, the Icelandic communist party, Alþýðubandalagið, came into office in 1971.[31] Being a communist party Alþýðubandalagið did not see the Soviet Union as a threat but wanted close ties with Moscow. Alþýðubandalagið was also present in a leftist coalition government during the 1972-73 Cod Wars, where Iceland successfully put the NATO cooperation to the test by letting Coast Guard gun boats open fire on British fishing vessels in a plot to provoke the US to take Iceland's side. The incident drew renewed attention to the US force in Keflavik, which – so Icelanders commented – was supposed to be there to protect Iceland, but kept away when Icelandic ships were attacked. This caused distrust and increased the domestic pressure for Iceland to leave NATO.[32]

3.2 NATO as security cooperation

Despite losing its main adversary with the fall of the Soviet Union, NATO did not collapse as would have been expected by followers of the realist theory. NATO cleverly realized that it had to change its approach in order to survive as an organisation that provides security in a wider sense to its member states. NATO thus needed to change from a purely military alliance into a security institution for the Western democratic world in order not to disintegrate. [33] The expansion towards the East was part of this agenda, which gradually transformed NATO towards a broader and more operational security institution. In this connection the real main threat, given the fall of the Soviet Union, was not Islamic fundamentalism, the Russians or something similar, but the violent past of Europe, which was feared to become its future.[34] This was the rationale for maintaining mutual defence guarantees, also as a control on the member states' own nationalism, and for imposing

[31] Svanur Kristjánsson. *"Frá flokksræði til persónustjórnmála: Fjórflokkarnir 1951-1991"* (Reykjavik: Félagsvísindistofnun Háskóla Íslands, 1994): 200.
[32]Guðmundur J Guðmundsson "The Cod and the Cold War." *Scandinavian Journal Of History* 31, no. 2, 2006: 106-107
[33] Williams, M. C., & Neumann, Ivar. B. "From alliance to security community: NATO, Russia, and the power of identity". *Millennium-Journal of International Studies* 29, no. 2, 2000: 360-361.
[34] Ole Wæver, 'European Security Identities', *Journal of Common Market Studies* 34, no. 1 (1996): 122

increasingly clear and strong democratic standards on new members. However it was the development of threats to Western interests in the wider world that shifted the security priorities of the US and many other member states from territorial defence towards conflict management, anti-terrorism and defence from cyber-attacks.

The freedom of NATO member states to act more independently was actually decreased by the changes. The actions needed for the alliance not to collapse demanded that member nations should further tighten cooperation, and with every success the pressure to keep a tight bond became even more.[35] NATO declared itself to be the integral security dimension of the Western civilization and a construction that was able to deal with fragmentation through unification in the alliance. New member nations were taking in on the grounds of being socially and politically like-minded with the alliance.[36] The way that NATO provided protection to the individual member nation changed from allowing small nations sit and wait for protection into demanding political and practical action from all member states.

Iceland had never been particularly scared of the Russian threat and even had communist parties in government as before mentioned. It therefore has been and remains hard for Iceland to take the Russian threat seriously, meaning that Iceland (in contrast to, e.g., the Baltic States) cannot be motivated to return to the "traditional" NATO role of defending Europe from the East. The fact that Iceland has been positive to bringing in former Soviet bloc states into NATO does not contradict this: while it does not bring Iceland any more security, it can be seen as a "free round" on other NATO members' account since Iceland was not to contribute neither money nor force provisions to their defence.

NATO's recent military actions in the Middle East and Eurasia have been justified by the US, UK and some other Allies as necessary to deal with the menace of terrorism and especially Islamic radicalism. Such concerns are naturally most strongly felt in member states that have problems with terrorism, large Muslim populations and/or other special interests in the regions concerned. None of this applies to Iceland, while on the other hand Iceland cannot contribute to such operations except with very limited numbers of civilian personnel. It is thus easy to understand why Icelandic contributions to the "war on terror" have become

[35] Williams, M. C., & Neumann, Ivar. B. "From alliance to security community: NATO, Russia, and the power of identity". *Millennium-Journal of International Studies* 29, no. 2, 2000: 367
[36] Ibid: 372

an issue mainly in domestic political debate, with some opposing them in principle and also arguing they could invite attacks against Iceland in retaliation. When it comes to the more general non-state dangers that Iceland might be exposed to, including general terrorism, drugs, smuggling and crime, NATO has none of the legal, professional and resource tools needed to fight such asymmetric attacks that might develop within member states and flow between them. These types of threats are national security matters where the police and justice system are in the lead, not something for a military alliance to deal with. In the EU other institutions such as Europol and the Schengen cooperation, in which Iceland is already included, deal with these types of threat.

The Arctic is one place where NATO currently is keeping out, but in any case is an area where broad-based security cooperation more than a military alliance is needed. It is believed to be Canada, a state which itself has strong national interests in the Arctic, which is blocking NATO from actually forming a policy on the Arctic.[37] Nevertheless, NATO is the only security organization that has the capacity to deter, monitor and respond to events in the Arctic where the majority of littoral states are NATO members. This is best done best from mobile platforms such as ships and aircrafts with backup from the current radar installations that serves other NATO purposes: which means that the thought of reopening the US base in Iceland on account of Arctic matters is little more than dramatic speculation. Iceland has in fact formed a policy on the Arctic in which it notes the high potential that lies in the resources in the High North, but also makes clear it feels no further need for additional international institutions to handle the Arctic. The UNCLOS and IMO can handle the legal matters and Iceland will continue to work on strengthening the Arctic Council as the main forum.[38] This means that while positively inclined towards engaging NATO in the Arctic, Iceland is not looking to draw special or additional hard security benefit from its NATO membership in this field. There might, however, be individual cases where Iceland and other NATO members will be able to better coordinate rescue operations due to their common standards in operating.

[37] Alyson J.K. Bailes & Cela, Margrét "Iceland: A State Within the Arctic":6
[38] Jón Ágúst Guðmundsson *Iceland´s Arctic Strategy, Security Challenges and opportunities. (*University of Iceland, Reykjavik, 2010): 99

3.3 Iceland and NATO: recent and current developments

During the short period of the Icelandic Defence Agency's (IDA's) existence, Iceland took a much more direct part in its cooperation with NATO than when the US was handling this on behalf of Iceland.[39] But the IDA has now been closed and the ICG Keflavik department handles the day-to-day part of the business, while policy making that previously was based within the IDA has reverted to the Ministry of Foreign Affairs. The complications and consequences flowing from this have already been briefly noted above. Whereas the link into NATO was clear with the IDA the current situation is very much less so. The administration of the facilities and personnel is now handled by the Icelandic Coast Guard, working under the Ministry of the Interior, while policymaking with regards to the Keflavik facility is again handled by the Ministry of Foreign Affairs. The tactical operations of the Keflavik facility currently answer to NATO's Combined Air Operation Center in Finderup, Denmark, which in fact gives the Keflavik personnel three upper-level authorities to answer to.[40] This division of responsibility can potentially create situations where the leadership at the ICG has made one set of appreciations of the tasks at hand, without knowing the scope of operation at the CAOC or the detailed policy making process going on within the Foreign Ministry.

In sum, in consequence of shutting down the IDA, Iceland no longer possesses one agency through which all NATO contacts are channelled, and which would thus allow Iceland coherently to assess and capitalize on the security areas where NATO has solutions to offer it. Instead, every Icelandic institution that deals with security, soft or hard, needs to make its own search for potential assistance from a relevant NATO authority or centre of excellence and vice versa.

What happened to the IDA was, of course, also a reflection of the on-going and more basic political difficulties. The reservations felt amongst the political elite towards the NATO alliance during the Cold War still exist today. The pre-9/11 NATO was merely a military alliance that should ensure the defence of Iceland in case of the Cold War turning hot. NATO as an alliance was not providing any spill-over effects for Iceland internally, as the US

[39] Jón Ágúst Guðmundsson *Iceland´s Arctic Strategy, Security Challenges and opportunities. (*University of Iceland, Reykjavik, 2010): 93-94

[40] Gustav Pétursson, Powerpoint briefing from NEXUS conference on the formation of Iceland´s security policy on 16th of Janurary, 2012.

defence agreement did through its capital injection and the other assets that were co-located in Keflavik. NATO was thus viewed even by its Icelandic supporters as a distant mechanism with one purpose. The fact that Iceland sat in a large group of nations without any real voice only made the alliance even further detached in the minds of the political elite. This was in clear contrast to the US agreement where Iceland felt it was a partner that had a say and a partner that put something into the relationship and got something real out of it. The social bond with the US was and is a factor that weighs strongly in the balance. Icelanders, although often opposing the way the US impacts upon the world with its actions, also sees a common culture and a friendly place to visit in the US, which is something NATO as an institution will never have.

Within the current government there are radically different opinions on how to proceed with the alliance. The Prime Minister and Minister of Foreign Affairs have both stated that they want the NATO alliance to be Iceland's main facilitator of hard security, while the Minister of Interior, the political authority overseeing the coast guard, wants Iceland to pull out of the alliance.[41][42] As already mentioned, the Minister of Foreign Affairs has promoted the setting up of a committee of parliament members who are supposed to shape a consolidated defence and security policy for Iceland, and this committee is supposed to finish its work by November 1st 2012.[43] Although NATO has changed in the direction of a security community from a pure military alliance, it will never fit into the way that Iceland's more leftist political elements view security policy. The political right for its part has noted the changes in the Alliance but realizes that within Iceland's special agenda, NATO can only provide security within the hard security dimension and can never be a complete answer for Iceland's security needs. Moreover, there is now a clearer price to be paid in return. In the Cold War NATO let Iceland get away with only providing the location for a US force, while the current NATO is not ready to let member states free-ride to the same extent. Whether Iceland does enough for NATO and what the Icelandic political elite can agree on will be of essential significance for Iceland's future within NATO. The current political climate

[41] Össur Skarpheðinsson, Minister of foreign affairs report to Althingi on foreign- and international issues, 2012: 62-63.
[42] http://www.utvarpsaga.is/index.php?option=com_content&view=article&id=4363:oegmundur-vill-ganga-ur-nato&Itemid=36, accessed September 4, 2012.
[43] Össur Skarpheðinsson, Minister of foreign affairs report to Althingi on foreign- and international issues, 2012: 62.

combined with the fact that Iceland currently is without a defence policy makes it very difficult for all parties to figure out what Iceland wants from the cooperation.

4. Conclusion

Roughly 60 years ago Iceland made two defining decisions with regards to its hard security. The conditions for those two decisions have now drastically changed: NATO has turned into a security organization for the Western world and demands more active participation from its members, and the US has analysed its need for an Icelandic base as non-existent. Currently Iceland has been handling its own hard defence in almost 7 years, but has still to form a security policy for the nation as a whole. When the US announced it would withdraw its forces from Iceland it came as a shock for the main part of the political elite. Iceland never understood its true role in the bilateral defence agreement and had the conviction that the US were in Iceland to protect the Icelandic nation. The Icelandic political elite understood only too late that the US deployed its forces to Iceland to cover the Atlantic gap for NATO and not just for the sake of Iceland's defence. The withdrawal was a shock not only with regard to hard defence but also meant that much structural support, such as SAR helicopters and capital revenue, was no longer available for Iceland. When NATO's collective needs changed as a result of technical advances and new focus areas, the US moved its forces to better cover the new needs. When the US forces left Iceland, the defence value of the bilateral agreement based within NATO was radically reduced from Iceland's viewpoint.

The value of NATO to Iceland has also shifted as NATO itself has changed during the last 60 years. Today the Alliance focuses on wars it is running far away from the North Atlantic. When Iceland joined, NATO was the alliance that was to deter the Soviets from attacking through Western Europe. Iceland could sit still and be protected by the other member states that needed Iceland in order to close the gap over the Atlantic. Now, NATO has broadened into a security organization, and in the military dimension focuses on the military response to new threats defined by the largest nations in the alliance. Iceland has currently little need for a military response to its security issues, which mainly lie within the category of soft security. Thus even if NATO retains a hard security function within Europe, it will never be able to solve all the security needs of Iceland. Meanwhile, the current political disagreements with regards to the Icelandic approach to NATO confuse all partners, which - combined with the fragmented interface in between NATO and Iceland - is reducing the productiveness of the Iceland/NATO cooperation.

Being a small state means that Iceland lacks both the motivation and the resources, financial and human, to construct and carry out a grand strategic scheme. It must therefore always act in the international chaos that is influenced by the grand strategic schemes of the large states. When it comes to hard security it is of the utmost importance to know one's own needs and what is an acceptable solution. Iceland now has two agreements stating that the largest nation in the region and the most powerful military alliance will ensure its security in time of crisis. The political elite of Iceland should consolidate its hard security approach and provide a clear and direct access point for its partners in these agreements to interface with. This would leave them the time to construct a full security policy on all the soft security issues where Iceland needs to seek solutions by cooperating with other international institutions and partners.

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