The Development of Icelandic Foreign Policy
From National Interest to Idealism?

Guðjón Örn Sigurðsson

Lokaverkefni til BA-gráðu í stjórnmálafræði

Félagsvísindasvið
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Leiðbeinandi: Svanur Kristjánsson

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Abstract
This dissertation will look at how Icelandic foreign policy has evolved. With the Union Treaty in 1918 Iceland had declared perpetual neutrality. German aggression in the Second World War and British occupation of Iceland showed that in time of conflict the neutrality policy was unrealistic. Iceland’s strategic position in the Cold War meant that it was forced to bandwagon with the Western camp and entrust the US for its defenses. When European integration started Iceland showed little or no interest as membership would have had little or no economic benefits for Iceland. National interest dominated Icelandic foreign policy during the Cold War epoch and Iceland showed little interest in actively participating in international institutions unless it had direct economic or material benefits. Iceland was far more interested in expanding its fisheries limits and to secure markets for its marine products. This has been cited as the main reason for Iceland’s decision to join EFTA in 1970 and in becoming a member of the EEA agreement. Still the political discourse in the country when the EEA agreement was discussed was mainly fixated on the transfer of sovereignty that the EEA agreement entailed. The Icelandic independence struggle is believed to play an important role and to have had a great impact on the foreign policy approach of Iceland.
Preface

The choice of the topic of this dissertation is due to my interest in foreign policy and history. So I thought it was only fitting to combine these interests by analyzing the development of Icelandic foreign policy. This dissertation is written under the guidance of Svanur Kristjánsson and I owe him a debt of gratitude for excellent advises and for pointing me to sources I had no knowledge about and might not even have found without his assistance. I also want to thank Atli Ásmundsson, who worked as Halldór Ásgrímsson’s press secretary during his time as foreign minister. Atli gave me a new perspective on the topic in my discussions with him. Finally I also want to especially thank Unnur Kjartansdóttir for proofreading this dissertation. This dissertation was written in the fall of 2011 at the University of Iceland and accounts for 12 ECTS-credits and is the final step towards my BA degree in political science.
# Table of Contents

Preface .......................................................................................................................... 5  
1. Introduction .................................................................................................................. 7  
2. Theories on International Relations ................................................................................. 8  
   2.1 Realism ...................................................................................................................... 9  
   2.2 Liberalism ................................................................................................................ 10  
   2.3 Constructivism ........................................................................................................ 10  
3. The case of Iceland ........................................................................................................ 12  
   3.1 Iceland ineffectual .................................................................................................... 15  
   3.2 EFTA membership ................................................................................................... 17  
   3.3 EEA agreement ...................................................................................................... 18  
4. The Icelandic independence struggle and its cultural effects ........................................ 23  
   4.1 The Cod Wars: a continuation of the independence struggle .................................. 24  
   4.2 The myth of the Cod Wars ...................................................................................... 26  
   4.3 The 21st century and still the same rhetoric!............................................................ 27  
5. The end of the Cold War and new era in IR ................................................................. 29  
6. Summary ....................................................................................................................... 32  
7. Conclusion ..................................................................................................................... 33  
Bibliography ..................................................................................................................... 34
1. Introduction

This dissertation will go through the background of Icelandic foreign policy. How it evolved from neutrality to Iceland becoming a part of the West’s alliance system. Iceland was a very inactive participant in international institutions unless there were direct economic or material benefits. Iceland’s approach in foreign affairs during the Cold War epoch and in its immediate aftermath was almost entirely based on national interest. It seems to have changed somewhat in the recent year and Iceland has been more willing to participate in international organizations. This paper will try to shed some light on why Iceland remained so inactive and why it opted for the bilateral approach.

The independence struggle is believed to have played a critical role in shaping Iceland’s foreign policy. Ever since Iceland became sovereign in 1918 the fear of losing it has been very prominent in the political discourse. The nationalistic rhetoric of that epoch, both the myths and ideals, have defined the political discourse in the country ever since. The end of the Cold War and collapse of the Soviet Union meant that Iceland lost its strategic importance. Iceland in the immediate aftermath still did not change its foreign policy approach but outside pressure alongside the fact that the foreign-service was considerably enhanced in the middle of the 1990s has resulted in a more idealistic approach in its foreign policy.

The first part of this paper will go through the theoretical literature in International Relations. The Second part will go through the historical background of the Icelandic foreign policy and how securing a market for its fish exports can be seen as the main reason for the European integration it has pursued. The third part will look at cultural explanations and how the Icelandic independence struggle has shaped its foreign policy approach and how the Cod Wars can be seen as a continuation of that struggle. The fourth part will look at the development of the foreign policy approach since the end of the Cold War. Finally the topic is summed up and the writer will make some final remarks.
2. Theories on International Relations

The foreign policy of states has traditionally been believed to be governed by national interest, and based upon narrow analysis of that interest as well as characterized by indifference unless interest is directly engaged. National interest according to the approach of realism is defined by power. Morgenthau, for example, stated in 1972 that: “A Great Power is a state which is able to have its will against a small state.”¹ Such studies are preoccupied with how to measure capabilities. If that is true then all that is to be said about foreign policy was basically said 2500 years ago by Thucydides, the ancient Greece historian, in his analyses of the Peloponnesian War.² Like Thucydides wrote in the Melian dialogue: “the strong do what they have the power to do and the weak accept what they have to accept.”³ His analysis basically means that a small state is unable to exercise its political will, protect its interests and of course, not capable to guarantee its own security.

Even though the traditional great power stereotype of the small state was that of a helpless pawn in world politics; the great powers, on the other hand, were perceived as manipulators of power, the fact remains that neither of these stereotypes hold true. Most great powers have continued to treat small powers on basis of legal equality even when it was inconvenient. Small states have frequently made unwelcome demands of on great powers despite the asymmetric relationship.⁴ In the case of Iceland the Cod Wars represent an obvious example of unwelcome demands by a small state on great powers. But undoubtedly the existence of small states does depend on an international system where their sovereignty is respected by great powers. Thus small states are in a sense dependent on a world system which is based on law and order as well as international cooperation. In effect small states need a stable international system even though they have limited means to influence development within the system.⁵

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2.1 Realism

Realism was the dominant theory guiding the foreign policy of states in International Relations in the Second World War and in its immediate aftermath. States believed they had to ensure their stake in the international system. Especially were states preoccupied with ensuring their relative power vis-à-vis their neighboring states. This competitive environment dominated the relations between the superpowers during the Cold War epoch. Realism depicts international relations as a struggle for power among self-interested states. Realism in general is pessimistic about the prospects of eliminating conflict. The reason for its popularity and influence during the Cold War epoch lies in its simple but powerful explanations for alliances, war, imperialism and obstacles to cooperation.

Realism’s main strength was that it was consistent with the central features of the superpower rivalry during the Cold War. Realism is not a single theory and has evolved considerably. Classical realists like Hans Morgenthau believed that just like human beings states had the same innate desire to dominate others, which leads them to war. By contrast the neo-realist theory that was advanced by Kenneth Waltz ignores human nature and focuses on the effects of the international system. From the neo-realist perspective the international system is based on anarchy and sovereign states possess certain self-interest that guide and dominate their state-to-state relations. Thus accordingly there is no such thing as an international community; all there is are power-politics, balance of power and deterrence.

In general, states seek allies to balance against external threats. When a state starts to possess greater power projection capabilities, nearby countries will start to worry and choose to look for external support. States facing such rising threats would often like to free ride and avoid the costs of balancing it, but often that simply is not possible so states are forced to increase their own defense capabilities and form external alliances to preserve their autonomy and security. In rare cases weak states may be forced to bandwagon with a powerful state. Weak or small states can do very little to affect the outcome of great power rivalry and are in danger of suffering, so they are forced to choose a side, preferably the one that is most likely to win.

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2.2 Liberalism

Liberalism during the Cold War was believed to present the greatest challenge to realism. Liberalism is a broad family of liberal theories. One strand has been particularly influential which maintains that economic interdependence discourages states from using force against one another, because warfare threatens the prosperity of each side. A more recent strand is that international organizations such as the International Monetary Fund reduce selfish state behavior by encouraging cooperation, advocating that states forego immediate gains for the benefits of long term cooperation.\textsuperscript{11}

The liberal institutionalism is by many scholars considered to present the most convincing challenge to neo-realist thinking. The roots of this neo-liberalism are found in the integration scholarship after the end of the Second World War, and regional integration studies of the 1960s. The idea is that states pool their resources and sovereignty in order to create an integrated community to promote economic growth.\textsuperscript{12} Liberal institutionalism thus became the cornerstone of the foreign policy of many states, especially within the economic sector, since the early 1970s. Liberal institutionalism and neo-realism both maintain that the national interests of the state are known and remain the bedrock of their foreign policy approach. Both theories agree that the international system is anarchic. Neo-liberals claim that neo-realist minimize the importance of globalization, interdependence and the regimes created to manage those relations, while neo-realist claim that neo-liberals minimize the importance of state survival as the primary goal of each state.\textsuperscript{13} Even though some liberals believed that new transnational actors, especially multinational corporations were diminishing the power of states, liberalism still sees the states as the primary actors and central players in international affairs. All liberal theories imply that cooperation is more pervasive than all strands of realism.\textsuperscript{14}

2.3 Constructivism

Both liberalism and realism failed to anticipate the end of the Cold War and had great difficulties in explaining the collapse of the Soviet Union. That, on the other hand, legitimized constructivism especially because it offered an explanation for the event. The explanation

\textsuperscript{13} Steven L. Lamy, 2008, p. 133.
being that Gorbachev had revolutionized Soviet foreign policy on the grounds of ideas such as common security. The constructivist approach emphasizes ideas and how identities are created. Building on the premises that we now live in a world where old norms are being challenged and issues of identity are becoming more salient. From that point of view it matters for example whether Europeans identify themselves in national or continental terms.\(^\text{15}\)

One of constructivism’s main strengths is that it does not presume that national identities remain static but are dynamic. The idea is that the Cold War ended due to change of morality.\(^\text{16}\) Constructivism emphasizes the importance of discourse analysis, values, norms, identity and the effect of social relations unlike liberalism or realism that believe state interest to be of all importance. Constructivism points out that the increased interdependence and the greater depth of the international society has had an impact on the identity and interest of states. States and nations seem more willing than ever before to come to the assistance of those less fortunate. This is nearly impossible to explain through the realist or liberal institutional approaches. Except if states believe it is in their own self-interest to try to export democracy and human rights for they believe it to be directly linked to their own security.\(^\text{17}\)


3. The case of Iceland

During the formative period of the political system in Iceland in the early twentieth century, Iceland did not have any official foreign policy and no foreign service of its own. The only issues in foreign relations that were mentioned were calls for greater autonomy from Denmark and the marketing of fish and agricultural products. These remained the only primary concerns of Icelandic foreign policy even after sovereignty was obtained in 1918. With the Union Treaty in 1918, Iceland was granted the power to formulate its own foreign policy that Denmark would continue to administrate as long as the treaty remained in force. There was no Icelandic foreign service until 1940, except for one ambassador in Copenhagen. An Icelandic foreign ministry was only first established after the German occupation of Denmark.  

Iceland had declared its “perpetual neutrality” after having negotiated the Union Treaty in 1918. The policy of neutrality was almost entirely based on the belief that the country possessed no strategic value and that it was indirectly protected by British naval power in the Atlantic Ocean. In the first decades since becoming sovereign it relied upon its geographical isolation and hoped that principles and ethics in international relations would ensure its autonomy and security from external threats. By declaring neutrality many believed that Iceland would remain safe as long as the country would not get involved in international affairs and thus not necessary to take more steps in that direction. The Occupation of British forces in the Second World War showed that not to be the case.

The Second World War did not affect Iceland like many other European nations. Iceland actually became wealthy, price of fish rose sharply and the presence of the British but particularly the American army significantly stimulated the domestic economy. In 1941 the US government requested that Icelandic authorities ask for their protection, even though the Icelandic government refused to formally do so they still allowed US military forces to come to Iceland with several stipulations. In effect it meant that the Icelandic government agreed to entrust the United States with the defense of the country. The Icelandic government refused it had abandoned its policy of neutrality but German aggression again...
de facto meant that the American presence was welcomed. The British and the Americans guaranteed security and external trade. The military occupation treaty stipulated that the US would protect Iceland’s interest with all means necessary, including a guarantee that Iceland would suffer no shortage of basic commodities. The American presence enabled Iceland to obtain plentiful American imports at a time of severe shortages elsewhere in Europe, which can be seen in that before the Second World War the total import from the US was less than 2% but in 1944 it had reached 65%. A new era of unprecedented prosperity began in the midst of a destructive war. In fact it transformed the economy, even though it still remained restrictive and unsophisticated.

Before the Second World War ended in Europe, American officials had told Ólafur Thors, then prime minister, the future arrangement they envisaged. They told him that they wanted to rent three military facilities for a long period of time. At the time, the US had become the dominant superpower and had no intentions of leaving Iceland. They had taken over Britain’s role as the ruler of the seas. Ólafur Thors was adamant that they tell not a single soul about those plans especially not until after the election in the next year. In the election campaign the following year which was characterized by highly nationalistic discourse and had the effect that all three of the democratic parties pledged never to agree to military presence during peacetime. The presence of over 50,000 allied soldiers in the country during the Second World War, a number almost equal to half the population, clearly put a pressure on the small and geographically isolated community. The small size of the population made Icelanders highly sensitive to any possible threats to their national identity and independence.

Ólafur Thors, on the other hand, did not want to alienate the Americans and threaten Icelandic trade relations with the US as there was immense economic and material interest on the line. He declined their wishes for military facilities but did not want to completely terminate the relations between the countries like the Socialists were resolute to do. So the result was the Keflavik agreement that he believed was in the country’s best interest even

though it brought about the collapse of his government. The agreement came into force in October 1946 and it stipulated that the Keflavik Airport would be in Icelandic ownership but the US would run it and pay for the costs and in return they would be allowed to use it for transportation of military equipment and personnel. Within six months all American military personnel were to leave the country and, in turn, civilians would take over all of the operations. This agreement entailed no defense guarantees neither for Iceland nor the Keflavik facility, it was simply a transport facility but it also meant that there would be considerable presence of American personnel and, if necessary, they could return within short period of time.

In 1949 Iceland became one of the founder nations of NATO, and formally abandoned its non-alignment policy. The strategic importance of the country located in the center of the so called GIUK (Greenland-Iceland-United Kingdom) gap made the country pivotal in the US and Western European defense network. The importance of Iceland can be seen in that from the end of the 1940s until the early 1960s Iceland received more economic aid from the US than any other country when compared with GDP per capita. The strategic importance of the country also meant that it could not stake its survival on neutrality. The limited resources and lack of manpower meant that Iceland was never going to be able to defend the country on its own if conflict would break out between the superpowers.

To further ensure the national security, Iceland made a bilateral defense agreement with the US in 1951, the agreement was made on the basis of the North Atlantic Treaty and the US took formal responsibility for the defense of Iceland on behalf of NATO. The road from neutrality was not as simple as it might appear in retrospect. These landmark decisions to join NATO and allowing US military forces to return to Iceland was not the intention of the government that was formed early in 1947 by the three non-Communist parties. The government had no intention when it came to matters of security to go beyond the Keflavik agreement. When for example Iceland joined NATO they put the provision in that under no circumstances would foreign military or military bases become stationed in Iceland during

peace times. If conflict would break out the Allied nations would have to make a request for a facility and it would be up to the Icelandic officials themselves at which time such facility would be offered.\textsuperscript{37} Even when the US military forces returned to Iceland in 1951 it was justified as a short term arrangement.\textsuperscript{38}

So from the theoretical perspective Iceland decided to bandwagon, i.e., join alliances where the strongest states in Iceland’s geographical proximity are concerned.\textsuperscript{39} The collapse of the Soviet Union shows that it chose the right side or the winning side.

\subsection*{3.1 Iceland ineffectual}

According to the famous political scientist, who is associated with neo-liberal institutionalism Robert O. Keohane, states can be categorized into four different groups; \textit{system-determining} where a state plays a critical role in shaping the system; \textit{system influencing} states that cannot individually dominate the system but have considerable influence; \textit{system-affecting} states that have no hope of affecting the system alone but can have a significant impact through small groups. And finally are \textit{system-ineffectual} states that cannot influence the system unless they are a part of a very large group so that the state only possesses minimal influence.\textsuperscript{40} Iceland would undoubtedly then fall within the category \textit{system-ineffectual} in so far as the political leaders in Iceland have in the past thought that Iceland could not affect the international system.

Iceland for example was a very inactive participant in the Bretton Woods institutions (IMF and World Bank) that were established in the aftermath of the Second World War to manage global economic and trade issues, it did not even seek to join GATT.\textsuperscript{41} Also within NATO Iceland remained very inactive, so much that the Americans especially asked the Icelandic government to step up and become more involved.\textsuperscript{42} There were almost no discussions in Iceland about the European Coal and Steel Community (ECSC), but then again it would have had little or no impact for Iceland’s exports, which consisted almost entirely (92.3\%) of marine products. For the Icelandic government the extension of the nation’s fisheries limits was a matter of far greater importance; it was extended for the first time in 1952. The

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government showed the foundation of the European Economic Community (EEC) similarly in 1957 almost no interest as well.\textsuperscript{43} The attraction of the European integration was felt less strongly in the middle of the Atlantic than on the mainland of Europe where the old battlefields of the Second World War are located.\textsuperscript{44}

A history of isolation and security of distance can in some respect explain Icelanders reserve towards international relations. The general feeling of powerlessness associated with an extremely small population may explain the reason why they see little point in getting involved with the politics of the greater powers on the international stage.\textsuperscript{45} It is a sentiment that traditionally seems to be very prevalent among the public and a big part of the political elite in Iceland. The reason for the bilateral approach is that Icelandic officials seem to believe that they can only have a minimal influence within international institutions. Maybe more importantly the bilateral approach has worked well in the past and usually resulted in the outcome that the Icelandic officials were hoping for.

For example, Iceland gained more self-determination in domestic affairs through bilateral negotiations with Denmark, first with Home Rule in 1904 and sovereignty with the Union Treaty in 1918, without any involvement of international institutions. The republic was founded by unilateral declaration of the Icelandic government despite the opposition of the Danish government.\textsuperscript{46} Most importantly independence was secured through bilateral negotiations when the Icelandic government got the US to pledge full support for Icelandic independence in 1941. Franklin D. Roosevelt then President of the United States declared Iceland a completely free and sovereign state.\textsuperscript{47} The bilateral relationship between the US and Iceland that many Icelandic politicians put a great emphasis on during the Cold War epoch was cemented in August 1944. President Sveinn Björnsson and Vilhjálmur Þór, then foreign minister, went to the US to meet President Roosevelt in a formal state meeting. During that one week visit the two Presidents built the foundation of the bilateral approach that would characterize Icelandic foreign policy relations ever since in economic, security and defense issues.\textsuperscript{48}

\textsuperscript{43} Valur Ingimundarson, 1996, p. 23.
\textsuperscript{44} Valur Ingimundarson, 1996, p. 158.
\textsuperscript{45} Gunnar Helgi Kristinsson and Baldur Thorhallsson, 2004, p. 151.
\textsuperscript{47} Svanur Kristjánsson, 2001, p. 7.
\textsuperscript{48} Svanur Kristjánsson, “Forseti Íslands og utanríkisstefnan,” in Ritið 5, nr. 2 (2005), 153.
Iceland followed a realist foreign policy when it came to export of fish and securing market for its exports. The creation of the ECSC or the EEC, were neither seen as serving Icelandic interests. Iceland showed no interest whatsoever in taking part in these organizations, but then again neither did the states that created them show any interest in Iceland. Still government officials in Iceland were wary of the possible constrains that deeper European integration might have on fish exports. When Britain, Norway, Denmark and Ireland applied to join the EEC in 1961, it was believed to have serious negative consequences for the Icelandic economy as they represented Iceland’s most important trading partners so Iceland started to consider applying for membership. The Icelandic economy was still characterized by restrictions and the government was still not willing to liberalize the economy to full extent by opening it up to imports of industrial and agricultural products. So Iceland applied for associate membership, without knowing what that would entail. France’s veto which prevented Britain from joining put Iceland’s associate membership on ice. The country’s economy was flourishing and the government sought to limit the impacts of higher tariffs by taking full part in GATT.

3.2 EFTA membership

EFTA was formed in 1959 by non-EEC countries under British leadership. Fishery disputes between Iceland and Britain resulted in that Iceland was not invited to join. In 1965 Britain looked to Iceland and Ireland as a means to strengthen EFTA and negotiations for membership started. Iceland’s aim was to secure tariff-free access to European markets without having to grant fishing rights in return and to make a free-trade agreement with the EEC. Iceland’s aims were mostly secured. Most importantly was that Iceland managed to get a free-trade agreement with the EEC which was signed in 1972 and included most marine products.

In the early 1970s when Norway and Denmark applied for membership of the European Community (EC), Iceland did not even consider the possibility. From the middle of 1980s, the Icelandic government became increasingly worried that the completion of the single market

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would seriously jeopardize Icelandic interests. It joined the negotiations leading to the signing of the EEA Agreement in the hope of securing better market access to its fish products and in order to ensure the benefits gained by the existing free-trade agreement with the EC. The EEA agreement is thought to have secured Icelandic interests, access to European markets with limited tariffs without having to sacrifice direct control in the economically important fishing sector.54

3.3 EEA agreement

The Single European Act (SEA) was designed to launch a single-market program. It was the first major treaty change in EC’s history. The intergovernmental conference that brought it about began in 1985 and ended in the beginning of the year 1986.55 The signing of the SEA stems from the discontent of EC’s members with barriers that prevented complete free trade. So the idea was to harmonize laws and resolve policy discrepancies.56 The Commission sponsored research where the costs of fragmented Europe were analyzed due to market barriers. The research looked at the financial costs to firms of the administrative procedures and delays associated with customs formalities, the opportunity costs of lost trade, and the costs to national governments due to customs control.57 The single market was to deal with these issues and that was the reality that the countries making up EFTA were facing at the time. In an effort to minimize the possible negative consequences of the single market project for outsiders of the EC, Austria, Finland and Sweden had in the mid-1980s started to adopt parts of the acquis communautaire - the full body of EC treaties, laws and jurisprudence.58 The adoption of the SEA thus extended the policy coordination of the four freedoms - or the free movement of people, capital, goods and services.59

Around that time the Icelandic government became increasingly worried that the completion of the single market would seriously jeopardize Icelandic interests.60 Iceland had already encountered higher import duties on its marine products since Spain and Portugal had

56 Auðunn Arnórsson et. al., Ísland og Evrópusambandið: EES, ESB abild eða „svissnesk lausn“?, (Reykjavík: Institute of International Affairs and the University of Iceland Press, 2003), 43.
57 Desmond Dinan, 2005, p. 112.
58 Desmond Dinan, 2005, p. 137.
60 Baldur Thorhallsson, “Partial engagement,” 2004, p. 64.
become members of the EC in 1986. EFTA states thus started to call out for a role in formulating the single market policies that would directly affect its members. The EC refused the request so number of EFTA countries started contemplating joining the EC. The EC was uninterested in further enlargement at the time, it wanted to finish the single market project and there was at the time an enlargement fatigue after the recent Iberian enlargement (Spain and Portugal). Jacques Delors the Commissions president at the time, hoping to thwart applications proposed a new form of association with common decision making and administrative institutions. This was the origin of the European Economic Area (EEA), a huge integrated market encompassing twelve EC members and seven EFTA members, representing 40% of global trade, making it the world’s largest commercial bloc. Even though it was originally meant as a way to avoid further enlargement it really only became a waiting room for accession to the European Union (EU). Icelandic interests had already been jeopardized so economic reasons can be seen as the main motivation for Iceland’s application of the EEA agreement.

Other factors play a role as well, to make it clear the first steps towards EEA membership were taken under the government of the Progressive Party, the People’s Alliance and the Social Democrats. It seems clear that Iceland was committed to show solidarity with the other EFTA countries, also the Social Democrats’ strong position on the issue also played a critical role. After the parliamentary elections in 1991 the Social Democrats felt that they could neither trust the Progressive Party nor the People’s Alliance when it came to the EEA agreement. This should come as no surprise, because during the election campaign prime minister Steingrímur Hermannsson, the leader of the Progressive Party, strongly hinted that neither the Social Democrats nor the Independence Party could be trusted to keep Iceland out of the EC, which was epitomized in the Progressive Party’s slogan before the parliamentary election in 1991 – XB not EB. After a statement that Davíð Oddson, leader of Independence Party, had made; that there should be a referendum on EC membership when the time came it was on the agenda, the prime minister responded by saying that the parliamentary election on

62 Desmond Dinan, 2005, p. 137.
64 Gunnar Helgi Kristinsson, 1996, p. 155.
April 20th 1991 was effectively a referendum on an EC membership. The People´s Alliance campaigned as well against membership even though both the Social Democrats and the Independence Party had made no attempts to argue in favor of EC membership and vehemently denied any such accusations. So after the election the Social Democrats and the Independence Party formed a new coalition government.

The EEA agreement thus represented a great opportunity for Iceland to guarantee its economic interest. Still the prospect or idea of EC membership was off the table. At the time all Icelandic political parties were technically against membership, although the Social Democrats had increasingly argued in favor of membership. At their party conference in June 1994 they adopted the policy that Iceland should aim at full membership of the EU. That represented a very important step as no other political party in Iceland had ever before supported membership.

Gunnar Helgi Kristinsson professor in political science at the University of Iceland has maintained that the issue of EU membership in the other Nordic countries has been elite driven in the sense that membership has always been more popular among the political elite than the public. Kristinsson claims that in Iceland it has been exactly the opposite citing Gallup Surveys and Social Science Research institute surveys from 1989 to 1996. In that period support for membership was far greater among the public than among the MPs and the political elite. In this case it is fitting to give Kristinsson the word:

The elitist character of the opposition to membership in Iceland is easily comprehended against its sociological background. The Icelandic power structure was molded in an earlier period, characterized by the political domination of the regions, strong nationalism and very strong interest organizations in agriculture and the fisheries. This is also the main political basis for opposition against membership of the European Union.

The fact is that Iceland´s acceptance of the EEA agreement was a very controversial issue, despite the fishing sector´s preference. The agreement divided the parliament and even the

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Independence Party itself to a small extent. Despite that the parliament voted in favor of the EEA agreement. When the EEA agreement legislation was sent to President Vigdís Finnbogadóttir for ratification she faced immense pressure, roughly 34 thousand people had signed a petition that was handed to the President asking her to invoke article 26 of the constitution and allow the electorate to vote in a referendum on the issue. The president feared that a referendum could end up in a vote of confidence on the government, people would thus vote either in support of a popular president or the government that was very unpopular at the time hovering around 30% support in public opinion polls in the beginning of the year 1993. The president thus feared that the result of the referendum would not be based upon objective reasoning.

The president also said that a major influence on her decision was that President Sveinn Björnsson in 1946 had refused invoking article 26 and send the Keflavik agreement to national referendum after receiving petitions from the public. The president Sveinn Björnsson at the time claimed that the constitution did not permit that kind of interference by the office of the president. Svanur Kristjánsson professor of political science at the University of Iceland has pointed out that the interpretation of President Vigdís Finnbogadóttir had a fundamental flaw because the Keflavik agreement was passed as a simple resolution by Alþingi, it was not passed as a bill thus the President could not, even if he would have wanted to, been able to invoke article 26 at the time. But one has to keep in mind that President Sveinn Björnsson always believed that the policy of neutrality would not guarantee Iceland´s security. His opinion was that a comprehensive cooperation between Iceland and the US in economic and security matters was the best way forward. So even if he would have been able to invoke article 26 it is by no means certain that he would have.

Guðmundur Hálfdanarson, a history professor at the University of Iceland, has employed the famous sociologists Zygmunt Bauman´s definition on sovereignty. According to Bauman´s definition sovereignty rests upon a tripod. Like Bauman wrote:

An effective order-making capacity was unthinkable unless supported by the ability to defend effectively the territory against challenges of other models of order, both from outside and inside the realm; by the ability to balance the books of the Nationalökonomie;

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71 Svanur Kristjánsson, 2005, p. 165.
72 Svanur Kristjánsson, 2005, p. 165-166.
and the ability to muster enough cultural resources to sustain the state’s identity and distinctiveness through distinctive identity of its subjects.\textsuperscript{74}

So the reason for Iceland’s acceptance of the EEA agreement according to Hálfdanarson is probably due to the same cause that had led Iceland into NATO during the Cold War epoch. Joining NATO and trusting the US for its defense, was the result of Iceland feeling it was unable to ensure that part of sovereignty that entails protecting its civilian population from external threats.\textsuperscript{75} So the argument goes that in order to protect its economic autonomy Iceland was compelled to surrender a part of its sovereignty. By that he means that without unhindered access to the European market the Icelandic economy would have suffered greatly and without strong economy and high standard of living the concept of sovereignty would mean little.\textsuperscript{76}

Icelandic interests had already been jeopardized so economic reasons can be seen as the main motivation for Iceland’s application of the EEA agreement. Iceland’s membership guaranteed tariff free access to the common market for over 96% of its fish exports.\textsuperscript{77} But the political discourse in the country was mainly fixated on the transfer of sovereignty that the EEA agreement entailed and that brings us to the next chapter which deals with the concept of culture and its effects.

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\textsuperscript{75} Guðmundur Hálfdanarson, 2007, p.126.
\textsuperscript{76} Guðmundur Hálfdanarson, 2007, p. 131.
\textsuperscript{77} Baldur Thorhallsson, 2010, p. 203.
\end{flushright}
4. The Icelandic independence struggle and its cultural effects

Among academics the approach of seeing nations or nationality as ancient social or cultural phenomenon has been on the retreat. Such theories build on the belief that it is the inherent trait of social units to unite as nations on the grounds of language, religion, culture, and pre-existent kinship. Anthony D. Smith who is considered one of the founders of the interdisciplinary field of nationalism studies has defined the term nation as: “a named human community residing in a perceived homeland, and having common myths and a shared history, a distinct public culture, and common laws and customs for all members.” Anthony D. Smith has tried to bridge the gap between traditional and modern view of nationalism by employing ethno-symbolism. He believes that nationalists in the nineteenth and twentieth century did not only use in their discourse the real cultural heritage and national symbols from the past but also reinterpreted mythologies and historical events in the quest to enhance the national social and cultural bonds of the people. In the independence struggle and the Cod Wars Icelandic history was used as an effective weapon.

Ever since Iceland became sovereign in 1918 the fear of losing it has been very prominent in the political discourse. The fear can partly be attributed to people’s perception that Iceland had been free and independent from settlement in the year 874 until the Old contract was signed in 1262. According to the myth, that event marks the date when the nation lost its freedom due to incompetent leaders, resulting in six centuries of humiliation, misery and destitute for the people of Iceland. Even though neglected at the time it has to be emphasized that from the 1450s until the nineteenth century there was a climate period that has been called the “Small Iceage” which significantly attributed to the misery and destitute that prevailed in Iceland. One of the reasons that have been cited for Iceland becoming part of the Norwegian Kingdom was that it would guarantee annual supplies to the country.

For the people of Iceland the myth of the Icelandic golden age (874-1262) was used in the independence struggle and it was emphasized how the Icelanders had enjoyed freedom for the first centuries. The promise was that independence would bring about development and bright
future if the people would be willing to fight for the just cause. The independence struggle thus emphasized the Icelandic identity of the Commonwealth years. Even though the idea that Iceland constituted a special nationhood only came into existence in the period 1830-1850. It was important at the beginning of the independence struggle to create a consciousness of belonging to the nation by employing the concept of the golden age. Even though the reason for the Old contract is disputed among historians it still played a vital part in the discourse of the nationalists in the nineteenth and twentieth century first and foremost against the Danish and later by the Socialists fighting against American influences in Iceland.

Icelandic politics were founded during the struggle for more self-determination in its own affairs and later for full independence, from the late nineteenth century to the early twentieth century, and the nationalistic rhetoric of that epoch, both the myths and ideals, have defined the political discourse in the country ever since. It has always been a sensitive issue for Icelandic politicians to promote anything that seems to compromise Icelandic sovereignty as the political discourse compels them to fervently guard it.

The traditional view in Iceland is that the independence of the country was gained by Icelanders themselves, through their own initiative and determination, but also without outside help. Legal disputes between Iceland and Denmark that went on for over 100 years in the independence struggle have also contributed to how the foreign policy of Iceland has been conducted after it became a republic in 1944. Iceland has traditionally preferred the bilateral approach in its foreign relations and has not hesitated in taking a resolute position when it comes to issues of great national interest. The extensions of the fisheries limit and the negotiations that followed are a good example.

4.1 The Cod Wars: a continuation of the independence struggle

The ideology that Iceland and only Icelanders should control the land and the sea can be traced directly back to the independence struggle. The fighting spirit of the independence

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85 Eiríkur Bergman, 2009, p. 327.
86 Eiríkur Bergmann, 2009, p. 326;
89 Baldur Thorhallsson, 2007, p. 113.
90 Baldur Thorhallsson, 2007, p. 113-114.
struggle gave momentum to politicians when they extended the fisheries limits unilaterally.\textsuperscript{91} However the presence of the US military base in Iceland cannot be overlooked as it undoubtedly was a decisive factor in Iceland’s success in extending the fisheries limits to 200 miles. Even though the Americans always refused to get directly involved in the conflict between Iceland and Britain and always looked at the territorial disputes and the defense agreement as two separate issues.\textsuperscript{92} Britain and other European fishing nations hesitated in the use of force due to the US government’s and NATO ’s concerns about the future of the military base in the country.\textsuperscript{93}

The British government, for example, gave direct orders to the navy that under no circumstances were they allowed the use of force unless in self-defense. The political gain of using force for a momentary victory would be far outweighed by the damage that it would cause. The fact that the conflict happened in the middle of the Cold War also meant that “little Iceland” enjoyed sympathy from other nations.\textsuperscript{94}

For the Icelandic people it can be said that the Cod Wars represented a continuation of the independence struggle. The struggle united the nation in the belief that the natural resources in and around the country belonged indisputably to the nation and that foreigners have no hesitations in exploiting the nation’s resources if given the chance.\textsuperscript{95} One could say that full independence was only achieved de facto in 1976 after the final Cod War. The main argument was that Iceland had never succumbed to foreign power and that any politician that would have been willing to back off in the conflict was in danger of being labeled a national traitor.

Eiríkur Bergman, a prominent Icelandic scholar in European affairs, captures well how the struggle for independence and the consequent Cod Wars have formed the ideology of the independent nation:

In the Independence struggle in the nineteenth century the peasant became a sign of the independent Icelandic nation, but with the increasing importance of fisheries, the seaman gradually took over as the representative of the sovereign Icelandic nation state. Icelanders fought the British in the so-called Cod Wars to gain control over their fishing resources around the country and since independence the fish industry has been the

\textsuperscript{91} Baldur Thorhallsson, 2007, p. 119.
\textsuperscript{92} Valur Ingimundarson, 2002, p. 353.
\textsuperscript{95} Eiríkur Bergmann, 2009, p. 92.
most important sector of the economy and has surely been the foundation of Iceland’s economic independence. The nation and the seaman are then intertwined in fisherman’s folksongs that represent the patriotic Icelander. The fish in the sea and the fisherman are in this respect a sign of the independent Icelandic nation.\textsuperscript{96}

4.2 The myth of the Cod Wars

The historian Guðni Th. Jóhannesson has written how Icelanders have created the myth about the Cod Wars which is very much in line with Anthony D. Smith’s ethno-symbolism. It is used as an example of how a small nation can protect its interests and that it serves as a source of pride. The myth is used to highlight the common background of the people as a nation and serves as an example of its excellence and its past achievements. The myth survives because everyone wants to believe in it; of course it is not blatant forgery but rather based on half-truths.\textsuperscript{97}

According to the myth the legal side was always on Iceland’s side and Icelandic public officials had a huge impact on the development of the United Nations Convention on the Law of the Sea (UNCLOS). Even though there was a disagreement about methods to extend the fisheries limit Icelanders were always united in spirit about the final goal and stood against their adversaries united. The myth also entailed that the British had no hesitation to use force and secretly conspired to sink the Icelandic coast guard ships; also finally that the bravery and cunningness of our coast guard personnel played a critical role as well as the resolution of Icelandic politicians.\textsuperscript{98} The discourse during the Cod Wars was that we Icelanders were under direct threat from the others, meaning foreigners. The British were the enemy, but the anger was also directed at other nations such as the Americans for not protecting Iceland, NATO for not intervening, the International Court of Justice in Hague for siding with the British and the West Germans in the conflict and other Nordic states for not siding with Iceland in the Cod Wars”.\textsuperscript{99}

However, the fact is that Iceland was more of a follower than a leader when it came to UNCLOS. The reason that the nation’s fisheries limit was expanded from 3 to 4 nautical miles in 1952 was due to a verdict by the ICJ ruling on a conflict between Norway and Britain about territorial waters in north of Norway which had nothing to do with Iceland. At the same

\textsuperscript{96} Eiríkur Bergmann, 2009, p. 336.
\textsuperscript{98} Guðni Th. Jóhannesson, 2008, p. 458.
\textsuperscript{99} Valur Ingimundarson, 2001, p. 341.
time several South American states had already demanded a 200 nautical mile territorial waters. In 1958 Iceland expanded its territorial waters to 12 miles but at the time the Soviet Union and China had already done so. It was though obvious after the first UNCLOS convention that the international community was not willing to accept the small territorial waters that Britain and other major powers in the West preferred.\textsuperscript{100} The extension of Icelandic fisheries limits had thus no major effect on the development of the Law of the Sea. In 1972 it was expanded to 50 miles but states in Africa and Asia had already expanded theirs in the years before. It had become evident that the 200 mile jurisdiction was imminent at that time. The decision in Iceland to expand its territorial waters to 200 miles had little impact on the third UNCLOS convention which was ongoing from 1973-1982 and Iceland´s contribution in the convention was minimal as well.\textsuperscript{101}

4.3 The 21\textsuperscript{st} century and still the same rhetoric!

When the EEA agreement was being discussed it followed a similar rhetoric, fear of foreigners and distrust towards the EC. The discourse that was so evident in the independence struggle and the Cod Wars seems to be deeply rooted within the Icelandic psyche. When the EEA agreement was being discussed politicians hinted that Germany might buy all the banks. Others believed that cheap foreign labor would steal jobs from Icelanders. Some even suggested that the nation would lose its language, culture and independence in a short period of time. Those who went furthest spoke of betrayal and high treason and when the EEA agreement was ratified by the parliament one MP said that if a Dane would hold the highest position within the EC we would be indirectly under their rule once more.\textsuperscript{102} The sovereignty thus became the central argument of those who opposed membership of the EEA agreement.

The discourse that was so prominent during the Cod Wars was also very much similar in the Icesave dispute, only with minor changes. Instead of the ICJ siding with West Germany and Britain all one has to do is substitute the Netherlands for Germany and the EU for the ICJ. The foreign minister of Iceland, Össur Skarphéðinsson, said for example that support among the Icelandic public for EU membership had increased steadily until the EU sided with Britain and the Netherlands in the Icesave dispute.\textsuperscript{103} The Nordic countries were criticized for not

\textsuperscript{100} Guðni Th. Jóhannesson, 2008, p. 459.
\textsuperscript{101} Guðni Th. Jóhannesson, 2008, p. 460.
\textsuperscript{102} Valgerður Sverrisdóttir, “Ávarp og setning ráðstefnumar,” in Ný staða Íslands í utanríkismálum: Tengsl við önnur Evrópuþýð, ed. Silja Bára Ómarsdóttir, (Reykjavík: Centre for Small State Studies, Institute of International Affairs and the University of Iceland Press, 2007), 11.
\textsuperscript{103} KÓÞ, “Afstaða ESB til Icesave dró úr áhuganum,” Fréttablaðið 7. október 2010. Available online: http://timarit.is/view_page_init.jsp?issId=323777&pageId=5085162&lang=is&q=Icesave%20og%20ESB%20og
siding with Iceland, all the EU member states including the Nordic stood by Britain which delayed much needed external assistance after the 2008 financial crisis. On the front page of the *Morgunblaðið* on October 16th 2008 it said that Iceland, at a NATO meeting, pressed a formal complaint against Britain for putting the Icelandic Central Bank and Ministry of Finance on a terrorist list, something that had not happened since the Cod Wars, literally a repeat of history.

Like Guðni Th. Jóhannesson has pointed out, the allegation of treason has been employed repeatedly in political disputes in Iceland. It started with the first concerted efforts to obtain increased autonomy from Denmark in the second half of the nineteenth century. The word treason has developed into a general term of abuse because it has been used so prominently and systematically and has been diluted which has been so clearly demonstrated during the ongoing debates about Icesave and the EU.

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5. The end of the Cold War and new era in IR

The idea that Iceland should only be active in international organizations if there is a direct material or economic benefit has since the mid-1990s started to weaken. Since then Iceland has been much more active within international institutions like the Council of Europe, NATO, the UN and the World Trade Organization. On the other hand, the belief still remains among many people in Iceland that if the country becomes a member of the EU it will be unable to protect its interests or have any real influence. Iceland historically has always been far less active internationally than the other Nordic states. The small size of the foreign-service and the fact that politicians put little emphasis on international activity greatly restricted Iceland’s capacity. But why did Iceland suddenly become far more active? The end of the Cold War meant that Iceland lost its strategic importance and outside pressure for greater involvement grew considerably.

Despite greater pressure from outside forces, Iceland in the immediate aftermath of the Cold War did not change its foreign policy approach. The main emphasis was still to protect its territorial security and in effect there was little dialogue in the country about the concept of security and what that entailed. Iceland’s contribution to development assistance was minimal as it was perceived that it would have no effect on Iceland’s own self-interest to work with developing countries that were distant and poor. It is not until around the new millennium that constructivism begins to affect the foreign policy of Iceland which some scholars have linked to the decision to run for a seat in the UN Security Council.

The decision made in 1998 to run for a seat for the period 2009-2010 proved that Iceland was ready to bear the administrative cost of participating in the election. Public opinion did not support the campaign, in 2005 only 27.9% of the public supported the bid for a seat. The campaign was very controversial in Iceland among the public, media, parliament and even within the government, for example, in April 2005 the foreign minister at the time, Davíð Oddson, said that he was very skeptical about Iceland’s prospects and that he thought the

110 Ministry for Foreign Affairs, Skýrsla um framboð Íslands og kosningabaráttu til sæti í öryggisráði Sameinuðafjöðanna 2009-2010 (Reykjavík: Utanríkissráðuneytið, 2009), 27.
financial cost of the campaign was simply too great.\footnote{Ministry for Foreign Affairs, 2009, p. 11.} Domestic critics pointed at Iceland´s inexperience in security and defense issues, that the campaign was simply too expensive, with no benefits, and that Iceland would simply become a puppet of the US in the council.\footnote{Ministry for Foreign Affairs, 2009, p. 27.} So despite greater involvement, there still seems to be a prevalent sentiment among many Icelanders that the country has no business getting involved in the great power politics if there are no direct benefits.

Iceland´s more active role within the international community can also be explained by the fact that from the middle of the 1990s Iceland considerably enhanced and strengthened its foreign-service. A good example of the new administrative capacity is that in 1999 Iceland took the Chairmanship of the Council of Europe for the first time. The chair rotates between member states but Iceland in the past had refused the chair on the grounds that Iceland did not possess the administrative capacity for the position.\footnote{Baldur Thorhallsson, “Shackled by smallness,” 2004, p. 178.}

Iceland has traditionally not been an active participant within UN institutions that are involved in development issues. The only exception is the Food and Agricultural Organization (FAO) but that can be traced to direct economic benefits and not to the role of the organization´s development assistance.\footnote{Baldur Þórhallsson, “What features determine small states’ activities in the international arena? Iceland’s approach to foreign relations until the mid-1990’s,” in Stjórnmal og Stjornsýsla 1 (2005), 126.} Reports issued in 1997 and 2003 by the Ministry for Foreign Affairs stated that Iceland had only taken incremental steps in enhancing its expertise and contributions in development aid. The importance Iceland attaches to the work of the IMF and lack of interest in the World Bank is a clear indication that direct economic benefits are a prerequisite for an active involvement in Iceland´s case. In 2003 the Icelandic government was encouraged to take more active part within the group of Nordic and Baltic countries in the World Bank group. Iceland´s development aid has been considerably lower compared to GDP within the OECD; all other member states contributed a greater portion to development aid in 2001 with the exception of Italy and the US.\footnote{Baldur Þórhallsson, 2005, p. 127.}

Iceland´s development aid increased steadily between 2000 and 2008 when it peaked at 0.37\% Gross National Income (GNI). For the year 2011 it is estimated to be 0.21\% of GNI, the Foreign Ministry maintains that due to budgetary constraints, reduction in development aid could not be avoided. The plan is to gradually increase the development aid up to 0.28\%
by 2014.\textsuperscript{116} So Iceland is still lagging behind when it comes to development issues. Iceland currently spends a greater portion of its GNI than Korea, Greece, Italy, Japan and about the same amount as the United States, but the EU average is considerably higher or 0.46% in 2010. The countries that Iceland is traditionally compared to or the other Nordic countries spend a considerably higher portion in development aid: Finland 0.55%, Norway 1.1%, Sweden 0.97%, and Denmark 0.91%.\textsuperscript{117} So Iceland is still below the OECD average and the EU’s and way below the other Nordic countries.

Iceland is a member of more than 50 international organizations. Comparing the actions of politicians to their political statements demonstrates that there is no connection between identity and policy when it comes to international affairs. Thus while Icelandic politicians have pledged their unyielding belief in the sanctity of national sovereignty, they have not hesitated to limit the legislative power of the Icelandic parliament through international treaties but, on the other hand, they have difficulties in admitting that the treaties have had these affects.\textsuperscript{118} The EEA Agreement is the perfect example of this ambivalence as it has in the last 18 years compelled Iceland to accept a great majority of all EU legislation or around 80%.\textsuperscript{119} That number is very controversial, but whatever the exact number is, it does not change the fact that Iceland is deeply involved in the EU framework of cooperation and the country is also very connected through cooperation in other areas such as the Schengen Agreement.

So Icelandic politicians have been willing to accept the fact that less than half of the existing regulations in Iceland are of national origins without having a voice in the decision making process (like one pro-European group put it: No regulation without representation). This might seem a strange paradox, but a small country like Iceland with a very narrow economic base cannot survive without extensive foreign cooperation. Hence it became a founder member of NATO in 1949, entrusted the US with its military defense in 1951, entered EFTA in 1970 and accepted the EEA and Schengen agreements in 1994 and 1999. Icelandic foreign affairs have centered on a search for practical solutions, without acknowledging that the ideal of national sovereignty has changed radically since Iceland became a sovereign state.\textsuperscript{120}

\textsuperscript{118} Guðmundur Hálfdanarson, 2004, p. 138.
\textsuperscript{119} Auðunn Arnórsson et. al., 2003, p. 76.
\textsuperscript{120} Guðmundur Hálfdanarson, 2004, p. 138.
6. Summary

Iceland declared perpetual neutrality after becoming a sovereign state in 1918. The idea was that Iceland was indirectly within the British sphere of influence and so under the protection of the great British navy. The thought behind our neutrality was that if Iceland would not get involved in foreign affairs it would remain secure. The Second World War and British, and subsequently American, occupation proved that Iceland’s neutrality policy was unrealistic during time of conflict. Iceland’s policy was abandoned when it decided to become one the founder nations of NATO in 1949 and trust the US for its defenses in 1951. Those decisions put Iceland firmly in the camp of Western powers. Iceland’s strategic location and being a very small state meant that it could not protect itself nor trust in the policy of neutrality as it had done before.

Iceland’s foreign policy during the Cold War epoch was based on material interest; Iceland showed little or no interest in participating in international organizations unless it had direct economic or material benefits. National interests dominated its approach and when the European integration started with the European Coal and Steel Community (ECSC) ratified in 1951 Iceland paid little attention as membership would have had little or no economic benefits for Iceland. The idea of self-determination guided Iceland’s foreign policy approach during the Cold War epoch and the main emphasis was to secure markets for its marine products. This has been cited as the main reason for Iceland’s decision to join EFTA in 1970 and in becoming part of the EEA agreement. Icelandic foreign policy has been very much determined by realist thinking, but as as an export dependent economy with a narrow economic base that is reliant on foreign trade and relations it is bound to do whatever is necessary in order to ensure its prosperity.

History and its cultural effects are believed to play a critical role in Iceland’s self-perception and to have had great impact on its foreign policy. Ever since Iceland became sovereign in 1918 the fear of losing it has been very prominent in the political discourse. The nationalistic rhetoric of the independence struggle, both the myths and ideals, have defined the political discourse in the country ever since. The Cod Wars, the ratification of the EEA agreement and the current Icesave dispute clearly demonstrate that the independence struggle still defines the country’s political discourse, even though it is based on reinterpreted historical events and is, at best, half-truths. The independence struggle has thus become everlasting.
7. Conclusion

Why should states cooperate and more importantly why should Iceland become a responsible stakeholder within the international system? The answer I believe is fairly obvious. Global problems like pollution, global warming, transnational criminal organizations, and terrorism are problems that threaten us all today and these problems do not respect any borders. Tax havens, derivatives, and hedge funds have diminished the ability of states to raise taxes. Proliferation of weapons of mass destruction and global terrorist networks like Al Qaeda are problems that no single state can fight effectively without cooperation. The security interest of the world is interdependent and it would be irresponsible of Iceland to believe that it enjoys any kind of immunity.

This raises the interesting question whether cooperation can actually enhance sovereignty? No state can stop the negative effects of global warming or pollution at their borders let alone solve these problems individually. The argument could be made that membership in supranational organizations can in some respects enhance sovereignty as it increases effectiveness. Iceland today seems both more willing and capable when it comes to participation in international organizations, which is a testament that Iceland is prepared to become a more responsible stakeholder within the international system. The traditional view in foreign policy that is based upon narrow analysis of national interest and indifference unless the state’s direct interests are at stake is outdated and flawed in many respects when one looks at the global problems mentioned above.

Still when Icelandic foreign policy is analyzed it is obvious that the concept national interest is still very prevalent when the control of Iceland’s natural resources both in and around the country comes into question. The influence of those sectors can be traced directly back to the independence struggle and the Cod wars. Seamen and farmers have become sort of an embodiment of the free and independent nation. Iceland has sacrificed much of its self-determination in its own affairs, i.e., sovereignty through the EEA Agreement that compels Iceland to adopt the vast majority of all EU legislation. The sacrifice of some of Iceland’s self determination is really not as controversial as one might think; as long as the natural resources are under complete domestic control, people seem to be content.

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