

Evaluation of Icelandic interests:

Sanctions towards Russia

due to the conflicts in the Crimea and eastern Ukraine

Summary conclusions

- Respect for international law has always been a fundamental part of Iceland's foreign policy and Iceland's position regarding border disputes and the territorial integrity of independent states and inviolability of their borders has always been founded on international law. As a small state dependant to a large degree on fishing, Iceland has a high stake in the adherence to and respect for international law and agreements.
- By siding with other western countries in applying sanctions towards Russia, Iceland has shown solidarity with countries facing serious breaches of the international laws and agreements which make up the fundamental values that Icelandic foreign policy stands for.
- The cooperation and harmony with western democracies has been a guiding light for Icelandic foreign policy for decades. During the independence era it has manifested itself several times that Iceland is best off within this group of states and by taking part in the solidarity of these states.
- Sanctions such as those applied against Russian authorities in the aftermath of the conflict in the Ukraine are among the few effective measures available to a state or group of states which can be applied following diplomatic measures without resorting to the use of force.
- The restrictive measures of the western states are specific in nature and affect only to a limited degree the Russian general population and Russian business interests - unlike Russia's countermeasures which are general.
- When Russia made the decision last August to impose an import ban, the Icelandic government resorted to alleviating measures to reduce the effects of the ban. The fishing companies received permit to transfer a larger share of the quotas on mackerel to next

years season, but it seems that they have not needed to use this permit. Apparently, all mackerel from the fishing year 2015 has been sold and there are therefore no stocks of mackerel in the country.

- The effects of Russia 's import ban on Icelandic seafood companies are uncertain, especially the long-term effects. There is good reason to expect, that in the long run Icelandic seafood companies, which have shown great adjustability and flexibility in their marketing operations, will find new markets for the products that have until now been sold to Russia. There are many indications that the companies already have adapted to the changes in the market situation.
- To breach the solidarity of western countries would constitute a major deviation of the foreign policy and be a matter of serious consideration, which would, at best, call for critical questions from friendly nations as to where Iceland was headed in its international collaboration and the reputation of Iceland as a solid ally would be compromised. The defence of interests in collaboration with our most important friends and allies would become much more difficult.
- If Iceland had not participated in the restrictive measures implemented against Russia it would have been the first time in the history of the Icelandic Republic where the country had chosen to take its own path and thereby breach the solidarity of western countries in matters that all agree are fundamental to the security situation in Europe.

General introduction

By engaging in the conflict in the Ukraine the Russian government unilaterally opened up a new chapter with regard to security in Europe which has not yet been resolved. Iceland has been affected by this development but the challenge at hand is far from being solely linked to international trade. On the contrary, it is seen as a foreign policy issue for Iceland and all its allies, which concerns fundamental issues regarding how we define the foreign policy of Iceland and the common values which Iceland has safeguarded in the community of nations since Iceland became an independent country.

Respect for international law has always been a fundamental part of Iceland's foreign policy and our position regarding borders and the territorial integrity of independent states has always been founded on international law in line with the founding treaty of the United Nations and the Helsinki agreement. As a small state dependant to a large degree on fishing, Iceland has a high stake in the adherence to and respect for international law and agreements. The extensions of Icelandic territorial waters were among the most important economic measures undertaken since the foundation of the Icelandic Republic. The conclusion of the EFTA Court of Justice which signalled the end of the Icesave-issue was an important milestone in the resurrection of the economy after the breakdown of the financial sector. The fishing of Icelandic vessels in international waters based on international agreements is an important aspect of the Icelandic economy. The same applies to Icelandic mackerel fishing and the recognition of Iceland as a coastal state. What all these issues have in common is that they are based on international law and have therefore been acknowledged by the international community. Respect for international law is also a foundation for the fundamental right of Iceland to harvest marine living resources such as whales. Iceland is a responsible participant in the international community and our international commitments and the international agreements on which they are based are of vital importance to our relations with other countries. This applies to both economic matters as well as human rights. By siding with other western countries in applying sanctions against Russia, Iceland has shown solidarity with countries facing serious breaches of the international laws and agreements which make up the fundamental values that Icelandic foreign policy stands for.

Specific sanctions such as those applied against Russian authorities in the aftermath of the conflict in the Ukraine are among the few effective measures available to a state or group of states which can be applied following diplomatic measures without resorting to the use of force. In order for sanctions to work, consensus in their use is essential. Almost 40 countries have agreed to sanctions against Russia, be it in their own name or in the name of the G7, NATO, EU, EEA or EFTA. These sanctions have for the most part been aimed at the freedom of travel for certain individuals, the freezing of funds and the ban on export to Russia of specific products. After a Malaysian airliner was shot down over the Ukraine, the sanctions were increased so that they also applied to Russian energy sector companies. The sanctions that are in place today, which the government of Iceland supports are very specific and are aimed first and foremost at certain individuals, funds and companies. Their aim is threefold: Firstly, to send a political message to the effect that the states backing the sanctions are

displeased with Russia's actions against the Ukraine. Secondly, to deter Russian authorities from entering into further actions against the Ukraine and to put pressure on Russian authorities to back down in relation to the Ukraine, both as regards the Crimea and the eastern part of the Ukraine.

Sanctions are no stronger than the weakest link and there have been instances in the past where sanctions have not been effective. Then again there are vivid examples of the opposite where sanctions have been effective, such as western economic sanctions against Iran and economic sanctions against South Africa which played an important part in putting an end to Apartheid. Furthermore it is important to distinguish between specific economic sanctions and general. It has long been the stance of Iceland that general economic sanctions are of limited use and that they hit the general public the hardest in the countries to which they are applied. This is not the case with respect to the specific sanctions being applied against Russia. They are aimed at specific individuals, their funds, at companies and at trade with armaments. Iceland is obliged by law to implement sanctions issued by the United Nations Security Council and that policy has always been enforced. Other actions are optional if it is clear that they are undertaken in cooperation with other states or regional, multinational organisations. That is the case with respect to the sanctions against Russia.

Russia implemented its first countermeasures in August 2014 and for about 12 months Iceland was not on the list of nations covered by these measures and Icelandic exporters could sell at will to Russia. The restrictive measures of a group of western countries were maintained and for quite a while it was apparent that the future business transactions of Iceland with Russia were uncertain as the possibility of the measures also being applied to Iceland was always imminent. Exporters were at all times well informed of the uncertain situation. It was a great disappointment when Russian authorities decided to add Iceland to the list of countries being subjected to import restrictions on foodstuffs in August 2015. Such restrictions were disproportionate to the measures applied by Iceland and other countries against Russia and it was immediately clear that the import ban would have an adverse effect on the Icelandic fishing industry and food processors, in particular in the areas of Iceland where fish processing is of major importance. There had been a considerable increase in the export of seafood products to Russia in the previous couple of years, including during a period when the Russian market was for the most part closed to the exports of most of our allies due to Russian countermeasures.

The cooperation and harmony with western democracies has been a guiding light for Icelandic foreign policy for decades. During the independence era it has manifested itself several times that Iceland's interests are best off within this group of states and by taking part in the solidarity of these states. To name but a few, Iceland's participation in NATO and the defence agreement with the United States and the safety guarantees therein have been and are still in effect. Our allies come to this country and conduct air surveillance on a regular basis and we have bilateral agreements with our most important neighbour states regarding collaboration in the field of security on a broad basis. We share in most cases the values and policy within the forum of the United Nations, including with regard to human rights and Iceland's participation in the European Economic Area has undeniably been beneficial for Icelandic interests. It must be kept in mind that in spite of the importance of the Russian market for Icelandic exports, over 80% of Icelandic products are sold in markets in Europe and the United States.

To break the solidarity of western countries would therefore constitute a major deviation from our foreign policy and be a matter of grave concern which would, at best, call for critical questions from our allies and friends as to where Icelandic authorities were heading in international affairs and would also have an adverse effect on our cooperation with our most important allies, be it within the European Economic Area or within NATO – countries with which we share most of our values. The policy of Icelandic authorities and their allies with regard to the conflict in the Ukraine has been clear for a long time. The policy of the Russian government with regard to the Ukraine is clear. Both Russia and the group of states Iceland has sided with in this conflict apply restrictive measures, although there is a great difference between these measures. On this basis the Icelandic authorities assess on an independent basis, the given situation, Icelandic long-term interests and those fundamental values Iceland which wants to prevail in international relations.