

## **Report on Foreign Affairs to the Icelandic Parliament**

### **INTRODUCTION**

The report submitted to Althingi on this occasion is my fifth report on foreign affairs since I took office in February 2009, in the wake of great political turmoil. As a general rule, the Foreign Minister's reports had been submitted every two years, but I decided early on to give Althingi an annual account on Iceland's external relations. My reasons for this were manifold. A complex and sensitive application for membership to the European Union called for a more detailed reporting than previously. I also put a new, important and substantial priority issue, Arctic affairs, on the agenda, which I believed would require active participation on behalf of Althingi. The most decisive factor being my view, perhaps, that the executive should show the legislative body the respect to inform it regularly of how Icelandic foreign affairs are exercised. This is particularly important in our times, when our external relations are more significant than ever before, perhaps with the exception of the period of our struggle for independence and during the Cod Wars.

The one who strives on behalf of Iceland in distant lands finds great support in the accomplished individuals that the nation has chosen as its representatives. As a rule I have endeavoured to cooperate closely with Althingi. I have informed parliamentary members of complex and demanding situations that arise in relations with other nations. This applies equally to questions regarding mackerel, Icesave, Palestine or the European Union. I have literally sought Althingi's opinion directly from the speaker's rostrum, in complex matters, at short notice, as in the case of Libya, and taken the result into account.

A discussion with Althingi, not least the Foreign Affairs Committee, has at times changed my view. The members of that good committee would probably be surprised to learn how often meetings with them have served to shift my decisions and change my approach and treatment of issues in my role as foreign minister, wrestling with complicated tasks abroad. I recall a chilly meeting on Iceland's written memorandum to the European Commission early in the process. After the meeting I disposed of the memorandum and rewrote it in the spirit of consultations held with the Foreign Affairs Committee. We reaped the benefits of that well-founded composition for a long time.

My respect for Althingi is sincere. I respect its opinions and do my best to follow them in so far as it is possible for them to materialise, sometimes after a long-winded and inconclusive debate, as loose and powdery as fresh snowfall. Perhaps it is quite natural that the minister should always be prepared to consult with the Foreign Affairs Committee, even by phone should he happen to be attending important meetings overseas. Any public figure who has lived in political peril for a long time does not, on the other hand, begrudge direct consultations with parliamentary committees, and I very much doubt that any other foreign minister in recent years, if not in the entire history of the republic, has held as many meetings with the Foreign Affairs Committee as I have. Many of which facilitated progress, some even improved character. In various ways those meetings endowed my political life with lustre and radiance. For that reason, I now take the belated opportunity to express my sincere thanks to the Foreign Affairs Committee, and its excellent staff, for a splendid and genuine cooperation.

I express my gratitude to Althingi for having dealt with significant policy issues on the basis of broad consensus and at times by acting unanimously. This serves to fortify the minister when confronting difficult issues abroad. A strong footing during Iceland's disputes, such as the mackerel dispute which is discussed here in this report, is better than gold. Not to mention the Icesave issue, where the EFTA court in Luxembourg notably rejected that Iceland had been in breach of the EEA-Agreement. In addition to the merits of the case, Iceland's victory may not least be attributed to Icelanders being fortunate enough to close ranks and put their disagreements aside once an action had been brought against Iceland. That is the spirit in

which the Foreign Ministry handled the case after it came under our control. At that point in time my task was to establish a working group for the legal defence. This I did based on the premise that no opinion should be excluded and all put to the test. Having pondered over the issue and reviewed a selection of experienced lawyers I came to the conclusion to recruit Mr. Tim Ward QC to represent Iceland. We were fortunate to receive his services, as modest and unpretentious as he is, but nevertheless steeped in logic. This is most evident in the fact that the arguments made by him and his dynamic team were all incorporated into the findings of the Court.

During this process, armed with experience from earlier rounds of the Icesave dispute, we endeavoured to hold regular consultations with the Foreign Affairs Committee on any issue concerning the case. Similarly, the InDefence-group was consulted and its comments and data sharpened which, together with other factors, served to dismantle our opponent's defence before the court. Thus, the greatest dispute in recent times in Iceland was turned into a matter for solidarity. The moment when news broke about the court's ruling on this most difficult of issues resulting from the bank collapse, on a cold and damp morning, is a moment ingrained.

To an extent, the Icesave dispute put the Icelandic constitution to a remarkable test. The Icelandic scholar Jón Grunnvíkingur summarised all the Icelandic sagas in one short sentence: Farmers constantly wrestled. These words may be applied to the bitter conflict over whether to negotiate or to follow the example of Dario Fo who wrote an entire play titled: *We Can't Pay! We Won't Pay!* But our constitution was made effective enough as to allow different parts of government to guard one another; it worked and possessed the remarkable constitutional tool, the right of recourse, which managed to direct disparate streams of opinion into one channel. The right of recourse helped create the most successful outcome for which both sides had fought. This was the magic of the constitution.

In the moment of the result of the EFTA Court, I commented, citing a recent literary quote by singer Silvia Night: Congratulations Iceland! These same words were uttered last autumn by those who together with us co-sponsored the proposal in the General Assembly to grant Palestine the status of observer state at the United Nations. On this occasion we also benefited from Althingi's unanimity and followed the spirit in which it adopted a resolution to recognise the independence of Palestine in November 2011. On this occasion Althingi acted with great dignity.

During my time as foreign minister, the Palestine issue has been a testament to our will to act in the defence of human rights, i.e. the solidarity we show our brothers and sisters in distress, who desire only one thing, to be masters of their own destiny. I know it pleases Althingi that my report includes information on a new action plan for development drawn up by Iceland concerning Palestine. The plan covers the coming four years and will ensure Iceland's contribution to international organisations and non-governmental organisations – Icelandic as well as Palestinian.

The third matter that has been prominent in this period, on which solid agreement has been reached in Althingi, is Arctic affairs. This matter is built on a detailed policy adopted unanimously by Althingi in the spring of 2011, following my presentation to the Althingi on the very issues I believed Iceland's first policy on the Arctic region should address. Earlier I had, in my first address to the United Nations General Assembly, given an account of the fact that the Arctic region was a new priority for Iceland's foreign policy. I have ever since worked continuously in the spirit of the consensus that was reached in Althingi on that matter.

Bilateral relations with the other countries of the Arctic region have grown significantly stronger, cooperation with various countries near and far, in the field of scientific research, has increased dramatically, e.g. France, Russia, Germany, China, Norway and the United States, to mention just a few with whom we have been cooperating closely during the

past year. There are plenty of other issues to be mentioned as detailed in the report. The latest developments include the establishment of The Icelandic Arctic Cooperation Network at Akureyri, the hiring of the first Nansen-professor, a professorship which was created as a result of an agreement between myself and Mr. Jonas Gahr Støre [Norwegian Minister for Foreign Affairs, 2005-2012], and my decision to open a diplomatic mission in Nuuk, Greenland this coming summer.

The Arctic Council has become a more effective decision-making forum in matters concerning the Arctic region and its permanent secretariat has now been established in Tromsø, Norway. Two agreements have now been concluded at the Arctic Council - on search and rescue in the seas of the Arctic region and on marine oil pollution preparedness and response – and it was symbolic that both agreements were concluded in Reykjavík. Moreover, it is evidence of Iceland's valued contribution to Arctic affairs that an Icelander, Magnús Jóhannesson, a former Permanent Secretary in the Government Offices of Iceland, has been appointed the first Director of the Arctic Council's new Secretariat in Tromsø.

Furthermore, a historic consensus on national security has been reached in the Althingi. A committee, consisting of members of all parties represented in the assembly, is currently working on the development of a new National Security Policy for Iceland. The committee's work is based on a proposal which I submitted just over a year ago. Until recently, a consensus such as this would have been unimaginable and I am now, optimistically as usual, awaiting the conclusions of the committee, which may be expected before long. Nordic cooperation on security has been firmly established with a historic declaration of solidarity, and it is of symbolic significance that Sweden and Norway have expressed their willingness to take part in monitoring Iceland's airspace. Our defence cooperation with the United States has been further developed and enhanced in order to address new threats including those relating to the Arctic region.

An unanimous consensus has been reached on development cooperation and Althingi showed its commitment by approving an increase in appropriations of one billion ISK in this year's development budget. Thus we can reach the goal of 0.7% much sooner, something specifically requested by Althingi. That was a happy day for me and I was truly grateful to the parliament. The most prominent experts of the OECD's Development Assistance Committee, have reviewed Iceland's development policy with the result that it received the most favourable marks.

Moreover, the largest development cooperation project hitherto undertaken by Iceland is well under way. Iceland, having been specifically designated as the World Bank's main partner-country and source of advice in matters geothermal, has launched a project aimed at the development of geothermal energy sources in thirteen African countries, as further described in the report. The project shows how Iceland can, with the aid of common sense and shrewd investment in the expertise of partner-institutions join together various resources and participants in order to bring great projects to fruition. The Nordic Development Fund was asked to participate and made a contribution of ISK 800 million. The World Bank further plans to set up a fund of up to ISK 65 billion to support geothermal development. This will radically change the energy structure of East African countries with limited energy resources while no doubt also being of benefit to Icelandic geothermal companies.

The report gives an account of the development of the EEA Agreement. During each session of Althingi, I introduce a large number of proposals to the assembly to be adopted on the basis of the EEA Cooperation. These include rules and regulations, which Iceland is legally bound to implement under the agreement without having a say in how they are enacted or made. I have previously voiced the opinion that this is a transfer of sovereignty which stretches the limits of the constitution. It would be more straightforwardly consistent with the nation's sovereignty to have a seat at the table where decisions are made, rather than receiving

legislation by fax from Brussels. Until that is accomplished, I believe it is necessary to amend the constitution so that we may continue to operate this by far the most important of Iceland's international agreements.

The most significant task of the Ministry for Foreign Affairs this past year has been Iceland's accession talks for membership to the European Union. In this, our cooperation with Althingi has been excellent, as the guidance of the parliament, as set out in the guidelines entailed in the 2009 majority opinion of the Committee on Foreign Affairs, has been diligently followed. In a period of 18 months, the negotiating team has appeared with 29 negotiation positions before the Foreign Affairs Committee, which has on occasion toughened and improved the positions, before they were sent to Brussels. Of course, as Minister for Foreign Affairs, I bear full responsibility for this work; nevertheless I would be remiss not to thank Althingi, especially the Foreign Affairs Committee, for its contributions, which have on numerous occasions resulted in more focused and substantial negotiating positions.

The report recounts in detail the progress of the negotiations. However a more extensive progress report on the state of the negotiations at the end of the term is currently being prepared and is to be released in the coming weeks. Far be it from me to consider the "European way" a panacea that will solve all problems. It is, however, in my opinion the best way towards economic stability and a better standard of living in Iceland. It is, I believe, the most credible option to reduce interest rates, reduce inflation and abolish price-indexation. It is also a way to put an end to foreign exchange restrictions in Iceland, rid us of the vulnerability of the krona, which, according to the Central Bank, is both the source and a magnifier of economic instability instead of having a stabilising effect. It is therefore only possible to compare and choose between the krona and the euro in an enlightened manner on the basis of a ready-prepared Accession Treaty. Only then is the nation prepared to choose whether its future should lie within or outside of the European Union.

Our task is therefore to obtain as good an Accession Treaty as possible in the interest of Iceland. In the end it will be the Icelandic people themselves who decide whether or not to join the European Union. That is the sacred democratic right of the people. That is the essence of new Iceland. Those who want to bereave the nation of this right, are part of the old Iceland which crumbled along with the economic crash. Their greatest fear is - obviously - that the final agreement will turn out so positive, that the people will vote for it. Such manoeuvres are not democracy. They are rather a reminder of the shady actions of the old cliques and patriarchs that arranged things in the smoke-filled back rooms of the political parties, instead of abiding by the rules of democracy and letting the enlightened will of the people decide.

The Tory leader David Cameron, Prime Minister of Britain, and the Liberal Party leader Nick Clegg, Deputy Prime Minister, have cleared the atmosphere in their respective parties in Britain, and proposed that Britons should not vote on the future of accession to the EU until a new treaty has been negotiated, and a ready-prepared agreement is at hand. Then, and then only, say Cameron and Clegg, will the people know what they are voting on.

The same obviously applies here in Iceland. The people should have the right to vote on an agreement, not on obscure outlines.

Reykjavik, 10 February.

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