

# United States-Icelandic Relations

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**O**lafur Ragnar Grimsson comfortably won Iceland's June 30 Presidential election and is now beginning a record fifth four-year term. Grimsson is a political dynamo who had a career in the parliament, as an academic and newspaper editor prior to winning the presidency in 1996. As president, Grimsson has been an indefatigable advocate for Iceland on the international stage and has helped his country promote its expertise in renewable energy and ensure Iceland's voice is heard on issues affecting the Arctic.

The campaign offered Icelanders a chance to assess the progress their country has made following the 2008 economic collapse while highlighting the lack of consensus about the best path the country should follow. The key issue is whether Iceland should continue to seek full membership in the European Union—as part of the European Economic Area, Iceland already enjoys many economic benefits. Grimsson appealed to many voters who are skeptical of joining the European Union. More broadly, he carried the election on the strength of his unquestioned talent as a spokesman for Iceland and his portrayal of himself as a steady hand capable of navigating the turbulence in the world economy and uncertainties about Iceland's own efforts at constitutional reform.

Iceland's steady economic recovery from its spectacular implosion in 2008 continues; economic growth is two to three percent annually, unemployment is below five percent and the government has graduated from its IMF program and is returning gradually to the international bond market. This admirable track record has won Iceland plaudits from experts comparing it with countries suffering in the current Eurozone crisis. Iceland's small size (population: 320,000—about the size of St. Louis) and its independent currency proved helpful following the crisis; yet its status as a model for others is limited given these same factors and Iceland's unique geographic gifts which make the country globally competitive in three sectors: fishing, aluminum smelting and tourism.

Despite improved macroeconomic performance, public sentiment is less than celebratory. There remains a sense of deep injustice among many Icelanders regarding the financial collapse and the aftermath. They find it inherently unfair that the average citizen is being forced to bear the financial burdens created by what they see as greedy bankers and businessmen. The debts of many businesses, for example, have been readjusted or written off, while homeowners have not been afforded the same opportunity. Icelanders also look at the increased taxes that they have inherited, combined with their declining social benefits, and question the leadership of their government. Austerity is never popular.

## Iceland and the United States: Solid Partners

Throughout the economic crisis—and indeed throughout Iceland's history—the United States has been a stalwart friend and ally. One of Iceland's literary epics, Njal's

Saga, includes the expression, “One’s back is vulnerable, unless one has a brother.” While it would be foolhardy to adopt too many lessons from the violent feuds depicted in the sagas to modern diplomacy, this proverb is actually an accurate description of the close relationship between the United States and Iceland over the 70-plus years since we first established diplomatic relations. Like brothers, our partnership is based on shared values and centuries of family history—in our case stretching back to Leif Ericson’s discovery of North America one thousand years ago.

Our relationship has evolved steadily over these seven decades as Iceland has developed from one of the poorest countries in Europe to one of the most advanced nations on earth. We share common values and we are bound together by strong economic, cultural and familial ties. Today, in fact, the interconnected relationship between our two countries and our people is so extensive that there is a tendency on the part of many to take the partnership for granted. Iceland’s birth as an independent nation-state was centuries in the making, but finally came into being in close partnership with the United States and we are proud to have stood together with Iceland as it wrote the first chapters of its new history.

Our friendship was forged in the crucible of World War II, when we worked to secure shipping between North America and Europe. The partnership grew stronger throughout the Cold War. We all know the North Atlantic is an inhospitable place for ships, airplanes and people because of the unforgiving environment. In those days, the Cold War introduced another dimension, as the Atlantic—including the waters under the North Pole—became a theater in the global competition between the Western Allies and the Soviet bloc. With the Cold War no longer a living memory for young people under thirty years of age, it is easy to dismiss or forget about the shared sacrifices of that era. As a founding member of NATO and host of the Naval Air Station at Keflavik, Iceland was a bulwark of support in a conflict that more than once threatened widespread destruction.

The bonds we made during those years went far beyond the security alliance. There were also critical infrastructure upgrades that took place in Iceland, such as the airport in Keflavik and the road to Reykjavik that we built together. Perhaps equally important, Americans brought basketball and rock and roll to Iceland.

Just as Iceland was a strategic focal point during the Cold War, Reykjavik hosted the pivotal 1986 summit meeting between Ronald Reagan and Mikhail Gorbachev. That meeting signaled that change was possible and within five years the Cold War was over. Former arms negotiator Ambassador James Goodby characterized the meeting as the most remarkable US-Soviet summit ever: “Reagan and Gorbachev brought two great nations close to the end of the era of the Cold War. Two revolutionaries, each in his own way, became history’s catalysts for change.”

### A Multi-Faceted Relationship

Today we are living in a new world. For the US-Icelandic relationship, things have changed too. Most importantly, in 2006 the Keflavik base was closed. Many Icelanders were sad to see the base close and were displeased with how the negotiations were handled. But time marches on and our relationship is evolving. From a relationship that was

centered on the hard security imperatives of the 20<sup>th</sup> century, in the 21<sup>st</sup> century we are developing a partnership that reflects the broad interests of both our countries.

Our relationship is flourishing today in four main areas: 1) Arctic cooperation; 2) security; 3) trade and investment; and, 4) cultural and scientific cooperation.

### Arctic Cooperation

The Arctic is an area of emerging importance that will only continue to grow in significance in the coming years. Climate change in the Arctic is happening twice as fast as in other regions of the world, leading to unforeseen challenges and opportunities. The United States and Iceland are Arctic nations, and we both know that the decisions we make now are going to have long-lasting ramifications with the emergence of opportunities to develop resources in the region and new transport corridors.

Secretary of State Clinton's participation in the Arctic Council's 2010 meeting in Nuuk, Greenland demonstrated America's commitment to the Arctic and our conviction that the Arctic Council is the main forum for international cooperation in the region. The United States and Iceland have shared goals: we both believe economic development is possible, but it must be environmentally sustainable, and we want the participation of indigenous communities in making decisions.

In the waters around Iceland, we have seen a dramatic increase in tourist activity. This is positive from an economic standpoint and it helps familiarize more and more people with these beautiful and complex ecosystems. But as the number of visiting ships increases, we need to ensure that the environment is protected and that our emergency services are prepared in case of mishaps.

### Security Partnership

The growth of economic activity in the High North underscores the value of the US-Iceland security partnership, an essential ingredient for maintaining Iceland's sovereignty and freedom of navigation in this strategically important region. Our security partnership is founded on the twin pillars of shared membership in NATO and the US-Iceland bilateral Defense Agreement of 1951. In the post-Cold War era, the relationship has evolved to focus on emerging challenges such as transnational crime and cyber security. The United States and other NATO allies also conduct air surveillance missions three times annually to ensure the sovereignty of Icelandic airspace and test the ground-based systems needed to support potential future contingencies. Iceland also contributes to NATO defenses on a continuous basis through the operation of the Iceland Air Defense System, a network of radars that monitor the North Atlantic.

### Trade and Investment

The third pillar of our relationship is trade and investment. Iceland enjoys a confluence of characteristics ideal for competing in the global economy: a highly educated,

creative workforce; inexpensive, renewable energy; and a tradition of pragmatic, accountable governance. These qualities also make Iceland a natural partner for American companies in several industries, including food processing, shipping, information technology and metallurgy. The United States is the largest foreign investor in Iceland, and US investment in Iceland is increasing.

US aluminum companies (Alcoa and Century) have invested over \$2 billion in Iceland and developed the aluminum industry into one of the mainstays of Iceland's economy. In the last decade, aluminum exports more than doubled and now constitute 40 percent of total exports, which has helped to diversify Iceland's economy and contributed to Iceland's positive trade balance.

In September 2011, Turner Broadcasting signed a deal to acquire the company that created the successful Lazytown children's program, whose characters encourage healthy living and have been invited to the White House by First Lady Michelle Obama. This partnership will help Lazytown reach a broader audience and provide resources for additional investments in Iceland.

Icelandic entrepreneurs are also making a mark in the US Marel, a powerhouse in the seafood industry, which has been in North America for nearly 20 years. Cutting-edge technology companies such as CCP and Ossur have set up operations in the United States more recently and are also thriving. Just these three companies have created over 1,000 jobs in the United States.

Tourism is another sector in which the United States and Iceland enjoy natural synergies, given our proximity and the growing interest in adventure travel. In 2011, more Americans than any other nationality visited Iceland, thanks in part to Delta Airlines' new route. With Icelandair opening a route to Denver, the numbers of visitors will increase even further in both directions.

One of the most important developments in our economic relations in recent years was the 2012 re-launch of the American-Icelandic Chamber of Commerce. This initiative was driven by a group of visionary Icelandic CEOs who understand the importance of the relationship and see enormous growth potential with benefits for both countries.

### Science, Education and Culture

Finally, the fourth pillar of our relationship encompasses a growing array of activities in science, education and culture. Cooperation in basic research sponsored by the National Science Foundation (NSF) has totaled over \$700 million in Iceland since 1980. Active NSF research grants to Iceland-related projects amount to over \$140 million. These grants help experts from the United States and Iceland push the frontiers of knowledge in a range of subjects, including examining the role of "black carbon" in climate change and unlocking the mysteries of Iceland's magnificent glaciers and volcanoes.

Our educational cooperation is equally robust. The Fulbright Commission is the flagship organization promoting these exchanges. Over the past 50 years, Fulbright has supported around 1,300 grantees—more than 700 Icelanders have traveled to the United States on educational exchanges via this program and 500 Americans have come to Iceland. These students are not only getting great educations, but they are also developing the cross-cultural skills that are essential to success in the 21<sup>st</sup> century.

Finally, culture in all its forms has been a unique force-multiplier in our relationship. Icelandic artists and audiences in both countries are magnetically drawn to each other. Just a few examples: the musician Björk spent three weeks doing music workshops in New York public schools; Carnegie Hall and Julliard both participate in a music festival in Iceland that is designed to showcase and develop talented young performers. The US Embassy is an active participant in cultural life in Iceland to facilitate connections such as these which reinforce all of the other aspects of our broad relationship.

Close friends and allies sometimes disagree and commercial whaling is one issue on which we don't see eye-to-eye. It is no secret that the United States is deeply concerned with Iceland's continued practice of commercial whaling, which undermines the International Whaling Commission's moratorium. There is an international consensus emerging on this subject and Iceland's closest partners in both Europe and North America are in agreement on the way forward. As often happens when friends disagree, this topic sometimes leads to heated discussions. But good friends are also able to conduct these discussions in a spirit of mutual respect and to not lose sight of the decades of constructive partnership that helped us both build this relationship.

### Conclusion

Iceland's story is extraordinary: a barren island in the North Atlantic has become a fount of creativity and entrepreneurship, benefiting its own people and partners in Europe and North America. The US connection continues to be vital and this partnership is ultimately based on people-to-people contact. These partnerships are self-reinforcing: American students come to Iceland on Fulbright grants and meet Icelanders with similar interests. Together they create ideas that turn into business start-ups. Think of all the cooperation happening now in the fields of fashion design, computer programming, food processing and tourism. Similarly, our researchers work together on Arctic projects and make discoveries about climate change that help inform government policies in both countries. Our investments in all of these activities—business, security, culture, and education—have been paying dividends since we formalized our relations in 1941 and will continue to do so far into the future.