

The Role of Iceland in the Arctic Issue: Diplomacy, Threats, Opportunities¹

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Abstract

Recently the Arctic has been spoken of as the new “navel of the world”: Starting from an environmental aspect - the melting of the ice of the polar ice cap - a series of issues of great relevance are emerging in the fields of economy, such as energy and trade, geopolitics, international law and military strategy. The actors of this “game” are the member countries of the Arctic Council, the so-called “permanent observer” member countries and international and transnational institutions. In this paper we want to analyse in particular the case of Iceland. Located halfway between North America and Europe, Iceland certainly occupies a strategic position in this new geopolitical scenario. It has always maintained a favorable condition of isolation/integration: Iceland is a member State of NATO and therefore, despite not having an army, sees its defense ensured within this organization. At the same time, it is well integrated with Europe, although it is not an EU member country. Between environmental problems, new economic interests, expansionist aims of world powers and global repercussions, it can be interesting to understand what the role of this small State in the Arctic question may be, its foreign policy, its defense strategies but also its room for maneuver. Iceland tries to assert its diplomatic position and its trust in cooperation with other Arctic and non-Arctic countries, trying to pursue its socio-cultural, economic and security interests and seeking international support, visibility and image. At the same time, Iceland seems interested in seizing the economic opportunities that may arise from new

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diplomatic relationships, such as the recent agreement with China, the latter being interested in fostering an additional trade route - the Transpolar Route - which would pass right from Iceland.

Key words: *Arctic, Iceland, geopolitics, geoeconomics, trade routes*

1. Introduction

Recently the Arctic has been spoken of as the new “navel of the world”: Starting from an environmental aspect - the melting of the ice of the polar ice cap - a series of issues of great relevance are emerging in the fields of economy, such as energy and trade, geopolitics, international law and military strategy. According to studies concluded in 2008 by CARA (Circum-Arctic Resource Appraisal), “the resource potential of the Arctic remains highly uncertain because, outside of a few intensively explored areas, the offshore Arctic remains essentially unexplored for petroleum, and geological evidence still suggests that significant volumes of undiscovered petroleum remain to be found outside the developed areas. The CARA estimated that 44 to 157 billion barrels (BBO) of undiscovered conventional oil and 770 to 2,990 trillion cubic feet (TCF) of conventional natural gas could be found north of the Arctic Circle”. “In addition, large quantities of unconventional petroleum such as shale oil, shale gas, heavy oil, coal-bed gas, and gas hydrates might also be developable in the Arctic” (CARA Professional Paper, p.4). Another aspect of enormous importance are the new trade routes that are emerging (the Northwest Passage through the Canadian Arctic Archipelago and the Northeast Passage along the coast of Siberia), which in the future would allow cargo ships from the Asian coasts to reach the commercial ports of northern Europe in much faster times than traditional routes (Suez Canal or Cape of Good Hope).

The actors of this “game” are the member countries of the Arctic Council (Canada, Denmark, Finland, Iceland, Norway, Russia, Sweden and the United States), the so-called “permanent observer” countries (China, South Korea, Japan, India, Italy, Singapore, Switzerland) and international and transnational institutions such as United Nations, NATO and European Union.

In this paper we want to analyse in particular the case of Iceland. Located halfway between North America and Europe, thanks to its position as a military outpost and a hub for transport, this island was used for maritime strategies in the Second World War and subsequently during the Cold War.

Iceland has always maintained a favorable condition of isolation/integration, from an economic and military point of view: it is a member State of NATO and therefore, despite not having an army, sees its defense ensured within this organization; besides it is a member State of OECD (Organisation for Economic Cooperation and Development). At the same time, it is well integrated with European Union (in fact it joins the Schengen agreement), although it is not an EU member country.

After the financial default that hit Iceland in 2008 (the so-called *kreppa*), in 2009 the Icelandic Minister of Foreign Affairs published a report on Iceland's position on the Arctic issue and in 2011 the Icelandic Parliament approved a "Parliamentary Resolution on Iceland's Arctic Policy"⁴, a document divided into six sections (cooperation, defense, natural resources, environmental protection, transport, research) that shows in 12 points the direction in which Icelandic foreign policy is moving. Iceland has always claimed its strategic position in the area and underlines the fundamental importance of collaboration with other members of the Council and in particular with territories such as Greenland and Faroe Islands, collaboration to be developed especially in the field of environmental protection.

After outlining a general picture of the Arctic question, in the light of the current geopolitical and geoeconomic dynamics (Heininen, 2010; Bailes & Heininen, 2012; Käpylä & Mikkola, 2013; Østerud & Hønneland, 2014; Heininen *et al.*, 2015; Käpylä & Mikkola, 2015; Koskinen, 2017; Østhagen, 2017; Raspotnik, 2018), we will analyse Iceland in its regional context, trying to understand its role and its relationships with the other actors of the Arctic issue.

In particular, Iceland becomes an interesting study case for its strategic position, its role as a member of the European Economic Area and at the same time a partner of commercial agreements with extra-regional powers such as China, which is very interested in the Arctic issue: China, in fact, looks with great interest to Iceland and Greenland as possible logistics platforms for its export projects (Nguyen, 2015; Conley, 2018).

After defining the current situation of the country, on the basis of the literature, documentation and databases available, we want to analyse its role within the Arctic Council, its position on the

⁴ Althingi, 139th legislative session, 28/03/2011.

Arctic issue (Ingimundarson, 2015), its foreign policy (Thorhallsson, 2018a; Thorhallsson, 2018b; Petroni, 2019). and, on the other side, the goals of regional and extra-regional powers towards this Nordic island.

2. Something about the Arctic issue

The new context in which Iceland finds itself - the so-called Arctic issue - is a dramatically topical aspect of the world geopolitical scenario. Firstly, we must try to define the region that is being analysed. In fact, since there are no boundaries in the common sense of the term, conventionally we refer to the Arctic as that area north of the Polar Arctic Circle, or the area where the maximum temperature in July is 10°, but if global warming persists, this definition will surely be changed or probably will not even be considered because of the lack of reliability and the unpredictability of current climate conditions. Canada, the United States, Russia, Finland, Sweden, Norway, Denmark (and therefore Greenland and Faroe Islands) and obviously Iceland are the eight coastal Arctic countries bordering it.

Figure 1

The reference area

(Source: https://transportgeography.org/?page_id=412)



Despite the numerous international agreements aimed at preventing, or at least limiting, the effects of climate change, which have proved to be largely unsuccessful, the environmental issue seems to be at the root, and probably the first cause, of the Arctic issue; As a result of the infamous Global Warming, we witness the melting of the Arctic ice, facing an increasingly less icy Pole.

If from the environmental point of view this new global trend assumes a dramatic connotation, from the purely economic point of view it has brought to light new possibilities, attracting the expansionist aims of actors from all over the world, so much to bring out the Arctic as the “new navel of the world”. In fact, because of, or thanks to (depending on the point of view), the melting of the ice, high amounts of unexplored energy resources - oil, liquid gas and natural gas - have come to light and begin to be undoubtedly easier to exploit. They are attracting not only the Arctic countries themselves, which in every way try to assert their position of advantage, but also powers from the other side of the world.

This exploitation is also made possible by the emergence of two new trade routes, which currently allow passage for only two to three months a year, but which will most likely remain permanent if drastic environmental measures are not taken in the short term. The “Northeast Passage”, that runs from the Bering Strait along Russia, the “Northwest Passage”, that runs from the Bering Strait along Canada, the United States, passing through Greenland, and finally the “Transpolar Sea Route” that passes from Iceland, are the three routes that, replacing the circumnavigation of Africa, allow to reach the Arctic area and to connect the Far East with Europe much faster.

Clearly the new routes have exacerbated the pre-existing problem of sovereignty over Arctic waters; indeed the jurisdiction of this area is not very clear, because the EEZ (Exclusive Economic Zone) does not clarify to what extent the right of exclusivity may limit the right of transit.

In this context, the Arctic Council⁵, which was created in 1996 exclusively with the objective of scientific research on the environment, has had to remodel itself, with five functions: agreements and cooperations, data and knowledge, monitoring, assessments and recommendations (arctic-council.org/en/). Besides, the AEC (Arctic Economic Council), “an independent organization that

⁵ “The Arctic Council is the leading intergovernmental forum promoting cooperation, coordination and interaction among the Arctic States, Arctic Indigenous peoples and other Arctic inhabitants on common Arctic issues, in particular on issues of sustainable development and environmental protection in the Arctic”(<https://arctic-council.org/en/about/>).

facilitates Arctic business-to-business activities and responsible economic development” (<https://arcticeconomiccouncil.com/>), aims to assist the development of the Arctic in the perspective of socio-environmental responsibility, through working groups geared towards sustainability both in promotion and in solution of operations in various economic fields.

Currently the thematic focuses of the working groups are six and are related to the marine transport, the energy, the development of responsible resources, the investments and infrastructures, the connectivity inside of the Arctic territory and the Blue Economy. As an evidence of the magnitude and topicality of the problem, the Arctic Council is formed not only by member countries (the eight Arctic countries), but also by so-called observer countries, including Italy, one of the first countries to have settled its own scientific research base in the Arctic, and since 2013 also China, that is interested in the “Transpolar Route” that would pass from Iceland; finally, international and transnational bodies and organizations such as NATO, the United Nations, the EU and a number of UN bodies, such as UNDP, have also gained the status of Observers within the Arctic Council, trying to mediate and avoid any conflict between the countries involved.

3. Iceland between reality and stereotype

In the collective imagery, Iceland distinguishes itself because of its geological and natural features, according to a stereotyped vision of this land (a land characterised by “ice and fire”, “the wild” and “the extreme”). However, little is known of its socio-cultural context. It is generally associated with northern mythology and sagas, the singer Björk and the writer Halldór Laxness, Nobel Prize in Literature 1955. In 2008, however, Iceland jumped to the honors of the world’s financial and macroeconomic reports due to the so-called *kreppa*, the financial crisis that has hit the country and has generated important repercussions of domestic and foreign policy. The case of Iceland, rather than of its entity - which is considered marginal by the global financial system⁶ - is emblematic of the dynamics involved and the means via which the crisis took shape, so much so that, nowadays, the expression “Going Iceland” is indicative of the collapse of an entire national financial system. Here, we will try to outline the Icelandic economic and political context in the light of the financial

⁶ «From the international perspective, Iceland as a country was *not* too big to fail», (Jónsson, 2009, p. 136).

crisis and the most recent developments.

With a population that barely exceeds 360,000⁷, and its history of relative isolation, Icelandic society is characterised by a rather elevated ethno-linguistic homogeneity (even considering immigration from abroad⁸) and well-defined identity traits, to the extent that it constitutes a sort of “laboratory” for genetic and anthropologic, as well as socio-cultural, analysis (Durrenberger and Pálsson, 1989). Giorgio Manganelli - who went to Iceland in the 1960s as an envoy of the Italian daily newspaper “La Stampa” – wrote: “This land is restless and disquieting. And on this island-planet, humankind, who seems to be its guest, has a difficult, intense and unique life⁹.” (Manganelli, 2006, p. 83). He continues: “Their [that is the Icelanders’] life is firstly represented by how they relate to the incredible land on which they live” (*ib.*, p. 86).

On the other hand, even the socio-economic aspects of Iceland have given rise to stereotypes (“Viking spirit”, “happy isle”, “arctic tiger”) which obviously do not account for the complexity of the peculiar relationship between humans and the environment. According to a common understanding, Iceland is a positive example of territorial “voluntarism”: despite its difficult environmental context, an efficient use, even though not always sustainable, of natural resources has guaranteed not only sustenance to the population but also prosperity. In fact, after colonial ties had been severed with Denmark, which for centuries had relegated Iceland to subaltern status, the latter has experienced an outstanding economic development. The basis for such a success was essentially due to the fishing industry: Iceland is one of the countries in the world with the highest volume of fishing¹⁰ and by far the first in relation to the population. In order to understand the economic importance of this sector, it should be considered that Icelanders did not hesitate to safeguard their fishing banks by fighting the so-called “cod wars”¹¹ against the United Kingdom. Even today, Iceland hesitates to enter the European Union mainly because it wants to defend its

⁷ 364,134 residents on January 1st, 2020 (Statistics Iceland).

⁸ Immigrants represent 13.8% of the population. Among these, the most numerous are the Poles (19,210 units), (Statistics Iceland).

⁹ Our translation from Italian.

¹⁰ 18th position in the world in 2016 with 1,067,015 tons of fishing (source: FAO).

¹¹ The disputes over fishing rights, known as the “cod wars”, between Iceland and the United Kingdom, started in 1958 when Iceland extended its fishing waters from 4 to 12 miles. Conflict between Iceland and the UK was solved in 1961 with the latter accepting the new limits. The second “cod war” started in 1972 when Iceland unilaterally extended its fishing waters to 50 miles. Finally, in 1975, in order to protect and conserve the species, Iceland further extended its waters to 200 miles. A third “cod war” resulted and was solved in 1976 by the EEC which established a 200 mile zone for all of Europe.

fishing sector from foreign fleets and Brussels policies. The production of renewal energy (geothermal and hydroelectric) also contributed to the country's outstanding economic performance. In fact, Iceland is the least polluted western country with the lowest energy costs pro-capita, and an optimal location for energy-consuming industries (like aluminium). Furthermore, the natural landscape, thank to its spectacular features, is a formidable resource for the tourist industry, which is rapidly expanding, as well as a national "business card" for attracting foreign investment from the movie industry.

However, the growing phase of Iceland's economy, which began after World War II and was brusquely interrupted in October 2008, was not only due to the exploitation of the natural environment (fishing areas, geothermal fields, rivers and natural landscape). In fact, since the mid 1990s, the newly privatised banking sector in general, and in particular the so-called "creative" finance sector, experienced a growth which may well rightly be defined as abnormal and beyond the capacity of the Central Bank to intervene, an example of which is the foreign debt (largely due to the foreign assets of the banking sector), which by the middle of 2008 was equal to 10 times the gross domestic product. Easy access to credit therefore inevitably implied living standards that were above the population's real earning and expenditure capacity. The impression of opulence was certainly ephemeral as it was not only based on the production of wealth but also, considerably, on access to credit.

At the same time of the global financial crisis - and for reasons that are partly connected to it, partly specific to Icelandic situation - the macroscopic financial imbalance that was created brought the country to the verge of bankruptcy and opened the way for the so-called *kreppa*¹²: the very serious financial, economic, employment, political and social crisis¹³ in which Islanders were catapulted into from one day to another (Boyes, 2009; Jónsson, 2009; Zarrilli, 2011). The first signs of the crisis appeared in 2006 and, even then, there was talk of the "Geyser Crisis". In fact, since 2005, Robert Aliber from the University of Chicago defined the situation in Iceland as a "perfect bubble" (Kindleberger & Aliber, 2005) and forecast its bursting. This occurred in October 2008, when

¹² Literally: crisis, depression, contraction.

¹³ In 2009 the gross domestic product decreased of 6.5%, while the unemployment rate increased from 2.7% in 2007 to 7.2% in 2009 (Source: Statistics Iceland)

Iceland was overwhelmed by the crash of the world stock exchanges, which was then followed by the American *subprime* loans crisis. At this point the “happy isle” and “artic tiger” metaphors were replaced by the mass media with the “fallen paradise” and “bankrupt isle”.

The combination of several elements dragged Iceland into the eye of the hurricane: the credit crunch triggered by the crisis in the international financial markets; the rush to deposit by foreign customers of Icesave, the ill-famed online financial product of the bankrupt Landsbanki, which will generate serious tensions with the United Kingdom and the Netherlands; the impossibility of an intervention by the Icelandic Central Bank due to the macroscopic unbalance between the debt of the banks, estimated at over 75 billion euros, and the currency reserves of the country, equal to 5 billion euros. The government, on the suggestion of the International Monetary Fund, between 7 and 10 October nationalised the three banks, taking on the burdens, with the consequent explosion of the public debt. A Russian loan proposal for more than 4 billion euros was not finalised, while on October 20 a plan led by the International Monetary Fund was adopted, consisting of a direct loan of one billion dollars, and another five billion through the Scandinavian and Japanese central banks.

The first reactions of the population were, understandably, inspired by panic. Soon, however, panic was replaced by outrage and street protests, which turned into what has been called the “kitchenware revolution”¹⁴, causing the resignation of the government. A provisional government led the country to early elections on April 25, 2009, which were won by the center-left coalition (Social Democratic Alliance and the Greens), after 18 years of uninterrupted center-right leadership.

On June 5, 2009 the new Icelandic government signed a bilateral agreement with the United Kingdom and the Netherlands for a solution to the *Icesave* problem. On the basis of this agreement, Iceland was expected to compensate creditors in accordance with a law approved by a close majority by the Icelandic Parliament on 30 December, 2009. However, the law was not promulgated by the President of the Republic Olafur Ragnar Grímson, who wanted to take into account a petition with which he was asked not to endorse the financial plan envisaged by the law,

¹⁴ It was so defined because participants in demonstrations rattled their kitchen utensils in protest.

considered excessively burdensome and unfairly lucrative for the British and Dutch governments. In compliance of Article 26 of the Constitution, a referendum was called so that Icelanders themselves could decide on the matter. The referendum was held on March 6, 2010 with an overwhelming and foreseeable victory (93.2% of voters) by the faction against the *Icesave* agreement.

Icelandic financial crisis officially ended on August 31, 2011 (the day the International Monetary Fund bailout ended), although some measures are still in force. The Icelandic financial position has steadily improved in the years following the crisis. The recession and the growth of unemployment stopped in fact at the end of 2010, even reversing the trend in the first half of 2011, and this thanks to some factors: the emergency legislation adopted by the Icelandic Parliament in October 2008 to minimize the impact of the financial crisis and allow authorities to take control of the three major banks involved; the success of the agreement with the International Monetary Fund, which allowed the debt to stabilize around 80-90% of GDP; the application for admission to the EU, which immediately increased Iceland's credibility on international markets, although it has never been finalized.

Since then, the Icelandic GDP has been steadily increasing, although with decreasing rates (from 6.6% in 2016 to 1.9% in 2019), the unemployment rate has fallen to 3.4%, the inflation rate is 2% (Statistics Iceland, 2019) and the country is again attracting manpower from abroad. Furthermore, if the devaluation of the Icelandic krona has reduced the purchasing power of the average wage, it has also made Icelandic products more competitive on international markets, including tourism-related services, a sector that has been performing very well¹⁵, at least until the onset of the COVID-19 pandemic in early 2020.

Since the end of 2012, Iceland has been considered an example of how to get out relatively unscathed from a very serious economic crisis, which has not failed to fuel an additional stereotype, this time veined with populism: "David against Goliath", to symbolize - just saying - the success of a small but fearless Iceland against the interference of the great powers and the global financial system. The fact remains that, without a solution agreed between "David" and "Goliath", the exit

¹⁵ Foreign passengers arriving at Keflavik airport increased from 459,000 in 2010 to 2,195,000 in 2017 (Statistics Iceland).

from the crisis would have been much more difficult.

As for the most recent developments in Icelandic political life, it should be noted that, following the parliamentary elections of 28 September, 2017, a government supported by a heterogeneous coalition is in power: the Independence Party (center-right), the Progressive Party (center) and the Left-Green Movement, whose leader, Katrín Jakobsdóttir, holds the position of Prime Minister. Current Icelandic foreign policy also reflects this variety of political orientations to some extent. Indeed, given its “small State” status without an army, Iceland has always aimed at achieving political, economic and military security and stability, seeking them in Scandinavian countries, NATO, USA, UK, (despite the repeated disputes related to the “cod wars” and the Icesave issue), EEA and even EU (despite an ambiguous attitude on the part of Reykjavík, which has in fact “frozen” his application for membership). Nowadays, having overcome the emergency situation generated by the *kreppa* and aware of the current and upcoming global scenarios, Iceland has added new dimensions to its foreign policy: The Arctic issue, which is perceived as a complex, problematic and in many ways threatening dossier, although likely to produce relevant opportunities; but also the search for closer relations with Russia and especially with China.

4. Iceland in the Arctic Issue

Iceland, with its approximately 364,000 inhabitants and an area of almost 103,000 km², is a fully sovereign State but does not have its own army. “Small States have inbuilt structural vulnerability related to their smallness; this manifests itself in, for example, a small domestic market, limited defence capacity and a small foreign service. Accordingly, what distinguishes small States from large States is their lack of capabilities” (Thorhallsson, 2018a, p. 64).

It is therefore clear that the proper functioning of a small State relies, in many cases, on contributions from outside, while at the same time relying on the will of the larger States to respect its independence. Even from an economic point of view, a small State owes a great deal to its proximity to larger States, thereby reaping considerable benefits from their successes and, if allowed, also free access to their considerably larger markets. Indeed, the Icelandic position has always been to favour a foreign policy of collaboration with Arctic and non-Arctic countries and to make agreements on geopolitical, geoeconomic and environmental issue, in order to prevent

possible maritime accidents, with the consequent pollution of marine spaces, which are essential for an economy – like the Icelandic one - strongly based on the fishing sector.

Until the second half of the XX century, Icelandic foreign policy was mainly focused on achieving greater economic benefits through the extension of the fishing zone, aiming at the possibility of access to new ports and therefore larger markets, never neglecting, however, the need to make long-term agreements for its defence interests. Through the agreements signed in 1941 with the United States for economic assistance, and in 1949 with NATO for defence, and then the bilateral defence agreement in 1951, Iceland was initially aligned with the Western world. In particular the USA, finding particularly strategic the Icelandic position, that could have been very useful to conquer the supremacy over the then British world power, favored Iceland with numerous trade and military agreements, which would have made it circumvent the rules of international organizations. And in fact, from the geostrategic point of view, Iceland is to be considered a real military outpost, located between America and the Eurasian bloc, a strategic position that saw it involved in the Second World War, and then during the Cold War.

American economic aid supported Iceland from 1941 to 2006. The British and American occupations during the Second World War, contrary to what one might think, were a valuable aid to the economy of the country, since the occupying populations gave a jolt to the circulation of the currency, so much so that Iceland became one of the richest nations at the end of the war. Clearly this caused the Icelandic economy to become heavily dependent on the United States until the 1960s, which remained closely involved in Icelandic affairs even later, continuing to subsidize the country's defense, the construction of Keflavik airport and other infrastructure, together with an aerial surveillance system, until the closure of their military base in 2006. At the end of the Cold War, in fact, following the disintegration of the Soviet Union, continuing to maintain a military base in Iceland was almost useless for the USA.

After the American departure, Iceland continued to seek protection for itself and especially for its waters, through agreements with the United Kingdom, Denmark, Norway and Canada. In fact, with the world's geopolitical balances and interests at stake having changed, Iceland became seriously concerned about its defence, trying to maintain relations with the US and making new agreements with international and transnational institutions such as EU, United Nations and

NATO. Indeed, the most significant agreements for Icelandic economic life were those made at European level, thanks to participation in the European Economic Area (EEA) in 1994 and accession to the Schengen area in 2001.

In parallel with military, defensive and economic issues, Icelandic foreign policy has never forgotten to make its voice heard on external issues, such as those concerning developments in the Arctic issue. In 1996 it was in fact one of the founding countries of the Arctic Council, born as a base for scientific research and a fulcrum of the environmental discussion between the eight Arctic countries. To demonstrate its interest in the group, Iceland participated in two working groups, the PAME (Protection of the Arctic Marine Environment) and the CAFF (Conservation of Arctic Flora and Fauna). At the same time Iceland did not miss the opportunity to work for its own interests, using in its favor the accession to the Arctic Council's Human Development Report, to also support the social theme for the rights of indigenous peoples.

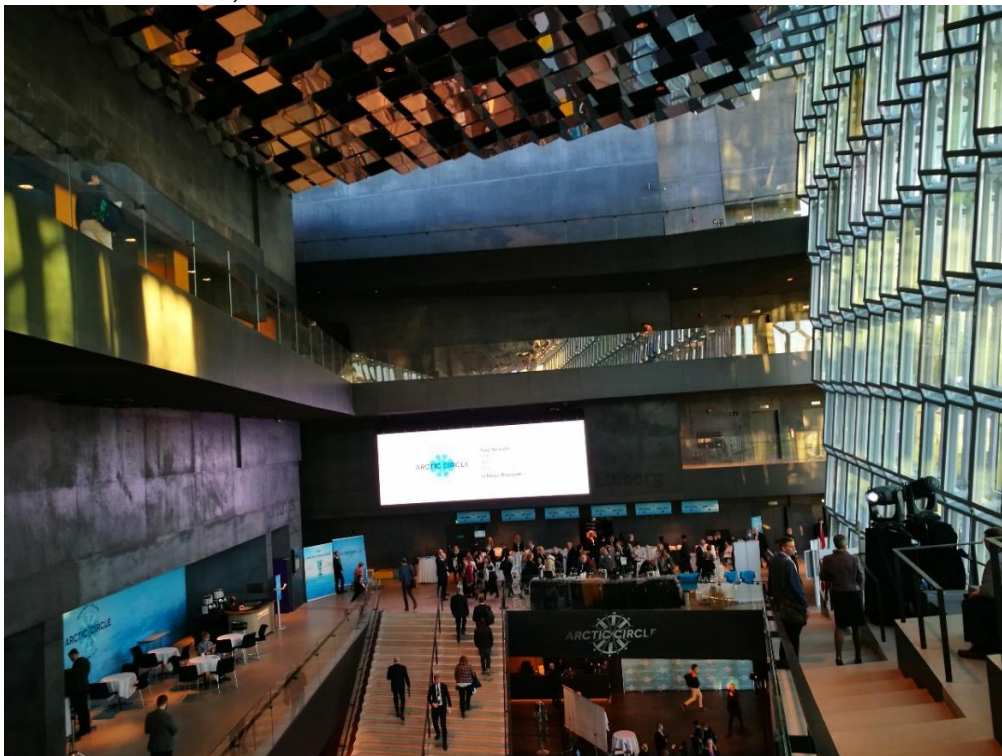
It was around 2000 that we actually started talking about the significant impact that climate change can have on the Arctic; in this new context, Icelandic foreign policy has moved towards the creation of a working group within the Council (as PAME and CAFF), to achieve its four priorities: the Arctic Marine Environment, Climate and Green Energy Solutions, People and Communities of the Arctic, and a Stronger Arctic Council (arctic-council.org). Initially, the Icelandic foreign policy priorities did not consider the Arctic context; "North" was only and exclusively spoken of in terms of distances and sovereignty in Arctic waters to protect their interests in fisheries, with the need to maintain relations with the USA and NATO for the defence of the territory, certainly still nothing to do with territorial claims and expansionist aims. Only since 2010, after the exit from the strong financial crisis, with Foreign Minister Össur Skarphéðinsson the Arctic question becomes a key component of Icelandic foreign policy, both with the aim of highlighting the strategic position of the island in the eyes of other countries, and focusing on the political, economic and legal dimension of the Arctic, studying the aims of non-Arctic countries and their willingness to become observer members of the Arctic Council.

The Arctic Council was immediately considered the only forum entitled to address the Arctic issue in its various facets, from the environmental issue to Arctic expeditions, to sovereignty over waters, to geopolitical issues, the extraction of energy resources, up to tourism. It is clear that the eight

Arctic countries have always played a privileged role, more or less as protagonists in the various issues, but never excluding non-Arctic countries from involvement in the decisions of the Council. As for Iceland, it still plays an important role as a decision maker and especially as a “buffer” and moderator among the powers at stake. The Icelandic role in the Arctic question can be listed in the 12 foreign policy objectives identified at the March 2011 session by the Icelandic Parliament (Althing; in Icelandic: *Alþingi*), in the document “A Parliamentary Resolution on Iceland’s Arctic Policy” (library.arcticportal.org), like the importance of prevention in environmental matters, the cooperation and agreements policy, the Arctic Council, the Icelandic strategic position, the defence of minorities, the question of sovereignty, and the Arctic Circle, that is the largest annual international forum, to which the writer had the opportunity to attend in October 2019. It is held at the Harpa Conference Centre in Reykjavík and hosts heads of State and government, ministers, members of parliaments, officials, experts, scientists, students, entrepreneurs, indigenous representatives, environmentalists, activists and other members of the growing international community (<https://sdg.iisd.org/events/2019-arctic-circle-assembly/>), to discuss the Arctic issues (Figure 2).

Figure 2

The Harpa Conference Centre in Reykjavík during the Arctic Circle in October 2019
(Source: Silvia Iacuone)



Indeed, the operational line adopted by Iceland is based precisely on cooperation with the actors involved, a behaviour that we could certainly define prudent and forward-looking, as well as consistent with the awareness of Iceland's - limited - possibilities (especially strategic-military and dimensional) and, at the same time, of its cards to play.

Since it has always been a neutral entity, Iceland has also gained the role of "champion of justice" and spokesman of the problems of indigenous peoples, despite, paradoxically, it is the only Arctic country not to host any; this role, as already underlined, is fully fulfilled, not only having been from the beginning one of the founding countries of the Arctic Council in 1996, but above all by cyclically hosting the Arctic Circle, which effectively expresses the "diplomatic" Icelandic approach to the Arctic issue.

As a further move by Reykjavík to fit into the "Arctic game", we can mention the project of the Finnaþfjörður Port, in the north-east of the island, destined to become one of the most important ports in the area, with very positive implications for the economy but also for the accessibility of the island. It is a totally green and eco-sustainable project, perfectly in line with the general objectives of the AEC (Arctic Economic Council) and functional to the objective of a positive image of the country.

The strategy of this small State is therefore to make itself indispensable, or at least to put itself in a favourable light, and to set itself as a reference point, for all the countries involved, on the various aspects of the Arctic issue. In so doing, Iceland also pursues its own interests, first and foremost the defence of the fishing economy, through environmental prevention agreements aimed at mitigating the danger associated with the transport of hydrocarbons in its waters.

5. Conclusions

The Arctic issue, in the complexity and heterogeneity of its context, is becoming increasingly important in the international scenario, with global involvements. The awareness of new opportunities and interests of different kinds - economic, energy, political, commercial, legal and strategic-military - have stimulated a real race to the Arctic, intensifying the presence of this issue in international relations. Starting from the dramatic environmental aspect, which has been at the centre of the Arctic Council's - and therefore of the eight Member States' - concerns for decades,

the Arctic is today attracting actors from all over the world, including international and transnational bodies, awakened by a plurality of interests and motivations (exploitation of energy resources, new trade routes, strategic-military issues, scientific research in the environmental field, rights of indigenous peoples).

In the case of this paper, the “rediscovery of the Arctic” in Icelandic foreign policy has been slow and tumultuous, due to the various events that have marked it and undermined its political balance, from the Cold War to the so-called *kreppa* of 2008. After finding its dimension within the Arctic issue, Iceland seeks to assert its diplomatic position, which can be associated with its small State status, and its confidence in cooperation with the other powers involved, in its efforts to pursue its socio-cultural and economic interests, above all those relating to defence and security, and seeking the support of other countries or international and transnational organizations.

At the same time, aware of its attractive strategic position in the region, as an outpost and gateway to the “new navel of the world”, it seems interested in seizing the economic opportunities that may arise, such as the entry into new markets (primarily fisheries), but also the attraction of foreign investors interested in the possibility of developing local data collection and management centres, as well as the implementation of the tourism sector, in the context of new relations which could be described as diplomatic but which also seem likely to provide great geoeconomic opportunities, such as the Free Trade Agreement with China¹⁶, the latter being interested in the possibility of a third trade route, the Transpolar Route, which would pass right through Iceland.

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¹⁶ A Free Trade Agreement between Iceland and China was signed on 15 April, 2013 in Beijing.

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