

Iceland's involvement in global affairs since the mid-1990s

What features determine the size of a state

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Abstract

The aim of this article is to examine Iceland's international activity during the last decade. The case of Iceland will be placed in a 'new' conceptual framework intended to explain how the size of states may shape their international approaches. The conceptual framework includes six criteria that affect the notion of the size of states and influence their international behaviour; their internal and external 'action capacity' and 'vulnerability' in terms of these criteria define the size of states and may account for their international approaches. This case study tests Iceland's increased international involvement within the framework in order to explain why Iceland has changed its international approach and become a more active player in the international arena since the mid-1990s. The country's increased activity in the international system is explained by two interrelated features presented in the framework: a change of perception and preference by a large part of the Icelandic political elite and external pressure reflecting the view of international actors. This has led to a policy change at the domestic level. There has been a move away from an international approach built on historical bilateral relations, with a narrow focus on the concrete economic advantages to be gained from all overseas activity, to an approach based on more broadly defined interests and increased international activity within multilateral international organizations.

1. Introduction and framework

This article examines the reasons for Iceland's increased international activity since the mid-1990s by placing the case of Iceland within a conceptual framework intended to explain states' behaviour, according to their size, in the international system (Thorhallsson 2006).¹ The key question which the framework intends to shed light on is: How does the notion of the size of states shape their international approaches? The prime focus is on domestic and international decision-makers and their notion of the size of the states in comparison with the size of other states. Decision-makers' perception of states, and their preferences, are believed to influence states' international approaches and must be taken into account, in combination with concrete measurements of size based, e.g., on population, GDP, military capabilities, the capacity of their central administrations and the size of their foreign services. The framework emphasises the need to examine variables (identified as perceptual and preference variables), which are seen as being equally well, if not better, suited to explain states' international approaches than the variables – population, territory, GDP and military capacity – that have traditionally been used to define the size of states and to account for their international actions. While the traditional variables are still of importance, they must be combined with the others in order to obtain a clear indication of how the concept of size affects the behaviour and potential influence of states in the international arena.

¹ See detailed discussion about the conceptual framework in Thorhallsson 2006.

The conceptual framework presents six criteria referring to the size of states. It is built on previous theoretical approaches (Thorhallsson 2006) but includes a greater variety of concrete indices and concepts to explain how size may affect actions of states. The six criteria are:

- 1) absolute size (population and territory);
- 2) sovereignty size (whether the state can maintain effective sovereignty on its territory; its ability to maintain a minimum state structure and presence at an international level);
- 3) political size (military and administrative capabilities and the degree of domestic cohesion, combined with the degree to which the state maintains a united external front);
- 4) economic size (GDP, market size and development success);
- 5) perceptual size (how domestic and external actors regard the state);
- 6) preference size (ambitions and prioritisations of the governing elite and its ideas about the international system) (Thorhallsson 2006).

In this framework, it is vital to analyse states' internal and external 'action capacity' and 'vulnerability'. This applies particularly to actors' notions of capabilities and vulnerability. Two continuums are created in order to filter the concepts of internal and external 'action competence' and 'vulnerability'.

Figure 1 shows how internal features are interpreted according to domestic action competence and domestic vulnerability. The action competence continuum takes account of states' domestic ability to formulate and implement independent policies (in a wide context and according to each and every feature of the six criteria of the framework). It runs from no ability at all to full ability to formulate and implement domestic policies.

Figure 1. Internal features.

Action Competence Continuum



Vulnerability Continuum



The vulnerability continuum runs from full domestic vulnerability to no domestic vulnerability at all, according to all features of the 6 criteria. Hence, a state can be placed anywhere on the continuums according, for example, to the size of its GDP, the capabilities of its central administration and the views of domestic and international actors concerning its ability to formulate and implement internal policies.

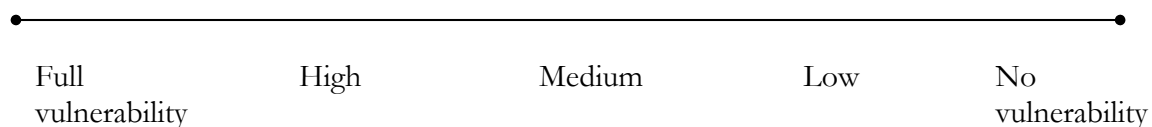
Figure 2 demonstrates how external features are interpreted according to international action competence and vulnerability. The action competence continuum is a scale on which states can be placed according to their ability to influence their international environment (in a broad context), i.e. from no ability at all to full ability.

Figure 2. External features.

Action Competence Continuum



Vulnerability Continuum



The external vulnerability continuum demonstrates the extent to which the international system constrains the state. States can be placed on the continuum according to how far they are open to constraints by the system in terms of the six criteria mentioned above. For example, the lack of a substantial international presence in international organizations may make states vulnerable to decisions taken within those organizations.

There are two key questions to be considered in the case of Iceland. Firstly, what internal and external features have determined the size of Iceland? Secondly, how has the notion of the size of the state determined the behaviour of the Icelandic government, at the domestic level and in the international system? More specifically, what features help to explain Iceland's increased international activity? Can the conceptual framework presented above help to pinpoint the reasons for the policy change which has occurred at the domestic level in the last decade?

2. The case of Iceland

The decision by the Icelandic government in 1998 to apply for a seat in the Security Council of the United Nations (UN) demonstrates the shift from a reactive international approach to greater activity in the international arena since the mid-1990s. Iceland joined most of the international organizations created after the Second World War, but did not seek an active role within them as did the other Nordic states. Icelandic governments attached importance to bilateral relations with neighbouring states in terms of trade and defence: the Nordic states, the United States (US) and Britain (Thorhallsson 2005). Emphasis was placed on obtaining concrete economic advantages from all overseas deals, whether these concerned the extension of Iceland's fishing zone, trade agreements or protection by US military forces. The work of the UN (with the exception of the establishment and application of the Law of the Sea), and of NATO and the Council of Europe, were not placed high on the agenda. The government's priority until the mid-1990s was clear: Iceland only engaged in international activity where this brought it direct benefits. Accordingly, governments prioritised beneficial trade deals with European states and joined the European Free Trade Association (EFTA) in 1970 and the European Economic Area (EEA) 1994. However, as soon as market access for Icelandic marine products was achieved, little importance was attached to the work of those institutions except as it concerned Icelandic core interests and the unavoidable routine day-to-day business within them (Thorhallsson 2005 & 2002). Politicians did not engage in building a decisive civil service, including a foreign service, in order for Iceland to become actively engaged in these institutions (Thorhallsson 2005). On the other hand, an interesting shift of prioritization has occurred since the mid-1990s which can be attributed mainly to changed perceptions and preferences of a large part of the political elite and external pressure reflecting greater demands made of a small affluent state in the international system.

3. Absolute size: Relevance and changes

The first criterion in the conceptual framework, absolute size, takes account of two of the 'traditional' variables: population and territory. Despite the limited value of these variables for explaining Iceland's increased international activity in the last decade, they are still of importance in determining the action capacity of states. For instance, Iceland's smallness in terms of population – it had the smallest population (92,000) of any UN member state at the time of its entry to the UN in 1946 – restricted its scope of action in terms of potential economic and military magnitude. Iceland's ability to extend its exclusive fishing zone (territory) in four stages from 3 miles in 1952 to 200 miles in 1976, is of significance because of the increased marine resources this put at its disposal. This provided the grounds for Iceland's economic development and increased re-

sources to engage in wide-ranging international activity at the end of the twentieth century. Furthermore, Iceland's relatively large land territory – its land mass being more than twice the size of Denmark² – is noteworthy because of the cost of governing a large territory. Generally, these variables, population and territory, are relatively constant and measurable in absolute terms and as such they have been extensively used (particularly population) in determining the size of states.

However, the growth of the Icelandic population – natural growth without much influx of people – reaching 300,000 in 2006, has probably been a more important change in terms of potential human resources than a corresponding growth would have been in a more heavily populated country. For instance, Norway already had the human capital to engage in wide-ranging international activity in the post-war period. Naturally, however, a more than threefold increase in the human capital of any given country is of importance in the new globalised world.

Hence, Iceland's absolute size has changed considerably in the last sixty years, both in terms of population and of territory. Consequently, Iceland has more resources with which to build up its infrastructure and take on international responsibilities. Accordingly, Iceland, in terms of its internal and external absolute size, has gained greater capabilities and moved towards the right on the action competence and vulnerability continuums in Figures 1 and 2. However, Iceland's absolute size in terms of population and territory does not take us very far in explaining its increased activity within international institutions like the UN, NATO, the Council of Europe and the World Bank during the last decade. For instance, why did these changes not take place earlier, e.g. in the 1980s? The absolute size features do not provide a complete explanation of the Icelandic government's changed international approach since the mid-1990s. This leads us to the second criterion in the conceptual framework: sovereignty size.

4. 'Domestic and international' sovereignty size

Sovereignty size includes three features according to our framework. First, whether a state can maintain effective sovereignty on its territory and whether its sovereignty is questioned by others. Second, whether a state has the ability to maintain a minimum required state structure. Third, whether a state can maintain a minimum presence in the international system. Figure 3 indicates that Iceland can be regarded as having full action competence in terms of its internal sovereign capacity according to these three features – scoring 'high' on the action competence and vulnerability continuums (meaning no or low vulnerability). Iceland can be seen to have some vulnerability regarding internal sovereignty due to its restricted human capital and economic resources.

² Iceland has an area of 103,000 km²; Denmark has an area of 43,094 km².

Iceland's position is in contrast to where Andorra, Monaco, and San Marino would have been placed up to the early 1990s, since their internal and external sovereignty was questioned by other states. These states were not seen as having the minimum state structures required to formulate and implement domestic policies independently, since they were seen as relying on their neighbouring states. Moreover, they were not considered to have the necessary international presence (diplomatic resources) to participate independently in the international arena. Thus, they were prevented from becoming members of the UN (Archer 2003; Hagalin 2005). Accordingly, they could have been regarded as having low action competence and as being vulnerable.

Figure 3. Sovereignty size: Internal capacity.

<i>Iceland</i>	Internal capacity	
	Action competence	Vulnerability
Territory	<i>Full</i>	<i>None</i>
State structure	<i>Full</i>	<i>Low</i>
International presence	<i>Full</i>	<i>Low</i>

On the other hand, Iceland's external sovereign capacity is more limited than its internal sovereignty because of its inability to contribute towards policymaking within international bodies and to carry such policies out (see Figure 4). For instance, Iceland has relied on information from the other Nordic states in its work within the EEA and EFTA and until recently it was almost exclusively reactive within NATO (Ingimundarson 1996; Alyson & Thorhallsson 2006). However, Iceland is rapidly moving to the medium point on the action competence continuum because of its increased ability to play an active part in these and other international organizations, as will be discussed below. For example, the Icelandic government is not only becoming more involved in decision-making within NATO: it has created an Icelandic Crisis Response Unit (ICRU) explicitly earmarked for possible use by NATO, the EU, the UN and the Organization for Security and Co-Operation in Europe (OSCE). The ICRU was established in 2000 and is a non-military 'peacekeeping force' of individuals (police, doctors, nurses, lawyers, air traffic controllers, administrators, etc.) available for rapid deployment abroad. In 2001 and 2002 it contributed to a mission sent by all the four international bodies named above to the Balkans. Recently, its main missions have been the management of the international airports in Pristina in Kosovo and Kabul in Afghanistan. In January 2006, nearly 30 persons were deployed abroad by the ICRU and the aim was that the num-

ber would rise to 35-40 by the end of the year. The ICRU's response list includes the names of 200 Icelanders and its budget for 2006 is ISK 570 million (€7.8 million) (Interview with an official in the Ministry for Foreign Affairs 2006). Accordingly, Iceland is less vulnerable than before in terms of its ability to contribute towards the policies of international bodies and to play a part in carrying them out. However, the Icelandic government has not been able to stick to its original aim to have 50 personnel employed by the ICRU in 2006 (Interview with an official in the Ministry for Foreign Affairs 2006) because, amongst other things, of the high and concentrated cost of missions already undertaken abroad, notably in Afghanistan. Moreover, the Icelandic government decided to end its management of Kabul International Airport four months earlier than originally planned – on 1 February instead of 1 June 2005 – despite having promised to give positive consideration to the possibility of an extension, if requested, because other NATO members did not deploy as many personnel to work at the airport as they had promised (Alyson & Thorhallsson 2006). It seems that the government underestimated the task of running the airport and overestimated the ICRU's ability to take on such a huge project, though the decision to take on the airport management clearly indicates a radical policy change in Iceland from a reactive international approach to a more active one. Iceland can be regarded as medium to highly vulnerable, due to its more limited capacity to form polices and carry them out internationally, compared to most states in Europe.

Figure 4. Sovereignty size: External capacity.

<i>Iceland</i>	External capacity	
	Action competence	Vulnerability
Territory	<i>Full</i>	<i>None</i>
Forming policies	<i>Low-medium</i>	<i>Medium-high</i>
Conducting policies	<i>Low-medium</i>	<i>Medium-high</i>

5. Political size: Increased administrative capacity

The third criterion concerns political size, which contains three features: military capabilities, administrative capabilities and the extent of cohesion within the state. Iceland does not have an army and its defences have been totally dependent on the US and other NATO members. Iceland was a founding member of NATO and has had a defence treaty with the US signed in 1951, dating back to a wide-ranging defence agreement from 1941 when the US took over the defence of Iceland from the British in the Second World War, providing

protection for Iceland through the presence of US forces (until September 2006) and a mutual defence clause. Until 2002, Iceland was part of the US's own homeland defences, reflecting the strategic location of Iceland during the Cold War. Iceland has also relied on cooperation under the Schengen scheme and the work of Europol in gathering intelligence information. Iceland's security and defence budget is non-existent, apart from the money spent on the Icelandic Coastguard, control of movement of personnel across Icelandic borders and the operation of the police force. The closure of the US base in Keflavík leaves Iceland, as the only NATO member state, without air defence and with no forces present in the country to provide defence in a time of crisis. However, the defence treaty is still in place and the US will come to Iceland's assistance in time of crisis according to agreements between the two governments from September 2006. There is a great uncertainty about Iceland's defences due to the closure of the US base. Iceland is fully vulnerable in military terms and its action competence is non-existent, as Figures 5 and 6 show.

Figure 5. Political size: Internal capacity.

<i>Iceland</i>	Internal capacity	
	Action competence	Vulnerability
Military	<i>None</i>	<i>Full</i>
Administration	<i>Full</i>	<i>Low</i>
Cohesion	<i>High</i>	<i>Low</i>

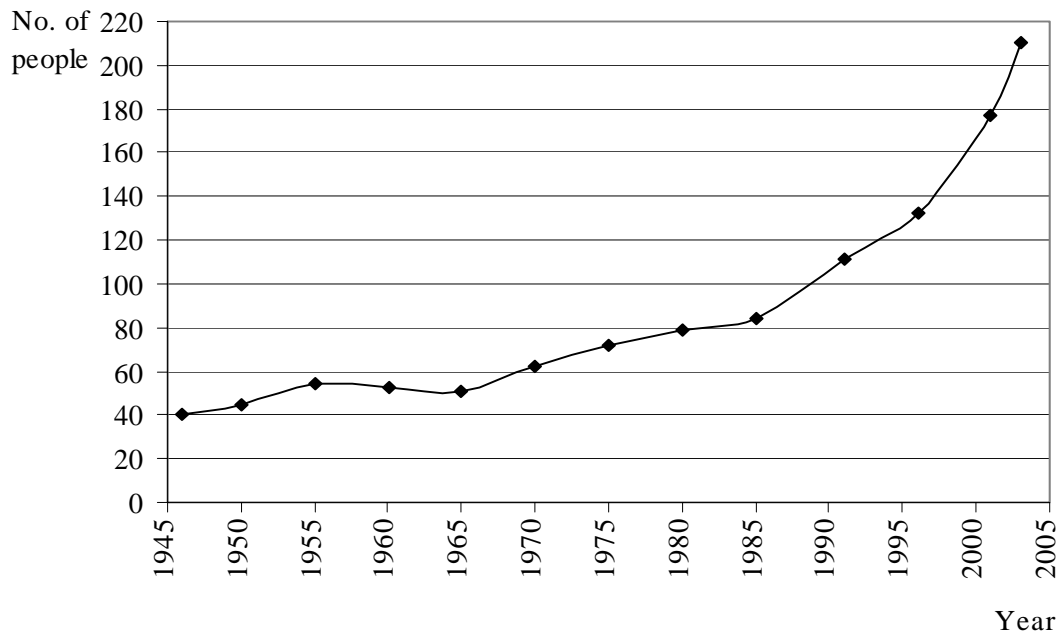
Figure 6. Political Size: External capacity.

<i>Iceland</i>	External capacity	
	Action competence	Vulnerability
Military	<i>None</i>	<i>Full</i>
Administration	<i>Low-medium</i>	<i>High</i>
Cohesion	<i>Medium</i>	<i>Medium</i>

In contrast, Iceland's administrative capabilities have increased considerably in the last two decades. Internally, the civil service has gained momentum and its ability to engage in information-gathering and policy-making has increased enormously (Thorhallsson 2004; Thorhallsson 2002). It is able to form its own policies, i.e. it is less dependent on interest groups and policy-making in the

other Nordic states, and it has the ability to skilfully pursue its policy objectives, as is indicated in Figures 5 and 6. Externally, the Icelandic foreign service has nearly doubled in size, in terms of number of personnel, in the last decade (Figure 7) and its ability to produce detailed reports on Iceland's status and policy choices in Europe and elsewhere has changed fundamentally (Thorhallsson 2004; Thorhallsson 2002).

Figure 7. The number of people working in the Icelandic foreign service from 1945 to 2003, all personnel included.



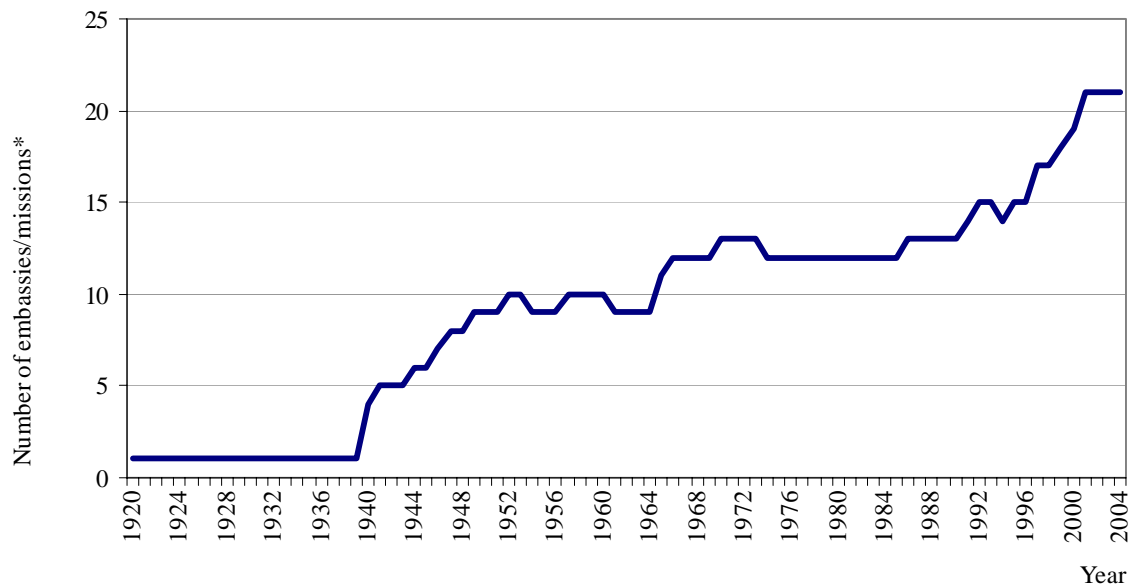
Source: Ministry for Foreign Affairs (between 1945-2003); Ministry for Foreign Affairs

Also, in 1999 Iceland took over the chairmanship of the Council of Europe for the first time, earlier having always argued that it did not have the administrative capacity to tackle the chairmanship duties. Iceland has also become more active in a number of other international organizations such as the World Bank, organizations of the UN, such as the Food and Agricultural Organization (FAO) and the UN Education, Scientific and Cultural Organization (UNESCO), a number of commissions of the UN, the Organization on Security and Co-operation in Europe (OSCE) and the World Trade Organization (WTO). Also, Iceland chaired the Arctic Council from 2002 to 2004 and held the presidency of the Council of the Baltic Sea States from mid-2005 to mid-2006.

Furthermore, since the mid-1990s, the foreign service has extended its activities to a number of countries and opened embassies in China, India, Japan, Canada, South Africa, Finland and Austria. Figure 8 shows the rapid rise in the number of separate Icelandic embassies/missions abroad in the last decade. Iceland opened a number of embassies/missions in the 1940s, but in the 40-

year period which followed only four separate new embassies/missions were established abroad (Ministry for Foreign Affairs Iceland 2006). Iceland did not regard it as important to establish embassies to serve individual states abroad (Ásgrímsson 2004). In 2004, the foreign minister stated that it had become urgently necessary to establish embassies in countries where Iceland had important interests to look after (Ásgrímsson 2004).

Figure 8. The number of Icelandic embassies/missions abroad.*



*The number of Icelandic embassies/missions is defined as the number of separate foreign-service offices abroad i.e. embassies, permanent missions and consulates-general with special ambassadors, permanent representatives or consuls-general. Source: (Ministry for Foreign Affairs 2006).

Historically, the limited importance that Iceland attached to working within a number of international organizations in which it was nevertheless represented led to its playing a very restricted and reactive role within these bodies. For instance, in the first year of its EFTA membership in the early 1970s, Iceland had only one diplomatic representative and one-and-a-half full-time secretarial positions at the EFTA headquarters (Benediktsson 2003). Iceland also attached little importance to the work of NATO until the late 1990s. Officials had limited knowledge of military affairs, which was a hindrance for Iceland in NATO (Ingimundarson 1996; Jónsson 1989). In 1989, only one person handled all relations with NATO in the Foreign Ministry and the Icelandic delegation to NATO consisted of three officials and two staff secretaries. The Norwegian and Danish delegations were much larger at this time, containing 30 and 40 people respectively (Jónsson 1989).

In the early 1990s, the government put considerable resources into the negotiations leading to the EEA-Agreement, but when the negotiation process was

over the number of officials in the Foreign Ministry dealing with EEA/EU affairs was reduced. Hence, the Ministry lacked the staff and expertise to deal with the Agreement in the first years of membership (Thorhallsson 2001). Lack of expertise hindered the ministries from engaging in general policy-making concerning European and security affairs. The administration itself cannot be blamed for this, since long-term policy-making concerning overseas relations was not regarded as a priority by governments. For instance, in 1994 the Foreign Ministry requested experts at the University of Iceland to write detailed report for the government on Iceland's position in European integration. On the other hand, emphasis on hiring a greater number of European experts in the Ministry since the mid-1990s has had the consequence that the Ministry itself, along with the rest of the bureaucracy, has been capable of writing detailed reports on Iceland and European integration since the late 1990s (the first detailed report written by the administration itself was published in 1999). There is a twofold reason for the increased expertise within the administration on European integration. Firstly, the government and individual ministers have become more aware of the importance of the EEA and Schengen Agreements for Iceland and have put more emphasis than before on European affairs. Secondly, ministers have had to respond to Iceland's increased engagement in European integration. They have had to allocate greater resources to European affairs in order to cope with the demands following from membership of the EEA and Schengen, i.e. implementing EU/EEA/Schengen regulations, information-gathering in Brussels, policy co-ordination with other EFTA/EEA states and influencing policy-making within the EU/EEA/Schengen.

On the other hand, Iceland's external administrative capacity, in comparison with that of its neighbouring states, is still very limited. For instance, in 2001 the Icelandic foreign service employed 150 people (excluding locally employed personnel abroad) while the Norwegian foreign service employed 1,150 people. Also, Luxembourg, a country with a population of a size similar to that of Iceland, employed 206 personnel in its foreign service in 2001 (Foreign Ministries of Iceland, Norway and Luxembourg).³ Accordingly, Iceland's ability to exert influence internationally is still highly vulnerable due to its limited administrative capacity, as is demonstrated in Figure 6. On the other hand, the increased scope of the Icelandic foreign service in terms of the number of experts it has employed, has made it capable of taking on considerable international duties and becoming more active internationally. In other words, qualified personnel, in terms of the number of people educated in fields of political science, international relations, economics, international law, etc., have made it possible for the foreign service to extend its activity.

The third feature of political size regards the degree of cohesion combined with the degree to which a state can maintain an external united front. Iceland's

³ Information about the number of people working in the foreign services of these states (excluding locally employed personnel abroad).

internal capacity can be regarded as high due to the homogeneity of the country and the overall peaceful character of its political disputes, as indicated in Figure 5. Its degree of external cohesion, or united front, is not as clear-cut. The question of what foreign policy to adopt has caused extremely intensive debates both among political parties in Iceland and among the general public. Iceland's step-by-step approach towards greater participation in European integration, first through membership of EFTA and then of the EEA, has been very controversial (Thorhallsson 2004b). Also, the defence treaty with the US, and particularly the US military base in Iceland, caused deep divisions in Icelandic society (Ingimundarson 1996; Thorhallsson & Vignisson 2004a). The dispute about the close relations with the US overshadowed other political issues in Iceland during the Cold War and proved to be more divisive than the economic and social issues that originally gave rise to the longest-standing parties (Hardarson & Kristinsson 1987). These disputes had a considerable effect on Iceland's foreign relations: Iceland played a very limited part in NATO's activities, and did not even make a stand or speak at meetings (which led to criticism by the US government in the 1950s) (Ingimundarson 1996), in order not to exacerbate the dispute in Iceland concerning the country's presence in NATO and the military base in Iceland. Furthermore, Icelandic politicians are still reluctant to press for greater involvement in European integration, i.e. EU membership, because of the intensive debate which follows such discussion. All discussion concerning closer ties with Europe provokes fierce reactions based on nationalism and the danger of losing sovereignty (Hálfðanarson 2004). However, the Social Democratic Party advocates EU membership, which raises uncertainty regarding the position that Iceland would adopt on Europe if there were a change of government.⁴

Thus, lack of cohesion in Iceland concerning closer relations with the outside world has not only marked Iceland's foreign policy approach; it has also weakened Iceland's position in international organizations such as NATO. Also, the intensive debate in Iceland in 2005 on whether or not it should continue with its application to become a member of the Security Council in 2009-2010 may have weakened Iceland's chance of gaining a seat in the Council and damaged its reputation abroad, particularly among its Nordic neighbours, as will be analysed below. Moreover, the controversial decision by the Icelandic government to put Iceland on the list of the 'coalition of the willing' in 2003 and the intensive debate which followed – the opposition in parliament declared its intention to take Iceland off the list – may have strengthened the ties between the present Icelandic and US governments but may have weakened the relationship of the countries in the long run because of uncertainty regarding the support Iceland would give to 'the war on terror' in the event of a change of government in Iceland. Accordingly, Iceland's action competence in terms of cohesion is only re-

⁴ The Independence Party (centre-right) and the Progressive Party (centre) form the present government. The IP firmly rejects EU membership for the time being, while the PP is divided on the issue.

garded as medium with considerable vulnerability, as Figure 6 shows. However, the changed perceptions and preferences of politicians, which prevail within the present government, are at the core of the changes leading to a more active international approach, as will be discussed below.

6. Economic size

The fourth criterion is the economic size of states. The features it includes are GDP, market size and development success. GDP and market size are normally seen to have several implications for capabilities and vulnerabilities of states both at the domestic and international level (Katzenstein 1984; Katzenstein 1985; Griffiths 2004). Development success or failure may also have several consequences for the state in question because economic ‘failure’ or ‘success’ may affect actors’ notion of the size and the internal and external capacity of the state. For instance, Iceland was one of the poorest states in Europe at the beginning of the twentieth century; its economic development over the century was remarkable, and has been so particularly since the mid-1990s. For example, Iceland is second, trailing only Norway, on the 2005 Human Development Index published by the UN. The index compares the standard of living in 177 countries. These are assigned a Human Development Index (HDI) rating, which combines four variables: life expectancy at birth; adult literacy rate; combined gross enrolment ratio for primary, secondary and tertiary schools and GDP per capita (PPP USD). Iceland has been in second place on this index since 2003 (UN Development Programme 2005).

Iceland’s economic success in the last decade has enabled the government to allocate more resources for building a decisive foreign service with broad aims (i.e. not only with a focus on concrete economic benefits from overseas activity), as is illustrated in Figure 9. However, Iceland’s development success could be regarded as more fragile than that of other countries due to its dependence on concentrated exports (marine products) and the impact which ‘short-term mega-projects’, such as the building of a power station and an aluminium factory, have on the economy. This is reflected in Figures 9 and 10.

Furthermore, Iceland’s ‘restricted’ GDP (as compared to the GDP of states such as Norway and Denmark), combined with a ‘small’ domestic market, has several implications for the economy and makes it highly vulnerable in the fluctuating international economy. These factors confine Iceland’s internal and external competence and restrict its capabilities in comparison with neighbouring states, as Figures 9 and 10 illustrate.

Figure 9. Economic size: Internal capacity.

<i>Iceland</i>	Internal capacity	
	Action competence	Vulnerability
GDP	<i>Low-medium</i>	<i>High</i>
Market size	<i>Low</i>	<i>High</i>
Development success	<i>High</i>	<i>Medium</i>

Figure 10. Economic size: External capacity

<i>Iceland</i>	External capacity	
	Action competence	Vulnerability
GDP	<i>Low</i>	<i>High</i>
Market size	<i>Low</i>	<i>High</i>
Development success	<i>High</i>	<i>Medium</i>

7. Perceptual size

‘Perceptual size’ is the size of a state as viewed by domestic and international actors in comparison with other states. This reflects how political discourse may determine how actors view states’ sizes and capabilities (Hansen 2002; Hálfðanarson 2004). There are two issues here: first, the changed view of the Icelandic political elite regarding Iceland’s size and external capabilities, and second, the changed perception of international actors regarding Iceland’s size and international capabilities.

Opinions of relevant actors, such as pressure groups, firms, states and international institutions, regarding states’ ability to influence the international system cannot be ignored in the new globalised system. This is because attitudes of these actors may shape the notion of states’ size and influence their international approaches and how other actors respond to their actions. Figures 11 and 12 demonstrate how various actors, including voters, view Iceland’s internal and external capacity.

In the last decade, domestic actors in Iceland have regarded the state as having considerable internal capacity in terms of the ability to build up the infrastructure and provide a decent living standard. Actors’ views may differ in this respect; for instance, domestic interest groups may be more sceptical about a

state's capacity than the population at large and the political elite, as is shown in Figure 11. Also, international actors may regard Iceland as having full internal action competence and limited vulnerability (Figure 11), while they may not rank Iceland highly in terms of external action competence because of the country's past experience and negative outcome in comparison with others (Figure 12).

Figure 11. Perceptual size: Internal capacity.

<i>Iceland</i>	Internal capacity	
	Action competence	Vulnerability
Domestic elite	<i>Full</i>	<i>Low</i>
Inhabitants	<i>Full</i>	<i>Medium</i>
Other domestic actors	<i>High</i>	<i>Medium</i>
Elite in other states	<i>Full</i>	<i>Low</i>
IGOs	<i>Full</i>	<i>Low</i>
Other international actors	<i>Full</i>	<i>Low</i>

Until the mid-1990s, the Icelandic political elite did not regard Iceland as having the external capacity needed to engage in wide-ranging international activity (Thorhallsson 2005).⁵ The political discourse in Iceland was based on self-determination in terms of extension of the fishing zone, diminishing or increased dependency on the US military presence in the country and the lack of political will to transfer power from Reykjavik to the institutions of the EU (Thorhallsson & Vignisson 2004b). Also, it centred on the necessity of deriving concrete benefits from overseas activity (Haarde 2006a; Thorhallsson 2005). This view of the Icelandic political elite was in sharp contrast to the views of the elite in the other Nordic states, who have regarded themselves and their states as being fully capable of participating actively in the international community. Moreover, the post-war political discourse in the other Nordic states has been characterized by the obligation to participate in the international system (Archer 2003). For instance, the other Nordic states provided 25 per cent of all the military personnel deployed in UN peacekeeping operations during the Cold War (The Norwegian Embassy in Copenhagen 2005; The Ministry of Foreign Affairs Denmark 2005).

The intensive debate in Iceland about whether or not to continue with the application to become a member of the UN Security Council shows two opposed camps disagreeing on Iceland's international approach. On the one hand, there is the traditional camp arguing for an international approach based on

⁵ See detailed discussion in Thorhallsson 2005.

economic gains, with little or no belief that Iceland can exercise influence in international institutions and in the international system generally (Oddsson 2002; Morgunblaðið 25.janúar 2005). This is founded on the notion of Iceland's smallness compared to other states, its limited administrative capacity and the conviction that membership of the Security Council would not bring Iceland any direct benefits (Morgunblaðið 25.janúar 2005). The financial burden that would result from increased international cooperation also plays a part in the debate. In 2004 and 2005, Iceland's then foreign minister Oddsson, who was prime minister for more than 13 years (1991-2004), raised doubt about the continuation of the campaign for a seat in the Security Council because of the high estimated cost involved and was supported by a number of MPs of his party (Morgunblaðið 2.mars 2005; Morgunblaðið 30.apríl 2005a; Morgunblaðið 30.apríl 2005b; Morgunblaðið 14.júlí 2005; see also Blaðið 11.mars 2006). On the other hand, there is a camp which regards Iceland as being capable of taking an active part in the international community and having duties towards the outside world (Haarde 2006a; Haarde 2005). The latter view has prevailed, as has been demonstrated in the government's approach over the last decade. This is reflected in Figure 12, which shows a rating of medium action competence by the domestic political elite. Other domestic actors, and the general population, may have different perceptions, based on their own experience, of their country's capacity to act internationally.

The subsequent foreign minister, Geir H. Haarde, who took over from Oddsson in September 2005, restated the government's policy to campaign for a seat in the Security Council for 2009-2010. He argued that the reason for the campaign was to place Iceland in a position to be able to influence decisions which concern the international community. He stated that the administration was not too small to take on the duties associated with membership of the Council and would manage to do this by relocating personnel within the Foreign Ministry and having staff from other Ministries work temporarily in the Foreign Ministry. He claimed that Iceland's main goals in the Council will be to promote the core values of the country's foreign policy, i.e. human rights, freedom, respect for peace and security (Haarde 9.mars 2006b). Moreover, Iceland's main aim would be disarmament and to prevent further spread of nuclear weapons (Haarde 2006a). Haarde had the full backing of Halldór Ásgrímsson (prime minister from 2004-2006), who, as foreign minister from 1995 to 2004, laid down the policy of applying for the Security Council seat in 2009-2010. In 2005, as the debate on whether or not to continue the campaign intensified in Iceland, the prime ministers of the other four Nordic states raised their concern about Iceland's potential withdrawal of its Security Council application. They emphasised the need for a Nordic state to be represented at the Council's negotiation table and stated that they would be very disappointed if Iceland withdrew its application. Furthermore, they argued that one of them would have campaigned for the seat in the 2009-2010 period in the Council if Iceland had

not decided to run in 1998 – and that it was now too late for them to start a campaign (Morgunblaðið 27.janúar 2005). Elections to the Council, for terms of two years, are held within the UN every other year, and one of the other four Nordic states (Norway, Denmark, Sweden and Finland) has always campaigned for membership every other term, i.e. the policy of the Nordic states is to have one of their number represented in the Council every other term (Haarde 2006a). Accordingly, both Ásgrímsson and Oddsson stated that they were under considerable pressure from their counterparts in the other Nordic states to continue the campaign (Morgunblaðið 29.júní 2005; Morgunblaðið 14.júlí 2005).

The prime reason for Iceland's absence from the Security Council is the lack of enthusiasm on the part of successive governments in Iceland to play an active part in the international community. They have not seen any reason for Iceland to join the Council, since this would not provide any direct economic benefits for Iceland. In 1998, Iceland was the only Nordic state not to have applied for a seat in the Security Council. Moreover, Iceland has not taken on the presidency of the UN General Assembly, which for instance Malta, a county of similar size but less economically advanced than Iceland, did in 1990; Lebanon did so in 1958 and Ireland in 1960-61.

International actors, governments and a number of IGOs have put increased pressure on Iceland to contribute more to the international community in the last decade. For instance, this has been the case with NATO, the World Bank, the EEA and the UN and its member states. Also, from early and mid 1990s the US government put considerable pressure on Iceland to contribute to its own defence and share duties with the NATO member states. One could argue that these actors' view of Iceland's size has changed in recent years as Iceland has become more affluent and gradually more self-assertive internationally. This external pressure has had several implications for Iceland's international activity. For instance, it led to the establishment of the ICRU (Alyson & Thorhalls-son 2006). and a considerable increase in Iceland's development aid (which has been much less, as a proportion of GDP, than that given by the other Nordic states) (Haralz 1997; Ingólfsson & Haralz 2003). On the other hand, these international actors may believe that Iceland can contribute more to the international community and demand that it share some of their responsibility, but at the same time they may regard Iceland as a highly vulnerable partner, as Figure 12 shows.

Figure 12. Perceptual size: External capacity.

<i>Iceland</i>	External capacity	
	Action competence	Vulnerability
Domestic elite	<i>Medium</i>	<i>Medium-high</i>
Inhabitants	<i>Medium</i>	<i>Medium-high</i>
Other domestic actors	<i>Low</i>	<i>High</i>
Elite in other states	<i>Medium</i>	<i>High</i>
IGOs	<i>Medium</i>	<i>High</i>
Other international actors	<i>Low</i>	<i>High</i>

The case of whaling provides another example of international pressure on Iceland to take part in the international community and follow its norms and rules. In 2002, Iceland rejoined the International Whaling Commission (IWC) after it had left the organization in a protest at not being allowed to continue whaling for commercial purposes ten year earlier. The decision to withdraw from the IWC was in sharp contrast with the position adopted by other whaling nations, such as Norway and Japan, which continued to work with, and promote their policies in, the IWC. In the 1990s, Iceland made an attempt to start whaling again, having stopped whaling for scientific purposes in 1989 (after international pressure), by creating an international organization, NAMMCO (the North Atlantic Marine Mammal Commission) together with Norway, Greenland and Faroe Islands. This Icelandic initiative and attempt to challenge the authority of IWC failed completely (Halldórsson & Stefánsson 2001) and Iceland sought to rejoin the commission in order to be able to start whaling for scientific purposes. Thus, Iceland decided to accept international rules concerning whaling, i.e. to work within the IWC in order to be able to start whaling again for scientific purposes, which it did on the basis of IWC rules in 2003. This brought Iceland into line with other whaling nations which work within the IWC and co-operate with countries worldwide within its framework.

8. Preference size

The sixth criterion, preference size, includes three features of the domestic political elite: ambitions, prioritization and ideas regarding the international system. First, the Icelandic political elite was highly ambitious concerning domestic affairs throughout the twentieth century. Icelandic society was transformed from being a very poor undeveloped agrarian society to a rich industrial and commercial one. The prioritization of the elite was clear: self-determination over the country's landmass and surrounding waters. This was combined with a

steady aim for a more successful economy and higher living standard, though the prioritization in this respect was perhaps not always correctly focused: an example of this is the lack of political will to liberalize the economy and lower tariffs. The elite believed that it could gain full control over ‘its’ territory within the international system. There also seems to have been a steady belief among most politicians that Icelandic society could be highly successful within the given structure of the international system. Accordingly, the elite managed to gain independence from Denmark and full control over the 200-mile fishing zone surrounding the island. Also, the economy was transformed, providing the populace with one of the best living standards in the world. This observation is demonstrated in Figure 13, together with the extent of vulnerability of the three features.

Figure 13. Preference size: Internal capacity.

<i>Iceland</i>	Internal capacity	
	Action competence	Vulnerability
Ambitions	<i>High-full</i>	<i>Medium</i>
Priorities	<i>High</i>	<i>Medium</i>
Ideas about the international system	<i>High</i>	<i>High</i>

The clear prioritization of the political elite of ‘rebuilding’ Icelandic society was not always according to ‘best economic praxis’ and can be said to include medium vulnerability. This is also the case with the high ambitions of the political elite, in the past and at present, since they faced several challenges. On the other hand, politicians’ ideas about the international system, with a firm belief that Icelandic society could be transformed and that Iceland could gain full control over ‘its’ territories within the international system, must be regarded as highly fragile. This is because of the uncertainty of international events and their consequences for Iceland’s search for greater independence. For instance, a change in government in Denmark at the beginning of the twentieth century and the occupation of Denmark in the Second World War made it possible for Icelanders to have a greater say over their own affairs. There was also a considerable uncertainty about states’ reactions to the extensions of the Icelandic fishing zone, as is indicated by the high vulnerability rating in Figure 13.

Iceland’s external preference size is not as clear-cut as its internal preference size and has undergone considerable changes in the last decade. Prior to the mid-1990s, Icelandic politicians did not attach importance to international activity except where direct benefits could be perceived, as has been stated above. For instance, Icelandic governments did not take an active part in the work of

the World Bank, but attached importance to membership of the International Monetary Fund (IMF). This was because Iceland received several economic benefits from IMF membership: financial assistance in the form of beneficial loans; economic advice (which was very much needed due to a lack of domestic expertise, the fluctuating economy and, more specifically, Iceland's currency, the króna), and technical assistance to its financial institutions (Interview in the International Monetary Fund (IMF) 25. August 2005; Institute of Economic Studies, 25 August 2005). In 1997, a report issued by the Icelandic Ministry for Foreign Affairs stated that Iceland had done little to increase its expertise and its level of development assistance. The consequences have been that Iceland has had difficulty in taking on duties within the group of the Nordic and Baltic states in the World Bank Group (Haralz 1997). In a report that followed in 2003, the government was encouraged to take a more active part in the governing and the work of the Group (Ingólfsson & Haralz 2003). On the other hand, Iceland has occasionally taken on duties within the World Bank Group and the IMF though its participation in the Nordic and (since the early 1990s) Baltic states' group in the past few decades (The Central Bank of Iceland 2005).

Also, Iceland chose to be a reactive state in institutions such as NATO, EFTA, the EEA (at first), the UN, the Council of Europe and the OSCE. Icelandic politicians lacked the ambition to play an active part in the international arena and seemed not to have believed that Iceland could have a say within international institutions (Thorhallsson 2005). Why should a state try to influence decisions taken internationally if its policy-makers steadily regard it as impossible for them to do so? This policy choice on the part of Icelandic politicians was in sharp contrast to the policy aims of politicians in the other Nordic states. All the Nordic states, particularly Sweden, Denmark and Norway, choose an active international approach based on a steadfast belief that they could make an important contribution to the international community. Other Nordic politicians not only believed that they could influence international decisions; they also regarded themselves as having an obligation to play an active part in international institutions and a duty to contribute to the world order (Archer 2003).

On the other hand, as has been stated above, there has been a complete turnaround in Iceland's international approach in the last ten years. Iceland has become more active in all of the international institutions mentioned above, and also in institutions such as the WTO, the Arctic Council and the Council of the Baltic Sea States. This has partly to do with international pressure to play a more active part in the international community and take part in sharing the burden within these organizations. However, this policy change would not have occurred were it not for the changed views of a large part of the Icelandic political elite concerning Iceland's priorities, role and duties, internationally (as illustrated in first two rows of Figure 14). There has been a shift of priorities from a narrow focus on direct benefits from overseas relations to more broadly-defined interests in terms of the importance of contributing to the

work of the international community. Increased international activity is seen as being of benefit to Iceland in the long run. For instance, Iceland's sharing of the burdens in NATO and its yielding to US demands by recognizing its obligation to contribute to its own defence, were regarded as helping to maintain the US military presence in the country. Also, the country's increased activity within the WTO is seen as contributing to better market access for Icelandic products around the globe. Moreover, the Icelandic government regards Iceland as having a duty to contribute to the international community (Haarde 2006a; Morgunblaðið 14. nóvember 2003). This has led to Iceland's making a contribution to a number of international institutions and commissions, such as the UN Commission on the Status of Women, UNESCO, the Council of Europe and the World Bank. Iceland has not only become highly ambitious in its international activity by taking a more active part in the work of these organizations: its prioritization has radically changed in the last ten years. However, Iceland's ambitions and prioritization are subject to considerable vulnerability due to the uncertainty of the international environment. Also, its ambitions may not be as 'wide reaching' as other states', as is demonstrated in Figure 14. The country is in a transitional phase in its international approach. This is well demonstrated in the intense debate about whether or not it should continue with its application to become a member of the UN Security Council, as has been mentioned above.

Figure 14. Preference size: External capacity

<i>Iceland</i>	External capacity	
	Action competence	Vulnerability
Ambitions	<i>Medium</i>	<i>High</i>
Priorities	<i>High</i>	<i>Medium-high</i>
Ideas about the international system	<i>Medium</i>	<i>High</i>

A considerable number of politicians now seem to consider it possible for the country to influence decisions taken within the international institutions. Moreover, Iceland is seen as having a role to play and an ability to contribute to the international community (Haarde 2005). Also, the Icelandic political elite (at least the present governing elite) has changed its view regarding the international system itself, as the last row in Figure 14 shows. Their perception regarding the international system has changed since Iceland, despite its smallness, is seen as having a say within it, as is shown by the 'medium' rating in the last row in Figure 14. This policy change has been accompanied by increased economic resources (which have made the country better able to develop an effective for-

eign service) and greater human capital (in the form of a better-educated workforce that is capable of engaging in international activity), as is indicated by the economic and political size criteria. Nevertheless, Iceland has also chosen to become a more active player in the international arena: to do so was a conscious choice. For that reason, and in the light of the country's reactive approach until the mid-1990s, one could say that Iceland has chosen 'a new size'. States can choose the extent to which they take part in the international community, given that they have the necessary infrastructure in terms of the features involved in their absolute, sovereignty, political and economic sizes. A political elite in a state such as Iceland, which has built up its internal capacity, can transform its domestic capabilities into an active international approach. This is precisely what Icelandic governments have done during the last decade.

9. Conclusion

Two key questions were put in the Introduction: what internal and external features have determined the size of Iceland and how has the notion of the size of the state determined the behaviour of the Icelandic government, at the domestic level and in the international system? Accordingly, the paper has focused on why Iceland has become more active in international institutions and in the international system generally.

Our analysis indicates that perceptual and preference changes on the part of the political elite are at the heart of a policy change in Iceland that has led to greater involvement in international activity. This has been accompanied by external pressure, calling for the country to become more deeply involved internationally, which in turn has been based on a change in how international actors regard the capacity of a 'small state' like Iceland. Both direct and indirect international pressure has been brought to bear on the Icelandic government to play a more active part in a number of international organizations. The government has found itself pressured to respond to the ongoing globalization, and Europeanization processes and also to new security challenges, by playing a more active role in international organizations. Moreover, the perception of international actors, such as leading politicians in other states and leaders of international organizations, of states' capabilities to participate actively in the international community is of importance and helps to explain Iceland's increased activity. Accordingly, the government has faced direct requests to contribute more to international organizations.

Additionally, a number of other domestic and external features, presented in the conceptual framework, have contributed to this increased level of activity. These include greater human capital and 'full control' over territory, i.e. land and waters, leading to 'increased sovereignty' in terms of both absolute size and sovereignty size; economic success leading to greater resources and capabilities; and features regarding political size, such as greater administrative capacity.

These features are of importance, but they do not provide the core reasons for Iceland's greater involvement in international affairs. Its involvement during the last decade has roots in changes in how the governing political elite regards the size of the state and its capabilities. Also, the elite's ideas about the international system have changed: a considerable part of the elite now regards it as possible for a small state such as Iceland to have a say within international institutions and in the international system more generally. The government has changed its ambitions and prioritizations. Icelandic interests are now defined in much broader terms than before and Iceland is regarded as being able to take on considerable international duties, such as peacekeeping missions and chairing international organizations.

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