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Iceland's alignment with the EU–US sanctions on Russia: autonomy versus dependence

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ABSTRACT

In 2015, the Icelandic government considered withdrawing its support for the sanctions against Russia over Ukraine. That came as a surprise to many, as Iceland had otherwise tended to align itself closely with the USA and the EU in such matters. The Icelandic fishing industry lobbied hard for the sanctions to be lifted, to avoid Russian counter-sanctions on Iceland. After considerable internal debate, the government decided to uphold the sanctions, but settled on a policy of not taking part in EU declarations about the sanctions. That decision is interesting, given Iceland's traditional positioning between two centres of gravity in world politics: the EU and the USA. This article discusses what this case tells us about Icelandic policy-makers' room for manoeuvring in the formulation and enactment of its foreign policy, and about Iceland's foreign policy bonds to the USA and the EU.

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Introduction

Iceland's foreign policy has traditionally been founded on three core pillars: its relationships with the United States, with the EU and its membership in NATO. Iceland, which has been described as a reluctant European, is formally outside of the EU, but has in the past generally aligned itself with EU's foreign policy positions. Adherence to EU foreign policy declarations is regulated through statements on political dialogue agreed by governments of the EU and EFTA countries in connection with the signing of the European Economic Area (EEA) Agreement (Althingi, 1993).

Iceland's decision to follow the US/EU lead and impose sanctions on the Russian Federation and other affiliated actors over the Ukraine crisis in 2014 was a controversial example of its alignment with EU foreign policy, and it brought high costs for the nation's economy following Russia's decision to impose counter-sanctions on Iceland in 2015. Iceland has a long history of trade with the Russian Federation (Icelandic Ministry for Foreign Affairs, 2016a; Reykjavik Economics, 2016) and the fishing industry exported a great deal of marine products to Russia prior to the counter-sanctions.

The powerful and effective fisheries lobby groups have had considerable influence on the formulation of Iceland's foreign policy, including its EFTA and EEA membership, and play a leading role in maintaining the country's status as a non-EU member. After

Russia imposed sanctions on Iceland in summer 2015, there came a series of protests, notably from the main fisheries lobby group, Fisheries Iceland (SFS). The two largest political parties (the conservative Independence Party and the centrist agrarian Progressive Party), in a government coalition at the time, were torn between the idea of maintaining a foreign policy which best served its direct economic interests, on the one hand, and maintaining good relations with its closest and most important allies, the EU and the USA, on the other. The Prime Minister and leader of Progressive Party went as far as to proclaim that the country could not simply follow the EU blindly in adopting sanctions against Russia (Eyjan, 2016). The encounters between these two most powerful political parties in Iceland on the one hand and the fisheries lobby groups on the other are particularly interesting in our case due to the sectoral corporatist nature of their relationship (Thorhallsson, 2011) and the parties' vocal support of close relations with the USA.

Interestingly, after intense debate on whether to prolong the restrictive measures against Russia, Icelandic policy-makers came up with a new arrangement: Iceland would continue to implement the EU sanctions but would not be party to the EU's declarations about the sanctions. Accordingly, Iceland has not been involved in EU declarations about the sanctions since autumn 2015, although it implements them. This marks a breach with established Icelandic practice and leads us to ask why and whether this reflects a more fundamental change in Icelandic foreign policy, towards greater autonomy from the EU. This article examines the debate; several interviews were conducted to shed light on the decision-making.

Iceland's relations with its regional powers: the ability to manoeuvre

As a small state in a world full of complexities and interdependence, Iceland must balance two underlying factors in its foreign policy decision-making: autonomy and dependence. Nowhere is this more obvious than in Iceland partial participation in the European project. The standard argument regarding small states is that they form alliances with larger states and join multilateral organizations in order to shield themselves from the fluctuating international economy and aggressive states (Waltz, 1979). The theory of shelter claims that small states seek political, economic and societal shelter for domestic reasons as much as for external reasons, such as protection from hostile international actors. Hence, small states seek to compensate for their domestic vulnerability in terms of smallness of their market, a small public administration, a small foreign service, lack of knowhow and limited defence capabilities by seeking shelter provided by larger neighbouring states and international organizations (Thorhallsson, 2010, 2011).

As a country without an army, Iceland has relied heavily on US and NATO policy-making, lacking its own defence and security expertise. Hence, Iceland's political shelter is secured through membership in NATO and the Defence Agreement with the USA. Until the late 1960s, Iceland received considerable economic (shelter) aid and had favourable trade arrangements with the USA. Moreover, the USA continued to pay for the running of the international airport at Keflavík, and its military base there contributed considerably to the Icelandic economy. Base closure in 2006 marked the end of a comprehensive political and economic shelter provided by the USA and the interesting question arises whether Iceland is autonomous in its foreign policy vis-à-vis the USA in this era of the countries' relations (Thorhallsson, 2013, p. 11).

Iceland has also sought political, economic and societal shelter provided by partial participation in the European project and full participation in Nordic cooperation. For instance, political shelter is secured by the Nordic states with diplomatic support in international organizations and police cooperation within the Schengen Agreement, while some economic shelter is also provided by Iceland's EEA membership. Furthermore, Nordic cooperation and the EEA Agreement have provided essential societal shelter by transferring norms and values to this small, remote island state (e.g. in the form of the free movement of people, access to research funds and student exchanges) (Thorhallsson, 2011).

Iceland's accession process towards EU membership, which began in 2009 (after the Icelandic economic crash) and was put on hold in 2013, has also shaped the course of the country's foreign policy and the search for comprehensive economic shelter. In early 2015, the government stated that it no longer regarded Iceland as a candidate country (Icelandic Ministry for Foreign Affairs, 2015), but did not withdraw its EU membership application. Taken as a whole, the EEA member states are by far Iceland's most important trading partners: in 2015, exports to the EEA accounted for some 78.1% of Iceland's overall exports and 60.7% of its imports (Icelandic Statistics, 2016a, p. 21). Given Iceland's non-membership of the EU, formal autonomy is secured but whether Iceland is autonomous in its foreign policy vis-à-vis the Union is an unanswered question. Also, shelter often comes at a certain cost (Thorhallsson, 2010). For instance, shelter provided by membership of the EU involves adopting the shelter provider's rules and norms, power sharing and loss of autonomy in several policy fields (Katzenstein, 1997).

There is a constant tug of war between the autonomy of a nation state – which is an integral part of realist thought, stressing the sovereignty and independence of nation states (Waltz, 1979) – and upon other actors. Iceland's interconnectedness with, and dependence on, its large and powerful immediate neighbours, the EU and the USA, has had a major impact on the formulation of its foreign policy. This tension between autonomy and dependence has also been used to describe how another non-EU state, Norway, has conducted its foreign policy, in close consultation with the EU, while retaining a certain level of autonomy in its policy preferences – where the balance between autonomy and dependence is the primary result of the Norwegian authorities' strategic calculations of their economic and foreign policy political interests (Rieker, 2016, p. 8).

Iceland has solid relations with Russia even though the two countries disagree on important matters such as democracy and human rights, and not least on Ukraine. Iceland has worked closely with Russia in regional organizations such as the Arctic Council and Council of Baltic Sea States, without disagreements about the rules of the game in these organizations (interview, high-ranking official in the Icelandic Ministry for Foreign Affairs, January 2017).

In the period 1956–1960, the USSR became the most important export market for Icelandic goods, with a market share of 18.2%. Moreover, the Soviet Union provided Iceland with a vital trade link during the landing ban on Icelandic fish in British ports in the Proto Cod War of 1952–1956. Supporters of lifting the recent sanctions against Russia reminded policy-makers of this fact in the public debate during the summer months of 2015, recalling how this Russian trade link had saved Icelanders from economic hardship. Trade with the USSR remained relatively stable throughout the Cold War, but with the collapse of the Soviet Union, exports to Russia also collapsed (Reykjavík Economics, 2016, pp. 18–21).

As the Russian economy began to recover, exports from Iceland, especially of seafood, increased substantially, due in part to greater mackerel catches after 2011 (Icelandic Ministry for Foreign Affairs, 2016a, p. 18). The Russian market is where the value of exports has increased the most, growing by 845% between 2004 and 2012, from ISK 1.8 billion to ISK 16.7 billion per year (Promote Iceland, 2012, p. 2). In 2014, exports of marine products to Russia accounted for 9.88% of all Iceland's marine exports, by value (see Figure 1).

After Russia imposed counter-measures on Iceland in August 2015, there has been a noteworthy decrease in exports of Icelandic fisheries products to Russia (Icelandic Ministry for Foreign Affairs, 2016a). In 2015, the total export volume of marine products to Russia had fallen drastically, to approximately 3.9%, as shown in Figure 1. Approximately ISK 10 billion was lost due to the Russian counter-sanctions during the first year after they were imposed, from August 2015 to August 2016 (Jonsson, 2016).

Aligning with the EU and the USA

On 17 March 2014, the EU High Representative, on behalf of the EU, imposed a travel ban and assets freeze against persons responsible for actions that undermined or threatened the territorial integrity, sovereignty or independence of Ukraine. On the same day, Iceland, together with Montenegro, Albania, Norway and Ukraine, aligned itself with the declaration (European Council, 2014–2016; Stjórnartíðindi, 2014): Iceland had agreed to adopt and execute the sanctions that the EU had designed against Russia.

The Foreign Minister of Iceland at the time, Gunnar Bragi Sveinsson, admitted that this was the hardest political decision he had had to make. “Our allies, the USA and the EU, requested that we take part and align ourselves with the sanctions. ... The main thrust came from the United States”, he said. “The Foreign Ministry prepared the matter and consequently the case was put forth in a meeting of the government. Subsequently, we took the decision to align ourselves after consultation with the Foreign Affairs Committee, in the Althingi” (interview, Sveinsson, former Foreign Minister of Iceland, July 2016).

The sanctions regarding the Ukraine conflict have mainly been threefold. (1) Those which were introduced on 31 July 2014 target specific sectors of the Russian economy: the financial, energy and defence sectors, among other things. They have since been extended until 31 July 2017. These sanctions were linked to the complete implementation of the Minsk Agreement in 2015. (2) The sanctions have included individual restrictive measures – a visa ban and an assets freeze, and had targeted against 152 individuals and 37 entities in March 2017. (3) The sanctions have included restrictive measures in response to the illegal annexation of Crimea and Sevastopol, to remain in place until 23 June 2017, limited to the territory of the aforementioned places (European Council, 2016).

Retaliatory sanctions, the consequences and pressure to opt out

In August 2015, 12 months after the initial introduction of the counter-sanctions, Iceland, along with Albania, Montenegro and Liechtenstein, was added to the list of the states affected by Russia's counter-sanctions (Russian Government, 2014). Iceland's Foreign Minister described the Russian counter-sanctions as “a serious blow” (Lowana, 2015). He had expected Russia to add Iceland to the list, but was surprised at their “ferocity and disproportionality” (interview, July 2016, interview).

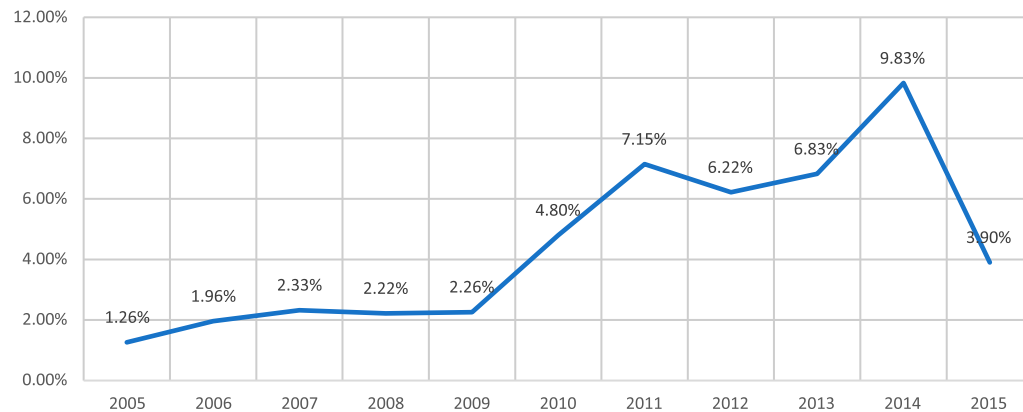


Figure 1. Icelandic marine exports to Russia, share of total value of marine exports. Source: Icelandic Statistics (2016b).

Noteworthy is how Icelandic fisheries lobby groups interacted with officials and embarked on a massive media campaign against the sanctions, aimed at putting pressure on the government to revise its decision. Indeed, the interaction between the Foreign Ministry and Fisheries Iceland, the main fishing industry lobby group, could be described as a “turf war”.

Representatives of the fishing lobby argued that it was against Iceland’s interests to participate in the restrictive measures; they criticized the Foreign Ministry for its lack of preparation and lack of strategic thinking.

There were billions of kronur on the line along with our long-term business relationship with Russia, a large and ever-growing business partner. Russia was our second-largest market for exporting fish. The matter was not prepared properly, that is what we criticized harshly. (Interview, representatives of Fisheries Iceland, July 2016)

In a very unusual step for it to take, indicative of the sensitivity of the issue, the Foreign Ministry responded to this criticism on its website, directly challenging the representative of the fishing industry and further explaining the timeline of the decision-making process. It stated that the lobby groups had been well informed in the early stages of the process about the possible future effects, Iceland’s position on the matter, and the decisions taken. The ministry had held several meetings with lobby groups about the possibility of a major disruption of trade between Iceland and Russia. Regarding the timeline of the decision-making process, the ministry referred firstly to the restrictive measures imposed by the USA on 6, 17 and 20 March 2014 and secondly to the consultations between the ministry and members of Icelandic Fisheries, on 12 March 2014 (Icelandic Ministry for Foreign Affairs, 2016b). Furthermore, central Icelandic actors, such as officials in the Ministry of Fisheries, the Icelandic President and representatives of the fishing lobby groups, were in contact with the Russian Embassy in Reykjavik, seeking to maintain dialogue with Russia (interview, high-ranking Russian official, November 2016).

However, the fishing lobby groups continued to criticize the government’s decision-making process, stressing how severely the Icelandic economy would be affected. In early 2016, the damages that further participation in the sanctions would have on Icelandic exporters of fish to Russia were highlighted in a report prepared by a Reykjavik consultancy firm at the behest of the Prime Minister’s Office, acting together with the fishing lobby groups and other ministries (Prime Minister’s Office, 2016; Reykjavik Economics, 2016). “Given the importance of seafood exports for the Icelandic economy and its relative importance for Icelandic exporters, it is evident that Iceland is proportionately among the hardest hit by Russian counter-sanctions” (Reykjavik Economics, 2016, p. 5).

Also the Icelandic Regional Development Institute (2015, pp. 2–3) wrote a report at the behest of the Minister for Fisheries and Agriculture, highlighting the negative effects of the counter-measures on various regions of Iceland. Here it was stated that several regions and sectors would be negatively impacted, including local seamen and local people employed by fisheries companies. This report estimated the wage-loss for those working in the fishing sector at between ISK 990 m and ISK 2900 m a year, affecting about 1180 workers. Several municipalities in Iceland would be especially hard-hit, according to the report.

A week after the Russian counter-measures were imposed, the Icelandic Prime Minister spoke with the Russian Prime Minister and explained to him that the counter-sanctions

would impact Iceland proportionately harder than other countries involved. The two prime ministers discussed the “grave situation” which had arisen due to the restrictive sanctions, and attempted to resolve the matter (Iceland’s Prime Minister’s Office, 2015). A high-ranking Russian official has explained that the telephone call focused on finding an acceptable solution to the rift in relations between the two countries due to the sanctions and counter-sanctions. They attempted to find “loopholes” but were unable to do so: it would be too “cumbersome and costly” for both actors (interview, November 2016).

This illustrates how the Icelandic government attempted to maintain its autonomy throughout the period under study here. The Prime Minister felt that Iceland’s participation in the restrictive measures had no real effect on Russia, and even went so far as to question Iceland’s participation in the EEA Agreement. “This will probably be a decisive matter but I think we should evaluate our options on our own”, he said (*Eyjan*, 2016).

Furthermore, Iceland’s President at the time, Ólafur Ragnar Grímsson, met Anton Vasiliev, Russian’s Ambassador to Iceland, in August 2015. It was reported that they discussed possible solutions to the crisis, and ways of preserving Icelandic–Russian trade relations (Thordarson, 2015).

Iceland’s two governing parties were divided on the issue. The view of the Finance Minister and chairman of the Independence Party echoed that of the Prime Minister. The Finance Minister admitted that he had questioned Iceland’s participation in the sanctions from the beginning of the whole affair (Asgrímsson, 2015). Furthermore, he said, it was questionable what realistic meaning it had for Iceland to align itself with the USA/EU; he wanted to re-evaluate the situation (Thordarson, 2015). MP Ásmundur Friðriksson, of the Independence Party, declared that Iceland should opt out of the sanctions: “I am thinking about the interests of the fisheries sector, I am thinking about the interests of the people working in that sector, I am thinking about the interests of the nation” (*Stöð2*, 2015). A prominent member of the Independence Party wrote that it had always been Icelandic policy to sell fish, before trying to save the world, for it was not in the hands of Iceland to do the latter. To assume otherwise, in his opinion, would be childish and ignorant (*Morgunblaðið*, 2015).

Maintaining Iceland’s support for the sanctions

The case for maintaining Iceland’s alignment for the sanctions is perhaps best outlined in a report released by the Ministry for Foreign Affairs early in 2016 (Icelandic Ministry for Foreign Affairs, 2016a). It evaluates Iceland’s interests regarding the sanctions, highlighting the importance of the respect for international law and furthermore stating:

To breach the solidarity of Western countries would constitute a major deviation from foreign policy and be a matter for serious consideration, which would, at best, call for critical questions from friendly nations as to what direction Iceland was taking in its international collaboration and the country’s reputation as a solid ally would be compromised. The defence of interests in collaboration with our most important friends and allies would become much more difficult (Icelandic Ministry for Foreign Affairs, 2016a, p. 4).

The Foreign Minister argued that this issue must not centre around money, as it involved the interests of the entire Icelandic nation (interview, July 2016). Bearing in mind the potential material losses, the minister and the ministry set out the persuasive argument that respect for international law and territorial sovereignty was essential for

Iceland, due to its interest in long-term stability in international trade and politics. A high-ranking official in the Icelandic Ministry for Foreign Affairs (interview, January 2017) held that Iceland took part in the sanctions with its allies for three reasons. Firstly, the aim of the sanctions was to send a clear signal to Russia that its behaviour in Ukraine was not acceptable and contravened fundamental international rules. The intention was to show Russia that such behaviour had consequences. Secondly, the sanctions were put in place in the hope that the Russia would cease its activities in Ukraine and respect the sovereignty of the Ukrainian government over its international recognized territory. Thirdly, the aim was to prevent Russia from extending its activities in Ukraine to other countries in the neighbourhood. The second aim did not succeed, but the third aim has been accomplished, the official noted.

The Foreign Ministry's report on Iceland's interests in the matter stated that Washington officials believed that it was essential to participate in the sanctions and not to deviate from the path set. Icelandic officials had, however, briefed US officials that their country had been disproportionately hit by the counter-sanctions imposed by Russia (Icelandic Ministry for Foreign Affairs, 2016a, 14). The US Embassy in Reykjavik engaged in extensive dialogue with Icelandic officials, MPs and ministers at that time, seeking to convince them and make it clear that it was important for all nations that believed in the rule of law to stand together in solidarity, and that the sanctions had been emplaced to address issues of national sovereignty and to support an international system that depended on respect for international norms and the rule of law. US officials have been keen to point out that the United States and Iceland have long shared a strong working relationship as friends and allies: indeed, the USA was the first country to recognize Iceland as a republic in 1944 (interview, high-ranking US official, January 2017). Furthermore, a decision not to take part in the sanctions would have been badly received in the EU, because of the EEA Agreement (interview, high-ranking official, Icelandic Ministry for Foreign Affairs, January 2017).

When asked his opinion on the matter, a Russian official stated: "Iceland was not sovereign and not independent in its decision-making." He saw Iceland as a country that was pressured by the USA, which had also pressured the EU to join the sanctions. "Iceland had to play the game of the USA", he added. Asked whether he believed that the USA had pressured Iceland to make the decision he replied: "Absolutely, we do not live in a vacuum" (interview, high-ranking Russian official, November 2016).

Interestingly, in June 2016, the Icelandic Ministry for Foreign Affairs and the US Defense Department signed a joint declaration reaffirming close cooperation on defence and security matters, both bilaterally and within NATO (Icelandic Ministry for Foreign Affairs and Department of Defense, 2016).

A political twist: Iceland disappears from EU declarations on the sanctions

After Russia imposed counter-sanctions against Iceland and the heated domestic debates on whether Iceland should continue to participate in the sanctions, Iceland stopped taking part in the EU's declarations on the extension and amendment of the restrictive measures. In June 2015, Iceland was on the list of third countries aligned with the EU's decisions to renew the existing sanctions. However, in the next press release on the sanctions, issued in October, Iceland was nowhere to be found on the list of aligned countries. Iceland had signed all EU sanction declarations until that point (European Council, 2014–2016) (see Table 1).

In 2016, Iceland decided against aligning itself with 9 out of 33 EU foreign policy declarations – 6 of these 9 concerned the sanctions. By contrast, in 2014, Iceland had taken part in 35 EU foreign policy declaration out of a total of 36. In 2015, Iceland's alignment was considerably lower (22 out of 33, see [Table 1](#)). This was the outcome of further deliberations on Icelandic involvement in the EU's declarations. In early 2015, the Icelandic government had announced that it no longer regarded the country as a candidate country for EU membership. However, the main reason for non-alignment can be found in time constraints: the EU has failed to give Iceland enough time to respond to invitations to align itself with its decisions (interview, high-ranking official, Icelandic Ministry for Foreign Affairs, January 2017). The EU simply invites Iceland to take part in its foreign policy declarations without prior political dialogue (interview, high-ranking official, Icelandic Ministry for Foreign Affairs, December 2016).

Interestingly, apart from EU declarations concerning the Russian sanctions, Iceland's alignment with EU foreign policy declarations is at the same level as Norway's and Liechtenstein's alignment in 2016, as [Table 1](#) indicates: Iceland has returned to its normal alignment level after a brief wavering in 2015. From October 2011 to September 2012, Iceland aligned itself with 64 out of 70 EU foreign policy declarations (European Commission, 2012), and similarly in the period from September 2012 to May 2013 (European Commission, 2013). Any non-alignment was due mainly to technical issues, as in several of the cases implementation regulations were already in place (European Commission, 2012).

When asked about the fact that Iceland had stopped taking part in the EU declarations, a high-ranking EU official said that it had come as “a surprise” and been “noticed” in Brussels. On the other hand, the EU appreciated that Iceland had continued to follow the sanctions: that was what mattered (interview, high-ranking EU official, January 2017).

The EU and the USA, mainly concerned about maintaining the Western front against Russia over Ukraine, have managed to get Iceland on board and keep it there. Also Switzerland has adopted restrictive measures against Russia based on the EU sanctions, although it has not formally joined the EU sanctions and does not align itself with EU declarations about them. Hence, Switzerland, a neutral state, is part of the Western front and has extended its restrictive measures to prevent the circumvention of international sanctions (Franklin & Schaps, 2015). On the other hand, the Faroe Islands, which are not members of EFTA and the EEA but are a home-rule entity and a part of the Danish Kingdom, have managed to avoid taking part in the sanctions. The result has been a sharp increase in trade between Russia and the Faroes, which have even been hailed as the winners of the “tit-for-tat” sanctions (Troianovski, 2015).

Iceland has the same manoeuvrability, but was pressured by its allies to maintain the sanctions. Formally, it could lift the sanctions without consulting its allies. That is not

Table 1. Iceland, Norway and Liechtenstein: alignment with declarations by the High representative on the behalf of the European Union, 2014–2016^a.

| | Aligned with EU declarations | | | Not aligned with EU declarations | | |
|---------------|------------------------------|------|------|----------------------------------|-------------------|------------------|
| | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 |
| Iceland | 35 | 22 | 24 | 1 | 11 (2 on Ukraine) | 9 (6 on Ukraine) |
| Norway | 34 | 29 | 31 | 2 | 4 | 2 |
| Liechtenstein | 30 | 31 | 31 | 6 | 2 | 2 |

^aExcluding a few declarations deemed special (exclusive EU) declarations where third countries were presumably not invited to align.

Source: European Council (2014–2016).

the case with the EU member states: lifting the sanctions would require unanimity within the Council. On the other hand, it may be queried whether Iceland actually has the flexibility necessary to break away from the Western front and conduct an independent foreign policy towards Russia in contradiction with the position held by its allies. In practice, Iceland has adopted a symbolic measure (not aligning itself with the EU's declarations on the sanctions) for domestic political purposes and in order to limit the political damage that involvement in the sanctions has on its relations with Russia. The aim is to maintain a low profile as regards the sanctions.

Interestingly, the fact that Iceland does not take part in the EU's declarations on the sanctions is only known within closed policy-making circles in Iceland and the circle of foreign actors. The government has not made any public announcement, nor has this fact been mentioned at all in the Icelandic media. On the other hand, the international media no longer mention that Iceland has aligned itself with the EU sanctions, even though it still follows them. Iceland maintains a low international profile about its participation in the sanctions. However, if the objective of not taking part in EU declarations was to get Russia to lift its counter-sanctions against Iceland, it did not succeed. The gesture was too inconsequential for that.

Conclusions

Iceland has had to compensate for its vulnerability by seeking shelter provided by its larger neighbouring states and international/regional organizations. Our study indicates that in exchange, the USA and the EU demand a firm commitment to their foreign policies. This restrict policy-makers in Iceland in their ability to conduct a foreign policy that contradicts those of its shelter providers. Our study indicates that Iceland closely allies itself with the EU's foreign policy and is dependent on its foreign policy preferences.

Icelandic policy-makers sought to take an independent decision on continuation of the sanctions, and they succeeded in maintaining token autonomy with their decision not to participate in EU declarations on the sanctions. Iceland tried to navigate the thin line between satisfying the domestic material interests represented by the powerful fisheries lobby, and the foreign policy preferences of its powerful protectors and allies. However, it could not reconcile the two. Iceland's formal autonomy from the EU's decision-making is secure through non-membership but its partial engagement in European integration (EEA and Schengen) makes it not autonomous vis-à-vis the Union. Moreover, the US departure from Iceland in 2006 did not lead to less dependence on its foreign policy preferences. The outcome was to sacrifice domestic economic interests and follow the country's foreign allies. Indeed, shelter comes at a cost.

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