



Integrated Country Strategy

Iceland

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1. Chief of Mission Priorities

The United States' diplomatic relationship with Iceland developed out of World War II and flourished during the Cold War. Since the turn of the century our mutual friendship has evolved into a broad-based partnership reflecting America's global agenda. Embassy Reykjavik's strategic goals are drawn from the European and Eurasian Affairs Bureau's Joint Regional Strategy – Protect America's Security at Home and Abroad by Reinforcing European Security and Strengthening Partnerships to Address New Security Challenges and Renew America's Competitive Advantage for Economic Growth by Strengthening the Foundations of the Transatlantic Economy – and the Bureau of Oceans and International Environmental and Scientific Affairs Strategy – Promote Global Prosperity and Advance U.S. Interests through Innovation, Negotiation and Collaboration in Oceans, Environment, Science, Technology, Space and Health. Our management goals focus on the planned move to a newly acquired chancery building in late 2019 and recruitment and retention of highly qualified staff.

Given this profile, the Embassy's top priorities are:

- Continue to develop a broad-based security relationship with Iceland to counter both traditional as well as emerging threats as prioritized by policymakers in Washington;
- Advance goals of mutual prosperity and sustainable Arctic development through economic statecraft; and,
- Complete the Embassy's move to the long-awaited new chancery.

Security

We share a broad range of common security interests with Iceland – from NATO membership and opposing Russian aggression, to cybersecurity and reinforcing border security– making security a cross-cutting issue for the Embassy. While Icelanders remain resolute in believing that they should not have a military of their own, we will seek to increase their commitment to both their own as well as international security through collaboration and information sharing with U.S. law enforcement and security agencies and utilization of training opportunities. We will also work to foster a robust discussion of security issues within Icelandic society with the goal of continued Icelandic government alignment with U.S. policies.

Economic Statecraft

Our economic agenda seeks to build cooperation that contributes to the prosperity of both the United States and Iceland. Iceland has lifted nearly all of the capital controls it enacted following the 2008 crash, providing an opportunity for increased linkages between the two countries in key sectors. As Iceland's largest trading partner, U.S. priorities will be to continue to build and broaden the commercial relationship by increasing Icelandic participation in buyer

programs and trade shows, promoting investment in the United States, encouraging sustainable development in the tourism industry, and promoting entrepreneurship.

Arctic Issues

Iceland will take over the Arctic Council chairmanship in 2019, which provides opportunities to collaborate with Iceland on shared priorities in the Arctic and build on the progress made during our Council chairmanship. Iceland's foreign minister stated that Iceland plans to focus on sustainable development in the Arctic during its chairmanship, which should take into account economic, environmental, and social considerations. Iceland considers itself to be wholly located in the Arctic, and Icelanders understand the region's strategic relevance. As both Russia and China continue to expand their Arctic activities, it is essential that the United States be a visible and active participant in the Arctic. Iceland's Arctic Council chairmanship provides another opportunity to demonstrate our commitment to the Arctic and our willingness to cooperate in the region.

New Chancery

Embassy Reykjavik's current physical platform passed the end of its useful life decades ago. The last OIG inspection report of Embassy Reykjavik in 2011 characterized the chancery as "appallingly below standard." Our present antiquated, cramped, and non-secure working spaces are a drag on morale and the single biggest risk factor in terms of personal safety and legal liabilities for this Mission. In August 2015 the Bureau of Overseas Building Operations purchased a new chancery building in Reykjavik, which is currently being renovated to bring it up to State Department requirements. Once completed (scheduled for 2019) the new chancery will allow the mission to better represent the United States and better accommodate mission staff.

2. Mission Strategic Framework

Mission Goal 1: Protect America's Security at Home and Abroad by Reinforcing European Security and Strengthening Partnerships to Address New Security Challenges (JSP/EUR Goal)

Mission Objective 1.1: Strengthen our commitment to a free and peaceful Europe by countering aggression and malign influence by state and non-state actors and modernizing the NATO alliance to meet emerging threats. (JRS/JSP)

Mission Objective 1.2: Counter transnational crime, and violence that threaten U.S. interests by strengthening citizen-responsive governance, security, democracy, human rights, and rule of law. (JSP)

Mission Objective 1.3 Strengthen U.S. border security and protect U.S. citizens abroad. (JSP)

Mission Goal 2: Renew America's competitive advantage for economic growth by strengthening the foundations of the transatlantic economy. (JSP/EUR Goal)

Mission Objective 2.1: Leverage economic diplomacy and commercial advocacy to increase economic cooperation that contributes to prosperity in both countries through cross investment, innovation, entrepreneurship, and expanded U.S. exports.

Mission Goal 3: Promote global prosperity and advance U.S. interests through innovation, negotiation and collaboration in oceans, environment, science, technology, space, and health (OES Goal)

Mission Objective 3.1: Cooperate with Iceland to enhance environmental and scientific cooperation, spur discovery and innovation to benefit the environment, protect security interests, and drive sustainable economic growth.

Mission Goal 4: Ensure the United States is seen by Icelanders as Iceland's most trusted ally and strategic partner.

Mission Objective 4.1: The Icelandic public maintains favorable views of U.S. culture, society, policies, and values.

Management Objective 1: Improve the Mission's working environment and ability to achieve Mission Objectives by moving into newly-acquired chancery compound.

Management Objective 2: Recruit and retain highly qualified to carry out Mission Objectives.

Management Objective 3: Promote management excellence and improve ICASS services.

3. Mission Goals and Objectives

Mission Goal 1: Protect America's Security at Home and Abroad by Reinforcing European Security and Strengthening Partnerships to Address New Security Challenges (JSP/EUR Goal)

Description and Linkages: Important for U.S. interests, Iceland occupies a strategic location in the North Atlantic Greenland-Iceland-UK (GIUK) gap, which is in the area of sea communication lines between North America and Europe and serves as a gateway to the Arctic. Cooperation with Iceland to monitor these geographic areas and prevent malign influence from various actors is critical to U.S. national security.

The United States also has unique responsibilities for Iceland's defense under the terms of the 1951 Defense of Iceland Agreement. The abrupt 2006 closure of Naval Air Station Keflavik changed the U.S.-Iceland relationship fundamentally; the U.S. remained treaty-bound to provide for Iceland's defense, but the physical manifestation of that commitment has disappeared. The political instability that continues to define Icelandic politics following the 2008 economic crash strengthened pacifist political tendencies. This is reflected in the current success of parties that often tap into long-standing anti-NATO sentiments and a conviction that Iceland's geography and its reputation as a peace-loving nation will insulate it from the dangers experienced by other countries. However, as Iceland becomes increasingly integrated into the international community through its economic growth, tourism, and growth as a transatlantic transport hub, it will increasingly face security and hybrid challenges for which it must be prepared to handle effectively.

Iceland will likely continue to look to the United States, its Nordic neighbors, and NATO for the foreseeable future to protect its sovereignty, reflecting the broad domestic consensus that Iceland does not need and will never need its own military. In effect, Iceland has relied on the United States for its hard security requirements since 1951. However, increased Russian activity in the North Atlantic and Arctic regions, as well as Ukraine and elsewhere on its periphery, has Icelanders concerned. While the current government, which took power in late 2017 following snap elections, is generally supportive of close ties with the United States, the Left Green Movement (LGM) leadership is less forward-leaning toward U.S. and NATO positions on security matters. We have to walk a fine line to maintain commitments in this area by being especially cognizant of the sensitivity of the issue within the government coalition.

Mission Objective 1.1 Strengthen our commitment to a free and peaceful Europe by countering aggression and modernizing the NATO alliance to meet emerging threats.

Justification: NATO is the transatlantic core of the global security community, and Iceland was a founding member. For generations, the United States has led the Alliance to ensure NATO allies have the capabilities needed to defend themselves and each other in times of crisis and, more recently, to ensure NATO is able to deploy globally to tackle emerging security challenges. At the Wales Summit, Allied heads of state and governments pledged to meet the two percent of GDP defense spending target by 2024. While we recognize Iceland's unique situation as a NATO member without an army, we also must urge them to invest more in their own security and defense and increase support to NATO to address that administration's priority of burden sharing.

As U.S. military engagement with Iceland increases, it is more important than ever to reestablish a permanent presence resident at Embassy Reykjavik. For this reason, the DoD has committed to do so in summer of 2019 when the current DATT's assignment in Oslo is over. His replacement will then arrive to open the DAO in Reykjavik.

Mission Objective 1.2: Counter transnational crime, and violence that threaten U.S. interests by strengthening citizen-responsive governance, security, democracy, human rights, and rule of law. (JSP)

Justification: Iceland has historically had relatively little crime, and its geographic isolation has allowed it to avoid addressing cross-border security issues to the same extent as its Nordic neighbors. Never a predominant government focus, the law enforcement and security sectors experienced significant cuts to budgets and personnel following the economic crash in 2008, and neither funding nor positions have fully returned to their pre-crash numbers. In light of recent terrorist attacks in neighboring countries and other security-related issues in the past several years, the status quo is untenable. This is particularly true in light of Iceland's Schengen membership and the vastly increased number of foreign individuals visiting and transiting Iceland as tourism and the aviation industry have become the country's leading economic drivers. While acknowledging the limitations of Icelandic law enforcement, continued coordination with Icelandic government agencies to the maximum extent possible is critical, with particular focus on increasing capacity in the areas of terrorism prevention and response as well as cybersecurity and cybercrime investigations.

Mission Objective 1.3 Strengthen U.S. border security and protect U.S. citizens abroad. (JSP)

Justification: Given recent terrorist activity throughout the EUR region, events such as the 2010 volcanic eruption of the Eyjafjallajokull volcano on the southern coast of Iceland that shut down much of the air traffic between the United States and Europe, and the dynamic nature of Iceland's natural environment, it is prudent for Post to

establish and maintain connections and working relationships with host country counterparts and the private sector. Post will focus on contacts in law enforcement, search and rescue, and the tourism sector, in order to leverage these assets should a large scale evacuation of U.S. citizens from Iceland become necessary. Further reinforcing this need is the fact that tourism in Iceland is booming, with the number of U.S. citizens visiting the island nation skyrocketing; the number of U.S. citizen visitors to Iceland jumped to over half a million in 2017, representing a 39% percent increase from the year prior and all projections point to continued growth.

Mission Goal 2: Renew America's Competitive Advantage for Economic Growth by Strengthening the Foundations of the Transatlantic Economy. (JSP/EUR Goal)

Description and Linkages: Iceland has an open economy that relies heavily on foreign trade, with fish, aluminum, and tourism serving as the main export-earning industries. Iceland is a prosperous country that regularly ranks in the top five in indices of overall development and social protection. Foreign investment has lagged considerably since the 2008 economic collapse because of inconsistent government policy and capital controls, but the trend is expected to shift now that most capital controls have been lifted.

The current government is against European Union accession and has publicly stated its desire to increase commercial ties with the United States. However, it continues to strengthen its trade ties with the European Union, most recently through an agricultural tariffs agreement that will make U.S. agricultural goods less competitive. Iceland also ratified a trade agreement with China in 2014, and both sides are active in strengthening their trade relationship. Still, Iceland's foreign minister supports initiating a negotiation for a free trade agreement with the United States, a nod to the importance of our bilateral trade relationship highlighted by the fact that the United States is now Iceland's largest trading partner.

The Icelandic economy is at a moment of upheaval as traditional sectors, such as aluminum smelting and fishing, become less important as emerging industries including tourism, technology, data centers and biotechnology quickly grow. In fact, tourism is now the largest sector of the economy, and concern about the environmental impact of aluminum and silicon smelters have all but halted further energy intensive projects and new energy production facilities. In addition to the intrinsic economic value of increasing commercial ties, it is in the security interest of the United States to balance other economic influences by more actively engaging with these emerging new Icelandic industries.

Mission Objective 2.1: Leverage economic diplomacy and commercial advocacy to build economic cooperation that contributes to prosperity in both countries through cross investment, entrepreneurship, innovation, and expanded U.S. exports.

Justification: In order to promote U.S. commercial and economic interests, our priority will be to build and broaden the commercial relationship by increasing Icelandic participation in buyer programs and trade shows; facilitating links in information technology, biotechnology, research, and energy; promoting FDI in the United States by building links with start-up technology firms seeking to expand into the U.S. market; and encouraging sustainable development in the tourism industry that will build ties with the environmental community in the United States. To accomplish these goals, the mission intends to recruit delegations to attend U.S. trade shows in an effort to support U.S. exports, strengthen ties with the Icelandic startup and entrepreneur community, and encourage and assist them in investing in the U.S. market. In response to the GOI's interest in a free trade agreement, we will continue discussions with the Icelandic government on ways that our governments can strengthen our trade ties. These efforts also will help to maintain positive U.S. influence in a market and geographical area that is increasingly attractive to outside interests.

Mission Goal 3: Promote Global Prosperity and Advance U.S. Interests through Innovation, Negotiation and Collaboration in Oceans, Environment, Science, Technology, Space and Health (OES)

Description and Linkages: Iceland considers itself to be the only nation on earth that is wholly located in the Arctic region, so it takes a keen interest and plays an outsized role in all developments related to the Arctic with a particular interest in oceans, environment, science, and technology. Also as an island nation with an economy that historically has been based on fishing and agriculture, sustainable use of natural resources and environmental stewardship has figured largely in their government policy. To capitalize on shared interests, Post will assist Iceland to develop and adopt policies and at conserving its environment during the current large tourism boom and collaborate on sustainable development in the Arctic through Iceland's Arctic Council chairmanship. The United States and Iceland share common perspectives on stewardship of environmental resources except on the question of commercial whaling, which has been a long-standing point of dispute. Post will continue to encourage the cessation of Iceland's commercial whaling practices in line with OES goals.

Mission Objective 3.1: Cooperate with Iceland to enhance environmental, scientific, and health cooperation, spur discovery and innovation to benefit the environment, protect security interests, and drive sustainable economic growth.

Justification: Iceland is a unique laboratory for studying a host of Arctic-related topics such as climate change, glaciology, and biology as well as earth science. The strong commitment by the NSF, USGS, and NASA to these scientific endeavors has funded over \$700 million in research involving Iceland since 1980, a significant investment.

The Arctic Council, whose members include the United States, Iceland, and six other countries, is the main venue for working with Iceland on the environmental, economic, and transportation issues that are rapidly affecting the entire region. Iceland will take over the chairmanship in 2019, providing an opportunity for the U.S. to collaborate further on shared interests. Two areas of bilateral engagement, security and scientific research, also contribute to the Department's Arctic goals. Security cooperation with Iceland (detailed in Mission Goal 1) is especially valuable to prepare to respond to future contingencies such as mishaps involving cruise ships, which are plying Icelandic waters in growing numbers, as well as the prospect of future off-shore hydrocarbon exploration north of Iceland.

The United States and Iceland share common perspectives on stewardship of environmental resources except on the question of commercial whaling, which has been a long-standing point of dispute. Iceland was certified under the Pelly amendments of 2011 and 2014 for its whaling practices, resulting in restrictions on cabinet level visits to Iceland. The Embassy has been engaged in efforts to highlight the benefits of whales to Iceland's economy and ecosystem, while at the same time conveying the political and diplomatic costs of hunting whales in the face of near unanimous international opposition.

Mission Goal 4: Ensure the United States is Seen by Icelanders as Iceland's Most Trusted Ally and Strategic Partner.

Descriptions and Linkages: The United States enjoys generally high approval ratings among the Icelandic public, but some Icelanders – both opinion makers and the general public – are voicing doubts about the United States. At the same time, outside actors are ambitiously expanding their public diplomacy activities in Iceland. In that context, PAS leads an Embassy-wide effort to reinforce the positive views held by most Icelanders while countering misperceptions or other negative narratives. The key is to remind Icelanders that our two nations share a common core set of values as Western democracies and NATO members.

Mission Objective 4.1: The Icelandic public maintains favorable views of U.S. culture, society, policies, and values.

Justification: At the heart of public diplomacy is the idea that bilateral relationships improve through increased people-to-people contact. Student and cultural exchange programs are the heart of this approach between the United States and Iceland. The U.S. higher education system is viewed by most Icelanders as the world's finest and a symbol of innovation. The alumni of U.S. government exchange programs are well represented in key positions in Icelandic society and are reliable spokespeople for the synergy between Icelandic and American values. Embassy outreach and cultural

programs further underscore key shared values, such as women's empowerment, free expression, LGBTI pride, disability rights and diversity.

The Embassy is expanding its social media presence, including Facebook, Twitter, Instagram and YouTube, to further reach new segments of Icelanders. The Embassy Facebook page topped 11,000 friends in 2018, taking advantage of the high rate of Internet penetration in Iceland. The social media efforts complement outreach through traditional media, aided by good working relationships with the Icelandic press. In addition to promoting positive views of the United States, the Embassy will work to combat disinformation campaigns that undermine Iceland's relationship with the United States, NATO and the rest of Europe.

4. Management Objectives

Management Objective 1: Improve the Mission's working environment and ability to achieve Mission Objectives by moving into newly-acquired chancery compound.

Justification: In August 2015, Overseas Building Operations (OBO) purchased a new chancery building in Reykjavik and entered into an agreement with Istak, a local construction firm, to fit-out the non-CAA sections of the building (OBO will manage the CAA space renovations). Once completed, Embassy staff will be able to work in a safer, much more professional, accessible, and state-of-the-art environment.

Management Objective 2: Recruit and retain highly qualified to carry out Mission Objectives.

Justification: Mission Reykjavik is a minimally-staffed operation that requires highly-skilled employees to carry out its mission. We are too lean to accommodate mediocrity, and the recruitment/retention of quality staff is paramount to success. For LE staff, the main challenge revolves around compensation.

Management Objective 3: Promote management excellence and improve ICASS services.

Justification: Mission Reykjavik employs 12 USDH State Department employees and one DoD civilian. DOD will increase their presence by an additional two staff in summer 2019 and post will move into a new building which will have significantly more maintenance needs than our current facilities. This will present new challenges and opportunities for the Management Team and the ICASS Council, which will increase further should DHS realize its goal to establish a preclearance facility at KEF. Increased non-State agency presence at Post will result more budget scrutiny and higher expectations of services. Proper staffing and increased efficiency will be necessary to satisfy the needs of incoming personnel from across the interagency.