



Integrated Country Strategy

ICELAND

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1. Chief of Mission Priorities

Iceland is geographically positioned to be a centerpiece of Arctic policy objectives. Iceland values its relationship with the United States and wishes to broaden that relationship. Iceland stands to benefit from increasing international interest in the Arctic. As a founding member of NATO, Iceland is committed to contributing to the Alliance's shared goals. Russia's unprecedented military and commercial investments in the Arctic raise the region's competitive stakes. Since Iceland and China signed a free trade agreement (FTA) in 2013, China has become the third largest exporter of goods to Iceland, although trade with the United States has grown more than it has with China in the years since the FTA. Iceland's underlying fundamentals, including high educational standards, technological proficiency, and reliable export industries, including renewed tourism, will allow the economy to remain structurally sound in the near term despite the COVID-19 pandemic.

Mission Reykjavik's policy goals for Iceland derive from the Interim National Security Strategic Guidance ("INSSG"), as reinforced by the Secretary of State, which has as its core strategic proposition that "[t]he United States must renew its enduring advantages so that we can meet today's challenges from a position of strength." The challenge put forward in the INSSG is to "reinvigorate and modernize" our partnership with Iceland. The strength of that partnership rests on a foundation of shared values, notably free markets, a strong commitment to NATO, rule of law, democratic principles, human rights, and gender equality. Iceland is also strongly committed to the multilateral system and seeks consensus-based decision-making in international fora.

In his remarks to the Arctic Council ministerial in May 2021, the Secretary of State voiced America's commitment to advancing a peaceful Arctic region where cooperation on climate, the environment, and science and safety prevails, and where sustainable economic development benefits the people of the region themselves. He also cited the need for effective governance and the rule of law to ensure that the Arctic remains a region free from conflict, where countries act responsibly. As a gateway to the Arctic, Iceland plays a critical role in

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achieving these objectives. The Mission will work bilaterally to pursue responsible Arctic economic opportunities while countering malign influences by state and non-state actors; promoting greater engagement on defense, security, and critical infrastructure issues; and strengthening the transatlantic economy.

The administration's agenda includes an equitable, clean, and resilient energy future. The MOU between the United States and Iceland on "Scientific and Technological Cooperation on Geothermal Research and Development" provides a ready-made platform from which the Mission can increase renewable energy cooperation. Given the increased focus on climate change, we will redouble our efforts on renewable energy, especially geothermal and carbon capture sequestration technology.

The Mission will continue to work toward the high priority objective that "[t]he Icelandic public maintains a favorable view of the United States and supports NATO membership." As the Cold War fades from memories and with 16 years passing since the closure of Naval Air Station Keflavik and the withdrawal of U.S. forces, the United States cannot assume that the Icelandic public has an awareness of, or an appreciation for, the value of the strategic partnership. The United States should not take this important NATO ally or its continued support for NATO operations for granted. The Mission will utilize the full array of public diplomacy tools to re-engage with Icelanders and to reinvigorate the person-to-person connections that are the foundation of our strong and beneficial bilateral relationship.

An area where there is a strong convergence of views between the United States and Iceland is defending and promoting human rights and the empowerment of vulnerable populations. Iceland has made human rights a cornerstone of its foreign policy, as reflected in its recent tenure on the UN Human Rights Council, as well as by its vocal support for human rights in various third countries. This presents an opportunity to amplify our shared commitment to democratic values and human rights, including on gender equality, the rights of people with disabilities, religious freedom, and LGBTQI+ rights. Upholding our universal values by working in common cause with Iceland aligns with our goal of ensuring the United States is seen as Iceland's most trusted ally and partner.

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2. Mission Strategic Framework

Mission Goal 1: Protect the United States' security interests at home and abroad by strengthening and reinforcing European security and strengthening partnerships to address new security challenges.

- **Mission Objective 1.1:** Expand and strengthen our commitment to a free and peaceful Europe by countering aggression and malign influence and modernizing the NATO alliance to meet emerging threats. Ensure Iceland retains and exercises its sovereignty.
- **Mission Objective 1.2:** Counter transnational crime and violence that threaten U.S. interests by strengthening U.S.-Icelandic border security and protecting U.S. citizens abroad.

Mission Goal 2: Reaffirm America's competitive advantage for economic growth by strengthening the foundations of the transatlantic economy.

- **Mission Objective 2.1:** Leverage economic diplomacy and commercial advocacy to increase prosperity in both countries, including in the Arctic.
- **Mission Objective 2.2:** Cooperate with Iceland to spur discovery and innovation to combat the climate crisis and drive economic growth, including in the Arctic.

Mission Goal 3: Ensure the United States is seen by Icelanders as Iceland's most trusted ally and strategic partner.

- **Mission Objective 3.1:** The Icelandic public maintains favorable views of the United States and supports continued membership in NATO.
- **Mission Objective 3.2:** Leverage America's diversity to promote a favorable view of the United States. Emphasize our shared values, including human rights, gender equality, LGBTQI+ rights, and freedom of speech.

Management Objective 1: Ensure that the Mission is well positioned to meet ICS goals and objectives through the recruitment and retention of a diverse and capable workforce.

Management Objective 2: Ensure that Mission facilities provide a safe, secure, and appropriate platform for anticipated growth.

3. Mission Goals and Objectives

Mission Goal 1 | Protect the United States' security interests at home and abroad by strengthening and reinforcing European security and strengthening partnerships to address new security challenges.

Description | Iceland occupies a strategic location in the North Atlantic Greenland-Iceland-UK (GIUK) gap, a critical link in the 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 remains critical to U.S. national security.

The United States has a unique responsibility for Iceland's defense under the terms of the 1951 Defense of Iceland Agreement. Iceland will continue to look to the United States, its Nordic neighbors, and NATO protect its sovereignty, reflecting the broad domestic consensus that Iceland does not need its own military.

Objective 1.1 | Expand and 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. Ensure Iceland retains and exercises its sovereignty.

- **Objective 1.1 Justification** | NATO remains the transatlantic core of the global security community. As co-founding members, the United States and Iceland have ensured NATO Allies have the capabilities needed to defend themselves and each other. At the Wales Summit, Allied heads of state and governments pledged to meet the 2 percent of GDP defense spending target by 2024. While we recognize Iceland's unique situation as a NATO member without a standing military, we also must urge them to invest more in their own security and defense and increase support to NATO.
- **Objective 1.1 Linkages** | INSSG, EUR Joint Regional Strategy
- **Objective 1.1 Risks** | Failure to accomplish this goal would diminish NATO deterrence, weaken U.S. credibility, and harm U.S. security interests in the region.

Objective 1.2 | Counter transnational crime and violence that threaten U.S. interests by strengthening U.S. border security and protecting U.S. citizens abroad.

- **Justification** | Iceland has historically had relatively little crime, and its geographic isolation has allowed it to prioritize other issues above addressing cross-border security threats. Icelandic law enforcement is professional and competent, but the relatively small number of police are stretched by challenges such as trafficking in persons (TIP), intellectual property rights violations, and terrorism. At the same time, the pandemic has made clearer than ever that the United States must be able to secure borders and protect its citizens overseas.
- **Linkages** | JRS 1.2, 1.4, 4.1
- **Risks** | Failure to complete this objective would result in a less safe, less secure environment for Americans in Iceland and at home.

Mission Goal 2 | Reaffirm America's competitive advantage for economic growth by strengthening the foundations of the transatlantic economy.

Description | Iceland has an open economy that relies heavily on foreign trade. Tourism, fish, and aluminum serve as the main export-earning industries and are increasingly joined by emerging industries including technology, data centers, and biotechnology. Iceland ranks last in terms of economic openness among Nordic countries and has agricultural subsidies and protections significantly above OECD averages. Iceland is part of the European Economic Area and is compelled to adopt most EU economic regulations. It continues to strengthen its trade ties with the EU, most recently through an agricultural tariffs agreement that makes U.S. agricultural goods less competitive. Iceland also signed an FTA with China in 2013, which has resulted in export growth in both directions. The United States is nevertheless Iceland's largest single-country trading partner, and U.S. businesses report few barriers to trade.

Objective 2.1 | Leverage economic diplomacy and commercial advocacy to increase prosperity in both countries, including in the Arctic.

- **Justification** | To promote U.S. commercial and economic interests, our priority will be to broaden the commercial relationship by identifying and rectifying barriers to trade and promoting foreign direct investment (FDI) in the United States by building links with firms seeking to invest in the U.S. market. In response to the GOI's interest in a free trade agreement, we will facilitate discussions with the Icelandic government on ways that our governments can strengthen trade.
- **Linkages** | JRS Objective 2.1, 2.3, 2.4, 2
- **Risks** | Failure to accomplish this objective would lead to less prosperity and fewer jobs for the American people.

Objective 2.2 | The United States and Iceland continue to deepen cooperation on environment, science, technology, and health issues, including in the Arctic.

- **Justification** | Amid rapidly changing technologies, a climate crisis, and a global pandemic, environment, science, technology, and health (ESTH) issues have become more important than ever. Iceland's robust renewable energy, innovative population, and Arctic propinquity position the country to be an ideal partner in advancing these goals. Secretary Blinken also agreed to enhance U.S. climate cooperation with Iceland during his May 2021 visit to Reykjavik.
- **Linkages** | JSP 1.1, 1.2; JRS 3.4
- **Risks** | Failure to achieve this objective would hinder broader U.S. efforts to combat the climate crisis.

Mission Goal 3 | Ensure the United States is seen by Icelanders as Iceland's most trusted ally and strategic partner.

Description | The deep cultural, familial, and economic connections between the United States and Iceland provide for a generally receptive and welcoming environment for Public Diplomacy activities. But with the Cold War a distant memory and a younger demographic now in positions of leadership, influential voices question the benefits of Iceland's continued membership in NATO, the need to expend resources for activities related to defense and

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security, and the preeminence of the U.S. - Iceland bilateral relationship. This comes at a time when Russia seeks to exert its influence and China eyes Arctic trade routes.

The Public Diplomacy Section will lead embassy-wide efforts to reinforce the positive views of the United States and NATO held by most Icelanders while countering misperceptions and other negative narratives. Post will leverage media, cultural and educational organizations, and exchange programs to expand the people-to-people bonds that underpin our strong and mutually beneficial bilateral relationship. Our approach will address regional and global security challenges, including in the Arctic; counter the influence of non-democratic regimes; promote trade, investment, entrepreneurship, and innovation; and highlight our shared goals and values with a special emphasis on human rights, diversity, and inclusion.

Objective 3.1 | The Icelandic public maintains favorable views of the United States and supports continued membership in NATO.

- **Justification** | The INSSG states that the alliances underwriting the international order are being tested. That order is built, in part, on an architecture of person-to-person contact. Alumni of USG-funded exchange programs occupy key positions in government, higher education, and the private sector. The value of these exchange programs is demonstrated by the number of alumni occupying key government and ministerial positions in Iceland's current government. Our alumni continue to serve as trusted voices for the value of a strong bilateral relationship. Additionally, the strong appetite for embassy outreach and cultural programs underscores key shared values.

The Public Diplomacy Section will modernize international cooperation for the challenges of this century, from cyber threats to climate change, corruption, and digital authoritarianism.

The embassy has greatly expanded its digital media efforts to not only reach new audience members, but to engage our existing audience with timely, informative, and relevant content which reinforces the value of NATO membership and the bilateral relationship. In a society that has virtually 100 percent internet penetration, digital

platforms are a highly efficient and impactful vehicle for messaging to combat dis- and misinformation campaigns and other activities which undermine Iceland's relationship with the United States and its fellow NATO members.

- **Linkages** | INSSG; JRS Objective 3.2, 4.1, 4.3; DRL FBS Objective 3.3
- **Risks** | Failure to achieve this objective could weaken U.S. credibility on defense and security issues and lead to a reduced Icelandic participation in NATO or its withdrawal from the alliance.

Objective 3.2 | Leverage America's diversity to promote a favorable view of the United States. Emphasize our shared values, including environmental stewardship, human rights, gender equality, LGBTQI+ rights, and freedom of speech.

- **Justification** | The INSSG is a call to action, committing the United States to "earn back our position of leadership in international institutions, joining with the international community to tackle the climate crisis and other shared challenges." Iceland can be a powerful ally for the United States in international fora for the advocacy of initiatives which tackle these challenges – from human rights to promoting democratic principles to combatting the climate crisis. While Iceland is justifiably proud of its long history of equal rights and policies of inclusion, as well as its environmental stewardship, its support for U.S. government positions cannot be taken for granted. The embassy will expand its efforts to build ties with Iceland's environmental and human rights communities, while leveraging existing relationships with U.S. government agencies and international institutions to increase awareness and capacity among our Icelandic partners.
- **Linkages** | FBS (DRL) Objective 3.3; JRS 4.1, 4.3, and 4.4; JSP 3.2
- **Risks** | Failure to achieve this objective could limit Icelandic support for U.S. government policy priorities and reduce opportunities for the Icelandic Government, higher education institutions, thought leaders, and others to partner with the embassy and other U.S. government agencies.

4. Management Objectives

Management Objective 1 | Ensure that the Mission is well positioned to meet ICS goals and objectives through the recruitment and retention of a diverse and capable workforce.

- **Justification** | To support the Mission's goals, American officers and Locally Employed (LE) staff must draw on the full diversity of both the United States and Iceland. The recruitment and retention of staff that have high-level policy, management, and customer service skills is a requirement for the advancement of foreign policy goals.
- **Linkages** | JRS Management Goal 5; INSSG
- **Risks** | Failure to strengthen the knowledge, skills, and abilities of the workforce through improved recruitment, retention, and diversity and inclusion programs risks creating a long-term shortfall in operational effectiveness.

Management Objective 2 | Ensure that the facilities platform provides a safe and healthy work environment while being appropriate for anticipated growth in support of ICS goals and objectives.

- **Justification** | The current chancery building was opened in November 2020 and is already at capacity. Planning for a New Embassy Compound (NEC) is underway to meet the space requirements of the staffing increases noted in the most recent Overseas Presence Review. Until a new facility comes online, post continues to work with the Office of Overseas Building Operations (OBO) on space configurations to maximize the number of staff desks while recognizing the need for health and safety protocols during the ongoing global pandemic. Replacing the current CMR with a renovated residence that is more appropriate for representational events while meeting required safety and security standards will project U.S. influence in Iceland.
- **Linkages:** EUR JRS Management Goal 5; INSSG

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- **Risks |** The size limitation of the current Embassy facility limits the potential for staffing growth at the Embassy. Without an appropriately sized platform from which to operate, the Embassy risks being unable to support mission goals and broader U.S. objectives.