

## THE U.S. – ICELAND 2006 DEFENCE NEGOTIATIONS: THE SOURCES OF ICELANDIC CONDUCT

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As a result of defence negotiations between the United States and Iceland in 2005/2006 the U.S. closed down its military base at Keflavík airport in the autumn of 2006 although neither side was negotiating towards its closure. This policy brief assesses the underlying factors that led to its closure. The lesson learned is that a clear strategic security assessment, active involvement of all government stakeholders and appreciation of any interagency disagreement within the negotiating counterpart are key to reaching successful agreements.

### Key findings

- In negotiating for a defence cooperation with another state a clear strategic security assessment must exist outlining security and defence threats with a clearly defined end state
- Defence policy formulation and implementation should not become trapped by a small group of political decision makers – inclusion is key and as many stakeholders as possible should have seat at the table
- States must appreciate competing views and interagency rivalry among its negotiating counterpart to fully grasp the function of its policy formulation and bureaucratic machinery

### Executive summary

On the basis of a 1951 Defence Agreement signed between the United States and Iceland the United States operated a military base at Keflavík airport from 1951 until its closure in 2006. During this period all costs associated with the base were paid for by the U.S. which also funded Keflavík international airport to a large degree. The end of the Cold War heralded cutbacks and downsizing at the base. In 1994 the two sides negotiated for reduced military presence at the base with further reductions agreed on in 1996.

In 2005 the two sides entered into a negotiation process that would last until February 2006. In March 2006 the U.S. announced unilaterally that it would remove its last four F-15 fighters from the base and six months later the base had closed and all facilities handed over to the Icelandic authorities.



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Already in 1993, the government of Iceland had formulated a policy of cost reduction instead of cost sharing. That is to say willing to negotiate for reduced U.S. military presence but not willing to participate in any costs associated with running the base. Through most of the negotiation process the Icelandic government maintained the same line of no burden sharing. Hampering possible discussions for what shape or form U.S. military presence should take in Iceland was the fact that the government of Iceland did not have in place a strategic security assessment that could guide them towards a desired end state for the desired future Icelandic-U.S. defence relationship.

As the negotiation process wound on Iceland was willing to meet the U.S. mid-way and take over some base functions that had been unacceptable for most of the negotiation process i.e. full take-over of Keflavik international airport and to provide the fighters at the base with Search and Rescue coverage. Negotiations between the Ministry for Foreign Affairs and the Department of State were eventually torpedoed by Secretary of Defense Donald Rumsfeld who killed all funding to the base.

The negotiation process reveals fundamental flaws in the approach of the Icelandic negotiation team: No Icelandic strategic security assessment; defence negotiations closely held by a small group of political decision makers and the lack of appreciation of competing views between the Department of State and Department of Defence.

#### Analysis

##### *No Icelandic strategic security assessment*

To begin with there was no strategic security assessment in place on the Icelandic side. The only thing amounting to an assessment of Iceland's security and defence environment was a 1999 report commissioned by the Ministry for Foreign Affairs which took stock of the post-Cold War security environment but did not articulate any security or defence threats and risks that could impact Iceland. The report did state that the government expected minimum defence capabilities on land, sea and air but any further articulation was absent from the report.

Such an assessment could have been fed into the 2005/2006 negotiations to frame the big questions: What security and defence needs does Iceland have and how can the U.S. help?

The lack thereof left Iceland with no clear defence policy goals beyond maintaining as much of the status quo as possible. However, such a document could have been used as the basis for negotiation and instilled in both sides a common objective that had moved discussions beyond arguing about whether to retain four F-15's or not and focused on whether the U.S. could bolster Icelandic security and defence capabilities through other means.

##### *Defence negotiations closely held by a small group of political decision makers*

The Icelandic government policy of accepting cost reduction at the base but no cost sharing was laid down in the early 1990s as the Independence Party/Social Democratic Party coalition negotiation goal vis-à-vis the United States. Following elections in 1995 the coalition partner of the Independence Party was replaced by the Progressive Party and its chairman, Halldór Ásgrímsson, took up the position of Foreign Minister while Davíð Oddsson retained his position as Prime Minister. The Independence Party/Progressive Party coalition went on to retain its majority through two consecutive elections, 1999 and 2003. On 15 September 2004 Oddsson and Ásgrímsson switched roles, Oddsson took over the post of Minister for Foreign Affairs until his retirement from politics in September 2005. Therefore, when Oddsson and Bush decided in July 2004 that future



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defence negotiations should take place between the Department of State and the Ministry for Foreign Affairs the Prime Minister Davíð Oddsson was effectively handing the ball over to Foreign Minister Davíð Oddsson.

As long as Davíð Oddsson and Halldór Ásgrímsson held the government reins there was no alteration of the policy set out in 1993 and followed through during the negotiations of the 1994 and 1996 MOU's and the eventual 2005/2006 base negotiations. After Davíð Oddsson left the Ministry of Foreign Affairs and was replaced by Geir Hilmar Haarde the tone shifted somewhat and the Icelandic side was willing to accept assuming responsibility for Keflavík airport and provide Search and Rescue coverage to the base.

#### *Lack of appreciation of competing views between the Department of State and Department of Defence*

In devising their strategy of no Icelandic cost sharing in running Keflavík base while reluctantly agreeing to pay for the civilian function of the airport Icelandic decision makers overlooked a key stakeholder: The U.S. Department of Defense. After all, all funding flowed through the Pentagon. Whether paying for U.S. military presence or operational costs associated with Keflavík airport.

The underlying assumption seems to have tilted towards the view that the U.S government should be dealt with. as a monolithic state actor with the White House at the top and the Department of State as its voice. Committing the critical error of ignoring the budgetary power of the Department of Defense. As a result, Iceland failed to appreciate the inter-agency rivalry between the Department of Defense and Department of State which would have been the key in fully grasping policy formulation and the decision-making process within the U.S. bureaucratic machinery

#### Why does this matter to small states?

Within the international system it is hard to find larger power asymmetry between two states than Iceland and the United States. For Over 60 years the United States provided Iceland with a defence guarantee through stationing of U.S. military forces in the country. The 1951 Defence Agreement is still valid and the U.S. guarantees Iceland's defence's with moveable assets but the 2005/2006 defence negotiations cast a shadow over the relationship of those two states. Other small states also look towards the United States as a provider of military security. To name few, the Baltic States, Estonia, Latvia and Lithuania and Iceland's Nordic cousins Norway and Denmark. Unilateral closure of a military base constitutes a breach of trust and a rupture in business as usual in the relations of states. Therefore, understanding the cause of the failed 2005/2006 defence negotiations provides valuable lessons for other states and in particular small states.

#### The way ahead

For a small state to avoid similar future mistakes it must ensure the following when formulating and implementing a successful defence relationship with a larger state:

- Ensure the existence of a clear strategic security assessment that functions as a guideline to a desired end state and plots out means to achieve that goal
- In formulating and implementing a strategic security assessment it is imperative to bring all stakeholders to the table, that includes government ministries and agencies as well as Parliament



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- In negotiating with other states it is important to keep in mind that they are not large monoliths with one single voice but made up of different ministries and agencies that each exert their own push and pull on their own national policy formulation. Therefore, identifying key actors and policy preferences is of high importance.

#### Conclusion

The closure of the base was the result of a negotiation process which neither the U.S. nor Iceland was actively negotiating towards. Clearly Icelandic decision makers were ill prepared and made a number of fundamental mistakes in the negotiation process. In the years that followed the 2006 closure Icelandic authorities gradually rectified a number of the deficiencies previously identified in this brief. A proactive approach had served Icelandic decision makers better instead of attempting to retain as much of the status quo as possible, regardless of the changed security environment. By presenting the U.S. with palatable offers such as takeover of Keflavík airport and some defence infrastructure with U.S. assistance had led to much more productive negotiation and given Iceland the opportunity of leading and defining what the future defence relationship between Iceland and the United States should look like and presented a more manageable situation than picking up the pieces wherever they fell as the base was hurriedly abandoned.



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