



**Talking Points
for the Address
by
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**THE CHALLENGES AND OPPORTUNITIES OF SMALL STATES:
ECONOMIC DEVELOPMENT, CLIMATE CHANGE AND NEW SECURITY ISSUES**

I.

As the 21st Century progresses rapidly, it is apparent that mankind has never faced as many compelling challenges and at the same time so many new opportunities. This is exceptionally true for small states in all continents as they can now operate in a totally new way in the international arena.

Small states have been building their influence from the days of the Cold War when collision between great powers kept many of them in the shadows. Economic models and intergovernmental pacts were usually based on the interests of powerful countries and in general it proved difficult to lend power to the voice of small states. Now many of these small states are among the most successful players in the world.

The international system is changing to the benefit of small states. The 21st Century will certainly provide ideal conditions for nations which are clever enough to enjoy the opportunities and take on pressing challenges. It is my strong belief that small states like mine and others

can play an important role in the development of the new age where the question is not how big you are or economically strong, but what you have to offer to the global community.

A key factor in the emergence of small states in the global arena is the growth of democracy stimulated by the globalisation of technology, trade and communications and the social transformation created by the information technology. We are also in a world where the community of nations now embraces a wider scope of countries and states than ever before.

In Europe, Africa, Asia, the South Pacific, the Caribbean and the Middle East small states form a significant part of the political and economic mosaic and they are increasingly playing significant roles within global institutions, the UN agencies, the IMF and the World Bank. Through their elections to the United Nations' Security Council they have become, in the company of the major powers, crucial players when issues of war and peace are decided. The United Nations is not, as it was when Iceland joined in 1946, a club of the selected few, but a vibrant institution of over 190 equal members.

In the light of this impressive emergence of small states it is remarkable that their special role, their contributions, the hindrances and opportunities which characterise their involvement, their advantages and limitations, their uniqueness and common features can now be explored and examined in a way worthy of such a significant transformation of the international order.

II.

At the beginning of the 20th century, Iceland was a sparsely populated and impoverished island-nation of farmers and fishermen who for centuries had lived under foreign rule. Ever since Iceland was settled in the ninth century the population had been less than 100,000. From the Middle Ages, ordinary people's living standards were determined by the interests of colonial rulers. Iceland had most of the characteristics of developing countries. Much has changed since.

People growing up in the early 20th Century remember a country fundamentally different from the modern society we have built. Iceland is

still one of the world's small states in terms of population, with just over 300,000 inhabitants. But the transformation in national living standards is almost incredible. Iceland now has one of the highest average incomes in the world; in terms of GDP per capita. The nation has adopted information technology on such a scale that per capita use of mobile telephones and internet connections is the highest in the world, and the same goes for access to computers. We have been fortunate to harness our natural resources in a sustainable way, which has carried us far. Our business enterprises have expanded enormously in the last few years and we are now active players in international business, many of them featured regularly on the pages of the Financial Times and the Wall Street Journal.

Iceland's evolution in the 20th century and its efforts to seize opportunities that the global economy offers in the new century represent in many ways interesting material for discussing the contemporary position of small nations and their ability to provide their inhabitants with living standards which are comparable with the best anywhere in the world. I feel that Iceland's experience pays fine testimony to the potential that all small nations have for taking advantage of economic opportunities, especially if they are also fortunate enough to manage their own affairs with steadfastness, discipline and vision, and can establish a balanced and stable economy.

III.

It is worth noting that the transformed character of the world economy in recent years is much more favourable towards small states than the conditions that prevailed for most of the 20th century. Former obstacles to their growth have largely been abolished and replaced by an open and wide field where the talents, imagination and creativity of individuals determine what is harvested, and not how big the countries are or the physical resources available to them.

Innovations can now emerge from any direction and individual initiatives and creativity can lay the foundation anywhere in the world for companies which can establish a global presence. Technology and intellectual products, specialist services and information systems developed within a small nation can rapidly become highly lucrative products in the global marketplace. Company growth in small states is no longer subject to the old restrictions. Through globalisation, they can

grow to gigantic proportions in their respective fields in the space of a few years.

The new economy of the 21st century has presented small nations with unprecedented opportunities to flourish. Never before have they enjoyed such potential for prosperity and progress. Globalisation could thus spell a renaissance for small states if they apply firm policies that address the requirements entailed by the opening of the world economy.

The traditional sectors of the industrial revolution, which based their growth on economies of scale, are no longer decisive. Now innovations can come from all directions and individuals and businesses in small states can rapidly obtain strong positions in the global market. Experience shows that a small state can serve as a kind of laboratory or research station in precisely those sectors that are increasingly dominating the economy of the new century. This transformation has truly opened up new horizons for small states. The entire world is now their playing field and economic growth is not restricted in the same way as before. This is obviously a turning point for any small state. Many examples of the Icelandic experience in recent years demonstrate how the transformation of the global economy has given smaller players the opportunity to flourish.

IV.

Small states face many big challenges, some crucial to their very existence. These can sometimes look overwhelming but it is my strong conviction that using the opportunities in the right way, these challenges can be taken on in a strong way and the tide can turn.

Consolidation of sovereignty, security in the face of armed threats, crimes and the lack of civil order are still the priority agenda for some small states but in many ways new security threats are emerging. Climate change leading to environmental disasters, irregularities in weather patterns, rising sea levels, modification of ocean currents; floods, droughts, water shortages, deforestation and desertification are the preoccupation of many others. Energy Security and access to natural resources and foodstock are big issues for small countries.

The new security issues demand a new approach. The interlink between climate change and access to necessary elements for human survival demands the full attention of the international community. While big powers are often preoccupied by the traditional view on the balance

of power in international affairs, small states need to work together to get the security from environmental catastrophies discussed seriously at the highest tables. It is a fact that these new security issues do not distinguish between small and large states or even rich or poor states although the most severe effects are going to be found among the world's poorest people.

At the same time as the international community joins hands to take on the serious dangers of terrorism, rogue states and nuclear weapons which can strike innocent people without any notice in every corner of the world, conventional warfare still rages in many places where women and children constitute in most cases the bulk of the victims. It is important to understand that to many states the imminent threat to its people is from the effects of climate change. Scientists do not argue about the fact that climate change is occurring but the debate is about how many – or few – years we have to take real action, to prevent a colossal catastrophe.

The competition for water and natural resources and the danger of fertile land changing into desert and ruining the livelihood of populations, will force people to move and settle in new places as refugees which will create burdens and challenge the inhabitants of the host region or country. We have seen how this competition for resources has already bred deadly conflict with heinous consequences in some poor regions. This has to be taken seriously and we, as small states, have to stand tall in face of such grave events. This is not the time for political wrangling. This is the time for real action.

The defense against these new security issues cannot be taken by establishing larger armies, buying more powerful weapons, tanks or advanced conventional defense-systems. The defense is to be found in expanding science and knowledge, innovation and creativity, taking precautionary action in time. Combining the goals of energy security and combating climate change by accelerating the production of clean energy is one thing my country has exceled in and is willing to share with other nations.

V.

I am proud that Iceland has in some aspects driven the debate on how to take action against climate change and provided a forum for discussion on many of these issues. In some respects Iceland is an ideal

example of how to provide this dialogue with a wide range of material, and for making a realistic assessment of the opportunities available to small states in the age of globalization as well as how to take on the new security threats in the 21st Century.

The view that size restricts small states by denying them the benefits of the economies of scale does not give a realistic picture of the situation. Iceland's experience has shown that specialization in certain sectors and active foreign trade can provide a small nation with a strong market position, especially when knowledge, education and the intelligent use of natural resources are key factors. But inevitably various limitations accompany small size as well, both regarding competition in individual markets and the potential for developing certain sectors on a sufficient scale. Such shortcomings, however, may be countered to some extent as Iceland has shown by the benefits accompanying globalization.

Iceland has enjoyed good relations with its neighbours for a long time. The core of Iceland's adaptation to globalization in recent years has been its membership of the European Economic Area, which is based on an agreement made by the EFTA nations with the European Union. Iceland thereby benefits from the single market for the free movement of goods, services, labour and capital, but can make independent agreements with states and corporations outside the EU. Iceland is furthermore since it is not an EU member independent of the EU foreign policy decisions and mechanism.

VI.

I want to name four aspects where lessons with respect to the challenges of new security threats can be derived from the experience of Iceland.

First as an island dependent on the ocean resources, the research of the oceans, its resources and behaviour is of utmost importance. The movement of the currents and the conveyor belt needs much better scientific understanding than we possess today. I urge small island states to join together in a program which aims to understand more fully the effect climate change is having on the sea and its valuable resources.

Secondly, we are facing in Iceland the rapid retreat of the largest glaciers in Europe. Through extensive monitoring our scientists have developed a useful method to understand the health of the glaciers, methods which can come of great use in other places of the earth, for

example in the great Himalaya mountains where the melting of glaciers which affect water supplies for a billion people, is remarkable.

Third, Iceland is also the home of the largest desert in Europe and we have been fighting desertification for more than a century. Our pioneering scientists and officials began to take action in the beginning of the 20th Century by setting up a soil conservation service. I was proud to take part in an important conference just before coming here where leading scientists, experts and policy makers from all over the world discussed how the lessons learned in Iceland can be brought to other countries.

Fourth, and maybe most importantly, Iceland is a good example of how it is possible to transform the energy system of a whole country from coal and oil to renewable energy in less than one generation. I would state that one of the most important facts behind the success of Iceland in recent years has been the intelligent use of the energy resources and our development of geothermal energy for heating houses and generating power. Iceland is now the leading country in the world in geothermal energy. 100% of our electricity is produced from clean energy resources and 70 per cent of our total energy needs is provided with green, renewable power.

In these four fields I believe we can provide valuable insights and lessons for many countries both for the largest as China and the United States where our experts and companies are already operating and for the smallest states like islands in the Caribbean and the Pacific Ocean where the potential can be harnessed given the right technological approach. I know our experts would be willing to work with many countries to assist them in developing important energy resources and I am willing to help in these endeavours.

VII.

In recent years we have seen numerous examples of small states developing ideas, putting forward suggestions to the global agenda and prodding countries to action on a variety of issues. This has been possible because small states do not carry any extra baggage. They have a transparent purpose and can provide a moral voice on the need to take action.

The strengthening of democracy and human rights, international engagements and political creativity has been an important role played by

small states, as demonstrated for example by Trinidad and Tobago in the campaign for the International Criminal Court, by the Baltic States in the break-up of the Soviet Union and the establishment of democracy in eastern Europe, and by Iceland in the evolution of the Law of the Sea through the extension of the fishing limits first to 12, then to 50 and finally to 200 miles.

The contributions of small states to reforming the international community and making the world more civilised are certainly well out of proportion to their small populations. There are other characteristics that have allowed them to become such influential players.

The explanation lies partly in their flexibility, their ability to act and take initiatives when others are silent and passive, in their freedom to engage in political operations which would be completely unthinkable if larger countries were involved.

Similarly the future of the United Nations and the search for solutions to many of the most pressing problems of the 21st century could be strongly influenced by active and wide-ranging cooperation among the small states which now account for more than a quarter of the entire UN membership.

Furthermore, while small states certainly need to tackle a variety of problems, they have many qualities which modern times have made precious assets. It is interesting to note that, in antiquity, the cradle of western democracy was Athens and Rome, which in those days were small states by modern standards with a similar population to that of Iceland today. The writings of Plato and Aristotle, the speeches of Caesar and Cato and the insights of Machiavelli were all influenced and inspired by their experience of politics in small states and these contributions have largely influenced the political heritage which is still moulding the western intellectual tradition.

Iceland can in many ways serve as a laboratory for global solutions. A small society can find ways to figure out what kind of expertise is most useful to solve a given problem, what kind of forces need to play together for a successful outcome. We understand that innovations can come from all directions and individuals and businesses in small states or in small communities within larger states can rapidly attain key positions.

There is much to suggest that, in the new economy, the small state can be a profitable basis for business innovations. In small states it is easy to see the way that different elements link up, establish cooperation between different fields, gain access to information and experience, grasp solutions to difficult tasks.

History shows that small states can serve as a creative forum for democracy, law and legal order; as models for civilised society and transparent government; as an arena for creative political thought and original ideas. A small country is well placed to become a fascinating political laboratory, a fertile ground for democratic initiative, a bearer of new proposals, an initiator of new thinking – and it might also be easier for a powerful country to accept suggestions for a new policy from a smaller country because no threat to the power structure is then involved.

Small states are also blessed with a quality which is becoming increasingly important: They are a threat to no one. There is no risk involved in engaging in widespread cooperation with small states. They have no hidden agenda and can not deploy military might, financial power or strong political pressure to achieve their aims. They act straightforwardly. There are no problems involved in being their friend.

Such qualities are profoundly valuable in times when fear and terror dominate relationships between nations. Many doors are open to small states which remain closed to others. Other countries seek their assistance and their contributions because they will never be a threat to their partners.

Such freedom from fear is becoming an important asset. We are increasingly witnessing how it is an advantage to be small and be able to have everyone as a friend.