

Iceland and the EU

Speech by Hjörtur J. Guðmundsson at the Nordisk Folkerigsdag, the Faroe House in Copenhagen July 23, 2005:

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Thank you very much for the opportunity to address this excellent conference. I'm very grateful for that. Besides apologizing for speaking to you today in English rather than in one of the Scandinavian languages I would like to begin by stressing the fact that Iceland is far from being on its way into the European Union. Of course some Pro-EU people are likely to claim otherwise, especially in Norway. But the fact nevertheless remains. There is actually nothing at present which indicates that Iceland will ever join the EU and in fact it has probably never been as unlikely as today. And then I mean apart from the current crisis the EU is facing at the moment. There are simply no compelling reasons for Iceland to join the Union. But at the same time we have a number of strong reasons to remain outside it, not the least the fact we are doing very well that way.

We don't have a Pro-EU government in Iceland and it's furthermore very unlikely that such a government will take power in Iceland in the years to come. We don't have a Pro-EU majority in the Icelandic parliament either nor support for EU membership among the people. Only one political party in Iceland is in favour of joining the EU, the Social Democratic Alliance. But the party has, however, never actually put membership on its agenda. The party has about 1/3 of the votes but couldn't form a government on its own since there are no precedents of minority governments in Iceland during the republican time. Other parties are more or less opposed to the idea of joining the EU, including the Progressive Party which forms the present coalition government with the Independence Party.

The Progressive Party is sometimes considered by some people outside Iceland to be a Pro-EU party. However, that is nevertheless not correct. The chairman of the party and the current Prime Minister of Iceland, Halldór Ásgrímsson, is indeed pro-EU. But the vice-chairman is against EU membership and the same goes for vast majority of the members of the party. This became very clear at the party's biannual general meeting earlier this year where those in favour of joining the EU in the party made several attempts to have membership put on the party's platform but where forced to withdraw every time.

In Iceland we are rather content with our relationship with the EU. We have the EEA agreement which is in full force and although it has been debated ever since it became active and still is most Icelanders are quite positive about it according to polls. Most people believe the agreement has served our interests quite well although it of course has its faults. We are obliged to adopt a certain number of regulations, directives, etc. from the EU through the agreement which have to do with the Union's common market. Instead we have full access to the common market and possibilities to influence those regulations very much. However, the number of regulations we have been

taking on from the EU is in fact fairly low according to a new report from the EFTA office in Brussels or only about 6,5% of the total EU legislation. In addition we don't have to participate for instance in the Common Fisheries Policy or the Common Agriculture Policy.

The fisheries

But why has Iceland decided not to join the EU and furthermore never even applied for membership? It's a common belief that the fisheries is the the sole major reason why Iceland has chosen to remain outside the EU. But it's far from being that simple. As one of the most important trades in Iceland the fisheries issue alone is enough to rule out Icelandic EU membership and as such it has been quite bulky in the discussions about the relationship of Iceland and the EU.

The main conclusion of a report published in September last year by a joint committee from the Icelandic Ministries of Fisheries and Foreign Affairs and groups of interests in the field of the fisheries was that EU membership would not be in the interests of the Icelandic fisheries. Something we have of course known for a long time. The report indicates that Icelandic authorities have always emphasised certain main issues when discussing the matters of the fisheries on international scene. The basic issue has always been that Iceland must hold full authority over Icelandic waters and other natural resources. The report says furthermore:

"Various parts of the EU's Common Fisheries Policy (CFP) contravene the rights and interests of the Icelandic people. [...] The public opinion in Iceland is that we cannot become memberstate of the EU unless our special interests, especially concerning the fisheries and the fish resources of the Icelandic waters, will be respected and ensured in all future with a permanent arrangement. The Icelandic people will not put the authority of their natural resources and livelihood in the hands of others, not at present nor in the future, and believe the EU's Common Fisheries Policy, which has been shaped with other nations and other circumstances in mind, cannot suit Iceland and the Icelandic people. The Icelandic people have an independent authority over the Icelandic waters and their resources and will continue to do so."

It is safe to say that this is the opinion of Icelanders in general. Even prominent people in the Icelandic Pro-EU movement have publicly claimed on many occasions that EU membership is out of the question unless we will hold full authority over our waters. But this is of course something the EU will never accept since it would probably mean the end of the CFP like Ben Bradshaw, Minister in the British government, said in a visit to Iceland last summer. His argument was that if Iceland would get such special treatment other memberstates of the EU, which have interests when it comes to the fisheries, would claim the same – understandably. Mr. Bradshaw also said he understood very well why Iceland had decided to remain outside the EU with regards to the fisheries since the CFP would not serve the interests of Iceland.

The economy and the independence

But as I mentioned earlier the fisheries, although a very big issue, is far from being the only major reason Iceland has chosen to remain outside the EU. For one thing we Icelanders are very fond of our independence and believe it has been the key factor in changing Iceland from being one of the poorest countries in Europe in the beginning of the 20th century to be one of the richest countries in the world today. Of course keeping our authority over our waters is a part of our independence. But we also want to keep our authority over other issues which would be transferred to Brussels more or less if we would join the EU. For example our economy.

I think I can say that Icelanders are in general very much opposed to too much bureaucracy, centralization and overregulation but this is all certain characteristics of the EU. Like I said in the beginning of the speech Iceland is doing very well outside the Union. The decision to remain outside has not caused any economic problems. On the contrary, Iceland has sustained impressive GDP growth ever since 1995, with the sole exception of the year 2002. Last year the growth was 5% and is forecast to be around 5% or more over the next years. Unemployment is also very low in Iceland, about 2,1%, and we are usually always among the ten highest in international researches on how well countries are doing.

Polls in Iceland have then repeatedly indicated that the Icelandic people don't want to adopt the euro instead of the Icelandic króna. Major reason for that is probably the fact that the Icelandic economy differs fundamentally from the economies of the EU memberstates. Our economy experiences economic swings which bear no relation to the swings experienced in the EU. This is mainly because in Iceland the economy is generally attributable to variations in the export value of seafood products which does not apply to the EU.

It would of course be highly unfavourable for Iceland if the currency used in the country was a subject to exchange-rate trends that did not reflect Icelandic conditions but conditions in nations where entirely different economic factors prevail. For example, euro interest rates would never be raised in order to prevent inflation in Iceland at the expense of economic growth in Germany. The same applies to the application of taxation and interest rates, which are being centrally controlled in the eurozone.

The right to conclude independent international trade agreements, like free trade agreements and fisheries agreements with other nations concerning shared fishing stocks, is also something we are not willing to relinquish. Today Iceland has concluded many favourable free trade agreements with other nations around the world, mainly through EFTA. And more are scheduled for example with China and possibly India. This would of course not be possible if we were members of the EU. One of the biggest reasons we are able to do this is of course our independence.

Yet another thing is the simple fact that we would probably not have much influence within the EU if we became members where the powers of each memberstate are increasingly becoming associated with their population. After all Iceland has only about 300 thousand people and would therefore never have much influence compared to most of the other memberstates. This is of course also related to the question of democracy, but I guess we

can all agree that the EU is not the most democratic institution in the world. I believe the Icelandic people have far more influence on their surrounding and their lives in general at present than if we would join the EU.

Finally, if the proposed EU Constitution will become active it will certainly not make the Union more attractive to Icelanders than it is today. It is quite obvious that the EU Constitution would change the nature of the EU fundamentally and among other things make it more centralized. Even the Pro-EU movement in Iceland admits this.

The Pro-EU propaganda

Now, what do the supporters of an EU membership in Iceland say to try to convince us that we should join the EU. Well, first it should be mentioned that the Pro-EU propaganda in Iceland has changed fundamentally in the last few years. During most of the 90s the basic Pro-EU accentuation was that we in Iceland were missing some happy train to the promised land or something by remaining outside the EU. That everything was so much better within the EU and we were missing out on that.

But few years back the happy trip to "paradise" ceased to be happy and became a constraint. Now EU membership is not something we should pursue but something we're going to be forced to do whether we like it or not which is of course total nonsense. And the reason for this is, at least to my opinion, that it is always becoming more and more difficult to convince the Icelandic people that the EU is some kind of a paradise, especially when it comes to both political and economic issues.

The central issue of the Icelandic Pro-EU movement today is trying to convince us that EU membership is the only option Iceland has. That there is simply no alternative than complete isolation. That we are too small to stay outside the Union. At the same they accuse us on the Eurosceptic side for lacking ambition for Iceland when we point out that we would probably have very little influence within the EU. Then they add that Icelandic EU membership is not a question of whether but when. Just like they have the ability to see into the future and declare such indeterminate things which no one of course can say anything certain about. The purpose of this is of course to try to convince people that there is pointless to fight back.

The Icelandic Pro-EU movement also claims on a regular basis that Norway is going to join the EU. They have actually done this for decades now and as we all know Norway is still not a member of the Union. On the other hand we know that the Pro-EU movement in Norway in a reverse manner argues regularly that Iceland is on its way into the EU and has done for years too. In both cases this is quite untrue. The reason for this reference to Norway is that our interests and Norways are connected through the EEA agreement.

The Pro-EU movement says that if Norway would join the EU we would have no choice but to join it too since that would spell the end of the EEA agreement. Others say that this is nonsense, the agreement would probably simply be adjusted to a different situation in that event. After all the agreement was in the making when it was assumed by many, not the least in Brussels, that Norway would join the EU in 1994.

Finally the Pro-EU movement in Iceland thinks we can enter membership negotiations with the EU only to see how acceptable agreement we can get and then just cancel the whole thing if we don't like what is on the table. However, this is of course out of the question from the EU's point of view. This has among others been confirmed by Denis MacShane, the former Minister of State for Europe in the British government, in a visit to Iceland last summer. He simply said that such negotiations were out of the question if it was not really the intention of the Icelandic people to join the Union and that the negotiations would not certainly result in membership. Of course the EU will not waste manpower, time and money in negotiations with Iceland, or any other country, if there is not a real intention to join the Union.

Conclusion

So in conclusion there is in fact nothing which indicates that Iceland is on its way to join the European Union, at least not in the coming years. We simply have no intention or compelling reasons to do so as I said in the beginning of this speech. Also both domestic and international studies have repeatedly confirmed that we are simply doing much better outside the Union than most of its memberstates – and in some cases even all of them.

Thank you very much.