

EUROPE: ICELAND PREFERS PARTIAL ENGAGEMENT IN EUROPEAN INTEGRATION

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SUBJECT: THE STATUS OF ICELAND'S EU MEMBERSHIP APPLICATION

SIGNIFICANCE: The Icelandic government has backtracked on its resolution for the national parliament to quit the EU accession process altogether. The resolution met fierce opposition and around 22 per cent of voters signed a petition to the assembly to halt action on withdrawing the EU application and hold a popular referendum instead on whether to complete the entry negotiations. The government faces a big decision whether or not to reinstate the resolution when the assembly gather again in the autumn.

ANALYSIS: Iceland's present policy not to engage in an EU accession process is most likely to prevail until the end of the parliamentary term in 2017. A new government put the 2009 EU membership application on hold when it took office in 2013. On the other hand, the pro-European forces have gained ground with reactions to the government's proposal to withdraw the membership application. The EU debate has never been livelier.



The present situation

Political parties - The 2008 financial crash did not itself transform or significantly adapt the Icelandic political parties' long-term European policy goals. The EU membership application made nine months after the crash was a consequence of the election success of the The Social Democratic Alliance (SDA), the only traditional party that has long supported EU membership unanimously. The Left Green Movement and the conservative Independence Party still oppose membership, as does the centrist-agrarian Progressive Party. Two new parties that won seats in 2013, Bright Future and the Pirates, want to continue the accession process and the former advocates EU membership.

Competing interests - The influential interest groups in the fisheries and agricultural sectors have not changed their position towards the question of EU membership, and are firmly opposed to it. Their strong link with the current governing parties (Independence and Progressive Parties, who won the May 2013 election) places them in a pivotal position to influence their policy.

Spokespersons for the Federation of Icelandic Industries, the Icelandic Federation of Labour, the Icelandic Federation of Trade, the Icelandic Chamber of Commerce and the Federation of Trade and Services remain the main advocates of the accession process. The Confederation of Icelandic Employers - though its leaders have increasingly become more outspoken in favour of the continuation of the accession process - is held back from an outright pro-EU campaign by the powerful fisheries lobby.

Yes and No social movements – Já Ísland, the Yes-movement, has gained momentum after the government proposed to withdraw the EU application while Heimssýn, the No-movement, managed to dominate the EU debate during the accession process.

The new European policy

The new coalition government firmly opposes both the accession process and membership of the EU. On the other hand, during the election campaign, its leaders spoke about holding a referendum on whether or not to continue the accession process. Unexpectedly, the government proposed to withdraw the application altogether in February 2014.

The status quo - The government prefers partial engagement in European integration through Iceland's existing membership of the European Economic Area (EEA) and Schengen. It wants to try to exercise more influence over EU legislation that extends to EEA members, and to improve the country's bad implementation record. In fact, Iceland is deeply involved in the European integration process by virtue of these memberships, and a clear majority of Icelandic trade is conducted with EU nations.

The previous European policy

The SDA made the EU membership application a precondition for forming a government after the 2009 general election. The financial crash opened a window of opportunity for the pro-European forces and the SDA became, for the first time, the largest political party in the country. The 2009 elections also produced the first ever left-of-centre majority in the Althingi (the national parliament) and the Left Green Movement and the SDA formed a coalition government. The Left Greens reluctantly accepted an EU membership application as the price of a seat in government - though firmly re-stating their opposition to actual EU entry.

Obstacles - The Left Greens were badly split on the accession process (a few MPs left the party) and some of their ministers severely slowed down the process. This combined with the domestically controversial attempts at Ice-save deals with Britain and the Netherlands (where the EU was blamed for standing by its members); a dispute over mackerel quotas with the EU; and the Union's economic and Euro crisis, delayed the accession process and made it very difficult for the pro-European forces to advocate their cause.

What do public opinion polls say?

Since the summer of 2009, most surveys indicate a clear majority against EU membership. On the other hand, they show a majority in favour of the continuation of the accession process and holding a referendum on an accession treaty. Support for the EU accession process peaked after the move by the government to withdraw the EU application.

Support for EU membership reached its height after the financial crash. There has been considerable support among Icelandic voters for adopting the Euro, to replace the fragile Icelandic krona, ever since its creation and support to membership has also increased considerably.

The EU debate

Discussions about EU membership possibilities have been dominated by nationalist rhetoric, focusing for instance on the negative consequences of transferring autonomy and sovereignty from Reykjavik to Brussels.

Arguments about what consequences EU membership may have for the Icelandic fish industry and farming are also prominent in the debate. Membership of the Common Fisheries Policy (CFP) and the Common Agricultural Policy (CAP) is seen by many as highly damaging for these primary industries, given the commercial success of the Icelandic fishing industry and the preservation of fishing stocks - contrasted with the EU's perceived failure in this respect and its fisheries subsidies - and the fact that Iceland provides higher agrarian subsidies than the EU.

Moreover, opponents of EU membership frequently suggest that Iceland can utilize its position as a free and independent country to make beneficial deals with countries around the globe – such as a newly signed free trade agreement with China – and has a unique opportunity to make the most out of the opening of the Arctic region.

The pro-European stance - is mainly related to the potential economic benefits of EU membership and the adoption of the Euro, emphasizing the advantages for consumers and enterprises of lower prices of goods, lower interest rates, a stable currency and lower inflation, and in general a more stable economy combined with higher living standards.

EU supporters also point to the opportunities for drawing aid for rural areas, agriculture and the tourist industry from the EU's Structural Funds. Increasingly, EU supporters mention the importance of 'openness' and keeping Icelanders part of global and European cultural trends.

Conclusions

- Most of the Icelandic political elite remains highly sceptical on the question of EU membership.
- During earlier debates on both EFTA and EEA membership, supporters of a closer engagement in the European project won approval by emphasizing economic benefits.
- At present, they have to convince voters not only that membership of the CFP and the CAP is not damaging for Icelanders, but also that Iceland will economically benefit overall.
- Also, the majority of the electorate needs to be convinced that sharing sovereignty with EU member states brings benefits worth.
- The pro-Europeans face a very challenging task.

Keywords: Iceland, European integration, EU, fish, agriculture, identity, nationalism, political discourse, political parties, EEA, accession, Schengen.

Further reading

Baldur Thorhallsson and Christian Rebhan, *Iceland's Economic Crash and Integration Takeoff: An End to European Union Scepticism?* in *Scandinavian Political Studies*, vol. 31 , no. 1, March 2011, pp. 53-73.

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Institute of International Affairs, Report on Iceland's accession negotiations with the European Union: Summary of main conclusions, see: http://ams.hi.is/wp-content/uploads/2014/03/IIA_EU_Iceland_Report_Executive-Summary.pdf