



Iceland's Application for European Union Membership

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Introduction

With its application delivered in July 2009 for membership of the European Union (EU), Iceland has bid to become the EU's smallest member state. Unlike other countries in the queue for membership, Iceland already fulfils the EU's main criteria: it is a long-standing democracy, and a member of the European Economic Area (EEA) and the Schengen system. Yet the origins of its entry bid lie in an unprecedented national crisis, and the logic of its membership remains hotly disputed at home. In this article, the domestic background to the Icelandic application will first be explored, including the reasons why such a well-qualified European country has never sought membership before. The central section looks at the negotiating process under way for Icelandic accession and the issues likely to arise. Thirdly, Iceland's case is looked at in the broader perspective of EU enlargement policy and in comparison to the other candidates. This analysis sheds interesting light both on Iceland itself and on the state of Europe today.

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Past developments and present trends in Iceland: A controversial European turn

Iceland's foreign policy development

In the post-war period, Iceland's foreign policy mainly emphasized three dimensions: successive extensions of the Exclusive Economic Zone to protect Icelandic fisheries; strong defence within the Western democratic bloc, mainly by means of a long-lasting relationship with the US but also by joining NATO; and better market access for maritime products, including a partial engagement in the European project. In addition, Iceland took a full part in Nordic Cooperation and joined most of the post-war international organizations appropriate for a Western democracy, without taking an active role within them.

A myth has developed in Iceland about Icelanders' 'unilateral successes' in the 'Independence Struggle' and the 'Cod Wars' that has strengthened Icelandic pride and national identity. The international context is largely ignored in traditional narratives of how Iceland achieved Home Rule in 1904, became a sovereign state in 1918 and an internationally recognized Republic in 1944. Also, in four steps from 1952 to 1975, Iceland managed to extend its fishing zone to 200 nautical miles despite heavy protests from Britain and other neighbours and, at times, dangerous clashes at sea between the British navy and the small Icelandic coastal boats. This is of course noteworthy given Iceland's limited capacity compared to Britain, its main opponent. On the other hand, Icelandic history books largely ignore the fact that the international evolution of the Law of the Sea was in Iceland's favour, and that Iceland's strategic military position played a key role in British decisions to give way after being pressured by the US and other NATO members.²

Furthermore, Iceland's close relationship with and strategic dependence on the US reinforced bilateral solution-seeking at the expense of finding solutions within multilateral frameworks.³ Iceland-US relations date back to 1941 when the countries signed a wide-reaching defence, economic and trade agreement. Iceland effectively became part of the USA's own defence zone, with a major US base at Keflavik, and remained so until the NATO command structure

² Jóhannesson, Guðni.Th. (2002), 'Tíu spurningar. Hugleiðingar um þorskastríðin' (Ten Questions, reflections on the Cod War), in Halldórsdóttir, E.H., (ed.) *2. íslenska söguþingið: 30. maí – 1. júní: Ráðstefnurit II*, Reykjavík: Sagnfræðistofnun Háskóla Íslands.

³ Thorhallsson, Baldur (2005), 'What features determine international activities of small states? The international approaches of Iceland until the mid 1990s', in *Stjórnámál og stjórnsýsla*, vol. 1 nr. 1.

reform of 2002. The agreement also laid the foundation for bilateral economic assistance – the highest per capita that the US provided anywhere in Europe – and for flourishing trade relations between the countries.⁴

These ‘victories’ and the decades-long reliance on bilateral ties still reinforce the view of many Icelandic politicians that Iceland can be successful on its own, without having to negotiate and make compromises within multilateral international forums. Further, the Icelandic idea of security and defence has been a ‘hard’ or military one that makes it difficult to appreciate the broader and more indirect security and peace-building role of the EU.⁵ Also, Icelandic governments have preferred partial engagement in the European project to full participation in the European Union. On the other hand, they have had to respond to the ongoing European integration process to secure Icelandic interests, and have taken decisive steps towards more binding engagements by joining EFTA (1970), the European Economic Area (1994) and the Schengen agreement (2001).⁶

That said, the closure of the US military base in Iceland in 2006 marked the end of an era in the country’s overseas relations, effectively transforming Iceland’s placement on the political map. Icelandic governments can no longer feel that they may rely to a greater extent on the US than on multilateral NATO defences – even if the bilateral defence treaty remains in force and has been updated with confidential clauses on reinforcement.

A radical policy shift in a Euro-sceptical atmosphere

Historically, all political parties have opposed membership of the EU with the exception of the Social Democratic Party in the period 1994-1999 and the Social Democratic Alliance (SDA)⁷ from 2002. In July 2009, the Icelandic national parliament (Althingi) narrowly voted to support an application for membership of the EU. The traditionally internationalist and increasingly pro-European Social Democrat party had found themselves in a strong position

⁴ Ingimundarson, Valur (1996), *Í eldlínu kalda stríðsins* (In the firing line of the Cold War), Reykjavik: Vaka-Helgafell.

⁵ Bailes, Alyson and Thorhallsson, Baldur (2006), ‘Iceland and the European Security and Defence Policy’, in Bailes, Alyson, Herolf, Gunilla and Sundelius, Bengt (eds.), *The Nordic Countries and the European Security and Defence Policy*, pp. 328-348, London: Oxford University Press.

⁶ See, Thorhallsson, Baldur 2004 (ed.), *Iceland and European Integration: On the Edge*, (New York & London: Routledge).

⁷ The left-of-centre parties (the SDP, the People’s Alliance (the former Socialist and Communist party) and the Women’s Alliance formed the Social Democratic Alliance (SDA) in 1999.

after their election victory of April the same year, which for the first time opened the prospect of a majority in parliament for opening EU talks. Indeed, the SDA went so far as to make an EU application a precondition for maintaining its coalition government with the conservative Independence Party after the banking crisis of late 2008, and then for creating a new majority government with the Left Green Movement after the spring elections.

The economic crash, which started with the fall of the Icelandic krona in March 2008, clearly stimulated the ongoing EU debate and led to a swift change of attitude towards the vulnerability of the economy and its small currency. These events made many Icelanders question the country's traditional domestic and foreign policies, including the reluctance to be entangled with the European project. This opened a window of opportunity for pro-European forces and EU membership became the main election issue. The SDA's economic plan for recovery was based on EU membership, emphasising the benefits for consumers and enterprises of lower prices of goods, the adoption of the Euro within the EU as a bulwark for Iceland's shattered finance system, and opportunities for aid for rural areas, agriculture and the tourist industry from the EU's Structural Funds.⁸

The Social Democrats may have captured the opportunity to apply for membership, based on their interpretation of Iceland's economic interests, but – despite the shock of the economic crash – other parties have not followed them in their pro-European approach. The Left Green Movement remains steadfast in its opposition to EU membership. It reluctantly became prepared to go along with an EU application in 2009 in order to form a government and have an open, democratic EU debate in the country at large.

The conservative Independence Party still opposes membership – though it is deeply divided on the issue, and was (for instance) advocating unilateral adoption of the euro just before the general election in 2009 in order to appeal to its pro-European voters. The fact that the Right in Iceland is traditionally united, and the Left divided, has led to the dominant position of the Independence Party. The Conservatives have been in office for 51 of the 67 years since the creation of the Republic⁹, and the first purely Left government was created only in 2009. While in government from 1991 to 2009, the Independence

⁸ For instance, see website of the Social Democratic Party, available at http://www.samfylkingin.is/Stefnum%C3%A1l/Um_Evr%C3%B3pusambandi%C3%Bo (last access: 1 December 2010).

⁹ Moreover, a small minority of the party's MPs, under the leadership of its vice-chairman, led a government for three of the remaining 16 years when the Independence Party itself was in opposition.

Party's opposition to EU membership became fiercer and was based on several arguments: Iceland's fisheries sector would be seriously damaged by EU membership; Iceland would not be able to conduct its own economic policy; adopting the euro would be fatal to the economy; as a small state, Iceland would be powerless within the EU and unable to defend its interests; corporate taxes might rise due to membership; and regulations from Brussels would place a burden on businesses and the community at large.¹⁰

The European policy of the centre-agrarian Progressive Party remains highly contested: although the party formally changed its policy towards an EU application in early 2009, two-thirds of its MPs voted against an application in the summer of 2009. Also, the MPs of the Citizen's Movement (an offspring of the 2008/2009 winter's protests) remain sceptical of EU accession, and three out of four of them voted in parliament against the EU application though they had advocated opening negotiations at the time of the general election.

From mid-2010, two procedural issues have dominated the EU debate. First, Parliamentarians from all parties, except the SDA, have now submitted several motions calling for a referendum on whether the EU negotiations should even be continued, or more simply, for the immediate withdrawal of Iceland's application. So far no action has been taken on these proposals in parliament, showing that the majority there and the government still stand by the continuation of negotiations. The second issue has arisen over the alleged EU pressure on Iceland to 'adapt' its laws and practices to EU norms even before the treaty of accession has been concluded or ratified. The government has had to recognize Left Green concerns on this by promising there will be as little 'adaptation' as possible until a final decision on membership has been taken by a popular vote.

The latest element of the debate

Since 2008, the political discussion in Iceland has been dominated by the so-called Ice-save¹¹ dispute between Iceland on the one hand and the Netherlands and Britain on the other hand. The dispute has raised nationalistic feelings and

¹⁰ Thorhallsson, Baldur, (2008), 'The influence of ideology on the European policy of the Independence Party', in Johannesson, G. and Bjornsdóttir, H. (ed.) *Rannsóknir í félagsvísindum IX*, Félagsvísindasvið Háskóla Íslands, 2008.

¹¹ The dispute is centered on the conditions for Icelandic reimbursements of the compensation Britain and the Netherlands provided to account holders for deposits lost in the Icelandic bank, Landsbankinn, which had offered online savings accounts under the Ice-save brand in those states. Landsbankinn was placed into receivership by the Icelandic government early in October 2008.

has both overshadowed and increasingly sidelined discussions on the wider merits of an EU application. On a number of occasions after the 2008 crash, Britain and the Netherlands, with the formal and informal approval of other European states (including the other Nordic states), blocked Iceland's IMF assistance to the country in pursuit of their claims. The fact that a Ice-save deal, which the government had negotiated with Britain and the Netherlands and the Icelandic parliament had narrowly approved, was rejected in referendum by 93 per cent of voters¹² in March 2010 clearly indicates the frustration within the country.

In the public debate, the EU and its member states have been blamed for the IMF blockage and for standing in the way of Iceland's economic recovery: despite the fact that the EU has on several occasions stated that the Ice-save dispute is a bilateral matter for the states concerned. Iceland is party to the EU regulations on banking, on which the British and Dutch claims are based, through its membership of the EEA and has requested that the EU should step in to settle the dispute – but without any success. Hence, the EU is seen as not being able to provide Iceland with economic and political shelter, and by many politicians and voters as a bully taking the side of larger states who seek to oppress a small defenceless neighbour.

The pro-European forces have thus had a hard time making their case in an atmosphere of resentful nationalism where Icelanders generally feel that all of their closest neighbouring states, except for the Faroe Islands, have deserted them at a time of great need. However, there are growing discussions in the media about the pros and cons of EU membership though it sometimes lacks expertise to distinguish Euro-fact from Euro-fiction. The leading newspaper, *Fréttablaðið*, publishes widely on European affairs and advocates membership in its editorials. On the other hand, the conservative paper, *Morgunblaðið*, runs a fierce campaign against EU membership. It is owned by fisheries moguls. The state media authorities who run the main TV and Radio stations and the private channels offer some more balanced insights into the EU membership question but could obviously do more to inform the public.

The state of public opinion on EU membership has clearly been affected by the Ice-save dispute. Since early 2009 the majority of voters have stated their opposition to membership in opinion polls¹³, contrasting with the previous

¹² Website of the Icelandic Ministry for Foreign Affairs, available at <http://www.landskjor.is/landkjoorstjorn/frettir-tilkynningar/nr/61> (last access: 12 July 2010).

¹³ Capacent Iceland. Þjóðarpúls Gallup, July 2010.

twelve-year period where nearly all polls indicated a majority in favour of membership.¹⁴ However, a majority of voters is still in favour of attempting accession talks with the EU.¹⁵

The anti-EU movement has gained momentum and set up camps in the rural and coastal areas. The campaign is strongly supported by the fisheries' and farmers' associations which have taken a rigid stand against EU membership and been vocal in the media. The anti-EU campaign has centred on three themes: through EU membership Iceland would lose its independence and sovereignty; it would lose control over its most valuable national resource, fisheries; and Iceland's agriculture would be left devastated.¹⁶

The pro-European movement has also reorganized itself and set up an association named Stronger Iceland – A Nation Amongst Nations (Sterkara Ísland – þjóð meðal þjóða). It draws on prominent figures mainly from the Greater Reykjavik area, the main employers' and employees' associations, and political parties – mostly Conservatives, Social Democrats and Progressives.¹⁷ It is also noteworthy that a pro-European group, Independent Europeanists (Sjálfstæðir Evrópusinnar) has been created within the Independence Party which draws on support by leading party members. The Icelandic European Movement, established 1995, is still in place and has provided backup for the creation of Stronger Iceland.¹⁸

The Confederation of Icelandic Employers, a driving force for EU membership in other Nordic states, is not active in the EU debate – after a brief period of activism in favour of an EU application and adoption of the euro in 2007 and 2008. This is because of an internal split in its governance whereby the powerful Federation of Icelandic Fishing Vessel Owners, the only major opponent of EU membership in the Confederation, can wield a blocking vote on the EU question. The pro-European members such as the Federation of Icelandic

¹⁴ Thorhallsson, Baldur. 'The Sceptical Political Elite versus the Pro-European Public: The Case of Iceland' in *Scandinavian Studies*, 74 (3) 2002, p. 349-378; The Federation of Icelandic Industries, opinion polls conducted by Capacent Gallup for the Federation of Icelandic Industries available at <http://www.si.is/malaflokkar/althjodlegt-samstarf/evropumal/skodanakannanir/> (last access: 1 December 2010).

¹⁵ The Federation of Icelandic Industries, opinion polls conducted by Capacent Gallup for the Federation of Icelandic Industries available at <http://www.si.is/malaflokkar/althjodlegt-samstarf/evropumal/skodanakannanir/> (last access: 1 December 2010).

¹⁶ Website of the anti-EU movement, Heimssýn, available at <http://heimssyn.is/> (last access: 1 December 2010).

¹⁷ Website of the pro-EU movement, Sterkara Ísland, available at <http://www.sterkaraisland.is/> (last access: 1 December 2010).

¹⁸ Website of the Icelandic European Movement. Available at <http://www.evropa.is/> (last access: 1 December 2010).

Industries and the Federation of Trade and Services have remained relatively silent on the issue after an initial campaign for the EU application. They are, however, bound to come back into the debate with full force closer to the referendum on membership. The labour movement has also been rather silent regarding EU affairs though it is now largely united behind the pro-European cause.

In sum, as of now, the Social Democrats are on their own in pursuing the path to membership, though a small number of individual MPs in other parties are sympathetic to the EU cause. The party leadership of the Left Green Movement tolerates the formal pro-European policy of the coalition government, led by the SDA, in the firm belief that Iceland will not obtain a satisfactory accession treaty and that the terms it is offered will be rejected in a referendum. The traditional Icelandic Euro-scepticism is still very much alive. This is, however, nothing new for the Social Democrats. They have had to fight hard for membership of EFTA and, in particular, the EEA. In 1991, they switched coalition partners in order to get the EEA ratified in parliament. They might well have to do that again in order to get EU membership accepted in parliament and also by the general public.

Iceland's accession negotiations: process and issues

In the view of the European Union, Iceland already fulfils the main conditions for membership as laid down in the 'Copenhagen' criteria of 1993, which require:

- ◆ that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- ◆ the existence of a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the Union;
- ◆ the ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union.

As an EEA member since 1994 Iceland already applies many EU regulations and has a competent administrative structure to take on the obligations of membership. In fact, it is better equipped for membership than any candidates since Austria, Sweden and Finland who joined the EU in 1995.

The Commission's Opinion

Following Iceland's application for EU membership in July 2009 the European Commission transmitted a series of questions to Iceland and analysed the replies, together with other information, to produce an Opinion of more than 100 pages which it submitted to the EU's Council of Ministers in February 2010. This extensive survey¹⁹ of Iceland's situation and prospects concluded that it satisfies the political, economic and administrative criteria for EU membership. However, it drew attention to some problems requiring attention before accession:

- ◆ "Concerns have been raised as regards the effective independence of the judiciary, linked to the procedure for judicial appointments".
- ◆ "Following the financial crisis, certain questions have been raised concerning possible conflicts of interest in Iceland's public life".
- ◆ "Iceland is well prepared to take on the obligations of membership, particularly in the fields covered by the EEA, but efforts to further align legislation with EU law need to continue particularly in the area of fisheries, environment, agriculture and rural development, as well as free movement of capital and services".

Concluding that "Iceland's accession would have a limited overall impact on the EU and would not affect the EU's capacity to deepen its own development", the Commission recommended the opening of negotiations. In a Progress Report in November 2010²⁰ it confirmed these general conclusions and noted that Iceland had taken some measures to address the problems requiring attention.

Attitudes of member states

Since all questions of enlargement are decided in the EU by unanimity, an applicant needs not only to have supporters, but to have no enemies. At present no EU member is overtly hostile to Iceland's candidature, and it is difficult to conceive how such a small country could seriously threaten the interests of a

¹⁹ The Opinion is published on the Commission's website at http://ec.europa.eu/enlargement/pdf/key_documents/2010/is_opinion_en.pdf

²⁰ The Progress Report is at http://ec.europa.eu/enlargement/pdf/key_documents/2010/package_is_rapport_2010_en.pdf with conclusions at http://ec.europa.eu/enlargement/pdf/key_documents/2010/package/conclusions_iceland_en.pdf

Union now numbering 500 million inhabitants. In fact, the general response of EU member states to Iceland's application for EU membership may be summarised as 'relatively positive', compared with other current applicants (Turkey and the countries of the Western Balkans) discussed in section IV below. More specifically, the Northernmost member states (Sweden, Finland, Estonia, Lithuania, Latvia) are strong supporters of Iceland's accession; Spain is interested because it may obtain benefits for its fishing fleet; Austria, Italy, Greece are interested – or at least, not hostile – because Icelandic membership could help promote the accession of their neighbours in the Balkans. The attitude of other members – for example, the Central Europeans – may be described as agnostic.

The United Kingdom and Netherlands, while generally supporting Icelandic membership, are also parties to the 'Icesave' dispute described in section II. In its Opinion the Commission made only a passing reference to this problem, which it sees as one for the concerned states to resolve; and the UK and Netherlands chose not to block the opening of accession negotiations over it, partly because of their dislike of 'linkages' made by other member states over accession issues elsewhere. However, these states are unlikely to allow the relevant chapter of the negotiations (Financial Services) to be opened until the Icesave dispute is resolved, so the final outcome remains effectively linked to a solution of this problem.

The member state holding the six-monthly rotating Presidency of the EU's Council of Ministers has an important role in relation to enlargement: its tasks include managing the process of decision-making on the EU side and acting as 'spokesperson' for the EU in the accession negotiations.²¹ As a general rule, Presidencies like to see visible progress in the negotiations to prove their capacity to conduct the EU's ongoing business, and one can expect the Presidencies of 2011 – Hungary, Poland – and 2012 – Cyprus, Denmark – to promote movement on Iceland in this way.

²¹ The EU's procedures for accession negotiations and for enlargement policy in general are quintessentially intergovernmental in nature: all decisions are taken in the General Affairs Council by unanimity, while the Commission and the Parliament have secondary roles. The Lisbon Treaty has changed nothing in this respect.

Prospects for the negotiations

Iceland's accession negotiations with the EU began formally at a Ministerial meeting in July 2010. At this meeting the EU presented its position, as normal, in the form of a 'negotiating framework' including a list of the 35 chapters to be covered in the negotiations.²² Iceland presented its view in a speech by Foreign Minister Skarphéðinsson²³ and a memorandum describing the government's general position.²⁴

No further Ministerial meetings took place in 2010, and it is understood in the EU that the Icelandic government, facing various problems in the domestic political arena and a sceptical public opinion, is not at present disposed to press for urgent progress. Current activity is limited to the 'screening' which precedes the opening of individual chapters. This process, in which experts from Iceland and the European Commission in Brussels examine together all of the EU's secondary legislation to see what problems it may pose for Iceland, began on 15 November 2010 and is estimated to require a total of 100 meetings up to mid-2011.

After screening for each chapter is completed, the Commission reports to the Council on the results, making it possible to open the chapter in the negotiations. At this stage Iceland is expected to state whether or not it has problems in accepting the relevant EU rules. It is not yet clear when the first chapters will be opened, or the first questions of substance will be addressed at political level; the former might happen around April 2011.

Prospective problems

The problems of substance in the negotiations with Iceland are expected to be far fewer than in the talks leading to the EU's expansion in 2004 and 2007, or in the current negotiations with Croatia and Turkey. With Iceland the negotiations should be more comparable in difficulty to those of 1993-94 with Austria, Sweden, Finland and Norway. However, it should not be forgotten that since then the extent and substance of EU policies have progressively developed, and

²² The text of the negotiating framework including the 35 chapters is published on the Commission's website at http://ec.europa.eu/enlargement/pdf/iceland/st1222810_en.pdf

A useful summary of the contents of the 35 chapters can be found at http://ec.europa.eu/enlargement/enlargement_process/accesion_process/how_does_a_country_join_the_eu/negotiations_croatia_turkey/index_en.htm#5

²³ Text at <http://www.mfa.is/media/esb/27072010-Iceland-statement.pdf>

²⁴ Text at <http://www.mfa.is/media/esb/27072010-ForMinIs-statement.pdf>

the procedures for EU accession have become more complicated. As a result the requirements for accession are more substantial and demanding than they were 18 years ago.

Schematically, the analysis of the problems to be solved in the negotiations may be conducted by separating them into the following groups:

1. three chapters which are traditionally treated at the end of the process: budget, institutions, other issues;
2. three chapter which are likely to be of key importance for Iceland: fisheries, agriculture, whaling;
3. other chapters which may pose problems.

1. Three chapters treated at the end

Although nothing has been decided in advance, one can safely predict that the last three chapters in the list of 35 chapters (Financial and budgetary provisions, Institutions, Other issues) will be handled in the closing stages of the negotiations. Even if they present no major problems, the EU traditionally deals with these questions at the end of the process since:

- ◆ ‘Budgetary provisions’ (chapter 33) are basically the rules applying to Iceland’s payments into the EU budget, a subject which cannot be addressed satisfactorily until it is clear what are the prospects for its receipts from the budget in the first years of membership, and this will normally depend on the results of negotiations in other chapters.
- ◆ ‘Institutions’ (chapter 34) include decisions on the number of votes and seats to be allocated to Iceland in the EU’s institutions – the European Parliament, the Council of Ministers, etc. Since full representation in the European institutions is the most important benefit of membership, the EU keeps this ‘big prize’ in reserve for the conclusion.
- ◆ ‘Other issues’ (chapter 35) are simply the questions that cannot be handled under any of the other 25 chapters. This last chapter may prove to be unimportant, or even empty, but for reasons of logic it has to be left until the end.

Of these chapters, the first two merit a brief commentary.

Budget

Iceland, under the EU's present rules and policies, is likely to pay more into the common budget than it receives. The EU will no doubt insist that Iceland pays its full contribution to the budget from the first year of membership, without any possibility to phase it in during a transitional period. This position of principle, upheld in all recent accession negotiations, reflects the EU's desire to avoid demands for similar concessions from existing member states. However, if it appears that Iceland's receipts from the budget would exceptionally low in the first year or two of membership, as a result of the characteristic 'lag' in payments under EU policies, special arrangements could no doubt be made to compensate for the anomaly.

Institutions

It seems unlikely that Iceland will encounter any problems in this chapter. In accordance with the EU's long-standing principle of 'degressive proportionality' Iceland as a small state can expect to obtain an allocation of seats in the European Parliament and votes in the Council of Ministers that gives its citizens a proportionally stronger voice than citizens of bigger member states; indeed, as the EU's smallest member, Iceland would obtain the most favourable treatment. As far as the European Commission is concerned, the EU has already taken the decision at the request of Ireland during the ratification of the Lisbon Treaty that every member state should have a Commissioner²⁵ so consequently there will be a Commissioner from Iceland. The Icelandic language will be accepted as an official EU language.

However, even if the Institutions chapter is unproblematic for Iceland, it cannot be excluded that unexpected problems may arise between member states themselves when they approach this chapter, as was the case in 1994 when negotiations with the EFTA countries were held up while the EU discussed the problem of qualified majority voting in the Council, which was finally resolved by means of the arcane 'Ioannina formula'.

²⁵ Since this provision was not included in the text of the Lisbon Treaty, the EU has committed itself to ratifying it in the context of the next Treaty of Accession.

2. Three key chapters for Iceland

Although the questions of fisheries, agriculture and whaling may be identified in advance as key problems – ‘key’ in the sense that they may be crucial for a satisfactory overall result for Iceland – it does not necessarily follow that these chapters will be left unopened until the end of the negotiations. The ‘screening’ process is not ordered in such a way that ‘difficult’ subjects are delayed until the end: some may be opened in the first half of 2011, and could perhaps be resolved quickly. However, in the case of the three questions mentioned, that is not very probable: given the political importance of these matters, Iceland’s negotiators are likely to persist until the last stages, when each side decides on the ‘bottom-line’ and decisions have to be taken in a ‘final package’.

At this stage it is not possible to predict exactly which problems will figure in such a ‘final package’. In addition to the chapters mentioned, others may pose difficulties for one side or the other. Experience of accession negotiations suggests that, for practical reasons, the end-game will be limited to a ‘manageable’ number of big problems – maybe two or three or four. The final package in the negotiations is normally discussed and resolved at a Ministerial meeting, often with elements of suspense and drama such as the expiry of the deadline for agreement, the ‘stopping of the clock’, all-night sessions, interviews with the media by Ministers, and last-minute phone-calls to heads of government.

Fisheries

Not surprisingly, a key section of the statement of Iceland’s Foreign Minister Skarphéðinsson at the opening of negotiations was devoted to Iceland’s position on the EU’s common fisheries policy which is covered by chapter 13. After declaring “we share its main objectives” he highlighted the economic importance of fisheries for Iceland and the characteristics of its fish stocks. He stated that “this special situation could be addressed, for example, by defining [Iceland’s waters] as a specific management area where Icelandic authorities continue to be responsible for management of the fisheries”. He referred also to issues such as Iceland’s share of ‘straddling stocks’, ‘rules on investment’ and ‘external representation’.

With discussions still under way within the EU on the reform of the common fisheries policy (CFP) it is difficult to predict the results to be expected in this chapter of the accession negotiations: it is a classic case of a ‘moving target’, since the fisheries policy in force when Iceland joins the EU will be differ-

ent from what it is today. The proposals for reform of the common fisheries policy initially submitted by the European Commission in 2009 would go a long way towards satisfying Iceland's basic concerns for better management and conservation of fisheries stocks, but in discussions among EU Fisheries Ministers there is resistance to fundamental change.

With that proviso, one can nevertheless expect the general configuration of the accession negotiations to be on the following lines. According to the principle of 'relative stability' which is the basis for the allocation of fishing quotas under the CFP, Iceland can reasonably expect to obtain agreement that the local stocks which stay within its waters and have traditionally been fished there will continue to be reserved for Iceland.

This is already an important element for a satisfactory solution, but many other aspects will need to be discussed: what share will Iceland obtain of the quotas for 'straddling stocks' which migrate between Icelandic waters and elsewhere? To what extent will the Icelandic authorities be allowed to manage the fisheries regulations in Icelandic waters? Although the basic decisions on quotas will be made at the EU level, there may be a good deal of flexibility concerning the national application and monitoring of the rules.

Another topic which will no doubt be discussed is the question of discards – that is, the portion of the catch that is not retained on board during commercial fishing but returned, often dead or dying, to the sea. Under EU regulations discards are permitted, but this is not the case under Iceland's fisheries policy.

Another question is 'quota-hopping', that is the practice of registering a fishing vessel in another EU member state in order to take advantage of that state's quota. This possibility is viewed with concern by Iceland, since it could lead to vessels from other EU states (such as Spain) effectively acquiring fishing rights in Icelandic waters; since some EU states have accorded generous subsidies to their fishing fleets, Iceland will argue for a 'level playing field'. This problem is linked to the question of 'rules on investment' mentioned by the Minister at the opening of negotiations: under the EEA Iceland enjoys a ban on investment by foreign firms in Icelandic fisheries, but (as already mentioned in the case of energy) it is simply not realistic for Iceland, having invested in EU member states in other sectors, to expect a permanent exemption from inward investment in this sector, however sensitive it may be. Moreover, big Icelandic fishing firms want external capital for the development of their activities.

Finally there is the question of ‘external representation’ in international conventions dealing with fisheries, which is perceived as a potential problem by the Icelandic government. At present Iceland has its own seat and vote in such conventions, but under EU rules the European Commission represents member states collectively in many of these forums. As a matter of principle, it would be impossible for Iceland to expect different treatment from other member states, but in practice it could gain considerable influence in international negotiations by being part of the EU bloc.

To what extent Iceland may obtain specific assurances that its point of view will be taken into account in such areas will be a matter for discussion in the negotiations. Some analysts consider that Iceland, as a small island with important maritime interests, has a good chance of having a significant role and voice within the EU’s institutions: the last Commissioner for Fisheries was from the small island state of Malta. Some member states such as the United Kingdom welcome the prospect of Iceland’s support for reform of the CFP. But other member states such as Spain may be less enthusiastic for Iceland to have an influential say in the development and management of the policy. Indeed, from the point of view of Spain, the potential benefit of bringing Iceland’s fisheries resources into the EU may be counterbalanced by the prospect of Iceland as an EU member demanding stringent rules for conservation of fish stocks.

This consideration touches on a delicate aspect of the EU’s institutional balance. Since the rights of membership go hand-in-hand with the obligations of membership, a country that wishes to enjoy extensive opt-outs from a common policy may find that its rights of participation in decisions on that policy are limited. In other words, if Iceland insists on a large exemption from the fisheries policy, it may be offered in return a kind of ‘second-class’ membership with reduced voting rights. That would be a bad result both for Iceland and for the EU.

Agriculture

This is covered by chapter II. Minister Skarphéðinsson underlined the vital importance of agriculture for Iceland, saying ‘we will negotiate for the future stability of our farming communities, and for an improvement in their conditions’. Although it should not be difficult to achieve this objective within the framework of the common agricultural policy (CAP), this chapter of the negotiations is likely to arouse sustained political interest. Agriculture is of declin-

ing importance in terms of employment and economic output in Iceland, but it is heavily dependent on state support and has a disproportionate weight in domestic politics and public opinion – as is the case in most member states of the EU.

Within the farming community in Iceland there is limited understanding of the CAP, and thus a suspicion of what it may imply. But in fact it offers potential benefits as well as the competitive challenge of free movement of products. Moreover it is well understood in the EU that agriculture in a sparsely populated island in the far North faces unique problems, and there are useful precedents for solutions for Iceland in the 1993-94 accession negotiations, where special arrangements were agreed for Finland's 'Arctic agriculture' including the continuation of national support through state aid. In any case, as a member of the EU, Iceland will remain a net importer, not an exporter, of agricultural products, and its agriculture poses no competitive threat on European markets.

Environment

Minister Skarphéðinsson referred to 'marine mammals and bird species' as cases where 'Iceland's unique geography and cultural traditions with respect to sustainable harvesting must be taken into account' and these matters come under EU environmental rules, covered by chapter 27. Problems arising from rules for protection of animal and bird species have arisen in previous accession negotiations, and local and national conditions have been duly taken into account. Such problems should find a solution without difficulty in the case of Iceland's bird species.

However, the question of marine mammals – that is, the hunting of whales for commercial purposes – raises serious political problems for the EU, which is unlikely to agree to the continuation of this activity by Iceland. Whaling is prohibited in the territorial waters of all EU member states, and the worldwide moratorium decided by the International Whaling Commission has had some success in allowing whale stocks to recover. But for the general public in the EU – and their elected representatives in the European Parliament – the ban on whaling is not just a matter of rational conservation of resources. The hunting and killing of whales is widely considered to be inhumane, and this 'emotional' factor differentiates it from other areas of policy where decisions are based largely on scientific factors.

So this chapter of the negotiations may prove to be very difficult. Whaling is an established and traditional activity in Iceland, but it is vigorously opposed by environmentalists not only in the EU but even in Iceland. The EU may accept a transitional period, accompanied by a review clause of some kind, but a permanent opt-out for Iceland to continue whaling is not a realistic objective.

3. Other chapters which may pose problems

Of the 35 chapters of the accession negotiations, 10 are fully covered and 11 partly covered by the EEA Agreement, and normally these areas should not be problematic. But even some of these were mentioned by Minister Skarphéðinsson at the opening of the negotiations.

Import of animals

This is covered by chapter 12 on 'Food safety, veterinary and phytosanitary policy'. Here the Minister argued that the special arrangements for 'import of animals' already agreed for Iceland in the EEA are well founded and should continue. But this will not be accepted automatically by the EU: in the accession negotiations of 1993-4 it insisted that, as a matter of principle, transitional periods or 'derogations' from EU rules agreed under the EEA could not be imported automatically into the accession treaty, and this was confirmed again by the EU in its opening statement in the negotiations with Iceland

On the other hand, if there are real problems for Iceland under the EU's veterinary rules for import of animals, this will surely not be an insuperable problem. For existing members of the EU such Ireland and the United Kingdom, island status has often been a justification for special arrangements for animal and plant health. In the case of Iceland one aspect of the problem may be the risk of importing animal diseases that could threaten the survival of indigenous breeds of cattle, dating from the Viking period.

Energy

This field of policy, which comes under chapter 15, was also mentioned by the Minister, and this probably reflected concerns about the deregulation of the energy sector, which in Iceland at present is closed to foreign competition. While it is unrealistic for Iceland, having invested extensively in EU member states in other sectors, to expect an exemption from inward investment in this

sector, it is clear that foreign ownership of energy resources is a sensitive matter not only for Iceland but for some other EU members, and it should be possible to find appropriate solutions and reassurances here

Concluding remarks

EU member states are not unaware that Icelandic public opinion on the EU is doubtful, even if the full domestic background is unfamiliar to many. They also understand that the outcome of the referendum may depend on the final results of the negotiations²⁶: but they are not prepared to concede wide-ranging opt-outs from common policies such as fisheries in order to reach agreement. They would see it as the task of the government and political actors in Iceland, not the EU, to explain to its people the reasons why – for strategic reasons – membership can be in their national interest. As Foreign Minister Skarphéðinsson stated at the opening of the negotiations: “Iceland best secures its independence and interests by having a vote and a voice in the organised cooperation of the Western democracies that honour the rule of law and respect human rights”. “We seek the long-term security that a small nation which neither has nor intends to have a military, would find by belonging to a strong European family”.

Concerning the possible timetable for membership, the outlook at present is that accession negotiations will continue for the whole of 2011 and at least part of 2012. If they conclude with agreement, and an Accession Treaty is signed in late 2012 or early 2013, and then ratified, Iceland would become a member in 2014. This would in fact be an opportune moment for accession, in practical terms, since the EU's next budgetary period will come into force in 2014. and (linked to it) the revised common fisheries policy. However, this timetable is speculative, and could be affected by many factors including the timetable for accession of Croatia, which has made considerable progress in its own accession negotiations. If Croatia concludes negotiations by the end of 2011, with the prospect of accession in 2013, that could possibly open a window of opportunity for Iceland to accede at the same time.

²⁶ See Avery, Graham, ‘Coming in from the Cold’ (EPC Commentary, September 2009) published at http://www.epc.eu/pub_details.php?cat_id=4&pub_id=502.

Iceland and the Big Picture of Enlargement²⁷

The first thing to stress when reviewing Iceland's place in the larger panorama of enlargement is the sheer scale of the latter. The growth of the original 6-state European Community to a Union of 27 members today is a remarkable tribute to the magnetism of the process of European integration. Enlargement to the South and East has brought in 15 new members: Greece in 1982, Spain and Portugal in 1985, Cyprus and Malta in 2004, and the major group of ten countries from Central Europe in 2004 and 2007. Enlargement to the North and West – creating only 5 members so far – might seem a comparatively minor theme, but its scope has been far from trivial. Between them, the UK, Denmark and Ireland (acceding in 1973) and Sweden and Finland (1995) contributed some 1.158 million square kilometres of territory to the Union, just over one quarter of the EU's current extent. Their entry also reflected the gradual absorption of former members of the European Free Trade Area, EFTA, into full EC/EU membership.²⁸ Three other EFTA members, Iceland, Liechtenstein and Norway, have meanwhile joined the European Economic Area, which brings much deeper engagement in the Single Market and other key features of EU life – and is a shorter step away from membership – than any other status open to non-members today.²⁹

Aside from the UK, however, all the EU's Northern and Western members have small populations in relation to their land area. Sweden with 9.4 million inhabitants is much the largest: Iceland takes the trend to an extreme with barely 320,000 people and is the smallest ever applicant state (Malta has around 400,000). It would of course be wrong to equate a country's importance and influence in EU proceedings with mere size, and Sweden and Finland in particular have left their mark on numerous fields of EU policy.³⁰ Yet the Nordic 'presence' as a whole has been muted in the play of intra-Union politics, for two further reasons. First, Norway's and Iceland's non-membership has cut the potential Nordic 'bloc' in half, and even the three Nordic states inside the EU are rarely united on the major questions of integration (like the Euro and

²⁷ Alyson Bailes thanks Arnar Steinn Þorsteinsson for invaluable research assistance in preparing this part of the text.

²⁸ A pattern to which Austria's entry in 1995 also belongs.

²⁹ Switzerland, an EFTA member, decided against the EEA and now has a *sui generis* status based on bilateral agreements with the EU.

³⁰ Magnúsdóttir, Gunnhildur L., 'Small States' Power Resources in EU Negotiations: The Case of Sweden, Denmark and Finland in the Environmental Policy of the EU'. Thesis (PhD, University of Iceland, 2009).

defence). Second, three of the five North/West entrants have remained among Europe's most Euro-sceptic states at popular level³¹, and many of them have held back from some of the more advanced forms of integration: Sweden, Denmark and the UK for instance staying outside the Eurozone, and Ireland and the UK outside the Schengen system. Norway, meanwhile, is the only state to have negotiated EU membership and decided – twice – not to take it up after a negative popular referendum.

The odds that Iceland may also follow that pattern have already been discussed; but how does its membership look from the wider European perspective – in the overall sequence of enlargement, and as a contributor to the EU's own longer-term goals? Three related issues will be addressed here: where Iceland stands in comparison to the other applicants (the Western Balkans and Turkey), how its case and theirs may be affected by the much-reported 'enlargement fatigue', and what if any special implications Iceland's entry would carry for the Union's further development.

Iceland and the other candidates

Iceland's application in 2009 brought it into a queue consisting of 8 other prospective EU members, all at differing stages of the accession process: Turkey (applied in 1987), Croatia (2003), Macedonia (2004)³², Montenegro (2008), Albania & Serbia (2009), Bosnia-Herzegovina & Kosovo. The first two, Turkey and Croatia, opened accession negotiations in 2005. The last two (Bosnia-Herzegovina and Kosovo) have not yet applied for membership, but are covered by the promise made by the EU's leaders at Thessaloniki in 2003 – and reaffirmed in Brussels in 2006 – that “the future of the Western Balkans lies in the European Union”.

Clearly, the strategic issues at stake in these different potential expansions are both diverse and of unequal weight. Turkey is the biggest ever state to apply to the EU with its still-growing population of 75 million (compare Germany, the biggest current member state, whose population is 82 million but declining), and it would be a major net recipient from the EU's budget. Many misgivings

³¹ The most sceptical results are found in the UK, Sweden and Finland while Irish opinion has been, and Danish opinion has become, more positive. See the latest Eurobarometer poll at http://ec.europa.eu/public_opinion/archives/eb/eb73/eb73_en.htm.

³² Macedonia is known internationally as the Former Yugoslav Republic of Macedonia (FYROM). Since 2005 the Commission has assessed Macedonia as ready to start accession talks, but its case has been kept on hold as a result of its dispute with Greece over use of the 'Macedonia' name.

are felt among current member states over economic, social, and constitutional factors (including religion), and security disputes in which Turkey is tangled; but embracing it would also open a major new strategic front for the EU including direct frontiers with Iran, Iraq and Syria. The states of the Western Balkans, for their part, approach Brussels from a background of post-Cold War régime change, recent war, state break-up, low development and weak all-round security. The importance of the European ‘shelter’ for them – both as a shield and as a source of discipline for lasting transformation and peace – is existential and hardly disputed. Their public opinion has shown solid majorities in favour of (or at least open to) membership, even latterly in Serbia, although the recent Croatian figures show waning enthusiasm in view of perceived EU foot-dragging.³³ Other than in Serbia, EU entry also enjoys solid cross-party support in all these states. This points to the first paradox in comparing the candidates: Iceland may be the best qualified and ‘closest’ to the EU, but its motives are more pragmatic than strategic and its political community is notably divided and reluctant. The Western Balkan states face a much steeper and, often, longer climb, but are more solidly determined to make the effort; while Turkey risks ultimate rejection from within for reasons not entirely contingent on its own performance.

A further contrast concerns the potentially deal-breaking issues in negotiations. Those for Iceland, as shown above, mainly involve internal interest-groups or interest-areas that make the country loth to abandon what it sees as superior (or at least, more profitable) national practices. The best-known obstacles to most Balkan states’ entry involve negative features such as failure to bring war criminals to justice, and more generally, weaknesses in security, law and order, inter-ethnic relations and economic development.³⁴ Aspects of nationhood itself are also at stake in most cases: Croatia’s sea border contestation with Slovenia³⁵ is only one of the region’s many disputed frontiers;³⁶ the

³³ Gallup Balkan Monitor, 2009 Perceptions of the EU report, accessible at <http://www.balkan-monitor.eu/index.php/reports>.

³⁴ For details see the Commission’s progress reports on individual candidates published on 9 November 2010, at http://ec.europa.eu/enagement/press_corner/key-documents/reports_nov_2010_en.htm; and Alyson JK Bailes and Jóhanna Thórdísardóttir, ‘Iceland’s Neighbours in the EU Entry Queue: Contrasts or Parallels in EU Enlargement to the North and the South-East’, *Stjórnmal og Stjórnsýsla*, University of Iceland, Winter issue 2009, at http://www.stjornmalogstjornsysla.is/index.php?option=com_content&task=view&id=469.

³⁵ This dispute ceased to directly block Croatia’s progress in 2010 when Slovenia agreed to submit the matter to arbitration.

³⁶ Balfour, Rosa and Basic, Dijana, ‘A bridge over troubled borders: Europeanizing the Balkans’, European Policy Centre Occasional Paper, October 2010, text at http://www.epc.eu/pub_details.php?cat_id=3&pub_id=1170.

EU is concerned about the lack of central cohesion between Bosnia-Herzegovina's various entities, Kosovo is not even yet recognized as an independent state by five EU members³⁷, and so on. Iceland meanwhile has no outstanding territorial disputes or problems of recognition, and indeed shares in the larger EU border defence system through its membership of Schengen and the Prüm Treaty and links with EUROPOL and EUROJUST. Yet there is a further paradox here: to the Western Balkan states EU entry offers a way of reinforcing and legitimizing national *identity* – regardless of the precise frontiers adopted – while for many political forces in Iceland, the impact of membership on identity and independence can only be negative. This is not the place to discuss the underlying national psychology, but the effect in reducing Iceland's openness to truly transformational changes as the price of membership is clear.

EU Attitudes

The question of which candidates the existing members of the Union would more readily accept is also not simple. Any answer must start with the general phenomenon of so-called 'enlargement fatigue' revealed by opinion polls since the 2004 and 2007 enlargements. Eurobarometer opinion poll no. 71, taken in June 2009 and published in September³⁸, showed popular opposition to (any) further enlargement standing at 46% for the EU as a whole with only 43% in favour, which is typical of the last few years. New member countries were more favourable with 64% for and just 21% against, while opposition has been strongest in Luxembourg, Austria, France and Germany. The popular fears behind these figures are generally linked to prospects of immigration, cultural/social disruption and job competition, plus reluctance to take on extra financial and strategic burdens – the more so after EU states' own painful experiences in the global crash and recession. These concerns are, however, plainly fed by a combination of experience of the Central European enlargement and the vision of Balkan and Turkish entry, not by any perceived downside of the last Nordic accessions. Iceland's small size, its long-standing democratic nature, and its NATO, EEA and Schengen membership should make it logically far easier to absorb from all these viewpoints, assuming it can put its economic house in order. The lack of any rooted opposition to it – *pace* Icesave – has already been noted.

³⁷ Cyprus, Greece, Romania, Slovakia and Spain.

³⁸ See http://ec.europa.eu/public_opinion/archives/eb/eb71/eb71_std_part1.pdf.

However, the pressure for enlargement from Central European and Mediterranean states is based on reasons equally unrelated to Iceland's case. They seek to bring in their Eastern neighbours out of a mixture of political and cultural sympathies, belief in EU entry as the only force strong enough to pacify the Balkans, and interest in thickening the strategic buffer between themselves, Russia, the Caucasus and the Middle East. The fact that many Central European statesmen have advocated membership also for Ukraine, Moldova and Georgia illustrates this geo-strategic approach. None of this gives reason for a nation like Poland or Slovenia to oppose Iceland, but it gives them little motive to hasten its entry either. The position that the pro-enlargement camp is likely to adopt thus depends far more on a *comparative tactical* calculation. Will Iceland's progress towards entry overshadow, distract from and slow down the Balkan candidacies (and ultimately Turkey's); or will it help to keep the enlargement process rolling, and perhaps weaken prejudices among the more opposed elements in Europe?

In the early days of Iceland's application, there were some signs of concern about its negative tactical effect among the stronger advocates of South-eastern enlargement, including France.³⁹ Many were on the watch for signs of Icelandic procedural queue-jumping – which even Iceland's friends sought to avoid⁴⁰ – and eyebrows were raised notably about the speed with which the Commission's Opinion on Iceland was produced. Lately less has been heard of such issues, and Iceland and the smaller Balkan candidates seem to be consciously presenting themselves as allies, not competitors. The Icelandic Foreign Minister has taken care to cultivate the relevant contacts, and the Foreign Minister of Macedonia, Antonio Milošoski, wrote recently that “Even Iceland's candidacy is expected to create positive momentum for the Balkans”.⁴¹ At the extreme, should Iceland be offered a reasonable accession package and still vote no, that might even create more popular sympathy for other states who both need membership more and are ready to say *yes* to it.

³⁹ French Foreign Minister Bernard Kouchner was quoted in July 2009 as saying that ‘It would be a political error to put Iceland before the Balkan countries’ (*Southeast European Times* news-page 27 July 2009, http://www.setimes.com/cocoon/setimes/xhtml/en_GB/features/setimes/features/2009/07/29/feature-01); and the French Europe Minister Pierre Lellouche, visiting Iceland shortly after, repeated that it would be wrong to let states jump over others in the entry queue (‘Brýnt að leysa Icesave-deilu’ (Urgent to resolve Icesave dispute), Morgunblaðið webpage 29 July 2009, at http://www.mbl.is/mm/frettir/innlent/2009/07/29/brynt_ad_leysa_icesave_deilu/).

⁴⁰ On 27 July 2009 when EU Ministers approved the start of Iceland's negotiations, Swedish Foreign Minister Bildt publicly stressed the need to speed up Balkan enlargement.

⁴¹ Published in *Europe's World*, Autumn 2010 edition, see http://www.europesworld.org/NewEnglish/Home_old/Article/tabid/191/ArticleType/articleview/ArticleID/21751/language/en-US/Default.aspx.

Impact on EU Strategy and Governance

It remains hard to see any immediate strategic stake involved in EU acceptance or non-acceptance of Iceland that could compete with the historic significance of drawing the Balkan region into permanent peace through integration. Iceland may have some economic attraction from the point of view of its fisheries resources – it would bring a disproportionately large increase in the EU's fisheries zone and total catch – and its contribution to the EU budget; but few would see these factors as critical for the EU's main near-term concerns.

There is, however, one larger perspective in which Iceland takes on special significance: the expected opening up of an ice-free Arctic because of climate change, with concomitant opportunities for oil and gas extraction, exploitation of other marine resources, transit traffic and tourism. The EU has in recent years signalled its ambition to take a growing part in High Northern activities and governance – where it claims a role already through its own Northern Dimension programme and engagement in the Barents Euro-Arctic Council (both involving cooperation with Iceland, Norway, and Russia). As set out in a Commission strategy paper from 2008 and Ministerial conclusions of 8 December 2009⁴², the EU's approach hinges on balancing environmental concerns against sustainable development while keeping the peace and respecting indigenous rights. It includes a demand for permanent observer status in the Far North's only dedicated sub-regional organization, the Arctic Council; but this has so far been blocked by certain Arctic Council members, including Russia.

In Iceland itself, awareness of future Arctic challenges is so far limited, but the Icelandic MFA has published one lengthy analysis⁴³ and is now preparing a national Arctic Strategy. European-minded Icelanders might see EU entry as helping their country both to secure a fair share of profits in the Arctic Great Game, and to shelter from the worst risks such as military clashes among the large powers. Conversely, it has been argued that Iceland has growing value for the EU as an 'advance base' athwart the Atlantic approaches to the Arctic,

⁴² European Commission Communication on *The European Union and the Arctic Region*, COM(2008)763final of 20.11.2008, http://ec.europa.eu/maritimeaffairs/press/press_rel201108_en.html; Foreign Affairs Council, *Conclusions on Arctic Issues*, 8 December 2009, text at http://ec.europa.eu/maritimeaffairs/pdf/arctic_council_conclusions_09_en.pdf.

⁴³ Ísland á Norðurlóðum (Iceland in the High North), Foreign Ministry of Iceland, April 2009, text at <http://www.utanrikisraduneyti.is/frettir/nr/4945>.

and if the EU lacks the sense to make use of this then perhaps some other power will.⁴⁴

What is already clear is that the EU's and Iceland's emerging High Northern strategies are highly compatible, aside from the EU's objection to whaling; and Iceland already supports the EU's claim for higher status in the Arctic Council. The question is whether this particular linkage has the power to swing either Icelanders as a whole towards a more pro-EU attitude, or the EU towards a more generous stance in negotiations. On both counts, the answer is surely no. Strategic thinking is not widespread enough in Iceland; some Icelandic strategists still see the EU's 'soft' power as inadequate for protection; and the Arctic is likely to remain a low-order concern for most Europeans during the actual period of negotiations. Perhaps most conclusively, nothing stops the EU and Iceland from cooperating extensively on their shared Arctic aims as things stand now, or as things would stand after an Icelandic 'No' vote.

Even so, might Iceland's membership of the EU cause some more subtle shifts to Europe's identity, governance and ultimate direction? Its most likely immediate effect would be seen in EU-EEA relations and the viability of the EEA itself. With just Norway and Liechtenstein left inside, the EEA would be further marginalized and, at the least, would need a searching review.⁴⁵ But it would be rash to expect this to shift Norwegian opinion rapidly or decisively towards membership: Norway's independent capacity for survival, and the roots of its many different anti-EU constituencies, are both far stronger than in Iceland's case. Nor is it realistic to imagine a revitalized Nordic 'bloc' of four within the EU creating irresistible pressure for the Norwegian 'outsider' to come in from the cold. Iceland could doubtless find common ground with the three existing Nordic members on many issues, like environment and gender, enlargement or Russia-handling; but where the Nordics are already divided, Reykjavik is more likely to take a third position of its own than to mend the others' fences. Indeed, it is hard to suppress the vision of Iceland sometimes adopting a lone defiant stand, of the kind which corresponds to its national myth.

⁴⁴ Quoted from an interview with Icelandic President, Ólafur Ragnar Grimsson, in War, Andrew and Boxell, James, 'Brown asked to step in as voters reject bank deal', *Financial Times* 6 March 2010, p. 3.

⁴⁵ Avery, Graham, 'Opinion: The EEA – a view from Brussels', published 9 November 2010 on the ARENA website (University of Oslo), see <http://www.arena.uio.no/news/news2010/avery.xml>.

Conclusion

Iceland's decision in 2009 to apply for membership of the European Union was a radical policy shift from earlier strategies of US alignment, self-sufficiency and only partial engagement in the European project. The economic crash and the fall of the krona in 2008 created a new mood and a new political balance, in which membership could be seen as a shelter against the vulnerability of the economy and its small currency. Yet Euro-scepticism has deep historical roots in Iceland, and strong popular and sectoral opposition remains to be overcome today.

In the negotiations now proceeding, Iceland should encounter relatively few problems as a small nation, well prepared by EEA membership. Three areas of policy will probably be crucial – fisheries, agriculture and whaling – but all are amenable to solution, even fisheries provided Iceland does not demand a generalized opt-out from the EU's common policy. In the broad perspective of EU strategy, Iceland is attractive through its proximity to the High North where the EU hopes to share in and influence future economic development. Ultimately it will be for Iceland's government and political thinkers to explain to its people how membership serves their strategic interests.