

CONSEQUENCES OF A SMALL ADMINISTRATION: THE CASE OF ICELAND

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ABSTRACT

This article examines whether the small size and characteristics of the Icelandic administration has influenced Iceland's approach towards European integration. It argues that the small size of the administration partly explains the reluctance of governments in Iceland to participate in European integration in the late 1980s and the early 1990s. It also contends that the special historical development of the administration adds to its limited involvement in policy making in Iceland. On the other hand, the EEA membership has Europeanized ministries, their institutions and surveillance authorities as they have adopted similar features to deal with the EEA Agreement as the other member states. This is particularly the case because of the increased number of staff, expertise and other resources concerning European affairs. This change is most notable within the Ministry for Foreign Affairs which has obtained an increased role in policy-making by ministers and has become the key information provider about European integration in the country. Furthermore, cases indicate that the administration is becoming more active within the EEA Agreement. The increased capacity of the Ministry for Foreign Affairs has enabled the last two foreign ministers to gather necessary information to produce detailed reports on Iceland's position in Europe and adopt a more pro-European stand.

INTRODUCTION

The ability of small states to participate in the European Union has often been put in doubt. However, most studies analysing the response of small states towards European integration fail to take into account the size and characteristics of their national administrations. Katzenstein, for instance, argues that concentrated economic interests and strong corporatism in small states impact upon their behaviour in the international system (Katzenstein, 1985: 80; Katzenstein, 1984). He does not take into consideration what influence the smallness of states' administrations and their characteristics have on their international behaviour. As a result, he misses an important variable in explaining

the behaviour of small states in the decision-making process of the EU (Thorhallsson, 2000: 232-240).

The working procedures of small states in the EU are characterised by informal communication, flexible decision-making, greater manoeuvrability of officials and by guidelines rather than instructions to negotiators when not dealing with important issues (Thorhallsson, 2000: 106). These administrative features help to explain the special relationship between the small states and the European Commission. They also help to explain their different negotiation tactics in the EU decision-making process compared to the negotiation tactics of the larger states. Furthermore, small states are forced to prioritize in the EU because of their limited administrative capacity. Thus, the administration is a key variable in explaining the behaviour of small states in the decision-making process of the EU (Thorhallsson, 2000: 232-240). This paper tests whether a small administration of a state outside the EU helps to explain its approach towards European integration.

However defined, small states in Europe do have one thing in common which distinguishes them from their larger neighbours: a considerably smaller national administration. National administrations oversee states' relations with other states and they conduct their business in international institutions. The EU is, for instance, putting increasingly more emphasis on the administrative capacity of the applicant states to participate in the Union. In Madrid in December 1995 the European Council mentioned the need to make adjustments to the applicants' administrative structure in order for them to create the conditions for the gradual integration of the states into the EU. Agenda 2000 put greater emphasis on an appropriate administrative structure of the applicants. An appropriate administrative structure to implement EU legislation into national legislation effectively is seen as "an essential pre-condition for creating the mutual trust indispensable for future membership" (European Commission, 2000: 23). Also, in Feira in June 2000 the European Council requested increased efforts of applicants to strengthen their administrative structures. Furthermore, it emphasized the link between the enlargement negotiations and the administrative capacity to effectively implement and enforce the *acquis*. The European Council meeting also requested the Commission to report to it on the administrative adjustments of the applicant states (European Commission, 2000: 23).

Iceland, with a population of some 276,000, is clearly a small state. States in the European Economic Area (EEA) can be divided into two broad categories: small states and large states (see Introduction to this issue). However, it is problematic to define a national administration. This is particularly the case because it varies considerably how states themselves define the term, that is, what departments and public institutions belong to the definition and how they count the number of people working with their national administrations. This study defines the national administration as national ministries, their institutions and surveillance authorities dealing with domestic and external affairs. The responsibility of ministries and their institutions and departments do however vary according to states and the number of people working within ministries do not necessarily give a complete picture of their size. In order to be more specific concerning the capacity of national administrations to work in international organizations, information about the

number of people working in foreign services in each state has been sought. Figure 1 shows the number of people employed in foreign services of states in the EEA, excluding locally employed personnel abroad, in April 2001. The states fall into either the small state or the large state category, with the exception of the Netherlands which employs a greater number of people in its foreign service than Spain.

**Figure 1. States in the European Economic Area (EEA):
Size Index of Foreign Service**

State	Number of people working in the Foreign Service*
Liechtenstein	29
Iceland	150
Luxembourg	206
Ireland	820 approx
Norway	1,150
Finland	1,642
Denmark	1,663
Austria	1,397
Sweden	1,500
Portugal	2,038
Belgium	2,103
Greece	1810
Netherlands	3,050
Spain	2,619
Italy	4,688
France	9,800
United Kingdom	5,500
Germany	6,515

Data concerning the number of people working in foreign services was provided by the Foreign Ministry in each country in April 2001.

*Excluding locally employed personnel abroad.

This article is divided into six sections. The first analyses the response of governments in Iceland to European affairs. It provides the necessary background of the strategy that governments have adopted in order to cope with European integration. The second section examines how the small size of the Icelandic administration has influenced the approach of Iceland to European integration. The third section analyses the development of the administration and its special characteristics. The fourth section demonstrates the increased capacity of the administration from the mid-1990s and how it has become more Europeanized. The fifth section examines the increased activity of the Ministry for Foreign Affairs and its Europeanization. Finally, the article focuses on the ability of the administration to cope with EU membership.

THE BACKGROUND: THE STRATEGY OF ICELAND TO COPE WITH EUROPEAN INTEGRATION

Iceland has been reluctant to participate in European integration. Governments have adapted to it by a step by step approach in order to secure its immediate interests. The main aim has been to secure markets for Icelandic fish and protect farmers from agricultural imports. Governments have found the supranational character of the EU unacceptable to the Icelandic political discourse on independence and sovereignty. Furthermore, they have never looked at the European project from a security point of view as Iceland's defence has been guaranteed by the United States. Thus, political parties have preferred free trade agreements with European states to guarantee fish exports instead of an involvement in the EU's supranational institutions. They have reluctantly developed a strategy of closer integration as free trade agreements have not fulfilled Icelandic interests and the other Nordic states have applied for EU membership. The limited capacity of the national administration also helps to explain the reluctance of politicians to participate in European integration. This article will indicate that the small size of the Icelandic administration partly explains the inability of the political leadership in Iceland to adopt a pro-European policy in the 1980s and early 1990s.

Political Parties and the Question of EU Membership

Political parties in Iceland have been reluctant to adopt a pro-European policy and at present not a single political party advocates EU membership. The Alliance, the newly formed left of centre party, hesitates in favouring EU application. However, its leader, Össur Skarphéðinsson has stated that he supports EU membership. Thus, the Alliance is revising its policy toward Europe and in 2002 the party is holding a general vote on whether to advocate EU membership or not. The Alliance consists of four left of centre parties which formed an electoral coalition in the 1999 general election: the People's Alliance, the Social Democratic Party, the Women's Alliance, and the People's Movement.¹ They all opposed EU membership except for the Social Democratic Party which advocated membership from 1994. Its leader, Jón Baldvin Hannibalsson, split the left of centre coalition, which consisted of the Progressive Party, the People Alliance, the Citizen's Party and the Social Democratic Party, and formed a coalition with the Independence Party in 1999. One of the main reasons for the split given by Hannibalsson was that the Progressive Party and the People's Alliance had great reservations about the creation of the EEA Agreement while the Independence Party accepted it in the negotiation leading to the coalition formation. However, the Independence Party preferred a bilateral agreement with the EU.

The Independence Party has taken a firm stand against membership of the EU under the leadership of Davíð Oddsson. He is a strong opponent of EU membership. He was elected leader in 1991 and became Prime Minister few months later. He is the longest

¹ The People's Movement was mainly a group that split from the Social Democratic Party in 1995.

serving Prime Minister in Iceland and, at the start of 2002, the longest serving Prime Minister in Europe. The Independence Party split the coalition with the Social Democratic Party in 1995 and formed a coalition with the Progressive Party. The present foreign minister since 1995, and leader of the Progressive Party, Halldór Ásgrímsson, seems to be getting more pro-European every year. However, he does have difficulties in convincing the party's MPs and ordinary party members to adopt a pro-European policy advocating membership of the EU.

The Left Green Party, which was mainly formed by some former members of the People's Alliance and the Women's Alliance who disapproved of the Alliance, strongly opposes EU membership. The Liberal Party, elected to Althingi (the Icelandic parliament) for the first time in 1999, tends to be more positive towards the question of EU membership but oppose it as long as Iceland can not guarantee its sole rights over its waters.

Iceland's Membership of EFTA and The EEA

Iceland joined the European Free Trade Area (EFTA) in 1970 in the hope of a free trade agreement in fish with EFTA and EC states. Iceland made a free trade agreement with the EC in 1972 though it did not come into effect until few years later because of the Cod War with Britain. However, fish products were not tariff free and Iceland only managed to get the EFTA members to accept free trade in fish in 1989 after years of struggle. The main objective in the EEA negotiations was to extend the free trade access for fish products to the Common Market without membership of the Common Fisheries Policy. (Gstöhl, 1996: 54) Membership of the EEA was the only possible means in order to carry out this policy. The EEA Agreement guaranteed continuation of fish exports to the EC and Iceland obtained a clause in the agreement banning foreign investment in its fish industry. Also, Icelandic farmers were spared competition with their counterparts in the Common Market. The government (consisting of the Independence Party and the Social Democratic Party) also argued that no transfer of power was to take place from Althingi to the EU and EEA institutions. They reasoned that they could influence proposals at their initial stages in the Commission and Althingi could reject EU law and regulations which were to be implemented in the EEA. The opposition in parliament (consisting of the Progressive Party, the People's Alliance and the Women's Alliance) disagreed and the most intense debate took place in Althingi since the discussion about EFTA membership in the late 1960s. The government stuck to its language of an independent and sovereign state.

The Status of Iceland within the EEA

Iceland adopts around 80 per cent of EU law and regulations through the EEA Agreement. (Information from the Ministry for Foreign Affairs in Iceland) Iceland has formal access to the Commission according to the EEA Agreement. On the other hand, Iceland does not have the right to attend EU Council meetings and the EEA-EFTA states

do not have the right to see beforehand information distributed within the Council. The EEA-EFTA states are also not represented in the European Parliament. As a result, Iceland relies on EU member states and the Commission to defend Icelandic interests within these institutions.

Despite the formal access to the Commission through the EEA Agreement, Iceland has greater difficulties in lobbying the Commission compared with EU member states. The EEA Agreement does not allow Iceland any direct influence within the Commission except for the consultation process between the EEA-EFTA countries and the observer status in the committees. The limited access Iceland has to the Commission reduces the information flow from the Commission to the Icelandic administration and diminishes its opportunity to influence the Commission. A particular problem arises when Iceland cannot attach its interests to the interests of at least one member state in order to get support for its case.

Furthermore, according to officials in the Icelandic administration, they struggle to cover the most important meetings with the Commission and leave out many meetings because of the small number of staff and limited financial resources. Looking at the capacity of the other EEA-EFTA states, the smallness of the administration of Liechtenstein makes it more difficult than for Iceland for it to participate effectively in the decision-making process of the EEA. The Liechtenstein administration simply does not have the staff, experts or other resources to take part in many Commission committees to which it has access through the EEA Agreement. On the other hand, the Norwegian administration has been *the* active participant in the decision-making process of the EEA and is at times overrepresented in meetings (Interviews with officials in Iceland, EFTA, the EFTA Surveillance Authority and the Commission).

Iceland's Increased Involvement in European Integration: Membership of Schengen

When the Nordic Passport Union was threatened by the Schengen arrangement, the Icelandic government reluctantly became involved in the negotiations leading to Iceland's membership of Schengen. The right to travel freely to the other Nordic states is known to generations of Icelanders. If this right had been hindered, it could clearly be interpreted as a sign of Iceland becoming an increasingly isolated state. One of the fundamental features of Nordic cooperation, a region to which 90 per cent of Icelanders feel closest (Harðarson, 1995: 310), would have been put in jeopardy. However, the government was not prepared to accept membership of Schengen without a more direct role in its decision-making than seen within the EEA. The government, particularly the Prime Minister, Davíð Oddsson, demanded decision-making rights within Schengen and declined any deals with the EU that resembled the institutional structure of the EEA. The Prime Minister's Office even intervened in the negotiating role of the Foreign Service and demanded a withdrawal from negotiations if Icelandic demands were not met (Interviews with officials in the Icelandic administration).

Iceland and Norway gained a deal that placed them at the negotiating table of the Schengen Council.² Thus, Iceland participates in the working groups of Schengen and the Icelandic Minister of Justice takes part in meetings of justice ministers within the EU when Schengen issues are on the agenda. However, Icelandic and Norwegian representatives have to leave the meetings when formal decisions are taken, so the settlement falls short of full participation in the decision-making process. The Icelandic government argues that it has secured Icelandic interests as Icelanders can still travel freely to the other Nordic states and Iceland participates in decision-making in the Schengen Council. Thus a formal transfer of power from Reykjavík to Brussels has not taken place. The criteria for the traditional political discourse of the political elite are met. The government joined Schengen without publicly admitting that others directly take decisions that affect Iceland. In fact, there has been very limited opposition to Schengen in Iceland with only the Left Green Movement rejecting membership on the grounds that a transfer of power has taken place. Once again, Iceland's strategy is to become half-engaged in European integration in order to secure its immediate interests without an official commitment to the supranational character of the EU.

THE ICELANDIC ADMINISTRATION: THE SIZE EFFECT

The small size of the Icelandic administration partly explains the reluctance of governments in Iceland to participate in European integration in the late 1980s and the early 1990s. At this time the administration had only a tiny number of experts specialised in European integration. Experts' knowledge in international affairs was mainly restricted to Nordic and EFTA cooperation, NATO affairs and the Icelandic-US relations in the field of defence. Experts within the administration also had a solid knowledge of Britain because of the important trade relations and the Cod Wars. According to officials in the Icelandic administration, a vast majority of experts were, however, most familiar with law and law making in the other Nordic states. The small administration did not have the resources to look beyond, what was for it, a huge task. It did not have the capacity to gather necessary information for the political elite to adopt a pro-European stand. Lack of staff, experts and other resources made the administration unable to follow closely development in Europe.

Also, the small number of officials and limited working conditions made ministries very dependent on external assistance (Kristinsson, 1993: 349). Pressure groups provided much needed information and the relationship with farming and fishing interests was particularly close. It was not always possible to see where the role of the state ended and that of pressure groups began (Kristjánsson, 1979: 349).

Furthermore, the administration seemed to have difficulties in taking the initiative to form policies which were specially relevant to Iceland. The ministries followed closely

² Iceland and Norway's firm demand for a full participation in the decision-making process of Schengen may help to explain this but probably the impossible task of preventing people travelling between the long border between Sweden and Norway was more important and guaranteed Iceland and Norway membership and a greater role in decision-making than in the EEA-agreement.

law and regulation in their fields in Scandinavia. If policy-changes in Scandinavia were favourable to ministers, they were often translated into Icelandic and implemented.

THE SPECIAL HISTORICAL DEVELOPMENT OF THE ADMINISTRATION

The special historical development of the administration also helps to explain its limited involvement in providing information concerning European integration. The Icelandic administration was created late, at the start of the 20th century, and developed slowly. The development has been moulded by the lack of regulation of working procedures. The handling of cases or individual issues has traditionally been much less cohesive than those in other states in Western Europe. Politicians have had a strong influence on the handling of individual cases and have not hesitated to intervene into the day-to-day work of officials. The administration was not built up as a forum for decisive policy-making and the institutional structure of the administration places little emphasis on long-term policy-making. All this stems from the fact that institutions, units and ministerial departments have been created according to political emphasis at particular times. Ministers were more concerned with a good working relationship with interest groups than general policy-making within the administration itself (Kristinsson, 1993: 349).

Furthermore, the administration did not have the responsibility of putting forward new ideas. The Icelandic policy-making process sidelines the administration in policy formation, particularly in sensitive issues. Pressure groups, political parties and the national parliament form policies, and the administration lacks the autonomy to intervene and put forward new ideas. In fact, political parties do not have the capacity to do so either and the most influential pressure groups, farmers and fishing vessel owners, had no interests in putting membership of the EU on the agenda.

In order to explain this development of the Icelandic administration, it is necessary to put it in a historical context. The strong influence of politicians on the administration and the limited autonomy of the administration in policy formation can be explained by the establishment of the legislature before the administration and the executive. Althing received limited legislative power in 1874 from the Danish King but executive power was not established in Reykjavík until 1904 (Kristinsson, 1993: 349). The administration at this time consisted of a handful of officials with limited or no autonomy at all to form policies relevant to Icelandic needs. Politicians and particular interests were the basis for policy-formation. This is because the weakness of the administration prevented it from taking on tasks which were dealt with by administrations in the neighbouring countries. The interference of Althing in the everyday work of the administration has continued. For instance, in the 1950s, Althing appointed far more committees and governing units within the administration than national parliaments in the other Nordic states (Herlitz, 1958: 207).

THE INCREASED CAPACITY OF THE ADMINISTRATION

The administration had some difficulties in dealing with the burden of the EEA Agreement in the first years of membership. The administration was probably not ready for EU membership in 1995 at the time of the entrance of Sweden and Finland. This is because no administrative adjustments had taken place in response to European integration, contrary to the case in Norway. However, in the last ten years, the administration has gone through important changes and the EEA Agreement has changed the situation described above.

By 2002, the administration is fully capable of working within the Agreement and EEA membership has Europeanized ministries, its institutions and surveillance authorities. European integration has become increasingly more relevant and important for the administration and it has gradually adopted similar features to deal with the EEA membership as the other EU and EFTA/EEA states. There are now officials in all ministries who deal with the implementation of the EEA Agreement. They also take part in policy-formation in committees of the Commission and coordinate policies between the EEA-EFTA states. All ministries, except for the Prime Minister's Office, station officials in the Icelandic embassy in Brussels and expertise on the EEA or Schengen can be found in each ministries. This coincides with the experience of the administrations of Norway and Sweden which found the need for expansion and increased expertise in European affairs as they became more involved in European integration (Ekengren and Sundelius, 1998: 139; Sverdrup, 1998: 157).

The EEA Agreement has also strengthened the position of officials and limited the traditional strong position of ministers. This is because the institutional structure of the EEA only involves ministers in decision-making to a limited degree. Competent officials are needed to press forward Icelandic interests in Brussels and in implementing EEA rules. As a consequence, the recruitment of officials is becoming more professional and a number of specialists in European affairs have been employed. "This increases the potential for the development of a more autonomous civil service that serves the citizens rather than the whims of their political masters" (Kristjánsson and Kristjánsson, 2000: 123).

THE INCREASED ACTIVITY OF THE MINISTRY FOR FOREIGN AFFAIRS

The Ministry for Foreign Affairs has become more Europeanized as a result of EEA membership and it plays the key role in coordinating and managing the administrative activity concerning the EEA Agreement. It has also increased its capacity and taken steps to awaken the debate in Iceland about a potential EU membership. However, Iceland is reactive in policy-making procedures within the EEA institutions and the committees of the Commission. But the administration, particularly the Ministry for Foreign Affairs, has shown that it can let Icelandic interests be noticed within the EU.

The Fishmeal Case

One of the best example of the increased capacity of the Ministry for Foreign Affairs is its involvement in lobbying the EU member states to turn down a proposal by the Commission in November and December 2000, which would have meant a ban on fishmeal and fish oil in animal feed. The proposal was a response of the Commission to the BSE crisis in Europe and its main aim was to ban bone and meat meal in animal feed (Thorhallsson and Ellertsdóttir, 2001). The proposal, if accepted, would have been a devastating blow for the Icelandic fish industry as 7 to 10 per cent of Iceland's export value has been fishmeal and fish oil in the past 5 years (Statistic Icelandic).³ The proposal demanded a swift response from the Icelandic administration. It had two working days to respond to the proposal before a final decision was taken in the Agricultural Council. The informality and flexibility of the administration helped the administration to cope with the crisis. All the decisions were taken by EU experts at the highest level within the Foreign Service. The experience of these officials certainly supported efficient decision-making. The importance of the Icelandic Ambassadors in the EU member states as decision-makers during the crisis was emphasised by granting them autonomy to decide whom to contact in the member states. Iceland mainly used traditional lobbying within the EU institution and the EU member states. The institutional structure of the EEA Agreement was not of much use for the Icelandic government in its attempt to get EU members to reject the proposals. The fishmeal case shows the difficulty in influencing EU decision-making without being a full member. However, the Icelandic administration was the first to raise concerns about the Commission's proposal and managed to get some EU member states, particularly Denmark, to support its views as they had similar interests (Thorhallsson and Ellertsdóttir, 2001).

Reports on the Position of Iceland in Europe

The resources of the Ministry for Foreign Affairs have increased to such an extent that it can now produce detailed reports on the position of Iceland in European integration. In 2000 the ministry published a report which was supposed to be a professional and independent account of Iceland's position and possibilities in changing Europe. It succeeded in this to some extent but it clearly bears the hallmark of political interference. The original draft of the report, which was mainly drawn up by officials in the Foreign Service, underwent considerable changes at the hands of the Prime Minister's Office. According to officials, membership of the EU was made less attractive and the EEA was said to fulfil Icelandic interests. The report gave a balanced view of the possibility of Iceland joining the EU and both supporters and opponents of membership said that the report proved their point. The changes made to the report by the Prime Minister's Office demonstrate the rift concerning European affairs between the long

³ Fish meal and fish oil rank third in marine export; only salted fish and frozen fish rank higher.

serving Prime Minister, Davíð Oddsson, leader of the Independence Party, and the Minister of Foreign Affairs, Halldór Ásgrímsson, leader of the Progressive Party.

Furthermore, a new detailed report by the Ministry for Foreign Affairs, published in mid 2001, on the effect of the EU enlargement on the EEA Agreement, states that though the enlargement will not entail any practical problems for Iceland, it will make the functioning of the agreement more difficult and the EFTA countries will have to make more efforts to safeguard their interests (The Ministry for Foreign Affairs, 2001: 13). The report argues that there are mainly two issues that concern Iceland in the enlargement process. First of all is the free movement of people. Iceland's priority is to get the same transitional arrangement of five to seven years concerning free movement of people as the EU member states. Iceland currently has a safeguard clause in the EEA Agreement concerning serious disruptions on the labour market. The second problem which the report identifies is the future of the trade agreement with the applicant states. Iceland has made trade agreements with all applicant states, except Cyprus and Malta, concerning free trade with fish. They will no longer be valid when the applicants join the EU (The Ministry for Foreign Affairs, 2001: 15).

Based on this report and an internal report of the EFTA headquarters and high ranking civil servants of the EEA-EFTA states, Halldór Ásgrímsson, the Foreign Minister, took the initiative to call for 'technical changes' to the EEA Agreement. These should coincide with changes that have taken place in the decision-making structure of the EU. Shortly afterwards the EEA-EFTA states and the EU states began negotiations about such 'technical changes', demonstrating that Iceland had become a more active player within the EEA Agreement.

The Europeanization of the administration, particularly the Europeanization of the Ministry for Foreign Affairs, has made this possible. The Europeanization of other ministries has not challenged the role of the Ministry for Foreign Affairs as the key actor in dealing the EEA Agreement. In fact, an increased awareness of the importance of the EEA Agreement in Iceland has given the ministry an increased role within the administration and as a promoter of the debate about Iceland's position in Europe. Gradual internationalization has taken place of other ministries, and their institutions and surveillance authorities in Iceland, as in Norway. However, the increased Europeanization because of the EEA Agreement has enhanced the role of the Ministry for Foreign Affairs in international relations and in the coordination process between ministries, their institutions and surveillance authorities. (For a discussion on the internationalization of the Norwegian administration see Christensen, 1996; Egeberg, 1980; Sverdrup, 1998: 156)

The Internationalisation of the Ministry for Foreign Affairs

The expansion of the Foreign Service in the last three to four years can be seen in the light of its increased awareness of a limited influence within the EEA. The Ministry for Foreign Affairs has been eager to establish closer contacts with European states and other states of importance for Iceland. It has also tried to enhance its influence in

international organizations in order to protect Icelandic interests. It wants to demonstrate that Iceland has the capacity to participate effectively in international organizations.

Iceland, for the first time, took over the Presidency of the Council of Europe in 1999. As disclosed in an interview with an official in the national administration of Iceland, it had until then always turned down the offer to head the Council because, it was argued, it did not have the capacity to carry out the duties. Iceland is planning to apply for a seat on the Security Council of the United Nations in 2009-2010 and it has increased the resources available to the Icelandic embassy to the UN in New York in order to do so. The Foreign Ministry has also become more active in specific committees within the Food and Agriculture Organization (FAO) and it succeeded in getting an Icelander elected to the Executive Board of the UN Educational, Scientific and Cultural Organization (UNESCO) in 2001. Also, Iceland has recently opened embassies in China, Japan, Canada and the first embassy has been opened in Africa, in Mozambique. An embassy has also been opened in Vienna to serve the Organization on Security and Co-operation in Europe (OSCE) and Austria.

Furthermore, the government has decided to establish a peacekeeping force containing fifty personnel, which will participate in peacekeeping operations of the EU, NATO, UN and OSCE. The aim is to have in the next few years up to a hundred people available for peacekeeping within short notice. The peacekeeping force is defined in broad terms and will contain policemen, medical doctors, nurses, lawyers, coordinators etc.. This is a very important step by the government particularly as the peacekeeping force will participate in the new peacekeeping operations of the EU. The government wants to emphasize that it can contribute to operations of the EU and NATO at the same time as it demands a close formal consultation process between the EU and NATO concerning these EU operations (The Ministry for Foreign Affairs, 2000; interviews with officials in the administration of Iceland).

A POTENTIAL EU MEMBER: CAN A SMALL ADMINISTRATION COPE WITH EU MEMBERSHIP?

The EEA Agreement has lead to Europeanization of the administration. Its characteristics and working procedures are becoming more similar to administrations in the other Nordic states and the administration has already set up coordination structures both within and between ministries to deal with EEA and Schengen membership. A number of changes would have to be made within the administration for it to deal with EU membership but the structure is in place to cope with the EU business. The coordination bodies would need to be strengthened and the administration would have to increase its staff both within ministries, in their 'surveillance' bodies and in embassies in EU member states. Furthermore, Iceland would need to establish new embassies as it only has embassies in eight of the fifteen EU member states⁴ and the embassy in Brussels

⁴ Iceland has Embassies in Denmark, Sweden, Finland, Britain, Germany, France, Belgium and Austria.

would need to be strengthened.⁵ The increase of staff and expertise would mainly take place in the Ministry for Foreign Affairs, the Ministry of Finance, Ministry of Fisheries and the Prime Minister's Office. These ministries, except from the Ministry for Foreign Affairs, do not play as active role as others in the implementation of the EEA Agreement and its coordination. However, all these ministries employ a number of experts on European affairs because of the EEA Agreement. As a result, it should not be a major task for them to adapt to membership of the EU. Iceland implements the vast majority of EU laws and regulations and the administration has shown that it is capable of doing so without much difficulty. It has also shown that it can participate in the decision-making process of the EEA and Schengen.

CONCLUSION

Small states may face administrative difficulties in adapting to EU membership. However, their administrative benefits may be higher than the administrative cost of staying outside the Union. A national administration outside the EU faces a number of challenges. It has to adapt to the international environment but lacks the resources available within the EU, particularly from the Commission, which may help it to deal with internal and external cases. For instance, the Finnish administration experienced an important change when it joined the EU. Instead of it seeking information about what was happening in the EU, states inside and outside the EU came to it with information in search for support (as disclosed in an interview with a Finnish Permanent Representative to the EU). Home-grown solutions are costly and a small state has to have a relatively larger share of resources in order to develop its own solutions. An administration outside the EU also has to keep up the momentum of adjustment if it wants to follow the EU's *acquis* changes, as the EEA-EFTA states do to a large extent, and it may lack the resources to recognize what adjustments are needed. The implementation of the *acquis* in the applicant states has, for instance, helped their administrations in building up expertise (Pace, 2000: 23).

The smallness of the Icelandic administration and its special characteristics because of its historical development partly explain the inability of the political leadership in Iceland to adopt a pro-European policy in the 1980s and early 1990s. Firstly, the administration's lack of staff, experts in European affairs and other resources are important features in explaining its limited involvement in the approach of Iceland to European integration. Secondly, the characteristics of the administration, such as lack of autonomy, little emphasis on long term policy making and reliance on pressure groups has also to be taken into account in order to explain the inability of politicians to adopt a pro-European stand.

On the other hand, the Europeanization of the administration, particularly of the Europeanization of the Ministry for Foreign Affairs, has given it an increased role in the

⁵ Officials in the Foreign Service of Iceland estimate that the number of people working in the Icelandic Embassy in Brussels would have to increase from 19 to 30 personnel.

policy-making formation of ministers. This is particularly the case because of the increased number of staff and expertise in European affairs in the administration and a more effective management and coordination of the EEA Agreement. The structure within ministries and between them is in place to coordinate the Icelandic position in Brussels and implement EEA laws. Also, the increased capacity of the Ministry for Foreign Affairs has enabled the last two foreign ministers to gather necessary information within the administration to produce detailed reports on Iceland's position in European integration and adopt a more pro-European stand. The capacity of the Icelandic administration is clearly an indicator of extent to which Iceland can participate in the European project.

The administration is clearly becoming more professional in dealing with its task on all accounts. Its role is, however, not to intervene in the conflict-oriented process between competing interests and between interest groups and the government. Elite networks which consist of particular interest groups and political parties control the agenda and the administration is supposed to stay on the sideline as long as it is not ordered to put forward new ideas and information.

However, Iceland has had to make a number of administrative adjustments in order to be able to cope administratively with the increasing pressure stemming from European integration. It would have to make changes as a member state of the EU but by taking up similar working procedures as other small states in the EU, such as greater informality, increased flexibility and autonomy for their negotiators, it should be able to cope with membership. The case of Luxembourg and other small states in the EU indicate this (Thorhallsson, 2000).

Theoretical approaches need to look beyond the traditional variables, which are often used to explain the behaviour of small states in relations to European integration. Variables such as economic characteristics, military weakness, territorial size and the size of population itself are useful tools in examining the activeness of states internationally. They can help to explain small states' promotion of free trade, neutrality or willingness to join a military alliance. Also, they may provide an account of states' behaviour in a military organization like NATO. However, they may not provide a complete account of approaches of small states to an institution such as the EU. They lack in explanatory value when making a distinction between the behaviour of small and large states. The variable of the size and characteristics of the administration needs to be examined in order to explain the approach of small states toward the EU.

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