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### The Skeptical Political Elite Versus the Pro-European Public

The Case of Iceland

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Considerable support among the population for membership application to the European Union. However, not a single political party at present advocates membership, and very few politicians publicly support membership. This has to be explained, particularly as European integration has had an elitist character in the other Nordic states, where leading politicians have advocated involvement in the European project but have had difficulties in convincing the public (Katzenstein 1997:258). Also, interest groups in Iceland have been more reluctant to campaign for membership application contrary to many of their counterparts in the other Nordic states. The aim of this paper is to explain the elite-electorate gap: why political parties are reluctant to advocate membership in the EU while around half of the electorate want to start discussion with the EU about membership.

An intense debate on whether Iceland should join the EU has not taken place. There was a considerable debate concerning Iceland's membership in the European Economic Area in 1992 and 1993, but the question of membership in the EU has never seriously been on the agenda. However, Iceland is deeply involved in European integration as an associated member of the EU by the EEA-agreement. Iceland adopts around 80 percent of EU law and regulations through the EEA<sup>2</sup> but has very limited chances of influencing EU decision-making.

<sup>&</sup>lt;sup>1</sup> Ninety percent of the elite in EU member states support European integration (see European Comission).

<sup>&</sup>lt;sup>2</sup> Information from the Ministry for Foreign Affairs in Iceland. However, it is difficult to state precisely how much of EU law and regulations the EFTA/EEA states have to implement.

The paper will argue that the skepticism of the political elite in Iceland toward membership in the EU can be explained by three factors: first, the influence of the primary economic sectors combined with the electoral system and the role of interest groups in decision making of the government; second, the Icelandic political discourse concerning independence and sovereignty; and finally, the geographical location of Iceland and the defense treaty with the United States. The willingness of around half of the electorate to apply for EU membership is explained by the looser connection of the populace with the primary sectors compared with the political elite, the electorate's greater concern with their economic prosperity than the political discourse of the elite, and the electorate's anxiety about isolation from Europe, particularly the other Nordic states.

The paper is divided into four sections. It will start by examining the polices of the political parties toward EU membership and compare their polices with those of their sister parties in the other Nordic states. Secondly, the paper will analyze why the political elite are reluctant to adopt a pro-European policy. Thirdly, it will examine the public attitude toward EU membership. Finally, the paper will examine reasons behind the growing discussion in Iceland about EU membership. It will analyze why two of the political parties, the Alliance and the Progressive Party, as well as the main labor market organizations have been revising their policies toward European integration.

# Policies of Political Parties Toward EU Membership

Political parties in Iceland have adopted one of two approaches toward the question of EU membership: a firm approach against membership and a "wait and see" approach. The strategy of the Independence Party and the Left Green Movement is to reject EU membership altogether. They also reject any challenge to put EU application on the agenda. On the other hand, the Alliance and the Liberal Party have adopted a "wait and see" approach. This is also the case of the Progressive Party as it has moved from its firm opposition to EU membership toward a "wait and see" approach. The main argument by politicians against EU membership has been that Iceland would lose control over its waters by joining the Common Fisheries Policy (CFP).

	Support percentage	Total MPs	Regional MPs	Reykjavík MPs
Independence Party	40.7	26	II	IS
The Alliance <sup>3</sup>	26.8	17	8	9
Progressive Party	18.4	12	` 8	4
Left Green Movement	9.1	6	4	2
Liberal Party	4.2	2	I	I
Others and outside parties	0.8	0	0	0
Total	100	63	32	31

Table 1. Results of the 1999 General Election to the National Parliament, Althingi. Statistics Iceland. Election Statistics. < www.hagstofa.is>

The policy of the Independence Party<sup>4</sup> toward membership in the EU has moved from a "wait and see" (Kristinsson 1996:150)<sup>5</sup> approach to firm opposition to EU membership. The Independence Party opposes EU membership on the grounds that by joining the EU Iceland would have to give up the control of its fishing grounds. The party has also stated that the EU's increased taxes and regulations on companies are against the party's economic policy. Furthermore, its party chairman and prime minister, David Oddsson, has repeatedly rejected any transfer of sovereignty to the EU. Oddsson, with his firm opposition to any debate about EU membership, has been successful in preventing the issue's being put on the agenda within the party.<sup>6</sup>

Until the mid 1990s, the "wait and see" approach of the party was a reactive approach to the uncertainty of the EEA-agreement and the question as to whether the political elite in Norway, Sweden, and

<sup>&</sup>lt;sup>3</sup> In the 1999 general election, several left-of-center parties formed an electional coalition as the Alliance: the Social Democratic Party 11.4%, the People's Alliance 14.3%, the Women's Alliance 4.9%, and the People's Movement 7.2%. All together they received 37.8% and 23 MPs.

<sup>&</sup>lt;sup>4</sup>The Independence Party is a center-right party and the largest political party in Iceland with around 40 percent support during the last decades.

<sup>&</sup>lt;sup>5</sup> Kristinsson argues that the cautious approach to European integration is epitomized in a "wait and see" attitude.

<sup>6</sup> Oddsson took over as a party chairman in 1991 and as a prime minister two months later. He is the longest serving prime minister in the history of Iceland. He is also at present the longest serving prime minister in Europe and one of few center-right prime ministers.

Finland would be able to convince their electorate to join the EU. Also, the "wait and see" approach was a convenient policy for the leadership of the party as factions of the party wanted EU membership on the agenda while others, such as farmers and vessel owners, spoke against any discussion of membership. The move toward firm opposition to membership came at a time when the EEA-agreement was thought to guarantee Icelandic economic interests. Also, David Oddsson, who had faced some hostility as a party chairman in the beginning, had taken firm control of the party.

The policy of the Independence Party is not in line with its voters as over 40 percent of them support membership application according to an opinion poll in 1999 (see Chart I). Also, nearly one-third of them are undecided toward the question of membership while just over a quarter follow the party line.

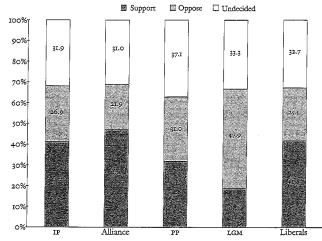


Chart I. Do you support or oppose an Icelandic application for the EU. Icelandic Election Study (1999). Courtesy of Ólafur Th. Harðarson. IP: The Independence Party, PP: The Progressive Party, LGM: The Left Green Movement.

The founding members of the Left Green Movement<sup>7</sup> are the most outspoken critics of membership in the EEA and NATO. In general, the

Left Green Movement is the most skeptical of the political parties favoring Icelandic involvement in any free-trade area or other economic or international federations. The Left Green Movement is more in tune with its electorate than the Independence Party as nearly 50 percent of them oppose EU membership application. However, nearly 20 percent of them support it, and one-third are undecided (see Chart 1).

The Alliance<sup>9</sup> has not yet taken a decisive stand on the EU question despite findings that nearly half of its voters support EU application. Furthermore, nearly one-third of the Alliance's voters are undecided concerning EU application, and just over 20 percent oppose application. In 1999, the Alliance stated in the election campaign that it would not apply for membership in the EU during the new parliamentary term that will end not later than 2003. However, the party demands an informed debate on the pros and cons of Icelandic EU membership. This policy was a compromise among the founding parties that had very different views on Iceland's involvement in European integration.<sup>10</sup>

The Alliance is, at present, revising its policy toward Europe. Factions of the party are already proposing a policy that demands that the government call for a referendum on EU application. In this regard, the party is likely to come up with objectives for Iceland in membership negotiation with the EU. Also, leading members of the Alliance have stated that the Common Fisheries Policy of the EU might not be unfavorable to Icelandic interests.

In its 2001 conference declaration, the Progressive Party<sup>11</sup> for the first time did not rule out EU membership. An internal European affairs committee of the party concluded in 2000 that the government should try to strengthen the EEA-agreement, but if that is not possible, Iceland then has to look for other means to secure its interests and a

<sup>&</sup>lt;sup>7</sup> The Left Green Movement was mainly formed by former members of the People's Alliance and the Women's Alliance. They disapproved of the electoral coalition these two parties established with the Social Democratic Party in 1999.

<sup>&</sup>lt;sup>8</sup> The party's skepticism toward political and economic integration in Europe is well demonstrated in a draft resolution that the party put forth in the Althingi in November 2000. The resolution states that Iceland should not be a member of any free-trade area but should make special trade agreements without membership.

<sup>&</sup>lt;sup>9</sup> In the 1999 general election, several left-of-center parties formed an electoral coalition as the Alliance: the People's Alliance, the Social Democratic Party, and the Women's Alliance. In May 2000, these parties formally formed a political party: the Alliance.

<sup>10</sup> The Social Democratic Party supported EU membership while the People's Alliance and the Women's Alliance rejected membership altogether. They also opposed Iceland's membership in the EEA.

<sup>&</sup>lt;sup>11</sup> The Progressive Party has traditionally been labeled a farmers' party and has defended the interests of farmers and the more sparsely populated regions in Althingi. It has been the coalition partner of the Independence Party since 1995.

membership negotiation is one of the options that has to be considered ("Telur samningsmarkmiðin raunhæf," *Morgumblaðið* 24 June 2001:10). The report also states that if a decision is reached to apply for membership, a national referendum should be held in which voters have an opportunity to choose between realistic options that Iceland has regarding European integration (Evrópunefnd Framsóknarmanna 2001).<sup>12</sup>

This policy change is a result of the efforts of the party leader and foreign minister since 1995, Halldór Ásgrímsson. He has systematically been working to get EU membership on the political agenda since early 2000. Ásgrímsson appears to be leaning more and more toward a pro-European position. However, he has had difficulties in convincing the party's MPS. None of the twelve MPS of the party, six of whom are ministers, in fact advocates membership, and most of them rule out membership in the EU at least for the time being. However, Ásgrímsson seems to have considerable support among the party's voters to revise its policy toward Europe. Nearly one-third of them support membership application, and 37 percent of them are undecided. On the other hand, nearly one-third of them oppose membership application (see Chart 1).

The newly founded Liberal Party<sup>13</sup> is willing to consider the membership alternative if Iceland can guarantee sole rights over its waters. <sup>14</sup>The party leader has also stated that he is in favor of a national referendum on EU application ("Yfirlit en ekki stefnumörkun," *Morgunblaðið* 24 Jan. 2001:12). A considerable number of voters in the Liberal Party support EU application—over 40 percent—while one-fourth of them oppose it, and the rest are undecided.

## THE DISTINCTIVE APPROACH OF ICELANDIC POLITICAL PARTIES TOWARD EUROPEAN INTEGRATION

The policy of the Independence Party toward membership in the EU is in sharp contrast to other conservative parties in the Nordic states. They were among the earliest advocates of EU membership. Moreover, the other Nordic conservative parties have been among the most integrationist parties; furthermore, the elite of the parties have also reflected the opinion of their electorate. For instance, in Sweden, Norway, and Finland, only 13 to 18 percent of the conservative electorate voted against membership (Svåsand and Lindström 1996:215). These figures are comparable with the opposition among voters in the Independence Party since, as stated earlier, just over a quarter of them reject membership application. This is the case despite the skeptical view of the party elite toward membership.

The Alliance does not follow its sister parties in the Nordic states. <sup>15</sup> The social democratic parties in Finland and Norway campaigned enthusiastically for EU membership (Svåsand and Lindström 1996: 205–19). The leadership of Danish Social Democrats has also proved their pro-European policy in government since 1993. The leadership of the Swedish Social Democratic Party is somewhat more divided toward participation in European integration. However, a good majority is in favor of membership. Nowhere in these four Nordic states have factions of Social Democratic parties opposing involvement in the European project prevailed since the early 1990s (Svåsand and Lindström 1996: 208). Furthermore, voters of the Alliance seem to be as enthusiastic about European integration as other Social Democratic voters.

The Progressive Party has also been more skeptical toward EU membership than other agrarian parties in the Nordic states except for the Norwegian Center Party. The Danish agrarian party has been one of the most federally inclined parties. The Finnish and Swedish parties have both suffered from internal division, but they came out in support of EU membership before the referenda on the issue. Furthermore, the electorate of the agrarian parties in Sweden and Finland was less supportive of EU membership than the party elite (Svåsand and Lindström 1996:212). This is in direct contrast to the voters of the Progressive Party and its elite. Nearly one-third of the party voters support membership application, and 37 percent of them are undecided despite the skeptical view of the party's MPS.

The electorate of the Left Green Movement is more willing to consider the membership alternative than supporters of left parties in the other Nordic states. Between 80 and 90 percent of the left parties' supporters voted against EU membership in Finland, Sweden, and Norway and the

<sup>&</sup>lt;sup>12</sup>The report also states that if a formal agreement is reached between Iceland and the EU on membership another referendum should be held where the voters have the chance to accept or reject membership.

<sup>&</sup>lt;sup>13</sup> In 1998, a former MP and cabinet minister in the Independence Party founded the Liberal Party after he had been sacked as a governor from one of the two publicly-owned banks in Iceland for corruption.

<sup>&</sup>lt;sup>14</sup> The Liberal Party homepage is available at <www.xf.is/evropumal.htm>.

<sup>&</sup>lt;sup>15</sup> However, the Social Democratic Party came out in favor of EU application in 1994. This was not the case of the People's Alliance and the Women's Alliance.

Treaty of the European Union in Denmark (Svåsand and Lindström 1996:213). In Iceland, 50 percent of the electorate of the Left Green Movement oppose membership application, one-third are undecided, and nearly 20 percent support it.

## WHY ARE THE POLITICAL ELITE RELUCTANT TO ADOPT A PRO-EUROPEAN POLICY?

Three main factors explain the reluctance of the political elite in Iceland to join the European Union: first, the influence of the primary economic sectors in Iceland reflected in the electoral system and the role of interest groups in Iceland; second, the Icelandic political discourse concerning the independence and sovereignty of Iceland; third, the geographical location of Iceland and its special relationship with the United States.

### The Pivotal Role of the Primary Industries: The Electoral System and Role of Interest Groups

The reliance of Iceland on fish exports is extreme, as it constitutes around 63 percent of its exported goods as Chart 2 demonstrates. <sup>16</sup> Ingebritsen,

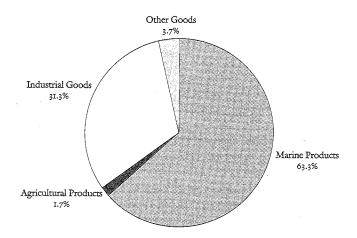


Chart 2. Export of goods. Statistics Iceland. Iceland External Trade.

in her sectoral approach in explaining the Nordic states' response to the EU, argues that the balance of economic interest-group preferences in Iceland and Norway weighs against membership (1998:127). Fisheries and farmers' interest groups tend to be more influential in policy-making of governments in Iceland than in the other Nordic states. Thus, the primary economic sectors play an important role in the response of political parties to European integration.

#### The Icelandic Vessel Owners Oppose EU Membership

Because Iceland would lose control over its territorial waters and the Common Fisheries Policy (CFP) of the EU is unfavorable to Icelandic interests, fisheries do not support membership (Hjartarson 6 October 2000; Fiskifréttir). The Farmers' Organization also opposes EU membership because of the CFP and the danger of livestock diseases. Furthermore, it argues that Iceland would face difficulties concerning the Economic and Monetary Union (EMU) and the proposed changes to the Common Agricultural Policy with regard to the forthcoming enlargement of the EU (Freyr 97:3 [2000]:30). Agriculture is not one of the leading economic sectors in Iceland, but the electoral system and characteristics of the national administration enhance the influence of farmers in government policy-making.

A vast majority of the Icelandic population lived in the rural areas when the electoral system was designed. Iceland was largely a farming community during the first quarter of the twentieth century though fishing slowly took over as the main industry and greater numbers of people gathered in small villages around the coast. This is still reflected in the electoral system. A minority of the electorate—32 percent—from rural regions hold a majority in parliament, as Table 1 indicates. Parliamentarians from these regions have close links to the farmer and fishery interest groups where opposition to EU membership is stronger than in the urban areas. Nearly 60 percent of the respondents in Reykjavík and its surroundings support membership application while only 45 percent of the respondents in the countryside support it (see Chart 5 and more detailed discussion below).

The dominant interests of the regions are those of agriculture and fisheries, and they are better represented within all the political parties except the Alliance. For instance, 55 percent of the Progressive Party MPs had connections to agrarian interests and 20 percent of its MPs to fishing and fish processing between 1991 to 1999. Also, around 20 percent of members of the Progressive Party's central committee currently

<sup>&</sup>lt;sup>16</sup> See <www.hagstofa.is>.

have connections to agriculture. Two of its six ministers are farmers, in addition, one has close ties to agrarian interests, and two are closely allied with fisheries' interests. Five out of its six ministers come from these regions. Twenty-nine percent of the Independence Party MPs had connections with fisheries' interests, and 14 percent had connections to agrarian interests between 1991 to 1999. Moreover, two out of six MPs of the Left Green Movement have ties with agriculture, and over 15 percent of members in its executive committee have connections with agrarian interests. Furthermore, a majority of parliamentarians in the fisheries and agricultural committees in Althingi had connections with these interests from 1991 to 1999 (Vignisson 2001). As a result, the parliamentarians from the rural regions are more likely to support the status quo and reject EU membership application.

The Althingi has made changes to redress the imbalance of seats that will take effect in the next general election. After the changes, the regions and areas around the Keflavík airport, 38 percent of the electorate, will hold thirty seats in Althingi. Thus, Reykjavík and its immediate surroundings will for the first time hold a majority in parliament. The changes do not fully redress the imbalance in the distribution of seats, but they may change the composition of the parliament in that fewer parliamentarians will have close ties with the primary sectors. In the 1999 general election, farmers far outnumbered candidates in other occupations in the Independence Party, the Progressive Party, and the Left Green Movement (Vignisson 2001). The changes in the distribution of seats in parliament and a new generation of parliamentarians, as some MPS are expected to retire because of the redrawing of the constituencies, might change the landscape of politics in Iceland.

The national administration has not been the forum for decisive policy-making in Iceland. This has contributed to the influence of the primary sectors. The administration was created late and developed slowly, which partly explains its weakness. Also, the small number of officials and the limited working conditions made ministers very dependent on external assistance (Kristinsson 1993:321–54). This led to the strong influence of pressure groups in the policy-making of the government, particularly those of fishing and agriculture. Their relationship with the government was so close that it was not always possible to see where the role of the state ended and that of pressure groups began (Kristjánsson 1979:349).

The main labor market organizations, the Confederation of Icelandic Employers and the Icelandic Federation of Labor, have not been as integrated in the policy-making of governments in Iceland as in the Scandinavian states. This is because policy-making in Iceland is characterized by sectoral consultation instead of corporatism (Kristinsson, Jónsson, and Sveinsdóttir 1992:43). This has enforced the influence of existing pressure groups in the primary sectors on policy-making as they have kept their ties with the political parties, as indicated earlier.

#### The Political Discourse Concerning Independence and Sovereignty

The second factor that explains the reluctance of the political elite to join the EU is the importance of preserving the traditional independence of Iceland. The leaders of the Independence Party and the Left Green Movement, which firmly oppose EU membership, most frequently refer to the independence of Iceland and the sovereignty of the nation.

The struggle for independence in Iceland took place in the late nineteenth through the early twentieth century. Iceland, however, did not become fully independent until 1944 and has since fought three Cod Wars with Britain—the last in 1976—which are fresh in Icelanders' memories. Hálfdánarson argues that the nationalistic rhetoric of the independence struggle, "its myths and ideas," has defined "all political debates" in Iceland (2002:335). He argues that in order to understand "absence of a critical and rigorous debate on the European integration in Iceland, we have to examine the logic of the Icelandic political discourse, its history, frames of reference, and ultimate goals" (2002:335). Hálfdánarson's arguments coincide with those of Neumann and his analysis of the Norwegian "no" in 1972 and 1994. Neumann states: "There is something about the way Norwegian discourse is set up, when it comes to institutional lay-out and also the shape of political debates, that has a preserving influence on policy outcomes" (2001:92).

Hálfdánarson argues that two particular features characterized the creation of Iceland as an independent state. First, the freedom and sovereignty of the nation was seen by politicians "as the indisputable and fundamental objective of all Icelandic political efforts in the past and, hence, its preservation as its ultimate goal in the future" (2003:337). Second, politicians argued with firm conviction that the Icelandic state

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was founded on the basis of the Icelandic Commonwealth of the tenth to the late thirteenth century. The new republic was seen as "an *Icelandic* idea rather than a European import" (2002:337). Iceland is one of the most homogenous countries in Europe on all levels, and politicians commonly refer to the unified nation. Hálfdánarson argues:

One important effect of this imagined political unity in Iceland is the strong conviction that democratic sovereignty is vested in the nation as a collective unit rather than in its individual members, and therefore, Icelandic sovereignty cannot be divided between regions, shared with other countries or partially transferred to international organizations. (2002:344)

This said, it is quite a contradiction that politicians in Iceland have accepted the EEA-agreement. Hálfdánarson argues that Icelandic politicians are unable to discuss the implications of the EEA-agreement. They cannot admit that international treaties limit the legislative power of Althingi.

In their [politicians'] parlance, sovereignty and independence were the foundations of Icelandic prosperity, and they are resources that have to be guarded in the same manner as the fishing groups. Thus, they see the preservation of these resources as their sacred duty and the final goal of Icelandic politics, and to compromise them would be a betrayal to Icelandic past and future generations. (2002:345)<sup>17</sup>

The debate about the EEA-agreement clearly demonstrates this belief. The government argued that no transfer of power was to take place from Althingi to the EU and EEA institutions. This was because the government could influence proposals at their initial stages in the European Commission and the Althingi could reject EU law and regulations, which were to be implemented in the EEA. The opposition in parliament disagreed, and the most intense debate took place in the Althingi since the discussion about EFTA membership in the late 1960s. Moreover, over 34,000 voters signed a declaration against the agreement, which constitutes around 19 percent of total number of voters. The feeling was such that the president even considered refusing to sign the agreement. She ultimately made an announcement explaining that she did so because of the traditional non-political role of the presidential office. Most politicians have made it clear that once again they are not

prepared to subject themselves to a debate that might split the nation in order to join the EU.

The intense debate in Norway about EU membership makes Icelandic politicians even more wary of putting the issue of membership on the agenda (Thorhallsson 2001). As Neumann argues,

one of the key reasons why the Norwegian nation returned a 'no' vote in 1972, and again in 1994, was that the peasant and the farmer were able to present themselves as the embodiment of the nation.... We are talking here about the power of identity. (2001:92)

The Icelandic government presented itself as the savior of the nation when it signed the Schengen agreement and guaranteed the right of Icelanders to travel freely to the other Nordic states. The government argues that a formal transfer of power from Reykjavík to Brussels has not taken place because Iceland participates in decision making in the Schengen Council. <sup>18</sup> The criteria for the traditional political discourse of the political elite are met. The government joined Schengen without publicly admitting that others directly make decisions that affect Iceland. 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 Influence of the Special Relationship with the US

The third reason why the political elite have hesitated to adopt a pro-European policy is the fact that Iceland was in an important geographical position during the Cold War in the middle of the GIUK-gap (Greenland-Iceland-United Kingdom). This geographic situation has had important consequences for the security policy of Iceland and its response to European integration. In 1951 the government signed a defense treaty with the United States that made Iceland's relations with the Us different from that of all other members of NATO. The bilateral treaty and the NATO membership have ever since been the basis of Icelandic security policy (Ásgrímsson 1996:12).

Political parties in Iceland have never shown any interest in participating in the Common Foreign and Security Policy of the EU. Ministers

<sup>&</sup>lt;sup>17</sup> Hálfdánarson also argues the security policy and environmental policy in Iceland tend to polarize voters around nationalistic themes. See also Hálfdánarson (1999) and Ingimundarson (1996).

<sup>&</sup>lt;sup>18</sup> 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 representatives have to leave the meetings when formal decisions are made and thus fall short of full participation in the decision-making process.

of the Independence Party have stated that Iceland does not need to look to the EU to bolster its security because the defense of Iceland is guaranteed by the Us. This position is contrary to that of the Labor and the Conservative Parties in Norway. The Norwegian response to the uncertainty after 1989 was to call for a collective approach to security threats and to reconsider the EU as a source of security (Archer and Sogner 1998:127). The CFSP was seen as a reason for joining the EU, which was not the case with the Icelandic political elite. They did not seek an active role in the decision shaping of the new security structure of Europe as politicians in Norway. The defence treaty with the Us has made security a non-issue with regard to the question of EU membership.

#### THE PUBLIC ATTITUDE TOWARD EU MEMBERSHIP

The purpose of this section is to analyze the public attitude toward membership in the EU. There is considerable support for EU application in Iceland according to opinion polls: for example, in an opinion poll conducted in May 2001, almost 54 percent of Icelanders wanted to initiate discussion with the EU on the question of membership while 30 percent did not; 16 percent were undecided or refused to answer the question. 19

In the late 1980s and '90s, opinion polls indicated that Icelanders could be divided into three relatively equal groups concerning the question of EU application, each accounting for around one-third of respondents. However, whether supporters of EU application outnumber the opponents differs from year to year as surveys indicate a considerable fluctuation in the public attitude (Kristinsson 1996:155–7).

Opinion polls conducted in December 1998 and 1999 on whether Iceland should apply for EU membership indicate the strength of the three groups (see Chart 3). The wording of the question was slightly different from that conducted in 2001 as voters were asked directly whether they want to apply for membership. The groups were relatively stable and equal in size. Around one-third of the population supported an application, one-third was against, and the rest were undecided or

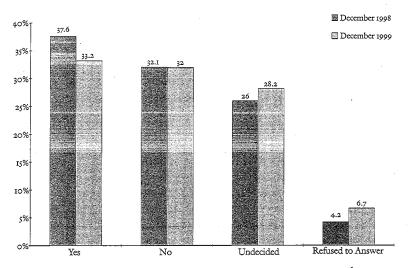


Chart 3. Should Iceland apply for membership? Verslunarráð Íslands 1999 and 2000.

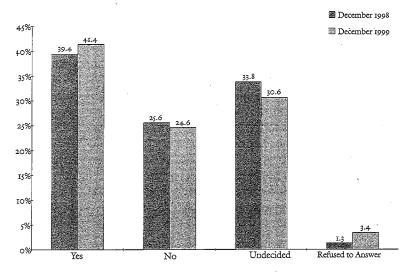


Chart 4. For those who said no, should Iceland apply for membership if fisheries are excluded? Verslunarráð Íslands 1999 and 2000.

<sup>&</sup>lt;sup>19</sup> In May 2001, the question was posed, "Do you think Iceland should start discussions with the European Union concerning membership?" 53.8 percent responded "yes," 30 percent said "no," and 16.1 percent were undedecided or refused to answer (PricewaterhouseCoopers).

refused to answer the question. Support for membership application declined a little between 1998 and 1999, but opposition remained the same; more people are undecided or refuse to answer the question.

On the other hand, when voters who said no to the question as to whether Iceland should apply for EU membership were asked whether Iceland should apply if fisheries were excluded, around 40 percent of them stated that Iceland should do so, and only a quarter of them were against EU application (see Chart 4).

The survey in May 2001 provides detailed information about the attitude of respondents to the question whether Iceland should start discussions with the EU according to regions, age, gender, and income. Chart 5 shows that support for membership is strongest in Reykjavík and its surroundings. However, this fact is not reflected in the Althingi since the distribution of seats is skewed toward the less populated regions. Around 30 percent of respondents in the regions are against discussion with the EU while only around 25 to 29 percent of the respondents in Reykjavík and its surroundings are against discussion. Also, voters in the regions are more undecided than those in Reykjavík and its surroundings. However, respondents in the regions are more likely to support discussion than oppose them—around 45 percent as opposed to 35 percent (see Chart 5). As a result, there is a majority in favor of discussion with the EU concerning membership in all regions if those who are undecided or refuse to answer are excluded.

Chart 6 indicates that the younger generation is more supportive of discussion with the EU concerning membership than the older generation. Support is greatest in the age group between 30–49 years old—nearly 60 percent—while around 25 percent of the age group oppose discussion with the EU. Around 52 percent of the age group between 18–29 years support discussion, and just over quarter of the age group oppose them. The older generation is most skeptical toward discussion with the EU as only around 46 percent support discussion, and nearly 40 percent oppose discussion with the EU.

The survey does not demonstrate that the same gender gap concerning attitudes to EU membership exists in Iceland as in the other Nordic states.<sup>20</sup> Chart 7 indicates that though more men than women favor

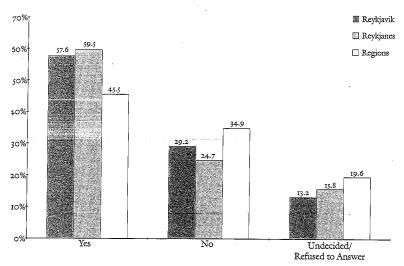


Chart 5. Do you think Iceland should start discussions with the EU concerning membership? Attitude divided by regions. May 2001. PricewaterhouseCoopers.

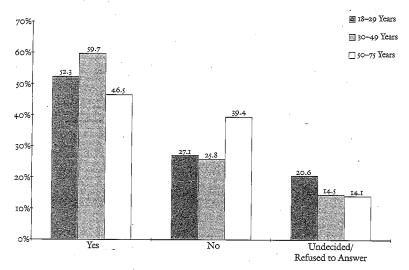


Chart 6. Attitude divided by age. May 2001. PricewaterhouseCoopers.

<sup>&</sup>lt;sup>20</sup> A majority of women in Finland, Sweden, and Norway opposed membership in the 1994 referenda while a majority of men supported it. Also, men in Denmark favor European integration to a greater extent than women (see Svåsand and Lindström 1996:212).

starting discussion with the EU, men also tend to oppose discussion in greater numbers. On the other hand, half as many women are undecided or refuse to answer the question. The majority of both men and women want to start discussion with the EU (see Chart 7). The survey also demonstrates that just over a quarter of women oppose discussion while one-third of men oppose it.

Chart 8 indicates that people with high and middle income are more likely to support discussion with the EU concerning membership than those with low income. More than two-thirds of the population with high income support discussion with the EU, while only 37 percent of those with low income support discussion. Around 36 percent of those with low income oppose discussion, while only 23 percent of those with high income do so. Moreover, there is a striking difference concerning income in the category "do not know" and "refuse to answer." More than quarter of those with low income fall into that category, while only around 10 percent of those with middle or high income are undecided or refuse to answer.

Further proof of the pro-European attitude of around half of the electorate is their response to the question as to whether they agree or disagree with Iceland's taking the euro as a national currency. Chart 9 demonstrates that 40 percent of Icelanders want to adopt the single currency, and over 14 percent are neutral. Thirty-five percent do not want to take on the euro, and almost 10 percent refuse to answer. It is interesting how many support taking the euro as a national currency since there has not been any serious debate on its costs and benefits.

Furthermore, not a single politician has proposed adopting the euro. There is, however, a growing concern within the business community about the Icelandic crown and increased discussion on whether Iceland should take on the euro as a currency. The chairman of the Confederation of Employers, including vessel and fish-factory owners, stated in its annual conference in 2001 that adopting the euro should not be ruled out. <sup>21</sup> Also the Federation of Icelandic Industry, which has advocated EU membership for a number of years, wants to adopt the euro. Its chairman has called on the government to make a detailed study of the pros and cons. <sup>22</sup> It has to be kept in mind, however, that the euro will

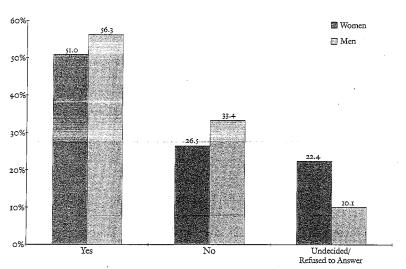


Chart 7. Attitude based on sex. May 2001. PricewaterhouseCoopers.

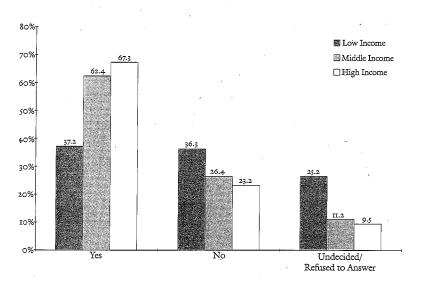


Chart 8. Attitude divided by income. May 2001. Pricewaterhouse-Coopers.

<sup>&</sup>lt;sup>21</sup> Speech by Finnur Geirsson, chairman of the Confederation of Icelandic Employers, at its annual conference 15 May 2001. Available at <www.sa.is/frettir>.

<sup>&</sup>lt;sup>22</sup> See "Erlend lán eða áhættufé" (July 2001) at the Federation of Icelandic Industry home page: <www.si.is>.

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not be adopted without membership in the EU. The discussion within the business community about adopting the euro is therefore of a purely hypothetical nature.

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During the last couple of months, the exchange rate of the Icelandic crown has been unfavorable to those who borrow money in a foreign currency and import raw material and goods as it has fallen by nearly 20 percent in just one year.<sup>23</sup> Also, the interest rates are much higher in Iceland than in other European counties.24 If this trend continues, it is more likely that the business community will press the government to adopt the euro as a national currency and join the EU.

### WHY IS THE ELECTORATE RELATIVELY PRO-EUROPEAN?

Three factors help to explain the relatively pro-European attitude of around half of the electorate in Iceland, and they also provide an explanation for the gap between the electorate and the political elite concerning EU membership. First, 87 percent of Icelanders are employed in economic sectors other than fisheries and agriculture (Statistics Iceland. Vinnumarkaður 2000). Their attitude toward EU application reflects this fact. Second, a considerable number of Icelanders seem to be more concerned with their economic prosperity than the political discourse of the political elite. Third, a part of the electorate fears that Iceland will become isolated by not taking an active part in European integration.

Icelanders generally do not link themselves closely with farming and fishing interests. Only 8.2 percent of Icelanders are employed in fishing and fish processing, and only 4.4 percent are employed in agriculture (see Chart 10).25 This is a dramatic shift from 1970 when almost 28 percent of Icelanders were employed by the fishing, fish processing, and agricultural sectors and from 1940 when over half of Icelanders were employed by these sectors.

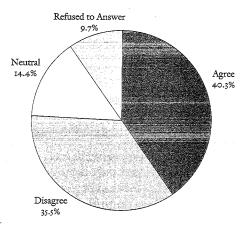


Chart 9. Do you agree or disagree to Iceland taking the euro as a national currency? May 2001. PricewaterhouseCoopers.

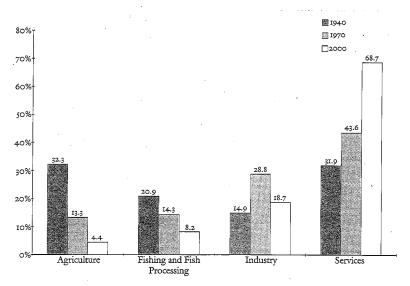


Chart 10. Employed persons by economic activity percent. Source: Statistics Iceland and National Economic Institute.

<sup>23</sup> The Icelandic crown fell by 19.66 percent in a twelve month period from 1 July 2000 to 1 July 2001. Information from The Icelandic Central Bank.

<sup>&</sup>lt;sup>24</sup> For example, three months LIBOR interest rates in Icelandic crowns is 12.27% but in

<sup>25 3.9</sup> percent of Icelanders are employed in the fishing and 4.3 percent are employed in fish processing, all together 8.2 percent (Statistics Iceland: Vinnumarkaður 2000. <www.hagstofa.is>).

Occupation partly explains voters' attitudes to EU application. Opposition to membership is strongest in the primary industries. A survey conducted in 1999 indicates that 69 percent of farmers are against application and that only 12 percent support it; the rest are undecided. Opponents of EU application narrowly outnumber supporters among fishermen, the only occupation sharing the view of the farmers. Furthermore, fishermen are in greater number undecided than other employees. On the other hand, non-manual workers tend to support EU application in greater number than manual workers. Rearly 44 percent of non-manual workers support application, while only 24 percent of them oppose it. Nearly 35 percent of manual workers support application, and around 28 percent of them oppose it. The rest are undecided, manual workers in greater numbers than non-manual workers.<sup>27</sup>

Second, Icelanders who support discussion with the EU are more concerned with economic prosperity than the political discourse concerning independence and sovereignty. The fact that four out of ten Icelanders state that they want to abandon the Icelandic crown and adopt the single currency points toward this fact. It is, thus, no wonder that more than half of voters want to adopt the euro or are neutral to the idea at times when the Icelandic crown has fallen so dramatically. In such a situation, it should not come as a surprise that voters were concerned about their budget and future income and that they questioned the viability of the crown and the ability of the government and the central bank of Iceland to manage it. Economic benefits seem to be their highest priority.

Voters with middle and high income are much more likely to support discussion with the EU than voters with little income, as shown earlier. Also, members of the younger generations are to a much greater extent in favor of full participation in European integration than the older generation, age fifty and above. The political discourse of the political elite concerning independence and sovereignty seems not to be as widely accepted by the younger generation as the older. However, it must be kept in mind that a considerable number of voters accept the nationalistic political discourse as the protest against the EEA-agreement proved. A survey conducted in June 1994 indicates that 25 percent of all opponents of application were opposed because the EU is a colossus or that Iceland is small and 23 percent mention the importance of

independence or self-reliance. On the other hand, 19 percent of the respondents stated that they want to apply for EU membership because of economic improvement and 7 percent because of increased freedom/openness (Social Science Research Institute, U Iceland 1994. Cited in Kristinsson 1996:158).

The third reason behind voters' willingness to apply for membership in the EU seems to be their fear of isolation. The 1994 survey indicates that as 37 percent of respondents who favor EU membership do so because they fear that Iceland is becoming isolated. The government is aware of this concern of the electorate. The main reason behind its decision to join Schengen was the fear that Icelanders would no longer be allowed to travel without passport to the other Nordic states. One of the fundamental features of Nordic cooperation, the region to which 90 percent of Icelanders feel closest (Harðarson 1995:310), would have been put in jeopardy. If Icelanders were hindered in traveling without a passport, it could clearly been interpreted as a sign of Iceland being an increasingly isolated state.

Finally, the findings that around one-third of the population wanted to apply for EU membership in 1998 and 1999 and more than half wanted to start discussions with the EU concerning membership in 2001 do not necessarily mean that all of those favorably disposed would vote for membership in a referendum. The outcome of the negotiations would be decisive, particularly in terms of how the Icelandic fishing industry was to be treated in an association agreement. This support of membership is also not based on a great deal of information since debate concerning membership so far has been limited. Moreover, in 1991 when the Progressive Party hinted that the Social Democratic Party and the Independence Party "could not be trusted to keep Iceland out of the EC," very negative discussion took place concerning membership, and surveys indicated that support for application fell dramatically (Kristinsson 1996:155–7). It is clear that around half of the electorate wants to explore the possibility of membership, but whether it would be transferred into an affirmative vote in a national referendum remains to be seen.

#### Pressure for a Policy Change Toward Europe

There seem to be three main reasons for increased discussion of EU membership in Iceland. First, the stronghold of the primary industries

<sup>&</sup>lt;sup>26</sup> Excluding farmers and fishermen.

<sup>&</sup>lt;sup>27</sup> From an Icelandic Election Study (1999) courtesy of Ólafur Th. Harðarson.

on the Progressive Party is diminishing and the Alliance has more limited connections to the primary industries than other parties. The leadership of the Progressive Party—traditionally a farmers' party—is increasingly aware of the fact that half of the party's electorate now comes from Reykjavík and its surroundings. The party has to keep these voters onboard and, if the party is to increase its share of the votes, it has to appeal to the growing population in urban areas. The newly-decided changes to the electoral system motivate the party to appeal to voters in the urban areas. The Alliance, like the Social Democratic Party, has looser ties to the primary industries than other parties. None of its MPs has direct connections with agrarian interests, and though some of them have connections to fisheries interests, they are more indirect and cover a broader scope of all the fisheries sectors compared to those of the Independence Party and the Progressive Party. They tend to have direct connection with vessel owners and fish processing companies (Vignisson 2001:23). In the last general election, moreover, the Alliance gained over 71 percent of its votes in the urban areas-Reykjavík and its surroundings (Statistics Iceland, Election Statistics).<sup>28</sup>

Secondly, Asgrimsson and the leadership of the Alliance have questioned the ability of Iceland to defend its interests within the decision-making structure of the EEA. Moreover, they increasingly question whether the EEA-agreement satisfies Icelandic economic interests. These factors became evident in Iceland's attempt to reject proposals by the European Commission concerning a ban on bone and meat meal in animal feed including fishmeal and fish oil as a response to the BSE crisis in Europe at the end of 2000.<sup>29</sup> The institutional structure of the EEA-agreement was not of much use to the Icelandic government in its attempt to get EU members to reject the proposals. The case shows how difficult it is to influence decision making of the EU without being a full member. 30 Furthermore, a new report by the Ministry for Foreign Affairs on the effect of the EU enlargement on the EEA-agreement states that though the enlargement will not entail any practical problems for Iceland, the enlargement will make the functioning of the agreement

28 Available at <www.hagstofa.is>.

more difficult and the EFTA countries will have to make more efforts to safeguard their interests (Ministry for Foreign Affairs 5/15 2001:13). Moreover, the unsatisfactory influence of the EFTA/EEA states on decision making in the EEA has led to a call for "technical changes" to the EEA-agreement in an internal report from the EFTA headquarters and by high-ranking civil servants of the EFTA/EEA states. These changes should coincide with the changes that have been made to the decision-making structure of the EU.31 Asgrimsson has also stated that one of the issues that can be discussed in relation to the development of the EEA is the possibility of adopting the euro.<sup>32</sup>

Third, interest groups in Iceland such as the Confederation of Icelandic Employers and the Icelandic Federation of Labor are becoming more critical of the EEA-agreement. They increasingly worry that the EEA does not guarantee their interests as the EU changes and the potential influence of Iceland diminishes. Thus, interesting policy changes have been undertaken concerning the question of EU membership. They now demand that the issue of EU membership be placed on the political agenda where Icelandic negotiation objectives for a possible membership application can be defined.<sup>33</sup> This moves them closer to the position of the Federation of Icelandic Industries and the Chamber of Commerce, which have advocated EU membership for a decade.<sup>34</sup> The Icelandic Federation of Labor has also demanded a referendum on membership application. It states that Iceland has to increase its influence within the EEA either by strengthening the EEA-agreement or by joining the EU. However, the Icelandic Federation of Labor argues that the possibility of strengthening the EEA-agreement is a far-fetched political utopia ("Ísland í Dag: Greining og leiðsögn" November 2000). Furthermore,

<sup>&</sup>lt;sup>29</sup> If accepted, the proposals would have been a devastating blow for the Icelandic fish industry as 7 to 10 percent of Iceland's export value has been fish meal and fish oil during the past five years. Fish meal and fish oil rank third in marine export, only salted fish and frozen fish rank higher (see Statistics Iceland. External Trade. <www.hagstofa.is>).

<sup>30</sup> Preliminary findings from crisis management research by Baldur Thorhallsson and Elva Ellertsdóttir.

<sup>31</sup> See "Samið við ESB um uppfærslu EES-samningsins." 27 June 2001: <www.mbl.is>. 32 Taken from a newspaper interview with H. Ásgrímsson entitled: "Sláandi hversu mikið hefur farið úr landi." 27 June 2001: See Fréttablaðið: <www.visir.is>. However, Ásgrímsson argues that there is a limited possibility to take the euro as a currency without membership in the EU. But he states that if Britain, Sweden, and Denmark adopt the euro, it would have great influence on the debate in Iceland. It would provoke many questions about the possibilities of keeping the crown considerably stronger in the future.

<sup>33</sup> The Confederation of Icelandic Employers' policy change took place in May 2001 and the Icelandic Federation of Labor altered its policy toward the EU in November 2000. <sup>34</sup> The Federation of Icelandic Industries has enthusiastically campaigned for membership, while the Chamber of Commerce has kept a lower profile particularly in the last few years. This has happened as the fisheries sector has gained a greater number of seats on the board of the Chamber of Commerce (see Vignisson 2001:34), and the Independence Party has taken a firm position against membership.

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the EEA-agreement has led to important changes within the national administration. Membership in the EEA has strengthened the position of officials and limited the traditionally strong position of ministers because the institutional structure of the EEA only involves ministers in decision making to a limited degree. Competent officials are needed to press Icelandic interests in Brussels forward and in implementing EEA rules. As a consequence, the recruitment of officials is becoming more professionally oriented, 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" (S. Kristjánsson and R. Kristjánsson 2000:123). For instance, the Ministry for Foreign Affairs has published detailed reports on the position of Iceland in Europe in the last year. The reports have increased and influenced the EU debate.

#### Conclusion

This paper has argued that the heavy reliance of Iceland on its fish resources and the importance of agrarian and fisheries lobby partly explain the distinctive strategy of the Icelandic political elite toward European integration. Icelandic governments have responded to European integration by an ad hoc response. The strategy has been to secure Iceland's immediate interests, particularly those of fishing by limited involvement in the European project. The priority has been to secure markets for Icelandic fish and protect the domestic market from agricultural imports; domestic control over the primary industries is the main goal. This coincides with Ingebritsen's argument that the divergent approach of the Nordic states toward European integration can be explained by their different economic sectors because economic interest groups representing leading sectors influence the responses of Nordic governments to European integration (Ingebritsen 1998:155, 162). However, particular domestic characteristics, which add to the strength of the primary industries, have to be taken into account such as the electoral system and special characteristics of the national administration. Also, the lack of corporatism in Iceland compared to the other Scandinavian states contributes to the important role of the primary sectors and helps the government in sidelining other economic sectors, which are adopting a more pro-European policy (Thorhallsson 2001).

The paper indicates, moreover, that the political discourse in Iceland concerning independence and sovereignty is a key variable in explaining the elites' approach to the European project. Neumann states "one should think of national identity as an independent variable" (2001:92) in explaining the Norwegian nation's response to Europe. The paper also indicates that a part of the skepticism of the political elite is related to the geographical position of Iceland and the defense treaty with the Us, which have neutralized the question of Iceland's security in the debate on EU membership and supports Ingebritsen's arguments that three of the Nordic states—Iceland, Denmark, and Norway—align themselves with British intergovernmentalism as a vision of European unity. They prefer power to be located at the state level and security decisions to be made with the Us (Ingebritsen 1998:118–21).

Iceland is moving from an economy based on the primary sectors. The fact that over 87 percent of Icelanders are employed in other economic sectors helps to explanation the pro-European attitude of the public. Supporters of EU application outnumber opponents in all occupations except farmers and fishermen. Also, the ties of the urban population to the regions seem to be diminishing. The pro-European electorate seems to be more concerned with their economic prosperity than the political discourse of the political elite. Furthermore, they fear isolation from Europe by not being fully integrated in the European project.

There are factions within all parties, except for the Left Green Movement, which support EU membership or want to examine the possibility of membership. Support for membership is most noticeable within the Alliance, and supporters can be found among its MPS, prominent leaders outside parliament, and general party members. Some industrial and business leaders within the Independence Party want to examine the possibility of membership along with some younger party members. One of the party's twenty-six MPs, who is the executive director of the Chamber of Commerce, advocates membership and some others are seen as potential supporters. The leader of the Progressive Party is clearly the driving force behind the policy turn of the party, but the three choices concerning European integration outlined in the party's report, show how the party is split on the issue of membership. The commitment of the leader of the Progressive Party to examine the party policy toward Europe critically has in fact surprized many, as it has not only created division within the party but also within the government. The parties are afraid of an internal split. This explains the cautious internal debate

within the three largest parties and the Liberal Party. The Independence Party, for instance, is not prepared to take the chance of splitting the right wing of the political spectrum on such a sensitive issue as long as its leaders see no immediate pressure to join the EU.

It remains to be seen whether the primary industries in Iceland can continue to influence the attitude of the political elite toward the question of membership. But their influence seems to be diminishing. The Alliance and the Progressive Party are moving toward a more pro-European policy as they loosen their ties to the agrarian and fishing interests.

The Independence Party is now the key player. It is doubtful that the other parties will press for EU membership in a government without its support or a more neutral position. The Independence Party has moved from a "wait and see" approach to firm opposition to membership. A policy change under the leadership of David Oddsson is unlikely. As long as the EEA-agreement satisfies the primary economic sectors and Iceland is not hit by an economic recession or continuing fall of the crown, the party is bound to stick to its position under the present leadership occupied with the political discourse of independence and sovereignty.

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