

## **Conclusions and Recommendations of the Committee on Europe, 13 March, 2007.**

The Committee considers that the Agreement on the European Economic Area (the EEA Agreement) has stood the test of time and that it should be developed further as the basis for Iceland's relations with the European Union (EU).

Changes within the EU, including the increased role of the European Parliament and the admission of more member states, have not affected the EEA Agreement. The Government of Iceland – the Althingi and the cabinet – have put the decisions following from membership into practice systematically, and the institutions designed to monitor the implementation of the agreement – the EFTA Surveillance authority (ESA) and the EFTA Court – have been active participants in monitoring compliance on Iceland's part.

Collaboration under the Schengen Agreement is assuming ever larger proportions. Within the EU, attempts are being made to transfer collaboration between the states in the field of home and justice out of the sphere of inter-state agreements, as is the case at present, and under the EU's "first pillar"; i.e. under majority decisions. Application of the Schengen Agreement rests, substantively, with the Ministry of Justice and Ecclesiastical Affairs and its agencies. It is necessary to keep abreast of legal and institutional developments in this field within the EU.

The Committee is of the view that the application of the EEA and Schengen Agreements has generally gone well. Disputes have been resolved within the framework of the agreements; this cannot be done without effective follow-up measures. All in all, the Committee is of the opinion that the Althingi and the executive have done good work in advancing matters on the basis of the EEA and Schengen Agreements and success has been achieved in defending Icelandic interests in terms of participation in committees, adaptation and the expansion of the EEA in 2004. The government ministries and Iceland's embassy in Brussels play a key role in defending these interests; the embassy is staffed not only by officials from the Ministry for Foreign Affairs but also from other ministries. As regards the application of the Schengen Agreement, most of the responsibilities are handled by the Ministry of Justice and Ecclesiastical Affairs and its staff. The Committee regards it as important to ensure effective functioning of the ministries and the embassy in Brussels, and also to cultivate close co-operation with the staff of EFTA, who have extensive knowledge in all areas of doubt and interpretation regarding the implementation of the EEA Agreement. The Committee's proposals should not in any way be seen as a criticism of the good work that has been done in this area in the past years; on the contrary, they should be seen as pointing out how to make the defence of Iceland's interests still more effective.

The Committee is in agreement on the desirability of increasing contact between Iceland and the EU in various fields, and the report contains many proposals in this area. For example, Iceland already participates in nearly 200 of the European Commission's committees and expert groups, but there are good reasons for increasing participation of this type, so making still further use of the opportunities available to exert an influence on EU policy. The Committee also regards it as important to keep a close eye on the development of collaboration between the EU states in the field of foreign and security policy.

In short, the Committee considers it vital that Iceland should make a priority of greater involvement by its politicians and officials in the defence of the country's interests in the field of European co-operation, with the aim of increasing Iceland's influence on decision-making in this field. For this purpose, the Committee sees it as particularly important to give attention to the following points.

## **1. Contact at the political level.**

### **A. The Government.**

1. It is necessary to integrate initiative, the defence of national interests and the monitoring of the application of the EEA Agreement in an effective way within the government ministries. An overview of the development of contacts with the EU, and co-ordinated collaboration with individual ministries on the handling of particular matters, must be established in a single locality serving all the ministries.
2. The Government should give the Althingi an annual report on developments in EEA and Schengen affairs, and also on principal government policies on relations with the EU.
3. The Government should report at the first opportunity to the Althingi on proposals by the European Commission on new acts, principal amendments proposed by the Council of the European Union and the European Parliament, approved acts, EU strategies, green papers, white papers and other policy-related documents.
4. Particular emphasis should be placed on keeping abreast of the priorities followed by the member state holding the presidency of the EU at any given time and talking to its ministers or officials if these priorities include questions that have a special bearing on Iceland's interests.
5. Ministers and their ministries should maintain close contact with the person in charge of their fields of interest at the European Commission, and with his or her office.

### **B. The Althingi**

1. A Committee on Europe should be elected by the Althingi in order to monitor Iceland's relations with the European Union, and in particular the application of the EEA Agreement, and also legal developments in the field of the Schengen Scheme.
2. The Althingi should have a representative in Iceland's embassy in Brussels to monitor developments in relations between the European Parliament and the European Commission, and report back to the Althingi's Committee on Europe and other standing committees.
3. The Althingi's standing committees should have the opportunity to monitor the development of particular EEA acts in their respective areas.
4. The Althingi's Committee on Europe and the standing committees should receive regular lists of proposals by the European Commission which may later be incorporated into Icelandic law, either as statutes or as regulations.
5. Party groups of MPs in the Althingi should be enabled to develop contact with their counterparts in the European Parliament.

## **2. Contact at the official level.**

1. The fullest possible use should be made of the right to attend meetings of committees and working parties of the European Commission in order to defend Icelandic interests.
2. A travel fund should be established within the government ministries to make it easier for individual ministries to send representatives to Brussels on the basis of applications backed by adequate reasons.
3. Also, flexibility should be established to ensure adequate funding to meet costs if individual matters require particular attention.
4. Staff of the ministries and public bodies should be given greater opportunities of working temporarily at EFTA, the ESA and the EFTA Court in order to broaden their experience and expand their knowledge of the EU and co-operation under the EEA.
5. Staff of the ministries and public bodies should be given the opportunity of serving, at the expense of the Icelandic state, as experts with the European Commission if the Commission is interested in such an arrangement.
6. Active participation by officials and experts in committees dealing with co-operation under the Schengen Scheme must be ensured.

## **3. Co-operation within EFTA.**

The Committee regards it as highly important to cultivate co-operation with the EFTA states on the application of the EEA Agreement.

Work is done within EFTA on gathering information and making it available to those concerned, in addition to which EFTA staff attend large numbers of meetings with representatives of the EU and observe developments within the EU closely. The Committee considers that active participation by Iceland in all of EFTA's activities is vital in order to cultivate and maintain effective contact with the EU.

Important institutions operate within EFTA in order to monitor the application of the EEA Agreement; these are the EFTA Surveillance Authority (ESA) and the EFTA Court. Icelanders play a leading role in both these institutions and have, in the opinion of the Committee, succeeded in ensuring the respect due to these institutions and their effectiveness as provided for under the EEA Agreement.

## **4. Increased information.**

1. A database should be set up for information from the ministries and EFTA on Iceland's participation in EU committees and expert groups.
2. An electronic list should be published covering the EU committees and expert groups in which Iceland participates, and other EU committees and expert groups to which Iceland /the EEA/the EFTA states have access.
3. Annual statistics should be published on Iceland's participation in the EU's collaborative programmes, with details of participation fees and grants.
4. A list of the laws and regulations approved or issued on the basis of membership of the EEA and Schengen Agreements should be published each year.
5. A list should be published each year showing the number of deeds incorporated in the EEA Agreement during the year, their type (directives, regulation, etc.) and origin (i.e. whether they originated in the Commission, the Council or the Council and the European Parliament).

## **5. Co-operation between interest groups.**

Extensive co-operation has developed between various interest groups throughout Europe. The Committee is of the opinion that co-operation of this type is likely to strengthen bonds with the

EU and encourage broader discussion than would otherwise take place of matters concerning Iceland, and in particular those that have a European dimension.

## **6. Publicity.**

The Committee considers it important that the public should have the opportunity to follow Iceland's involvement in European co-operation, and that it should be decided and specified clearly who in the government ministries is responsible for ensuring public access to such information.

## **7. Teaching on European issues.**

Discussions with representatives of universities in Iceland have revealed that there is a great deal of interest in European issues in the third-level educational sector, and that it is growing. A large number of courses on European issues are on offer in the universities, and constantly growing numbers of students attend them. The Committee welcomes this trend, and considers these activities are necessary in order to increase knowledge of Iceland's participation in European co-operation.

The Committee considers it would be prudent for the ministries to enable students to acquaint themselves with their functions in European co-operation, e.g. in the form of vocational training or participation in meetings in Brussels and the study of particular issues related to European co-operation.

## **8. Co-operation under the Schengen Scheme.**

The Committee regards it as a very important part of its work to have acquainted itself in depth with the development of the Schengen Scheme and the institutions that have been established in connection with it. The Committee calls for active participation by Iceland in this scheme, which is becoming increasingly focussed on security and measures to combat international crime.

## **9. Conclusions and questions regarding EU membership.**

It was not part of the Committee's brief to adopt a position on whether or not Iceland should apply to join the EU. Naturally, however, the question was mentioned in the course of its work, and it was discussed, among other things, at the meetings the Committee had in Brussels with Olli Rehn, who is the person within the EU Commission in charge of the enlargement of the EU. It is stated in the report that the process of joining the EU could be expected to take 2-3 years; it is also mentioned that it would be necessary to amend the Icelandic Constitution and hold a referendum in connection with the assignment of national sovereignty.

The report also discusses exemptions and special arrangements that the EU has agreed on, and also some of the principal issues regarding possible Icelandic membership of the EU, including the adoption of the Euro and fisheries and agricultural issues.

The Committee regarded it as natural to give individual members the opportunity of stating in its conclusions their position on EU membership and what they saw as the principle issues involved.

Individual members' views follow below.

### **Hjálmar Árnason and Jónína Bjartmarz, representatives of the Progressive Party:**

The Progressive Party wishes to express its particular pleasure at the appearance of the report by the Government's Committee on Europe; this is a timely and important contribution to the discussion on European issues in Iceland.

Iceland is a European nation, and its future lies in close co-operation with other nations in Europe. This policy was, in fact, marked out fifteen years ago with the signing of the Agreement on the European Economic Area (EEA). Since then, co-operation within, and related to, the EEA has become ever more extensive.

It is therefore clear that whether or not Iceland opts for membership of the European Union (EU) in the near future, European co-operation is the most important and extensive international co-operative programme in which it participates. Its effects on Iceland's legal and political structure is beyond dispute, and the same applies to its economic importance.

The Economic and Monetary Union in Europe already has a direct effect on the Icelandic economy, as a large number of states involved in European co-operation are either members of the union or are aiming at joining it. Over 48% of Iceland's total imports in 2006 came from countries that were either already in the euro area or about to become part of it, and about 58% of Icelandic exports were made to these same countries. Altogether, more than 70% of Iceland's goods imports are from the EEA region and over 80% of our exports go to EEA countries. Thus, the importance of Europe in Iceland's foreign trade is beyond dispute and without parallel.

Regarding the question of whether Iceland should apply to join the EU, the Progressive Party is of the opinion that this can only be answered after an informed public discussion that is free of party-political jockeying. The report by the Committee on Europe is an important step in this direction. The Progressive Party also considers that long-term economic stability is one of the main prerequisites for possible EU membership. Given this, Iceland would be able to base its decisions on a position of strength, in accordance with its own will and vision as a free and independent nation. The Progressive Party also regards it as necessary to amend the Constitution so as to take account of the new reality in Europe and international co-operation, and also to remove all doubt regarding the legality of Iceland's participation in this process, both at present and in the future.

While the party does not see any reason to change its policy regarding Iceland's membership of the EU at the moment, it is clear that circumstances and premises might change, and possibly with very short notice. The Progressive Party draws particular attention to the fact that it is the only party in Iceland that has put work into defining goals to be aimed at if negotiations on Iceland's membership of the EU are initiated.

Regarding possible negotiations on membership in the future, it is important that Iceland should not set out with preconceptions regarding the outcome. Examples show that the EU gives consideration to countries' special positions, and Iceland's target in negotiations would always be to achieve the best possible terms and protect its special interests, including the control of its natural resources and securing the necessary means of adaptation. The Progressive Party considers it vital to continue work on Iceland's targets in European co-operation in order to protect the country's interests in future. The Progressive Party has been a leading force in the informed and realistic discussion and debate on the country's relations with the rest of Europe. Unprejudiced and serious discussion, based on the best available information, is the prerequisite for rational decision-making regarding EU membership. The Progressive Party will continue to use its influence to secure discussion of this type.

**Brynjar Sindri Sigurðsson, representative of the Liberal Party:**

The Liberal Party has serious reservations about Iceland's possible membership of the European Union. Membership is out of the question while the EU's rules on fisheries remain unchanged.

The EU's fisheries rules, i.e. its Common Fisheries Policy, contain provisions, for example, on equal access by the EU member states to all fishing grounds in the EU area. This is interpreted as meaning that all member states of the EU have an unequivocal right to have their fishing vessels make catches in all the fishing grounds belonging to the member states.

Although the rule on proportional stability would grant Iceland the largest catch rights in the area, the EU Council would always have the power to change this rule at a later date without Iceland being in a position to negotiate on the issue.

The situation in Iceland's fishing industry is that the right to work in the industry (i.e. catch quotas) can be purchased on a free market, though with restrictions regarding investment by foreign parties. If Iceland were to join the EU, it can be considered as almost completely out of the question that agreement could be reached on restricting foreign investment in particular sectors, since this would be contrary to the basic principles of the EU. Such would be a special solution that is without precedent in the long history of the EU.

The Liberal Party is of the opinion that Iceland has, in general, prospered as an independent nation outside the EU. Thus, the question of membership should be approached with caution, and the issue is not timely as things stand.

**Ágúst Ólafur Ágústsson and Össur Skarphéðinsson, representatives of the Social Democratic Alliance:**

The report emphasises the foresight of those who campaigned for Iceland's membership of the EEA. The EEA Agreement has led to fundamental changes in Icelandic society. It was an absolute prerequisite for the overseas expansion that has been the characteristic of the Icelandic business sector in recent years and given Icelandic companies a realistic basis on which to compete on an extended home market. Iceland is already part of the European economy. The EU's internal market is now Iceland's home market. On the other hand, Iceland is excluded from important aspects of collaboration between the EU member states, and has no right to take part in decisions which nevertheless affect the future of its people.

It is also thanks to the EEA Agreement that neither individuals nor companies are bound to Iceland as they used to be. If Iceland does not offer facilities comparable with those elsewhere, then individuals and companies are free to go. Thus, the Icelandic authorities have to compete with those in the EU states in providing people and companies with the best circumstances in which to live and flourish. These facts mean that policy on EU membership is one of the most pressing questions facing Iceland's business sector and a matter of great interest for the whole population. A piecemeal approach to the European integration process is damaging for Iceland in the long run.

It is a fundamental attitude of the Social Democratic Alliance that Iceland should put efforts into cultivating contact with other states. This includes taking full part in European co-operation, and it is evident that the overall gains from this far outweigh the possible drawbacks. A policy based on an endless series of special solutions for Iceland, without its being able to have an influence or make proposals, could result in our falling behind the countries we compare ourselves with and ending up in a group of small, marginalised states in Europe. Full-blooded participation by a free nation in international co-operation is the necessary prerequisite for Iceland continuing to be attractive as the home of energetic and productive people and forward-looking and competitive companies.

One of the most urgent tasks in the political arena in Iceland in the coming years is to secure economic stability. This is difficult in an open, international economy with a small and sensitive currency like the Icelandic króna (ISK). In the cut and thrust of international financial movements, it can prove difficult for a mini-currency to stand against decisions by financial heavyweights in other countries who deal in bonds issued in Icelandic krónur. Speculation in the króna can have serious consequences both for Icelandic companies and the general public. Large fluctuations in the exchange rate of the ISK undermine the credibility of the economy in the eyes of foreign investors; all price comparisons become more complicated and competition is reduced. All of this means a reduction in the well-being of Icelandic society which there is no reason to regard as being acceptable. At the same time, there are many indications that many of Iceland's companies are simply outgrowing the ISK, and they are naturally attracted towards issuing their statements and registering their activities and operations in a foreign currency. The alternative is to move their operations abroad to another, more powerful currency area. The Social Democratic Alliance's position is that in this, the interests of the business sector and the general public are at one. It is important to arrange things so that

Icelandic companies do not encounter a glass ceiling when they grow above a certain size and find themselves compelled to move their headquarters abroad. Membership of the European Economic and Monetary Union could prove necessary in order to protect the interests of growing international companies in Iceland, Icelandic consumers and the economy as a whole. Membership of the EU would be a natural step in the successful globalisation of the Icelandic economy. It is also important to ensure access for the Icelandic population to the gain in living standards that would result from the economic stability and lower interest rates of the euro area. About 70% of Iceland's foreign trade is with EU countries. Membership of the EU and the monetary union would cut the commercial costs of Icelandic companies; customs between Iceland and other EU states would be abolished, trade would increase and the position of the Icelandic consumer would improve greatly due to lower food prices, amongst other things. Small states on the edges of the EU, e.g. Finland and Ireland, have flourished particularly well inside the EU and the EMU.

Co-operation in the field of foreign policy and security is being developed in the EU. The departure of the Iceland Defence Force from Iceland in 2006 effectively brought to an end the close co-operation between Iceland and the USA in the field of defence. What remains is a defence agreement that brings Iceland little more than does its membership of NATO, and the Icelandic Government is now busily seeking collaboration with other neighbouring countries in Europe in the field of defence and security. It is vital that Iceland play a full part in the formation of a common policy for the EU on defence and security. This would put planning in this area on a firmer basis in the long run, and such planning would take place in the natural context of European co-operation.

One of the important conclusions of the Committee's report is that under the present rules of the EU, fishing rights in Icelandic waters would be granted to Iceland according to the principle of proportional stability and based on historical catch performance. This rule has been, and still is, the basis on which the EU's Common Fisheries Policy is based. Work on this report did not reveal anything to indicate that this is likely to change.

Another, no less important finding to emerge from the Committee's work is that no exemptions would be needed to ensure that Iceland would retain control of the issue of fishing quotas in its fisheries jurisdiction. The historical catch performance of other nations would be based "on a recent period that gives a normal picture of catches in the past few years." Since no EU state has made any appreciable catches in Icelandic waters over the last three decades, no exemption would be needed to ensure continuing Icelandic control of fish catches in our fisheries jurisdiction. The rules of the EU are clear on this point. In the same way, the recommendations of Icelandic scientists concerning the total catch permitted in Icelandic waters would continue to form the basis of the overall quota. From Iceland's point of view, it should therefore be fully possible to have it specially confirmed in the course of negotiations that Iceland would continue to be in control of the issue of catch permits for non-migratory stocks in Iceland's fisheries jurisdiction. In this context it should be emphasised that membership agreements have the same legal status as the EU treaties.

Under the rules of the EU, each state may decide on the disposal of the catch quotas awarded to it. The member states themselves are in charge of monitoring catches in their jurisdictions, and it is possible to demand that fishing companies have a real and economic connection with the geographical region that is dependent on the fishing operations. Thus, there are many ways available of preventing "quota-jumping". Moreover, membership of the EU could even result in Iceland's vessel-operators having access to greater catch potential through the bilateral agreements that the EU makes regarding fishing off the shores of many other states.

Apart from this, it could be expected that membership of the EU would strengthen Iceland's fishing industry and increase its competitiveness. In the same way as the EEA Agreement raised restrictions on foreign investment and operations in other occupations, membership of the EU would mean a lifting of the restrictions on investment and partnerships involving foreign companies in the fishing industry. The same would apply to Icelandic agriculture, where EU membership would both

raise the competitiveness of the sector by opening up markets for domestic products where they could compete on the basis of their unique qualities, and also lead to lower product prices to consumers. There are no economic arguments for maintaining trade barriers against our neighbours in the EU in these sectors.

If Iceland were a member of the EU, the union would take charge of making free trade agreements with other countries. Iceland currently has free trade agreements with various states, all of which, with only one exception, have been made in collaboration with our partners in EFTA, and in most cases EFTA has made use of the opportunities that have been opened up following the agreements concluded with these states by the EU. In other words, EFTA, with Iceland as one of its members, has followed the EU in making free trade agreements so as to ensure companies in its (EFTA's) own member states the same market access as companies in the EU enjoy. The EU currently has the largest network of trade agreements in the world; in its bargaining with other states, it draws on its strength as not only the largest single trading partner in the world but also the one with the largest internal market, and also as the provider of more than half of the development aid granted throughout the world. It is therefore absurd to argue that EU membership would be detrimental for Icelandic businesses in some way regarding access to markets outside the EU. On the contrary, collaboration with powerful partner states in the EU when making international trade agreements would be of benefit to the interests of Icelandic companies.

Naturally, EU membership would involve the assignment of state powers to the collective institutions of the EU. Iceland now has more than a decade's experience of adopting EU legislation in the most important areas of our economy, without taking direct part in the decision-making process leading up to the passing of this legislation. This fact has put a severe test on the traditional interpretation of the concept of sovereignty in Iceland and the interpretation of the law has had to be stretched greatly to enable the government to honour Iceland's contractual obligations under the EEA Agreement. Questions therefore arise as to the substantive meaning of a sovereignty that permits domestic legislation to be tailored to a foreign pattern that Icelandic representatives have played no part in designing. Although the EEA Agreement contains formal powers to refuse to accept EU legislation, in fact this provision has never been put to the test, since this power of derogation, if it were exercised, would have serious consequences for the agreement and lead eventually to its abolition.

Membership of the EU would enable us to regain access to legislative power in various areas where we do not in fact have it under the EEA Agreement. As a fully-fledged member of the EU, Iceland would share sovereignty with its neighbouring countries and take part in the formulation of the rules applying in all the member states. Iceland should not be afraid of taking its place beside the other states of the EU, with the rights and obligations that this would involve.

Decisions within the EU are taken collectively, with a weighted majority in many cases. On the other hand, the Luxembourg Agreement, dating from 1966, ensures that states have an informal power of veto in cases of decisions of a major nature or substantial implications for the interests of one or more of the states.

It is clear that important interests make it imperative for Iceland to take part in co-operation in various fields of European integration to which the EEA Agreement does not give us access, e.g. the Economic and Monetary Union and foreign policy. The importance of the EEA Agreement has been dwindling, due partly to changes in the nature of co-operation within the EU, the enlargement of the EU and new roles for its institutions for which no allowance was made in the EEA Agreement. Under these circumstances, we face two choices. One is to continue to negotiate access for Iceland to new aspects of European integration by means of special solutions, which also mean that we have no say in the rules under which we live or regarding the future development of the EU. The other alternative is to take full part in European co-operation, with its pros and cons, and have some influence within the union.



Obviously one must not over-estimate the influence that Iceland would have within the EU; but to maintain that we would have no influence there is to suffer unnecessarily from an inferiority complex. Small states' influence within the EU is far greater than their population figures would suggest. Experience has shown that small states can have considerable influence on issues where they have the greatest interests at stake and where they make themselves heard. Though the smaller states in the EU have fewer formal votes than the larger ones, they still have one voice each and one vote when it comes to discussions and decisions on matters of vital interest. It should be pointed out that delegates to the European Parliament are grouped by political conviction, and not by nationality.

In any event it is not logically acceptable to take a stance against EU membership on the grounds that Iceland would have no influence at all within such a large organisation; to act consistently with this conviction, it would be logical to withdraw from the EEA. The argument against joining the EU because Iceland would not have influence there leads to the conclusion that it should withdraw from the EEA Agreement because Iceland's influence there is evidently smaller still.

Involvement in European integration has brought us immense advantages. It is natural that we should now take the next step. Fear of the unknown is understandable, but a sense of helplessness is not. Jón Sigurðsson (Iceland's nineteenth-century independence campaigner) expressed this well in the periodical "Ný félagsrit": *"When people worry about Icelanders' chances of acquiring the skills and knowledge in every department that will be necessary ... then I say that there is no reason to fear that they will not be able to take part in all undertakings and be the equals of other nations; no one has yet said that they lack intelligence and talent, though they have been suspected of a sort of laziness that is really just a lack of courage and a failure to act in their own interests and those of their country."*

**Joint opinion by Katrín Jakobsdóttir and Ragnar Arnalds, representatives of the Left Green Movement, and Björn Bjarnason and Einar K. Guðfinnsson, representatives of the Independence Party:**

The immediate conclusion to be drawn from the Committee's report is that there are no pressing interests with a bearing on the development or welfare of Icelandic society that call for joining the European Union. Of the interest groups that sent representatives to the Committee's meetings, only the Federation of Icelandic Industries expressed the view that EU membership was desirable. It is evident that opinion on the question is divided within Iceland's political parties, and a decision by the government to apply for membership of the EU would result in profound political unrest both within and between the parties.

There is no chance that it would be possible to secure an agreement between Iceland and the EU on the recognition of Iceland's entire economic zone, extending 200 miles from the coast, as a special fisheries management area under Icelandic control, since this would not be compatible with the EU's Common Fisheries Policy, and there is no precedent for this except as regards limited protected areas for fish stocks. Catch permits could accrue mostly to Iceland under the principle of proportional stability based on historical catch performance. On the other hand, this principle is only supported by resolutions of the European Council at any given time, and there is therefore nothing to prevent its being changed if agreement were reached to do so.

Iceland's economic zone covers an area of 758,000 square kilometres, which is more than seven times the area of the country itself. Iceland cannot assign to the EU the control of the vast natural resources to be found in this zone without being certain what rules would be applied regarding the union's fisheries policy in the coming decades. There is no guarantee that Iceland would be able to defend its own interests in this sphere in the future as a member of the EU, since the European Council takes the final decisions on maximum permitted catches and species from which catches can be made, and also on fishing methods and fishing gear. In the council, Iceland would have only 3 votes out of 348, based on the present size of the EU.

Iceland's catches of fish from migratory stocks, which are caught both inside and outside Iceland's economic zone, i.e. herring, capelin, blue whiting, shrimp and pollock, are subject to agreements with other neighbouring countries, and also with the EU. On becoming members of the EU, states lose their right to enter into independent fisheries agreements with other states; instead, the European Commission exercises this power on their behalf. Iceland is frequently involved in negotiations with the EU on these fishing rights, and the conflict of interests has often proved so great that the negotiations have lasted for years, e.g. the recent negotiations on catches of blue whiting. If Iceland were to become a member of the EU, on the other hand, then the EU would be on both sides of the negotiating table when it came to discussing these important fishing rights. For a nation that bases its existence largely on fishing, it would be a criminal blunder, and completely impractical, to accept such a situation; the value of catches made from these stocks has been almost a third of Iceland's total fish catch value for many years now.

The right of states to enter into independent trade agreements also expires when they join the EU. This right has proved to be of great value to Iceland through the years; twelve trade agreements are currently in force between Iceland and other states besides the EEA Agreement and the EFTA Agreement. Negotiations are set to begin in the immediate future on a free trade agreement with China, and it is expected that this could prove to be of great importance for Icelandic trade with China and for the country's consumers. It can also be expected that Iceland will be able to secure favourable trade agreements with various countries in other parts of the world. For these reasons it would be very unwise for Iceland to forfeit its right to negotiate free trade agreements with other states.

Membership of the EU involves the assignment of state power to EU institutions in many important areas. On joining the EU, legislative and executive power is transferred from states' democratically elected national parliaments and governments working on behalf of the electorate in each given locality to supranational organs of power where democratic accountability has no place. Legislative power is transferred to the European Council where most decisions are taken by qualified majority, and to the European Parliament. Iceland's representation in the European Parliament, which now consists of 785 members, would be limited to five seats. Public efforts to influence the preparation of legislation in this system count for little in comparison with the influence of interest groups with large financial resources.

While EU membership would bring various gains, it is quite clear that the interests and rights that Iceland would lose on joining are of far greater moment than the advantages it would gain. For this reason, Iceland has no choice under the present circumstances but to continue to stand outside the EU.

**Separate opinion by Björn Bjarnason and Einar K. Guðfinnsson, representatives of the Independence Party:**

The Independence Party representatives wish to emphasise their view that membership of the European Economic Area has proved of great benefit to Iceland. Prophecies of doom regarding the consequences have not proved accurate. On the contrary, the EEA Agreement has been an important factor in Iceland's greatest period of economic growth and has promoted an open, free and efficient economy. Our experience of the application of the agreement shows that Iceland has succeeded better than the EU states in strengthening its economy and commercial sector; unemployment is virtually unknown and the participation of foreign labour in the economy has resulted in greater wealth generation in the country than otherwise would have been the case. It is vital to work for a clear policy aimed at enabling immigrants to integrate into Icelandic society as smoothly as possible, so strengthening the infrastructure of society still further. We must also utilise co-operation under the Schengen Scheme so as to increase security and enhance border control. The conclusion drawn by

the Independence Party representatives from the Committee's report is that a bilateral agreement between Iceland and the EU on a basis other than the EEA Agreement is out of the question.

**Separate opinion by Katrín Jakobsdóttir and Ragnar Arnalds, representatives of the Left Green Movement:**

The representatives of the Left Green Movement wish to emphasise that the interests of capital and multinationals are becoming, to far too great an extent, the driving forces in European integration, and that central control and bureaucracy, together with a lack of democracy, set too great a stamp on its institutions. While the EEA Agreement is far from flawless, and is based on the authority of the EU, we consider there to be a vast difference for Iceland between basing its relations with the EU on the EEA Agreement rather than by joining the union, with all the immense disadvantages that EU membership would have, as has been described above. In the years ahead, it may serve Iceland's interests better to develop the EEA Agreement in the direction of a simpler bilateral framework for trade and co-operation rather than to join the EU.