

GENERAL POSITION OF THE GOVERNMENT OF ICELAND
Ministerial meeting opening the Intergovernmental Conference on the Accession of
Iceland to the European Union (Brussels, 27 July 2010)

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1. The Government of Iceland welcomes the unanimous decision of the European Council on 17 June 2010 to open accession negotiations with Iceland on membership of the European Union. The strong support shown by the Council and the European Parliament and the efforts of the European Commission in making this possible are duly appreciated.

2. A year ago, Althingi, the Parliament of Iceland, instructed the government to apply for EU membership. This was a democratic decision of a parliament that traces its roots to the establishment of an independent commonwealth in 930 when a community of people of Nordic and Celtic origins emerged in Iceland. The early inhabitants maintained remarkable contacts with the main European centers of learning, and with the coming of Christianity participated actively in European scholarship. Althingi's decision, therefore, was based not least on the fact that from the days of settlement Iceland has been inextricably a part of Europe.

3. Icelanders not only received but also made a strong contribution to the culture of Europe. The Nordic narrative tradition, combined with the Viking experience and growth of a pioneering society, created a unique literature that peaked with the Icelandic Sagas. The Sagas are probably the most important contribution of Iceland to the history and culture of Europe. They reflect the experience of creating a new society in the far north of the Atlantic and provide an invaluable view of the medieval history of Europe. The Icelandic writer and storyteller, Snorri Sturluson, has earned a place in the European pantheon of authorship and learning. Our culture is woven into the culture of Europe.

4. The democratic values of Iceland are similarly steeped in the European tradition. The rule of law is deeply embedded in our democratic system and we have built up strong democratic institutions. Iceland shares the EU's deep respect for fundamental values and actively promotes human rights including freedom of expression and non-discrimination, not least on grounds of gender and sexual orientation. We have created a welfare society that, despite temporary economic difficulties, ranks high globally.

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5. Since the founding of the Republic in 1944 Iceland has strengthened its sovereignty and promoted its interests through active cooperation in regional and international fora. Iceland is a

founding member of NATO, the OECD and the OSCE. Nordic cooperation has been a key component of our foreign relations and Iceland takes part in the work of various regional bodies, including the Council of Europe, the Council of Baltic Sea States, the Barents Sea Council and the Arctic Council. Iceland also participates in the international arena within the framework of the United Nations. We have been a staunch supporter of the rule of law in international relations and take pride in having been one of the leaders in negotiating the UN Convention on the Law of the Sea. As a consistent voice for the rights of others to choose their own future, Iceland actively supported the independence of newly freed countries of Central and Eastern Europe. Similarly, we have been proponents of NATO's Open Door Policy.

6. In Europe, Iceland chose the path of closer economic cooperation and became a member of the European Free Trade Association (EFTA) in 1970. With the 1994 Agreement on the European Economic Area (EEA), this cooperation became especially close as Iceland joined the single market, followed by Schengen in 2001 when our external borders became one with the Union's. Iceland is as integrated with the EU as possible, short of membership, and has already adopted a considerable part of the *acquis communautaire*.

7. This path indeed contributed to the diversification and the growth of our economy. The EEA has also created a channel for us to express solidarity with less prosperous regions of the EU, to contribute to economic and social cohesion and to participate in various EU programmes on issues ranging from the environment, education, research and development to culture, health and employment. Many Icelanders take it for granted that they can work, study and receive social benefits without barriers in the Union – especially the younger generations.

8. Iceland's EU application is therefore in line with our participation in the long-standing cooperation of western democracies and involvement in international affairs.

9. The Icelandic government follows the clear guidance by its parliament, Althingi, on the accession process. It is to be open and transparent, the participation of all relevant stakeholders is to be ensured and Althingi will be consulted closely throughout the process.

10. The negotiation process will be communicated to the Icelandic people honestly and openly. All efforts will be made to ensure transparency, as already demonstrated with the publication of all key

documents. We will organize an unbiased information campaign on European integration, on the negotiation process and on the future Accession Treaty. This will allow for a healthy debate on the pros and cons of membership.

11. There are different opinions in Iceland on EU membership, as has been the case in many member states and every enlargement round. The Icelandic government remains fully committed to the process we now embark on. However, the final word will rest with the Icelandic people who will make an informed and final decision in a national referendum.

12. Looking ahead at the negotiation process all parties need to find common solutions that serve mutual interests and provide the basis for accession. This reflects the fundamental strength of European integration; being able to work together within a common framework while taking into account the special circumstances of individual nations.

13. The Union has been a force for peace, stability and prosperity. Its enlargement has extended these benefits to sovereign nations across Europe. Strengthening individual members through the principle of solidarity makes the whole stronger. Every enlargement has been special because every country is special. In all cases the EU has embraced differences and Iceland would certainly add colour to the Union's already rich diversity.

14. Iceland would be the smallest and most sparsely populated member of the EU. Iceland would be the most westerly member state, remotely situated and faced with harsh natural conditions. It would be the only one located in its entirety within the Arctic region. These unique features will shape the negotiations in the months to come.

15. Iceland fully shares the basic values and principles upon which the Union has been established, as enshrined in Articles 2 and 3 of the Treaty on the European Union. These include a commitment to democracy, the rule of law, human rights, including gender equality, and respect for the rules of market economy.

16. The implementation of the EEA had a significant impact on harmonizing our legislation with that of the single market. Our administration has already to a large extent been aligned to meet our obligations under the EEA and has worked closely with its EU counterparts for over 15 years. With

some financial and technical support and cooperation under the Instrument for Pre-Accession, our institutional capacity will be further strengthened.

17. The Icelandic government acknowledges that the *acquis communautaire*, as it stands at the time of accession, constitutes the basis for negotiations. In line with the agreement reached on the Lisbon Treaty we fully expect that Iceland will nominate a Commissioner, and that Icelandic will become an official language of the Union.

18. The roadmap ahead for the negotiation chapters has been laid out by the Commission. Many of them are already covered by the EEA, either fully or in part, while others are not.

19. Those chapters already covered by the EEA should be relatively straight-forward. Yet Iceland will make the case that special arrangements already recognized through the EEA are well founded and will stand scrutiny in the context of the accession negotiations. This includes rules on investment, the import of live animals and aviation security, as well as rules on energy and the environment where our circumstances differ significantly from those of mainland Europe. Iceland's geography and cultural traditions with respect to the sustainable harvesting of various animal species, including marine mammals and bird species, must also be taken into account.

20. Iceland's water and energy resources have sustained us from the earliest days. The ownership and exploitation of these natural resources are solely the concern of member states. The EU can under no circumstances determine ownership of these resources or their exploitation, beyond what is laid down in environmental rules at any given point in time.

21. Iceland is a strong proponent of the Nordic social model. A social policy built on the premise of fairness, equality and social cohesion is an important component of any welfare state. We recognize the contribution of common European measures in this field and emphasize the importance of guaranteeing minimum labour rights while preventing social dumping. The competence to organise and administer public services must remain with the member states. This is in line with the declaration Iceland gave on the interpretation of the Services Directive.

22. Employment creation is a priority that Iceland shares with the EU. Over the next ten years it is estimated that 35 thousand new jobs need to be created in Iceland. This will have to be done in sectors such as industry, travel and tourism, high-tech and other creative sectors based on innovation and entrepreneurship. The high-tech industry alone already contributes over 20% of our

export earnings. We have an obligation to provide these vital sectors with a favourable and competitive environment to foster their growth. Thus, Iceland welcomes the EU's emphasis on job creation and competitiveness in these sectors, as demonstrated e.g. in the ambitious *Europe 2020* policy.

23. Bearing in mind the clear guidelines from Althingi on substantive elements of the accession negotiations, some key issues that fall outside of the EEA can be highlighted.

Fisheries

24. This is the first time the EU is engaged in negotiations with a nation whose prosperity rests so heavily on fisheries. They are the life blood of the Icelandic economy. A few facts: Nearly half of Iceland's merchandise exports are accounted for by fish products. Fisheries are the most important source of livelihood in coastal communities. Income from fisheries accounts for 100 times more per person in Iceland than the EU average.

25. In the history of a fishing and seafaring nation like Iceland, fisheries also constitute our cultural history and are an important part of our self-identity. In fact, nearly every Icelander comes from a family of fishermen. We fought hard to gain control of this resource within our own exclusive economic zone.

26. Iceland has built up a modern and competitive fishing industry of a high standard, with no direct subsidies and no market interventions, based on sustainable harvesting and market principles.

27. In times of endemic over-fishing Iceland has managed to create a system that admittedly is not perfect, but ensures sustainable fishing. Despite temporary financial difficulties in the wake of the banking collapse, Iceland continues to harness its marine resources on the strict principles of sustainable utilisation. The fishing sector's contribution to the economy must not be undermined. We will therefore continue to safeguard the viability and the competitiveness of the fishing industry for future generations.

28. The main objectives of the EU Common Fisheries Policy are fully in line with ours. Iceland appreciates the need for a common fisheries policy in Europe and a mere look at the map of Europe underscores the necessity of such a policy.

29. The features of the Icelandic exclusive economic zone, are, however, strikingly unique among the European nations. It extends to enormous areas that cover 760,000 square kilometres. Unlike any member state the exclusive economic zone of Iceland does not border the waters of other EU member states and the vast majority of our stocks are local. The Common Fisheries Policy was understandably not designed for Iceland's circumstances, much as the Common Agricultural Policy was not designed for the Arctic as acknowledged in previous accession treaties.

30. Icelandic control and sustainable utilisation of marine resources will have to be ensured. One of the most important lessons to be drawn from the Icelandic experience is that those who depend on marine resources as a means to live are also those that are best qualified to control their exploitation.

31. This could be achieved, for example, by defining the Icelandic exclusive economic zone as a specific management area where Icelandic authorities continue to be responsible for fisheries management. In addition, we must uphold the principle of relative stability in order to guarantee our share of straddling stocks. We also have to consider carefully how fisheries management adapts to shifts in migratory patterns due to environmental changes.

32. The value of Iceland's marine resources must benefit the Icelandic people and rules on investment should not lead to a circumvention of this principle. Iceland can not accept EU rules on discarding and welcomes discussions within the framework of the Common Fisheries Policy on abolishing this wasteful practice. In addition, the issue of external representation in the field of fisheries will need to be addressed.

33. Iceland has much to contribute when it comes to fisheries. Our fisheries production represents more than 30% of the EU total. We look forward to sharing our expertise in the development of a sustainable and viable fisheries policy. Iceland welcomes the review of the Common Fisheries Policy and is encouraged that some of the discussion looks towards solutions employed and honed by Iceland for a considerable time. In line with the principle of subsidiarity, we support further regionalization in actual fisheries management.

34. The Common Fisheries Policy was designed to serve common interests. It was not meant to be an obstacle to EU membership of important fishing nations. Negotiations with Iceland are thus an opportunity to showcase that common solutions can be found.

Agriculture and Rural Development

35. As in all European countries, agriculture is deeply embedded in our culture. Iceland is very sparsely populated, remote and isolated from mainland Europe. It is characterised by difficult topography and Arctic weather conditions which severely limit the economic diversity of agricultural production, with very few products compared to the EU member states.

36. Despite adverse conditions, Icelandic farmers have throughout history ensured food security, which for a geographically isolated nation constitutes one of the most vital strands in its security. They have provided employment, preserved the rural landscape and culture, and maintained rural settlement. With the decision of Althingi to apply for membership we seek improvements and increased welfare for farmers.

37. Icelandic agriculture has changed enormously during recent years along the same lines as in other countries. Still, the traditional farm comprises the farmer and family, with livestock of sheep and cattle. As in other enlargement rounds, we must make sure that membership will not pose a threat to an entire sector. We must be able to secure the economic livelihood of our farmers, their families and fragile rural communities, providing reassurance to those fearing the contrary.

38. We see opportunities for building up an organic and eco-friendly agricultural sector that makes use of clean, renewable energy resources. To secure agricultural livelihood and in the interests of biodiversity, we must protect our sensitive stocks and preserve our fragile eco-system.

39. The Icelandic government is confident that a broad agreement can be reached within the field of agriculture, bearing in mind that the EU has successfully accommodated the needs of new member states in the past.

Regional policy

40. Iceland is the most sparsely populated country in Europe. As a North Atlantic island, Iceland shares comparable characteristics to Europe's northernmost regions and the outermost regions in the EU.

41. In the upcoming negotiations, we need to establish criteria and methods that address challenges related to, for instance, de-population, harsh climate, long distances to markets, remoteness and economic dependence on a few products. We see new opportunities in building upon the comprehensive regional policy the EU has developed over the years - to bolster innovation and create new job opportunities.

Economic policy

42. Participation in the single market provided Iceland with the legal infrastructure for much closer economic and financial integration with the rest of Europe, contributing in the process to a more diversified economy. However, it did not provide us with the safety net of EU solidarity and monetary cooperation. That turned out to be a risky combination for a very small open economy and was one of the factors contributing to the financial crisis in Iceland. EU and subsequent euro area membership is one way to address that problem. The alternative would be longer lasting restrictions on financial cross-border activities, with strict prudential restrictions on financial institutions replacing the current capital controls.

43. Iceland, like so many other countries, is in the process of drawing lessons from the financial crisis. We are implementing necessary reforms of economic policy frameworks, as well as financial system regulation and supervision. In that context, economic, financial and monetary issues will be important in the accession negotiations. In addition, we follow with great interest the work on reinforcement of the EU system for financial stability.

44. Iceland seeks to participate fully in the Monetary Union and meet the conditions necessary to adopt the euro in due time. We also seek to find a common approach to lift capital controls and support our currency in the coming months and years.

45. The urgent need to achieve monetary and financial stability through closer cooperation has been amply demonstrated by the currency turbulence and interest rate shocks which have recently affected many countries. EU membership is no panacea for our economy; that responsibility falls to us. Yet the decision of Althingi to apply for full membership of the EU is an integral part of Iceland's economic recovery and long-term stability.

Foreign and Security policy

46. Iceland has for decades embodied the transatlantic link through its NATO membership and the Bilateral Defence Agreement with the US. The government is committed to participation in the EU's Common Foreign and Security Policy and the European Security and Defence Policy. Yet decisions regarding matters of security and defence must remain with the member states.

47. Iceland is proud of its non-military tradition, and will not establish a military in the future. Thus we will have to look at the relations with the European Defence Agency in that context.

48. In the field of foreign and security policy Iceland has worked well with the EU member states within the framework of various international organisations. We have participated in peacekeeping and other crisis management efforts in cooperation with e.g. the United Nations and its various agencies, NATO, and the OSCE, as well as within the Nordic cooperation. Within the EU framework, Iceland has participated in the EUFOR Concordia and EUPM missions.

49. In two other fields a possible contribution of Iceland should also be highlighted. First, Iceland could contribute to the EU's crucial goal of increasing energy security and the share of renewables to 20% by 2020. Around 80% of our current energy production already comes from renewable resources, either hydro or geothermal power. Despite being stable, renewable and the cleanest and probably cheapest form of energy available, geothermal is an undervalued source of renewable energy. Several countries in Europe have considerable geothermal potential and Iceland has the expertise. Currently, Iceland is developing leading-edge technology based on deep-drilling that, with the capacity of the EU, might in the future enhance the energy security of Europe. The composition of our energy consumption illustrates that energy transformation can take place within a generation.

50. Second, the effects of global climate change are nowhere more visible than in the Arctic. With the Arctic ice cap melting, access to vast natural marine and energy resources will increase. Current estimates indicate that more than one-fifth of the untapped reserves of gas and oil are located in the Arctic. The melting of much of the ice cap will open up new transport routes from the Pacific via the Arctic to the North-Atlantic. This entails enormous opportunities for all of us. It will also have an impact on the environment and the diverse communities throughout the Arctic region, in particular the indigenous peoples. Our common challenge is to find the balance between sustainable utilization of resources and protection of the fragile Arctic environment and its communities. Similarly, a close international cooperation on security has to be initiated, including search and rescue, whilst re-militarization of the region must be avoided at the same time.

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51. The negotiations which are starting today are a historic event in Iceland's relations with the EU. Iceland has the cultural, democratic and political strengths that are required of a nation engaged in European cooperation. Finding common ground, which meets Iceland's interests while respecting the common principles of the EU, will be a challenging task requiring substantial effort and creativity.

52. Iceland's application for membership of the European Union affirms not only our European heritage, but anchors our determination to participate in the future development of Europe.
