

Opening Address
Iceland and the UK
Solid partners in European Cooperation
Gunnar Bragi Sveinsson
Foreign Minister

Lord Justice Richards, distinguished delegates and fellow speakers,

[Introduction]

- Let me begin by welcoming you all to Iceland.

- It is an honour to open this seminar for such a distinguished group of honourable representatives of the judicial system of the UK. You are a great example of hard working people having managed to organise this event here in Iceland on this very day!

- It is maybe particularly interesting at this point in time when the UK electorate has given the Conservative Party a clear mandate to bring to live its different policies, like on Europe.

- I will in my intervention reflect on our state of affairs towards European cooperation and how we are bringing our new policy on Europe into live.

- I will also address the UK and in particular touch upon our shared ideas in the European context.

- But first, let me provide you with a perspective of the main features of Iceland's relations with the outside world.

[Iceland and foreign policy]

- It has been the central policy of Icelandic governments, ever since we became fully independent from Denmark and the Republic of Iceland was established in 1944, to take an active part in international cooperation. Besides being party to the United Nations, NATO, Nordic cooperation and the European Free Trade Association, EFTA, Iceland takes an active

part in many international organisations.

- However, Iceland is not a member of the European Union and apart from the accession process launched by the previous government, no other government has put membership of the European Union on the agenda. This may seem odd, considering that the EU is by far the largest market for Icelandic exports, and that nearly all our neighbouring countries and allies in Europe belong to the EU.
- However, there is no convincing argument for Iceland to join the EU and a number of strong reasons not to join. And the fact of the matter is that we are doing quite well outside the EU.

[Iceland and the EU – EEA Agreement]

- The accession process launched in 2009 has come to an end. The government has no intention to resume this process and Iceland does not regard itself as a candidate country. We believe that our interests are best served outside the EU.
- On the other hand, we obviously need to develop very carefully our relations with the continent, and engage in close contact with the EU.
- A core element to this effect is the Agreement between the EFTA states and the European Union on the European Economic Area – more often referred to as the EEA Agreement – that basically extends EU's single market to the three EFTA states that are parties to this agreement.
- The EEA Agreement was negotiated when the European Union in the late 80's invited the EFTA states to cooperate more closely with it and take part in its single market. The reason for this offer was that – apart from Iceland and Norway – the EFTA states were prevented from joining the EU by their policies of neutrality. After the Cold War a window opened for the neutral EFTA states – Austria, Finland and Sweden – to become members of the EU. Along with Norway, they decided in 1992 to aim for membership, while Iceland decided to allow the EEA Agreement to suffice. Norway later rejected EU membership in a referendum. Thus there are now three EFTA states in the European Economic Area, namely

Iceland, Liechtenstein and Norway, while Switzerland, also a member of EFTA, opted to remain outside the EEA.

- The EFTA was established as an economic counterbalance in the early sixties by those that did not like the idea of the more politically motivated European Economic Community – the EEC.
- Of course, you realize that the UK was among the founding members of EFTA in 1960 and remained there until it left the club in 1973.
- We still belong to EFTA, however, while you have joined the EU.
- As some people may joke: you are always welcome back!
- So today EFTA has two roles to play for its member states, one is to assist them in negotiating Free Trade Agreements and the second being to assist them in day to day running of the EEA Agreement.
- The EEA Agreement has been the main pillar of our cooperation with the EU and the member states since 1994.
- The EEA Agreement is basically what today would be referred to as deep and comprehensive trade agreement. Deep because it entails direct and complete access to the Single Market with legislative harmonisation and institutional mechanism and comprehensive as it is covering very broad range of issues beyond only trade.
- In practice, for businesses and individuals this means that they have the same rights and obligations as EU businesses and citizens in 31 Member States of the EEA. Under normal circumstances, no questions are asked and no further special requirements are to be fulfilled.
- This obviously facilitates the lives of exporters and importers, new businesses, individuals, pensioners, students and others to enjoy the freedoms that are provided to them by the Single Market through the EEA Agreement.

- At the same time, this is a challenging task for our administration as we must basically take into our own domestic legal order every single legal act adopted by the EU in the area of the Single Market.
- And keep in mind that there are no short cuts for the EFTA states in implementing EU law as the EEA legislative system does not provide for direct applicability or direct effect of EU legislation. On the other hand, the Government can become liable for damages if EEA relevant EU legislation is not implemented correctly into our national legal order.

[Advantages of the EEA and obstacles to EU membership]

- From the start, the EEA has been a cornerstone of our relations with the EU as it introduces into Icelandic legislation EU law on a broad scale of issues. As an affluent island nation, rich in natural resources and highly dependent on external trade, Iceland needs flexibility. Considering the fundamentals of our economy, our history and the necessity to be adaptable to fluctuations in the international economy, Iceland's choice has throughout its history consistently been to stay outside of deeper political integration. The exception to this was the period 2009-2013 under the previous Government. My Government remains as convinced as our forerunners that our interests are best served outside the EU.
- For Iceland, the key issue is that the EEA Agreement ensures us access to the EU's single market. Admittedly, it does not give us full access to political decision-making within the EU, but that was never the intention anyway.
- On the other hand, Iceland has not had to take on board any features of EU's policy that it does not wish to accept. Accordingly, the EEA Agreement grants access to the areas of European cooperation that are most interesting for Iceland, while other parts of it, that do not serve Icelandic interests or may even go against them, remain outside the scope of the Agreement.
- Of those adverse elements, I will mention only two. The first to mention is the Common Fisheries Policy. The fisheries sector is a main pillar of our economy. Iceland has had tremendous success in administrating its

rich fishing grounds and with a view to both sustainability and economic viability the Icelandic fisheries policy is probably the most successful fisheries policy in the world. It is perfectly well-known that in spite of good intentions, the EU's common fisheries policy has been mired with problems for decades. There is no logical reason why Iceland should compromise its considerable success in this field and pursue EU membership with a palate of open questions on fisheries. Fisheries is our core economic sector and it is deeply rooted in the Icelandic society and culture.

- The basic principle that major policy decisions concerning fisheries are not made by the member states but by EU institutions is never going to be acceptable for Iceland. From a historical perspective it would be odd, to say the least, to give up jurisdiction over the fishing grounds around Iceland less than forty years after achieving final victory in the Cod Wars against our neighbours and good friends in Britain.
- It is a well known fact that the EU never grants permanent exemptions from Union policies in the accession process. Of course, the Common Fisheries Policy is no exception to this. The fact that key decisions would be made in Brussels and that the fleet of other EU countries would enter our waters through the back door is not the only problem here. To us, it is of just as great importance that the whole operating environment for the managing of fisheries is entirely different in the EU from that in Iceland.
- In the EU, fisheries are to a large extent regarded as a branch of regional development, while in Iceland, we have no alternative but to operate our fisheries as a sustainable business sector.
- Another disadvantage of accession for Iceland is linked to the monetary union. With our exports of goods not being particularly diversified – and still dominated by fisheries products – being part of the monetary union would pose an enormous risk for us. Of course, the exchange rate of the euro would never be influenced by what might be going on in Iceland, even if we were members of the EU. Our economy is simply too small for that. We would face unbearable and irresolvable problems if, for example, our fisheries sector underwent a downswing at the same time as an upswing was taking place elsewhere in Europe. The common currency

would be strengthening then, at the same time as Icelandic industry was weakening, which would deliver serious shocks to our economy.

- There is no question that a small economy has to pay a certain price for keeping an independent currency – interest rates have been higher in Iceland than in most of the EU, for example. But Iceland has at times also experienced stronger economic growth than most EU countries, with very low unemployment.

[Policy on Europe – why?]

- As we have for those reasons and more, abandoned any aspirations for EU membership you may wonder if we have any EU policy at all? Of course we have – in addition to the one to stay outside
- It is a clear policy on how to run the EEA Agreement in an efficient and skilful manner.
- The main objective of the government's policy on Europe is to push harder and do better in running of the agreement. It means that we need to be more effective in incorporating new rules into the Agreement and to implement them in a more efficient manner. It is not acceptable for Iceland to be time and again worst in class, sitting at the bottom in the Single Market's implementation scoreboards. It is also not acceptable for stakeholders in the EEA that it takes Iceland on average 17 months to incorporate new acts into the EEA Agreement.
- Why does that matter? It matters because it is about the rights of our economic operators and our citizens. We must make sure that they are at all times enjoying the same rights in the Single Market as their EU competitors.

[Developments of the EU]

- EU has of course developed enormously over the almost last 60 years from being a club of the founding fathers concentrating on production and trade in coal and steel to become a driving force of 28 member states in the world economy.

- We should of course highlight the importance of the economic integration of the EU to foster peace and harmony among the European countries so tormented in the misery of two wars in the twentieth century.
- EU continues to have a huge role to play on the world stage and in bringing about growth and prosperity in Europe.
- Iceland has decided to stay out of the EU for different reasons that I have already touched upon. On the other hand Iceland needs a strong and growth based EU as it is our most important market.
- Some of the decisions taken during the years by the EU leaders deepening the EU are questionable. I would rather like to see the EU focusing on its core issues and what it has done best during the decades, to stimulate trade and work on abolition of barriers to trade.
- I am, for example, not convinced that it has necessarily turned out to be a good idea to try to bring a strong role in Foreign and Security issues into the EU, or to establish an External Action Service for that matter.
- I also believe that the external trade policy of the EU is too complicated and an obstacle for Europe's growth and vitality in the global economy.
- Allow me to make a general point. Iceland's economic situation is very different from EU's. Iceland experienced an unprecedented economic collapse in 2008. The nation has had to shoulder heavy burdens but lately we have begun seeing the fruits of our hard labour and sacrifices. The economy and confidence is growing and the outlook is positive. The same cannot be said about Europe. Europe has gone through an extremely difficult period with systemic economic problems creating uncertainties on most fronts. These have been challenging times for the citizens of Europe, created political problems in EU member states and been very testing for the EU institutions.
- I make this point to underline the fact that Europe's history of integration is full of economic and political challenges that have been met with

measures that have developed the Union in somewhat different directions than had been foreseen. It is still too early to tell where and how the dust will settle as a result of the recent economic crisis. But what is clear is that Iceland shares an internal market with Europe and we feel that it is of utmost global importance that Europe's economy starts growing again.

[Iceland and the UK in Europe]

- This short recap of Europe's history, its challenges and its development brings me to a very clear point. Iceland does not wish to be a member of the Union, the differences are basically just too great. However, we want to see a strong Europe. We are convinced that our partnership with the EU and its member states should be strong and robust in the internal market and in many new fields such as energy, climate and Arctic affairs.
- The UK is at a certain cross-roads as there are challenging times ahead for the new UK government when it comes to its EU policy.
- Following my earlier remarks, it may not come as a surprise to you that I share most of the concerns that have been expressed by the so-called "Eurosceptics" in the UK. By that I am not taking any stand on the question whether UK should stay in the EU or not; it is not for me as a Foreign Minister of another country to express an opinion on that or interfere with UK's internal debate on this issue. I look at it in a purely pragmatic way and the fact of the matter is, that the thinking of many Icelandic politicians is very much in line with those of the current UK government.
- We are strong believers on the principle of subsidiarity; it would be a good sign if the EU Commission would in a much stronger way bring the right to legislate more often back to the capitals of the Member States.
- I would hope that the UK government will manage to convince its European partners on the necessity to modernise the EU. Make it more transparent, flexible and business orientated. Bring more decision making closer to the citizens.

- More focused EU is of key importance. Concentrate on increasing EU's network of trade agreements is essential. Furthermore, to work hard on its core role to make the Single Market more streamlined and focused.
- This brings me back to my earlier point on Europe's development throughout the decades. The EU debate that has been brewing for quite some time in the UK and will certainly materialise in the coming months should be seen as a positive challenge. It is a challenge that will help shape the European Union of the future, bring it closer to Europe's citizens, and strengthen Europe in today's global economy. The fabric of Europe has in many ways been put to test in the past years and it is natural that people ask critical questions at such times. We have to remember that Europe is made up of different nations who are not all cast in the same mould. While we all want a strong and prosperous Europe that champions freedoms and values, we also want to see a Europe that is reflective of its peoples. As a European I think it is of fundamental importance that institutions are confident enough to tackle those questions, participate in the democratic debate and allow for the adaptation to new realities.

[Closing remarks]

- Sir Stephen, ladies and gentlemen.
- The EEA Agreement has been the pillar of the three EEA EFTA States' economic relations with Europe for the past 20 years and has fulfilled the hopes vested in it when it was negotiated: to be a tool to reach certain economic objectives – even objectives of transformation of society and business life. In short, the EEA was an adaptation to new realities and it has withstood the test of time.
- Much has happened in the intervening two decades since the EEA was launched. Europe has gone through fundamental changes – and lately deep-rooted economic crisis – that have been very challenging both for the EU, its individual member states, and its citizens.
- For its part, Iceland has also gone through tremendous changes during the 'EEA era', we have seen large scale economic growth and we have seen an unprecedented economic collapse a few years back.

- The EEA Agreement was a result of long and hard negotiations that were conducted in a totally different political, economic and social landscape than what we have today. Even the wise mothers and fathers of the EEA could not have envisaged the changes we have seen in the past years with fundamental institutional changes within the EU, the sheer number of EFTA countries that became EU members and the enlargements to the east and south. However, and let me stress this important point; the EEA Agreement, its flexibility, its adaptability and its robustness bears witness to the fact that as long as there is a political will to overcome challenges, there is always a way.
- Let me conclude by saying that we can never afford to take the EEA Agreement for granted.