



European Economic and Social Committee

REX/305
Iceland as a candidate
country

Brussels, 9 December 2010

OPINION

of the
European Economic and Social Committee
on
Iceland as a candidate country
(Exploratory opinion)

Rapporteur: **Ms Carr**

By letter of April 28, 2010 Vice-President of the European Commission, Maroš Šefčovič and the member of the European Commission responsible for the enlargement process, Štefan Füle asked the EESC, under Article 304 of the Treaty on the Functioning of the European Union, to draw up an exploratory opinion on

Iceland as a candidate country.

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 27 October 2010

At its 467th plenary session, held on 8-9 December 2010 (meeting of 9 December), the European Economic and Social Committee adopted the following opinion by 170 votes to one with no abstentions.

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1. Conclusions and Recommendations

- 1.1 At this point in time, as confirmed by the public hearing in Iceland in September 2010, there is a serious uphill struggle regarding the support of public opinion for Iceland's EU membership application. While membership as such remains a debated issue, support for accession negotiations seems to have recently increased: 64% prefer to continue the EU accession process, rather than withdraw the application. This is a considerable increase in support for the accession process as compared to earlier polls.
- 1.2 The Committee believes that it is time for pro-EU organisations to join the public debate to a greater extent to demonstrate the benefits of the EU membership to Iceland as well as to the EU. The EESC could take a lead and organise events focussing especially on the role of "various interests" organisations.
- 1.3 The EESC strongly supports Iceland's membership of the EU and emphasises the importance of the participation of Icelandic civil society in the accession negotiations. The social partners have traditionally had a strong role in the Icelandic policy process and already have ties with the EESC and European umbrella organisations.
- 1.4 As well as the social partners, the Committee underlines the need for broader civil society participation from various interest groups. It is necessary to ensure a "civil dialogue" in addition to the more traditional social dialogue during the accession process.

- 1.5 The Committee recommends that a Joint Consultative Committee be set up for Iceland as quickly as possible, as has been done for other pre-accession states. The Committee believes that this will be a useful mechanism for exchanging views and information between the civil societies of Iceland and the EU Member States, for expressing joint recommendations and opinions to the negotiating parties, and particularly for strengthening the role of Group III organisations during the membership negotiations.
- 1.6 Due to its high political and economic development and its participation in the European Economic Area (EEA), Iceland is generally well prepared to assume the obligations of EU membership (despite the breakdown of the Icelandic economy in the recent crisis), particularly in the fields covered by the EEA Agreement. The EESC also believes that, as an EU Member State, Iceland could contribute to the development of various EU policies, for example with respect to sustainable fisheries, renewable energy and the Arctic dimension. Currently Iceland does not have a seat in EU decision-making institutions.
- 1.7 Although Iceland has already implemented the substantial amount of the EU *acquis*, challenges remain in certain key areas, primarily fisheries and agriculture. The EESC emphasises that civil society groups in these areas must play a key role in the accession process. It is also necessary to involve other relevant groups in the accession process to support the Icelandic government in their task of negotiating the country's accession to the EU.
- 1.8 There are some powerful CSOs that have already declared their opposition to Iceland's membership bid. In such circumstances it is of the utmost importance that organisations positive towards membership start a public debate in the near future on the benefits of membership to Iceland as well as to the EU. The EESC believes that a broader debate at national and European levels would be beneficial, assisting organisations and the public in the process of forming their opinions through the democratic process, bearing in mind the consensual approach at the European level.
- 1.9 Negative public opinion in Iceland towards EU membership partly stems from the unresolved Icesave dispute. Therefore it is even more vital to engage civil society in a constructive dialogue over the question of EU membership. The EESC insists that the Icesave issue should be resolved outside the accession negotiations and must not be made into an obstacle in the way of Iceland's accession process.

2. Current state of play

- 2.1 Iceland applied for EU membership in July 2009 and on 24 February 2010 the Commission issued a positive opinion on Iceland's application. On 17 June 2010 the European Council decided to open accession negotiations and invited the Council to adopt a general Negotiating Framework. The decision was endorsed by the European Parliament on 28 June 2010. The first meeting of the Intergovernmental Conference took place on 27 July 2010.
- 2.2 Iceland has already implemented a large portion of the EU *acquis* through the EEA Agreement and the Schengen Association Agreement; this will facilitate the screening process and subsequent chapter by chapter negotiations. However, challenges remain in some key areas such as agriculture, fisheries and monetary policy. The screening process has started and is scheduled to be concluded in June 2011.
- 2.3 Iceland complies fully with the political criteria for EU membership laid down by the Copenhagen European Council in 1993. It is a well developed representative democracy with strong institutions, an extensive system for the protection of fundamental and human rights and respect for the rule of law.
- 2.4 Its public administration is generally efficient and free from political interference. The recent financial turmoil has, however, been accompanied by political upheaval and a need for administrative reform. According to the Commission's opinion, the financial crisis has posed questions regarding potential conflicts of interests related to the close links between the political class and the business community, and further reforms will most likely be necessary. Public administration reform has already been initiated and has addressed some of the concerns raised by the Commission.
- 2.5 Despite the severe consequences of the economic crisis, Iceland is a functioning market economy and well able to cope with competitive pressures and market forces within the EU. To combat the crisis the Icelandic government has undertaken difficult austerity measures, proposed policies to diversify the economy and is hoping to return to positive growth by the end of 2010. The key aim of the current government is to rebalance the state budget by 2013 while creating jobs and promoting innovation to restore Iceland's competitiveness by 2020.
- 2.6 Generally Iceland is seen as a natural candidate for membership; it has a well-developed democratic culture and a high level of alignment with the *acquis*, and could therefore complete the accession negotiations relatively fast, providing that it fully aligns its legislation with the *acquis* by the time of accession. If the negotiation process is successful and the Icelanders approve their country's membership in a referendum, Iceland would be the member state with the smallest population of some 317 000 inhabitants.
- 2.7 After Iceland applied for membership ten negotiating groups were set up to take charge of the negotiations in different areas. The social partners and other key organisations are well

represented and have seats in relevant groups. Although officials are responsible for the negotiations, the groups most affected have been invited to take part in the preparatory work of the negotiation teams and participate directly in the process.

- 2.8 It is the policy of the Icelandic government to fully involve civil society in the accession process. When the Foreign Affairs Committee of the Icelandic Parliament drafted its opinion on EU membership, civil society organisations, individuals and institutions were invited to submit comments, which were taken into account. The Committee's conclusions noted that an extensive consultation forum would be established where the EU, the status of the accession negotiations and Iceland's negotiating positions in individual areas would be discussed.
- 2.9 Despite all these positive signals regarding civil society involvement in the accession process, Iceland's credibility has suffered within some EU member states due to the banking crisis and the Icesave dispute. The attitudes of Icelanders towards the EU are changeable. A Gallup poll in July 2010 showed that 60% supported the withdrawal of the membership application but at the end of September another poll conducted by the newspaper *Fréttablaðið* showed that 64% of respondents wanted the negotiations to be concluded so that the issue could be voted on in a referendum. While it is too early to say if the perception of the EU among Icelanders has changed, it is certain that there is an enormous demand for more factual information on the EU and EU membership. There seems to be mounting desire to learn more about the EU and the accession process in order to base future decisions on sound knowledge rather than myths and fears.

3. **Relations with the EU**

- 3.1 Iceland has close ties with the European Union through the EEA Agreement that came into effect in 1994. The EEA Agreement provides for three EFTA States' participation in the EU's Internal Market. After Iceland's application for membership, the EU set up a representation in Iceland; previously Iceland was served from Oslo.
- 3.2 The EEA Agreement has required a high level of integration of the EU *acquis* into Iceland's national legal system. Iceland has adopted most of the provisions relevant to the four freedoms. Few domestic policy sectors are unaffected by the EEA Agreement which, some might argue, entails a form of quasi-membership of the EU. The percentage of internal market legislation transposed into national legislation by July 2009 is at the same level as the average for EU Member States.
- 3.3 Although Justice, Freedom and Security is not part of the EEA Agreement, Iceland has also participated in this policy area through the Schengen Association Agreement. When the Nordic EU Member States applied to join Schengen, they did so on the condition that a solution would be found to maintain the Nordic Passport Union with Iceland and Norway. The two countries have therefore applied the Schengen *acquis* since March 2001.

- 3.4 Regarding participation in the EU decision-making process, the EEA Agreement mainly grants access to the Commission. According to Articles 99 and 100 of the EEA Agreement, EEA EFTA states can participate in the Commission's expert groups and the working groups of comitology committees. However, the EEA EFTA states do not have any formal access to the Council or to the European Parliament.
- 3.5 Icelandic social partners participate in the EEA Joint Consultative Committee with the EESC. At a political level Iceland participates in the EEA Joint Parliamentary Committee. Together with Norway, Iceland also participates in informal pre-Council Nordic/Baltic meetings where it has the opportunity to try to get its views across.
- 3.6 In addition to not having full participation in the EU decision-making process, the principal difference between Iceland's status under the EEA Agreement and EU membership is that the EEA Agreement does not establish supranational institutions that have the power to enact laws that would be directly applicable in member states. Neither does the EEA Agreement entail conferral of judicial powers. At the same time EU membership would give Iceland representation in all EU institutions and decision-making bodies.
- 3.7 Despite having close relations with the EU, Iceland has until recently opted to remain outside the Union. This stance is generally traced to a variety of factors, most prominently to the desire to retain national control over fisheries resources. The Common Agricultural Policy is also unpopular among Icelandic farmers, who fear competition from cheaper products from the mainland. Nationalistic discourse is strong in certain segments of the population in Iceland and some decision-makers have generally been unwilling to promote anything that could be seen as compromising the country's sovereignty. Iceland's geographical isolation, its special security relationship with the United States during the Cold War years, the small size of its administration and the electoral system's bias in favour of rural areas are also sometimes named as potential causes for Iceland's policy towards the EU. Finally, the EEA Agreement has, until the financial crisis, generally been thought to serve Iceland's interests sufficiently.
- 3.8 Despite the above-mentioned factors, large parts of the population have been in favour of closer ties with the EU through the years. The collapse of the Icelandic financial system in October 2008 led to a further shift of opinion in favour of EU membership and the adoption of the Euro. In July 2009, the Icelandic Parliament voted in favour of applying for EU membership. However, public opinion and political parties in Iceland remain divided over the issue.
- 3.9 Iceland's membership would benefit both the EU and Iceland. For the EU it would contribute to its geographical completeness, giving the EU a foothold in the Arctic and the possibility of participating in the Arctic Council. For Iceland the EU accession would strengthen its position in pursuing better forms of multilateral governance in the Arctic. Membership would also go some way to restoring Iceland's international credibility and have a stabilising effect on its currency and economy as a whole. As an EU member, Iceland would have much to

offer towards the Northern Dimension Policy, the development and harnessing of renewable energy resources and a greener economy in the EU.

- 3.10 Various challenges remain as many important areas fall outside the scope of the EEA or Schengen cooperation. Some of these will most likely present some difficulties during negotiations. Fisheries and agriculture are likely to be particular sticking points and civil society organisations in these areas will play a key role in the accession process. The accession process should be a voluntary consensual two-ways process where neither party feels under obligation from the other to undertake commitments they are not ready to make.

4. **The socio-economic situation**

- 4.1 Iceland's economy has traditionally been mainly based on fisheries, and fisheries still account for nearly half of Iceland's merchandise exports. More recently, aluminium production and tourism have also become important industries. In the 1990s Iceland began a process of economic deregulation, liberalisation and diversification, establishing a large financial sector. As a result of over-exposure, lack of sufficient financial sector supervision and the large size of the banks in comparison to the national economy, the Icelandic banking sector collapsed in the wake of the global financial crisis. The combined liabilities of the banks were over ten times larger than Iceland's GDP¹. This led to a deep recession with social as well as economic consequences.
- 4.2 The Icelandic Krona depreciated significantly causing high inflation, unemployment increased, asset prices declined, a large number of companies faced bankruptcy and private consumption decreased. Taxes (capital, income, excise duties and VAT rates) have also been increased, a new three-tier personal income tax system has been introduced, and various benefits such as maternity/paternity leave and child support benefits have been lowered. Public expenditure on education and healthcare has also been cut. Many Icelandic households have suffered as they have lost a large portion of their savings and/or income. However, to alleviate the severity of the crisis extensive debt restructuring is on-going for individuals as well as for business. For individuals there is a special out-of-court debt restructuring framework for households in serious difficulties².
- 4.3 The level of government debt multiplied in the wake of the crisis. A large portion of this debt is due to Icesave obligations. According to the Deposit Guarantee Scheme Directive (94/19/EC) Iceland is responsible for reimbursing depositors up to EUR 20 000 per account. Iceland has agreed to honour these obligations. However, the Icesave dispute that remains to be solved relates to the terms and conditions under which Iceland should repay the British and Dutch governments who have reimbursed their own depositors.

¹ Ministry for Foreign Affairs of Iceland, Background note, Iceland's Economic Recovery Programme, June 2010
http://www.mfa.is/media/MFA_pdf/Factsheet--Iceland%27s-Economic-Recovery-Program-June.pdf.

² http://www.mfa.is/media/MFA_pdf/Factsheet--Iceland%27s-Economic-Recovery-Program-June.pdf.

- 4.4 Iceland has invoked various measures in an effort to counter the crisis. The three main banks were nationalised, restructured and recapitalised. Balance of payments safeguards were implemented limiting international capital flows to prevent the outflow of foreign currency and further devaluation of the Icelandic Krona. The Central Bank began the gradual removal of these controls in October 2009. A new Ministry of Economic Affairs was established, the Central Bank's governance was changed and the role of the Financial Supervisory Authority was strengthened. The government also initiated a comprehensive investigation into the events that led to the crisis with the appointment of a Special Investigation Commission and a Special Prosecutor.
- 4.5 The government further sought the assistance of the international community, including the IMF. The IMF's Stand-by Arrangement for Iceland is \$2.1 billion and an additional \$2.75 billion from the other Nordic countries, Poland and the Faroe Islands. The economic programme supported by the IMF entails measures aimed at stabilising the exchange rate and rebuilding confidence in monetary policy, revising fiscal policy and maintaining a manageable level of public sector debt, restructuring the financial sector and its regulatory framework and facilitating household and corporate debt restructuring. At the end of September 2010 the IMF approved its third review of Iceland's Economic Recovery Programme.
- 4.6 Iceland's macroeconomic stabilisation is not yet complete and fiscal consolidation remains a key challenge. To strengthen the fiscal framework a 4-year fiscal consolidation plan was adopted. There are already signs of improvement. The IMF estimates that the economy should experience positive growth by the second half of 2010, sustained by Iceland's strong economic fundamentals³. Inflation is decreasing and the exchange rate has been stabilised. The new commercial banks have been recapitalised and extensive reforms of financial market regulations have been completed. Unemployment rates have not reached predicted levels of over 10%.
- 4.7 The social partners have played a key role in Iceland's economic recovery plan. The government and social partners signed a "stability pact" in June 2009 and the 2010 budget reflects this agreement. The Pact's aim was to ensure social consensus for the necessary adjustment measures, however, as it primarily involved the social partners, some civil society organisations felt excluded from this process. In March 2010 the Icelandic Confederation of Employers withdrew from the pact claiming breaches of the pact and the inability of the government to keep its promises.
- 4.8 In the medium to long term Iceland has a relatively flexible labour market with high participation rates, a fairly young and well-educated working population and a robust resource base including rich fishing grounds and vast renewable energy sources. Therefore, it is likely

³ http://www.mfa.is/media/MFA_pdf/Factsheet--Iceland%27s-Economic-Recovery-Program-June.pdf

that in time Iceland will recover fully from the current economic setbacks. Furthermore, the European Commission believes that if Iceland aligns with the *acquis* in the area of economic and monetary policy its participation in Economic and Monetary Union should not pose major problems.

5. **Civil society in Iceland**

- 5.1 Iceland has a long history of active civil society participation. Due in particular to the small size of Icelandic society, interest groups have very close and often personal ties with the government and have actively participated in the policy process. Indeed some interest groups such as farmers' and fisheries' associations and trade unions have traditionally had very close links with particular political parties.
- 5.2 To counterbalance the limitations of a small administration the Icelandic government works closely with Icelandic interest groups that are active at EU level, and often relies on them to gather information and increase awareness of Icelandic concerns in Brussels. However, the interest groups play a larger role in terms of information gathering and strategy building rather than in influencing EU policy, except in areas of social policy, where the social partners are particularly active and have direct access to the policy formulation process.
- 5.3 According to Art 74 of the Constitution, as in other Nordic countries, all kinds of associations may be formed without prior permission and may not be dissolved by administrative decision. Associations must register with the office of the National Registrar to obtain a national registration number for tax purposes and must have a registered address. Trade union activities are regulated by the Act of Trade Unions and Industrial Disputes.
- 5.4 Many Icelandic organisations have long-standing and strong affinities with their Nordic counterparts. Such ties could help the Icelandic organisations to exchange best practices and learn from the experience of their partner organisations during the period of their country's accession to the EU.
- 5.5 However, the public hearing with civil society organisations in Iceland indicated that compared to the social partner organisations the other CSOs are predominantly inward looking. Through closer cooperation it should be possible to convince them to take a broader view of their role within Iceland, especially in relation to their role in the EU accession process, and it should also be possible for the EU organisations to learn from their Icelandic counterparts.
- 5.6 Iceland has applied the Nordic economic and social model, which is characterised by a large welfare state with generous benefit levels. The social partners on both sides of the labour market actively engage in social dialogue with the aim of exchanging information and resolving various important social and economic issues. Social regulations are generally defined in collective agreements rather than by law.

- 5.7 In Iceland developments largely mirrored those of the neighbouring Nordic countries, with increases in public spending. Urbanisation and changes in the structure of society led to the formation of various interest groups, primarily trade unions, cooperatives and farmers' associations. In the early years, interest groups were few but powerful and had close ties to particular political parties that served their interests.
- 5.8 In the latter half of the 20th Century the number of groups grew as society became more diverse. With increasing diversity, the ties between particular political parties and powerful interest groups have been weakened. However, in a small society such as Iceland the channels between civil society and government are inevitably short.
- 5.9 While the Icelandic model is in many ways similar to that of its Nordic counterparts, it differs from the mainstream Nordic model in a few respects. Developments in Iceland were slower and welfare spending has traditionally been lower in Iceland than in the other Nordic countries. The policies of liberalisation and privatisation were prominent in the 1990s and in the wake of the financial crash the welfare system has been cut substantially. However, in the Nordic states, the welfare model is generally embraced by parties on the left and right of the political spectrum, and this is also true in Iceland despite the political scene being characterised predominantly by centre-right coalitions. The social partners have played a key role in the policy process.
- 5.10 The results of the public hearing indicated that civil society in Iceland is split on the question of EU membership. In particular, fisheries and farmers associations are opposed to EU membership while organisations such as the Confederation of Labour and the Federation of Industries are in favour. Many organisations in Iceland are also neutral on the question. While democracy is extremely strong in Iceland the representation of the broader civil society organisations is relatively weak and this leads to a less balanced voice from civil society.

6. **Key organisations and their position in the EU debate**

6.1 Social partners

- 6.1.1 The Icelandic Confederation of Labour (ASI) is the main trade union organisation in Iceland, representing general workers, office and retail workers, seamen, construction and industrial workers, electrical workers and various other professions in the private sector and part of the public sector, although most public sector employees are represented by the Federation of State and Municipal Employees (BSRB). Both organisations are members of the ETUC. A third central organisation, Association of Academics (BHM), organises employees with university degrees both in public and private sector.
- 6.1.2 ASI's counterpart on the management side, and a member of BUSINESSEUROPE, is the Icelandic Confederation of Employers (SA). SA has eight member associations in diverse

areas such as energy, tourism, finance and fisheries. These two organisations play a key role in the coordination of policies in the fields of employment, social affairs, environment and the labour market. Another organisation active at EU level and also belonging to BUSINESS EUROPE is the Federation of Icelandic Industries (SI). SI is a member of SA.

- 6.1.3 The Confederations of Employers and Labour participate in a number of committees and on the boards of public bodies where they protect the interests of their respective members during the preparation and implementation of legislation, e.g. Administration of Occupational Safety and Health in Iceland, the Equal Status Council, the Science and Technology Council. They are also in close contact with the government when it comes to preparing and renewing wage contracts. The social partners work in close collaboration regarding common interests in the fields of equality and work protection and information dissemination.
- 6.1.4 The social partners in Iceland are already fairly well integrated into the EU policy process. They follow the EU legislative procedure closely, as EU policies adopted through the EEA Agreement impact on them.
- 6.1.5 Representatives from labour and employers organisations in the EFTA states have links with the EESC through the EEA CC, which is part of the EEA institutional set-up. This forum serves as a link between the social partners in the EFTA states and civil society organisations in the EU. Unlike the EESC, members of the EFTA CC include only trade unions and employers' organisations. This is a certain limitation as it does not encompass civil dialogue as a whole.
- 6.1.6 The social partners in Iceland have generally been fairly positive towards European integration, although opinions are divided. ASI was originally sceptical of Iceland's membership of the EEA but revised its policy in 2000 having found the EEA to bring various benefits for Icelandic workers. ASI is now in favour of EU membership negotiations and the adoption of the Euro as it believes the interests of the Icelandic labour force and the general stability of the economy will be best guaranteed through full integration with the EU. It does, however, note that during the accession negotiations emphasis should be placed on maintaining full control over Iceland's exclusive economic zone with respect to fisheries and that support for Icelandic agriculture should be guaranteed. BSRB, representing public sector employees, has not formed an official view on membership, although it welcomes open discussions related to the negotiations.
- 6.1.7 On the employers' side, SA aims to follow the membership talks closely but has adopted a neutral stance on EU membership as its member associations are split on the issue. SI, for example, is in favour of membership, arguing that the Icelandic economy is unstable due to the fluctuating value of the currency and that integration with the EU and adoption of the Euro would enhance competitiveness and lead to better working conditions for Icelandic industries.

6.2 Fisheries sector

- 6.2.1 The Federations of Fishing Vessel Owners (LIU) and Fish Processing Plants, on the other hand, strongly oppose EU membership. Those who have a stake in the fishing industry are reluctant to join the Common Fisheries Policy (CFP) as it would allow foreign investment in the sector and mean that the total allowable catch quotas in Iceland's 200 mile Exclusive Economic Zone would be determined in Brussels. Although as a member state Iceland would fully participate in the decision making process the CSO representatives believe that due to its size Iceland would not be able to sufficiently influence decision at EU level. Iceland would also relinquish its right to conclude its own agreements with third countries regarding fishing of straddling stocks which comprise 30% of Iceland's catches. LIU argues that discards and over-fishing are serious problems in the EU while in Iceland the fisheries sector is profitable. Furthermore, there is no guarantee that the principle of relative stability will be maintained in the EU.
- 6.2.2 However, in August 2010 the chairman of LIU said on Iceland Radio RÚV that Iceland must continue its EU accession talks and "the best deal possible" must be sought in the talks, and that it made no sense to withdraw the EU application at this stage.
- 6.2.3 Finally, Iceland's resumption of commercial whaling in 2006 is likely to be a thorny issue as it contradicts EU policy and, if a solution is not found, could become a serious obstacle on the way to Iceland's accession.
- 6.2.4 The CFP is currently under review. Foreseeable changes will most likely bring it closer to the Icelandic model. Nevertheless Iceland's membership negotiations would be based on the current *acquis* and so there are various potential points of conflict. Fisheries will most likely be the most important issue in Iceland's accession negotiations. The fisheries lobby is highly influential in the policy process and is likely to play a key role in the debate over EU membership as the per capita income from fisheries in Iceland is far greater than in any EU Member State.

6.3 Agriculture sector

- 6.3.1 Another organisation that has a long history of political participation is the Farmers' Association. Farmers have traditionally been a strong force in Iceland with close ties to government, although their influence has weakened over the years as the sector has decreased in size. Like LIU, the Farmers' Association follows the EU legislative procedure closely. The Farmers' Association is a partner organisation of COPA/COCEGA and therefore its participation there is limited to a certain extent. This European umbrella organisation focuses mainly on EU related matters.
- 6.3.2 The Farmers' Association strongly opposes EU Membership, arguing that it would lead to a large-scale loss of jobs in agriculture and have a considerable negative impact on the food

safety and food security of the country. The main reasoning behind this argument is that Iceland would have to allow unlimited imports of agricultural products from the EU, which would be difficult for Icelandic farmers to compete with. Nevertheless, the EU's Food Law assuring food safety⁴ is already part of the EEA Agreement and will come into effect at the end of 2011. During the implementation of the Food Law package at the national level, the Farmers' Association fought successfully to maintain a ban on imports of fresh meats in the Icelandic legislation, even though such a ban is arguably inconsistent with the aims of the EU legislation. Under Article 19 of the EEA Agreement, Iceland has also agreed on tariff free quotas and concessions for specific products, which is a concern for the Farmers' Association.

6.3.3 Agriculture will be a key area during the accession negotiations and explicit support for dairy production, sheep breeding and other traditional farming will be one of Iceland's objectives. A similar long-term national aid scheme to those for other EU regions situated north of the 62nd parallel could help sustain agricultural activity in these areas of low population density and difficult climate conditions.

6.4 Environmental sector

6.4.1 There are a number of active environmental groups in Iceland. Environmental groups in the EU generally follow EU environmental policy closely, are active at European level and members of umbrella organisations. This does not seem to have been as important for Icelandic environmental groups through the years, although a few of them do have some international affiliations.

6.4.2 There are a number of potential explanations for this. Firstly, anti-whaling policies are popular among European interest groups, which may mean that Icelandic environmental groups do not feel an affinity with their European counterparts. Secondly, Icelandic environmental groups, such as Landvernd, focus primarily on the problem of soil erosion and the conservation of natural habitats in Iceland, often in opposition to the construction of hydroelectric dams to increase the production of aluminium. Although most EU environmental policy falls under the EEA Agreement, this does not include legislation on the conservation of natural habitats. Finally, environmental groups in Iceland have suffered from a lack of funding and resources. Perhaps for these reasons Icelandic environmental groups have been less active than their European counterparts at EU level and have generally not been very active in the EU membership debate to date. Landvernd, for example, has not formed an official position on EU membership, although it generally feels that the impact of EU environmental legislation has been positive. Landvernd is also interested in clarifying the role it can play in the accession negotiations including further participation in EU programmes such as the nature conservation framework.

⁴ General Food Law Regulation (EC) No 178/2002 and related acts.

6.5 Consumer protection

6.5.1 The Consumers' Association of Iceland (NS) is an independent, non-profit, non-governmental organisation founded in 1953, they are active at European level and are members of umbrella organisations. NS already works closely with ECC-Iceland, which is a part of the European Consumer Centre Network. NS has not taken a firm stand for or against Iceland joining the EU. However it has long been the opinion of NS that Iceland should look into all the pros and cons of joining the EU and the general assembly of NS held in 2008 concluded that Iceland should apply for EU membership to find out what the real issues were and so that the discussion on the EU could progress without prejudice and be based on facts. In 2008 NS also had a report made focusing on the pros and cons for consumers if Iceland joined the EU. So, without taking a firm stand or forming a policy for or against the EU, NS has always encouraged the application to the EU as such and tried to play its part in opening up discussions about the EU.

6.6 Other organisations

6.6.1 Other important organisations include the Organisation of Disabled Persons, the Chamber of Commerce, which is a member of EUROCHAMBERS, the Federation of Trade and Services, member of EUROCOMMERCE, the Federation of Icelandic Trade, and various other NGOs. At present these organisations have not yet formed official views on EU membership, although they are likely to mobilise in favour of or in opposition to certain European policies. There are also special pro- and anti-EU groups such as Evrópusamtökin and Heimssýn.

Brussels, 9 December 2010.

The President
of the
European Economic and Social Committee

Staffan Nilsson
