Honourable President,

I.

It is now fourteen years and thirty days since the European Economic Area took same into effect, and Iceland, with its cultural institutions, businesses, banks, local authorities, scientific research, administration and legislative work, became part of the European single market.

No single decision in the recent history of the Althingi has had such of an impact on Icelandic society, and no-one now doubts, honourable President, that membership of the EEA was absolutely the right decision for Iceland.

It entailed the opening up of the country, new freedom to move between countries, set up businesses, transfer finance and engage in trade with goods and services. It bolstered Icelandic higher education, and it introduced reforms in certain fields for the first time in Iceland, for instance with respect to environmental and consumer matters. It provided the practical basis for Icelandic companies to cast off their old shackles and compete in the global market on equal terms with anyone.

Icelanders have much to learn from our fourteen-year experience of the European single market. Let us recall for how many Icelanders feared, back in 1993, that membership of the EEA would imperil the country's nationhood and autonomy, and learn the obvious lesson of the last decade-and-a-half: the lesson that participation in the European single market has made Iceland stronger.

I have frankly said that my time on the Foreign Affairs Committee of the Alþingi in the period leading up to the EEA agreement, and the heated debates

which took place in parliament and in society, was a valuable learning experience for me. Initially I was quite critical towards the EEA agreement, but after careful study of the matter I became convinced that the agreement was an important and beneficial step for Icelandic society. Icelandic political debate matured as a result of our leap into the EEA. For decades it had been accepted policy, transcending party lines, that Iceland should deliberately avoid participation in international affairs due to its supposed special status. The opinion was widely held that isolation would guarantee autonomy. Bjartur of Sumarhús, the stubbornly self-sufficient farmer of Halldór Laxness' novel Independent People, was not simply a literary invention.

That era is over in Icelandic politics, and it will never return, although there may still be some resistance from the nostalgic few.

Participation in the European single market has strengthened Iceland in innumerable fields, and it is natural for us to see our activities in the European arena as involving some of our most vital interests: we must be on guard, and carefully evaluate every situation.

European integration has been going on for nearly sixty years; and fourteen years ago Iceland jumped on board. The crucial aspects of integration have equal effect on the operating conditions of businesses here in Iceland as on those in Slovenia, Ireland, Sweden or Portugal. Whether inside or outside the European Union Iceland is part of the single market, with its harmonised rules.

In recent years many laments have been heard that the Athing has lost its authority, and is now but a rubber-stamp for EEA instruments. This viewpoint underestimates the possibilities of Icelandic administration officials and parliamentarians to exert influence and to make choices which are generally

provided to members of the single market when transposing the content of EEA rules into national legislation.

However, any sensible debate on the issue should be quite clear that, by choosing EEA membership, the Alþingi has opted to keep its European cooperation at the administrative level without participation in the formal political cooperation of European nations. The crucial difference between the EEA and the European Union is that EEA cooperation is by its nature an administrative process, albeit an administrative process which commits the Icelandic parliament to certain legislative acts that touch directly on many areas of national life.

At a consultation meeting held some years ago by the Ministry for Foreign Affairs with representatives of Icelandic business and employees, the conclusion was reached that Iceland should pursue its interests as if it were a member of the EU. The findings of the Europe Committee of March 2007 suggest a number of ways to strengthen Iceland's position vis-à-vis the European Union and within the EEA, with the aim of better safeguarding the interests of the Icelandic people and Icelandic business.

The Althing has an important role to play here, honourable President.

Today, as Minister of Foreign Affairs, I am introducing the initiative to bring together the members of this House at a general session of parliament, to discuss the leading issues of the European single market and other aspects of European cooperation in which Iceland is a participant.

This discussion will be based on a report prepared by the Directorate for External Trade at the Ministry for Foreign Affairs and the Icelandic Embassy in

Brussels, describing the status and content of policy and legislation now in preparation within the EEA and EU which will be submitted shortly to the honourable members of this House.

The regulatory system of the single market has a profound impact on Iceland. We do not have the same opportunities to influence these rules as do European Union members; formal involvement by the Icelandic government with respect to EEA affairs is restricted to the first stage of proposals from the European Commission. Experience has shown that it is possible to influence developments within the EU at this stage, if the right approach is taken sufficiently early. An excellent example of this is EU policy formation on maritime affairs, in which Iceland played an active part and had considerable influence.

In order to rectify the democratic imbalance within the EU and increase the influence of elected representatives, the European Parliament will be allocated a greater role. This will restrict the potential involvement of EEA nations for involvement and influence in the way I have just described. The Althing should therefore greatly increase its collaboration with the European Parliament, which should not be confined, as at present, only to the Foreign Affairs Committee and our EFTA/EEA Parliamentary Committee. The specialist parliamentary committees have every reason to interact with committees of the European Parliament when they are formulating legislation for the single market, and hence the content of future Icelandic legislation.

The Althing has hitherto been a belated entrant to the debate on what Iceland's position should be within the EEA system, how issues are prioritised at our embassy in Brussels, and how government ministries should handle EU directives which provide member states with scope for variation when

transposing into national law. Today's debate and the report to the Althing, are a contribution to rectifying this legislative imbalance. This House has not followed its own rules of 1994 on parliamentary procedure for EEA instruments. Reform is required, and the role of the Foreign Affairs Committee should be expanded; and we should consider establishing a special Europe Committee here in parliament.

II.

I will now mention some of the principal issues discussed in the report, which are important matters for Iceland in the European arena.

EU leaders confirmed the European Union's Integrated Maritime Policy during a summit in Lisbon on 17 December 2007. This covers environmental issues, utilisation of resources, shipping, coastal tourism, ports, regional issues of coastal communities, safeguards against threats and unlawful actions at sea, monitoring of shipping and the ecosystem, research and development, and the development of information technology systems.

The policy is clearly more extensive than what has gone before, overriding the conventional division of responsibilities among government ministries in most countries.

Iceland decided at an early stage to be as active in the process of policy formation as the EU would allow; and the fact is that such processes are generally open to Iceland on equal terms with EU member states, although Iceland has rarely made full use of the opportunity.

Our embassy in Brussels has carefully monitored developments from the outset sending the EU published Green Paper for comment to forty interest groups here in Iceland, including all trade unions with members working at sea, fishing-vessel owners, research bodies, nature conservation organisations, cultural bodies, etc.

The Ministry for Foreign Affairs set up a working party that included members of all the relevant specialist government ministries and the Association of Local Authorities. In short, various points made by Iceland in its comments were included in the policy which was confirmed last November. Iceland has attended a ministerial conference on the issue, and José Manuel Barroso, President of the European Commission, expressed special thanks for Iceland's contribution; high-level EU officials have repeatedly stated that the Icelandic input to this matter is greatly valued because of our expertise in maritime affairs. They even requested that an Icelandic fisheries expert be seconded to work there on my visit to the European Commission in Brussels last autumn, a request was made.

The European Union has given specific numerical targets for reduction of emission of greenhouse gases. This had a key influence on the United Nations climate change conference in Bali last December. The European Union is at present a global leader in environmental affairs.

By the end of this year, legislation is likely to be passed with the aim of compelling local authorities, businesses and the public to recycle waste. A system of trade in greenhouse-gas emissions is being formed on the basis of a directive of 2003 which has been incorporated into the EEA agreement, as discussed here in parliament last autumn. In November, it became clear that the regulatory system would also extend to aviation. Iceland is now placing emphasis on arguing the special importance of air transport in Icelandic society

to prevent excessively onerous rules for Icelandic aviation, as further explained in the report. It should be pointed out that the system will probably be extended to the shipping and aluminium industries within a few years.

The first Energy Policy for Europe was agreed at a summit in March last year. In September proposals were made on the abolition of restrictions on energy sales, which will affect Iceland, and entail standardised rules on an single market in electricity. The Commission is of the view that the current rules on separated ownership on the energy market have not been a success, and that great concentration has taken place in this market. The EFTA Surveillance Authority reached similar conclusions regarding the EEA nations, but pointed out that it was too early to judge the effects in Iceland.

A directive to deregulate postal services has been controversial within the EU, but is likely to be approved in the coming months for implementation in 2010. Transposition here in Iceland would mean that Iceland Post Ltd. would lose its postal monopoly.

Due to changes in agreements on exemptions from duties on agricultural products, Iceland has allocated a larger quota for lamb to the EU, and a new quota for butter, *skyr* milk curd and hot dogs. In turn the EU has allocated a quota for beef, pork, chicken, ptarmigans, sausages, GI products, cheeses and potatoes.

Iceland has the opportunity to be a party to the EU's watershed agreement with the USA on air transport, under which scheduled air services to the USA will be opened to all airlines on equal terms.

A new generation of EU programmes on science, culture and social matters commenced last year; and Iceland has from the start, been allocated far more funding for domestic projects than we have contributed to the programmes. In 2006 seven thousand people were involved in such EU projects in Iceland: 4,700 pupils in primary and secondary education, and over one thousand foreign students. Two hundred projects were carried out under Icelandic leadership.

The introduction of the EU legislation on food safety will necessitate extensive amendments to Icelandic law.

After many years of dispute on the EU Services Directive, it seems likely that a special directive on services of general interest will be added to the EU system of regulations. The Services Directive itself is under consideration within EFTA, as the EEA/EFTA nations are consulting on how to transpose the Directive into the Agreement. A working party of ministries has been appointed here in Iceland for this reason. The Directive was sent to 20 interested parties, and comments were requested on the prospective transposition. The comments received are now being processed. Iceland will observe with keen interest the debate which has now commenced on definitions of services of general interest in EU legislation.

The functioning of the EEA Agreement has been successful because all parties have demonstrated a willingness to work together. Circumstances will however grow more difficult as the EU undergoes organisational change. The role of the European Parliament is growing, and that of the Commission is evolving, while the system of EEA/EFTA agencies cannot be altered in step. We must not close our eyes to this; we must respond rapidly.

III.

Honourable President,

I have pointed out before from this rostrum that the distinction between international and domestic affairs is disappearing from politics.

Iceland's membership of the European single market entails that this distinction has vanished in the fields of capital movements, trade in goods and services, population movements, rights of association and intellectual property, competition, foodstuffs, transport, energy and environmental matters, consumer affairs, science, research, education and culture, to name but a few. In these fields we share the power to formulate policy and to regulate with other member states of the European Economic Area. And let us not close our eyes to the fact that this is the bulk of the work of the European Union. The EEA Agreement, on the other hand, is international cooperation at the administrative level. It is on the receiving end from the EU in these fields by its very nature. In the Schengen system, on the other hand, Iceland is a full participant, also in the political aspects.

The policy statement issued on the formation of the present government stresses that Iceland's status in European cooperation is to be actively on the agenda, and that this debate is important for Iceland's interests. The policy statement provides that a special committee is to be appointed, a watchdog of sorts, to monitor developments in Europe and evaluate changes and their relevance to Icelandic interests. The committee will begin its work within a few days. Two members of parliament will jointly chair the committee: Ágúst Ólafur Ágústsson, deputy leader of the Social Democratic Alliance, and Illugi

Gunnarsson, deputy chair of the parliamentary Independence Party. All parties are requested to appoint representatives to the committee, along with organisations of employers and employees.

I have also appointed one committee, and I am about to appoint another, comprising officials and interest groups to discuss EU agricultural and fisheries policies. I feel it is important that we should closely monitor the evolution of EU policy in these fields, in order to be best prepared for changes which may be expected here.

On cannot fail to notice that in the Icelandic business world many people view the Icelandic *króna* as a hindrance. I have long maintained that the *króna* was heading towards becoming a barrier to trade, and that the smallness of the currency is costing the Icelandic public too much to be acceptable. Circumstances demand that all political parties, and leaders of business and trade unions, should make a clean start, by seeking firstly a common understanding of the situation, and then new solutions which will strengthen Iceland in the future.

I agree with both the Prime Minister and with the board chair of the Central Bank, that unilateral adoption of the Euro, as was done in Montenegro, is impossible for Iceland. My view is that the Euro cannot be introduced without membership of the Monetary Union as a whole.

The government is ready for a dialogue. I urge employers' and employees' organisations, and others with a contribution to make, to adopt new methods and suggest responsible, practical ways to achieve a solution. We must beware of fostering the old notion that our special status absolves us from responsibilities which are incumbent upon other nations.

A democratic dialogue on where Iceland's future lies is a task for all of us, and not the exclusive preserve of politicians or parties; for it is clear that a decision on changing Iceland's status in European cooperation would be made by referendum. Without the agreement of the electorate, nothing can happen.

The public is entitled to an objective debate, accessible and correct information, and an honest assessment of the interests of Iceland and the Icelanders. Fourteen years and thirty days ago, Iceland took a leap into the European common internal market. Those whose greatest fear was foreign greed - for instance that thousands of people would flood into Iceland from such impoverished countries as Ireland or Finland, or that foreigners would buy up land in Iceland - had, in the event, nothing to fear.

And the lesson of history is in fact that Iceland, Ireland and Finland have all prospered in the European single market, without acquisitiveness and to their mutual benefit.

Honourable President,
The European single market and its standardised rules are the everyday Icelandic reality of individuals and businesses. The institutions of the single market, new policies and legislation have certain faults and many virtues, as with any other Icelandic reality. The time has long come for various aspects of their implementation to be discussed here in parliament, as we are now doing.

Our task, the task of the government, the honourable members of parliament and of all Icelanders, is to continue our journey in European integration, step by steady step, without either falling behind or trying to run too fast for our own good.