EUROPEAN PARLIAMENT

DELEGATION FOR RELATIONS WITH SWITZERLAND, ICELAND, AND NORWAY AND TO THE EEA JOINT PARLIAMENTARY COMMITTEE

REPORT
to
Mr Elmar BROK,
Chair of the Committee on Foreign Affairs

from
Ms Diana WALLIS,
Chair of the European Parliament's Delegation for Relations with Switzerland, Iceland and Norway and to the EEA JPC

on the 16th EU-Iceland Interparliamentary Meeting in Brussels, 15 June 2005

In the morning of Wednesday 15 June, the Icelandic delegation arrived to the European Parliament in Brussels, were the working session with the EP delegation started at 9.15h.

Mrs WALLIS, Chair of the EP delegation, opened the 16th EU- Iceland Interparliamentary Meeting and welcomed the Icelandic delegation to the European Parliament in Brussels.

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Political and economic situation in the EU and Iceland

Ms PÉTURSDÓTTIR (Althingi) briefed the members on the political and economic situation in Iceland. The prosperous cooperation between the governing parties, Independence party and Progressive party was renewed in 2003. As a part of the deal Mr. Davíð Oddsson who has been Prime Minister since 1991 led the government until 15th September last year when Mr. Halldór Ásgrímsson, former minister for foreign affairs replaced him. At the beginning of next session Ms Pétursdóttir will take over as President of Althingi and Mr. Halldór Blöndal, will step aside.
Regarding Iceland's foreign policy there are 3 issues which have characterised the debate in Iceland:
- The status of the Defence Agreement with the United States has been highlighted with the position of Iceland that sufficient air defence is necessary.

- The War in Iraq and combat against terrorism has been a focal point in the parliament. The Foreign Affairs Committee carried out its own investigation on Iceland's support for the invasion of Iraq.
- Iceland has decided to opt for a seat in the Security Council in 2009 to 2010.

The Icelandic economy is blooming at the moment. The per capita GNI is over 30 thousand US dollars per year (measured in terms of Purchasing Power Parities.) Even though over two thirds of the GDP are produced in the service sector, the Icelandic economy is still heavily dependent on fisheries for exports. 60% of merchandised export earnings come from this sector (around 40% of the total exports). Services and high-skill manufacturing have been growing extensively and there is a rapidly growing aluminium industry and high-tech sector, especially in pharmaceuticals. Icelandic companies have been investing heavily abroad in the past couple of years, mostly to escape the confinements of the small Icelandic market. The economy is expected to grow about 6% this year after a 5, 2% growth in 2004. The unemployment rate has been between 2 and 3% in the past few months and is approaching 2%. The low unemployment is the result of the strong economic growth and the flexible job market in Iceland.

On a question from Ms HEDKVIST (EP) about the ongoing urbanisation at Iceland, Ms PÉTURSDÓTTIR (Althingi) and Ms FRIDLEIFSDOTTIR (Althingi) responded that the government has been taken wise steps to halt this development by, as one example, moving companies outside the capital.

Enlargement of the EU and the EEA
The Constitution and its future perspectives

Ms ROTH-BEHRENDT (EP) briefed the members on the enlargement of the EU and the EEA and on the constitution and its future perspectives. The EU now consists of 25 states and the last year has brought both achievements and challenges. The EU has now negotiations with two accession countries, Rumania and Bulgaria, which have been given the assurance to enter the EU in 2007 or 2008. Croatia and Turkey have shown interest to enter the EU and are now withholding the status of candidate countries. The Constitution was rejected by the French and the Dutch and the main debate is now concerning the reasons to this outcome. She was of the opinion that this could much likely lead to a stand-still of the enlargement but still other models of cooperation were considered.

Ms SVEINBJARNARDÓTTIR (Althingi) briefed the members on the enlargement of the EU and the EEA and on the constitution and its future perspectives. She agreed with latter speaker that it seems as the enlargement has come to a stand-still and she was of the opinion that this is a development in wrong direction. Regarding the constitution it was expressed that this was a top-down elitist project and that this was the time for consideration and reflection on what had happened. She ended her briefing by asking whether there is a plan B to the constitution process and if there is an alternative to the enlargement.

Ms ROTH-BEHRENDT (EP) highlighted the difficulties with an effective decision-making process with an EU that includes more than 27 member states.

Ms LÉVAI (EP) stressed the there is a lack of a European identity and that the EU needs to be better on communication towards their citizens.

Ms HEDKVIST (EP) stated that a "plan D for Democracy" has been launched by Margot Wallström quite recently. The alternative for EU membership is the Neighbourhood Policy.

A discussion on the future perspectives of the constitution and the enlargement followed by Ms WALLIS (EP), Mr RÜBIG (EP), Mr THÓRDARSON (Althingi), Ms HEDKVIST (EP). Ms FRIDLEIFSDOTTIR (Althingi), with the haltering enlargement in mind, expressed a concern whether EU would accept Iceland as a member in the future

Energy Policies of Iceland and of the European Union

Mr RÜBIG (EP) briefed the members on the energy policy of the European Union. EU imports 50% of its energy and by 2030 this will probably has risen to 70%. One of the main tasks for the EU in the upcoming years should be the program for energy efficiency. The efficiency in especially many of the new member states is on a very low level so this is something that needs to be focused on. There is an ongoing debate in the European Parliament on the issue of a compulsory target on energy efficiency and the dividing line is whether it should be enforced by law or into a system of best practise. Another great issue for the EU is the internal market for gas and electricity. A transparent grid system is very important and so is also the question on who should pay for the grid. Renewable energy is on the agenda and will play a significant role. There are no European standards on the safety and security of nuclear power plants which has led to that many companies do not invest in this area. The Kyoto target was also mentioned and the most important issue concerning this topic is the joint implementation program.

Ms FRIDLEIFSDOTTIR (Althingi) briefed the members on the energy policy of Iceland. Iceland has to this date only used 17% of its existing energy resources which consist of hydropower and geothermal power. Iceland is very prominent in the field of renewable energy and is at this moment hosting the UN's geothermal training program in the University of Iceland. Iceland is only importing 30% of its energy and that is oil. Iceland has a hydrogen project that is partly financed by the EU with the idea to eventually become a fossil fuel free country. About 90% of the houses on Iceland are heated with hot water and this is also used to produce energy. In 2003 Iceland had a new legislation on energy, which was the result of the EU directives, which meant that they had to put their energy in a competitive field. This has caused a debate on whether this has led to a higher price in electricity or not.

Ms SVEINBJARNARDÓTTIR (Althingi) directed a question to Mr RÜBIG (EP) on why there is no uniform regulation within the EU on nuclear waste. He responded that the EURATOM treaty clearly states that nuclear policy is under each member states responsibility and decision-making. However, the European Parliament is heavily pushing the issue on safety and security forwards.

An exchange of views on Iceland and the Kyoto protocol followed by Ms WALLIS (EP), Ms FRIDLEIFSDOTTIR (Althingi), Mr THORDARSON (Althingi) and Ms PETURSDOTTIR (Althingi).

Common Foreign and Security Policy of the EU

Mr SMITH (EP) briefed the members on the common foreign and security policy of the EU. The European Parliament supports the so called civil military holistic approach of the European security strategy that was adopted by the Council in December 2003. This strategy seeks to define the way forward for Europe to play a more active and responsible role in establishing and

maintaining global security. The European Parliament supports the joint efforts being made to implement the EU strategy against the proliferation of weapons of mass destruction. This should be enhanced by cooperation with the US and NATO. The fight against terrorism remains an EU priority and a key element of its external policy but can not be pursued at the expense of human rights and civil liberties. The EU produces 25% of global GDP, provides more than 50% of world wide over seas development aid and over 40% of the UN budget. Members of Parliament continue to stress the importance of decisions on final status of Kosovo, the peace process in the Middle East, close cooperation with the US and Russia and the situation in Iraq, Iran, North Korea and Afghanistan.

Ms PÉTURSDÓTTIR (Althingi) stressed the importance of NATO which has been the cornerstone of Iceland's foreign policy. Iceland is a founding member of NATO and has been an integral part of furthering democracy, human rights and prosperity in Europe and the world at large. NATO is looking beyond its traditional horizon and the out-of-area question has been laid to rest by developments in the last few years. The Partnership for Peace has in the past been a key initiative in transforming NATO from its former past. This model can play an equally important role in engaging countries that may not join the Alliance per se, but which may become key partners in security. The success of Partnership for Peace in extending the circle of security to the East can be utilized in the area that has become known as the Greater-Middle East. Effective international cooperation is the key to future success in rooting out terror. Such cooperation is taking place in most international and regional organizations that deal with security in its broadest meaning. In this context it is desirable to see the EU Security and Defence Policy and NATO go hand in hand in their tasks to preserve world peace.

Mr SMITH (EP) agreed with Ms PÉTURSDÓTTIR (Althingi) on that there is a need for cooperation between EU and NATO, especially on the fight against terrorism.

Fisheries Policy of Iceland and of the European Union

Mr THORDARSON (Althingi) briefed the members on Iceland's fisheries policy. The fishery sector is a very important part of Iceland and constitutes 40% of Iceland's total export. Iceland has not been able to grow the fish stocks as large as desired which have resulted into a debate on whether there is something wrong in the scientific field of this area. Iceland has free imports on fish products from the EU although there still remain a few tariffs on certain products. Foreign firms are not allowed to take over ownership in Icelandic fish companies and this is something that probably will not change. Finally he stated that Iceland is of the opinion that whale fishing is part of nature and that the Icelandic's do not see the sense of not catching them.

Mr SMITH (EP) briefed the members on the fisheries policy of the EU with a rather critical approach. To achieve its objectives, the Icelandic government has emphasised that states should resolve problems, firstly, on their own where possible; secondly, through regional co-operation and, thirdly, by means of active participation in co-operative efforts between states in a broader, international arrangement for conservation and sustainable utilisation of resources. He was of the opinion that the Common Fisheries Policy takes this approach and turns it upside down. The results are a disaster for conservation, a disaster for the fishing communities and a disaster for the marine environment. He stated that no fisheries policy can work unless fishermen have confidence that the policy will be operated on a politically neutral way that will permit them to benefit in the long run from the success of their conservation efforts.

An exchange of views continued on the issue of whale fishing by Ms WALLIS (EP), Ms PÉTURSDÓTTIR (Althingi), Ms SVEINBJARNARDÓTTIR (Althingi), Ms FRIDLEIFSDOTTIR (Althingi) and Mr THORDARSON (Althingi) .

EU's New Neighbourhood Policy

Ms PÉTURSDÓTTIR (Althingi) briefed the members on EU's new Neighbourhood Policy. The European Neighbourhood Policy has not received much attention in Icelandic politics with the long distance as a probable reason. This policy is of special concern to all the EEA-countries with economic development and political stability as key element in preserving the peace in Europe. Other elements of utmost importance are the fight against terrorism, organised crime, trafficking in people and non-proliferation of weapons of mass destruction. However, important questions concerning how far the EU is ready to extend its borders, the prospects of these countries future memberships and the public support for this policy, remains to be answered.

Ms HEDKVIST (EP) briefed the members on EU's new Neighbourhood Policy. She stated that with the ten new member states the EU's external frontiers have changed and that we are now facing new neighbours. The enlarged EU is not supposed to create a dividing line with the neighbouring countries but to establish some kind of co-operation with the neighbours in the south and east. The idea behind this policy is to create a common space of peace, security and prosperity but also respect for human rights, democracy and justice. The Neighbourhood Policy neither explicitly nor implicitly *excludes* its participant states from future EU enlargement, but neither does the EU as a political entity eventually have to automatically *include* all of Europe as a geographical entity.

Ms PÉTURSDÓTTIR (Althingi) directed a question on whether the Neighbourhood Policy is putting focus on the issue of trafficking in women.

Ms HEDKVIST (EP) responded that this issue is mostly dealt with on an intergovernmental basis. The recent common definition on trafficking of men, women and children is however a major break-through. There is no common legislation on this issue yet but it is moving forward step by step.

Ms PÉTURSDÓTTIR (Althingi) emphasised that the EU should have witness protection regarding this matter.

Ms HEDKVIST (EP) responded that the EU does not have competence on this particular issue although this is something the Commission is working on actively at the moment.

The Northern Dimension
EU-Russia relations

Ms WALLIS (EP) briefed the members on the Northern Dimension and EU-Russia relations. The Northern Dimension is now at an interesting point in that sense that it either disappears or survives. It has to a certain degree struggle with recognition against the interest to the east and to the EU's southern borders. The problem with the Northern Dimension is that it has tended to be an EU policy that has Russia as its object when it rather should, to a much greater extent, addresses the High North. The Commission has been circulating some ideas amongst the member states on how the Northern Dimension will progress after 2006. This autumn under the

UK presidency there will be a short ministerial meeting on how they wish to take the Northern Dimension forward. The Norwegian government has just recently produced a policy paper on the High North which reflects many of the concerns that are wished to be reflected in the EU's policy on this area.

Ms HJARTARDÓTTIR (Althingi) briefed the members on the Northern Dimension and on relations with Russia. The 2nd Action Plan for the years 2004-2006 lays out the overall priorities and objectives of the Northern Dimension. In simplified terms it can be described as releasing the potential for rapid economic growth and social development in the Northern Dimension region and promoting good governance and environmental protection. The enlargement of the EU is seen as an important development providing new opportunities and consequently the focus of the Northern Dimension has shifted to Russia. The EU enlargement must not lead to the emergence of new dividing lines in a wider European context and it is of utmost importance to resist a permanent welfare divide on the EU's eastern borders. The Northern Dimension Action Plan is an important tool for this purpose. In the light of the debate on sustainable development, the protecting of the Arctic environment is of great importance. The alarming conclusions of scientific studies of climate change in the Arctic, most recently the Arctic Climate Impact Assessment which was made for the Arctic Council, indicate that climate changes may be the utmost challenge we face in the North. The interest for the whole Northern Dimension programme has somewhat diminished and the fact that the program has no independent budget line is of great concern.

Ms WALLIS (EP) added that the Commission has stressed that it may be willing to support a Northern Dimension forum which would give it a bottom-up push that is needed.

An exchange of views followed by Ms HEDKVIST (EP), Ms SVEINBJARNARDÓTTIR (Althingi), Ms WALLIS (EP), Ms PÉTURSDÓTTIR (Althingi) on the issue of cooperation in the High North. It was expressed that it is sometimes rather perplexing with the current situation of a number of bodies in the northern area such as the Nordic Council, the Barents Artic Council and the Arctic Council. There is a need for a cooperation with sharper focus and also hopefully on a parliamentary level.

Ms FRIDLEIFSDÓTTIR (Althingi) stressed that it will be a tough fight to get more attention to the High North since there is not a grand general interest in this area.

Ms WALLIS (EP) once again emphasised the importance of environmental action in the High North.

The meeting was closed at 16.00h. Ms PÉTURSDÓTTIR, chair of the Icelandic delegation, invited the EP delegation to Iceland for the next meeting in 2006.

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