

Ministry for Foreign Affairs

## **Iceland's policy on Europe: priorities and implementation**

## **Policy objectives**

The government of Iceland has established a policy on Europe dedicated to strengthening the representation of Iceland's interests on the basis of the Agreement on the European Economic Area (EEA) and other current agreements between Iceland and the European Union (EU).

Relations between Iceland and the EU rest on solid foundations. Iceland enjoys successful collaboration with the EU and friendly and close relations with its Member States. The EU Member States are among Iceland's principle partners and in recent years and decades a permanent framework has been set up in nearly all fields.

Europe is an important market and cultural region for Iceland and therefore it is necessary to continue to ensure open and free access to the EU's internal market on the basis of the EEA Agreement.

The EEA Agreement has been the pillar of collaboration and relations between Iceland and the EU and its member states and will continue to be so. The EEA Agreement has been beneficial for Iceland since its entry into force two decades ago. The Agreement gives us access to an important market for Icelandic business, with free movement of most goods (although not fully for agricultural and marine products), capital (investment) and services. The Agreement also ensures the right of Icelanders to residence, employment and education anywhere in the region. The Agreement is under constant development and is therefore not without challenges.

One of the primary objectives of the EEA Agreement is harmonisation of the legislation of all parties to the Agreement so that individuals and enterprises enjoy the same rights anywhere in the internal market of the European Economic Area, which now comprises 31 states. A great deal of responsibility rests on the legislative process in ensuring that this objective is reached and maintained, thereby ensuring the legal rights of persons and enterprises in all fields. This is fundamental to Iceland's interests.

Since its entry into force, the impact of the EEA Agreement on the Icelandic legal environment has increased. Added to this is the direct impact of the implementation of the internal market legislation on the operations of municipal governments and various state and municipal institutions. At the same time the legal environment within the EU has changed, e.g. through the latest amendments to the EU Treaties, so that representing our interests has become more complicated, not the least in relation to the European Parliament.

The Icelandic government gives extra priority to ongoing independent, proactive and close relations and collaboration with the EU and its Member States on the basis of current agreements and that Iceland is visible in this work on the basis on equality. Thus the government reaffirms the importance for Iceland of participating earlier in the shaping of EU legislation and for the authorities to use to the maximum all opportunities to present their

viewpoints, safeguard the country's interests and achieve understanding for Iceland's specificities.

Priority is given to the efficient implementation of the EEA Agreement, which the government will take measures to ensure, including by improving consultation within the administration and with Althingi.

Access to international markets is of vital importance to an exporting nation like Iceland. Therefore, priority will continue to be given to the collaboration between the four EFTA nations.

Iceland shares common interests with its neighbours with regard to resources, heritage and national culture. Continuing a strong Nordic collaboration is emphasised as an extremely important way to strengthen further the representation of our interests in the European context.

In addition to membership of the European internal market, Iceland's closest neighbours form the country's external economic environment. The government reiterates the importance of the West Nordic cooperation and will continue to seek ways to strengthen it, especially in the field of trade. The West Nordic states (Iceland, Greenland and the Faroe Islands) form a powerful economic block which will continue to grow stronger in the coming years.

Iceland has had close bilateral relations with a number of European states for decades. Relations with these states are further enhanced by various mutual agreements, such as the EEA Agreement, the North Atlantic Treaty, the EFTA Convention, etc. Agreements such as the EEA Agreement strengthen the relations and open new doors into various other areas of cooperation.

Priority is given to international cooperation, including in the fields of trade, education, culture, welfare and security. Cooperation will continue to be sought with nations both inside and outside the EU on the basis of free and fair agreements and based on equality and mutual benefit. It is by maintaining such relations that the Icelandic authorities can best ensure Iceland's interests for the future. In addition to the multinational agreements mentioned above, Iceland cooperates in the fields of geothermal energy with various European states, such as Hungary, Romania and Portugal. There is also close cultural cooperation between Iceland and many European states.

## **The implementation of the policy on Europe**

It is important to pay particular attention to Icelandic interests throughout the implementation of agreements made with the EU, such as in the priority given to the increased influence of Iceland on decisions in the area of European cooperation in the parliamentary resolution adopted by Althingi in the spring session of 2013.

A coordinating group will be set up which will include representatives of business and the Ministry for Foreign Affairs, to identify opportunities in Europe with an eye to current trade agreements.

The Minister for Foreign Affairs will prepare a report assessing Iceland's interests in connection with the EEA Agreement. The report will be presented in the autumn of 2014. A special debate will be held on the report and on the EEA Agreement on the occasion of the 20th anniversary of the Agreement's entry into force, in collaboration with major stakeholders and the academic community.

With consideration to policy direction, strong representation of interests in the context of the development of EU legislation is very important. The Minister for Foreign Affairs will make specific proposals on how to strengthen the representation of Iceland's interests, e.g. by strengthening the operation of certain ministries through Iceland's embassy in Brussels and by further facilitating expert participation in consultation meetings on subjects concerning Iceland's interests.

Issues will be prioritised and objectives set in this light. In particular, developments that might prove burdensome for Icelandic business, but also for the State and municipalities, will be closely monitored. Iceland will follow the EU's initiative for simplified regulation.

The government will adopt a special action plan on the implementation of the EEA Agreement, aimed at facilitating the processing of issues that do not require negotiations on special solutions. The plan will address the treatment of outstanding issues.

Specialists in specific subject areas will thus be enabled to start monitoring issues as soon as they begin their passage through EU legislative procedures. To this end, priority areas will be defined.

The government plans to strengthen its collaboration with Norway and Liechtenstein with the aim of increasing the exchange of information and the common representation of interests in connection with the EEA Agreement.

Ways will be sought to increase Althingi's capacities in administration and monitoring of the implementation of the EEA Agreement in line with the report by Althingi's Committee on Foreign Affairs from 2007.

It will remain the objective to enlarge the network of trade agreements with other states through EFTA and thus further strengthen and diversify the position of the Icelandic

businesses in international markets. Ways will be sought to support the EFTA Secretariat in pursuing the government's objectives.

Collaboration with neighbours continues to have an important place in the country's foreign policy. This co-operation will be strengthened, both through the Nordic Council and within the West Nordic Council, where there is still work to be done to clear away obstacles, e.g. in trade between the participating states.

Bilateral cooperation with other European states will in general be reinforced in fields such as security, trade, science and culture.

## Annex

### **Plan of action for the implementation of the EEA Agreement**

The EEA Agreement presents various challenges to the EFTA States, some of them common to them all but others isolated to individual states.

Norway has formed a policy direction for a stronger involvement in the EEA which appears, e.g., in changes of policy regarding important subjects. Liechtenstein has also formed a specific policy on using the EEA as the basis for relations with the EU. The Icelandic government has now adopted a policy in line with this.

Specific measures will be made with regard to the implementation of the EEA Agreement within the administration, if necessary in collaboration with Althingi, in order to create a leeway for the administration to direct its emphasis more away from the technical administrative points of the EEA Agreement over into the area of a more marked defence of interests and the analysis of the legislation in the preparatory stages of the legislative process within the EEA framework.

The subjects that need to be handled under this policy are as follows:

1. It takes the EFTA States of the EEA on average 16-17 months to incorporate legislation into the EEA Agreement after it is adopted by the EU. This is too long, particularly with regard to that this legislation often provides for the rights of individuals and enterprises.
2. A review process by Althingi on acts that will require amendments of the legislation. The rules are that the handling of cases should be finished within two weeks, but most cases take longer.
3. Iceland has fallen behind in the implementation of EEA relevant acts, with over 3% of EEA directives [a total of 37] remaining to be implemented in Iceland, which is the worst result in the EEA. The situation is similar with regard to EEA regulations [a total of 117].<sup>1</sup>
4. This situation means that the EFTA Surveillance Authority is referring many cases against Iceland to the EFTA Court without there being any substantive dispute in the matter, but merely a delay in implementation introduction. As a consequence considerable manpower is now tied up in such tasks due to transposition delay, instead of being able to concentrate activities on guarding interests at the preliminary stages.

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<sup>1</sup> The number of directives and regulations that have not been transposed dates to 1 November 2013, *cf.* monitoring of Iceland's performance by the EFTA Surveillance Authority dated 27 February 2014.

In order to deal with those factors, the government hereby adopts the following objectives:

1. An effort will be made toward early analysis of EEA legislation with the aim of detecting, in the preliminary stages, important interests that call for special actions.
2. Incorporation of EEA relevant acts into the EEA Agreement will be accelerated.
3. No later than the first half of 2015 the transposition deficit of EEA relevant acts will be below the 1% target.
4. At the same time, no pending infringement cases due to implementation deficit are to be before the EFTA Court.

Actions.

1. The implementation of the EEA Agreement will regularly be on the agenda of cabinet meetings.
2. A steering group will be set up for the implementation of the EEA Agreement, chaired by the Prime Minister's Office and with the participation of the Althingi Administration.
3. EEA contactpersons within the government offices, chaired by the Ministry for Foreign Affairs, shall meet at least twice a month to go over the situation with regard to the aforementioned objectives. They shall especially discuss proposals for new EEA legislation that concern the interests of Iceland, and make action plans.
4. A liaison group will be set up for cooperation on EEA matters between the government and the social partners, with an emphasis on interest analysis of EEA rules.
5. Icelandic cabinet ministers shall attend all informal EU ministerial meetings they are invited to, with the particular aim of discussing the specific interests of Iceland that have been analysed during the early stages of the EU legislative procedure.
6. The implementation of the EEA Agreement shall become a regular item on the agenda of meetings between the permanent secretaries of the ministries.
7. Regular meetings will be set up between the EEA ministers of Iceland, Norway and Liechtenstein in connection with meetings of the EEA Council.
8. The connection between Icelandic and Norwegian officials will be reinforced with a view to furthering the exchange of information on EEA matters that are being processed by the committees and working groups of the EU.
9. Periodic consultations on EEA matters will be set up between the Althingi committee department and the Ministry for Foreign Affairs.
10. The EFTA Secretariat will be asked to assist in the gathering and disclosure of information, which will make it easier to identify the more important interests and coordinate the incorporation of EEA relevant acts into the EEA Agreement.
11. Yearly EFTA information meetings for the government offices will be set up in Reykjavik.