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9 Abstract

Iceland’s long-lasting opposition to EU membership seemed to have come to an end in mid-2009, when the Icelandic government filed an application for EU membership. Iceland was accepted as a membership candidate by the EU a year later and membership negotiations with the EU started in June 2011. Today, four years after submitting the EU membership application, the traditional Icelandic opposition to the EU membership has again prevailed. Membership talks with the EU have been stopped and a majority of Icelanders are against joining the EU.

This raises the question as to what has changed during the past four years, and even as to why the membership application was filed in the first place. This paper seeks to answer these questions by first giving an overview of the political and economic developments on Iceland from the fall 2008 to the spring 2013 and subsequently analyzing the consequences of these developments for Iceland’s application for EU membership, based on the neorealist theory of international relations.

The findings are that the Icelandic application for membership of the EU was mainly due to the severe economic problems the country was faced with after the financial crisis. These significantly weakened Iceland’s economic power and self-determination. Membership of the EU and a subsequent adoption of the euro were seen as a way to stabilize the economy and regain economic power. However, as Icelandic economy recovered and the membership negotiations hardened, EU membership seemed less interesting for Iceland. The loss of autonomy and in particular the control over vital assets like fishing rights were no longer outweighed by the economic gains that could be expected from EU membership. Iceland thus chose to stop membership negotiations.
10 Introduction

In an article from 2005, E. D. Goodeve analyzed Iceland’s complicated relationship with the European Union (EU) and the reasons why the country had chosen for so long to stay out of the EU. She concluded that:

“Iceland could be compelled to join the EU within a short period of time if certain economic or political problems were to arise. However, [...] the possibility of Icelandic membership looks unlikely at the moment. Iceland will probably continue to step cautiously toward the possibility of membership but remains far from pledging its complete allegiance to the EU. [...] Thus, for the time being, Iceland will continue to move at glacial speed toward EU membership.”(P.103.)

Severe economic and political problems are exactly what Iceland was faced with in late 2008. The financial crisis caused all major Icelandic banks to collapse and the country came very close to state bankruptcy. The Icelandic króna (ISK) plunged and real wages fell. Food prices, inflation and unemployment increased significantly and the debts of those households who had borrowed in foreign currencies increased. This triggered a political crisis with Icelanders protesting against the right-wing government for several weeks. These political protests were the most severe in Icelandic history and forced the government to resign in early 2009. The new left-wing government that was elected in April 2009 soon proceeded to submitting an application for EU membership. Iceland was accepted as a membership candidate by the EU a year later and membership negotiations with the EU started in June 2011. Iceland’s long-lasting opposition to EU membership had seemingly come to an end.

Today, four years after submitting the EU membership application, Iceland seems to be back on square one with regard to the EU. Membership talks have been stopped and a majority of Icelanders are against joining the EU. The traditional Icelandic opposition to the EU membership has again prevailed. This raises the question as to what has changed during the past four years, and even as to why the membership application was filed in the first place.

This paper seeks to answer these questions by first giving an overview of the political and economic developments on Iceland from the fall 2008 to the spring 2013 and subsequently analyzing the consequences of these developments for Iceland’s application for EU membership, based on the neorealist theory of international relations. The problem statement is thus:

On the basis of the neorealist theory of international relations, how can the Icelandic application for EU membership and the later halt to the membership negotiations be understood?
11 Icelandic politics

I will start by giving an overview of the Icelandic political system and the major developments in Icelandic politics in recent years which have had an impact on the country’s attitude towards EU membership.

11.1 Iceland’s political system

Iceland didn’t become an independent state until 1944. The official name of the country is the Republic of Iceland. Elections are held every four years for the parliament (Althingi) with its 63 seats and for the presidency. The current president Ólafur Ragnar Grímsson first became president in 1996 and has since been reelected four times. The executive power lies with the government and the prime minister, currently Sigmundur David Gunnlaugsson from the Independence Party. The main political parties are: the Independence Party (Sjálfstæðisflokkurinn), the Social Democratic Alliance (Samfylkingin), the Progressive Party (Framsóknarflokkurinn) and the Left Green Movement (Vinstrihreyfingin-grænt frambod). (Swedish Institute of International Affairs: Island – Politiskt system.)

11.2 Existing cooperation with the European Union

Iceland joined the European Free Trade Area (EFTA) in 1970, but as most of the other member states have since joined the EU, EFTA’s importance has diminished. Iceland joined the European Economic Area (EEA) in 1994. This gives Iceland access to the EU internal market and rather good conditions for Icelandic fish exports (Swedish Institute of International Affairs: Island – Ekonomi). As a member of the EEA, Iceland adopts a large part of EU law and regulations - around 80% according to Thorhallsson (2002) – but has very little influence on EU decision-making. Iceland also joined the Schengen area in 1996 (full association in 2001) together with the other Nordic countries (Europa: The Schengen area and cooperation). This was done mainly in order to maintain the Nordic Passport Union (that had abolished passport controls between the Nordic countries) after Finland and Sweden joined the EU (Thorhallsson & Rebhan, 2011).

11.3 Political developments on Iceland

11.3.1 Parliament elections 2007

After the 2007 elections, the Independence Party formed a government coalition with the Social Democratic Alliance. The question about a future EU membership became a debating issue between the two coalition parties. The Alliance was the only Icelandic party to advocate EU membership. A majority of the Icelandic business community wanted Iceland to join the EU and also to adopt the euro. Although it had close ties to the business community, the Independence Party stayed opposed to EU membership. The Icelandic public opinion on the matter was divided (Swedish Institute of International Affairs: Island – Modern historia).

11.3.2 Parliament elections 2009
After a period of public protests and demonstrations against the government during the fall and winter of 2008, due to the very difficult economic situation on Iceland, the government resigned at the beginning of 2009. An interim government was formed by the Alliance and the Left-Green Movement and new elections were held in April 2009 (Swedish Institute of International Affairs: Island – Modern historia).

The question of whether or not to join the EU became an important issue during the election campaign. Although the Left-Greens had been against membership, they came to an agreement with the Alliance on the issue. The two parties agreed to open membership talks with the EU, should they form a government together. The Independence Party stayed opposed to membership, but stated that it was in favor of a public referendum on the opening of accession talks and another referendum on the actual accession (European Report: Iceland looking towards EU).

The Alliance and the Left-Greens won a historic victory in the elections. For the first time in Icelandic history, a left-wing government had a majority in the parliament. The new government coalition, under the leadership of the Social Democratic Prime Minister Jóhanna Sigurardóttir, soon had difficult debates regarding a possible EU membership. The SDA wanted Iceland to join the EU but the LGM was against it. After a difficult debate and a narrow vote in July 2009, the parliament decided that Iceland should apply for EU membership (Swedish Institute of International Affairs: Island – Aktuell politik).

The main goal of the new government was to stabilize the economy and the state budget. However, the Icelandic people soon turned against the following budget cuts and the idea that the Icelandic state should reimburse Dutch and British creditors who had lost money after the collapse of the Icelandic banks. The reimbursements were a condition for obtaining much needed emergency loans from the International Monetary Fund (IMF) and from the Nordic countries (see also section 4.2.1. on The Icesave conflict). The Icesave conflict put pressure on the government for a couple of years and threatened to break up the coalition. The anger of the Icelanders turned not only against their own government, but also against the United Kingdom and the Netherlands as well as other European states that supported the position of the Dutch and British governments (Swedish Institute of International Affairs: Island – Aktuell politik).

11.3.3 Parliament elections 2013

The left-wing government paid a high political price for getting Iceland out of the financial crisis. In the parliament elections in April 2013 the left-wing government was severely punished by the voters and the opposition won a clear victory. The Independence Party obtained 26,7 % of the votes and the Progressive Party 24,4 %. The Social Democratic Alliance lost more than half of its voters and obtained 12,9 % of the votes. The Left-Green Movement lost half of its support and obtained 10,9 % of the votes. The new coalition government under the leadership of the new Prime Minister Sigmund David Gunnlaugsson has a clear majority in the parliament. Since both coalition parties are opposed to EU membership and the public opinion towards membership is negative, the new government decided to stop the EU accession negotiations. They have declared that negotiations will be resumed only in the event of a favorable vote by the people in a referendum on EU accession (Swedish Institute of International Affairs: Island – Aktuell politik).
Icelandic economy

In the following, I will give an overview of the Icelandic economy and the major developments in Icelandic economy in recent years which have had an impact on the country’s attitude towards EU membership.

12.1 Overview of important sectors

Iceland had long been dependent on fish exports, which made the economy vulnerable to changing sizes of fish stocks and prices on fish. At the beginning of the 21st century, Icelandic economy transformed and became less dependent on fisheries. Today, one out of twenty Icelanders is employed in the fisheries sector. Approximately 95% of the fish catch is exported. In the 1990’s it accounted for three quarters of the Icelandic exports. In 2011, fish products accounted for 40% of the export (Swedish Institute of International Affairs: Island – Jordbruk och fiske). The refinement of aluminum has developed into an important industry, and aluminum exports led to an average GDP growth of 4% during 2003-2006. Aluminum was the second most important export goods in 2011, accounting for 37% of the exports. Iceland’s largest trading partners are the Netherlands, Germany, United Kingdom, Norway and China (Swedish Institute of International Affairs: Island – Utrikeshandel). The service sector has grown considerably during the latest decade, especially the tourism and the financial sector. Deregulations in the financial sector led to massive expansions in the banking sector, which grew to a size twenty times as big in 2008 as it had been in 2001 (Swedish Institute of International Affairs: Island – Ekonomi).

12.1.1 The Mackerel War

The mackerel had long been absent but returned to Icelandic waters in 2006. Iceland has since raised its fishing quotas for mackerel. 159,000 tonnes were caught in 2011. The income from the mackerel exports is estimated to be the main reason for the growth of the Icelandic GDP by 3% in 2011 (Swedish Institute of International Affairs: Island – Jordbruk och fiske).

This has however triggered a conflict with the EU and Norway, who are against the raised fishing quotas for fear of overfishing. Iceland claims that the other countries should instead adjust their quotas to the fact that the mackerel has moved out of their waters and into Icelandic waters. The EU has threatened with sanctions such as a ban on Icelandic mackerel exports to the EU and a ban on Icelandic mackerel landing or transiting in EU ports. The conflict has been ongoing since 2010 and has still not been resolved (Ice News: EU to place sanctions on Iceland over mackerel catch).

12.2 Economic developments since 2008

The Icelandic economy started slowing down in 2007-2008. High consumption led to high inflation. Iceland had the highest food prices in Europe, more than 60% higher than the EU average. The value of the Icelandic króna (ISK) diminished, which caused financial problems for many companies (Swedish Institute of International Affairs: Island – Ekonomi).

After the collapse of the Lehman Brothers in the beginning of fall 2008, the three major Icelandic banks (Kaupthing, Landsbanki and Glitnir) were faced with liquidity problems because of the...
increased difficulty to borrow money on the international financial market. These three banks accounted for approximately 85% of the entire Icelandic financial sector. These banks all became insolvent in a single week in October the same year. They had debts amounting in total to ten times the value of the Icelandic GDP. The Icelandic króna plunged and the Icelandic government stepped in and took control of the banks. Due to the huge amount of the debt, the government decided not to bail out the banks, but to let them go bankrupt. Icelandic creditors were reimbursed, but foreign creditors were not. Thus, it was largely the foreign creditors that were concerned by the losses, not the Icelandic taxpayers. Even so, Iceland was faced with such economic problems in order to stabilize the currency and re-establish the banks that the government asked for emergency loans from the International Monetary Fund and the other Nordic countries. However, the help was delayed by the so called Icesave conflict (Thorhallsson & Kirby, 2012).

Meanwhile, the decline of the Icelandic economy reached unprecedented levels. In 2009, the GDP decreased by 6.8% and unemployment increased to 8%, the highest levels ever measured. The rescuing of the banks and the efforts to save the economy increased the government debt from 28% of GDP in 2007 to over 96% in 2010. The ISK continued to depreciate (by around 48% between 2007 and 2009). This would in time help the Icelandic exports and stop the economic decline, but it also made imports very expensive, with rising food prices and high inflation. It also increased the debt for those who had borrowed in foreign currency (Thorhallsson & Kirby, 2012).

12.2.1 The Icesave conflict

Icesave was the online branch of Landsbanki. The British and Dutch governments demanded that their citizens that had invested in Ice-Save be reimbursed by the Icelandic government and made this a condition for the IMF loans. The United Kingdom even went as far as using its anti-terrorist rules against Iceland, in order to be able to seize the assets of Icelandic banks in the UK. The relations between Iceland and the UK grew tense. Iceland’s relations to the other EU states were also affected, as these supported the British government. Iceland had difficult bilateral negotiations with the Dutch and the British. These negotiations could have been avoided by letting the EU institutions decide in the matter, had Iceland been a member of the EU (Thorhallsson & Kirby, 2012).

In November 2008 the IMF loan of 1.6 billion euro was finally granted, after Iceland promised to fully reimburse the Dutch and British creditors (with a total of 3.8 billion euro). The Nordic countries, Poland and the Faroe Islands granted bilateral loans amounting to 2 billion euro. The IMF loan was however further delayed because of complications with the Icesave agreement. The agreement was accepted by the Icelandic parliament, but was heavily criticized by the Icelandic people. The Icelandic president refused to ratify the agreement and referred the matter to a public referendum in January 2010. The agreement was rejected by 93% of the voters. In a second referendum a year later it was again rejected, this time by 57% of voters (Thorhallsson & Kirby, 2012).

In late 2011, assets belonging to Icesave were (re)discovered. The assets were estimated to be enough to cover all reimbursement claims, including for the Dutch and British creditors, without the Icelandic taxpayers having to pay the bill. The conflict could thus have come to an end, but instead the EFTA Surveillance Authority decided to refer the Icesave matter to the EFTA Court (Swedish Institute of International Affairs: Island – Kalendarium). Iceland was accused of not following EEA
reimbursement regulations and of discriminating against foreign creditors. The ruling in the matter came in January 2013. Iceland was acquitted of the accusations (EFTA Court: *Case E-16/11 Judgment of the Court*). Iceland still plans on reimbursing the Dutch and British creditors in the years to come, and has already paid approximately 50% of the claims (Icelandic Ministry for Foreign Affairs: *Icesave – Questions and answers*).

12.2.2 The current economic situation

Icelandic GDP started growing again in the fall 2010, mainly thanks to increased exports due to the low value of the ISK. The economy grew by 3% in 2011. In the first quarter of 2012, growth was higher than it had been for four years. This led to an improvement in the state finances and that Iceland could pay off large parts of the loans from the IMF and the Nordic countries (Swedish Institute of International Affairs: *Island – Ekonomi*). Unemployment fell to 5% in June 2012 (Swedish Institute of International Affairs: *Island – Arbetsmarknad*). 

Theories of International Relations try to make sense of the interplay between states, international institutions and organizations, multinational companies and other actors on the international arena. The theories can help us understand and possibly predict the actions of these actors. The following overview of neorealist theory is based on Rittberger’s work (2005), where he accounts for and compares different neorealist strands and how they can be applied to the analysis of foreign policy.

13.1 Neorealism

*Neorealism* is a theory of International Relations derived from *classical realism*. In its original version, developed in particular by Waltz, neorealism focuses mainly on *the international system* and the interplay between its different actors. However, other scholars like Elman argue that the theory can also be used to try to explain the reasons behind the foreign policy of a single state.

According to neorealists, the main actors in the international system are the states. States are goal-oriented, rational actors. Thus, they evaluating the possible consequences of their actions for the state’s goals, trying to minimize costs and maximize benefits, and choose the option that best fits their preferences and constraints.

However, the international system cannot be understood only by studying its actors. It is important to also study the structure of the system. It is anarchic and thus competitive and potentially hostile by nature. Even in times of peace, the main interest of the state is therefore survival, meaning securing the territory and the country’s autonomy. Other goals can also exist, but survival is the most important one, because without it, other goals cannot be fulfilled. States (or unions of states) are the crucial actors in the international system, because they control the hard power (military and economic means) needed to ensure state survival.

The main foreign policy goals of a state is thus *power politics*, especially assuring autonomy and gaining influence over other states’ behavior. This can be done in two ways. One is to safeguard the state’s autonomy and avoid dependence on other actors. This ensures that the state always has full control over its own resources and is important because the anarchic nature of the international system means that the state cannot rely on the help or cooperation of others but must ultimately rely on itself.

Another way is to engage in different forms of international cooperation, for example through alliances or international institutions and organizations. In a bilateral cooperation, the weaker state can benefit from the stronger states’ resources, while the stronger state gets leverage on the weaker state. By cooperating through institutions a state can, thanks to the rules and decision-making of the institution, gain more influence on other states than it would have without the institution.

For example, powerful states with veto rights in an institution, can gain influence over other states and affect their behavior. Weaker states without veto rights can at least make their opinion known (the cooperation provides them with *voice opportunity*) and still hope to affect other states’ behavior to a higher degree than they could have without the institution.
However, cooperating in order to gain influence over other states often means giving up some autonomy in return. *Standard neorealists* like Walz assume that states always base their decisions on worst case scenarios and will therefore always give priority to maintaining autonomy. *Modified neorealists* assume instead that states evaluate the probability of security risks, and if these risks are low and the gains in influence are high, they are willing to do the trade-off.
14 Analysis

In the following, I will from a neorealist perspective analyze the implications that the major political and economic developments on Iceland have had on its attitude towards the EU and why Iceland chose to file an application for EU membership and later to stop the membership negotiations.

14.1 The application for EU membership

It is clear that the financial crisis on Iceland has been the main reason for the Icelandic application for EU membership. From a neorealist point of view, economic power is very important to states because it helps assure state survival. After being hit by the financial crisis in autumn 2008, the Icelandic state came very close to bankruptcy and the state’s survival was at risk. The threat came essentially from the international financial market, which had lost faith in the Icelandic economy and avoided lending money to or investing in Iceland. This left Iceland with very limited economic power to assure state self-determination.

Arguments in favor of Iceland joining the EU in this situation are that this would improve the market’s confidence in the Icelandic economy and increase Icelandic trade with the EU and thus help restore the state’s economic power. The EU institutions could also help Iceland mitigate conflicts with other states arisen due to the financial crisis, and thus lessen the risk of serious conflict between Iceland and these states. It would also give Iceland the chance to participate in the decision-making of the EU. In the current situation, Iceland has to adopt large parts of EU law and regulations due to the participation in the EEA, but has no possibilities to influence these laws. These arguments are supported by estimations that the Icelandic application for EU membership in 2009 had a positive effect on the international financial market’s confidence in the Icelandic economy and has probably contributed to the country’s economic recovery. It might also have contributed to solving the Icesave conflict with the United Kingdom and the Netherlands (Swedish Institute of International Affairs: Island – Íkonomi).

Another argument is that in time, Iceland could join the Eurozone, which would further increase trade. Iceland has repeatedly had economic problems due to the volatility of the Icelandic króna (ISK). Adopting the euro would mean finally having a stable currency, and would significantly diminish the risk of future economic problems. In support of this argument, it should be mentioned that the ISK has often been unstable and has depreciated by 99,95 % against the DKK since the flexible exchange rate was introduced in 1920. Therefore, there have for a long time been political discussions about adopting a more stable currency. The main reason for the instability of the ISK has been Iceland’s inability to control inflation, which has often been high. This leads to high interest rates, fall of real wages in times of recession and higher prices on imported goods. The depreciation of the ISK during the financial crisis has helped the economic recovery thanks to cheaper exports. Nonetheless, it is argued that adopting the euro would be favorable for the Icelandic economy by reducing domestic interest rates, deepening trade with other members of the euro zone and increasing the economic gains from trade (Thorhallsson & Kirby, 2012).

Adopting the euro and having a stable currency seems to have been the most important argument in favor of EU membership, far more important than other aspects of the European cooperation. Prior
to the 2009 elections, two of the main political parties, the Independence Party and the Progressive Party, seemed more interested in membership of the eurozone than in EU membership. The Independence Party went as far as stating that “the euro was the most attractive part of the European project.” (Thorhallsson & Kirby, 2012, p. 65.) The Icelandic people seem to have had a similar opinion. According to a poll conducted in March 2009, 64 % of Icelanders supported accession talks, but only 40 % actually wanted to join the EU (European Report: Iceland looking towards EU). On the other hand, according to a poll from late 2008, a clear majority of 60 % were in favor of adopting the euro. This poll also shows that the population’s interest in EU membership was probably mainly related to the economic situation on Iceland – 96 % of the respondents said the Icelandic economy wasn’t doing well (Gallup: Many Icelanders Keen on Adopting Euro, Mixed on EU).

Joining the EU in order to reap these benefits would however mean giving up autonomy in return. In particular, the loss of control over fishing rights has for Icelanders been a major argument against joining the EU. According to modified neorealists, when states are faced with a choice where gaining benefits through cooperation means losing autonomy, the states evaluate the probability of security risks, and if these risks are low and the gains in influence are high, they are willing to do the trade-off. From this point of view, where states act as rational actors, it can be argued that Iceland weighed the costs and benefits of EU membership, estimated that the benefits outweighed the costs and decided to apply for EU membership.

This seems to have been the reasoning of the Icelandic government in 2009. The Icelandic government stated in a document on the reasons for the application that “the global financial crisis and its impact on Iceland acted as a political catalyst” and that “EU membership and subsequent adoption of the euro are part of Iceland’s strategy to restore long-term economic stability. *…+ Globalization requires more cooperation, not less.” (Europe Environment: EU/Iceland: Reykjavik files EU membership application.)

However, even though the coalition government and especially the Social Democratic Alliance were in favor of EU membership, other parties were more reluctant and the parliament would have been unlikely to accept to submit the membership application if it had been a binding agreement to actually join the EU. Several parties wanted to start membership negotiations with the EU, but in order to actually join the EU a public referendum should be held, and the people should decide for or against the membership on the merits of the accession treaty that had been negotiated (Thorhallsson & Rebhan, 2011). This can from a neorealist perspective be seen as the state reserving a way out in case the costs of accession turn out to be greater than the benefits, as the specifics of the accession treaty are negotiated. A matter of special concern for Iceland has been the EU Common Fisheries Policy (CFP). The question is of vital importance to Iceland because of the country’s dependency on fisheries. The income per capita from fisheries is 100 times higher in Iceland than the EU average. As a member of the EU, Iceland would have to implement the Common Fisheries Policy (CFP). Fears of the unfavorable conditions of the CFP and the risk of being run over by larger nations like Spain and Italy in future negotiations on fisheries have been the main reasons behind Iceland’s reluctance to join the EU (Swedish Institute of International Affairs: Island – Jordbruk och fiske).
14.2 The halt to the membership negotiations

As shown above, neorealist theory can help us understand why Iceland chose to file the EU membership application. It can also help explaining why Iceland chose to stop membership negotiations in spring 2013.

As already mentioned, fishing rights are of vital importance to the Icelandic economy. Fishing rights also proved to be the most difficult question in the EU accession negotiations with Iceland and accession talks stopped before any agreement could be reached. The so called Mackerel War contributed to the difficulties during the talks.

Another reason that contributed to stopping the talks might have be the tensions that arose between Iceland and other European states (especially the UK and the Netherlands) during the Icesave conflict. The fact that reimbursing foreign creditors was a condition for receiving emergency loans led the Iceland government to agree to reimburse huge sums to foreign creditors, even though the Icelandic population was very strongly against it and it would be a financial burden for many years to come.

During this period, the eurozone also encountered severe problems, and the stability of the euro was questioned. The relevance for Iceland of the prospect of adopting euro might thus also have diminished.

While the membership application was processed by the EU, Icelandic economy started to improve. State finances improved and that Iceland could pay off large parts of the loans from the IMF and the Nordic countries. Iceland thus regained some of its economic power.

With neorealist reasoning, all of this is likely to have led Iceland to reevaluate the costs and benefits of EU membership and decide that at this point of time, the costs (loss of autonomy) outweighed the (economic) benefits and that it was thus better to stop the membership negotiations.

This is likely to have been the reasoning not only of the Icelandic government that stopped negotiations in spring 2013, but also of the Icelandic people. In an opinion poll in April 2012, 54 % of the voters were against EU membership, whereas only 27 % supported EU membership. (Swedish Institute of International Affairs: Island – Kalendarium.)
15 Conclusion

The purpose of this paper has been to answer the question of how the Icelandic application for EU membership and the later halt to the membership negotiations can be understood from a neorealist point of view. In order to do this, there has first been given an overview of the major political and economic developments that occurred on Iceland shortly before the membership application was filed and up until the membership negotiations were stopped. Then, the neorealist theory of international relations has been presented and applied in order to analyze how these developments have affected the Icelandic application for EU membership.

As shown in the analysis, the Icelandic application for membership of the EU was mainly due to the severe economic problems the country was faced with after the financial crisis caused all major Icelandic banks to collapse in a single week in October 2008. This significantly weakened Iceland’s economic power and self-determination. Membership of the EU and a subsequent adoption of the euro were seen as a way to stabilize the economy and regain economic power.

However, as Icelandic economy recovered and the membership negotiations hardened, EU membership seemed less interesting for Iceland. The loss of autonomy and in particular the control over vital assets like fishing rights did no longer seem to be outweighed by the economic gains that could be expected from EU membership. Iceland thus chose to stop membership negotiations.

It can thus be concluded that Goodeve was right in her prediction that domestic economic and political problems could lead Iceland to apply for EU membership. However, these problems were not permanent, and as soon as they became less acute, membership of the EU was less interesting. Iceland has thus resumed its previous skepticism towards the EU and it is not foreseeable that the country will join the EU in the near future, unless another event occurs that significantly changes the country’s situation.
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