

## **Summary in English**

Iceland has been a member of the European Free Trade Association (EFTA) for four decades and a member of the European Economic Area (EEA) for 16 years, but European Union (EU) membership has not been seriously discussed in Icelandic politics until recently. The EEA can be considered as an associate membership of the EU. Under the current arrangement, Iceland participates in the EU free flow of capital, persons, services and industrial goods, along with cooperation in competition rules, regulations on state aid, social policy, consumer protection, environment, cooperation in research, education, tourism, the audiovisual sector, and in civil protection. However, Iceland does not participate in the EU Common Fisheries Policy (CFP), the EU Common Agricultural Policy (CAP), the European Economic and Monetary Union (EMU), or in the EU Customs Union.

This study analyses the effects of full EU membership on the Icelandic *Political Economy*. It gives an overview of the EU, EFTA and the EEA, with thorough discussion of those aspects of the EU that are not covered by the EEA agreement. Particular attention is devoted to studying the effects of the monetary union, agricultural policy and fisheries policy. The reasons for widespread economic support to agriculture are discussed. The study also points out that there are ways to avoid the most negative consequences of Icelandic EU membership associated with the EU CFP.

The conclusions are in line with a cost benefit analysis and add up the various aspects of EU membership. The main findings are that (1) the Icelandic treasury will contribute more to EU funds than will be returned directly from the EU, (2) the effects of joining the EU Customs Union are relatively small because the EEA is a free trade area, (3) Iceland is currently not in a position to join the EMU, but its effects would be very positive when that time comes, (4) the CAP will lead to lower prices on food to the benefit of consumers and at the same time force unavoidable economic reform in agriculture, (5) and finally that the CFP can only be accepted if there are safeguards in Iceland's accession treaty against overexploitation of fish stocks. Provided there is agreement on protection of fish stocks, the long-term benefits of Union membership will outweigh the expenses, leading to a gross domestic product being 6-7% higher than if Iceland stays outside the EU. This would not be an immediate change, but a gradual development taking several years. A decision to join the EU is, in the end, a question of political choice and this study is intended to help make that choice as informed as possible.