



Iceland under Hegemony?

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Lokaverkefni til BA-gráðu í stjórnmálafræði

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Ritgerð þessi er lokaverkefni til BA-gráðu í stjórn málafræði og er óheimilt að afrita ritgerðina á nokkurn hátt nema með leyfi rétthafa.

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Útdráttur

Í þessari ritsmið verður samband Íslands við Evrópusambandið rannsakað í gegnum EES samninginn en hann er meginstoð tengsla Íslands við sambandið. Ísland tekur upp stóran hluta af regluverki ESB í gegnum samninginn, þá sér í lagi málefni sem tengjast sameiginlega markaðnum. Ísland er hins vegar bundið af samningsskyldum sínum til að haga eigin lagasetningu eftir þeim reglum sem ESB setur, þrátt fyrir að hafa takmörkuð áhrif á mótunarferli ESB-regluverksins.

Rannsakað er hvort að upptaka Íslands á reglum ESB í gegnum EES samninginn sé að hluta til byggð á yfirráðum (e. hegemony) ESB yfir Íslandi, vegna misræmis í valdahlutföllum og völdum ESB sem byggjast að mestu leyti á óbeinum eða formgerðarvöldum (e. structural power) innan álfunnar. Þessu sambandi hefur meðal annars verið lýst sem „fax lýðræði“ eða jafnvel sem hálfgerðri nýlenduvæðingu. Umfjöllunin er byggð á kenningum um yfirráð (e. hegemony) sem að felur í sér ójöfn valdahlutföll tveggja þátttakenda í alþjóðakerfinu. Einnig verður tekin afstaða til þeirra fullyrðingar hvort að Ísland taki upp lög ESB á þann hátt sem væri hægt að kalla stigveldisstjórnun að utan (e. hierarchical mode of governance) eftir að hafa rannsakað gaumgæfilega stöðu samningsins og stöðu sambands Íslands og ESB.

Helstu niðurstöður eru þær að kenningar um yfirráð (e. hegemony) eiga vel við. Þær lýsa valdi ESB yfir Íslandi sem orsakar að hluta til upptöku Íslands á löggjöf ESB. Með því að grandskoða tilhögun samningsins og samskipti Íslands og ESB, bæði í sögulegu og efnislegu samhengi, þá er það ljóst að mörg einkenni yfirráðs (e. hegemony) eiga við um valdasamband ESB og Íslands. Enn fremur mætti segja að upptaka Íslands á lögum ESB fari að mestu leyti fram innan þess sem mætti kalla stigveldisstjórnun að utan (e. hierarchical mode of governance) miðað við núverandi tilhögun.

Abstract

In this thesis the relationship of Iceland and the EU will be carefully analysed, particularly Iceland's connection with the EU through the EEA Agreement — which is its main connection with the Union. Iceland is bound by its treaty duties to adopt a large part of EU acquis, but has a limited say in how the legislation is made and implemented.

The power relationship will be further elaborated and a the question whether adoption of EU law through the EEA Agreement is a based on EU hegemony over Iceland? That is because of the asymmetries in power, albeit mostly structural power. This relationship has previously been described as fax democracy and even a semi colonization by its critics. Herein the analysis will mainly be based on theories stemming from a neo-Gramscian hegemonic grounds. There will also be an analysis on whether the law adoption of the EU acquis is mainly done in a hierarchical mode of governance.

The main findings were that the concept of hegemony is well suited to describe this power relationship and that the adoption of EU acquis and norms, in the way that it is done at the time written, is a consequence of the status of this power relationship. One might argue that the law adoption is mainly done through a hierarchical mode of governance as will be described.

Formáli

Ritgerð þessi er lokaverkefni mitt til B.A. gráðu í stjórnmálafræði við stjórnmálafræðideild Háskóla Íslands. Hún er metin til 12 ECTS eininga (af 180) og var skrifuð vorið 2015 vegna útskriftar haustið 2015. Leiðbeinandi minn var Baldur Þórhallsson. Ég stend í mikilli þakkarskuld við hann fyrir frábæra leiðsögn í gegnum verkefnið. Athugasemdir hans voru gulls ígildi.

Einnig vil ég þakka bróður mínum Garðari Steini Ólafssyni fyrir yfirlestur á ritgerðinni og móður minni og föður fyrir að hvetja mig áfram og kenna mér að maður uppsker það sem maður sáir. Að lokum vil ég þakka vinum mínum í stjórnmálafræði fyrir nauðsynlegt aðhald og hvatningu í gegnum árin.

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1. Introduction

Over the last decades, Iceland has been endeavouring to decide how its external relations with the European Union should be conducted. In this essay, an attempt will be made to explain the complex relationship between Iceland and the EU. This essay will therefore be a case study of Iceland and its relations with the European Union in which theories explaining hegemony, structural power and external governance will be put to the fore.

The population of the country is deeply divided and even within political parties, members cannot seem to hold a common position on how best to handle its relations with the most powerful organization in the continent — the European Union. Iceland has been a member of the European Free Trade Association (EFTA) since 1970, a member of the EEA Agreement from 1994 and a part of the Schengen Area since 2001 (Avery et al. 2011). Iceland, Norway and Liechtenstein have been cited as the states most involved in European integration without being member states of the EU. These states adopt a large part of EU's *acquis communautaire* through their participation in EFTA and the EEA Agreement.

Iceland applied to become a member of the EU in 2009, following a severe economic collapse, under the first actual left-wing government in the country's history. However, shortly before parliamentary elections in 2013 that later led to a change in government, the process of accession was delayed. In June, 2013, the EU application was put on hold. This was decided by the government at the time (Institute of International Affairs, 2014, 32) In March 2015, the Icelandic foreign minister informed the European Union that Iceland was no longer a candidate country — although he did not withdraw the 2009 membership application (Ministry for Foreign Affairs 2015).

According to the latest policy document put forth by the Foreign Ministry regarding Iceland's relationship with the EU it seems that the government is putting its main emphasis on the EEA Agreement. The Foreign Ministry of Iceland states that the EEA Agreement is the main connection Iceland has to the EU and that it stands on firm ground, that the current government's main emphasis will be on the EEA Agreement and that the Icelandic government will furthermore focus on continuing independent, active, and close relations with the EU which will be based on equal footing (The Foreign Ministry of Iceland 2014, 2). After reading such a statement, one might wonder, if the EEA Agreement will be Iceland's main connection with the EU, will the relations be on equal footing?

Iceland adopts a large part of EU legislation through the EEA Agreement, mostly in areas related to the Single Market, but at the same time the country does not have a direct say

in how these laws are made through the EU's institutions (Jónsdóttir 2009, 72). The same applies to Norway and Liechtenstein, but in this essay the focus will be on Iceland as a case study. This system, where laws are implemented without these countries having a say in how they are made, has even been described as 'semi-colonial' by academics (Tovias 2006, 219). It is hard to prove or disprove the validity of such normative claims but in this essay this situation will be examined.

The general research question that will be used as a guideline throughout this essay is: How can it be that Iceland adopts such a large part of the European Union's *acquis communautaire*, through the EEA Agreement, without having a direct say in how EU laws are made or implemented? Can it be that the country adopts the laws and norms of the European Union because the Iceland is under the EU's hegemonic sphere of influence and is involved in a hierarchical power relationship with the Union?

The subsequent hypotheses will be: That the European Union is a hegemonic power and that Iceland is within its sphere of influence. Therefore, Iceland could be considered to be in a hegemonic power relationship with the EU, especially within the framework of the EEA Agreement; also, the diffusion of EU legislation to Iceland has mainly been through a hierarchical mode of governance.

There has been extensive discussion on a perceived democratic deficit within the EU (Follesdal and Hix 2006) and one might extend this discussion to the problems created by the implementation of EU laws through the EEA Agreement without the countries involved taking a direct part in creating EU legislation (Eriksen and Fossum, 2014). Here, the main emphasis will not, strictly speaking, be on this democratic deficit, although one might say that the diffusion of laws can be considered a manifestation of this hierarchical power relationship, but rather on how the EU as a hegemony within the continent has affected Iceland through their cooperation and will most likely continue to do so.

The affiliation of Iceland and the EU will be viewed from a more power based lens — that is it will be explained with theories in IR focusing on the power of states and supranational and intergovernmental organizations. This will not mean that the focus will be on hard power but rather on the so called structural power. One of the theories or concepts that will be used is the one of hegemony, usually used to explain the US dominant position in the world. Here, this term will be used to explain EU's dominant position within the continent and its influence on the states within the continent — especially on Iceland as a case study.

The notion of the EU as a hegemonic actor, as opposed to a venue for the hegemonic ambitions the most powerful member states, is not indisputable. Before the Treaty of Lisbon

entered into force on the 1st of December 2009, the Union did not possess *de jure* legal personhood (Treaty of Lisbon) and its status as a *sui generis* actor on the international stage was accordingly doubtful.

Certainly such early visions of European integration as De Gaulle's and Mollet's dreams of an Anglo-Gallic led union were visions of a modern League of Corinth under a victorious martial Hegemon rather than a supranational entity capable of independent action. Even today the view of the EU as a mere venue of German hegemony is widespread (The Economist 2013). It is not, however, the intention of the author in this essay to delve too deeply into the division of power between individual member nations. References to the European Union as a hegemonic power or actor may be understood to refer also to member states collectively without loss of clarity.

It has become common to portray the Iceland–EU relationship as one of mutual interests; or even one that economically benefits Iceland because of its access to the internal market of the EU. Iceland is not currently a member of the EU there are some policy areas where it is deemed of a great importance for Iceland to remain sovereign, in particular in relation to fisheries and agriculture. These areas have historically been considered to be Iceland's vital national interests, especially the fisheries. It has been argued that the reluctance of Iceland's elite to participate in the EU might partly stem from the political influence of stakeholders within Iceland's most prosperous industry (Thorhallsson and Vignisson 2004, 96-97).

However, in this essay, the interests of states or the EU will not be the main emphasis but rather the structural and hegemonic power of the European Union and its possible effect on Iceland. The essay will focus on explaining how hegemonic actors, as the EU in our case, can transfer their laws and norms to other states and thereby influencing the third state, without that country is a direct member of the EU. The theories put to the fore to explain this situation will be theories on external governance. The concept of external governance represent an attempt to better explain this situation — that is why countries that are not a part of the EU adopt the rules and norms of the EU through partnerships or through the creation of intergovernmental organizations as in the case of Iceland the EFTA EEA (Lavenex and Schimmelfenning, 2009, 791).

The relationship of Iceland and the EU will also be further examined with the concept structural foreign policy, which in many ways bears a resemblance to the idea of soft power. The structural foreign policy of the EU means that the Union influences or shapes structures,

which may be considered as permanent organizing principles and norms that shape the order the sectors of society (Keukeleire and Delerux, 2014, 28).

In the essay's second chapter, the theories and concepts will be put forth to better understand Iceland's relation with the EU through the EEA Agreement. The concepts mentioned earlier — hegemony, structural foreign policy and external governance — will therefore be further elaborated and an attempt will be made to explain their significance to this topic. In third chapter, first there will be a short glance into the historical process of EU-Icelandic relations.

Then in chapters 5 and 6 the case study will be reviewed, that is the relationship between Iceland and the EU through the institutions it shares with the EU, although the main focus will be on the EEA Agreement. In the fourth chapter, these concepts and theories will be put into practice and an attempt made to answer the research question put to the fore. An attempt will be made to explain the status of Iceland's relationship with the EU with these theories and concepts that have been put forth. Finally, the concluding chapter will summarise how well these theories can explain Iceland's relationship with the EU, through the EEA Agreement in particular.

2. Theoretical framework

Theory is a vital aspect to better understand a complex reality and to make sense of the world. In this chapter, the foundations will be laid to a further analysis of the Iceland–EU relationship. Various concepts and have been used to describe Iceland's relationship with the EU and its reluctance to join. In International Relations (IR) various theories purport to explain the phenomenon of state power.

A dominant theoretical framework over the centuries has been a realist one, where states are the main actors and the international system can best be described as chaotic because of the lack of an overarching framework. Merely using this lens to analyse the complex international system may be considered a pitfall in foreign policy analysis, as it entails the use of concepts and phrases which may be ill-suited to a 21st century analysis of the world system.

The traditional view, based on the Westphalian world system, may not be as relevant today as it was in the 20th century (Keukeleire 2004, 7-9). An argument can also be made that the realist framework is not well suited to explain European integration, because realists are generally more sceptical about regional cooperation.

Another grand theory of IR has long been that of liberalism. It may usefully be viewed as a framework for many divergent, but related, schools of thought. Traditionally, liberalist theories entertain a more flexible view on the idea of international or supranational organizations (Andreatta 2011, 31-33).

Accordingly, liberalism provides a useful lens through which to analyse the European Union, especially from a historical perspective, focusing on the more treaty-based, less sovereign entities of the predecessor European Economic Area. The emergence of the EU after the Treaty of Lisbon as a *sui generis* polity, albeit a supranational one with a novel sphere of sovereignty and no traditional military force without recourse to its member states, may stress even liberal theories, however.

In this essay the main emphasis will therefore be diverted from these more conventional conceptions of the international system. The focus of attention will still be on power; but from another perspective than the power usage of realist or liberal theories. The main pillars of this essay will be concepts along the line of hegemony and or soft or structural power, not the more state-centric view where relations of the states are described as chaotic for lack of a structure to guide them.

In this chapter, new concepts and theories will be used to further elaborate Iceland's relationship with the EU. While not entirely original¹; they are new in the sense that they have not been used to explain this complex relationship before. A key term is the neo-Gramscian conception of *hegemony*. Hegemony may be defined in the simplest terms as a power relationship between a dominant actor and a subordinate actor. A central tenet of the hypotheses in this essay is that such a hegemony need not be defined only in simple military power terms, but may derive from various sources of soft power and legitimacy; such as social, economic and structural factors.

To examine whether Iceland's relationship with the EU might be described in hegemonic terms, this chapter will thus briefly elucidate the pertinent elements of the neo-Gramscian concept of hegemony. Because of its distinct relationship to hegemonic theory, the concept of *structural power* or structural foreign policy of the EU will also be touched on. The concept will be further elaborated to explain how EU diffuses its norms towards its neighbours, including Iceland. Finally, the term of *external governance* will be analysed in context. This conception will be used to explain the process of adoption of EU legislation by Iceland through the EEA Agreement.

2.1 Hegemony

There are various versions of the concept of hegemony in IR theory, many stemming from a realist perspective, but some with other roots. The term hegemony is used in realist scholarship, e.g. in Mearsheim's conception of structural realism (sometimes known as neorealism) — where human nature is not the reason for state's thirst for power, but rather the structure of the international system. Mearsheim's analysis of the international system focuses on the hegemonic power of powerful states and reflects his opinion that the world is still a dangerous place, where states pursue power and the polarity of the system can affect that power balance (Mearsheim 2010, 78-92).

However, the conception of the term hegemony that is the main focus in this essay derives from neo-Gramscian roots, not neorealist ones. Italian philosopher and politician Antonio Gramsci originally applied the term hegemony to class relations *within* the state and based his views on a Marxist analysis of history. Later, the Gramsci's Marxist sociological

¹ Norwegian scholars, such as Fossum and Eriksen, have used some of these terms in broadly

conception of hegemony as a historic bloc within the state was found to have applications for analysis in International Relations.

The foundations of the term hegemony as Gramsci uses it can be seen as two strands: The idea “that the workers exercised hegemony over the allied classes and dictatorship over enemy classes.” However Gramsci used this first strand to apply it to the bourgeoisie, that is to the “...apparatus or mechanisms of hegemony of the dominant class.” Gramsci adapts this position to the state and especially Northern European states. This applies when the rule of the state was in fact controlled by the hegemony of the leading class of a whole social formation. The second strand in Gramsci's interestingly derives from his fellow countryman Machiavelli. “Gramsci took over from Machiavelli the image of power as a centaur: half man, half beast, a necessary combination of consent and coercion” (Cox 1983, 49-50).

Canadian scholar, Cox (1981, 1983) in his article “Gramsci, Hegemony and International Relations: an Essay In Method“ seeks to explain the world order, basing his analysis on Gramsci's thoughts and writings. He starts by identifying an error in the way that many IR scholars portray the word hegemony, which is that hegemony can be used strictly among states and that the word is some sort of a fig leaf for the word imperialism. Cox contends instead that hegemonic states are defined by their ability and need to create and sustain a world order. Not a realist one where the hegemon exerts its superior power to exploit less powerful polities, but rather a world order where other actors in the international system consent at least tacitly to the hegemonic system.

The neo-Gramscian² hegemonic actor is usually a state that has experienced some sort of a revolution — a social and economic one that discharges an energy that goes beyond the actor's boundaries (Cox 1983, 58-61). Cox moreover illustrates the point that international relations are not as simple as often claimed by realist thinkers, only focusing on the state and emphasises the state or society complex as the basic entity of international relations. He then puts forward his own concept of critical theory which does not “take institutions and power relations for granted but calls them into question by concerning itself with their origins and how and whether they might be in the process of changing.” (Cox 1981, 126-130).

² While Cox disavows the label “neo-Gramscian” for himself, his centrality to the conceptualising of Gramscian hegemony as a tool of analysis within the field of IR means that his work on theories of hegemony is almost invariably classified as neo-Gramscian regardless.

One of the most significant contributions the neo-Gramscian scholars is thus their broadening of the term of hegemony. The former conception of the term was tightly focused merely on economic and military power but Cox considered it to be the expression of acceptance of certain norms and ideas, with support from states and then projected on a world scale (Bieler and Morton 2004, 87).

Amongst the scholars who have written extensively on the hegemony in their analysis of the international system is John Agnew (2005) who describes hegemony as:

.. the enrollement [sic] of others in the exercise of your power by convincing, cajoling, and coercing them that they should do what you want. Though never complete and often resisted, it represents the binding together of people, objects, and institutions around cultural norms and standards that emanate over time and space from seats of power, occupied by authoritative actors.“ (Agnew 2005, 1-2).

Agnew makes the important distinction between empire on one hand and hegemony on the other, in a similar way as Cox. He points out that the hegemony is not only about raw power; military, economic or political; but it is about something that harder to wrap one's head around (Agnew 2005, 2). His distinction furthermore delves into the definition of the words and their origins. While such reasoning might smack of jurisprudential legalism to some IR scholars, Agnew felt that words do indeed matter.

Empire, from the Latin *imperium*, refers to the military power invested in a Roman magistrate. The very symbol of imperium was the *fasces* or rods to chastise those who disobeyed a magistrate, studded with an axe to signal his right to execute. The word empire thus signifies supreme rule and absolute power over any dominions, much as the Roman Empire had at its peak. The word hegemony on the other hand derives from the Greek word *hegemon*, also referring to domination or leadership, but different in the sense that there is no explicit requirement that the leadership of a hegemon be enforced through violence or the threat of it. The possessor of imperium is necessarily an absolute ruler; but a hegemon can be merely first among equals.

Hegemony, to Agnew, can thus be defined as a complex intermingled relationship between economic, political and military power that creates this mixed result of both coercion and consensus. Hegemony can consist of a set of rules, both formal, as institutions, and informal, as values. Historic hegemons have usually maintained such pre-eminence of their systems of norms via military dominance, but at the very least tacit consent by lesser polities has always been an element of enduring hegemony and the role of military power in hegemonic system is easy to overstate.

Agnew points out that in IR, it can be quite easy to combine two conceptions of hegemony to further elaborate hegemony in the world system; Gramsci's and the Frankfurt School definition of the word, entailing other states engaging other states or actors into the norms, practices and ideas of the dominant state, changed by history and experience. Second, the state of hegemony whereas the dominant state steers the world economy (Agnew 2005, 20-22). The European Union has been described as a regional hegemon by some, but what is their reasoning?

2.2 EU as a hegemon

The EU can be described as a small power. Meaning that the EU has external presence beyond its reach. The EU can even be understood as a regional pacifier, normative power or even an “accidental power“, due to the incremental process that lead to its accession to power. This all means that it is clear that the EU has influence, especially within European boundaries, but also outside of Europe (Toje 2010, 5-10). Agnew, in his analysis of hegemony, mentions in passing that the European Union can be considered as a prime example of a hegemonic power without empire, albeit within one region (Agnew 2005, 23).

Most realist scholars might dismiss the EU as a hegemonic power since it does not have strong military capabilities, but Agnew on the other hand feels that these scholars miss the point completely. The problem Agnew points to is that much like Stalin, IR realists often fixate on battalions, instead of structural power. Many academics analysing EU foreign policy have written extensively on EU's normative capabilities and structural powers (Manners, 2002) (Keukeleire, 2008). EU integration has been extensive over the last few decades and its political regulation is even expanding over its borders (Lavenex and Schimmelfenning, 2009).

Agnew claims that the EU has: “insinuated itself into the very fiber [sic] of everyday life, not just in member countries but also those that would like to join and those that trade with it.“ (Agnew 2005, 23). He furthermore supports this argument by pointing out that the EU is spreading via the integration process, the EU “franchises“ the legislation it exports by threatening actors outside its boundaries with isolation; actors thus face pressure to take part to avoid being isolated. Finally he argues that the EU acts a network but not as a system that necessarily commands an area in a more classical sense. It has common values and goals and these normative goals and values can expand in terms of space without the whole Union collapsing (Agnew, 2005, 23).

2.3 EU as a structural foreign policy actor

Agnew mentions in passing the EU's strong normative power and something that might be phrased as structural diplomacy. The concept of EU's structural foreign policy has been defined by Keukeleire (2009) as a process of dialogue and negotiation with the aim of influencing or shaping, political, socio-economic structures of a third country.

Keukeleire argues that we live in a world where structural power is becoming more relevant and attributes this to a change of the objectives of diplomacy. The structures mentioned can be seen as: “permanent organizing principles, institutions and norms that shape and order the various interrelated sectors in society, such as political, legal, economic, social, or security sector.” (Keukeleire and Delerux 2014, 28). He indicates that diplomacy is becoming increasingly concerned with changing and forming structures, structures being organizing principles or the rules of the game. This term Keukeleire uses refers to two key aspects, that is that structural has to be about changing structures and to have an effect that is sustainable (Keukeleire et. al 2009, 144-146) (Keukeleire and Delreux 2014).

To further elaborate the concept of structural foreign policy, one might differentiate it from the more classical conception of foreign policy, something Keukeleire calls relational foreign policy. On one hand, relational foreign policy seeks to influence behaviour and attitude of other actors, mostly on short-term basis. This foreign policy is not necessarily focused on long term progress and is more based reaction to crises and conflicts. On the other hand, structural foreign policy is conducted over the long term and seeks to influence and shape the aforementioned structures.

Keukeleire refers to American foreign policy in Europe after the Second World War as a prime example of this structural foreign policy. There the US in part established new structures in Western Europe in the vacuum created after the war — both through the Marshall Plan and with the assistance in a creation of a Steel and Coal Community of Europe. The EU integration process can also be seen as a form of structural foreign policy, where the EU has effectively shaped rules of the game within many candidate countries and potential candidate countries, albeit the success rate may vary between regions and countries.

Keukeleire furthermore specifies the design of the structures and mentions that they can be situated on different levels: individual, societal, state, inter-societal, interstate, regional and international. The idea of embeddedness is also important when it comes to structural foreign policy. Diplomacy has to be embedded within a broader framework of both relational and structural foreign policy. “It has to be complemented and supported by a process of technical, material, financial, economic and other assistance to the third country (Keukeleire

2009, 149). Another aspect of aspect of structural foreign policy worth noting is the idea of internalization of structural foreign policy. The most important thing is that your set of ideas or rules of the game will be accepted as the norm (Keukeleire and Delerux 2014, 28-31).

2.4 External governance

Keukeleire (2014) in his book on the foreign policy of the EU, mentions that the analysis of EU structural foreign policy can be strengthened by the ongoing research focused on the external governance of the EU, which focused more on the legal side and rule expansion of the EU, specifically beyond its borders (Keukeleire and Delerux 2014, 210). The term at its simplest can be defined as the “..expansion of EU rules beyond EU borders [...] particularly intensive with the 'close' neighbours“ (Lavenex and Schimmelfenning 2009, 807).

Because of the changing context of EU integration and the EU's many new neighbours, scholars felt that this situation needed to be further elaborated and analysed. Because of the increasing interdependence and the possible exhaustion of the European integration process, the term has been created to try to better understand and conceptualize EU's international role and a: “..step towards analysing forms of integration into the European system of rules that remain below the threshold of membership.“ (Lavenex and Schimmelfenning 2009, 792).

In the opinion of these scholars, the EU has a considerable impact on third countries and a wide network of external action. Enlargement can be seen as a prime example of the EU's magnetic force and how the EU can implement change in third countries. They however also point out that this model, might indeed be exhaustive and therefore it is quite important to theorize about different kinds of integration processes, that is processes that do not necessarily mean that these third countries end up joining the EU — in other words the relevance of integration might be decreasing, but interdependence might be increasing.

The term external governance can of course vary considerably across; regions, countries and policy fields. Lavenex and Schimmelfenning mention the different nature of the EEA, as an overarching foreign policy initiative. External governance can sometimes emerge when interdependence between the EU and third countries is at a high level (Lavenex and Schimmelfenning 2009, 791-793).

The theoretical foundations of the term of external governance lie in a more institutional, structural view. The point of reference is not the more traditional conception of foreign policy where the analysis is usually more focused on the idea of 'anarchy' of the

international system. The point of reference is therefore not the merely a state actor, but rather institutional processes, norm diffusion and the transfer of policies.

Lavenex and Schimmelfenning mostly focus on the rule expansion towards states that are not official members of the EU and feel that the concept of governance well describes the process. The concept has roots in IR and comparative politics and was created to better explain the new political order — where states have a smaller role. It was partly created to differentiate from the term of government. External modes of governance affect third countries in a more hierarchical way, because there the countries conform to laws and restrictions by the EU (Lavenex and Schimmelfenning 2009, 794-796).

2.4.1 Modes of external governance

The modes of EU's external governance have three institutional forms, focusing both on a regulatory level and an organisational level of rule-making. This analysis of the modes of governance can be seen as a heuristic device to better understand and analyse the relationship between the EU and third countries, including the relationship of EEA states with the EU (Lavenex and Schimmelfenning 2009, 797-798) which Lavenex et al. have described as being similar to what is called a hierarchical mode of governance (Lavenex et al. 2009).

The first mode of governance is the *hierarchical mode of government*. Lavenex and Schimmelfenning describe hierarchy as: “.. a formalized relationship of domination and subordination and is based on the production of collectively binding prescriptions and proscriptions.” (Lavenex and Schimmelfenning 2009, 797). This mode of governance is authoritative, in the sense that if states do not implement the rules they are meant to adopt, they might be sanctioned. Therein lies a vertical power relationship where the 'rulers' steer the 'ruled'. The scholars refer to the EEA EFTA as the clearest example of such a system — whereas the *acquis* is integrated almost in a sense of supranational law. The characteristics of a hierarchical governance mode can also be the clear rules and procedures. The monitoring and sanctioning of third states are also vital characteristics for a truly hierarchical mode of governance, especially for the effective exercise of conditionality (Lavenex and Schimmelfenning 2009, 797) (Lavenex et al. 2009, 3-4).

The second mode of governance is the *network constellation*. In many ways it contrasts the hierarchical mode of governance. It has a considerably lower degree of interdependence, legalisation and institutionalisation. In this mode, the actors can be considered as formally equal in, although it does not mean that there can be asymmetries in power, the actors have equal legal and institutional rights. Even if one actor is more powerful

than the other, both parties can work together to create the agenda and third countries can bring forth their priorities. The ground for this kind of interaction lies in international agreements and voluntary agreements — this system has even been described as a negotiation system. However, it requires some institutionalisation, but in no way as distinctive as in the hierarchical mode of governance. (Lavenex and Schimmelfenning 2009, 798-799) (Lavenex et. al 2009, 4).

The third mode of governance is the *market*. In the market mode of governance the formal relationships are relatively weak. It is in many ways opposed to the hierarchical mode of governance. Competition between actors plays a large role. This is more a loose knit, informal cooperation and the actors are formally equal (Lavenex and Schimmelfenning 2009, 799-800).

2.5 Summary

To sum up, the theories that will be used to explain this relationship of Iceland and the EU, especially through the EEA Agreement, have never been used in this exact manner to analyse this arrangement. This analysis will not be a neorealist analysis that focuses on state military strength but rather an analysis on norm diffusion, structural power and law diffusion of the EU, towards Iceland, through the EEA Agreement in particular.

Agnew's definition of the word hegemony can be seen as a relevant framework to look at this relationship. In short the term is based on neo-Gramscian roots. This led to the broadening of the term hegemony and Cox defined the word so it can be used to better analyse the power of states and international organizations in this world system. Agnew defines the term hegemony in short as a complex, intermingled relationship between a dominant actor and a subordinate actor, consisting of a set of rules and institutions, formal and informal (Agnew 2005, 20-22). This idea of hegemony and the EU as a hegemony in general fits nicely within Keukeleire's description of the EU as a structural foreign policy actor, that shapes structures, that is norms and institutions of third countries, especially neighbours, over a long term.

The conception framework of Lavenex and Schimmelfenning on external governance has been put forth here to try to describe Iceland's rule adoption and to explain whether it is indeed a hierarchical mode of governance. To sum up this mode of governance is described as a relationship between a dominator and a subordinate, leading to the creation of legally binding prescriptions and proscriptions (Lavenex and Schimmelfenning 2009, 797).

3. The Case Study: Iceland, European integration and the EEA Agreement

Iceland's approach to the European integration process has often been considered as unique, and why the country has not yet joined the Union may puzzle many academics and bystanders. Iceland's position vis-à-vis the European Union has been the research topic for many scholars over the last half a century. It was not until July 2009, that the country formally applied to be a member of the Union, but since 2013, the accession process has been put on hold (Institute of International Affairs 2014, 5).

This case study, that is Iceland and its relationship with the EU, may be considered to be unique in various ways — at least when it comes to the European integration project. It is well suited for further examination because it is a small state in a continent with both large states and a supragovernmental organization that wield immense power, especially structural power. How can a country of a few hundred thousand coexist with a hegemonic regional superpower such as the EU, without formally joining the Union?

In this historical overview, the intention is to further elaborate the historical relationship of Iceland and its position towards this European integration process that has been taking place in the continent for the last approximately 65 years. This relationship, cited by some as unique (Bergmann 2007) will be broken down and thoroughly analysed, both from a historical perspective and then a more theoretical perspective, later on in this essay. It is unlikely that Iceland adopts a large part of EU *acquis* merely by happenstance. There must be a logical explanation. In this part of the essay, these questions will be put to the fore and an attempt made to answer them. To answer the research question, one must first know the status of Iceland's relationship with the EU, to better understand the current situation.

The purpose of this overview is to explain why Iceland seems to have been relatively hesitant when it comes to the European integration process and try to answer the question whether Iceland has partly been dragged into the process, because of its close connection with the other countries and to avoid isolation? Second, there will be made an attempt to see this from a more hegemonic stance whereas Iceland's position is considered. We must venture through the labyrinth that is Iceland's historical relationship with the EU, in our quest to better understand the nature of the relationship between Iceland and the EU and whether it might indeed be classed as a hegemonic or hierarchical relationship.

3.1 Iceland and the European integration process

Iceland is not legally or formally subject to the EU in any way. Iceland is a sovereign state and despite being situated in Europe, it bears no obligation to take part in the ongoing European integration project. However, the country has throughout its history been connected to the rest of the continent in various ways. First, as a dependency of Norway, then of Denmark and later on as an independent sovereign state. After independence Iceland has pursued a more perfect union with Europe through cooperation with other European states, the EEA Agreement, EFTA and Schengen.

Icelanders may be said to number amongst the most reluctant Europeans. When looking at its historical integration, we can assess that statement. In the 20th century, the country became more prosperous because of various factors, including access to more fisheries, rise in the price of fish, the Marshall assistance and the industry that followed suit with the occupying soldiers from the US and the UK (Thorhallsson and Vignisson 2004).

Another factor which may be linked to Iceland's reluctance to join the EU is its political discourse; which when it comes to the EU has partly polarised around themes of nationalism. Other reasons for this trend may be; Iceland's isolation, homogeneity and the prosperity a large part of the nation has enjoyed the latter part of the 20th century and in the beginning of the 21st (Hálfðásson 2004, 140-141).

Bergmann argues that post-colonialism may have shaped Icelandic political discourse in many ways and can be used as a helpful tool to analyse Iceland's positioning in the world. He also argues that Iceland has been playing so-called 'post-colonial games' and that there is an infringement of its participation in the Single Market and the EEA (Bergmann 2014, 49). Some scholars have also mentioned Iceland's close relationship with the United States, both in defence and commercial terms, may be the reason may be one of the defining factors in Icelandic foreign policy (Thorhallsson and Vignisson 2004, 122-12).

3.2 Seven rounds of debate

Baldur Thorhallsson, in his book *Iceland and European Integration: On The Edge*, puts forth an analysis of *seven rounds of debate* on Iceland participation in European integration. Thorhallsson's analysis may be seen as an excellent tool for analysis and for further exploration of Iceland's historical relationship with the EU and its predecessors — therefore this framework will be applied to describe this relationship and its history — to try to simplify

a more complex reality (Thorhallsson 2004, 2). To be sure, the description of Icelandic–EU history is not an exhaustive overview and it is an impossible task to do so in such a short space, but here the focus is on historical overview to better understand and answer the research question of the thesis.

The first round of debate in Iceland started after beginning the generous Marshall Aid donations, which has been called the most successful structural foreign policy initiative in modern history (Keukeleire and Delerux 2014, 28). It can be considered as one of the mechanisms that paved the way for the European integration process and the general free trade atmosphere and prosperity that followed in Europe (Benediktsson 2000, 35). Some have even described Iceland's commitment to economic integration with the rest of Europe after the WWII as “half-hearted“ (Jónsson 2010, 77). One might say that Iceland did not take part in the wave of liberalization of trade that swept the European continent in the 1950s and there was little discussion that Iceland was to join the proposed European Steel and Coal Community (Thorhallsson and Vignisson 2004, 22-23).

However, Iceland did become a member the OEEC, set up in 1948, to prepare the Marshall Grants (Benediktsson 2000, 31-36). As a participant it was not overeager to fully implement its trade liberalisation programme (Jónsson 2010, 77). In this first round of debate there was an active discussion within the OEEC in 1957-1959 on whether to establish a free trade area in Western Europe. Because of domestic factors, mainly because of restrictive government controls, Iceland was not an enthusiastic participant in the free trade negotiations. In any event, the free trade talks did not lead to a definite result at that time for any of the other countries involved (Thorhallsson 2004, 2). A reluctant Iceland thus played their part in the European integration project after the Second World War. For one thing, it received more aid *per capita* in than any other country in Europe at the time (Thorhallsson and Vignisson 2004, 22).

The second round, took place in the early 1960s, when the European question came back to the fore in Icelandic politics. EFTA was founded in 1960 and Iceland faced a new problem. Failure to join the EFTA might result in isolation from their neighbours in Europe. Iceland was not initially invited to become a member of EFTA, because of the ongoing fishing rights dispute with Britain, the biggest supporters of the creation of EFTA.

The EFTA was at the time hailed as a more cautious approach to the European integration process, not as radical as the EEC, but Iceland at that time did not become a part of either of these groups (Benediktsson 2000, 58). In the second round of debate, Icelandic politicians gave the idea of joining the EEC serious thought. Many interest groups in Iceland

also began pushing the elite for membership. However, in the end, the government decided that it was not viable for Iceland to join the EEC at that time. The main arguments at the time was the smallness of the country, that Iceland had different circumstances than its neighbouring countries and the prevailing belief that Iceland would require exemptions it was unlikely to get (Thorhallsson 2004, 3).

The third round of debate in Iceland centred around the topic on whether it would be beneficial for Iceland to join the EFTA and took place in the late 1960s. After extensive deliberation on topics in relation to the possible loss of sovereignty; a strong counterargument for Iceland's accession at the time was that Icelandic industry would have a better access to the European market for export.

Iceland consequently joined the EFTA in 1970 and later EFTA made a free trade agreement with the European Community in 1972 (Thorhallsson 2004, 3) (Thorhallsson and Vignisson 2004, 28-33). While the initial EFTA agreement caused some serious debates in Iceland's Althingi; the era after joining EFTA the political atmosphere in Iceland was mostly calm. In short order, the EFTA arrangement thus came to be viewed as business as usual in Iceland and there was no significant objection to the free trade agreements that followed (Bergmann 2009, 179).

In the fourth round of debate matters again became more serious. In 1989 Jacques Delors, at the time the president of the Commission, set forth an idea of further integrating the EFTA and the EU markets, and thereby granting the EFTA States access to a Single European Market or the European Economic Area. (Bergmann 2009, 180). In Iceland the argument centred on questions reaching from trade to the *de facto* independence of Iceland, should Althingi ratify such a treaty.

The atmosphere at the time was extremely tense and the EEA Agreement was opposed by many actors, but favoured by others. Iceland's main focus at the time was getting a beneficial deal out of fisheries and trade related to them. Overall the deal was a successful one for the Icelandic government, the Iceland negotiators mostly got what they wanted out the deal; limited agricultural imports, special provisions to hinder foreigners to buy coastal properties with perquisite rights, special right to employment and residence. However, there was no unanimity on the implementation of the EEA Agreement and many of both the opposition members and members of the government were sceptical about the deal made (Stephensen 1996, 55-57). The discussion about the EEA deal was at time very rough and there were loud arguments whether the EEA Agreement was an infringement on Iceland's

constitution and a threat to its sovereignty. A committee declared that this was not the case (Bergmann 2009).

The debate on the EEA Agreement was quite extensive in the Althingi. Large numbers of voters signed a petition to protest the EEA Agreement. Sitting Icelandic President Finnbogadóttir had to explain that she signed the legislation in accordance with the traditional non-political role of Iceland's president, which was highly uncommon (Thorhallsson and Vignisson 2004, 40-45). The signing of the EEA Agreement can be considered the most radical and comprehensive agreement the Icelandic government had signed at the time and probably still is today (Jónsdóttir 2009, 71-72).

The Social Democratic Party in Iceland included the intention of Iceland joining the EU in 1994. This was the first time an Icelandic political party included such a statement in their platform. However, after Norway declined to join the EU, making sure that the EEA Agreement held its place, Iceland did not move closer towards an EU application. This Thorhallsson calls the fifth round of debate (Thorhallsson 2004, 4).

Discussion on the Schengen area can be considered as the sixth round of debate. The Schengen scheme can be seen as a new type of integration. Eiríksson, considered Icelandic integration into Schengen mostly been due to external circumstances especially because of Icelandic concerns over the Nordic Passport Union (Eiríksson 2004, 56). This led to Iceland becoming even more integrated into the European process.

The seventh and last debate has revolved around Iceland's possible accession to the EU. In 2004, when the book was published there was considerable uncertainty regarding Iceland's position towards the EU. Since the book was published in 2004 however there have been some major leaps when it comes to the question of Iceland's possible accession to the EU.

As noted above Iceland applied to become a member of the European Union in 2009, being the smallest state to do so at that time. The accession process formally began in 2010. Because of its connection with the EU, it was highly integrated within the European framework, but contentious issues nevertheless arose, especially in regards to fisheries policies and agriculture. The applying government also had problems with adverse public opinion (Avery et. al 2011, 91, 102-104).

In the years between 2009 and the present day, there have been major conflicts within the Icelandic government and in a wider political context regarding the accession process and the question of whether Iceland should join the EU at all. Accordingly, in 2013, the Icelandic government decided to slow down the accession process. Shortly afterwards, the accession

process was put on hiatus and its future is uncertain at the time of writing (Institute of International Affairs 2014, 5).

4. Iceland and its relationship with the EU through the EEA Agreement

The European Union has a vast reach, extending far beyond its member states. Many other states can be considered to be within the EU's sphere of influence. The EEA EFTA states have the longest history of EU rule adoption and are the states that can be considered as the closest to the EU without being member states. Some have even said that the EEA Agreement can be seen as a 'quasi-membership' of the EU, since the EFTA states adopt a large of EU *acquis* (Jónsdóttir 2013, 1).

The main pillar of Iceland's relationship with the EU is the EEA Agreement. The EEA Agreement is the most significant international agreement Iceland has ever made and was the subject of much scrutiny and scepticism when it was signed in 1994. Under its terms, Iceland and the other EEA states adopt a large part of EU legislation, especially legislation having to do with the four freedoms and the Single Market.

In a detailed analysis on Norway's relationship with the EU it is stated Norway has implemented around 1/3 of the EU legislative acts. In Iceland the total number might be similar, since Iceland and Norway are both a part of the EEA, EFTA and Schengen (Jónsdóttir 2013, 5-6). To take a recent example, in the year 2007, around 20% of the legislation signed in the Icelandic Althingi was derived from the European Union (Jónsdóttir 2009, 72). It is thus evident that the EEA Agreement has extensively affected Icelandic legislation; despite the fact that it does not encompass all of the fields that full EU membership would entail. In one way or another, the 8,300 legal acts implemented by non-members of the EU have brought with them further Europeanization of Icelandic jurisprudence and even society.

Iceland has also had some serious problems implementing the steady stream of legislation coming in from the EU and Iceland is starting to lag seriously behind when it comes to implementing these laws (Institute of International Affairs 2014, 109). Iceland's experience as an EEA member states is however usually viewed with positive eyes by policy makers and the public alike. Official Icelandic reports on the arrangement have viewed it favourably (Icelandic Prime Minister's Office 2007) (Icelandic Foreign Ministry 2014, 2). The EEA arrangement is furthermore Iceland's utmost connection with the European Union and

through it Icelanders gain a large part of the same benefits as members of the EU (Institute of International Affairs 2014, 100). However, the EEA Agreement was never meant to grant the EFTA States in the EEA an equal footing in EU decision making and decision shaping (Institute of International Affairs 2014, 97). Now we will see how much influence Iceland and the other EFTA/EEA States really have on EU decision making.

4.1 Iceland and the EEA EFTA institutions — influential or powerless within the EU framework?

The EEA Agreement gives Iceland a chance to take part in the four freedoms; freedom of movement of goods, persons, services and capital, within the EEA area. The EEA Agreement therefore is a rather extensive arrangement and because of its principle of homogeneity the Agreement has changed, and will continue change over time. The Agreement also encompasses mutual competition law, access to submit tenders in other EEA States and cooperation in the field of transportation. It further entails a joint regulation on provisions, cooperation in the fields of environmental-, consumer-, social-, educational and research matters.

The EEA Agreement further encompasses the participation of EFTA States in decision shaping, a mutual decision making system, its own institutions that will be further elaborated and finally the so-called EEA grants, which are grants which provide funding for poorer regions of Europe (Arnórsson 2003, 51) It is worth to note that the EEA Agreement is dynamic in character since it has to be continuously updated to keep up with EU legislation. The arrangement however does not apply to more controversial matters, at least what is commonly seen as controversial from an Icelandic point of view, such as fisheries and agriculture.

A main characteristic of the EEA Agreement is that the member states retain their sovereignty, *de jure*. This means that the national governments do retain the power of legislation. However it has been debated if the EEA Agreement is in accordance with the Icelandic Constitution and the Foreign Minister at the time appointed a council of experts to make sure that the EEA Agreement was compatible with Iceland's Constitution. The experts said that the EEA Agreement did not infringe with the Constitution, because the Constitution allowed some transfer of sovereignty of power could be allowed especially if it was not onerous for Iceland (Icelandic Prime Minister's Office 2007, 15)

The EEA Agreement is managed by an institutional framework consisting of common institutions at the ministerial-level EEA Council and the EEA Joint Committee of senior

officials, and subcommittees and working groups of officials. There have also been set up institutions to mirror the supranational institutions of the EU (ECJ and the Commission). This has created the so-called 'two-pillar system' of the EEA. The EFTA Surveillance Authority oversees the compliance of EEA rule adoption by the EEA EFTA States similarly as the Commission does on the EU side. The EFTA Court plays a similar role as the European Court of Justice (EFTA Bulletin 2009, 6).

The policy-making process and the policy-making process the EU and the EEA is in many ways similar, since the EEA EFTA States adopt EU rules. There are three stages of EU policy process: The European Commission drafts proposals for new EU laws and manages EU business on a day-to-day basis. After drafting the law proposals the Commission sends it to the European Parliament and the Council to be accepted or rejected or modified (European Union). “The Commission proposes; the Council and the European Parliament adopt; and the Commission and the Member States implement“ (EFTA Bulletin 2009, 13). A more detailed analysis of the EFTA decision making process will follow suit. There are several points of entry for EEA EFTA States to affect EU policy making however. These points of access will be further elaborated below and the various ways where EEA EFTA States can have an influence and where they cannot.

4.2 Commission — formal decision shaping

The main point of access for the EEA EFTA States is the Commission. To be exact one might say that the main entry point is in the decision shaping process of the Commission, the so called pre-pipeline stage. As soon as the legislation moves on to the pipeline stage, it is out of the grasp of the EEA EFTA States (Institute of International Affairs 2014, 97). The Commission has to formally seek advice from experts coming from the EEA EFTA States when they create their proposals (Jónsdóttir 2013, 38). These EEA EFTA experts have the same formal status as EU experts, but they can only take part in decision-shaping concerning the EEA Agreement.

It is also worth noting that the 99. Article of the EEA Agreement states that the legislation in general drawn up by the Commission, which applies to the EEA Agreement, the Commission shall seek advice from experts of EFTA States in the same way as it seeks advice from the experts from the other EU states (99. art EEA Agreement) (Jónsdóttir 2013, 38-39). But at the end of the day it is the Commission that decides on how the proposal looks before it is sent to the EP and the Council.

Some EFTA EEA officials have even pointed that since the Lisbon Treaty came into place EU civil servants have not granted the EEA EFTA countries an even chance to participate in this process and that the EU expert simply forget to consult the EEA EFTA experts (Jónsdóttir 2013, 38-39). Iceland participates in a small number of these expert groups because of the limited size of its administration (Jónsdóttir 2013, 39). So they rather prioritize which meetings to attend and which ones not to attend (Thorhallsson and Ellertsdóttir 2004, 101).

This kind of prioritizing does need to be negative, but a more desirable solution might be a more extensive expert participation (Jónsdóttir 2013, 40). The access of the EEA EFTA States to the Commission can be called into question since the way the Commission forms its policy has changed considerably since the EEA Agreement was signed, so other actors, such as interest groups can more easily be involved, partly diminishing the special position of the EEA EFTA specialists towards the EU. These expert groups are merely advisory and therefore, they cannot take binding decisions. The decisions are usually made in the Council or EP (Jónsdóttir 2013, 42-43). One might also point out that when the EEA Agreement was negotiated most of the power was in the hands of the Commission. Now the power balance is shifting more towards the EP and the Council (Jónsdóttir 2013, 53), where Iceland and the other EEA EFTA States have no formal and few informal representatives.

4.3 Comitology committees

The EFTA EEA States have representatives in the comitology committees. The comitology committees assist the Commission on the adaptation of technical measures so they can later be implemented by the Commission. (EFTA Bulletin 2009, 17). This includes EU laws that not considered as major policy decisions, but however a large part of EU legislation is made through these comitology committees. The Commission is therefore subject to supervision and even the approval of these comitology committees, which are staffed by the Council. The EEA EFTA States, according to Article 100 in the EEA Agreement, have observer status in the working groups of these comitology committees and they can even provide input (Jónsdóttir 2013, 42).

Comitology committees do take part in the Community decision making process, but the EEA EFTA representatives usually do not have voting rights but can take part in deliberation and can often merely take part in working groups, preparing which mainly carries out preparation work. However, in some committees the EFTA experts are allowed to be present during the voting, depending on policy areas (Jónsdóttir 2013, 43).

4.4 Ways of influencing institutions of the EU — informal decision-shaping

Within the framework of the EU, the Council of the European Union is at the heart of decision making in the EU. As aforementioned the influence Iceland has on its decision making is severely limited. All EU proposals originating from the Commission must be approved by the Council (Lewis 2010, 142).

The European Parliament is becoming a lot more relevant in EU decision making, especially after the Lisbon Treaty (Scully 2010, 163). There Iceland merely has an informal access as well and no direct influence in decision making. It is also worth noting that the European Council³ is the pre-eminent political authority for the EU, bringing together the 28 heads of states, along with the President of the European Commission. The overall strategic guidance for the EU is decided there, including, the budget, enlargement, and foreign affairs (Lewis 2010, 145). Since Iceland is not a member of the EU it does not have a voice within the European Council either.

However, there are several ways Iceland can influence EU policy-making. Iceland can try to affect and pressure countries that do have representatives in the EU, especially representatives from other Nordic states, which Iceland usually has a close relationship with (Jónsdóttir 2009, 77). There are numerous informal channels, allowing for an exchange in views (EFTA Bulletin 2009, 25). The Icelandic government, partly has to rely on interest groups for information about a number of issues, because of its smallness (Thorhallsson and Vignisson 2004, 179). Iceland cannot affect the Council in any formal way and is not invited to any kind of working group or committee (Jónsdóttir 2013, 44). Therefore Iceland needs to gain informal influence, through an informal link, often through the other Nordic EU countries (Jónsdóttir 2013, 46). Jónsdóttir claims that: “not being able to follow the decision-making process from within the Council is clearly a significant disadvantage when it comes to uploading.” (Jónsdóttir 2014, 46).

After the signing of the Lisbon Treaty, there has been a considerable shift of power from the Commission and the Council to the directly elected EP (Eriksen 2008, 16), therefore

³ Not to be confused with the Council of the European Union

Iceland has had to create a more informal relationship with the EP, because of the limited formal interaction the EFTA countries have on the EP. The EFTA countries do not have a direct access to EP committee meetings, but the EFTA representatives have had the occasional chance to take part in preparatory work and informal discussions (Jónsdóttir 2009, 78). Iceland's collaboration with the EP has overall increased since the signing of the EEA Agreement — but is still highly limited (Jónsdóttir 2014, 48).

The EFTA EEA States often work together to try in influencing and monitoring developments from the EU side. Since Iceland has limited resources this can be quite beneficial for such a small country. The EFTA EEA States can also comment on forthcoming EU legislation they can both be from individual states or the EFTA EEA Countries as a whole (Jónsdóttir 2013, 48).

The signing of the Lisbon Treaty has had an effect on the EEA Agreement. The three-pillar-structure was abolished. The old second, that has to do with EU's CFSP, will remain intergovernmental, but the other two pillars, that is the EC and the Justice and Home affairs will be more supranational. This might mean that more issues will fall under an supranational realm and thereby more decisions will be taken within the Community method, where the Commission has the right of initiative, the use of majority voting within the Council is common, and there is a more active role of the European Parliament (Eriksen 2008, 16).

4.5 Decision-making within the EEA/EFTA

Legislation signed by the EU does not automatically become a part of the Icelandic national law. First, one might mention the EEA Council, which is the political moving force of the EEA Agreement. It meets twice a year and the EFTA EEA States are represented by their foreign ministers. The EU is represented by the rotating presidency of the Council. Within the context of the EEA Council, a dialogue can take place between the EU and the EEA EFTA States.

Second, the laws are reviewed by specialists of the EFTA states and then monthly, the EFTA representatives meet to decide on whether these laws should be implemented or not (EFTA Secretariat 2007, 1-2). They are first reviewed by EFTA specialists, deciding on whether they are relevant to the EEA Agreement. Then they are discussed and reviewed by EFTA working groups and subcommittees. The EFTA Standing Committee is occupied by by the Ambassadors of the EFTA States. The main purpose of the EFTA Standing Committee is to shape a common position of the EFTA States (Arnórsson 2003, 50).

The EFTA Joint Committee is the main grounds for cooperation of the EU and the EFTA. Its purpose is to decide on which matters fall within the boundaries of the EEA Agreement and make sure that the Agreement remains active (Arnþórsson 2004, 50). During the EEA decision-making process the EFTA EEA States can try to affect the EU's position and call for some sort of adaptation (Jónsdóttir 2013, 50-51).

There have even been made some adaptations for Iceland (Icelandic Prime Minister's Office 2008, 32). This can be done before they are incorporated into the EEA Agreement. But it is not commonly done. There are however around 1,119 legal acts that contained country-specific derogations — but it is necessary that there is good cause for these derogations (Jónsdóttir 2013, 51).

When the EEA Agreement was discussed in Iceland, there was a concern over a possible loss of sovereignty. Therefore it was made sure that the EU law that fell under the realm of the EEA Agreement did not immediately. First the EEA committee has to decide on whether the legislation should be implemented and the EFTA states actually implement it. The EFTA states have never declined to adopt legislation and one might say that the EU's threat of cancellation of the agreement could have major consequences for the EFTA states. If the EFTA states were to deny to adopt a part of the EU legislation, it would mean that a part of the EEA Agreement would be cancelled (Jónsdóttir 2009 83-84). So all things considered, it is highly unlikely that the EFTA member states would deny to adopt EU legislation.

But one must be aware of that one of the main objectives of the EEA Agreement is the object of creating homogeneous European Economic Area (102. Article EEA Agreement). Therefore the EEA Joint Committee shall take decisions which are as close to the original EU legislation as possible. Norwegian scholar Eriksen has argued that this is in contrast with an ordinary international treaty, where two states enter into an agreement. The EEA Agreement is rather an agreement that tries to make on actor as much akin to the other (Eriksen 2008, 4).

In the EU countries pool their sovereignty — that is, they give up a part of their sovereignty but instead get to participate in decision making at an intergovernmental level. Iceland however one might argue, gives away a part of its independence through the EEA Agreement, but is not an equal partner in the EU decision making (Jónsdóttir 2009, 72). It is quite clear that the EEA EFTA states, Iceland, Norway and Liechtenstein and the EU member states do not have equal footing when it comes to policy-making within the EU. This has led to some critical remarks regarding the EEA Agreement.

4.6 Critical voices: Democratic deficit and loss of sovereignty

There has been a more extensive discussion on the democratic repercussion of the EEA Agreement in Norway. In an supposedly unbiased analysis of the pros and cons of the EEA arrangement, Israeli scholar Tovias came to the conclusion that the EEA system has “semi-colonial features“ and that non-EU members have a little influence on the EU but at the same time it is highly dependent on the EU. He also calls this system undemocratic (Tovias 2006, 219). Norwegian political scientists Eriksen and Fossum have also written extensively on the democratic problem that this condition creates. They even refer to this system as a system of dominance — whereas the EU dominates the EFTA states — because of their uneven footing (Eriksen and Fossum 2014, 228).

This has been called many different names, many of them negative, such as “fax-democracy“ or “e-mail democracy“. This passive way to the internal market could mean that the democratic interest in EEA matters can be rather limited. This can interrupt the regular democratic system. The democratic deficit might be considered as serious or even more serious than it was twenty years ago, but most Icelanders, policy-makers and the general public have gotten used to this arrangement and therefore most people do not feel it necessary to make any major changes (Institute of International Affairs 2014, 106).

Eriksen argues that because Norway's integration within the EU system, without being a member of the EU leaves Norway's democracy as broken, at least when it comes to this EEA Agreement. He furthermore feels that the problem is created because of EU's supranationalism. That is that this supranationalism spills over the EEA Agreement but where the EEA countries are in a second rate position (Eriksen 2008, 1-2).

Here the discussion turns once again to the phrase of hegemony. The term has not been used to describe Iceland's relationship with the EU *per se* but scholars Eriksen and Fossum have used it to describe Norway's relationship with the EU and the EEA EFTA states' relationship in general. This implies that this agreement is not desirable from a democratic point of view and that it may potentially be harmful for Icelandic democracy. But how accurate is this description from an Icelandic point of view; is the relationship between Iceland and the EU through the EEA Agreement, hierarchical or even hegemonic?

5. Iceland under hegemony?

Now our focus will turn back to the concept of hegemony and what it has to offer when analysing the nature of Iceland's relationship with the EU. Hegemony is a concept one must not throw around frivolously and therefore it was well defined in the previous chapter.

The conception of the word by Agnew (2005), based on neo-Gramscian roots, suits the analysis of this thesis well. Norwegian scholars Eriksen and Fossum offer a slightly different explanation on the term, their ideas coincide in many ways with those of the scholars that write base their analysis on neo-Gramscian roots. The conception Agnew uses has to do with the enrolment of other actors into an actors' exercise of power. It is not raw military power that is the main emphasis of hegemony as many realist scholar believe but rather a more subtle kind of power that revolves around cultural norms and institutions.

One of the main objectives of this chapter is therefore to take a stand towards whether this conception of hegemony applies to the case of Iceland's relations with the EU, especially through the EEA Agreement. One of the hypothesis put forth in this thesis was that the EU is a regional hegemonic power and that Iceland is within its sphere of influence and that might be one of the reasons Iceland takes part in the European integration process. To really explain and measure hegemony is a lot harder than to identify concrete facts about countries of organisations. But in this thesis an attempt will be made to use theories on hegemony and structural power and put them into Icelandic perspective.

In this chapter there will also be a discussion on whether the EEA Agreement, Iceland's main connection with the EU is indeed a *hierarchical* mode of governance or not. This discussion will be based on the framework of external governance put forth by Lavenex and Schimmelfenning. Another one of the hypothesis of this thesis is that the diffusion of EU legislation to Iceland has mainly been under a hierarchical mode of governance. After looking closely at how the arrangement of the EEA Agreement an attempt will be made to answer this after looking at what the hierarchical mode of government entails and how the Icelandic case, that is does the EEA Agreement fits the framework.

5.1 EU, Iceland and hegemony

Iceland can be considered a small state. A country of merely 320,000 inhabitants, the study of Iceland's smallness and its disadvantages and advantages has been quite relevant for many scholars in Iceland. There are various external challenges that have been identified by these

scholars when it comes to its smallness; vulnerability and lack of capabilities in terms of population, economy, lack of military strength and territorial size. Newer theories on small states discuss their need for a protector, either a nation state or an organization (Bailes and Thorhallsson 2014, 119).

From a historical point of view, the United States has had a close relationship with Iceland. As described in Thorhallsson's book *Iceland and European Integration*, this special relationship mostly revolved around a military cooperation and close economic ties. The relationship was especially important for Iceland's government (Thorhallsson and Vignisson 2004, 122). Looking at this relationship from a hegemonic perspective this makes perfect sense. The United States have often been described as the hegemonic power of the 20th and even the 21st Century (Agnew 2005, 28). So due to Iceland's strategic position in the Atlantic Ocean it is quite reasonable to assume that the US wanted to maintain a close relationship with Iceland in the Cold War context (Thorhallsson and Vignisson 2004, 122). However, after the Cold War had thawed, the US military base in Iceland closed and the United States' influence lessened considerably. They closed down their military base and left no physical presence in Iceland (Ingimundarsson 2007, 155-157).

The EU can also be seen as a hegemonic power. This giant within the continent has been described as *sui generis* in many ways. With a population of around a 507 million and being the overall largest economy in the world (World Bank), it can be considered childish to assume that the power relations between Iceland (and the current EEA countries) is anything but asymmetrical. The EU's position within the continent fits well with both Agnew's description of the term hegemony, he himself mentions that the EU is a good example of this kind of contemporary hegemony — because of its legal and moral reach. Especially if one takes into account the normative power (Manners 2002) the EU has beyond its borders and its role as a structural foreign policy actor (Keukeleire and Delerux 2014) it is easy to claim that the EU has an impact on the world and an immense impact on the European continent.

Iceland is affected by the EU in various ways. For example the EU is by far Iceland's most important trading partner. In 2005, 75% of Iceland's exports went to the EU and 62% of its imports came from the European Union (Jónsdóttir 2013, 65). It is easy to look at numbers but measuring something like structural influence over time might be more difficult. Keukeleire in his book on EU's foreign policy describes EU's structural powers to be considerable and that it affects EU's neighbours in particular. The integration process can especially be seen as a manifestation of this structural process, where countries adopt the EU's *acquis*.

For a long time it was considered to be desirable to join the EU, for countries in Europe. Many countries, especially in Eastern Europe, adopting the European way of life was the ultimate goal (Keukeleire Delerux 2014, 28) Iceland has however been described the most reluctant European (Bailes and Thorhallsson 2013, 4). Many attempts have been made to explain this situation, why Iceland's elite has been reluctant to join the EU and why Iceland was the last Nordic state to formally apply for membership (Thorhallsson 2004, 2).

One might argue that this great aspiration to join the EU that many of the Eastern European neighbours had, did not apply to Iceland. It was only after a crushing financial crisis in 2008, that Iceland decided to apply for membership. The EU has not been able to use the carrot of accession to induce compliance in Iceland, as was done with many other candidate countries of the EU (Jónsdóttir 2013, 65). It would however be naive to think that Iceland has not been affected by the EU, despite of its reluctance to join the Union.

Iceland's and EU's asymmetry of power has been considered a hindrance when it come to downloading the EEA legal framework. The Union does not apply the same kind of significance to the agreement as Iceland does. The EFTA states used to be seven when the EEA Agreement was signed, but are now only three (two of them being very small states). EFTA was at the time EU's largest trading partner. Now the times have changed, the EU has grown and EFTA has diminished substantially. Therefore it is important to be aware of the fact, that this power asymmetry is existent and that this relationship has even been called “extremely asymmetrical“ (Jónsdóttir 2013, 65).

It is interesting to note that Jónsdóttir furthermore argues that a certain type of 'culture' exists that can ease the process of rule downloading. It is a culture of compliance. No particular study of Iceland as a case study has been carried out but according to Jónsdóttir's interviews, many of the Icelandic EFTA official's are quite eager to implement the EEA Agreement, that is to live up to their obligations (Jónsdóttir 2013, 60-61).

Hegemony of the EU, in the context of Agnew's conception of the word, does not necessarily merely apply to military strength or only the strength of its economy but also the everyday fabric of human life (Agnew 2003, 23). It is close to impossible to measure this influence exactly, but the common standards of the EU can most obviously been seen through laws it imposes on states that are not members of the EU. The broadening of the term hegemony by Cox in his writings on neo-Gramscian hegemony, means that the acceptance of EU's norms and ideas applies to the Iceland. It is not always clear what this entails, but it is clear that Iceland is an active participant in the EU process.

Bergmann in his article about Iceland and the EEA Agreement, claims that the Europeanization of Icelandic society is considerable. It has led to the opening of borders when it comes to cooperation. It has also led to the transformation of Icelandic society, by opening up the borders and diversifying the Icelandic economy (Bergmann 2011, 10-11). The EEA Agreement has also changed the structure and behaviour of its member states' institutions (EEA Review Committee 2012, 5).

It is obvious that the EU colours everyday life, at least in Norway. In an extensive report on EU-Norway relations, through the EEA Agreement, the main findings were that the EEA Agreement had led to a Europeanization of Norwegian society and that: “..European integration shapes and colours everyday life in Norway.” The European integration process shaped Norwegian values and interest through cross-border issues (EEA Review Committee, 5-6). In a similar tone, Icelandic scholar Jónsdóttir claims that Iceland is an active participant in the EU policy process and that participation has had “..substantial impact on the content of public policy in Iceland as well as the structure and behaviour of political administrative organizations.” (Jónsdóttir 2013, 158).

Of course Norway's experience with the EU cannot simply be transferred to our case study, but it is quite likely that these effects would be similar in Iceland since Iceland takes part in most of the same institutions, that have to do with relations with the EU, that is the EEA, EFTA and Schengen. An interesting research could be done on the effects the EU has had on the everyday life, as was done with Norway's EEA Review Committee. Especially since the official position of the current Iceland government is that the EEA Agreement is Iceland's most important connection with the rest of Europe.

The EU is obviously a major norm exporter and therefore, since Iceland is one of the EU's closest partners, it would seem logical that Iceland would be influenced by the EU in various ways and not merely through the EEA Agreement. Bergmann claims that Iceland is more integrated in the European integration process, than some of the EU member states. He mentions that countries like Denmark and the UK have opt-outs from EU law, that Iceland is subject to through the EEA. Therefore he argues that one might say that Iceland is a *de facto* member of the European Union, to a large degree at least (Bergmann 2011, 26).

It is quite interesting to note however, that since Iceland has been more reluctant as a European and has never shown the same enthusiasm for joining the Union as many of the Eastern European countries that have now recently joined the EU. This might mean that the attraction of membership conditionality is not as apparent in Iceland's relationship with the EU as it is in many other countries that aspire to join the Union. In other words, the carrot of

membership may not seem as attractive to Icelandic policy makers and the general public (Jónsdóttir 2013, 7-8).

This is an interesting fact and this question of conditionality might puzzle many scholars. But it seems that Iceland has adopted a large part of the *acquis* and changed its domestic setting in order to be a participant in the EEA, despite the Icelandic scepticism towards the EU. But if it is not a carrot that influences Iceland and not quite a stick either, since the EU cannot force Iceland to take part in the integration process, what can explain Iceland's behaviour towards the EU? Could it be that the nature of the relationship has something to do with Iceland's implementation of EU *acquis* and domestic change? Could it even be said that Iceland was in a hegemonic relationship and that would be one of the factors that could explain this situation?

5.2 Downloading EU laws through the EEA — a hierarchical process?

The second hypothesis of this thesis is that Iceland's adoption of EU legislation through the EEA has mainly been through a hierarchical mode of governance. The process of external governance that is the rule expansion of the EU, beyond its borders has certainly been ongoing in Iceland. Using Lavenex's and Schimmelfenning's theoretical framework, Iceland's rule adoption of EU *acquis* can be further analysed. Now to the question is the institutional setup of the EEA and therefore Iceland's main legal connection with the EU a hierarchical one?

The EEA Agreement before been described as a “legalized hegemony“ meaning that the in-built asymmetry resulted in a circumstances where the two parties are not equal and that the EEA Agreement can furthermore be seen as an extra-territorial impact of EU rules (Pedersen 1994, 70)

Lavenex et al. (2009), in their comparison of the modes of external governance define the EEA macro-structure as a mode where which: “combines high levels of legalisation with a centralised, dense and exclusive format of institutionalisation and thus comes close to a hierarchical structure.“ As defined by Lavenex and Schimmelfenning the hierarchical mode of governance as a relationship of domination and subordination that is based on collectively binding laws.

It is clear that through the EEA Agreement, Iceland adopts EU *acquis*. Despite the fact that there is a special provision in the EEA Agreement where it is stated that the EEA countries *de jure* maintain their sovereignty, by denying to implement EU legislation and despite the fact that Icelandic specialists do some have a say in some advisory committees, it

could be hard to argue that this adoption of a large part of the EU's *acquis* is not completely hierarchical. Iceland has little influence in the Commission, no members in the EP and no members of the Council. It is almost impossible for EFTA states to decline the rules the EU puts forth the Joint Committee.

In Jónsdóttir book on the Europeanization of the EEA, an EFTA official is quoted in saying: “It's not like we really have the right to say. “No.“ It's not very balanced. They do what they want and we have to accept it.” (Jónsdóttir 2013, 67). To back up this statement one can point out the fact that the national parliaments have never declined to incorporate a EEA act once it has gone through the procedure described in chapter four (Jónsdóttir 2013, 68).

As to the description of a hierarchical mode of governance when it concerns it as a relationship where rulers steer the ruled, it is hard to argue that this applies to the EEA Agreement, especially on *de jure* basis. But however, it might apply in reality since it has always been nearly impossible for EEA EFTA officials to deny to adopt EU legislation, as is described here above.

The rule adoption can be considered as authoritative as the hierarchical mode of government entails, since that if Iceland does not comply with EU legislation it may be sanctioned. The EFTA states are surveilled and sanctioned by the EFTA Surveillance Authority (ESA). ESA has powers to sanction EFTA states if European legal acts are not properly implemented. It does not have the power to issue binding decision, as is the case with the CJEU but does have recommendations and advisory opinions. It is interesting to note that the EFTA Court is made up by judges coming from member states of EFTA and not from the EU, so one might say that the EFTA countries surveil and sanction themselves (Jónsdóttir 2013, 70-71).

EEA EFTA states are required to adopt the EU *acquis* to maintain a certain level of “legal homogeneity“. A ruling by the EFTA court confirmed that the EEA legal orders are “situated in a halfway position between supranational Community law and classic international law“ (Lavenex et al. 2009, 6). This can mean that the hierarchical mode does not perfectly describe the EEA arrangement, but it comes close to doing so overall.

The two other modes of governance described in the theoretical overview do not fit the description of the EEA Agreement as neatly. In the network constellation, the actors are legally and formally equal. It would be hard to argue that this is the case with Iceland's relationship with the EU. In it both (or all) of the actors involved work together to create the agenda. In the case of the EEA, it is mostly the Union that creates the agenda and it is only up to a very limited point where the EEA States can bring forth their priorities. The third mode of

governance, that is the network one, does not fit the description either. There the formal relationships can be considered as relatively weak and competition plays a large role. This does not fit the description of the EEA.

5.3 But what does this mean?

In Agnew's definition of the word hegemony, the hegemonic relationship refers to a relationship that implies some sort of a domination or leadership. But it is not always apparent how this domination manifests itself. It can be a complex relationship between economic, political and military power that will create a result of coercion and consensus. This can entail a set of rules, informal and formal and institutions, informal and formal. If this definition of the term is used, one might see some resemblance with the relationship between Iceland and the EU, especially through the EEA Agreement and the other institutions these two actors share.

It seems apparent that the EU is a giant within Europe and that Iceland is currently intertwined in a relatively complex relationship with this giant through the EEA Agreement and other institutions. Many scholars have argued that the current manifestation of the EEA Agreement is highly unbalanced and that *de facto* Iceland cannot veto the EU legislation it should adopt (Jónsdóttir 2013, 65-66) (Bergmann 2011, 15). In a report written by the Institution of Foreign Affairs at the University of Iceland, it is argued that the EEA Agreement seems to be working well and that many actors see the benefit in maintaining the status quo. But the democratic deficit the EEA Agreement can create needs to be taken seriously (Institute of International Affairs 2014, 10-11).

This description of the kind of hegemonic dominance that can lead to a relationship which entails a mix of coercion and consensus, seems to apply well to this Icelandic case study. It does not seem to be the case that Iceland is forced to participate in EU integration at gunpoint, but rather that the Icelandic elite and public chooses this type of cooperation because there are not many other realistic choices for Iceland, except to join the EU. As Agnew describes it, the threat of being isolated can lead to a situation where an actor accepts hegemony. Iceland might be in this situation where isolation might be catastrophic and therefore the country adopts a large part of EU legislation and norms.

The formal institutions described are in existence. There are various institutions that connect Iceland and the EU, most notably through the EEA Agreement. The informal institutions, such as norms can be harder to measure. It has been established that the EU is a

major structural foreign policy actor and the Single Market can be described as an intensive structural foreign policy objective. It has largely influenced structures within Iceland.

However to answer the question of the EU's effect on everyday life of Icelandic citizens, a more detailed analysis and further research might be in order. This is something Iceland's government and foreign ministry might consider. To follow Norway's example and research, in detail the Europeanization of Icelandic society and its effects.

6. Conclusion

Iceland and the European Union seem to be closely interconnected and will probably remain so for the time being. Therefore it is necessary to fully understand the nature of their relationship. There has been considerable discord within the country on how this relationship should be. The current status, is that Iceland's and the EU's main connection is through the EEA Agreement — whereas Iceland (and the other EEA EFTA States) adopt a large part of EU *acquis* that has to do with the Single Market and the four freedoms.

Iceland did apply to become a formal Member State of the EU in 2009, but in 2013, the accession process was put on hold and the current position of the Foreign Minister is that Iceland is no longer a candidate country though the membership application has not been formally withdrawn.

The history of Iceland–EU relations have largely been coloured by scepticism on Iceland's behalf when it comes to formally joining the European Union. However, Iceland has been an active member in the European project through other means that is by joining EFTA in 1970, making a free trade agreement with the EU in 1972, and signing the EEA Agreement in 1994, and taking part in the Schengen cooperation, Iceland applied for EU membership in 2009.

Despite harsh debates about European integration within the country, Iceland's position towards the EEA Agreement has mostly been positive after its formal approval in Althingi (Icelandic Prime Minister's Office 2007), despite of harsh warnings about the loss of sovereignty at the time of its negotiation. It is clear that the EEA Agreement has its advantages, but mainly the ticket to the European Single Market and the access to the four freedoms. The EEA Agreement does not cover the most controversial issues regarding Iceland's possible European integration, fisheries and agriculture, this could be one of the reasons for why the EEA Agreement is viewed so favourably.

It has been argued in this thesis that this situation where Iceland (and the other EEA EFTA States) adopt a large part of EU *acquis* and have therefore been subject to a large degree of Europeanization, could be considered a hegemonic relationship, where Iceland adopts these rules within a hierarchical mode of governance. The theory on hegemony put forth, based on neo-Gramscian roots, fits well to describe Iceland's relationship with the EU. After taking an extensive look at the arrangement of the EEA Agreement and Iceland's relationship with the EU, its possibility to affect the policy-making process of the EU, one can argue that this arrangement can be considered hegemonic. It is clear from the deliberation in

chapter four, that Iceland does not have equal footing with the EU Member States when it comes to the policy-making processes of the EU and the EEA.

In the EU decision-making process, Iceland's (and the other EEA EFTA States') point of entry is mainly in early stages of the process, the main point of entry being the European Commission. In the early stages of the shaping of legislation they can assist the Commission in shaping legislation regarding the EEA Agreement. But since Iceland is a small state and only takes part in a limited number of expert groups within the Commission, it has limited resources to affect EU decision making indirectly..

Despite the fact, that the EEA EFTA States can have a limited impact especially on the early stages of policy-making, it is blatant that EEA EFTA states do not have direct access to the Council and the EP. Council of Ministers, the European Council, and the European Parliament are all powerful and influential institutions within the EU framework. There Iceland and the other EEA EFTA States have no direct influence. Hence, Iceland only has a minimal indirect influence within the EU decision making procedures. These institutions take very important decisions, but Iceland is at a loss trying to affect their decision making processes. One might point out that Iceland has representatives in the comitology committees, which help the Commission in adapting the technical aspects of legislation, but these representatives merely have observer status and therefore cannot provide input (Jónsdóttir 2013, 43).

It is also worth to note that the rules and regulations stemming from the EU, do not directly take effect in EEA EFTA States, they first have to pass through the decision-making process of the EEA EFTA States as described earlier in this essay. There EEA EFTA States can call for some derogations, if it is deemed necessary for the EEA EFTA State involved. But this is uncommon and most of the EEA legislation is merely EU legislation that is simply adopted by EEA EFTA States.

The EEA Agreement is a hegemonical arrangement, because of the asymmetries in power and influence within the policy-making procedures within the EU institutions and the EEA EFTA institutions. The EU since it has considerable soft power and influences Iceland through the EEA Agreement and other shared institutions. The EU can be considered as a regional hegemon within Europe, although it is not a state, it is highly influential, especially as a structural foreign policy actor. It can be hard to measure the extent to which norms and other intangible factors have affected Iceland, but when looking at matters from a more rule centric view, the EEA Agreement can be described as “extremely asymmetrical“ (Jónsdóttir 2013, 65).

The rule adoption of Iceland, when put into the framework of mode of governance developed by Lavenex and Schimmelfenning, bears a rather clear resemblance to the mode of governance they describe as hierarchical. This means that one actor adopts collectively binding laws in a way where another actor is more dominant. As mentioned in the fourth chapter of this thesis, the hierarchical mode of governance is not completely concurrent, because of the *de jure* clause, whereas the EEA EFTA States can influence rule adoption and deny to implement clauses of the EEA Agreement. But in reality this has not been done.

The first hypothesis of this thesis is that the EU is a hegemonic power and that Iceland is within its sphere of influence and therefore Iceland could be considered to be in a hegemonical power relationship with the EU. It seems quite apparent that the EU is a hegemonical power, at least within the continent, when basing the analysis on Angew's definition of the term. Iceland judging from this case study seems to be very interconnected with the EU, especially when it comes to law adoption and the Single Market. Iceland is becoming more Europeanized, whether Iceland decides to join the EU or not.

The second hypothesis that was put forth was that the rule adoption of Iceland has mainly been through a hierarchical mode of governance, cannot be denied. After a careful deliberation of the modes of governance as put forth by Lavenex and Schimmelfenning, it is clear that the downloading of EU law in Iceland is mainly a hierarchical process. This does not however mean that the rule adoption is completely hierarchical *de jure* since the EEA EFTA countries maintain a certain amount of influence, when it comes to policy-making and can even 'veto' legislation, although this has never been used so far.

Other scholars have described the EEA Agreement as an agreement of dominance, hegemonical, a faux democracy or even a semi colonial arrangement. The definition based on neo-Gramscian roots has not been used to describe this arrangement, i.e. Iceland's relationship with the EU before, through the EEA Agreement. The results, that Iceland and the EU are in a hegemonical power relationship and that there are serious asymmetries in the power relationship might not be completely surprising. Merely looking at the size of these actors one might easily assume that there would be a certain amount of structural discrepancies. But assuming and carefully deliberating are two different things. After looking carefully at the facts and theories, one can put forth a more balanced view. If the EEA Agreement is to be Iceland's main connection with the Union in near future, it could be considered necessary to take a closer look at Iceland's relationship with the EU from a structural point of view and see how extensively the EU affects Iceland and if this is a democratic process or merely a hegemonical process based on hierarchical law adoption.

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