Iceland and EU Accession Referendum

Yes to European Cooperation, No to Further Integration

Maria Elvira Mendez Pinedo

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The recent referendum held on 29 August 2026 confirmed that 52,8% of Icelandic citizens (with almost 82,6% participation of registered voters) do not want any change regarding European cooperation and prefer the status quo. That is to say, Island prefers to participate in the European internal market through the European Economic Agreement (EEA) while actively preserving its national independence and avoiding EU membership and thus inevitable further legal and political integration. However, in the eyes of the people, the relationship between the EU and Iceland remains stable and positive. Accordingly, the rejection of EU membership should not be interpreted as a rejection born of dissatisfaction, but rather as a political embrace of a well-functioning status quo.

The Success of the European Economic Agreement

The EEA Agreement is the most important international treaty that Iceland, Liechtenstein and Norway have signed and ratified as European Free Trade Association (EFTA) Member States. For 30 years it has played a vital role in the economies of the countries providing them with access to a European internal market of circa 450 million inhabitants.

Iceland participates actively in the day-to-day operation of the internal market and other policies and agencies (ie. Schengen, Erasmus, European Data Protection Board). The legal framework of the EEA, which creates two pillars and separates EU and EFTA/EEA institutions, aims to maintain legislative and judicial homogeneity and similar rights for citizens and economic operators without political representation/vote in the EU institutions.

Icelanders and Icelandic businesses already enjoy the free movement of goods, services/establishment, capital and people. The EEA cooperation system does not require membership of the EU nor an important transfer of its sovereignty. In September 2019, an important report commissioned by the Minister of Foreign Affairs exposed two important differences regarding Iceland's membership of the EEA Agreement. First, lack of voting rights in the EU legislative process for all EEA relevant legislation that must be incorporated. Second, a different nature of EEA law, namely, lack of primacy and direct effect of EEA law. EU law becomes EEA law by amending the annexes to the EEA Agreement (Decisions EEA Joint Committee). Norway and Iceland are dualist countries and all EEA law must be also adopted by their parliaments in order to enter into force.

Explaining the Outcome of the EU Accession Referendum

First, the outcome of the referendum is probably due to many different reasons: Yes/No campaign arguments, satisfaction with the EEA current agreement, good economic growth compared to EU countries, geographical isolation, a history of nationalism after gaining independence from Denmark in 1944 and "cod wars" with the UK extending fishing limits to 200 nautical miles (1958-1976), a strong sense of sovereignty (emotionally understood), and past economic friction with the EU after the financial crisis (ie. Icesave dispute). All these factors have probably kept full EU accession off the political agenda in Iceland.

Second, this outcome reflects a deeper trend in public opinion. The response traditionally given by political scientists to the Iceland-EU relations is an expression of what is called "institutionalism of rational choice" (Thorhallsson) or justified on the following argument/analysis. As typical European export

economies, Iceland and Norway rely heavily on access to the internal market (economic need taken rationally) but still want to preserve their sovereignty (political choice taken emotionally) (Jónsdóttir and Bergman). The EEA is the perfect legal compromise to secure both goals.

Finally, although Iceland has no military/army of its own, it is a founding member of NATO and has a bilateral defence agreement with the US since 1951. At the same time, it is closely aligned with the EU in areas such as foreign policy, security and defence. Its specific geographical/geopolitical situation probablly means that in these sensitive areas it has to find a good compromise between the EU and the USA.

All in all, as previous research proved, "the European legal integration project (and general pooling or sharing of sovereignty) will probably never fully convince Iceland for historic, geographic, legal, political and economic reasons. Lacking a history of nation-wars and situated geographically as the ultra periphery of Europe, for this small nation rich in natural resources and scarce in population; supranational integration is neither a political imperative nor an economic necessity in ordinary circumstances. With the exception of the years 2009-2013, after a major financial crisis when Iceland was a candidate country to the EU…the EEA Agreement and European cooperation are preferable to full EU legal integration unless a situation of national emergency happens again."

The Referendum Campaign

The Yes supporters put forward these arguments, all very rational: Yes to see an accession treaty and a second vote on EU membership later, a seat at the EU table, and for economic and future monetary stability and geopolitical security.

This referendum had a very limited scope, namely, to give a mandate to the Government to resume accession negotiations and present a future accession treaty (with specific adaptations/derogations reflecting Icelandic needs). A second referendum would be necessary to adopt that future treaty as well as a reform of the Constitution (approved by single majority by two consecutive parliaments). This was summarized in the slogan "*Já til að sjá*" (Yes to see).

Apart from cooperation in the Eu institutions, the full EU membership could also eventually allow Iceland to adopt the euro (subject to further conditions and European Exchange Rate mechanism ERM-II as the Danish króna). This would lower high domestic interest rates and stabilize a history of extremely high inflation, instead of relying on the always volatile Icelandic króna (ISK).

Supporters also argued that recent global tensions, especially in the Arctic, and trade/tariffs instability by current USA leadership, all speak for further integration with the EU (a sort of collective security framework vital for a small nation isolated in the Atlantic ocean).

The No opponents adopted a strategy of identity politics and "rallying around the flag" with the use of the following arguments: Iceland needs to keep control over fisheries, defending a cherished and recent sovereignty, and arguing that there are no real reasons for citizens and companies to go beyond the EEA.

The core emotional argument was the defence of Iceland's vital fishing waters, rich in cod and mackerel, and the right to decide and allocate fishing quotas against the EU's Common Fisheries Policy, an area of exclusive EU competence in which decisions on the conservation of marine resources are taken by qualified majority. Within this policy/framework, Iceland would therefore have no veto power.

Furthermore, the opponents emphasised the need to defend Iceland's sovereignty and independence, fearing the loss of national control over other key domestic resources such as agriculture and energy. Contrary to Norway, Iceland is rich in the production of low-cost geothermal energy and is not connected to the European grid. Iceland is a young country and has celebrated its eighty years of sovereignty and independence from Denmark on 17 June 2024.

Last but not least, the No camp emphasized that the current framework offered by the EEA provides frictionless access to the European single market, four fundamental freedoms and travel within the Schengen

area without any further obligations of full membership, such as loss of fiscal independence and/or flexibility of ISK to follow up and downs of Icelandic economic cycles.

Referendum: Emotions vs. Reason

The campaign and the Yes/No arguments have been commented recently by the Icelandic Ambassador to the UK who wrote: "The reasons Icelanders voted no are deep, domestic and largely unglamorous: fish, the currency, a comfortable arrangement with the world and a belief that the international order will remain relatively unchanged, despite temporary turbulence. In short, Icelanders voted no because of old, domestic reasons: fish, the currency and comfort with the status quo."

She has also noted that both camps were not respecting 100% the truth and facts. One of the most potent messages targeted to the young voters asking for No vote was that EU accession could see them drafted into a European army (which does not exist). In her view, the Yes side also played somehow loose with the facts, with misleading assertions that lower euro interest rates would automatically ease young people's access to the housing market. In truth, the prices of real estate are determined by supply and demand and with many other factors playing a role.

Finaly, the Ambassador concluded that, contrary to much international news and reporting, the volatile state of the world and the need to seek shelter as a small state barely featured in the campaign, which was mostly fought on domestic issues. She quoted Bogi Ágústsson, a respected Icelandic journalist, who recently told The Economist that Icelanders are in denial about some serious and recent international developments in the Arctic.

One of the most famous political scientists in Iceland, Eiríkur Bergman, summarized the outcome in the following way: the No campaign was emotional while the Yes campaign was rational. A key factor, according to Bergman, was that Icelanders perceive the concept of sovereignty as independence and freedom, it is an emotional concept that is deeply rooted in Icelandic society. In his view, passion won over legal and more technical approach (see also here and here).

From Referendum to What Lies Ahead

After many years of debating the EU membership, the concrete proposal to strengthen the relationship between the EU and Island came only after the financial crisis in 2009. In a resolution of 16 of July, the Parliament (Althingi) issued a formal application for the EU membership. However, this process was short lived. Following new Eurosceptic coalition in 2013, the formal accession process was put on hold, and the Ministry of Foreign Affairs suspended the negotiations.

While the idea was renewed in 2024, the referendum on 29 August 2026 once again foreclosed the matter for some time. Accordingly, Island has sent a letter to the Irish Presidency of the EU Council, informing the Union of the outcome. Interestingly, the language in the letter does not convey any removal or distance from the EU. On the contrary, it reiterates the good and close relations and the willingness to align with the EU on the majority of areas. Hence, it is not entirely clear yet whether Island will further withdraw from its accession process or simply freeze the matter for a foreseeable future.

The island thus remains a very close partner. However, some commentators have concluded that the referendum closed a gateway to the Arctic for the EU. Moreover, Thomadakis called the referendum a wakeup call for the EU: "Enlargement has become one of the key geopolitical issues for the EU due to the Russian invasion of Ukraine....The added value of EU membership lies in exercising shared sovereignty and geopolitical influence. This argument didn't convince most Icelanders, revealing a fundamental weakness of the EU's political offer."

Yet, the cooperation of Iceland and the EU goes beyond the EEA and the recent research report by the European Parliament indicate a good and stable relationship among them.

Conclusion

In a nutshell, as the Icelandic Ambassador to the UK explained, Iceland did not vote "against Europe". It just voted against further integration through EU membership because it preferred to keep the Europe it already has – membership in the EEA Agreement, participation in Schengen and cooperation with the EU on other policies.

The EEA Agreement has transformed the legal, political and economic environment of Iceland and Norway over the last 30 years. For these countries, the challenge has been and still is to reconcile two different models – supranational integration and intergovernmental cooperation. Iceland and Norway want to preserve their sovereignty and ultimately ensure reciprocity, legislative and judicial homogeneity of a very sui generis system, and protect the rights of their citizens and economic operators.

The commemorative statements by the EEA Prime Ministers and EU representatives on 1 January 2024 – celebrating 30 years of close relationship – specifically refer to the rights of businesses and citizens. Indeed, economic prosperity has been the key to maintaining the integrity and success of the EEA. These rights are a legacy for future generations. The European legal cooperation process set up by the EEA is a dynamic, homogeneous and reciprocal project that takes place in a parallel with the process of European integration. While not with the same intensity and scope as the EU membership, the EEA framework has provided a stable and successful cooperation with the EU that Iceland is keen to uphold in the future. For now, this is what the Islanders value and prefer to keep it that way.

ABOUT THE AUTHOR

Maria Elvira Mendez Pinedo
Maria Elvira Mendez Pinedo is a full professor of European law at the University of Iceland.Maria Elvira Mendez Pinedo is a full professor of European law at the University of Iceland.

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