

**ABSTRACT**

There are many benefits and costs for Iceland associated with a full membership to the European Union (EU). This is so because the country is currently a member of the inner European market through the European Economic Area agreement (EEA). It is, therefore, already enjoying most of the benefits a full membership has to offer. This work focuses on six areas of importance when contemplating whether Iceland should change its EU relations to full EU membership. They are how Iceland's fisheries, agriculture, sovereignty and economy will be affected along with how much the country would have to contribute financially to the EU as a member and finally how desirable EU's future is for Iceland. By examining other countries' experiences, the costs currently out-weigh the benefits were the country to join the EU. The conclusion is, therefore, that Iceland should not join the EU, continue to rely on the EEA agreement to secure its EU relations and keep a close eye on EU's development without ruling out future membership.