



U.S. Country Commercial Guides



Iceland
2018

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Doing Business in Iceland

Market Overview

Iceland is a stable democracy with an active consumer economy. The pillars of the Icelandic economy are aluminum smelting, fishing, and tourism. Iceland's main material exports are aluminum products and fish products, and main service exports are tourism related services. In 2017, tourism accounted for 42% of total exports of goods and services, while marine products were 17% of total exports, aluminium products another 17%, and manufacturing products other than aluminum accounted for 6%. Main material imports to Iceland in 2017 were industrial supplies 27%, capital goods (except for transport) 21%, transport equipment 19%, fuels and lubricants 12%, consumer goods 13%, and food and beverages 8%.

The United States is now Iceland's largest trading partner by country, both in terms of exports and imports (2016). European Union Member States remain Iceland's most important trading partners collectively, with exports from Iceland to the EU accounting for 72.3% of total exports, and around two thirds of all imports coming from the EU. The booming tourism industry is a major contributor to the fact that the U.S. is now Iceland's largest trading partner by country, as the vast majority of tourists now come from the U.S., and tourism is considered export of services.

Iceland is an island nation about the size of the state of Kentucky. It is located in the North Atlantic Ocean between Greenland and Norway. The first settlers arrived from Norway in 874. Iceland achieved full independence from Denmark in 1944, having been ruled by the Norwegians and then the Danes for almost 700 years. Iceland is a member of EFTA (1970) and the EEA (1994). It is also a member of NATO but has no armed forces of its own. The United States, on behalf of NATO, bears primary responsibility for the defense of Iceland under the terms of a 1951 bilateral defense agreement. The United States maintained a Naval Air Station in Iceland until September 2006 when the base was closed. Although Iceland had applied to join the EU in 2009, in May 2015, a new Icelandic government decided to halt the accession negotiations.

With a population of 350,000, the domestic market is small. Icelanders, however, are generally well-educated, with sophisticated tastes, and accepting of American consumer goods. Almost all Icelanders speak English, and there is virtually no language barrier for Americans doing business in Iceland. Iceland is one of the most advanced countries in the world in the use of information and telecommunications technology.

The economic environment of Iceland has been characterized by low inflation and a healthy economic growth rate over the last few years (1.2 percent in 2012; 4.4 percent in 2013; 1.9 percent in 2014; 4.1 percent in 2015; 7.2 percent in 2016; and 3.8% in 2017). Economic growth has slowed down since 2016, with projected growth in 2018 2.9%. GDP amounted to approximately \$20.3 billion in 2016, and preliminary numbers indicate that GDP was \$24 billion in 2017, using the average exchange rate of 2017. Iceland also has very low unemployment at around 2-3%, and shortage of workers could inhibit further economic growth. As Iceland is a member of the European Economic Area (EEA), residents from other EEA countries, mostly Poland, are immigrating to Iceland, helping to alleviate some of the job market constraints. Around 12-13% of the workforce in Iceland are foreign citizens.

Until recently, U.S. investment in Iceland has mostly been centered in the aluminum sector, with Alcoa and Century Aluminum operating plants in Iceland. However, U.S. portfolio investments in Iceland have been steadily increasing in recent years. Several U.S. brands and franchises have entered the Icelandic market recently, including Costco, Hard Rock Café, KFC/Taco Bell, and Krispy Kreme, and more are testing the waters. Iceland's convenient location between the United States and Europe, a large number of American tourists demanding U.S. products, Iceland's high levels of education and English proficiency, and general interest in U.S. products make Iceland a promising market for U.S. companies.

The booming tourism industry has grown by double digits in each of the last seven years. From 2010 to 2017, the number of tourists visiting Iceland increased by more than 470%. However, growth in the industry is expected to slow down in 2018 to 7%, with the projected number of tourists reaching 2.5 million. U.S.-based Carpenter & Company is currently constructing the first 5-star hotel in Reykjavik, which will be operated by the Marriott chain. There are additional investment opportunities in sectors that cater to tourists, as well as in the restaurant sector. A new consumer market is emerging along with the fast growing tourism sector, as the number of tourists in Iceland far exceeds the local population of 350,000. The number of U.S. tourists in Iceland grew by almost 380% between 2014 and 2017, and Americans are now the largest tourist population in Iceland, generating more demand for U.S. products.

Information Technology (IT) has also been one of the fastest growing sectors of the Icelandic economy. Iceland's IT sector spans all areas of the digital economy. Data management systems, workflow systems, communications solutions, wireless data systems, mobile systems, Internet solutions, e-commerce content and solutions, gaming, healthcare solutions and of course fisheries technology systems are all exported to overseas markets. The Icelandic energy grid derives 99% of its power from renewable resources, making it uniquely attractive for energy-dependent industries. For instance, the data center industry in Iceland is rapidly expanding, with many data centers focusing on cryptocurrency mining and related activities.

The Icelandic government has taken the final steps to resolve the estates of the three banks that failed in the 2008 financial crisis and to lift the subsequently imposed capital controls. On March 12, 2017, the cabinet and the Central Bank announced that effective March 14, they would lift capital controls involving "foreign exchange transactions, foreign investment, hedging, and lending activity". Some permanent prudential protections against foreign exchange instability will remain. This liberalization should help attract further investment to Iceland, and allow Icelandic companies the foreign exchange necessary to invest or expand abroad.

Market Challenges

The main barriers to trade and market entries are:

- Increasing adoption of EU product standards and regulations, such as food product labeling.
- High tariffs on most agricultural products from outside the EU.
- Restrictions on import of some products, such as raw meat, due to phyto-sanitary regulations.
- Difficulty in obtaining financing for joint ventures.

Capital controls that had been in affect since the economic collapse in 2008 were lifted on March 14, 2017, but some prudential protections against foreign exchange instability remain.

Market Opportunities

Some of the attractive sectors in Iceland include:

- Energy intensive sectors: The majority of current U.S. investment in Iceland is in the aluminum sector. Opposition towards heavy industry has increased, however, both within the government and in the general public <https://www.invest.is/key-sectors>.
- Tourism: The industry is among the fastest growing in Iceland. Air travel is increasing and coordinated national efforts have helped to attract visitors throughout all seasons of the year. There is demand for new hotels and other infrastructure in the tourism industry <https://www.ferdamalastofa.is/en/about-us/icelandic-tourist-board>.

- The film industry: Iceland offers special tax incentives to attract film production. Key link: <http://www.filminiceland.com/>.
- Consumer products: Iceland is dependent on imported goods. Potential growth areas for exports to Iceland include electricity generating equipment, organic foods, fresh produce, wine and beer, computer equipment and software, high-tech fishing equipment, aircraft, and furniture.
- Data processing and storage: Iceland's first large-scale data center opened in February 2012 and a few new have opened since then <https://www.invest.is/key-sectors/data-centers>.

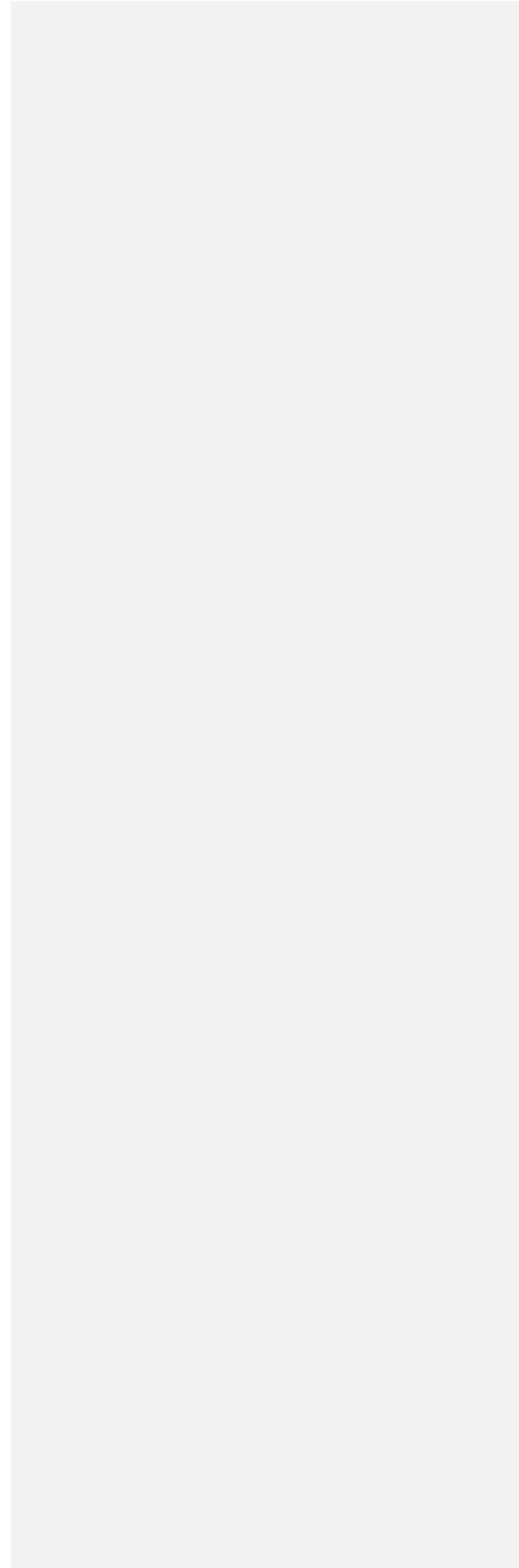
Market Entry Strategy

In Iceland's small society, people refer to each other by first name and personal relationships matter. A personal visit will go a long way in establishing a successful business relationship. As the market is small, it is very common that Icelandic companies act as agents for foreign exporters, handling importation, distribution and marketing.

Political Environment

Political Environment

For background information on the political and economic environment of the country, see the U.S. Department of State Background Notes: <https://www.state.gov/r/pa/ei/bgn/3396.htm>.



Selling US Products & Services

Using an Agent to Sell US Products and Services

Importing and distribution of consumer and industrial goods in Iceland is generally handled by Icelandic wholesalers or agents, who often also handle the marketing of products, or by regional sales offices elsewhere in Europe. Retailers in Iceland often contact manufacturers and distributors in the U.S. directly. For U.S. business representatives visiting Iceland, a direct approach to importers and wholesalers is usually the best way to introduce a new consumer product to the Icelandic market. The Embassy's Economic and Commercial Section can provide lists of importers and sellers of particular products.

Iceland has adopted EU Directive 86/653/EEC which establishes certain minimum standards of protection for self-employed commercial agents who sell or purchase goods on behalf of their principals. In essence, the Directive establishes the rights and obligations of the principal and its agents; the agent's remuneration; and the conclusion and termination of an agency contract, including the notice to be given and indemnity or compensation to be paid to the agent. U.S. companies should be particularly aware that the Directive states that parties may not derogate certain requirements. Accordingly, the inclusion of a clause specifying an alternate body of law to be applied in the event of a dispute will likely be ruled invalid by European courts.

Key link: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31986L0653:EN:HTML>

Iceland has adopted EU Directive 2000/35/EC that covers all commercial transactions, whether in the public or private sector, primarily dealing with the consequences of late payment. Transactions with consumers, however, do not fall within the scope of this directive. In sum, the directive entitles a seller who does not receive payment for goods/services within one month of the payment deadline to collect interest and to receive compensation for recovery costs. The seller may also retain the title to goods until payment is completed.

Key Link: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2000:200:0035:0038:en:PDF>

Establishing an Office

The most common enterprises in Iceland are limited liability companies, either public or private. Branches of foreign limited liability companies can also be established. For an outline of the procedure see Invest in Iceland Agency's publication "Doing Business in Iceland". It is available at <http://www.invest.is/doing-business/>.

Franchising

Icelanders are open to American franchises. U.S. fast food franchises in Iceland include KFC, Taco Bell, Subway, Pizza Hut, Dominos, Quiznos, and Dunkin Donuts, among others. Non-food U.S. franchises include Avis, Hertz, Enterprise and RE/MAX. Other U.S. companies that have franchise-like relationships in Iceland include PricewaterhouseCoopers, Deloitte, Microsoft, and KPMG.

Direct Marketing

Direct marketing is practiced in Iceland but not to the same extent as in the United States. Methods include delivering leaflets to homes, television infomercials and telemarketing. The best source of contact information for telemarketers is the Icelandic phonebook. It can be found online at <http://en.ia.is/hradleit/>. Entries are listed by first name. The EU's Directive on distance selling to consumers (97/7/EC and amendments) has been implemented in Iceland. It sets out a number of obligations for companies doing business at a distance with

consumers. Direct marketers must provide clear information on their identity as well as that of their supplier, full details on prices including delivery costs, and the period for which an offer remains valid before a contract is concluded.

According to Icelandic law, generally, consumers do not have legal right to return goods, unless the goods are faulty. However, the Ministry of Commerce (now Ministry of Finance and Economic Affairs), issued in 2000 non-binding instructions on consumer rights which state that consumers should have 14 days to return non-faulty goods. If goods are purchased online, the consumer has legal rights to return the items within 14 days of purchase regardless if the product is faulty or not. Goods need to be in original condition and packaging. For more information see the Consumer Agency website <http://www.neytendastofa.is/fvirtaeki/orettmaettir-vidskiptahaettir/skilarettur/>.

Financial services are the subject of EU Directive 2002/65/EC. This legislation is designed to ensure that consumers are appropriately protected in respect to financial transactions taking place where the consumer and the provider are not face-to-face. In addition to prohibiting certain abusive marketing practices, the directive establishes criteria for presenting contract information. Given the special nature of financial markets, specifics are also laid out for withdrawal of a contract.

Key Link: <http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32002L0065>.

Joint Ventures/Licensing

The 1993 competition laws were reviewed and amended in 2001 and in 2005 to address joint ventures and the obligation to report on mergers. Iceland has adopted EU regulation (EC) No. 139/2004 on control of concentrations between undertakings. Joint ventures are subject to merger control.

Selling to the Government

Iceland is a member of the WTO Government Procurement Agreement (GPA). On the national level, most procurement is the responsibility of the State Procurement Office (Ríkiskaup), an agency of the Icelandic Government. As an EEA member, Iceland is obligated to follow EU procurement practices, which require that any public procurement in excess of a certain price limit must be tendered for competitive bidding through EU procedures. Accordingly, qualifying Icelandic tenders are posted on the Tenders Electronic Daily (TED) website of the EU www.ted.europa.eu and are also accessible via the website of the U.S. Mission to the EU <http://useu.usmission.gov/>. The chief difficulty with the public tender process is that the bid deadline is often very short, which gives prospective U.S. bidders little time to respond, particularly if tender documents need to be translated from Icelandic. Additional material on State tenders can be obtained from the State Procurement Office www.rikiskaup.is, but it is not always available in English. Many governments finance public works projects through borrowing from the Multilateral Development Banks. Please refer to the "Project Financing" section in "Trade and Project Financing" for more information.

Distribution & Sales Channels

The majority of Icelanders live in the capital city of Reykjavik and the suburbs surrounding it, extending out to the International Airport on the Reykjanes Peninsula. There are other populated coastal towns such as Akureyri, which is located in the North of Iceland. There are no population centers in the center of the country. Distribution is concentrated around the capital, but cargo to other areas can be transported by air, ship or truck. There are no railroads in Iceland. The biggest port in Iceland for cargo is Sundahofn in Reykjavik where

Eimskip, the largest cargo shipping company in Iceland, has their HQ and shipping docks. From the docks to the final destination products are either handled through the mail for individuals or wholesalers and their distribution channel.

Express Delivery

UPS, FedEx and DHL have representation in Iceland. For further information please see their websites:

UPS: www.express.is/

FedEx: <http://icetransport.is/about/english/>

DHL: <https://www.dhl.is/en.html>

Selling Factors & Techniques

Iceland is a member of the EEA which connects it to the EU internal market. Labelling requirement is subject to EU rules and regulations. This goes for agricultural products as well. All electronics must have the CE marking, for more information see www.mannvirkjastofnun.is/rafmagnsoryggi/raffong/.

There are many U.S. products on the Icelandic market and Icelanders are very familiar with leading U.S. brand names. Numerous U.S. franchise businesses operate, particularly in the fast food and restaurant sector. Popular U.S. television programs are broadcast in Iceland and first-run U.S. films play in Icelandic cinemas (in English with Icelandic subtitles). Many Icelanders have worked, studied, or traveled in the U.S. and have a first-hand familiarity with American tastes and life-styles. Although Icelandic culture is unique, the consumption habits of Icelanders resemble those of Americans in many ways. Most communities outside the Reykjavík area are small, and the country can be considered a single market area.

eCommerce

Overview

Iceland follows European e-commerce regulations. E-commerce consists of online banking and shopping, including sales of airline tickets, hotel lodging and events tickets. An Icelandic online service company coordinates delivery and shipping of U.S. products to Iceland www.shopusa.is.

Icelanders have very high internet usage (96.5%). Internet shopping is growing in Iceland, with just over 67.3% of internet users doing at least some of their shopping online in 2014, up from 55.8% in 2013 (there are no statistics available for 2015 or 2016).

A new tax for electronic media was implemented in 2011. Vendors must register with the Icelandic tax authorities if they sell more than \$8,000 worth of products per year to Icelandic customers.

Current Market Trends

Icelanders are increasingly using the internet to shop, as products are generally expensive in Iceland. Icelanders purchase clothing online, as well as baby and children's products (clothing, strollers and car seats), home décor and larger items including bicycles. With better and faster shipping services, and reduced tariffs, Icelanders are increasingly purchasing larger items from abroad online.

Domestic eCommerce (B2C)

Local service providers are also increasingly offering their products online, namely Icelandic clothing brands (<https://igloindi.com>, <https://www.lindesign.is/>), online stores offering home décor and Icelandic and Nordic design (<https://www.epal.is/>, <http://esjadekor.is/>, <http://hjarn.is/>, <http://hrim.is/>, <http://www.modern.is/>, <http://snuran.is>, and stores carrying clothes and products for babies and children, often high-end products (<http://www.fifa.is/>, <http://www.iamhappy.is/>, <http://www.paejuropollar.is/>, <http://petit.is/>, www.sirkusshop.is/, www.tinytresor.com/). Online ecommerce platform Hopkaup.is offers a range of products, including childrens' toys, gadgets, tours, books, and group offers on services such as massages (<https://www.hopkaup.is/>). Icelanders can buy food products and meals online (<https://eldumrett.is/>), as well as fast food (www.dominos.is/, <http://pizzan.is/>). As consumer products are generally expensive in Iceland, buying and selling used items from children's clothing and toys, to camping trailers and cars is quite popular, both on facebook and on websites (<https://bland.is/>). Please note that this list of websites is not exhaustive, but it gives an indication of the ecommerce market in Iceland.

Cross-Border eCommerce

Ecommerce platforms like AliExpress are very popular, as well as European and American online retailers, especially those who offer free or low-cost delivery to Iceland. Tariffs on many imported goods have been reduced or eliminated, but customers have to pay VAT upon the arrival of goods to Iceland. Icelanders purchase clothing online, as well as baby and children products (clothing, strollers and car seats), home décor and larger items including bicycles.

B2B eCommerce

B2B ecommerce is growing in Iceland as companies are increasingly offering their services online. The high-tech and IT industries are flourishing in Iceland. IT companies generally offer their services online to other companies, such as software solutions for businesses. Two of the largest companies in Iceland that provide IT solutions and services for businesses are Advania (<https://advania.com/>) and Nyherji (<http://www.nyherji.is/>). Microsoft is also present in Iceland (<https://support.microsoft.com/is-is>).

eCommerce Services

As noted above, the high-tech and IT industries are growing fast in Iceland. Several companies offer IT services in Iceland, such as Advania (<https://advania.com/>), Microsoft (<https://support.microsoft.com/is-is>), Nyherji (<http://www.nyherji.is/>), and TM Software (<http://www.tmssoftware.is/>). Several smaller Icelandic companies and startups offer unique software solutions, such as HR software, advertising solutions, online banking software, and online payment solutions. The following website provides a comprehensive list of IT startups in Iceland: <http://sprotar.is/leitarvel-sprota/>. The data center industry is also growing in Iceland, as Iceland is a convenient location for data centers due to the cold climate, renewable energy, convenient location between Europe and the U.S., and safe environment.

eCommerce Intellectual Property Rights

Iceland adheres to key international agreements on property rights, for more information see the chapter on Intellectual Property Rights.

Popular eCommerce Sites

It is quite popular to both purchase and sell used goods, including clothing, strollers, bicycles, toys, trailers, tires and cars, in Iceland. There are several facebook groups devoted to this, often for specific goods like children's clothing, or spare parts for cars. The most popular facebook group is "Brask og brall" (www.facebook.com/groups/braskogbrall/) which has over 100,000 members, or about a third of the Icelandic population. The most popular website to sell and buy used goods is Bland (<https://bland.is/>), where smaller businesses and individuals also advertise their products and services.

Foreign ecommerce platforms are rapidly growing in popularity in Iceland, namely AliExpress (www.aliexpress.com/), which offers low-cost Chinese-made products. Icelanders are also increasingly purchasing goods from American and European retailers, mostly clothing, baby and children's products, as well as equipment and larger items like bicycles and bicycle products. Many Icelanders use the services of ShopUSA, which is an Icelandic online service company that coordinates delivery and shipping of U.S. products to Iceland (www.shopusa.is).

Online Payment

Online retailers offer secure online payment. VISA cards and Master cards are accepted in most, if not all places in Iceland. Apps that facilitate online payment are widely used amongst younger people, including AUR (<https://aur.is/>), Kass (www.kass.is/), and Netgiro (www.netgiro.is/).

Mobile eCommerce

As noted above, younger people widely use mobile apps such as AUR (<https://aur.is/>), Kass (www.kass.is/), and Netgiro (www.netgiro.is/).

Digital Marketing

Digital marketing is widely used in Iceland. Many smaller companies only advertise on social media, mostly facebook, and many use social media influencers to market their products. Larger and more established companies use digital marketing in combination with conventional marketing.

Major Buying Holidays

December is the major shopping season in Iceland, starting three to four weeks before the Christmas holiday.

Social Media

As stated above, many Icelandic retailers and service providers use social media to advertise their products. Internet usage is widespread in Iceland, with facebook being the most popular form of social media. Snap chat and instagram are also popular. Many smaller companies only advertise on social media, mostly facebook, and many use social media influencers to market their products. Larger and more established companies use digital marketing in combination with conventional marketing.

Trade Promotion & Advertising

All major types of advertising media are available in Iceland. The principal television channels in Iceland are Ruv (www.ruv.is) and Stod 2 (www.stod2.is). There are also numerous private radio stations, in addition to the Government-owned Radio and TV stations, which also host advertising. CNN, Fox News, Sky News, BBC News, Al Jazeera and other international channels are available via a widely-subscribed cable system. For a list of advertising agencies contact the Society of Icelandic Advertising Agencies www.sia.is.

Newspaper readership in Iceland is very high. There are two principal newspapers: Morgunblaðið, a subscription publication, and Fréttablaðið, which is distributed free of charge to households in the capital area. Four additional newspapers are: DV, which is a tabloid-style paper currently publishing three times a week; Stundin, a bi-weekly paper; and Viðskiptablaðið, a weekly business journal published on Thursdays. All the newspapers have online editions, and there is an online investigative news outlet called Kjarninn. The Public Relations firm KOM issues a paid subscription news summary in English twice weekly.

Key web links:

- DV: <http://www.dv.is/>

- Frettabladid: www.visir.is
- Kjarninn: www.kjarninn.is
- Morgunbladid: www.mbl.is
- Ruv: www.ruv.is
- Stundin: www.stundin.is
- Vidskiptabladid: www.vb.is

Pricing

Retail prices in Iceland can be high, reflecting the cost of shipping to an isolated location, the need to import most industrial inputs, tariffs and regulatory costs for certain items, and a general 24% Value Added Tax (VAT) for most items (it is 11% for food, books, magazines and a few other items).

U.S. wholesale retailer Costco opened its first store in Iceland in May, 2017, and offers prices that are considerably lower than other retailers in Iceland offer. Retailers have responded to Costco's pricing and immense, immediate popularity by lowering prices. Strong recent appreciation of the Icelandic krona has also lead to many retailers lowering prices and food products, electronics, cars, and more goods.

Sales Service/Customer Support

A common service/support method is a response to customers' questions and follow up to requests. E-mails and phone calls are the usual form of communication. Some services are offered overnight and all year round.

Protecting Intellectual Property

Iceland adheres to key international agreements on property rights (e.g., Paris Union Convention for the Protection of Industrial Property). Trademarks, copyrights, trade secrets and industrial designs are all protected under Icelandic law. As with many other issues, Iceland follows the European lead in protection of property rights and adheres to the European Patent Convention of 1973. In 2005, Iceland signed the Patent Cooperation Treaty (PCT).

As a member of the EEA, Iceland accepts jurisdiction of the EEA Court. Property rights are recognized and protected in the Constitution of Iceland. Secured interests in property are bound by law, and enforced as such, and there is a reliable system which records such security interests.

The Icelandic Patent Office, a government agency under supervision of the Ministry of Education, Science and Culture, handles all patent disputes in Iceland. The legal framework concerning intellectual property rights (IPR) in Iceland is in all respects equivalent to that of other industrialized countries in Europe. Iceland is a World Trade Organization (WTO) member, and Icelandic legislation complies with WTO Trade-Related Aspects of Intellectual Property Rights (TRIPS) requirements. Iceland does not maintain a database on the number of and seizures of counterfeit goods, but there is a website <http://www.falsanir.is> where rights holders, customs officials, and other stakeholders can report suspected goods. It is illegal to resell counterfeit goods, but not illegal for individuals to buy and import them for their own consumption. There has, however, been a recent crackdown on counterfeit goods in public offices.

Illegal downloading and distribution of films and TV shows is common in Iceland, but few have been prosecuted so far. It is becoming increasingly popular in Iceland to purchase counterfeit consumer goods on Chinese websites, such as AliExpress.com, but again, prosecutions are rare. Customs seize counterfeit products if found and contact the owner of the intellectual property who then decides whether to press charges against the importer or not. If the owner of the intellectual property does not want to take legal actions, customs clear the items and send them to the importer.

As an EFTA state and member of the EEA, Iceland has implemented all relevant EU regulations and directives in the field of IPR. Iceland is also bound by bilateral EFTA free-trade agreements which include provisions on IPR.

Iceland is not listed in the USTR's 2018 Special 301 Report, nor is it listed in the notorious market report.

Iceland is a member of the European Patent Organization, the World Intellectual Property Organization (WIPO), and a party to most WIPO-administered agreements. For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

In any foreign market companies should consider several general principles for effective protection of their intellectual property. For background, please link to our article on [Protecting Intellectual Property](#) and [Stopfakes.gov](#) for more resources.

Applications or enquiries pertaining to intellectual property as well as industrial property should be addressed to:

Director
Einkaleyfastofan - Icelandic Patent Office
Engjateigi 3,
150 Reykjavík
Iceland
Tel: +354 580-9400
Website: www.els.is
E-mail: postur@els.is

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Secretary General
Ministry of Education, Science and Culture
Sölvhólsögötu 4
150 Reykjavík
Iceland
Tel: +354 545-9500
Website: <https://eng.menntamalaraduneyti.is/>
E-Mail: postur@mrn.stir.is

Due Diligence

The U.S. Foreign and Commercial Service in Oslo, in cooperation with the U.S. Embassy in Reykjavík, offers the International Company Profile program which provides background reports on potential agents, distributors and other Icelandic firms. The report includes:

- Detailed background report on a prospective overseas sales representative or partner

- Listing of the company's key officers
- Banking and other financial information
- Market information, including sales, profit figures and liabilities
- Our insight on the strength of the prospective partner

Credit reports on Icelandic companies can be obtained by contacting information databases on defaults and debtors.

For further information please contact the Reykjavik Economic Section, (reykjavikeconomic@state.gov).

Local Professional Services

The Embassy's Consular Section maintains a list of local attorneys that is available on request along with guidelines on retaining an attorney in Iceland. See <https://is.usembassy.gov/>. Inquiries may also be directed to the Icelandic Bar Association, see website www.lmfi.is.

Principle Business Associations

American-Icelandic Chamber of Commerce (www.amis.is).

Association of Women business leaders in Iceland (www.fka.is).

Iceland Chamber of Commerce (www.chamber.is).

Business Iceland/Confederation of Icelandic Employers (www.sa.is).

Federation of Icelandic Industries (www.si.is).

Icelandic Federation of Trade and services (www.svth.is).

Icelandic Travel Industry Association (www.saf.is/en).

Invest in Iceland (www.invest.is).

Limitations on Selling US Products and Services

There are no limits on selling U.S. products or services other than the requirement that all products must be compliant with EU regulations concerning labelling and carry CE markings. Imported agricultural products such as meat and dairy products are subject to quotas.

Web Resources

U.S. Embassy Reykjavik Commercial Section (<https://is.usembassy.gov/business/>).

Leading Sectors for US Exports & Investments

Agricultural Sector

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

In 2014, the value of imported food and drink products to Iceland was more than \$415 million. The majority was made up of packaged and processed food. As of January 1, 2012, Iceland implemented a new regulation on genetically modified organisms (GMOs) that requires any product which contains more than 0.9 percent materials produced from GMOs to be labeled and for manufacturers to maintain traceability records for five years.

	2014	2015	2016	2017 (Estimated)
Total Local Production				
Total Exports				
Total Imports				
Imports from the US				
Total Market Size				
Exchange Rates				

(total market size = (total local production + imports) - exports)

Leading Sub-Sectors

Organic foods and produce.

Opportunities

Familiarity with and willingness to try American brands is high. Organic products and fresh produce are popular with Icelanders, who are increasingly seeking out such options and demanding more variety.

Web Resources

Icelandic Federation of Trade (<http://www.atvinnurekendur.is/english/>)

Icelandic Food and Veterinary Authority – MAST (www.mast.is)

Ministry of Industry and Innovation (eng.atvinnuvegaraduneyti.is/)

Major wholesalers of U.S. products:

Aðföng (www.adfong.is)

Costco (www.costcto.is)

Innnes (www.innnes.is)

Íslensk Ameríska (ISAM) (www.isam.is)

Íslensk Dreifing (<http://www.islenskdreifing.is/>)

John Lindsay (www.lindsay.is)

Karl K. Karlsson (www.karlsson.is)

Kostur (www.kostur.is)

Olgerdin (www.olgerdin.is)

Alcoholic Beverages

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

There is a state monopoly on retail sale of alcoholic beverages. In addition to selling to the government owned retailer, Vinbudin (ATVR), wholesalers sell directly to bars, restaurants and hotels. In 2013 Vinbudin sold alcoholic beverages worth \$160 million. Of those sales, 78% was beer. Icelanders' drinking preferences have steadily changed in recent years from favoring hard liquor to a growing preference for wine and beer. Inexpensive boxed wines are particularly popular, but economic prosperity brings an increased interest in fine wines. Another source of increased demand is the boom in tourism that has been growing double digits over the past eight years.

The purchase price of alcohol includes government taxes. Law no. 96/1995 indicates that the tax is related to the percentage of alcohol in each liter. All importers of alcohol must pay this fee or tax on top of customs fees.

	2014	2015	2016	2017 (Estimated)
Total Local Production				
Total Exports				
Total Imports				
Imports from the US				
Total Market Size				
Exchange Rates				

(total market size = (total local production + imports) - exports)

Leading Sub-Sectors

Wines, beers, and spirits.

Opportunities

American alcoholic beverages have lost market share in recent years; however, American wines remain popular in Iceland. American beers, particularly micro-brewery beers, are gaining in popularity.

Web Resources

Wine and beer importers:

HOB (www.hob.is)

Karl K. Karlsson (www.karlsson.is)

Mekka Wine and Spirits (www.mekka.is)

Ólgerðin Egill Skallagrímsson (<http://www.olgerdin.is/>)

RJC (www.rjc.is)

For a detailed list of wine and beer importers see Vinbudin's website (http://www.vinbudin.is/heim/um_atvr/tabid-2214.aspx)

Retailers:

Vinbúðin (ÁTVR) (www.vinbud.is)

Computer Equipment and Software

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

Iceland is among the most computer-savvy countries in the world, and demand for the latest computer hardware and off-the-shelf software reflects this. According to the Global Information Technology Report for 2015, Iceland ranked number 19 of 143 economies in terms of network readiness. The Icelandic software market is sophisticated, with numerous startups and several established domestic software development companies, and a few global software companies. Icelandic customers are accomplished IT users and are looking for the latest solutions that will increase customer service, cost savings and enhance business processes. U.S. products are popular in Iceland. Information on investment opportunities in the IT industry in Iceland can be found at Invest in Iceland Agency (www.invest.is).

	2014	2015	2016	2017 (Estimated)
Total Local Production				
Total Exports				
Total Imports				
Imports from the US				
Total Market Size				
Exchange Rates				

(total market size = (total local production + imports) - exports)

Leading Sub-Sectors

Manufactured hardware, solutions for information management, and applications for increased mobility, e-business, and information security.

Opportunities

Iceland's green energy resources and cool climate make it attractive for data storage and processing equipment. There are several data storage facilities in Iceland. Future connectivity capacity to North America will enhance data processing opportunities.

Web Resources

Advania (www.advania.is)

Apple (www.epli.is)

Invest in Iceland (www.invest.is)

Microsoft Iceland (<https://www.microsoft.com/is-is/>)

Nýherji/IBM (www.nyherji.is)

Opin Kerfi ehf./HP (www.ok.is)

WEF Global Information Technology Report

(<http://reports.weforum.org/global-information-technology-report-2015/>)

Consumer Goods and Entertainment

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

The majority of Icelandic households are dual-income, and there is demand for labor-saving devices and the latest gadgets. This market is likely to remain attractive on both a category and niche basis regardless of economic conditions.

	2014	2015	2016	2017 (Estimated)
Total Local Production				
Total Exports				
Total Imports				
Imports from the US				
Total Market Size				
Exchange Rates				

(total market size = (total local production + imports) - exports)

Leading Sub-Sectors

Electrical appliances, computer software, computer hardware, gaming products, and music products.

Opportunities

American consumer products are popular in Iceland. There are numerous examples of U.S. products that have a higher market penetration per capita in Iceland than anywhere else in Europe, such as breakfast cereals. The market for U.S. entertainment products remains bright, and exposure to American entertainment products appears to spur demand for other U.S. goods and services. American music and movies have always played a major role in Icelandic culture. Computer games from the United States likewise have a strong fan base in Iceland. Some companies, however, have limited their opportunity to reach the Icelandic market by failing to accept Icelandic credit cards and/or ship internationally.

Web Resources

Icelandic Trade Federation (<http://www.atvinnurekendur.is/english/>)

Energy

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

Almost all of Iceland's electricity is produced in hydro- and geothermal power plants. For more info see www.os.is. A few power plants and transmission lines are currently under construction, or in planning stages, to feed energy intensive industries. There are three main electricity producers: Landsvirkjun, which is state-owned; Reykjavik Energy, owned by three municipalities; and HS Energy, owned by local municipalities and private investors, some of whom are foreign. There is a nascent wind power sector and some interest in developing solar power, especially for off-grid uses. As Landsvirkjun and Reykjavik Energy are publicly owned, tendering is mandatory if the value of a contract exceeds a certain limit. The price limit depends on the nature of the purchase. Tenders can be found online in the European TED database (www.ted.europa.eu).

	2014	2015	2016	2017 (Estimated)
Total Local Production				
Total Exports				
Total Imports				
Imports from the US				
Total Market Size				
Exchange Rates				

(total market size = (total local production + imports) - exports)

Leading Sub-Sectors

Turbines for hydro, geothermal and wind power plants; transformers; generators; and small scale, off grid solar solutions.

Opportunities

There are opportunities for U.S. companies to sell products to upgrade, maintain and repair power plants.

Web Resources

HS Energy (www.hs.is)

Landsvirkjun (www.lv.is)

Ministry of Industry and Innovation (<https://www.government.is/ministries/ministry-of-industries-and-innovation/>)

National Energy Authority (Orkustofnun) (www.os.is)

Reykjavik Energy (Orkuveita Reykjavíkur) (www.or.is)

Tenders Electronic Daily (TED) (www.ted.europa.eu/TED/main/HomePage.do)

Fishing Equipment

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

Fishing and fish processing are among the main pillars of the Icelandic economy, and the annual catch amounts to more than one million tons. Aquaculture is a growing industry in Iceland. Producers who want to introduce a product to the Icelandic market should consider finding a local agent or distributor.

	2014	2015	2016	2017 (Estimated)
Total Local Production				
Total Exports				
Total Imports				
Imports from the US				
Total Market Size				
Exchange Rates				

(total market size = (total local production + imports) - exports)

Leading Sub-Sectors

Specialized and advanced processing equipment; fly and sport fishing equipment; technology related to fish farming.

Opportunities

There is market for specialized and advanced U.S. equipment. Fly fishing is very popular and has become a \$16 million industry in Iceland. The demand for fishing gear for fly fishing and sport fishing is growing steadily. As the aquaculture industry is growing rapidly, the demand for technology related to fish farming is also increasing.

Web Resources

Fisheries Iceland (www.sfs.is)

Icelandic Aquaculture Association (TIAA) (<http://www.lf.is/en/forsida-2/>)

Ministry of Industry and Innovation (eng.atvinnuvegaraduneyti.is/)

Franchising

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

Over the last decade, U.S. food franchises have flourished, with at least 13 U.S. franchises in Iceland today, most of them fast-food chains. In the clothing and apparel sector, European franchises are dominant, but U.S. brands in clothing and accessories are increasingly popular in Iceland.

	2014	2015	2016	2017 (Estimated)
Total Local Production				
Total Exports				
Total Imports				
Imports from the US				
Total Market Size				
Exchange Rates				

(total market size = (total local production + imports) - exports)

Leading Sub-Sectors

Clothing and accessories; services; food franchises.

Opportunities

Growing tourism has increased interest in a range of franchises that support or cater to a tourist population.

Web Resources

Federation of Trade and Services (<http://svth.is/almennar-upplysingar-um-svth/about-svth/>)

The U.S. Embassy in Iceland (<https://is.usembassy.gov/>)

Medical Equipment

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

The health care system in Iceland is run by the state and is comparable in quality to those in other Nordic countries. Some privately-run clinics have been established, but healthcare privatization is a hotly debated and politically sensitive topic in Iceland.

	2014	2015	2016	2017 (Estimated)
Total Local Production				
Total Exports				
Total Imports				
Imports from the US				

Total Market Size				
Exchange Rates				

(total market size = (total local production + imports) - exports)

Leading Sub-Sectors

Medical supplies to hospitals and clinics. Medical equipment.

Opportunities

Hospitals usually issue a single tender for their medical supplies each year, and the tender is advertised throughout the EEA market to attract more bidders. The best course of action is to work through a local supplier.

Web Resources

Ministry of Welfare (<https://www.government.is/ministries/ministry-of-welfare/>)

Ríkiskaup (www.rikiskaup.is)

Tenders Electronic Daily (TED) (www.ted.europa.eu/TED/main/HomePage.do)

Pharmaceuticals

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

The Icelandic OTC market in pharmaceuticals is dominated by two large pharmacy chains, but there are a few independent pharmacies in operation as well. Hospitals usually issue a tender for their pharmaceutical supplies on an annual basis. As Iceland is a member of the EEA agreement, similar regulations apply in Iceland as in the EU when it comes to drugs and drug safety.

	2014	2015	2016	2017 (Estimated)
Total Local Production				
Total Exports				
Total Imports				
Imports from the US				
Total Market Size				
Exchange Rates				

(total market size = (total local production + imports) - exports)

Leading Sub-Sectors

General drugs as well as generic drugs, OTC pharmaceuticals and supplements such as vitamins.

Opportunities

Lack of OTC cold and flu medicine in Iceland is striking, with few products on the market compared with other western markets.

Web Resources

Ministry of Welfare (<https://www.government.is/ministries/ministry-of-welfare/>)

Ríkiskaup (www.rikiskaup.is)

Tenders Electronic Daily (TED) (www.ted.europa.eu/TED/main/HomePage.do)

Tourism

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

The booming tourism industry has grown by double digits in each of the last seven years. From 2010 to 2017, the number of tourists visiting Iceland increased by more than 470%. However, growth in the industry is expected to slow down in 2018 to 7%, with the projected number of tourists reaching 2.5 million. U.S.-based Carpenter & Company is currently constructing the first 5-star hotel in Reykjavik, which will be operated by the Marriott chain. There are additional investment opportunities in sectors that cater to tourists, as well as in the restaurant sector. A new consumer market is emerging along with the fast growing tourism sector, as the number of tourists in Iceland far exceeds the local population of 350,000. The number of U.S. tourists in Iceland grew by almost 380% between 2014 and 2017, and Americans are now the largest tourist population in Iceland, generating more demand for U.S. products.

	2014	2015	2016	2017 (Estimated)
Total Local Production				
Total Exports				
Total Imports				
Imports from the US				
Total Market Size				
Exchange Rates				

(total market size = (total local production + imports) - exports)

Leading Sub-Sectors

Hotel construction.

Opportunities

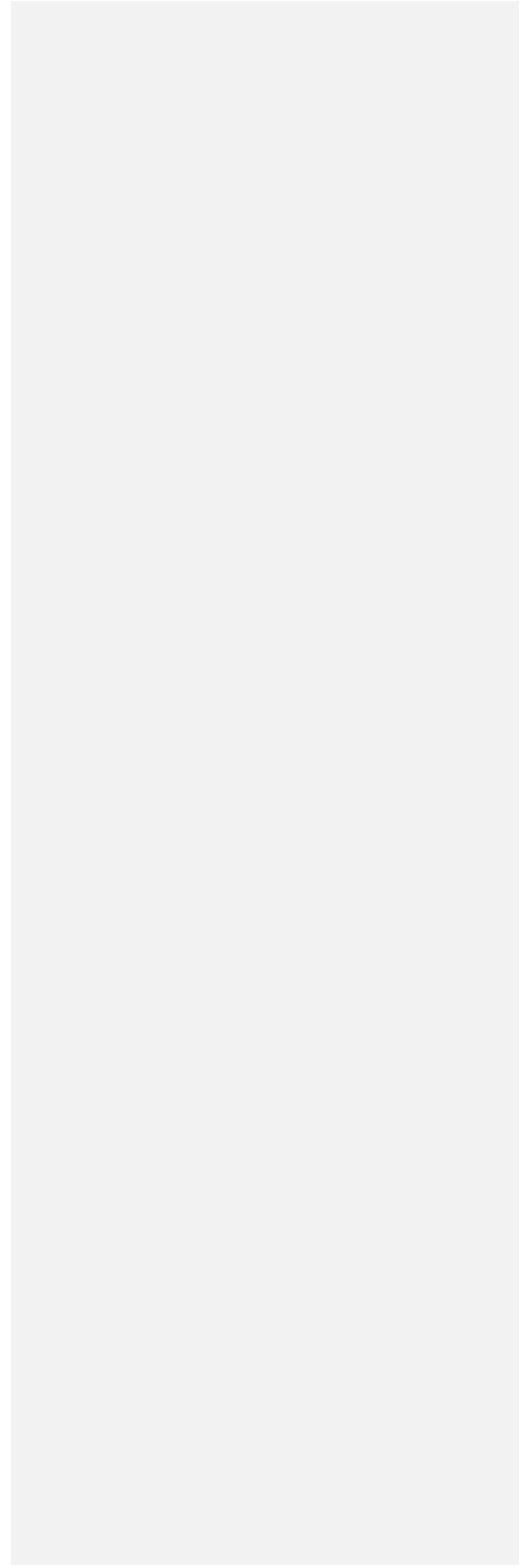
Hotel construction, mainly in the southern part of Iceland outside of the capital area, and in the northern part of Iceland around Akureyri. There is also demand for other infrastructure in the tourism industry.

Web Resources

Icelandic Tourist Board (<https://www.ferdamalastofa.is/en/about-us/icelandic-tourist-board>)

Invest in Iceland (<https://www.invest.is/>)

Promote Iceland (<https://www.islandsstofa.is/en>)



Customs, Regulations & Standards

Trade Barriers

Tariffs on meat and dairy products can be considered prohibitive, and as a consequence, imported meat and dairy products account for a small part of domestic consumption. Beef imports have increased recently, however, as demand from tourists has outpaced domestic production.

Iceland maintains tariffs on certain categories of food products from the United States that are not applied to similar products from the EU. For further information, contact the Icelandic Environmental and Food Agency (Food Division) (www.ust.is) and the Icelandic Food and Veterinary Authority (MAST) (www.mast.is).

For more information and help with trade barrier, please contact:

International Trade Administration
Enforcement and Compliance
(202) 482-0063
ECCcommunications@trade.gov
Website: trade.gov/enforcement/

Import Tariff

Iceland uses the Harmonized Commodity Description and Coding System (HS), which indicates the duty that should be applied and whether an import license or permit is required for the commodity in question. Iceland also uses the ISO 9000, a family of standards for quality management systems. ISO 9000 is maintained by the International Organization for Standardization and is administered by accreditation and certification bodies. Since joining the European Economic Area in 1994, Iceland has adopted European product standards and regulations in most areas. Implementation of these new standards, and the accompanying requirement for use of the CE marking to certify that a product has met EU consumer safety, health or environmental requirements, has created occasional difficulties for importers of some U.S.-manufactured goods. Nonetheless, it is still possible to import U.S.-standard products of many kinds into Iceland, and Icelandic regulators seek to be flexible where possible. However, the Embassy has noticed an increase in these types of regulatory barriers as Icelandic regulations become more 'European.' Information about the CE mark is available from U.S. Department of Commerce Export Assistance Centers. Information is also available at the Icelandic Standards Office; the national standards body of Iceland (www.stadlar.is).

To sell products on the EU market as well as in Norway, Liechtenstein and Iceland, U.S. exporters are required to apply CE marking whenever their product is covered by specific product legislation. CE marking legislation offers manufacturers a number of choices and requires decisions to determine which safety/health concerns need to be addressed, which conformity assessment module is best suited to the manufacturing process, and whether or not to use EU-wide harmonized standards. More information is in the "Product Certification" section, below.

To comply with GATT and WTO-agreements, the Minister of Agriculture issues quotas for import of various meat and dairy products every year, that are exempt from general tariffs. There is some flexibility in how the minister can impose tariffs on the products imported under the WTO-quota. For example, in 1995-2008, specific per-pound tariffs were issued that were considerably lower than the general tariffs. 2009 marked a change in policy, as the Minister issued ad valorem tariffs that were higher than the general quotas. Local importers challenged this, and it was later revoked after a local importer won a lawsuit against the Icelandic Government. Quotas for importation of 650 tons of meat and 100 tons of cheese from the EU are also issued every year. Because of high demand, the price of quotas determined at auctions has often exceeded half the

general tariffs. On May 1, 2018, an agreement came into force between Iceland and the EU concerning reduced or eliminated tariffs, and increased tariff quotas on unprocessed agricultural products. As part of this agreement, Iceland drops tariffs of more than 340 categories of unprocessed agricultural products, and reduces tariffs of more than 20 categories. This will leave U.S. agricultural products exported to Iceland up to 30% more expensive than products from the EU.

Iceland has eliminated tariffs on consumer goods including clothing and electronics, and on January 1, 2017, tariffs on dozens of agricultural products from the EU were eliminated or reduced. Automobiles are subject to duties based on carbon emissions, with zero emission cars being duty-free. There are no special taxes applicable to trade in services. Most goods imported to Iceland are subject to customs duty and also a value-added-tax (VAT). The standard VAT rate is 24%, with a reduced rate of 11% generally applying to heating costs, printed matter, restaurant meals, hotel stays, and most food.

The most up-to-date "Customs Tariffs"-handbook, listing tariffs on all products, is available at the Directorate of Customs' website (www.tollur.is) under "Publications". It is based on the Harmonized Commodity Description and Coding System (HS).

In addition to tariffs, excise duties are imposed on some products.

Import Requirements & Documentation

For import requirements for agricultural products, feed, plants, fishing equipment or riding equipment, please see the website of The Icelandic Food and Veterinary Authority (www.mast.is/english).

Labeling/Marking Requirements

Icelandic regulations on ingredients, additives and labeling generally follow EU directives. Since 2012, a regulation on Genetically Modified Organisms requires any product containing more than 0.9 percent materials produced from GMOs to be labeled and for manufacturers to maintain traceability records for five years.

Product labels must be in Icelandic, English, or another Nordic language other than Finnish. However, since nutritional labeling standards in the United States are different from those in the EU, importers are required to re-label products, increasing the shelf price. A retail-size food package must show the name of the manufacturer, packer or importer, commercial name of the product, net metric weight or volume, ingredients in descending order of weight, last recommended date of consumption, and storage instructions if perishable or intended for infants. More information can be obtained from The Environment Agency of Iceland (www.ust.is) and The Icelandic Food and Veterinary Authority (www.mast.is).

Electrical equipment sold and used by the public (consumer electronics and household electrical appliances) must carry the CE mark. The electric current in Iceland is 50 cycle, 220-volt AC. Questions can be addressed to the Icelandic Consumer Agency (www.neytendastofa.is).

Icelandic intellectual property laws are TRIPS-compliant. All applications for trademark, patent, or intellectual property protection in the Icelandic market must be registered with the Icelandic Patent Office (www.patent.is). Iceland does not require country of origin marking for imports. However, goods carrying incorrect designations of origin are prohibited, and products made to appear as if they are produced or manufactured in Iceland may not be imported unless the correct foreign origin is clearly and durably marked thereon.

Special marking regulations and labeling requirements exist for pharmaceuticals, chemicals, food products and other product categories. Iceland has health, sanitary and labeling rules and capabilities for monitoring product quality.

U.S. Export Controls

Most high-tech goods can be sold to Iceland without U.S. export licenses, but some remain controlled. Depending on the product, export licenses may be issued from the U.S. Department of Commerce's Bureau of Industry and Security, the Department of State, or the Department of Defense. As licensing can be a lengthy process, U.S. firms should ensure that they do not make delivery commitments until an export license has been approved.

A list that consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single search as an aid to industry in conducting electronic screens of potential parties to regulated transactions is available here: <http://developer.trade.gov/consolidated-screening-list.html>.

Temporary Entry

Samples may be imported into Iceland duty-free if they are of little or no commercial value, or have been made unfit for use. Otherwise, samples will be subject to duty. Samples carried by a commercial traveler as well as pattern books or cards must be declared upon arrival in the country. Goods can be exempt from customs duty and/or VAT when they are imported into Iceland temporarily, to be re-exported unmodified. Goods that fall into this category include materials for trade shows and exhibitions; some professional equipment; special tools used for assembling goods to be exported; replacement machinery or equipment during warranty repairs; samples; works of art to be exhibited; and some medical, surgical and laboratory and scientific equipment used in hospitals, other medical institutions and for teaching and research purposes. The ATA carnet, which Iceland honors, is an international customs document that allows the holder to temporarily import goods without payment of normally applicable duties and taxes, including VAT. The carnet eliminates the need to purchase temporary import bonds. So long as the goods are re-exported within the allotted time frame, no duties or taxes are due. Samples may be imported temporarily by using the ATA carnet, a simplified customs document by which commercial samples or professional equipment may be sent to Iceland. About 65 countries participate in the carnet system. Information on the ATA carnet can be obtained from U.S. Council for International Business (www.uscib.org/index.asp?documentID=718).

Prohibited & Restricted Imports

Suppliers of chemical substances and products must provide a composition declaration. The Icelandic importer, in cooperation with the foreign manufacturer, is responsible for labeling the product. Labeling requirements generally follow EU regulations. Questions regarding importing, packaging and labeling of toxic substances or chemicals may be directed to the Environmental and Food Agency of Iceland (www.ust.is).

Regulations on duty free importation by tourists indicate no exemptions from specific importing requirements for certain products, regulations or any other instructions by Icelandic authorities. Examples of such products include telephones and other telecommunication equipment, fishing equipment/gear and rider's equipment, firearms, ammunition and other related equipment. To see import restrictions for used fishing gear and riding equipment, please visit www.mast.is/english.

Customs Regulations

U.S. exporters may request an advance ruling on customs classification from the Icelandic Directorate of Customs. The application should describe the product in complete detail. Samples, catalogues, photographs, or other descriptive literature should be submitted whenever possible. The manufacturer, the exporter, or the representative in Iceland should sign the application. While the customs authorities will not in all cases give a binding decision, the preliminary ruling will usually be considered binding if the goods are found to correspond to the sample or description. Importers can access the Icelandic Customs Tariff Manual in English on the Customs website (www.tollur.is).

Standards for Trade

Overview

Products tested and certified in the United States to American standards are likely to be retested and re-certified to EU requirements. Where products are not regulated by specific EU technical legislation, they remain subject to the EU's General Product Safety Directive as well as to any applicable national requirements.

European Union standards created under the New Approach are harmonized across the EU Member States and European Economic Area countries to allow for the free flow of goods. A feature of the New Approach is CE marking. For a list of New Approach legislation, go to <http://ec.europa.eu/growth/single-market/european-standards/harmonised-standards/>.

While harmonization of EU legislation can facilitate access to the EU Single Market, manufacturers should be aware that regulations and technical standards might also act as barriers to trade if U.S. standards are different from those of the European Union.

Standards

Icelandic Standards (IST) is the national standards body of Iceland. It is an independent association whose role, by law, is the publication of Icelandic standards and the representation of Iceland in international and regional standards bodies. Four sector committees operate under the auspices of Icelandic Standards: Byggingarstaðlaráð (BSTR) in the building sector, Fagstaðlaráð í fiskimálum (FIF) in the fishing sector, Fagstaðlaráð í upplýsingatækni (FUT) in the information technology sector, and Rafstaðlaráð (RST) in the electro-technical sector. IST is a member of the European standards organizations European Committee for Standardization (CEN), European Committee for Electrotechnical Standardization (CENELEC) and the European Telecommunications Standards Institute (ETSI) and of the international standards organizations ISO and IEC. Their address is:

Icelandic		Standards
Skúlatun		2
105		Reykjavík
Iceland		
Tel:	+354	520-7150
Fax:		+354-520-7171
Web site:	www.stadlar.is	

Testing, inspection and certification

Conformity Assessment

Electrical equipment sold and used by the public (consumer electronics and household electrical appliances) must carry the CE mark to certify that the products have met EU consumer safety, health or environmental

requirements. The electric current in Iceland is 50 cycle, 220-volt AC. Questions can be forwarded to the Icelandic Consumer Agency (www.neytendastofa.is).

Icelandic intellectual property laws are TRIPS-compliant. All applications for trademark, patent, or intellectual property protection in the Icelandic market must be registered with the Icelandic Patent Office (www.patent.is). Iceland does not require country of origin marking for imports. However, goods carrying incorrect designations of origin are prohibited, and products made to appear as if they were produced or manufactured in Iceland may not be imported unless the correct foreign origin is clearly and durably marked thereon.

Special marking regulations and labeling requirements exist for pharmaceuticals, chemicals, food products and other product categories. Iceland has health, sanitary and labeling rules and capabilities for monitoring product quality.

A retail-size food package must show the name of the manufacturer, packer or importer, commercial name of the product, net metric weights or volume, ingredients in descending order of weight, last recommended date of consumption, and storage instructions if perishable or intended for infants. Any product that contains more than 0.9 percent materials produced from genetically modified organisms must be labeled as such. More information can be obtained from the Environment Agency of Iceland (www.ust.is) and The Icelandic Food and Veterinary Authority (www.mast.is).

Product Certification

To sell products on the EU market as well as Iceland, U.S. exporters are required to apply CE marking whenever their product is covered by specific product legislation. CE marking product legislation offers manufacturers a number of choices and requires decisions to determine which safety/health concerns need to be addressed, which conformity assessment module is best suited to the manufacturing process, and whether or not to use EU-wide harmonized standards.

Products manufactured to standards adopted by CEN, CENELEC and ETSI, and published in the Official Journal as harmonized standards, are presumed to conform to the requirements of EU Directives. The manufacturer then applies the CE marking and issues a declaration of conformity. With these, the product will be allowed to circulate freely within the EU/EEA district. A manufacturer can choose not to use the harmonized EU standards, but then must demonstrate that the product meets the essential safety and performance requirements. Trade barriers occur when design, rather than performance, standards are developed by the relevant European standardization organization, and when U.S. companies do not have access to the standardization process through a European presence.

The CE marking addresses itself primarily to the national control authorities of the EU member states, and its use simplifies the task of essential market surveillance of regulated products. Although CE marking is intended primarily for inspection purposes by EU member state inspectors, the consumer may well perceive it as a quality mark.

The CE marking is not intended to include detailed technical information on the product, but there must be enough information to enable the inspector to trace the product back to the manufacturer or the authorized representative established in the EU. This detailed information should not appear next to the CE marking, but rather on the declaration of conformity, the certificate of conformity (which the manufacturer or authorized agent must be able to provide at any time, together with the product's technical file), or the documents accompanying the product.

Icelandic Standards (IST) is accredited for certification in the fields of environment (ISO14000 series), quality (ISP9000 series), Information technology, Security technology and Information safety (ISO/IEC 17799 -ISO 27002 and ISO/IEC 27001 series) and products (CE marking).

Accreditation

The Icelandic Consumer Agency is, among other things, the national accreditation organization under the auspices of the Icelandic Ministry of the Interior. The Icelandic Consumer Agency provides companies and institutions with expert accreditation and metrological services and is to ensure compliance with requirements for the safety and interests of Icelandic consumers. The Accreditation Division performs accreditation of inspection, testing and certification bodies to the EN 45000 series of standards, which entails international recognition of their activities. It also handles communications and training concerning accreditation issues and B-accreditation of workshops for re-inspection of motor vehicles, testing and installation of tachographs. Accreditation involves the formal recognition of competence to perform specific tasks, e.g. motor vehicle inspections, testing of the bacteriological content of water or certification of quality systems.

Independent certification bodies, known as notified bodies, have been officially accredited by competent authorities to test and certify to EU requirements. Under the Agreement on Mutual Recognition between the U.S. and the EEA and EFTA states, notified bodies based in the United States and referred to as conformity assessment bodies, are allowed to test in the United States to EEA and EFTA specifications, and vice versa.

The National Institute of Standards and Technology (NIST), has a link on its website to American and European Conformity Assessment bodies operating under a mutual recognition agreement. It can be found at: (<https://www.nist.gov/>).

Notified bodies in Iceland can be found at: https://ec.europa.eu/commission/index_en.

Accreditation is handled at Member State level. "European Accreditation" is an organization representing nationally recognized accreditation bodies (www.european-accreditation.org). Membership is open to nationally recognized accreditation bodies in countries in the European geographical area that can demonstrate that they operate an accreditation system compatible with EN45003 or ISO/IEC Guide 58.

Publication of technical regulations

The Icelandic Patent office publishes a monthly gazette that covers filings of patents, trademarks and designs. The gazette is available via download at www.isac.is.

Members of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO proposed technical regulations and conformity assessment procedures that could affect trade. Notify U.S. (www.nist.gov/notifyus) is a free, web-based e-mail registration service that captures and makes available for review and comment key information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected country(ies) and industry sector(s) of interest, and can also request full texts of regulations. This service and its associated web site are managed and operated by the USA WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce.

Contact Information

Trade Agreements ISAC - Iceland Accreditation

ISAC, Einkaleyfastofan

Engjateigur 3

150 Reykjavík

Iceland

Tel: +354 580 9400

Fax: +354-580-9401

Web site: www.isac.is

Trade Agreements

The United States does not share either a bilateral investment treaty (BIT) or a free trade agreement (FTA) with Iceland, although the two parties signed a Trade and Investment Framework Agreement (TIFA) in January 2009. Iceland has signed BITs with Chile, China, Egypt, India, Latvia, Lithuania, Mexico and Viet Nam. Iceland and China signed an FTA in 2013 that came into force the following year. Iceland and the Faroe Islands signed an FTA in 2005 that came into force in 2006.

Iceland is a member of the European Free Trade Association (EFTA), and has therefore access to the Norwegian, Swiss, and Liechtenstein markets, as well as the EU market through the EEA Agreement. The 1994 EEA agreement unites the EFTA and EU member states into one single market with free movement of goods, capital, services and persons. The agreement further stipulates tariff free trade of industrial products that originate from countries that are part of the agreement, and reduced or eliminated tariffs, on processed agricultural products and seafood. Iceland has a bilateral agreement with the EU dating back to 1972 on reduced or eliminated tariffs on Icelandic seafood exported to the EU. On May 1, 2018, an agreement came into force between Iceland and the EU concerning reduced or eliminated tariffs, and increased tariff quotas on unprocessed agricultural products. As part of this agreement, Iceland drops tariffs of more than 340 categories of unprocessed agricultural products, and reduces tariffs of more than 20 categories. This will leave U.S. agricultural products exported to Iceland up to 30% more expensive than products from the EU.

Iceland is also bound by Free Trade Agreements (FTA) with the following countries through its membership in EFTA: Albania, Bosnia Herzegovina, Chile, Egypt, Georgia, Hong Kong, Israel, Jordan, Canada, Columbia, Lebanon, Macedonia, Morocco, Mexico, Costa Rica, Guatemala, Panama, Peru, State of Palestine, Singapore, Serbia, South Korea, Montenegro, South African Customs Union (SACU), Gulf Cooperation Council (GCC), Tunis, Turkey, and Ukraine.

Licensing Requirements for Professional Services

Iceland adheres to EU regulations on professional accreditation. For further information please see http://europa.eu/youreurope/citizens/work/professional-qualifications/recognition-of-professional-qualifications/index_en.htm

Web Resources

Directorate of Customs (www.tollur.is)

Environment Agency of Iceland (www.ust.is)

Icelandic Consumer Agency (www.neytendastofa.is/English)

Icelandic Environmental and Food Agency (Food Division) (www.ust.is)

Icelandic Food and Veterinary Authority (www.mast.is)

Icelandic Patent Office (www.einkaleyfastofan.is)

Icelandic Standards (www.stadlar.is)

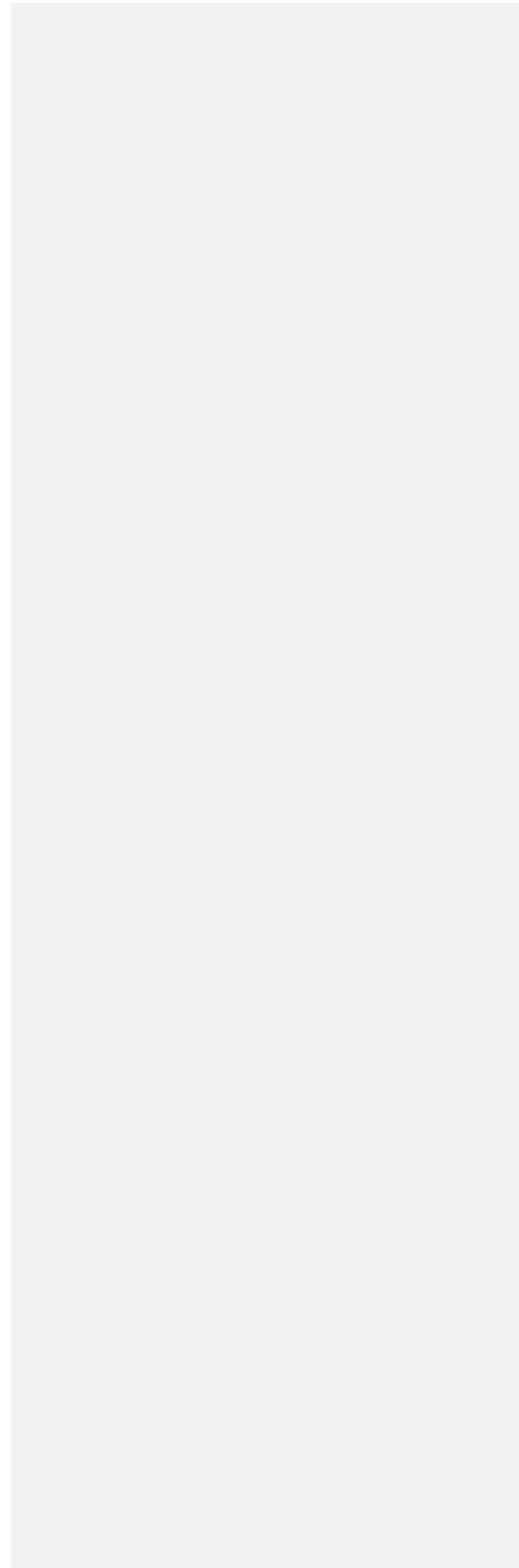
Medicines Control Agency (www.lyfjastofnun.is)

Ministry of Welfare (<https://www.government.is/>)

NANDO (New Approach Notified and Designated Organisations) (https://ec.europa.eu/commission/index_en)

National Gazette (www.stjornartidindi.is)

U.S. Council for International Business (www.uscib.org/)



Investment Climate Statement

Executive Summary

Iceland is an island country located between North America and Europe in the Atlantic Ocean, near the Arctic Circle. Until recently, U.S. investment in Iceland has mostly been centered in the aluminum sector, with Alcoa and Century Aluminum operating plants in Iceland. However, U.S. portfolio investments in Iceland have been steadily increasing in recent years. Several U.S. brands and franchises have entered the Icelandic market recently, including Costco, Hard Rock Café, KFC/Taco Bell, and Krispy Kreme, and more are testing the waters. Iceland's convenient location between the United States and Europe, a large number of American tourists demanding U.S. products, Iceland's high levels of education and English proficiency, and general interest in U.S. products make Iceland a promising market for U.S. companies.

The booming tourism industry has grown by double digits in each of the last seven years. From 2010 to 2017, the number of tourists visiting Iceland increased by more than 470%. However, growth in the industry is expected to slow down in 2018 to 7%, with the projected number of tourists reaching 2.5 million. U.S.-based Carpenter & Company is currently constructing the first 5-star hotel in Reykjavik, which will be operated by the Marriott chain. There are additional investment opportunities in sectors that cater to tourists, as well as in the restaurant sector. A new consumer market is emerging along with the fast growing tourism sector, as the number of tourists in Iceland far exceeds the local population of 350,000. The number of U.S. tourists in Iceland grew by almost 380% between 2014 and 2017, and Americans are now the largest tourist population in Iceland, generating more demand for U.S. products. In fact, Reykjavik is now the third most popular destination in Europe for American travelers this summer, according to Allianz Global Assistance.

Information Technology (IT) has also been one of the fastest growing sectors of the Icelandic economy. Iceland's IT sector spans all areas of the digital economy. Data management systems, workflow systems, communications solutions, wireless data systems, mobile systems, Internet solutions, e-commerce content and solutions, gaming, healthcare solutions and of course fisheries technology systems are all exported to overseas markets. The Icelandic energy grid derives 99% of its power from renewable resources, making it uniquely attractive for energy-dependent industries. For instance, the data center industry in Iceland is rapidly expanding, with many data centers focusing on cryptocurrency mining and related activities.

The economic environment of Iceland has been characterized by low inflation and a healthy economic growth rate over the last few years (1.2 percent in 2012; 4.4 percent in 2013; 1.9 percent in 2014; 4.1 percent in 2015; 7.2 percent in 2016; and 3.8% in 2017). Economic growth has slowed down since 2016, with projected growth in 2018 2.9%. GDP amounted to approximately \$20.3 billion in 2016, and preliminary numbers indicate that GDP was \$24 billion in 2017, using the average exchange rate of 2017. Iceland also has very low unemployment at around 2-3%, and shortage of workers could inhibit further economic growth. As Iceland is a member of the European Economic Area (EEA), residents from other EEA countries, mostly Poland, are immigrating to Iceland, helping to alleviate some of the job market constraints. Around 12-13% of the workforce in Iceland are foreign citizens.

The Icelandic government has taken the final steps to resolve the estates of the three banks that failed in the 2008 financial crisis and to lift the subsequently imposed capital controls. On March 12, 2017, the cabinet and the Central Bank announced that effective March 14, they would lift capital controls involving "foreign exchange transactions, foreign investment, hedging, and lending activity". Some permanent prudential protections against foreign exchange instability will remain. This liberalization should help attract further investment to Iceland, and allow Icelandic companies the foreign exchange necessary to invest or expand abroad.

Openness to and Restrictions upon Foreign Investment

Policies Toward Foreign Direct Investment

There is broad recognition within the Icelandic government that foreign direct investment (FDI) is a key contributor to the country's economic revival since the 2008 financial collapse. Iceland's growing tourism sector is expected to offer ample investment opportunities, but much work remains to identify investment-ready projects. There is a dire need to improve road infrastructure in Iceland, especially given the influx of tourists, and tenders for new projects in road infrastructure are expected to be announced over the coming months and years. Keflavik International Airport is also planning a \$1 billion expansion in the coming years. Meanwhile, IT startups seeking investors are burgeoning, and foreign investors have expressed growing interest in Iceland's retail sector and food sector. Foreign investment in the fisheries sector, however, remains restricted, especially when it comes to investing in fishing companies that possess transferable quotas.

While most energy producers are either owned by the state or municipalities, there is technically free competition in the energy market. That said, potential foreign investment in critical sectors like energy is likely to be met with demands for Icelandic ownership, either formally or from the public.

As part of its investment promotion strategy, the Icelandic government operates a public-private agency called "Invest in Iceland" that facilitates foreign investment by providing information to potential investors and promotes investment incentives. The government has stated its desire to attract FDI in certain priority sectors and has pledged to draft new policies to facilitate such investment.

The Act on Incentives for Initial Investments, which came into force in 2015 (<https://eng.atvinnuvegaraduneyti.is/invest-in-iceland/act-on-incentives/>), is intended to "promote initial investment in commercial operations, the competitiveness of Iceland and regional development by specifying what incentives are permitted in respect of initial investments in Iceland and how they should be used." The Act does not apply to investments in airports, energy production, financial institutions, insurance operations or securities.

There is significant debate, however, regarding the appropriate types and level of FDI in Iceland, particularly within the energy sector, with regard to job creation, and the environmental impact associated with certain projects. That said, energy-intensive industries that take advantage of the country's renewable energy resources, long dominated by aluminum smelting, have expanded to include silicon production plants and data centers. For further resources see: <http://www.invest.is/doing-business/incentives-and-support>

Limits on Foreign Control and Right to Private Ownership and Establishment

The major law governing foreign investment is the 1996 Act on Investment by Non-residents in Business Enterprises, which grants national treatment to non-residents of the European Economic Area (EEA), of which Iceland is a member. The law dictates that foreign ownership of businesses is generally unrestricted, except for the limits currently imposed in the fishing, energy, and aviation sectors. Only entities with at least 51 percent Icelandic ownership can hold fishing rights. Non-EEA residents cannot hold hydro- and geothermal power harnessing rights, cannot manufacture or distribute energy, and cannot own more than 49 percent of an aviation company.

Other Investment Policy Reviews

Iceland has been a World Trade Organization (WTO) member since 1995. Its last WTO Trade Policy Review was in 2012 (http://www.wto.org/english/tratop_e/tpr_e/tp373_e.htm).

The review notes that exports have exceeded and imports nearly recovered to pre-crisis levels in domestic currency terms. Overall, the structure of trade in goods has not changed significantly, remaining predominantly fish, fish products, and aluminum to members of the European Free Trade Association (EFTA). While Icelandic authorities have identified certain sectors where they believe Iceland has a competitive advantage, such as data processing, high tech development, and eco-tourism, investor confidence needs to be restored to attract further investment in these areas.

Iceland has not had an Investment Policy Review conducted by UN Cooperation for Trade and Development (UNCTAD) or the Organization for Economic Cooperation and Development (OECD).

Business Facilitation

Businesses are registered with the Internal Revenue Service in Iceland (<http://www.rsk.is/english/>). There is currently no online business registration process; all applications need to be filed in paper to the business registrar. The forms are only in Icelandic, and it is therefore necessary for foreign businesses to contract a local representative to complete the paperwork. New business registration, which takes only a few business days to process, is the only hurdle to establishing a company in Iceland. The website of the Business Registry in Iceland is <http://www.rsk.is/fyrirtaekjaskra> (Icelandic only).

Ninety-nine percent of all companies registered in Iceland are micro-, small-, and medium- enterprises (MSME). About 90 percent of these are defined as micro-sized, meaning that they have 10 or fewer employees. About 7 percent are defined as small enterprises (10-50 employees) and 2 percent are defined as medium sized (more than 250 employees).

The services offered by Invest in Iceland, an agency that promotes and facilitates foreign investment (more information at <http://www.invest.is>), are free of charge to all potential foreign investors. Invest in Iceland has also listed its page on establishing a business in Iceland (<http://www.invest.is/doing-business/establishing-a-company>) on the Global Entrepreneurship Network's Global Enterprise Registration website (<http://www.ger.co>). Its sister agencies, Promote Iceland (<http://www.islandsstofa.is>) and Film in Iceland (<http://www.filminiceland.com>), aim to enhance Iceland's reputation as a tourist destination and as a destination for filming theatrical and television productions.

According to the World Bank's Doing Business website <http://www.doingbusiness.org/data/exploretopics/starting-a-business#close> Iceland ranks number 55 out of 190 economies on the ease of starting a business.

Outward Investment

The Icelandic Government along with other stakeholders promote exports of Icelandic goods and services through the public-private agency Islandsstofa, also known as Promote Iceland (<http://www.islandsstofa.is>). Islandsstofa helps Icelandic businesses in the main industry sectors export their products and services, including fisheries (seafood and technology), agricultural produce (including organic lamb meat), high-tech products and solutions (software, prosthetics, etc.), and services (tourism). Islandsstofa has been very active in the United States and Canada in recent years, which has probably contributed to the dramatic increase in tourists from these countries and to increased exports to the United States during the same period. A trade commissioner represents the Ministry of Foreign Affairs in New York, facilitating exports to the United States and promoting business relations between the two countries. Iceland's two airlines, Icelandair and Wow Air, have expanded their U.S. service offerings over the past few years, facilitating bilateral trade. Islandsstofa also promotes exports to the U.K., Northern and Southern Europe, and more recently to Asia (China and Japan).

Until March 2017, capital controls that significantly restricted outward investment were in place in Iceland. The capital controls, imposed following the economic collapse in late 2008, largely prevented Icelandic investors and pension funds from investing outside Iceland. The nearly full lifting of the controls on 14 March 2017 will likely result in increased outward investment, particularly from pension funds, which have been accumulating capital.

Bilateral Investment Agreements and Taxation Treaties

A. BITs or FTAs:

The United States does not share either a bilateral investment treaty (BIT) or a free trade agreement (FTA) with Iceland, although the two parties signed a Trade and Investment Framework Agreement (TIFA) in January 2009. Iceland has signed BITs with Chile, China, Egypt, India, Latvia, Lithuania, Mexico and Viet Nam. Iceland and China signed an FTA in 2013 that came into force the following year. Iceland and the Faroe Islands signed an FTA in 2005 that came into force in 2006.

Iceland is a member of the European Free Trade Association (EFTA), and has therefore access to the Norwegian, Swiss, and Liechtenstein markets, as well as the EU market through the EEA Agreement. The 1994 EEA agreement unites the EFTA and EU member states into one single market with free movement of goods, capital, services and persons. The agreement further stipulates tariff free trade of industrial products that originate from countries that are part of the agreement, and reduced or eliminated tariffs, on processed agricultural products and seafood. Iceland has a bilateral agreement with the EU dating back to 1972 on reduced or eliminated tariffs on Icelandic seafood exported to the EU. On May 1, 2018, an agreement came into force between Iceland and the EU concerning reduced or eliminated tariffs, and increased tariff quotas on unprocessed agricultural products. As part of this agreement, Iceland drops tariffs of more than 340 categories of unprocessed agricultural products, and reduces tariffs of more than 20 categories. This will leave U.S. agricultural products exported to Iceland up to 30% more expensive than products from the EU.

Iceland is also bound by Free Trade Agreements (FTA) with the following countries through its membership in EFTA: Albania, Bosnia Herzegovina, Chile, Egypt, Georgia, Hong Kong, Israel, Jordan, Canada, Columbia, Lebanon, Macedonia, Morocco, Mexico, Costa Rica, Guatemala, Panama, Peru, State of Palestine, Singapore, Serbia, South Korea, Montenegro, South African Customs Union (SACU), Gulf Cooperation Council (GCC), Tunis, Turkey, and Ukraine.

B. Bilateral Taxation Treaties:

The United States and Iceland have a double taxation treaty. An intergovernmental agreement implementing the Foreign Account Tax Compliance Act (FATCA) in Iceland was signed May 26, 2015. The United States and Iceland signed a social security totalization agreement with Iceland, titled "Agreement on Social Security between the United States of America and Iceland" and the accompanying legally binding administrative arrangement, titled "Administrative Arrangement between the Competent Authorities of the United States of America and Iceland for the Implementation of the Agreement on Social Security between the United States of America and Iceland" (collectively the "Agreements") on September 27, 2016. The Agreements were transmitted to the U.S. Congress by the president May 17, 2018 and are pending congressional action. Review and action on the Agreements is also pending in the Icelandic parliament.

Legal Regime

Transparency of the Regulatory System

Icelandic laws regulating business practices are consistent with those of most OECD member states. Iceland's laws are increasingly based on European Union directives as a result of Iceland's membership in the European Economic Area (EEA), which legally obligates it to adopt EU directives and law concerning the four freedoms of the EU: free movement of goods, services, persons, and capital. Because much of Iceland's financial regulatory system was put in place only in the 1990s, transparency is occasionally a concern (i.e. in public procurement, and in privatization sales where the process is established by the government on an ad hoc basis). In response to the financial crisis of 2008, the government is working to improve its regulatory role in the financial sector.

The Competition Authority is responsible for enforcing anti-monopoly regulations and promoting effective competition in business activities. This includes eliminating unreasonable barriers and restrictions on freedom in business operations, preventing monopolies and limitations on competition, and facilitating new

competitors' access to the market. The Consumer Agency holds primary responsibility for market surveillance of business operators, transparency of the markets with respect to safety and consumers' legal rights, and enforcement of legislation concerning protection of consumers' health, legal, and economic rights.

The system as a whole is transparent, although bureaucratic delays can occur. All proposed laws and regulations are published in draft form for the public record and are open for comment.

The Icelandic Parliament (Althingi) consists of a single chamber of 63 members; a simple majority is required for ordinary bills to become law. All bills are introduced in the parliament in draft form. Draft laws and regulations are open to public comment and are published in full on the parliament's web page: <http://www.stjornartidindi.is> and on the websites of the relevant ministries (often in English). Invest in Iceland also maintains an information portal website that includes information on industry sectors, the business climate, and incentives that foreign investors may find useful <http://www.invest.is>.

Iceland scores 4.6 out of 6 on The World Bank's Global Indicators of Regulatory Governance index http://rulemaking.worldbank.org/data/explorecountries/iceland#cer_transparency. Ministries or regulatory agencies develop forward regulatory plans, which are available to the general public. Ministries or regulatory agencies publish the text of the proposed regulations before their enactment on a unified website <https://www.stjornartidindi.is/>. However, ministries or regulatory agencies do not have the legal obligation to publish the text of proposed regulations before their enactment, nor is there a period of time set by law for the text of the proposed regulations to be publicly available. There is an obligation for regulators to consider alternatives to proposed regulation. Ministries or regulatory agencies solicit comments on proposed regulation from the general public, but the rulemaking body is not required by law to do so. Laws and regulations are published on both the parliament's website <https://www.althingi.is/> and separate website managed by the Ministry of Justice <https://www.stjornartidindi.is/>.

International Regulatory Considerations

Icelandic laws regulating business practices are generally consistent with those of most OECD members. Iceland's laws are increasingly based on EU directives as a result of Iceland's membership in the EEA, which legally obligates it to adopt EU directives and law concerning four freedoms of the EU: free movement, goods, services, persons, and capital. Transparency is occasionally a concern (e.g. in public procurement and privatization sales where the process is established on an ad hoc basis).

Iceland has been a member of the World Trade Organization (WTO) since January 1, 1995.

Iceland and the United States signed a Trade and Investment Framework Agreement (TIFA) in January 2009.

Legal System and Judicial Independence

The Icelandic civil law system enforces property rights, contractual rights, and the means to protect these rights. The Icelandic court system is independent from the parliament and government. Foreign parties must abide by the same rules as Icelandic parties, and they enjoy the same privileges in court; there is no discrimination against foreign parties in the Icelandic court system. When trade or investment disputes are settled, the settlement is usually remitted in the local currency.

Under the Constitution, the courts may only pass sentences. Iceland has a three tier judicial system; eight District Courts (Héraðsdómstólar), the Court of Appeal (Landsréttur), and the Supreme Court (Hæstiréttur Íslands). All court actions commence at the District Courts, and conclusions can then be appealed to the Court of Appeal. In special cases the conclusions of the Court of Appeal can be referred to the Supreme Court. A new public agency, the Judicial Administration (Dómstólasýsla), along with the Court of Appeal (Landsréttur) began operating on January 1, 2018. There are 64 judges in Iceland, 42 in the District Courts, 15 in the Court of Appeal, and seven in the Supreme Court.

The Landsdómur is a special high court or impeachment court established in 1905 to handle cases where members of the Cabinet of Iceland are suspected of criminal behavior. The Landsdómur has 15 members — five supreme court justices, a district court president, a constitutional law professor, and eight people chosen by parliament every six years. The court assembled for the first time in 2011 to prosecute a former Prime Minister for alleged gross misconduct in the events leading up to the 2008 financial crisis; he was found guilty of failing to hold regular cabinet meetings during the crisis, but was not convicted of gross misconduct.

Laws and Regulations on Foreign Direct Investment

Icelandic laws regulating and protecting foreign investments are consistent with OECD and EU standards. As Iceland is a member of the EEA, most EU commercial legislation and directives are in effect in Iceland. The major law governing foreign investment is the 1996 Act on Investment by Non-residents in Business Enterprises, which grants national treatment to non-residents of the EEA (including U.S. citizens). The law dictates that foreign ownership of businesses is generally unrestricted, except for limits in the fishing, energy, and aviation sectors. However, there are precedents of such restrictions being circumvented by non-EEA companies that establish holding companies within the EEA. Icelandic law also restricts the ability of non-EEA citizens to own land, but the Ministry of Interior may waive this. Foreigners own currently only 1.33 percent of total registered land in Iceland either fully or partially. The managers and the majority of the board of directors in an Icelandic enterprise must be domiciled in Iceland or another EEA member state, although exemptions from this provision can be granted by the Ministry of Interior.

There is no automatic screening process for foreign investors, although bidders in privatization sales may have to go through a pre-qualification process to verify that the bidder has the financial strength to participate. Privatization auction procedures are often ad hoc and with deadlines. Potential U.S. bidders in privatization auctions need to follow the specific process closely. There are limitations on foreign ownership of land as well as companies in the energy sector and fisheries. Investors that intend to hold more than 10% shares (“active” shareholders) in financial institutions are subject to approval from the Financial Supervisory Authority (<http://en.fme.is/>).

The government has a stated desire to attract FDI in certain priority sectors and has pledged to implement new policies to facilitate such investment. The Act on Incentives for Initial Investments (<https://eng.atvinnuvegaraduneyti.is/invest-in-iceland/act-on-incentives/>) came into force in 2015 to “promote initial investment in commercial operations, the competitiveness of Iceland and regional development by specifying what incentives are permitted in respect of initial investments in Iceland and how they should be used.” The Act does not apply to investments in airports, energy production, financial institutions, insurance operations or securities. The capital controls imposed in 2008 and lifted in March 2017 have been the main hindrance to foreign investment in Iceland.

On June 4, 2016, new rules on special reserve requirement for new foreign currency inflows came into force. The rules restrict foreign investment in Icelandic bonds, in that those who invest in bonds or bills shall reserve 40% of the capital in a special reserve accounts within two weeks of the date the new inflows of foreign currency are converted to domestic currency or the reinvestment has taken place. The holding period is 12 months and capital flow accounts bear 0% interests.

Competition and Anti-Trust Laws

Competition Law No. 44/2205 is currently in place to promote competition and to prevent unreasonable barriers on economic operations. Depending on the turnover of the companies in question, the Icelandic Competition Authority is notified of mergers and acquisitions. The Authority may annul mergers or set conditions to prevent monopolies and limitations on competition.

Expropriation and Compensation

The Constitution of Iceland stipulates that no one may be obliged to surrender their property unless required by the government to serve a public interest, and that such a measure shall be provided for by law and full compensation be paid. A special committee is appointed every five years to review and proclaim the legality of expropriation cases. If the committee proclaims a case to be legal, it will negotiate an amount of compensation with the appropriate parties. If an amount cannot be agreed upon, the committee determines a fair value after hearing the case of all parties.

As far as the U.S. Embassy is aware, the Icelandic government has never expropriated a foreign investment. However, some private investors described actions by the Icelandic government before and during the October 2008 financial crisis (related to the takeover of three major banks) as a type of indirect expropriation.

Dispute Settlement

ICSID Convention and New York Convention

Iceland has ratified the major international conventions governing arbitration and the settlement of investment disputes. Iceland accepts binding arbitration of investment disputes.

Economic Surveillance Authorities under the EFTA agreement have ruled that the 2008 emergency laws put in place when the Icelandic banking sector collapsed were legal. The U.S. Embassy is unaware of any other cases of major investment disputes involving foreign investors in Iceland.

Iceland is a member state to the International Centre for the Settlement of Investment Disputes (Washington Convention), as well as a signatory to the convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention).

Investor-State Dispute Settlement

Iceland has ratified the major international conventions governing arbitration and the settlement of investment disputes. Iceland accepts binding arbitration of investment disputes. Economic Surveillance Authorities under the EFTA agreement have ruled that the 2008 emergency laws put in place when the Icelandic banking sector collapsed were legal. The U.S. Embassy is unaware of any other cases of major investment disputes involving foreign investors in Iceland.

Iceland is a member state to the International Centre for the Settlement of Investment Disputes (Washington Convention), as well as a signatory to the convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention).

There was a public dispute in 2016 and 2017 between hedge funds based in the U.S. and UK, and the Icelandic Government concerning offshore krona owned by these hedge funds. The hedge funds had purchased Icelandic krona at favorable rates in the aftermath of the economic collapse in 2008, and when the krona started to appreciate again, the offshore krona holders were unable to exchange their Icelandic krona due to capital controls that were placed in Iceland after the crash. The offshore krona holders had been invited to sell their krona at auctions held by the Central Bank of Iceland at favorable rates, but a few hedge funds decided not to participate in these auctions and accused the Government of Iceland of discriminatory treatment. These hedge funds filed a case against the Government of Iceland at the EFTA courts, but later dropped the case.

International Commercial Arbitration and Foreign Courts

Iceland has ratified the major international conventions governing arbitration and the settlement of investment disputes. Iceland accepts binding arbitration of investment disputes.

Iceland is a member state to the International Centre for the Settlement of Investment Disputes (Washington Convention), as well as a signatory to the convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention).

Investment disputes involving foreign investors are rare in Iceland; the Embassy is aware of no such cases in the past decade.

The Iceland Chamber of Commerce operates an independent arbitration institute, called the Nordic Arbitration Centre (NAC). The awards of the Arbitral Tribunals are final and binding for the parties. Furthermore, due to Iceland's ratification of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards the Tribunals awards are enforceable in over 144 countries. For more information <http://chamber.is/services/NAC>.

Bankruptcy Regulations

The Bankruptcy Act of 1991, No. 21, applies to a debtor who has a social security number and is domiciled in Iceland. The debtor can be a person, a company or an institution. The debtor has to apply for a license of financial reorganization or for composition with creditors. The cost of the license is roughly US \$1925. In the case of a registered company, its registered domicile must be in Iceland. If the company is unregistered, then its venue must also be in Iceland according to its articles of establishment. The same applies to institutions.

Bankruptcy is not criminalized in Iceland. In the case of resolving insolvency, Iceland ranks number 13 out of 190 economies by the World Bank's Doing Business Index.

Investment Incentives

Iceland has traditionally welcomed FDI in energy intensive industrial sectors such as aluminum smelting and has recently increased its focus on silicon production and data centers. The 2015 Act on Incentives for Initial Investments (<https://eng.atvinnuvegaraduneyti.is/invest-in-iceland/act-on-incentives>) was implemented to "promote initial investment in commercial operations, the competitiveness of Iceland and regional development by specifying what incentives are permitted in respect to initial investments in Iceland and how they should be used."

There is significant debate regarding the appropriate types and level of FDI in Iceland, particularly within the energy sector and with regard to job creation and the environmental impact associated with certain projects. The majority of past foreign investment has been in energy-intensive industries, such as aluminum smelting.

Subsidiaries of foreign companies are able to participate in government-subsidized research and development programs, but only to cover R&D costs that are borne in Iceland. For further information see <http://en.rannis.is>. For more information on incentives, visit Invest in Iceland's website <https://www.invest.is/doing-business/incentives-and-support>.

Foreign Trade Zones/Free Ports/Trade Facilitation

Under the EEA agreement, free ports or foreign trade zones are not allowed in Iceland.

Performance and Data Localization Requirements

Specific performance requirements have not been imposed on data centers and there are no other specific impediments to such projects, such as requiring them to be located in specific areas or to allow government access to data for surveillance purposes. In fact, Invest in Iceland has been actively trying to attract data companies to locate data centers in Iceland. Furthermore, Iceland has no data localization requirements. Iceland's parliament is currently working to pass legislation to bring Iceland into compliance with the EU's General Data Protection Regulation (GDPR). For more information, see the Invest in Iceland webpage: <http://www.invest.is/key-sectors/data-centers>.

Iceland is a member of the EEA, allowing residents from any EEA country to work in Iceland. For residents of third countries, a resident permit is required for anyone staying in Iceland for more than three months. Please see the Icelandic Directory of Immigration web page for further information: <http://www.utl.is/index.php/en/>.

Industrial Policies

N/A.

Protection of Property Rights

Real Property

Only Icelandic citizens and foreign citizens that have permanent residency in Iceland can acquire the right to own or use real property in Iceland, including fishing and hunting rights, water rights, or other real property rights, whether by free assignation or enforcement measures, marriage, inheritance, or deed of transfer. However, special rules apply for citizens of the EEA. The Minister of Interior may grant exemption from these conditions based on application showing the need of ownership for business activities. The Minister's permission is not necessary if hiring real property for less than three years or when the party involved enjoys rights in Iceland under the rules of the EEA. For more information please look at the Act on the Right of Ownership and Use of Real Property (<https://www.government.is/Publications/Legislation/Lex/?newsid=353f66b8-f153-11e7-9421-005056bc4d74>).

Property rights are generally enforced in Iceland. There is good access to mortgages and other financing to purchase real property in Iceland from commercial banks, pension funds and private lenders.

Intellectual Property Rights

Iceland adheres to key international agreements on property rights (e.g., Paris Union Convention for the Protection of Industrial Property). Trademarks, copyrights, trade secrets and industrial designs are all protected under Icelandic law. As with many other issues, Iceland follows the European lead in protection of property rights and adheres to the European Patent Convention of 1973. In 2005, Iceland signed the Patent Cooperation Treaty (PCT).

As a member of the EEA, Iceland accepts jurisdiction of the EEA Court. Property rights are recognized and protected in the Constitution of Iceland. Secured interests in property are bound by law, and enforced as such, and there is a reliable system which records such security interests.

The Icelandic Patent Office, a government agency under supervision of the Ministry of Education, Science and Culture, handles all patent disputes in Iceland. The legal framework concerning intellectual property rights (IPR) in Iceland is in all respects equivalent to that of other industrialized countries in Europe. Iceland is a World Trade Organization (WTO) member, and Icelandic legislation complies with WTO Trade-Related Aspects of Intellectual Property Rights (TRIPS) requirements. Iceland does not maintain a database on the number of and seizures of counterfeit goods, but there is a website <http://www.falsanir.is> where rights holders, customs officials, and other stakeholders can report suspected goods. It is illegal to resell counterfeit goods, but not illegal for individuals to buy and import them for their own consumption. There has, however, been a recent crackdown on counterfeit goods in public offices.

Illegal downloading and distribution of films and TV shows is common in Iceland, but few have been prosecuted so far. It is becoming increasingly popular in Iceland to purchase counterfeit consumer goods on Chinese websites, such as AliExpress.com, but again, prosecutions are rare. Customs seize counterfeit products if found

and contact the owner of the intellectual property who then decides whether to press charges against the importer or not. If the owner of the intellectual property does not want to take legal actions, customs clear the items and send them to the importer.

As an EFTA state and member of the EEA, Iceland has implemented all relevant EU regulations and directives in the field of IPR. Iceland is also bound by bilateral EFTA free-trade agreements which include provisions on IPR.

Iceland is not listed in the USTR's 2018 Special 301 Report, nor is it listed in the notorious market report.

Iceland is a member of the European Patent Organization, the World Intellectual Property Organization (WIPO), and a party to most WIPO-administered agreements. For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Financial Sector

Capital Markets and Portfolio Investment

Capital controls were lifted in March 2017 after more than eight years of restricting the free movement of capital. However, some restrictions remain on inbound investment. The Rules on Special Reserve Requirements for New Foreign Currency inflows were introduced in 2016 to restrict foreign investment in Icelandic bonds and bills. The rules state that those who invest in bonds or bills shall reserve 40% of the capital in a special reserve accounts within two weeks of the date the new inflows of foreign currency are converted to domestic currency or the reinvestment has taken place. The holding period is 12 months and capital flow accounts bear 0% interests.

The estates of the former banks, after completing composition agreement with the Icelandic state in February 2016, have been transformed into holding companies. The creditors of the estates have taken full possession after agreeing to pay a stability contribution amounting to \$3 billion USD to the Icelandic State to safeguard financial stability. The estates have now started distributing assets to creditors.

Foreign portfolio investment has increased significantly over the past two years in Iceland after being dormant in the years following the economic crash. The Icelandic Stock Exchange operates under the name Nasdaq Iceland or ICEX. For more information about companies listed on Nasdaq Iceland follow this link <http://www.nasdaqomxnordic.com/hlutabref/Skrad-fyrirtaeki/iceland>. Icelandic pension funds and foreign investors often finance large scale projects as access to capital in Iceland can be limited. Foreign Direct Investment is actively encouraged by Icelandic authorities, for more information about market opportunities and incentives visit Invest in Iceland's website <https://www.invest.is/>.

Money and Banking System

The Central Bank of Iceland was established in 1961 by an act of Parliament. The Central Bank of Iceland promotes price stability, maintains international reserves, and promotes efficient financial system, including cross-border and domestic payment systems. For more information see the Central Bank of Iceland's website <https://www.cb.is/default.aspx?pageid=1bf92874-0542-11e5-93fa-005056bc0bdb>. There are three commercial banks in Iceland, Arion Bank, Islandsbanki and Landsbankinn, and one investment bank, Kvika.

All companies have access to regular commercial banking services in Iceland, although financing for large-scale investment projects usually comes from abroad. Pension funds are active in investing in and financing projects in Iceland.

The Central Bank of Iceland has often intervened in the market since the collapse by buying ISK, and those permitted to sell ISK under capital controls have been able to do so. Over the 2-year period from mid-2016 to mid-2018, the ISK had appreciated some 20%, from 125 ISK per U.S. dollar, to 104 in May 2018.

Establishing a bank account in Iceland requires a local personal identification number known as a "kennitala." Foreign national should contact Registers Iceland for more information on how to register in Iceland <https://www.skra.is/english/individuals/>.

The Government of Iceland has not announced plans to allow the implementation of blockchain technologies in its banking transactions. There are several data centers in Iceland that house blockchain operations.

Foreign Exchange and Remittances

Foreign Exchange Policies

The 1996 Act on Investment by Non-residents in Business Enterprises states that "non-residents who invest in Icelandic enterprises shall have the right to convert into any currency, for which the Central Bank of Iceland maintains a regular exchange rate, any dividends received or other profits and proceeds from sales of investments." In 2008, however, the Central Bank of Iceland temporarily imposed capital controls to prevent a massive capital outflow following the collapse of the financial sector; those restrictions were largely lifted in March 2017. Transactions involving imports and exports of goods and services, travel, interest payments, contractual installment payments and salaries were still permitted under the capital controls.

The Central Bank published its Capital Controls Liberalization Strategy in 2009 and later updated it in 2011. The strategy stated that the controls would be lifted in stages. The first step, permitting the inflow of foreign currency for new investments and the outflow of capital derived from such investments, was implemented in November 2009. The second step was to conclude the resolution of the estates of the fallen banks, which occurred in February 2016 when all the estates of the failed banks agreed to the government plan for a stability contribution in exchange for exemptions from capital controls.

There remain offshore krona held by funds who declined to participate in the previous auctions. Entities holding such assets will be given the option of exchanging them for a long-term bond in either EUR or ISK, or potentially offered another auction at the discretion of the Central Bank. Until then, the offshore ISK are locked into a non-interest bearing account at the Icelandic Central Bank.

On March 12, 2017, the cabinet and the Central Bank lifted capital controls affecting households and businesses effective March 14, involving "foreign exchange transactions, foreign investment, hedging, and lending activity," although some permanent protections against foreign exchange instability remain in place (<https://www.ministryoffinance.is/news/iceland-lifts-capital-controls>). This liberalization is expected to help attract new investment to Iceland, and allow established Icelandic companies access to foreign currencies that they need to invest or expand abroad.

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The Central Bank of Iceland publishes the official exchange rate on its website <https://www.cb.is/statistics/official-exchange-rate/>. "The exchange rate of the Icelandic króna is determined in the foreign exchange market, which is open between 9:15 hrs. and 16:00 hrs. on weekdays. Once a day, the Central Bank of Iceland fixes the official exchange rate of the króna against foreign currencies, for use as a

reference in official agreements, court cases, and other contracts between parties that do not specify another reference exchange rate; cf. Article 19 of the Act on the Central Bank of Iceland, and fixes the official exchange rate index at the same time. This is done between 10:45 hrs. and 11:00 hrs. each morning that regulated foreign exchange markets are in operation. Under extraordinary circumstances, the Central Bank may temporarily suspend its quotation of the exchange rate of the króna.”

The Annual Report on Exchange Arrangements and Exchange Restrictions 2016, published by the International Monetary Fund (IMF), describes exchange restrictions and multiple currency practices in Iceland in the following way: “The IMF staff report for the 2014 Article IV Consultation and Fifth Post-Program Monitoring Discussion with Iceland states that as of February 23, 2015, Iceland maintained exchange restrictions arising from limitations imposed on the conversion and transfer of (1) interest on bonds (whose transfer the foreign exchange rules apportion depending on the period of the holding); (2) the principal payments from holdings of amortizing bonds; and (3) payments on the indexation of principal from holdings of amortizing bonds. (Country Report No. 15/72)”

Remittance Policies

New foreign currency inflows that fall under Rule no. 490/2016 must be reported to the Central Bank through a local bank, for more information see the Central Bank of Iceland’s website <https://www.cb.is/foreign-exch/capital-flow-measures/>. For further information on the Central Bank’s laws and rules on foreign exchange and capital inflow follow this link <http://www.cb.is/the-bank/foreign-exchange/questions-and-answers/investment-in-iceland/>.

Iceland’s Financial Action Task Force (FATF) status is listed as monitored.

Sovereign Wealth Funds

Iceland does not have a Sovereign Wealth Fund.

State-Owned Enterprises

State-owned enterprises (SOEs) generally compete under the same terms and conditions as private enterprises, except in the energy production and distribution sector. SOEs are also most active in the banking, energy, and health sectors, and the state has a monopoly on retail alcohol sales. Private enterprises have the same access to financing as SOEs through the banking system. Notable SOEs include ATVR, the only company allowed to sell alcohol to the general public, Islandsbanki, one of three commercial banks in Iceland, Landsbankinn, one of the three commercial banks in Iceland, and RUV, the Icelandic National Broadcasting Service.

As an OECD member, Iceland adheres to the OECD Guidelines on Corporate Governance. However, the Icelandic government has not implemented any standard guidance to embellish implementation and in some cases politicians sit on SOEs’ directorial boards. The Chamber of Commerce in Iceland and NASDAQ OMX has issued a set of guidelines that mirror the OECD Guidelines on Corporate Governance. The State Auditor has also issued a less comprehensive set of guidelines.

The line of command can become blurred among a Minister, the board of the SOE, and the head of the SOE when the head of an SOE is appointed or engaged by the Minister with purview over the sector in which the SOE operates. Often these positions are filled by political appointees who are sometimes former politicians. For SOEs operating amongst the private sector in a competitive environment, the general guideline from the Icelandic government is that all decisions of the board of the SOE should ensure a level playing field and spur competition in the market.

In the midst of the banking crisis, the state, through the Financial Supervisory Authority (FME), took over Iceland's three largest commercial banks, which collapsed in October 2008, and subsequently took over several savings banks to allow for uninterrupted banking services in the country. In late 2009, the creditors of two of the three largest failed banks acquired the majority of shares in two of the newly re-established commercial banks, one of which in 2016 transferred shares back to the Icelandic state as part of the stability payment necessary to qualify for capital control exemptions. The Icelandic government owns 98 percent of the third re-established commercial bank, Landsbanki, and most of the government's cost associated with recapitalizing the banking system lies within this bank. The government has stated its intention to privatize Landsbanki and Islandsbanki, but a timeline for privatization has not been announced. The Bank Shares Management Company, established by the state in 2009, manages state-owned shares in financial companies.

The government of Iceland has acquired a considerable stake in many companies through its shares in the banks; however, it is the policy of the government not to interfere with internal or day-to-day management decisions of these companies. Instead, in 2009, the state established the Bank Shares Management Company to manage the state-owned shares in financial companies. The board of this entity, consisting of individuals appointed by the Minister of Finance, appoints a selection committee, which in turn chooses the State representative to sit on the boards of the various companies.

While most energy producers are either owned by the state or municipalities, there is free competition in the energy market. That said, potential foreign investment in critical sectors like energy is likely to meet by demands for Icelandic ownership, either formally or from the public. For example, a Canadian company, Magma Energy, acquired a 95 percent stake in the energy production company H.S Orka in 2010, but later sold a 33.4 percent stake to the Icelandic pension funds in the face of intense public pressure.

Iceland's universal healthcare system is mainly state-operated. However, few legal restrictions to private medical practice exist; private clinics are required to maintain an agreement regarding payment for services with the Icelandic state, a foreign state, or an insurance company.

The State Alcohol and Tobacco Company of Iceland (ÁTVR), has exclusive rights for the retail sale of all alcoholic beverages. Importers and wholesale companies are privately run.

There has been public criticism of SOEs like ISAVIA (which runs the Keflavik International Airport) and how they have tendered retail space within the airport. Media discussion has focused on accusations of opacity in the tendering process. Companies that lost their space at the airport in 2015 are suing ISAVIA for the documents related to the last tender of retail space. The results are still pending.

Iceland is party to the Government Procurement Agreement (GPA) within the framework of the World Trade Organization (WTO).

Privatization Program

There are no privatization programs in Iceland at the moment. However, the Icelandic State now owns two of the three largest commercial banks (Landsbankinn and Islandsbanki) and has stated that it intends to privatize both. The government has authorized the sale of a 30% stake in Landsbankinn to private investors. The terms and process of the sale have not yet been disclosed, but there is public pressure for the sale to be conducted in a transparent and non-discriminatory manner that allows all investors, including foreign, to bid on the stake.

Responsible Business Conduct

As an OECD member, Iceland adheres to the OECD Guidelines for Multinational Enterprises. The Ministry for Industries and Innovation houses Iceland's National Contact Point for the Guidelines, charged with promoting the due diligence approach of the Guidelines to the business community and to facilitate the resolution of any disputes arising in the context of the Guidelines:

<https://www.atvinnuvegaraduneyti.is/verkefni/serverkefni/leidbeinandi-reglur-oecd-fyrir-althjodlega-fyrirtaeki/>

The "Promote Iceland" agency has signed the United Nations' Global Compact on responsible business conduct and pledges to promote discussion of the subject. In the aftermath of the 2008 financial collapse, Iceland's main banks also strengthened their social charters. Reykjavik University runs a Center for Corporate Social Responsibility, and Iceland's Ministry of Foreign Affairs participates in the Nordic Business Outreach effort to direct private sector resources for development purposes. A NGO affiliated with Transparency International is active in Iceland and is a voice against corruption and for RBC. There is a general awareness of corporate social responsibility among both producers and consumers.

Corruption

Isolated cases of corruption have been known to occur, but are not an obstacle to foreign investment in Iceland or a recognized issue of concern in the government. In 2017 Iceland ranked 13th place out of 180 countries in Transparency International's Corruption Perceptions Index Ranking.

The Group of States Against Corruption (GRECO) published its report on Iceland on April 12 this year. The key findings were concerns that Iceland currently has no dedicated government-wide policy plan on anti-corruption and that its existing agency and institution-specific codes of conduct are not sufficiently detailed and are often implemented in an ad hoc manner. The report also notes that the GOI does not have a dedicated entity responsible for preventing corruption, which is instead delegated to various offices across the government.

In the wake of the financial collapse in Iceland in 2008, a code of conduct was established and ratified for public employees in 2013. Iceland has signed the UN Convention against Corruption and is in the accession process. Iceland is a member of the OECD Convention on Combatting Bribery.

Resources to Report Corruption

Contact at government agency or agencies are responsible for combating corruption:

- Ministry of Justice
- Solvholsgata 7, 101 Reykjavik
- +354-545-9000
- postur@dmr.is

Contact at "watchdog" organization

- Jon Olafsson
- Chairman
- Gagnsæi (Icelandic chapter of Transparency International)
- Gimli, Haskolatorg
- jonolafs@gagnsaei.is

Political and Security Environment

Politically motivated violence in Iceland is rare. Non-violent political protests in response to the 2008 financial crisis resulted in the dissolution of the government, the formation of a new coalition, and subsequently early elections in 2009. In early 2014, frustration among voters regarding the then-governing Progressive Party-Independence Party coalition government's refusal to hold a referendum on EU accession led to the largest

protests since the financial collapse; these protests did not include violence. Non-violent protests also led to a governmental reorganization and early elections, following the 2016 “Panama Papers” scandal. There have been individual cases of politically motivated vandalism of foreign holdings in recent years, directed primarily at the aluminum industry.

There has been relative political instability in Iceland for the past couple of years, with the coalition government of the Progressive and Independence Parties collapsing in 2016, and the coalition government of the Independence, Progressive and Bright Future parties collapsing a year later. The current coalition government of the Left Green, Progressive and Independence Parties has been in power since November 2017. This political unrest has not had major effects on the economy nor raised security concerns in Iceland.

Labor Policies and Practices

The labor force in Iceland is highly skilled and educated. It consists of 205,200 people aged between 16 and 74 years old as of April 2018. Thereof, 196,000 people were employed and 9,200 unemployed. Unemployment rate was 2.9% in the 1st quarter of 2018. Until the economic crisis in October 2008, demand for labor exceeded supply. Foreign labor fills the majority of unskilled service jobs and semi-skilled construction jobs, as the EEA Agreement allows for the free movement of labor within the area. Layoffs followed in the wake of the 2008 economic crisis, particularly in the financial and construction sectors, leading some foreign workers to depart. Unemployment in Iceland rose quickly and peaked at 9.1 percent in April 2009. Since then unemployment has steadily decreased, even going as low as 1.7% in March 2017. Foreign labor has again been in high demand in unskilled and semi-skilled sectors such as tourism and construction. In January 2018, 29,819 foreign nationals were active on the labor market in Iceland. Around 12-13% of the workforce in Iceland are foreign citizens. In the year of 2017, 3,100 people worked in the agriculture industry (crop and animal production, hunting and related service activities).

Icelandic Labor Laws are taken seriously in Iceland and there are no waivers to attract or retain investment. The labor unions and Directorate of Labor conduct spot inspections on worksites to monitor legal compliance. The labor market is highly unionized, with approximately 85 percent of employees belonging to unions.

Icelandic labor unions are decentralized and not politically affiliated. Collective bargaining power, in both the public and the private sectors, rests with individual labor unions. The law does not establish a minimum wage, but the minimum wages negotiated in collective bargaining agreements apply automatically to all employees in those occupations, including foreign workers, regardless of union membership. While the agreements can be either industry-wide, sector-wide, or in some cases firm-specific, the type of position defines the negotiated wage levels. The government has sometimes imposed mandatory mediation to avert or end strikes in key economic sectors such as healthcare or fisheries.

The standard legal work week is 40 hours. However, most office workers have 37.5-39.5 hour work weeks. The law requires that employers compensate work exceeding eight hours per day as overtime. Most employees are paid for overtime or allowed time off in lieu of paid compensation. Collective bargaining agreements determine the terms of overtime pay, but they do not vary significantly across unions. The law limits the total hours a worker may work, including overtime, to 48 hours a week on average during each four-month period. Typical holiday and shift-work rates are 40 percent above the standard shift rate, and may be up to 45 percent more if total work hours exceed full-time employment. The law entitles workers to 11 hours of rest in each 24-hour period and one full day off each week. Under specially defined circumstances, employers may reduce the 11-hour rest period to no fewer than eight hours, but they must then compensate workers with corresponding rest time later. They may also postpone a worker’s day off, but the worker must receive the corresponding rest time within 14 days.

Host Country's FDI in the United States (\$M USD, stock positions) 2016 \$19³ 2016 \$7,113 BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm

Total Inbound Stock of FDI as % of host GDP 2016 \$45.3%⁴ 2016 \$69.1%⁵ <http://data.imf.org/?sk=40313609-F037-48C1-84B1-E1F1CE54D6D5&slid=1482331048410>

It is unclear why there is discrepancy in statistics from the Central Bank of Iceland and the IMF and the World Bank regarding Total Unbound Stocks of FDI as a percentage of host GDP.

Table 3: Sources and Destination of FDI

According to official statistics from the Central Bank of Iceland, total Icelandic Foreign Direct Investment position abroad in 2016 was 683,491 million ISK, or 5,672 million USD using the average exchange rate of 2016 1 USD=120.51 ISK. However, according to the IMF, Outward Direct Investment from Iceland in 2016 was 9,331 million USD. It is unclear why there is discrepancy in international and domestic sources.

Direct Investment from/in Counterpart Economy Data

From Top Five Sources/To Top Five Destinations (US Dollars, Millions)

Inward Direct Investment 2016

Outward Direct Investment 2016

³ Icelandic Foreign Direct Investment position in the U.S. 2016 2,299 million ISK or 19 million USD using the average exchange rate of 2016 1 USD=120.51 ISK. Source: Central Bank of Iceland <https://www.sedlabanki.is/hagtolar/nanar/2016/09/09/Bein-fjarfesting/?stdID=5> (May 2018).

⁴ Total Foreign Direct Investment Stocks in Iceland 2016 1,110,261 million ISK or 9,213 million USD using the average exchange rate of 2016 1 USD=120.51 ISK. Source: Central Bank of Iceland <https://www.sedlabanki.is/hagtolar/nanar/2016/09/09/Bein-fjarfesting/?stdID=5>. Iceland's Cross Domestic Product 2016 2,452,970 million ISK or 20,355 million USD using the average exchange rate of 2016 1 USD=120.51 ISK. Source: Statistics Iceland <https://statice.is/> (May 2018). It is unclear why there is discrepancy in statistics from the Central Bank of Iceland and the IMF and the World Bank.

⁵ Total Inward Direct Investment in Iceland for 2016 on data.imf.org is 13,183 million USD, but that number does not add up if the numbers for the top five countries are added together. Total Inward FDI is 14,029 million USD if the top five countries are added together, however, that number does not reflect Inward FDI from other countries. Source: IMF <http://data.imf.org/?sk=40313609-F037-48C1-84B1-E1F1CE54D6D5&slid=1482331048410> (May 2018). Iceland's Gross Domestic Product in 2016 was \$20,304 million USD according to the World Bank www.worldbank.org/en/country (May 2018).

Total Inward ⁶	14,029	100%	Total Outward ⁷	9,331	100%
Luxembourg	9,515	67.82%	Netherlands	2,507	26.87%
Netherlands	2,920	20.81%	United States	1,959	20.99%
Switzerland	752	5.36%	Switzerland	1,149	12.31%
Denmark	426	3.04%	United Kingdom	931	9.98%
United Kingdom	416	2.97%	Cyprus	550	5.89%

"0" reflects amounts rounded to +/- USD 500,000.

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total ⁸			Equity Securities			Total Debt Securities		
All Countries	Amount	100%	All Countries	Amount	100%	All Countries	Amount	100%
Luxembourg	3472	36%	Luxembourg	3472	40%	United States	325	42%
Ireland	2579	27%	Ireland	2578	29%	Netherlands	210	27%
United States	1667	17%	United States	1341	15%	Germany	63	8%

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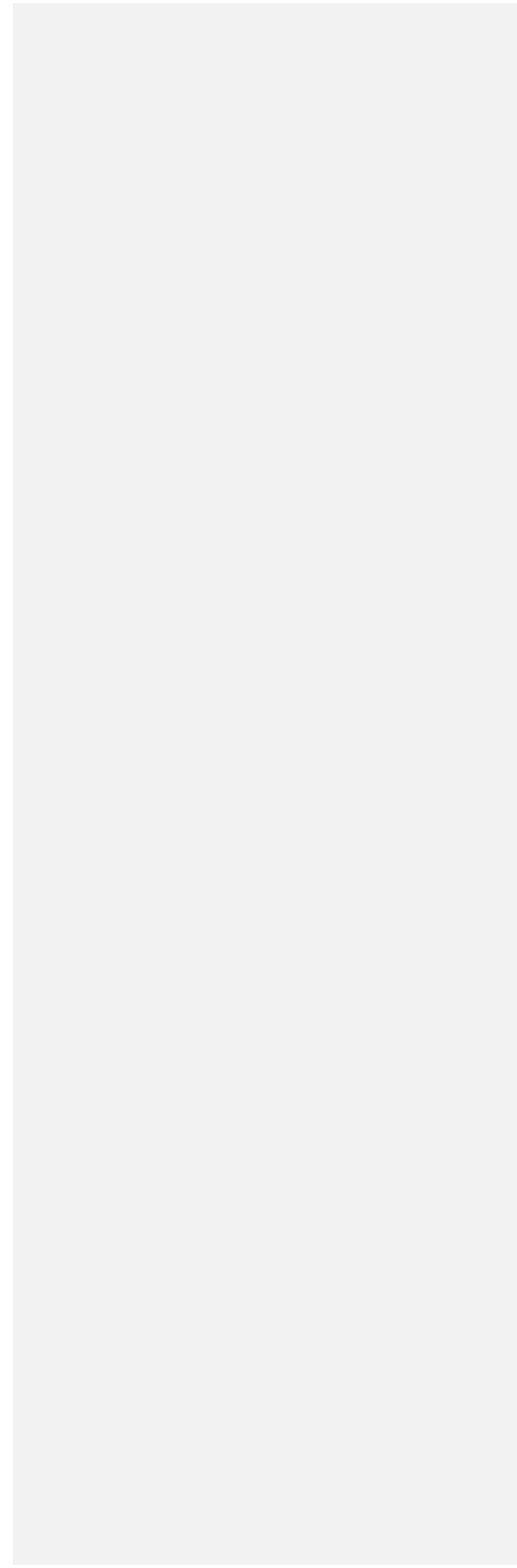
⁷ Source: IMF <http://data.imf.org/?sk=40313609-F037-48C1-84B1-E1F1CE54D6D5&slid=1482331048410> (May 2018).

⁸ As of June 2017. Source: IMF <http://data.imf.org/?sk=B981B4E3-4E58-467E-9B90-9DE0C3367363&slid=1481568994271> (April 2018).

United Kingdom	422	5%	United Kingdom	376	4%	United Kingdom	46	6%
Netherlands	366	4%	France	255	3%	Norway	35	5%

Contact for More Information on the Investment Climate Statement

- Ester Halldorsdottir
- Commercial Specialist
- U.S. Embassy, Laufasvegur 21, 101 Reykjavik, Iceland
- +354-595-2241
- halldorsdottires@state.gov / reykjavikeconomic@state.gov
- John Kill
- Economic Officer
- U.S. Embassy, Laufasvegur 21, 101 Reykjavik, Iceland
- +354-595-2295
- killjp@state.gov / reykjavikeconomic@state.gov



Trade & Project Financing

Methods of Payment

Payment from Iceland to a foreign entity can be made without formality or delay through commercial and savings banks, though payments are in some cases channeled through the Central Bank. Most issues relating to cross-border payments following the October 2008 banking collapse have been resolved.

There are a number of debt collection agencies in Iceland. The Economic and Commercial section of the U.S. Embassy in Reykjavik (ReykjavikEconomic@state.gov) can provide a list of such agencies upon request.

All normal methods of payment are used, but the most common and preferred method of payment is on open account terms where the buyer pays for products after receiving them. Many wholesalers who have had a successful long-term business relationship with their vendors maintained an open account even after the crash. By November 2011, most of the largest international insurance companies have begun to service Icelandic firms again.

Creditinfo Island (www.creditinfo.is) provides credit reports on Icelandic companies, lists of defaulting debtors, and related information.

Three agencies assign the Republic of Iceland's sovereign credit rating: Moody's Investors Service, Fitch Ratings, and Standard & Poor's. The Central Bank of Iceland communicates regularly with these agencies on behalf of the authorities.

Fitch Ratings (www.fitchratings.com)

Moody's Investors Service (www.moodys.com)

Standard & Poor's (http://www.standardandpoors.com/en_US/web/guest/home)

Banking Systems

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On March 12, 2017, the cabinet and the Central Bank lifted capital controls affecting households and businesses effective March 14, involving "foreign exchange transactions, foreign investment, hedging, and lending activity," although some permanent protections against foreign exchange instability remain in place (<https://www.ministryoffinance.is/news/iceland-lifts-capital-controls>). This liberalization is expected to help attract new investment to Iceland, and allow established Icelandic companies access to foreign currencies that they need to invest or expand abroad.

The Rules on Special Reserve Requirements for New Foreign Currency inflows were introduced in 2016 to restrict foreign investment in Icelandic bonds and bills. The rules state that those who invest in bonds or bills shall reserve 40% of the capital in a special reserve accounts within two weeks of the date the new inflows of foreign currency are converted to domestic currency or the reinvestment has taken place. The holding period is 12 months and capital flow accounts bear 0% interests. For more information see <https://www.cb.is/foreign-exch/capital-flow-measures/>.

The Central Bank of Iceland publishes the official exchange rate on its website <https://www.cb.is/statistics/official-exchange-rate/>. "The exchange rate of the Icelandic króna is determined in the foreign exchange market, which is open between 9:15 hrs. and 16:00 hrs. on weekdays. Once a day, the Central Bank of Iceland fixes the official exchange rate of the króna against foreign currencies, for use as a reference in official agreements, court cases, and other contracts between parties that do not specify another reference exchange rate; cf. Article 19 of the Act on the Central Bank of Iceland, and fixes the official exchange rate index at the same time. This is done between 10:45 hrs. and 11:00 hrs. each morning that regulated foreign exchange markets are in operation. Under extraordinary circumstances, the Central Bank may temporarily suspend its quotation of the exchange rate of the króna."

The Annual Report on Exchange Arrangements and Exchange Restrictions 2016, published by the International Monetary Fund (IMF), describes exchange restrictions and multiple currency practices in Iceland in the following way: "The IMF staff report for the 2014 Article IV Consultation and Fifth Post-Program Monitoring Discussion with Iceland states that as of February 23, 2015, Iceland maintained exchange restrictions arising from limitations imposed on the conversion and transfer of (1) interest on bonds (whose transfer the foreign

exchange rules apportion depending on the period of the holding); (2) the principal payments from holdings of amortizing bonds; and (3) payments on the indexation of principal from holdings of amortizing bonds. (Country Report No. 15/72)”

US Banks & Local Correspondent Banks

There are no U.S. banks in Iceland. The major U.S. banks have correspondent relationships with Icelandic financial institutions.

Project Financing

The Icelandic domestic banking system is limited in size. Therefore capital, at least for larger projects, usually comes from abroad. Until capital controls are fully lifted, obtaining financing may be more difficult than before the crisis.

There are a number of U.S. agencies that might finance certain projects in Iceland, or guarantee payments in trade with goods and services, such as the Export-Import Bank. See web resources below.

The European Investment Bank (EIB) finances private investments promoted by creditworthy counterparts established in EEA-countries. The European Investment Fund (EIF), established in 1994, is an agency headquartered in Brussels that provides financing for SMEs (small- and medium-sized enterprises). It does not lend money to SMEs directly; rather, it provides financing through private banks. Its main operations are in the areas of venture capital and guaranteeing loans. The EIF also provides guarantees to financial institutions (such as banks) to cover their loans to SMEs. The Fund is active in the member states of the European Union, in Croatia, Turkey and three EFTA countries (Iceland, Liechtenstein and Norway).

The Nordic Investment Bank (NIB) is an investment bank and multilateral development bank owned by eight Nordic and northern European countries. The owners are Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden. The bank is headquartered in Helsinki, Finland and has offices in Copenhagen, Oslo, Reykjavík and Stockholm, and a representative office in Singapore. The bank has operated since 1976. The purpose of the bank is to extend credit and finance for investment projects both within and outside the member countries.

The Icelandic government traditionally finances public sector projects although the European Investment Bank and Nordic Investment banks have played a role in financing various public projects.

Financing Web Resources

Country Limitation Schedule (<http://www.exim.gov/tools-for-exporters/country-limitation-schedule>)

Export-Import Bank of the United States (www.exim.gov)

OPIC (www.opic.gov)

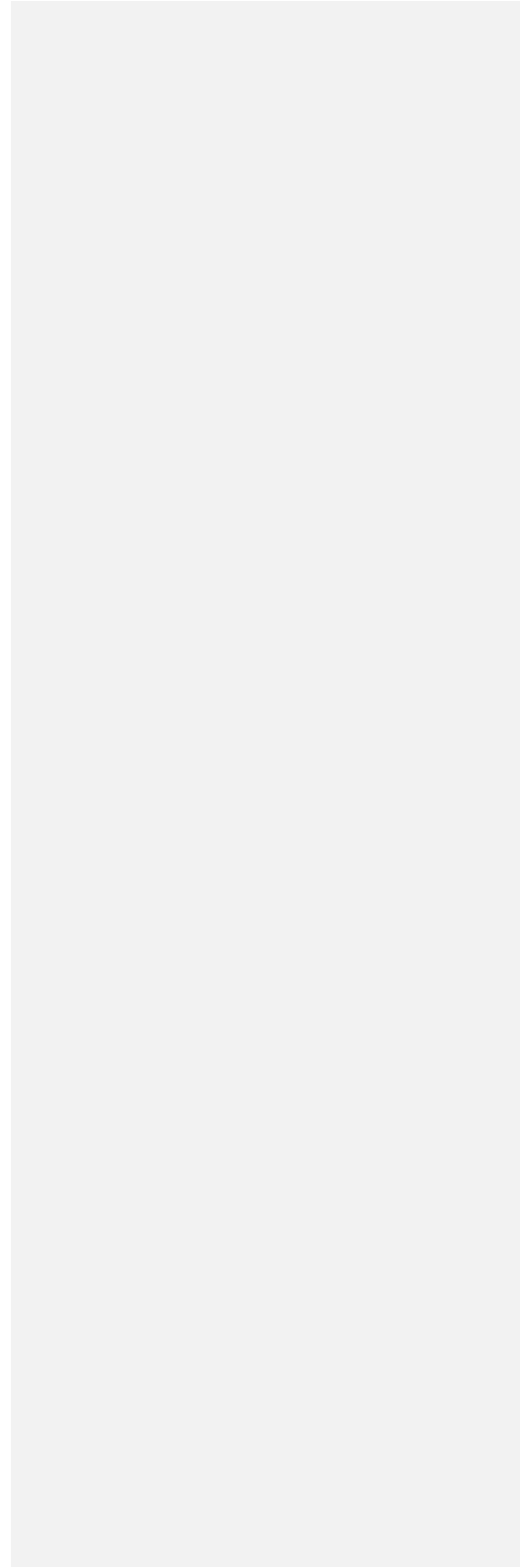
SBA's Office of International Trade (www.sba.gov/oit/)

Trade and Development Agency (<https://www.ustda.gov/>)

Trade Finance Guide: A Quick Reference for U.S. Exporters, from the International Trade Administration's Industry & Analysis team (<https://www.export.gov/tradefinanceguide>)

USDA Commodity Credit Corporation (<https://www.fsa.usda.gov/>)

U.S. Agency for International Development (www.usaid.gov)



Business Travel

Business Customs

Social and business etiquette in Iceland is similar to that in other western European countries, but there are some noticeable differences.

Since Iceland is a small community, access to key people is relatively easy, though it is advisable to schedule appointments in advance. Since even the largest Icelandic corporations are relatively small, you may find the decision-makers in your meeting. Business meetings are usually informal and relaxed, but good preparation is important. Business cards are exchanged upon introduction. Extended small talk is not necessary, and getting straight down to business is appreciated though Icelandic business people can appear willing to spend more time discussing a situation than Americans are used to.

Simultaneous interpretation services are available, but are usually not required unless very detailed or technical work is involved. Most Icelanders doing business in a particular field will understand the relevant English technical vocabulary, but contracts may need to be translated. Icelanders like to combine business with pleasure, so establishing a friendly and personal relationship is a good approach. Business dinners are the preferred form of entertainment. It is considered appropriate to talk business over a meal, unless spouses are present. Icelanders enjoy dressing up and being social. There are no strict rules or formal dining customs that need to be observed. While Americans tend to dress up for work and dress down after work, the opposite is often the case in Iceland, although men in government, banking or business circles generally wear suits. An informal social event such as a business dinner still calls for a jacket and tie. Iceland has cool summers and fairly cold winters, so even in summer, clothing should include a sweater or jacket, a raincoat, and a good pair of walking shoes.

Understanding Icelandic names is important for business and social occasions. Only a small proportion of the population has family surnames, often foreign in origin. Most people have a patronymic, formed from their father's first name with the ending "-son" or "-dóttir" (e.g. Arnar Jónsson (Arnar is Jon's son) or Anna Jónsdóttir (Anna is Jon's daughter). A woman does not take her husband's patronymic upon marriage. First names are the names by which people are known, and are thus generally used. Icelandic telephone directories list people in alphabetical order by their first name. Icelanders do not use "Mr." and "Ms." among themselves although they may do so when among foreigners. Icelanders will not feel you are being overly familiar if you call them by their first names.

Travel Advisory

Reykjavík offers a variety of hotel and guesthouse accommodations, many excellent restaurants, cafes, and wide range of cultural attractions. Note that hotel rooms can be difficult to find during the summer tourist season, and that it can be difficult to get a table at the more popular restaurants without an advance booking.

Iceland remains a relatively safe country for visitors. Reykjavík is safer than major cities in the United States although there is occasional street crime, particularly late at night in the city center. Visitors utilizing common sense and good judgment can expect to enjoy their time in Iceland without incidents. Emergency services, including fire, police and ambulance, are available by dialing 112. Emergency service operators speak English.

Iceland is home to active volcanoes. If a volcanic eruption occurs while you are in Iceland, you should closely follow any instructions from the local authorities. Be aware that airports in Iceland, including Keflavik International Airport, may need to close in the event of future eruptions. You can find updates on volcanic activity in Iceland through the Icelandic Office of Civil Defense.

State Department Consular Information page for Iceland:
<https://travel.state.gov/content/passports/en/country/iceland.htm>

Visa Requirements

U.S. travelers to Iceland must have a valid passport. Iceland is a party to the Schengen agreement. As such, U.S. citizens may enter Iceland for up to 90 days for tourist or business purposes without a visa. The passport should be valid for at least three months beyond the period of stay.

For further information concerning entry requirements for Iceland, travelers can contact The Icelandic Embassy in the U.S. or the Icelandic Directorate of Immigration.

Icelandic Embassy, c/o House of Sweden

2900 K Street N.W. #509

Washington DC 20007-1704

Tel: +1 (202) 265 6653.

Web site: <http://www.iceland.is/iceland-abroad/embassies>

Icelandic Directorate of Immigration

Skógarhlíð 6

105 Reykjavík

Iceland

Tel: +354 510-5400

Web site: <http://www.utl.is/>

E-mail: utl@utl.is

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <https://travel.state.gov/content/visas/en.html>

The Consular Section of the Reykjavík Embassy: <https://is.usembassy.gov/>

Currency

The local currency is the Icelandic Krona. It is advisable to exchange ISK back into other foreign currency before departure from Iceland as the ISK is not exchangeable outside Iceland.

Access to ATM is widely available.

VISA and Mastercard credit cards are widely accepted, but American Express is not accepted at all stores.

Telecommunications/Electronics

Telecommunication services are modern and readily available. High speed internet connections are available at all business hotels, and prepaid SIM-cards are also widely available. Both 3G and 4G are available and the local cellphone companies have roaming contracts with all the major international cellphone companies.

All electric appliances run at 220volts and sockets are European standard. Convertors for U.S. to European sockets are readily available at hardware stores in Iceland and are also sold at the duty free store upon arrival to Keflavik airport.

Transportation

Three airlines fly between Iceland and the United States. Icelandair (www.icelandair.com) destinations include Boston, Washington DC, Minneapolis, Denver, Seattle, Portland Oregon, Chicago, Anchorage, Orlando, New York, Philadelphia, and Tampa. Delta airlines (www.delta.com) flies to and from New York all year around and to Minniapolis during the summer. WOW Air (www.wowair.is) lies to Boston, San Francisco, Los Angeles, Washington DC, Chicago, Miami, New York, and Pittsburgh. Travelers can take Fly Bus (<https://www.re.is/flybus/>) or Airport Express (airportexpress.is/) from Keflavik Airport to their hotel destination. A return bus ticket costs about \$50 and takes about 50-75 minutes from the airport to your hotel. Private taxis are also available at the airport, but are significantly more expensive. Reykjavik's public transportation system consists of buses running to all areas of the city. Local cabs are readily available at taxi stands throughout the downtown area or by telephone. Prices depend on the length of journey and the time of day. No tipping is required. Rental cars are available at the airport and in Reykjavik, but are expensive. Gasoline costs about \$6.00 per gallon.

Language

There is virtually no language barrier for U.S. visitors to Iceland. Icelandic business executives and government officials are fluent in English and almost all Icelanders speak English to some degree.

Health

A visitor to Iceland faces no special health risks as the overall health conditions are excellent. No special inoculations are required. All milk and tap water is safe to drink. Since Iceland is entirely surrounded by the ocean, it has a fairly moderate, maritime climate year round.

Icelandic medical care is of high quality and is comparable to the medical care one finds throughout Western Europe. Diagnostic laboratories and specialists in all fields of medicine are available, though there may be a wait time to see certain specialists. Hospitals are well-equipped, and maternity hospitals and clinics are available. Most doctors and dentists speak English. Tourists should expect to pay for services provided at time of service. Most medicines are available locally. They may not, however, be the same brand names as those used in the United States and prices are generally higher than in the United States. Tourists should bring a supply of any medicine that they know they will need. In case of medical emergency, dial 112.

Local Time, Business Hours and Holidays

Icelandic work schedules are similar to those in the United States although many offices close early in the summer. Business activity slows down considerably from mid-June through mid-August as Icelanders take

their summer holidays. Other slow times of year are the Christmas season and the weeks before and after Easter in the spring.

Office hours: 9 am – 5 pm. Business hours for stores are from 10-18.

There are an increasing number of grocery and convenience stores that are open 24/7.

Temporary Entry of Materials or Personal Belongings

There are no restrictions on entry or exit of personal computers or laptops, software, or encrypted data. Commercial samples and exhibit items may be subject to customs duty. Samples may be imported into Iceland duty-free if they are of little or no commercial value, or have been made unfit for use. Otherwise samples will be subject to duty. See more under Chapter 5, Customs Regulations.

Travel Related Web Resources

Airport Express (<https://airportexpress.is/>)

Delta Airlines (www.delta.com/)

Flybus (<https://www.re.is/flybus/>)

Iceland Naturally (www.icelandnaturally.com)

Icelandair (www.icelandair.com)

Icelandic Directorate of Immigration (www.utl.is)

Icelandic Embassy to the U.S (<http://www.iceland.is/iceland-abroad/>)

Icelandic Tourist Board (www.ferdamalastofa.is/)

State Department Visa Website (travel.state.gov/)

U.S. Embassy in Iceland (<https://is.usembassy.gov/>)

Visit Reykjavík (<http://www.visitreykjavik.is/>)

Wow Air (www.wow.is)