



Grimsson Iceland's re-elected President to decide that the SSF would be asked to form the government. It was perhaps ironic that support for the SSF had grown despite the fact that many people blamed it for backing economic liberalisation and creating the cronyism that were seen by many as having led to the crisis. As a result, a coalition between the Sjálfstæðisflokkurinn (SSF) (Independence Party) and Framsóknarflokkurinn (FSF) (Progressive Party) took office.

### The economy

According to the Paris-based Organisation for Economic Co-operation and Development (OECD), in early 2013 Iceland's economy was recovering at a moderate pace and had more than recovered the balance seen before the global financial crisis, although more remained to be done in private-sector deleveraging, reducing non-performing loans and lowering external indebtedness. The April 2013 election (see above) result had ushered in a new political climate and Iceland's economic growth was expected to gain momentum in 2014, led by a large increase in energy-intensive investment. To increase economic growth on a lasting basis and better manage risks, capital controls needed to be removed in an orderly fashion, monetary and financial stability arrangements strengthened and the government debt-to-gross domestic product (GDP) ratio reduced to more prudent levels. While capital controls enabled Iceland to regain exchange rate stability and hold down real interest rates, they risked misallocating capital and impeding business activity. To minimise these adverse effects, in the view of the OECD, Iceland's government needed to proceed with its programme for the removal of capital controls at a pace that would depend on economic developments. Completing economic rebalancing, strengthening the current account balance, making króna assets more attractive to hold, further improving prudential supervision and regulation and developing a sound monetary strategy that encourages exchange rate stability would go far in helping Iceland to meet the requirements of its programme.

The OECD noted that Iceland's monetary policy and financial stability frameworks were also being strengthened. Iceland's monetary policy had lacked credibility and inflation expectations were not well anchored. Steps had been taken to strengthen central bank independence, improve co-ordination with fiscal policy

and revamp bank supervision. The authorities were undertaking a modified inflation-targeting approach that used currency market interventions to smooth the impact of short-term capital flows on the exchange rate. Preparations were also under way to strengthen co-ordination and communication between financial sector supervisors. Considerable fiscal consolidation had been achieved but further measures were required. Approximately two thirds of the former government's fiscal consolidation plan had been implemented and the government debt-to-GDP ratio had started to fall. Action was needed to ensure that the budget remained on track to reach a surplus of two per cent of GDP by 2015, which would put public debt on a path to more prudent levels. Consolidation measures needed to be more focussed on current expenditures to increase the likelihood that consolidation was sustainable. There was scope to reduce expenditure by increasing government efficiency, notably in the areas of education and health care. Passage of the proposed Organic Budget Law would help to strengthen budget discipline.

### Debt refusal

In April 2011 Icelanders had rejected for a second time proposals put forward for their country to repay its debts to the Netherlands and the United Kingdom. The referendum result represented a dramatic act of defiance by Iceland's electorate. The government had warned that any rejection of the proposals could thwart the country's efforts to join the European Union (EU). The rejection left the two

creditor nations with little option but to seek legal redress, taking their claim to international courts. The referendum outcome was a major setback for Iceland's SF government which had been assiduously endeavouring to build domestic support for a repayment deal since taking office. At the centre of the dispute was the question of money deposited by British and Dutch customers in the Icesave subsidiary of the bankrupt Landesbanki. Although they had been reimbursed by state deposit insurance schemes, the British and Dutch treasuries had not been reimbursed.

Not only was it the British and Dutch governments who were closely following the referendum result. Although the international credit rating agencies' standing and reputation had suffered dramatically following the global financial crisis, which they had allowed to happen under their noses, they had managed none the less to retain some international clout; not least in a battered Iceland. The fear was that the rejection of any deal would lead to a downgrade of Iceland's sovereign debt. The Dutch authorities also saw fit to observe that the fulfilment of EU regulations on bank deposit guarantees was a prerequisite of EU membership.

As elsewhere in Europe the financial crisis had increased popular interest in joining a big bloc like the EU. The centre-left coalition of the SF and Vinstrihreyfingin – grænt framboð (VG) (Left-Green Movement) had launched EU entry talks, which involved reaching agreement on many different policy areas, called chapters, after taking office in 2009, when Iceland was still in shock after

## KEY INDICATORS

## Iceland

	Unit	2008	2009	2010	2011	2012
Population	m	0.32	0.32	0.32	*0.33	*0.33
Gross domestic product (GDP)	US\$bn	17.50	12.10	12.60	14.00	*13.65
GDP per capita	US\$	55,462	37,853	39,026	43,088	*41,739
GDP real growth	%	1.3	-6.8	-4.0	3.1	*1.6
Inflation	%	12.4	12.0	5.4	4.0	*5.2
Unemployment	%	1.6	8.0	8.1	8.6	*5.8
Exports (fob) (goods)	US\$m	5,399.0	4,051.0	4,603.0	5,343.6	5,048.8
Imports (fob) (goods)	US\$m	5,699.0	3,318.0	3,620.0	4,505.9	4,443.4
Balance of trade	US\$m	-300.0	733.0	983.0	837.7	605.4
Current account	US\$m	-4,777.0	-1,402.0	-1,235.0	-972.8	*-667.0
Total reserves minus gold	US\$m	3,515.2	3,813.2	5,698.9	7,304.7	4,085.3
Foreign exchange	US\$m	3,486.2	3,638.7	5,557.0	6,954.0	4,042.8
Exchange rate	per US\$	87.95	123.64	122.24	115.19	125.83
* estimated figure						

the 2008 collapse of its top banks. The two parties had overcome their differences to begin the EU talks on condition any deal on entry would be put to a referendum.

However in January 2013 Iceland suspended its EU entry talks, fearing that the April elections could bring a more EU-sceptic government to power and put an end to negotiations altogether. No talks on new policy areas with the EU would be opened. Negotiations under way would continue, but no decisions would be made.

In line with the OECD, in June 2013 the IMF said that Iceland's economy was on a path to recovery, although it still had a number of 'legacy' issues, mostly related to the banking collapse still to be resolved. These, said the IMF, will require lifting capital controls without disrupting the external position, implementing durable measures to complete the fiscal adjustment, and further increasing the resilience of the financial sector.

**Risk assessment**

Politics	Good
Economy	Fair
Regional stability	Good

**COUNTRY PROFILE**

**Historical profile**

Settled by Norwegians and Celtic (Scottish and Irish) immigrants during the late ninth and tenth centuries, Iceland boasts the world's oldest parliament, the Althingi. Iceland was under Norwegian, then Danish, rule from the thirteenth century. The severity of Iceland's terrain was frequently compounded by natural disasters leading, in the nineteenth century, to large-scale emigration to the USA and Canada. The island was granted its own constitution in the 1840s.

1903 Iceland was granted Home rule from Denmark.

1918 Iceland became a sovereign state in union with Denmark.

1940 Germany invaded Denmark. British troops were stationed in Iceland.

1944 Iceland terminated the convention linking it with Denmark and declared itself a republic.

1948 Iceland joined the International Whaling Commission (IWC).

1949 Iceland joined NATO and the Council of Europe. A large US airbase was established at Keflavik.

1953 Iceland became a founding member of the Nordic Council.

1959–71 The Coalition of Independence and Social Democratic Parties remained in power.

1960s–70s Iceland's unilateral extensions of its territorial waters to protect its fishing grounds led to the 'Cod Wars' with the

UK, and in 1976, caused a temporary break in diplomatic relations, the first such break between NATO members.

1980 Vigdís Finnbogadóttir was elected president, the world's first popularly elected female head of state.

1985 Iceland was declared a nuclear-free zone, barring entry to all nuclear weapons.

1987 Thorsteinn Pálsson was appointed prime minister.

1991 Iceland quit the IWC after the organisation refused to consider Icelandic proposals for moderate catch quotas.

1996 Ólafur Ragnar Grímsson was elected president.

1999 The elections again returned a centre-right coalition of Sjálfstæðisflokkurinn (SSF) (Independence Party) and Framsóknarflokkurinn (FSF) (Progressive Party).

2000 Ólafur Ragnar Grímsson was re-elected president unopposed.

2002 Iceland's bid to rejoin the IWC, without signing up to the moratorium on commercial whaling, was rejected.

2003 Prime Minister Oddsson's SSF won the parliamentary elections.

2004 Incumbent Ólafur Ragnar Grímsson was re-elected in the presidential elections. Halldór Ásgrímsson (FSF) became prime minister.

2005 The government granted Icelandic citizenship to Bobby Fischer, the chess grandmaster and US fugitive of 10 years, he died later in 2008.

2006 Halldór Ásgrímsson resigned as prime minister and Geir Haarde (SSF) replaced him. The US closed its naval base at Keflavik.

2007 In general elections, the SSF retained power.

2008 President Grímsson was re-elected unopposed. Following the collapse of Iceland's largest bank, Landsbanki, the UK government made available a loan of £100 million (US\$174 million) to help repay the bank's UK creditors. The Sedlabanki (central bank) rate was raised to 18 per cent from 12 per cent in a move to stave off the collapse of Iceland's banking system. Iceland came under IMF administration.

2009 The central bank rate was raised to a record high of 21 per cent. Prime Minister Haarde resigned, following the collapse of the coalition government. The president called on the Samfylkingin (Social Democratic Alliance) (SDA) and VG to form a minority coalition, interim government. Jóhanna Sigurðardóttir (SDA) became prime minister and was endorsed into office following early parliamentary elections. Iceland formally applied for European Union membership. Moody's Investors Service cut Iceland's credit rating to the lowest investment grade. In one

year, a record 5,027 babies were born in Iceland.

2010 The Eyjafjallajökull volcano erupted; volcanic ash thrown up into the atmosphere as high as 20,000 feet caused the shutdown of air traffic in 11 western and northern European countries, leading to severe disruption of passengers and cargo. Former directors of the bankrupt bank Glitnir, including Jón Ásgeir Jóhannesson, a retail magnate, were sued for US\$2 billion in a US lawsuit, accused of a 'sweeping conspiracy' and draining cash from its assets. The lawsuit followed a year of forensic accountancy of the bank's books that supported the allegation of robbery 'from the inside'. The central bank interest rate was cut to 7 per cent, as inflation fell and the currency strengthened.

2011 In February the President announced that a referendum would be held on the latest plan to repay the Dutch and UK governments the US\$4 billion lost in 2009 when the Icesave Bank collapsed. Parliament voted to accept the plan, but narrowly voted against a referendum. President Grímsson was against the repayment plan and refused to sign the deal, thereby triggering the April referendum. The government lost the referendum by a vote of 59.77 to 40.22; turnout was 75.34. The Dutch and UK governments said they would go to court to recover the lost US\$4 billion.

2012 On 5 March, the trial of former prime minister Geir Haarde began. He was charged with failing to prevent the 2008 banking crisis and of failing his ministerial duties of managing the repercussions of the collapse of the Icelandic economy while he was in charge of the country. On 23 April, Haarde was found not guilty on three major charges of negligence. He was found guilty of a lesser crime, which does not carry a prison sentence, of not holding a dedicated cabinet meeting before the collapse. All legal expenses incurred by Haarde were paid for by the state. A presidential election was held on 30 June, in which six candidates took part. Ólafur Ragnar Grímsson was re-elected for a fifth consecutive term, with 52.78 per cent of the vote and Thóra Arnórsdóttir 33.16 per cent; turnout was 69.2 per cent. On 20 October, a constitutional referendum was held, with six proposals, including provisions for drafting a new constitution; declaring all non-privately owned natural resources to be national property; and allowing a referendum to be held providing a certain proportion of the electorate demands it. All six propositions were agreed.

2013 Elections were held on 27 April in which the ruling party lost to Sjálfstæðisflokkurinn (SSF) (Independence

Party) with 26.7 per cent of the vote (19 seats out of 63) and Framsóknarflokkurinn (FSF) (Progressive Party) 24.43 per cent (also 19). Other successful parties were Samfylkingin (SF) (Social Democratic Alliance) 12.85 per cent (9); Vinstrihreyfingin – grænt framboð (VG) (Left-Green Movement) 10.87 per cent (7); Björt framtíð (Bright Future) 8.25 per cent (6); Píratar Pirate Party) 5.10 per cent (3). Nine other parties failed to win enough votes to secure any seats. Turnout was 81.44 per cent. A coalition government was formed between the SSF and the FSF. Sigmundur Davíð Gunnlaugsson (FSF) became prime minister. In October the Sedlabanki Íslands (Central Bank of Iceland) said the country was in danger of running out of foreign exchange to pay its debts.

### Political structure

#### Constitution

The constitution was adopted 17 June 1944.

The parliament and office of president jointly exercise legislative power, with due adherence to the constitution. The judiciary is guaranteed independence.

Elections are by proportional representation with universal direct suffrage over the age of 18.

The constitution recognises the Evangelical Lutheran Church as the state church.

#### Independence date

17 June 1944

#### Form of state

Parliamentary democratic republic

#### The executive

Executive power is vested jointly in the offices of the president as Head of State, directly elected for a four-year term, and the prime minister as head of government (appointed by the president); the prime minister appoints a cabinet, which is approved by parliament).

Any citizen aged over 35 may become president, by popular vote (if more than one candidate stands for the post; without a challenge a candidate is duly elected without a vote).

#### National legislature

The unicameral Althingi (parliament) has 63 members elected for a four-year term, by a two-tier proportional representation system. Six constituencies each elect nine members (54), based on party lists with rankings that may be changed or candidates rejected; the remaining nine members are allocated as weighting seats (one for each constituency) equalising all votes for a party, which ensure total national votes reflect the number of seats gained by a political party.

Legislative power is held jointly by the president and the Althingi.

### Legal system

The legal system is based on the 1944 constitution; the civil law system is based on Danish law.

#### Last elections

30 June 2012 (presidential)

**Results:** 27 April 2013 (parliamentary): Sjálfstæðisflokkurinn (SSF) (Independence Party) 26.7 per cent of the vote (19 seats out of 63); Framsóknarflokkurinn (FSF) (Progressive Party) 24.43 per cent (19); Samfylkingin (SF) (Social Democratic Alliance) 12.85 per cent (9); Vinstrihreyfingin – grænt framboð (VG) (Left-Green Movement) 10.87 per cent (7); Björt framtíð (Bright Future) 8.25 per cent (6); Píratar Pirate Party) 5.10 per cent (3). Nine other parties failed to win enough votes to secure any seats. Turnout was 81.44 per cent.

Presidential: Ólafur Ragnar Grímsson won 52.78 per cent of the vote, Thóra Arnórsdóttir 33.16 per cent, Ari Trausti Guðmundsson 8.64 per cent; three other candidates each won less than 3 per cent. Turnout was 69.2 per cent.

#### Next elections

2013 (parliamentary); 2016 (presidential)

### Political parties

#### Ruling party

Coalition of Sjálfstæðisflokkurinn (SSF) (Independence Party) and Framsóknarflokkurinn (FSF) (Progressive Party) (elected 27 Apr 2013)

#### Main opposition party

Framsóknarflokkurinn (FSF) (Progressive Party)

### Population

327,000 (2012)\*

**Last census:** July 2000: 281,154

**Population density:** 2.7 inhabitants per square km. Urban population 93 per cent (2010 Unicef).

**Annual growth rate:** 1.1 per cent, 1990–2010 (Unicef).

#### Ethnic make-up

Almost the entire population are descendants of Norwegians and Celts.

#### Religions

Lutherans (96 per cent), Protestants and Catholics (3 per cent).

### Education

Pre-schooling is offered to children aged between one and six years when compulsory primary education begins. This leads into lower secondary school until aged 16 when students choose upper secondary education – either academic grammar or comprehensive schooling or vocational industrial or specialised training. Upper secondary education covers four years and is open to anyone who has completed compulsory school. Grammar and comprehensive attainment leads to higher education facilities at age 20.

Icelandic municipalities are responsible for delivering education in different regions.

There are eight higher education institutions in Iceland, most of which are run by the state and require no tuition fees. Private parties with state support run three institutions that charge tuition fees. About 16 per cent of Icelandic students in higher education study abroad.

The total public expenditure in education is typically 5–6 per cent of GDP.

**Compulsory years:** Six to 16.

**Enrolment rate:** 99 per cent net primary enrolment; 85.3 per cent net secondary enrolment (World Bank 2003).

### Health

The country is divided into health care regions, each with their own primary health care centres, some of which are run jointly with the local community hospital; hospitalisation is free of charge. The number of Icelandic physicians has increased steadily during the last decade.

#### HIV/Aids

**HIV prevalence:** 0.2 per cent aged 15–49 in 2003 (World Bank)

**Life expectancy:** 81 years, 2004 (WHO 2006)

**Fertility rate/Maternal mortality rate:**

2.1 births per woman, 2010 (Unicef)

**Child (under 5 years) mortality rate (per 1,000):** 2 per 1,000 live births (WHO 2012)

**Head of population per physician:** 3.62 physicians per 1,000 people, 2004 (WHO 2006)

### Welfare

Iceland follows the Nordic social security system, which aims to provide universal social welfare and health services.

The social security system covers pension, occupational injury, health and maternity insurance. Most pensions are covered by private pension funds. There is generous coverage for maternity leave for both men and women.

Special attention has been given to women's employment and special grants have been provided to women for running businesses.

### Main cities

Reykjavík (capital, estimated population 119,474 in 2012), Kópavogur (33,045), Hafnarfjörður (28,085), Akureyri (17,770), Garðabær (11,420).

### Languages spoken

The Icelandic language belongs to the North Germanic branch of the Indo-European family.

#### Official language/s

Icelandic

### Media

The constitution guarantees freedom of the press.

### Press

**Dailies:** In Icelandic popular newspapers include *Morgunblaðid* ([www.mbl.is](http://www.mbl.is)), *Frettablaðid* ([www.visir.is](http://www.visir.is)), *DV* ([www.dv.is](http://www.dv.is)) is an evening newspaper.

**Weeklies:** In Icelandic, regional newspapers include *FréttirWO* ([www.sudurlandid.is/Eyjafrettir](http://www.sudurlandid.is/Eyjafrettir)) from Sudland, *Vikurfrettir* ([www.vf.is](http://www.vf.is)), from Sudurnes, *Tidis* ([www.patreksfjordur.is](http://www.patreksfjordur.is)), from Vestfirðir and *Skessuhorn* ([www.skessuhorn.is](http://www.skessuhorn.is)) from Vesturland. *Sed og Heyrt* is a tabloid magazine.

**Business:** In Icelandic, *Viðskiptablaðið* ([www.vb.is](http://www.vb.is)), is a daily, *Markaðurinn* (<http://vefmidlar.visir.is>), is published weekly. Marine industry publications include *Aegir* and *Fiskifrettir*.

**Periodicals:** In Icelandic, the monthly *Mannlíf* ([www.mannlif.is](http://www.mannlif.is)) covers news and current affairs and for women, *Birtingur* ([www.birtingur.is](http://www.birtingur.is)) is published 10 times a year.

### Broadcasting

The Ríkisútvarpið (RÚV) (Icelandic National Broadcasting Service) is the public network providing services from a number of regional centres.

**Radio:** RÚV ([www.ruv.is](http://www.ruv.is)) operates two radio stations Rás 1 and Rás 2. The largest private commercial radio network is Bylgjan (<http://lettbylgjan.is>).

**Television:** Sjónvarpið/RÚV ([www.ruv.is](http://www.ruv.is)) operates the national television service and locally producing Icelandic language shows as well as transmitting imported TV shows. It transmits for around eight hours per day during the week and 16 hours per day during the weekend. Private commercial TV stations includes Stöð 2 ([www.stod2.visir.is](http://www.stod2.visir.is)) with five channels and Skjárinn (<http://skjarinn.is>) with three channels.

### Economy

The banking sector was privatised in 2003, from which time the banks increased their assets from just over 100 per cent of GDP to more than 1,000 per cent of GDP in 2008, with banks taking ever high risks, outstripping the government's ability to act as lender of last resort. As the global crisis struck in 2008, investors quickly withdrew their funds and three banks failed, causing a crash of the Icelandic krona, which fell in value by over 70 per cent. The stock market lost 80 per cent of its value. Effectively the economy was left bankrupt. GDP growth fell from a healthy 6 per cent in 2007, slowing to 1.3 per cent before plunging into recession of -6.8 per cent in 2009. Although the situation remained serious in 2010, the recession slowed to -4.0 per

cent. In 2011, GDP growth was estimated to have risen to 3.1 per cent. Iceland crashed from an economy with one of the highest GDP per capita rates in Europe of US\$64,833 in 2007, to US\$55,462 in 2008 and further still to US\$37,853 in 2009; there was a rise in 2010 to US\$39,026 as the situation improved. Unemployment had begun rising shortly after the economy floundered in 2008, so that in 2009 around 1 per cent of the workforce (2,000 people), were unemployed; by 2010, 8 per cent (16,000 people) were unemployed.

The International Monetary Fund (IMF) approved an initial emergency financing loan of US\$2.1 billion in 2008; the two-year Stand-By Arrangement was used to stabilise the krona as successive governments set about making swingeing cuts to public spending. The government, which had come to power in early 2009, quickly recapitalised two of the three largest failed domestic banks and introduced tighter banking regulations. Moody's Investors Service cut Iceland's credit rating to the lowest investment grade in November 2009. The interest rate was cut to 7 per cent on 18 August 2010, as inflation fell and the currency strengthened.

Iceland's non-financial economy is an open market economy based largely on fishing (although cod stocks are falling), tourism (expanding fast) and aluminium smelting (based on abundant geothermal power and water). The fishing industry typically makes up around 60 per cent of exports and contributes 10 per cent of GDP. However, with the level of cod catches falling there has been a knock-on effect for the processing industry. The large fish processing company, Samherji, now has its operations in Grimsby (UK), rather than Dalvík. When the move was made in 2006 it took advantage of lower UK wages (30–40 per cent less), and also lower transport costs; however, by 2009 unemployment had become higher and wages lower in Iceland than in the UK. The Alcoa Fjarooal aluminium smelting plant started operations in 2007. At full production it smelts up to 320,000 tonnes per year (tpy). In May 2012, plans were announced to enlarge the facility to increase production to 550,000tpy, with investment of US\$95 million. In 2010 aluminium exports represented 26 per cent of total exports.

### External trade

Iceland is a member of the European Economic Area (EEA), which maintains an internal market with, although not actually joining, the EU. The EU consults EEA members before making its decisions on community legislation. The EEA agreement allows freedom of movement of

goods (excluding, to a significant degree, agriculture and fisheries), persons, services and capital.

In an attempt to move away from primary industries, which are subject to world prices and dwindling stocks, Iceland has developed interests in software production and biotechnology.

### Imports

Principal imports include capital goods, vehicles, consumer goods, petroleum, foodstuffs and clothing.

**Main sources:** Norway (15.9 per cent of total in 2011), US (10.9 per cent), Germany (7.9 per cent).

### Exports

Fish and marine products (over 50 per cent), manufactured goods and minerals – aluminium, ferrosilicon, diatomite.

**Main destinations:** The Netherlands (32.4 per cent of total in 2011), Germany (15 per cent), UK (9 per cent).

### Agriculture

Some 20 per cent of Iceland's land area is suitable for the raising of livestock and for fodder production. Only 6 per cent of the area is used for the cultivation of, principally, hay and potatoes, and the rest is used for livestock.

Arable land is scarce, but good grazing allows for self-sufficiency in meat (mostly lamb), milk, poultry, eggs, cheese and butter.

The sector is small-scale, heavily subsidised and organised into co-operatives.

High import tariffs protect domestic production from foreign competition.

Fishing replaced farming early in this century as the dominant sector of the economy. The fishing industry (including processing) is the single most important export earner, accounting for 60 per cent of Iceland's exports. The large modernised trawler fleet supplies over 110 freezing plants, which produce white fish fillets, frozen shrimps, capelin, scampi, scallops, fish oil and fish meal.

The Icelandic Freezing Plants Corporation and Iceland Seafood Ltd are the leading fish exporters.

There is rapid growth of inland and offshore fish farming.

In 2007 fishing quotas for Atlantic cod were drastically reduced due to the falling number of young fish stocks. The decision by the government to cut back on the country's biggest export earner is expected to have a big impact, on not only fishermen's livelihoods but also the short- to medium-term outlook for the industry. While the measures should preserve the industry the long-term outlook will be of a reduced fishing fleet. New whaling quotas were issued in January 2009, increasing the number to be caught, the majority of

which are expected to be exported to Japan.

### Industry and manufacturing

The industrial sector contributes 26 per cent to GDP and employs 30 per cent of the workforce.

It is centred on fish and food processing. A salmon fish processing plant on Iceland's east coast is the first to use state-of-the-art technology to process salmon for export to the EU and US.

Other major industrial activity focusses on aluminium smelting, ferro-silicon alloys, diatomite production and light manufacturing. The demands of the fishing industry have led to developments in the country's computer, software and electronics industries and have also encouraged developments in biotechnology and pharmaceuticals.

With abundant hydroelectric and geothermal power in Iceland has led to power-intensive industries, the largest of which is aluminium smelting. In June 2007 the US-owned Alcoa smelter opened in eastern Iceland, with a capacity of 314,000 tonnes annually when fully operational.

### Tourism

The 'land of ice and fire' has become Iceland's apt description. To any visitor is offers spectacular natural sites of hot springs and volcanoes, plus the Blue Lagoon geothermal spa resort that offers outside hot baths even in the depths of winter. The chance to see the *aurora borealis* (northern lights) is now included in advertising campaigns, as are Arctic pursuits and winter sports such as dog-sledging and cross-country ski-ing.

Iceland suffered a catastrophic economic collapse in 2008 and since then travel and tourism has become a more important component of GDP. The tourism sector represented 17.4 per cent of GDP in 2011, rising from 14.3 per cent in 2007; the revenue from tourism in 2007 was US\$2.9 billion, whereas in 2011 revenue was US\$2.4 billion. Employment in tourism in 2007 was 14.5 per cent of total (25,700 jobs), which rose to 18.8 per cent (31,700 jobs) in 2011. The share of capital investment in the tourist industry rose from 13.8 per cent of total investment in 2007, to 17.4 per cent in 2011; however total capital investment in the economy fell from US\$809 million in 2007 to US\$318 million in 2011.

With the expansion of airline destinations into Iceland and the depreciation of the krona, Iceland has become an attractive location to visit for US and other tourists. Iceland does not produce any hydrocarbons. Exploration of offshore sites proved unsuccessful. Imports of petroleum products were 21,120 barrels per day in 2007.

### Hydrocarbons

No natural gas is imported.

Over 4.0 million tonnes of coal is imported for electricity generation.

The government is committed to replacing as much as possible of the country's imported fossil fuels with renewable energy sources, so the consumption of oil and coal is likely to decrease as this industry grows.

### Energy

Total installed generating capacity was 1.9 gigawatts (GW) in 2007; production amounted to around 12 gigawatts hours (GWh). The energy was produced in 11 hydroelectric stations, 63 geothermal stations and two oil fired-powered stations. Hydro-power produced 93.9 per cent of all electricity and geothermal power 6.1 per cent. Imported hydrocarbons are still used for spare power generation in emergencies.

Iceland is not only self-sufficient in energy requirements but has the potential to be a major exporter of electricity. It is estimated that only 12 per cent of Iceland's energy potential has been harnessed. Iceland aims to become the first fossil-fuel free economy by 2020 and plans to develop a fully hydrogen-powered transport system by 2035; new technology in hydrogen-fuelled buses began trials in 2000. Around 85 per cent of homes have geothermal heating. The fishing fleet remains dependent on imported oil.

Landsvirkjun is the national electricity company, responsible for production, transmission and sale of electricity to commercial and domestic customers.

### Financial markets

#### Stock exchange

ICEX (Kauphöll Íslands) (Iceland Stock Exchange)

#### Banking and insurance

In addition to the central bank, there are four commercial banks operating: the Búnadarbanki Íslands (Agricultural Bank), Icebank Ltd, Islandsbanki Ltd and Landsbanki Íslands (National Bank of Iceland) are privately owned.

Kaupthing, an investment bank, and the Búnadarbanki merged in May 2003 to form the Kaupthing Búnadarbanki.

#### Central bank

Sedlabanki Íslands (Central Bank of Iceland)

#### Time

GMT

### Geography

Iceland comprises one large island, with an area of 103,000 square km, and numerous smaller ones, situated near the Arctic Circle in the North Atlantic Ocean. The main island lies about 300km (190

miles) south-east of Greenland, about 1,000km (620 miles) west of Norway and about 800km (500 miles) north of Scotland. The Gulf Stream keeps Iceland warmer than might be expected.

A geologically young island, Iceland is volcanically and geothermally active. The largest volcanoes are Hekla and Snaefellsness. The terrain has a rugged aspect. As much as half of it is mountainous lava desert and wasteland. The central highlands are barren and interspersed with mountains and glaciers. 11 per cent of Iceland is covered by glaciers. The most extensive glacier, located in the south-east of the island, is Vatnajökull, which covers an area of 8,500 square km. The highest point in Iceland, Hvannadalshnúkur, which rises to 2,119m, is in this region. There are numerous lakes and fast-flowing, unnavigable rivers, some of which rise in the glaciers, while others are spring-fed. The coastline is irregular, with bays and fjords, affording good natural harbours, though some parts are sandy with lagoons. The populated areas are restricted to less than a fifth of the land, around the coasts and in the valleys, especially in the Reykjavik area.

The largest islands are the Westmann Isles to the south, Hrisey to the north and Grímsey in the Arctic Circle.

#### Hemisphere

Northern.

#### Climate

Temperate, with mild but stormy winters and cool summers. Rainy in the south. Average temperatures vary between about minus 1 and 12 degrees Celsius.

#### Dress codes

Medium-weight throughout year, plus a topcoat and raincoat for winter.

#### Entry requirements

##### Passports

Required by all, except nationals of Nordic and Schengen Accord countries. Passports must be valid three months after date of departure.

##### Visa

Required by all, except nationals of EU/EEA and other European countries, North America, Australasia and some Latin American and Asian countries. For a full list of exceptions visit: [www.utl.is/english](http://www.utl.is/english). A Schengen visa application (offered in several languages) can be downloaded from <http://europa.eu/abc/travel/> see 'documents you will need'.

#### Currency advice/regulations

There are no restrictions on the import and export of local and foreign currency.

#### Customs

Visitors may bring in personal effects and limited quantities of tobacco products and

alcohol free of duty. Fishing and riding equipment must be accompanied by a certificate of disinfection issued by an authorised veterinary authority.

### Health (for visitors)

Nationals of the European Economic Area (EEA) countries and Switzerland can access reduced cost and sometimes free medical treatment using a European Health Insurance Card (EHIC) while visiting the EEA. Exceptions include nationals of the 10 countries which joined the EU in 2005 whose EHIC is not valid in Switzerland. Applications for the EHIC should be made before travelling.

### Mandatory precautions

There are no compulsory vaccinations.

### Advisable precautions

Travellers should have up-to-date tetanus and polio immunisations.

### Hotels

Most towns have hotels and guest houses. Between June and September university hostels and boarding schools are also used as hotels. Some hostels and many farms provide bed and breakfast service. The rating system is one-star (basic) to five-star (luxury). Tipping is not customary.

### Credit cards

All major credit cards, such as American Express, Diners', Eurocard, Visa and MasterCard, are accepted.

### Public holidays (national)

#### Fixed dates

1 Jan (New Year's Day), 1 May (Labour Day), 17 Jun (National Day), 24 Dec (Christmas Eve, from mid-day), 25 Dec (Christmas Day), 26 Dec (Boxing Day), New Year's Eve (from mid-day).

#### Variable dates

Maundy Thursday, Good Friday, Easter Monday, First Day of Summer, Ascension Day, Whit Monday, Commerce Day (first Mon in Aug).

### Working hours

#### Banking

Mon–Fri: 0915–1600 (winter), 0800–1600 (summer), plus 1700–1800 on Thu (Co-operative Bank, National Bank, Agricultural Bank (Kringlam)).

#### Business

Mon–Fri: usually 0900–1700.

#### Government

Mon–Fri: usually 0900–1700.

#### Shops

Mon–Fri: 1000–1800. Most also open Sat 1000–1400/1600 (winter only, Oct to end May). Kiosks remain open until 2330 or even later.

### Telecommunications

#### Mobile/cell phones

GSM 900/1800 services are available in populated areas.

### Electricity supply

220V AC

### Social customs/useful tips

Icelanders are generally self-confident, self-reliant and reserved. However, once the initial contact has been made people are more than likely to be friendly. Hand-shaking is customary on arrival and departure.

### Getting there

#### Air

**National airline:** Icelandair

**International airport/s:** Keflavík International Airport (KEF), 51 km south-west of Reykjavík; bank, restaurants, shops, car hire.

**Airport tax:** A security fee of 1kr620 (1kr285 for children two to 12 years of age) is charged on departure.

#### Surface

**Water:** There are ferry services to Iceland from Denmark, Norway and the Shetland Isles.

### Getting about

#### National transport

**Air:** Air Iceland and Landsflug operate domestic services throughout the island to destinations which link with regional carriers in the west, north and east of the country. Light aircraft readily available for charter and sightseeing.

**Road:** There are approximately 1,350 km of roads. Main highways (approximately one quarter of total) follow the coastline and are hard-surfaced; the rest are gravel-surfaced. Regular coach services link even the remote inland areas.

**Water:** Regular cargo coastal services link all major ports. Passenger and car ferries sail several times a day between Reykjavík and Akranes and between Thorlakshöta and Vestmannaeyjan.

#### City transport

**Taxis:** These are used extensively and usually summoned by telephone, although they can be hailed in the street. The journey time from the airport to the city centre is about 40 minutes.

**Buses, trams & metro:** There are excellent regular services covering the centre and suburbs of Reykjavík. There is a standard fare for any length of journey, even if it involves more than one bus route. Journey time from the airport to the city centre is about 45 minutes.

#### Car hire

Car hire is available in Reykjavík and several other towns. Rates vary depending on the type of car. Minimum age 20 years, and an international driving licence is usually required. Advance reservations are necessary between June and August. Self-drive cars not recommended as a method of national transport as road surfaces tend to be poor.

## BUSINESS DIRECTORY

The addresses listed below are a selection only. While World of Information makes every endeavour to check these addresses, we cannot guarantee that changes have not been made, especially to telephone numbers and area codes. We would welcome any corrections.

### Telephone area codes

The international direct dialling code (IDD) for Iceland is +354, followed by subscriber's number.

### Chambers of Commerce

Iceland Chamber of Commerce, House of Commerce, Kringlan 7, 103 Reykjavík (tel: 510-7100; fax: 568-6564; e-mail: info@chamber.is).

### Banking

Kaupthing Búnadarbanki, Austurstraeti 3, 101 Reykjavík (tel: 525-6000; fax: 525-6209).

Íslandsbanki (Bank of Iceland), Kringlunni, 155 Reykjavík (tel: 560-8000; fax: 560-8150).

Landsbanki Íslands (National Bank of Iceland), Laugavegur 77, 155 Reykjavík (tel: 560-6400; fax: 552-9882; internet site: <http://www.landsbanki.is>).

### Central bank

Sedlabanki Íslands, Kalkofnsvegi 1, 150 Reykjavík (tel: 569-9600; fax: 569-9605; e-mail: sedlabanki@sedlabanki.is).

### Stock exchange

ICEX (Kauphöll Íslands) (Iceland Stock Exchange), [www.omxnordicexchange.com](http://www.omxnordicexchange.com)

### Travel information

Airport Authority, Leifur Eiriksson Passenger Terminal, Keflavík Airport, 235 Keflavík.

BSI Travel (buses), Umferdarmidstöðin v/Hringbraut, 101 Reykjavík.

Icelandair (Flugleidir), Reykjavík Airport, Reykjavík IS-101 (tel: 505-0200; fax: 505-0300; internet site: <http://www.icelandair.com>).

### National tourist organisation offices

Icelandic Tourist Board, Laekjargotu 3, 101 Reykjavík (tel: 535-5500; fax: 535-5501; e-mail: info@icetourist.is).

### Ministries

Ministry of Agriculture, 4th Floor, Sölvhólsögötu 7, 150 Reykjavík (tel: 560-9750; fax: 552-1160).

Ministry of Commerce and Industry, Arnarhvali, 150 Reykjavík (tel: 560-9070, 560-9420; fax: 562-1289).

Ministry of Communication, Hafnarhúsinu vío Tryggvagötu, 150 Reykjavík (tel: 560-9630; fax: 562-1702).

Ministry of Culture and Education,  
Sólhólsögötu 4, 150 Reykjavík (tel:  
560-9504; fax: 562-3068).

Ministry of the Environment, Vonarstraeti  
4, 150 Reykjavík (tel: 560-9600; fax:  
562-4566).

Ministry of Finance, Arnarhvatli, 150  
Reykjavík (tel: 560-9200; fax: 562-8280).

Ministry of Fisheries, Skúlagötu 4, 150  
Reykjavík (tel: 560-9670; fax: 562-1853).

Ministry for Foreign Affairs,  
Rauoarásti\01g 25, 150 Reykjavík (tel:  
560-9900; fax: 562-2373, 562-2386).

Ministry for Foreign Affairs, Trade Depart-  
ment, Hverfisgata 115, 105 Reykjavík (tel:  
560-9930; fax: 562-4878).

Ministry of Health and Social Security,  
Laugavegi 116, 150 Reykjavík (tel:  
560-9700; fax: 551-9165).

Ministry of Industry, Arnarhvatli, 150  
Reykjavík (tel: 560-9420; fax: 562-6859).

Ministry of Justice, Arnarhvatli, 150  
Reykjavík (tel: 560-9010; fax: 552-7340).

Ministry of Social Affairs, Hafnarhúsinu vio  
Tryggvagötu, 150 Reykjavík (tel:  
560-9100; fax: 552-4804).

Office of the Prime Minister  
(Stjórnarráoshúsinu vio Laekjargötu), 150  
Reykjavík (tel: 560-9400, 560-9403; fax:  
562-4014, 562-8626).

#### Other useful addresses

Association of Icelandic Importers, Export-  
ers & Wholesale Merchants, (Félag Is-  
lands Storkaupmanna), Húsi  
verslunarinnar, 103 Reykjavík (tel:  
567-8910; fax: 468-8441).

British Embassy, Laufásvegur 31, PO Box  
460, 101 Reykjavík (tel: 550-5100; fax:  
550-5105; e-mail: britemb@centrum.is).

Customs Department, Tolhusid,  
Tryggvagata 19, 150 Reykjavík (tel:  
560-0300; fax: 562-5826).

Embassy of the United States of America,  
Laufásvegur 21, Reykjavík (tel: 629-100;  
fax: 29-139).

Export Council of Iceland, Lagmuli 5, Box  
8796, 129 Reykjavík (tel: 568-8777; fax:  
568-9197).

Federation of Icelandic Co-operative So-  
cieties (Samband of Iceland), Import Divi-  
sion, v/Holtavegur, 104 Reykjavík (tel:  
568-1266; fax: 568-0290).

Icelandic Embassy (USA), Suite 1200,  
1156 15th Street, NW, Washington DC  
20005 (tel: (+1-202)-265-6653; fax:  
(+1-202)-265-6656; e-mail:  
icemb.wash@utn.stjr.is).

Icelandic Energy Marketing Agency,  
Haaleitisbraut 68, 103 Reykjavík (tel:  
515-9000; fax: 515-9003; e-mail:  
landsvirkjun@lv.is).

Iceland Management Association,  
Ananaust 15, 121 Reykjavík (tel:  
562-1066).

Invest in Iceland Bureau (privatisation and  
foreign investment), Hallveigarstigur 1,  
PO Box 1000, IS-121 Reykjavík (tel:  
511-4000; fax: 511-4040; internet site:  
<http://www.invest.is/us/index.htm>; e-mail:  
Invest@icetrade.is).

National Economic Institute (for informa-  
tion on economic development corpora-  
tions), Thjodhagsstofnun, Kalkofnsvegi 1,  
Reykjavík (tel: 569-9500; fax: 562-6540).

Retailers' Association of Iceland, Hus  
Verslunarinnar, Kringlan 7, 103 Reykjavík  
(tel: 568-7811; fax: 568-5569).

Samband islenskra auglysingastofa (Asso-  
ciation of Icelandic Advertising Compa-  
nies), Borgartún 35, 105 Reykjavík (tel:  
562-9588; internet: [www.sia.is/SIA/](http://www.sia.is/SIA/)  
English).

Statistical Bureau in Iceland, Hagstofa Is-  
lands, Skuggasund 3, 150 Reykjavík (tel:  
560-9800; fax: 562-8865; internet site:  
<http://www.statice.is/>).

#### Internet sites

Iceland Reporter: [www.centrum.is/icerev](http://www.centrum.is/icerev)

Iceland websites: [www.iceland.vefur.is](http://www.iceland.vefur.is)

The Trade Council of Iceland:  
[www.icetrade.is](http://www.icetrade.is)