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Investment in Iceland: Are The Doors Open?

Written By: Mark O'Brien



A barren, windy, ice-cold corner of north-eastern Iceland may not sound like prime real estate for a vast new leisure development. But for Huang Nubo, real estate mogul and China's 115th richest man (according to Forbes), it is the glittering prize at the end of a long, costly and fraught campaign to build a huge golfing resort on the northern edge of the Atlantic.

For nearly two years, Mr. Huang has been on his own personal quest to secure the rights to develop a luxury hotel and an ecological golf course. Planned as an idyllic escape for well-heeled Chinese visitors seeking the fresh clean air and the opportunity to unwind that Beijing, with its twenty million citizens, struggles to afford them, the complex is set to cover well over 100 square miles. It is concentrated on the town of Grimsstaðir, which not only lies on the other end of the country to the capital Reykjavík, but also holds the low-temperature record on an already often chilly island.

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It is rather an eccentric proposition, even for a former Communist Party propaganda official renowned for his love of poetry and his global adventures as an amateur mountaineer. So eccentric indeed, that American diplomats have urged the Icelandic government to study carefully the possible geopolitical motivations behind this new-found Chinese interest in the island.

Mr. Huang has repeatedly spoken out about his frustration over what he perceives as Icelandic attempts to stymie his plans, with some politicians supporting his attempt to secure exemption from laws limiting foreign ownership of land in the country. Elections held before this periodical goes to print are expected to bring gains for the right-wing Independence Party, likely to offer a more favourable hearing to his proposals than the left-of-center government in power in Iceland since the aftermath of the 2008 crash.

The Icelandic state investment arm Invest In Iceland waxes lyrical about the draws for foreigners to put their money in the country – economic advancement, social stability, technological innovation, persistent chart-toppers on the UN Human Development Index, the World Competitiveness Yearbook and the Global Benchmark Report – but at the same time foreigners are restricted from owning land in the country unless a special exemption is granted by the Minister for the Interior.

When said Minister Ögmundur Jónasson first refused to grant that exemption in November 2011, Mr. Huang was unimpressed. He strongly implied that anti-Chinese racism lay behind the apparent Icelandic hostility to his proposition. Other members of the government, including the Prime Minister, were also critical of this decision.

China's interest in the Arctic is no secret. Last year the nation sent an icebreaker ship Xuelong, or 'Snow Dragon', to Reykjavík as part of a mission to gain entry to the Arctic Council which counts Russia and the US as well as the Nordic countries as members. There is speculation in Iceland that Mr. Huang's mission may even have a military motivation.

Ultimately, it is likely to be economic imperatives that determine where Iceland comes down on Mr. Huang's vast proposal – and indeed any other foreigner who wants to buy up and develop any part of the country. The north Atlantic nation's economic recovery since their dramatic 2008 has been widely admired, and consumers and businesses alike are beginning to flex their financial muscles once again. Whoever lands at Keflavík Airport with cash and a plan for jobs and growth is likely to be given a good hearing.