



Faroe Islands ❖

– Lise Lyck†

Introduction

The Faroe Islands are located in the North-east Atlantic Ocean, 300 kilometres North of Scotland, 600 kilometres to the West of Norway and approximately 430 kilometres to the South of Iceland. The Faroe Islands consist of 18 islands of which 17 are inhabited.

The islands were inhabited by Irish monks around 800 AD. Later, the Vikings from Norway and Denmark settled on the islands, which became part of the Norwegian Viking country. With the implementation of the Kalmar Union in 1397, Denmark, Norway and Sweden were ruled by a Danish king. Sweden left the Kalmar Union in 1500, the kingdom of Denmark-Norway continued to the Peace of Kiel in 1814, but the Faroe Islands continued as a part of Denmark.

In 1848, the Danish state incorporated the islands as a 'self-governing community with home rule within the Kingdom of Denmark', and this status remains unchanged.

Today's Faroe Islands is a distinct society with its own language.

Economy

The Faroe Islands economy relies heavily on fisheries and related activities, which make up approximately 95 percent of the total exports and nearly half of the Gross Domestic Product (GDP). The size of the Faroe Islands economy in round figures is a little less than 1 percent of the Danish economy.

Faroe Islands' dependency on fishing industry makes its economy quite vulnerable to market demand fluctuations. Due to small catches especially of cod and haddock and higher oil prices since 2008, the Faroese economy has been troubled and strained. As a consequence of the economic and financial crisis, the Faroe Islands GDP growth rate dropped to 0.5 percent in 2008 from that of 6 percent in the mid-1990s, and this situation remains today. 18 percent

PROFILE

Population:	48,860**
GDP (Current US\$):	2.198 billion***
Per Capita Income: (Current US\$)	30,500 (Atlas method)* 45,205.93 (at PPP)*
Surface Area:	1390 sq. km***
Life Expectancy:	80 years***
Literacy (%):	99 (of ages 15 and above)**
HDI Rank:	Nc***

Sources:

- World Development Indicators Database, World Bank, 2012
- World Development Indicators Database, World Bank, 2009
- Human Development Report Statistics, UNDP, 2010

(*) For the year 2009

(**) for the year 2010

(***) for the year 2012

of Faroe Islands' total expense budget comes from an annual grant from Denmark, corresponding to about 6 percent of Faroese GDP. The islands unemployment rate reached 6.8 percent in 2011.

To cope with the aforementioned issues, the Faroese people have been actively engaged in exploring the potential for oil production in the Faroese territory since the beginning of the twenty-first century, with the hope for a more diversified economic structure and a less reliance on the Danish grant. The new 'Open Door' policy for oil and gas is apparently with the intent to secure the interest of foreign operators and break barriers to entry.

Evolution of the Competition Regime

During the World War II, the attacks from German submarines were a serious problem for the transportation between the US and the Western allies. Due to the high risk, the Faroese ships were allowed to sail under own flag and not required to use the Danish flag. It meant the ships got a very important role in transportation during the war.

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After the war, it was clear that a new constitutional setup for the Faroe Islands was needed and in 1948 the Home Rule Act for the Faroe Islands came into force.

The Home Rule is not a normal model of autonomy, as it was not given by an international treaty or mentioned in the new Danish Constitution of 1953.

It has also been discussed if the Home Rule is reversible or irreversible. From the perspective of constitutional law it is considered to be reversible, but from the perspective of international law it is considered irreversible.

Referring to the Home Rule Act most areas related to business activities and economy can be decided by the Faroe Islands' Parliament. The Parliament consists of a minimum of 27 members and maximum 33 members that are elected for a four-year period.

The political parties in the Faroe Islands have both a left-right dimension and a dimension for sovereign status or being part of the Danish Realm. It implies that the number of political parties in the Faroe Islands is double of a situation, where there is only a left-right dimension.

Most laws prevailing for Denmark do not include the Faroe Islands and Greenland. Faroe Islands is not a member of the European Union and has never been a member, although Denmark has been a member since January 01, 1973.

Due to the common historical past there is a close cooperation between Denmark (including the Faroe Islands and Greenland), Iceland, Norway and Sweden about cooperation with regard to competition. An agreement between Denmark, Iceland, and Norway came in force in March 2001 and was joined by Sweden in April 2003.

The intention is to strengthen and formalise the cooperation between the competition authorities in those countries as well as to have a more effective enforcement of the competition laws for the individual countries. It includes sharing of information and common decision making on the misuse of dominating positions and common definitions of the concepts used in the Competition Law.

On January 01, 2008, the Faroe Islands got an independent competition authority and its own decision making on their Competition Law. The new law is quite similar to Denmark's Competition Law, with provisions against anti-competitive behaviour, abuse of market dominance as well as merger control. The competition authority has the power to prohibit a merger with a turnover of more than 4 DKK million annually, which may lead to a substantial diminishing of competition. In addition, the focus of the new law has also shifted from control to prohibition. It includes prohibition of the misuse of dominating market positions, which should be considered in relation to the fact that more than 80 percent of the 170 industrial sectors are monopolies or oligopolies. The new law is a milestone in the Faroese competition history and an important step to the direction of common EU competition rules.

Due to the financial and political crises in 1992, banks came under new regulations. This is seen and continued in '*Bekendtgørelse for Færøerne om information til forbrugere om priser m.v. i pengeinstitutter*' (2008).

Consumer Protection

The consumer rights on the Faroe Islands are not as formalised as in many other countries, and the Danish consumer protection law does not apply. However, there is a consumer spokesman (*Ombudsman*), who takes care of consumers' interests and publishes an annual report on the different consumer cases that have been decided.

Concluding Observations and Future Scenario

There are many similarities among the Nordic countries in the competition regime. However, there are also important differences. Faroe Islands is not a member of the European Union although Denmark is. It implies that the competition regime on the Faroe Islands is rooted more to the old Nordic system and on the specific conditions prevailing for the Faroe Islands than the EU system. As the Faroe Islands is a very open economy it is extremely important to be aware of these differences in order not to act illegally. The competition regime is not described in English, but in Faroese and to a certain degree in Danish.

Suggested readings

Færøernes landsstyre og Rigsombudsmanden på Færøerne (2012): Lovregister for Færøerne 2012, Tórshavn 2012, Senest opdateret den 22. juni 2012 (Kunngerðablaðið A nr. 25/2012)

Lyck, L. eds. (1996): *Constitutional and economic space of the small Nordic jurisdictions*, Nordiska Intitutet för Regionalpolitisk Forskning, ISBN: 91-88808-18-1

Related websites

CENTRAL INTELLIGENCE AGENCY:

<https://www.cia.gov/library/publications/the-world-factbook/geos/fo.html>

COUNTRIES of the WORLD:

<http://www.theodora.com/wfb>

FAROEISLANDS.COM:

<http://www.faroeislands.com/>

JARDFEINGI:

<http://www.jardfeingi.fo/Default.aspx?pageid=19089>

VisitFaroeIsland:

<http://www.visitfaroeislands.com/>

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