

## **Faroese seafood production and exports – challenges and future potential**

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The Faroe Islands is located in the middle of the north Atlantic. Depending on your point of view, you could say that the Faroe Islands is a part of the Nordic countries. You could also take a broader view and say that we're a part of Europe. Or you could say that we're strategically located between North America and Russia. Indeed, the Faroe Islands also has interests in the arctic. Developments in the coming years will to a large extent determine the strategic orientation of the Faroe Islands.

Approximately 50.000 people live on 1400 square kilometres in the Faroe Islands. As regards population and land area, we're a micro-nation. However, if you include our sea area, you could argue that we should be promoted from micro to mini. As a micro/mini nation, one of the biggest challenges for the country is to maintain a stable population base, taking into account the challenges of a growing elderly population and the fact that young people have tended to seek the metropolises of Europe and elsewhere for education. Historically only about half of them return, although the numbers have improved in recent times. Therefore, it is very important to focus on creating jobs for our greatest resource: educated young people. One obvious way of doing this is to combine our greatest resource, skilled young people, with our second greatest resource: fish products. As we move forward in the value chain to create and sell value-added fish products, demand for skilled labour increases. This way, our export industry can become a motor for job creation and sustainable development of the population. Indeed, it is a political goal to increase the share of VAP products of our exports.

Our main export industries are fishing, fish processing and fish farming (aquaculture). More than 95% of our export of goods is fisheries products, with a total value of 1.1 billion euro in 2016. This may be a small number compared to the total European demand for seafood of 54 billion euro. But our fish export it is still a considerably larger number than the relative size of our land areas or populations compared to that of the EU.

Historically the cooperation between the Faroe Islands and certain EU countries and later the EU itself is comprehensive. It is of course partly due to the relations between Denmark and the Faroe Island, but also since the EU and the Faroes Island have a fisheries agreement and a free trade agreement.

The EU market is quite attractive for Faroes businesses primarily because of political stability and the safety of well-known/eminent working relations and partnerships. It is easy to forget the importance of trade relations for good neighbourly relations, peace and stability in a region. But nevertheless, it continues to be true. Historical trade relations between the Faroes and the EU have resulted in increased cooperation and even friendship. Faroese exporters are invited to weddings of fish importers in Italy, and Faroese and Spanish fish restaurants have established long term cooperation.

However, the EU market is sadly declining in importance. The numbers tell the story very well. In 2007, approximately 78 % of the Faroese export was for the EU market. In 2016, the export was down to approximately 43%. At the same time, there has been a gradual and steady increase in trade with countries outside Europe. This is partly due to some of the limitations in the free trade agreement between the EU and Faroe Island and partly due to increased demand in markets outside Europe. Markets where the authorities also have a strategic focus on securing high quality protein for their populations.

The free trade agreement between the EU and the Faroe Islands is one of the main institutional foundations for our cooperation. The balance of the agreement is from the Faroese industries point of view skewed in favour of EU exports. The EU can export all goods and services to the Faroe Islands, while some significant fisheries products from the Faroes have duties or other obstacles on the European market, especially as regards VAP-products. Some examples are very high duties for canned products and technical limitations for fish feed.

With the EU having a self-sufficiency of 47% in fish products, and an increase in demand for healthy proteins, there should be ample opportunity for a levelling of trade relations between the Faroes and the EU, to the benefit of both parties.

The Faroese people are free traders with a deeply rooted dislike for any impediments to free trade, whether it is trade sanctions or other politically motivated impediments to the free flow of trade and services. Not only because we're dependent on trade to secure the welfare of the inhabitants of the islands,

but also because we believe that free trade promotes peace and stability. And lasting relationships on both a political and personal level.

The fish farming industry in the Faroe Islands is a very well developed industry with great potential. Of course the Faroese fish farmers are also the most competent and efficient in the world. Knowing that fish farming, according to the FAO is acknowledged as the industry that will be the most important protein source for the world in the future, there should be possibilities for cooperation between the Faroe Islands and the EU that could strengthen our relationship in the coming years.

Thank you.