MINISTRY OF FOREIGN AFFAIRS AND FISHERIES
Faroe Islands

MEMORANDUM TO FOREIGN PRODUCERS AND EXPORTERS REGARDING THE FAROE ISLANDS AND INTERNATIONAL TRADE RELATIONS

Geography

The Faroe Islands is an archipelago of 18 islands located in the North Atlantic, midway between Scotland, Norway, and Iceland. The country has a land area of approximately 1,400 square kilometres and a maritime area of approximately 274,000 square kilometres. As of 2026, the population is estimated at approximately 55.000.

Legal status

The Faroe Islands form part of the Kingdom of Denmark but constitute a self-governing jurisdiction within the Realm. Consequently, matters assumed by the Government of the Faroe Islands fall within the exclusive legislative and executive competence of the Faroese authorities. In the area of trade, Faroese competence includes, inter alia, taxation, customs duties, the regulation of supply and production, distribution, price controls, and import and export controls.

Accordingly, the Faroe Islands constitute a separate customs territory, as their customs and taxation regime is distinct from that of Denmark, which aligns its customs and taxation framework with that of the European Union.

Customs and Taxation

It follows from the above that Danish customs, taxation, and trade legislation do not apply in the Faroe Islands. Instead, these matters are governed by Faroese legislation.

Further information is available from the Tax Administration of the Faroe Islands (TAKS).[1]

Relations with international organizations

Denmark became a Contracting Party to the General Agreement on Tariffs and Trade (GATT) in 1950. In 1954 the GATT was extended to also apply to the Faroe Islands. However, as the Faroe Islands constitute a separate jurisdiction, the material scope and the implementation of applicable obligations under the GATT differs from that applicable to Denmark. In particular, Denmark has been bound by European Union law since its accession to the European Economic Community (EEC) in 1973.

The Faroe Islands opted not to be included in Denmark's accession to the EEC. Consequently, the founding Treaties of the European Union and EU secondary legislation do not apply to the Faroe

[1] https://www.taks.fo/en

Islands. This distinct legal status is reflected in the fact that the Faroe Islands have concluded a Free Trade Agreement with the European Union, which is registered within the framework of the World Trade Organization.[2] In 2001, a Veterinary Protocol was added to the Agreement, and in 2005 the Faroe Islands joined the Pan-Euro-Mediterranean system of cumulation of origin.

In 2006, the Faroe Islands and Iceland concluded the comprehensive Hoyvík Agreement, [3] establishing a single economic area in which discrimination with respect to the movement of goods, services, capital, and persons is prohibited.

In addition to their agreements with the European Union and Iceland, the Faroe Islands have concluded free trade agreements with the EFTA States, including Norway and Switzerland. Moreover, the Faroe Islands and Türkiye concluded a bilateral free trade agreement in 2014.

The bilateral Free Trade Agreement between the Faroe Islands and the United Kingdom entered into force on 1 January 2021. It preserves the rights and obligations previously applicable between the Parties under the EU–Faroe Islands Agreement, following United Kingdom's withdrawal from the European Union.

Currency

The Faroe Islands form part of the Danish monetary area, although they issue their own banknotes. The Faroese króna is pegged to the Danish krone at par. Danish banknotes are accepted and exchanged without commission by banks in the Faroe Islands, just as Faroese banknotes may be exchanged without commission by banks in Denmark.

Foreign Trade

The Faroese economy is highly specialised and export oriented. Gross domestic product (GDP), measured at current prices, amounted to approximately USD 4.06 billion in 2024.[4] Exports of goods, valued at approximately USD 1.8 billion in 2024, were dominated by fisheries and aquaculture products, while imports, amounting to approximately USD 1.5 billion, comprised a broad range of consumer and capital goods.

Further information and key economic indicators are available from Statistics Faroe Islands.[5]

Trade Policy

Faroese authorities attach particular importance to ensuring that consumers have access to a wide range of high-quality goods at competitive prices. Given the Faroe Islands' limited domestic market and relatively high transport costs, avoiding unnecessary costs throughout the supply chain is of particular importance.

[2] https://www.ufmr.fo/fo/arbeidsoeki/uttanrikisvidurskifti/foeroyar-og-es/sattmalar-vid-es
[3] https://www.ufmr.fo/fo/arbeidsoeki/uttanrikisvidurskifti/uttanrikishandil
[4] Where USD 1 = DKK 6,89 (2024).
[5] https://www.hagstova.fo/en

This is especially relevant with regard to commissions and other costs associated with intermediary wholesalers or subsidiaries located outside the jurisdiction of the Faroe Islands. It follows that Faroese importers and foreign producers often establish direct commercial relationships in order to minimise distribution costs associated with intermediaries operating across different customs and tariff jurisdictions.

For further information, please refer to the Faroese Competition Authority (Kappingareftirlitið)[6] and the Faroese Competition Act of 2023[7].

[6] https://www.kapping.fo/

[7] Løgtingslóg nr. 72 frá 22. mai 2023 um kapping.