

AGREEMENT IN THE FORM OF AN EXCHANGE OF LETTERS

relating to the provisional application of the Protocol modifying the fourth Protocol laying down the conditions relating to fishing provided for in the agreement on fisheries between the European Economic Community, on the one hand, and the Government of Denmark and the Local Government of Greenland, on the other, for the period 1 January 2004 to 31 December 2006

A. Letter of the Government of Denmark and the Home Rule Government of Greenland

Sir,

With reference to the Protocol, initialled on 25 June 2001, setting out the fishing opportunities and the financial contribution for the period from 1 January 2001 to 31 December 2006, and to the Joint Committee Meeting of 16 to 18 June 2003, I have the honour to inform you that the Home Rule Government of Greenland is prepared to apply the modifications to the Protocol concerning the provisions for experimental fisheries, as set out in the Protocol annexed, on a provisional basis with effect from 1 July 2003, pending its entry into force, provided that the European Community is disposed to do the same.

In order to implement the provisions for experimental fisheries, the Greenland authorities will communicate to the European Commission all available scientific information and data (zoning, observations, etc.) before the 17 July 2003. The Greenland authorities will decide before 31 July 2003 the allocation of licences and the conditions linked. The technical conditions referred to in Annex V to the Protocol may be modified by an administrative arrangement between the Parties.

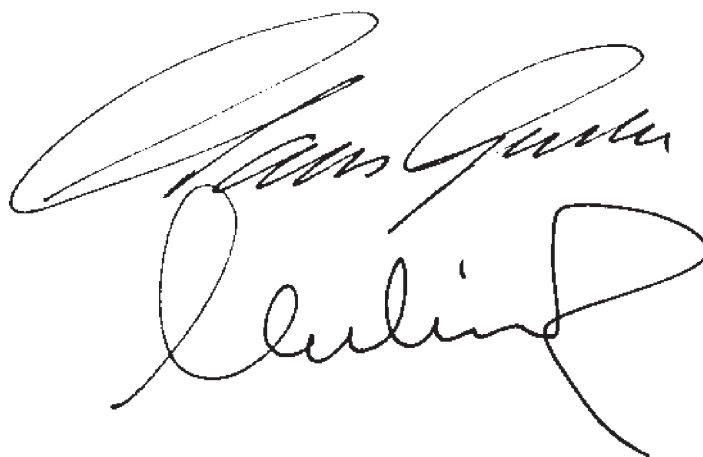
Greenland shall implement a structural reform of the fisheries sector and the European Community will provide a budgetary support programme in accordance with Article 11(6) of the Protocol annexed and as described in the 'Details of Implementation for a budgetary support for structural policy in the fisheries sector in Greenland' annexed to this Exchange of Letters.

The modifications to the fourth Protocol follow the guidelines set out in the communication from the Commission to the Council and the European Parliament on an integrated framework for fisheries partnerships agreements with third countries (COM(2002) 637 final).

I should be obliged if you could confirm the European Community's agreement to such provisional application.

Please accept, Sir, the assurance of my highest consideration.

*For the Government of Denmark and the Home Rule
Government of Greenland*

A large, stylized handwritten signature in black ink, appearing to read 'Hans Jørgen Lauritzen', is written over the typed name.

B. Letter of the European Community

Sir,

I have the honour to acknowledge receipt of your letter of today's date, which reads as follows:

'With reference to the Protocol, initialled on 25 June 2001, setting out the fishing opportunities and the financial contribution for the period from 1 January 2001 to 31 December 2006, and to the Joint Committee Meeting of 16 to 18 June 2003, I have the honour to inform you that the Home Rule government of Greenland is prepared to apply the modifications to the Protocol concerning the provisions for experimental fisheries, as set out in the Protocol annexed, on a provisional basis with effect from 1 July 2003, pending its entry into force, provided that the European Community is disposed to do the same.

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I should be obliged if you could confirm the European Community's agreement to such provisional application.'

I have the honour to confirm the European Community's agreement to such provisional application.

Please accept, Sir, the assurance of my highest consideration.

On behalf of the Council of the European Union

U. Vathala

ANNEX

DETAILS OF IMPLEMENTATION FOR A BUDGETARY SUPPORT FOR A STRUCTURAL POLICY IN THE FISHERIES SECTOR IN GREENLAND

When the Greenland Home Rule Government presented its paper on a general structural action plan ('A vision for the future') to the Parliament in the autumn of 2000, it appeared clearly that it did not include arrangements for specific sectors of industry but rather a description of the framework of conditions needed to develop Greenlandic industry in general on the international front.

However, in the meantime a need for the formulation of a coherent structural policy for the fisheries sector has arisen, partly because the cabinet coalition agreement paper stresses that, '... it will work for a commercial and political separation of the industry and its companies through clearer frameworks', and '... the fisheries sector must be made commercial/profitable', and partly because the fisheries sector has such a fundamental importance for the Greenland national economy. Both abovementioned statements presuppose that a structural policy is formulated for the fisheries sector and that it is relevant.

A structural policy for the fisheries sector will also meet the EU's wishes in connection with the development support that the Greenland Home Rule Government will be receiving as a result of the conclusion of the budgetary support agreement. The agreement assumes the existence of an overall long term, coherent policy within a sector-specific area, in this case fisheries. Currently the Home Rule Government has no coherent fisheries policy, so this is a good opportunity to draw up such a policy, too.

The objective of the sustainable structural fisheries policy is to create a framework and conditions, which will provide the best possible conditions for industry and through this guarantee continued growth, employment, and profits. In this regard, focus will be on the fishing industry, but it should be seen in the perspective that the development of other industry sectors is equally important.

A structural policy for the fisheries sector will only define indicators for the desired development.

The political approval, and hopefully the broadest possible approval, is an absolute necessity for creating a successful structural policy for the fisheries sector. It is therefore of utmost relevance that broad and strong political approval is behind these indicators that will emerge from the forthcoming policy. As in all other sectors covered by the general structural policy, it is important that the support, political as well as administrative, of such an agreement is maintained over a long period of time in order to guarantee proper implementation of the structural policy for the fisheries sector.

It is therefore of absolute importance that Greenland in its relations with the EU appears as a reliable cooperation partner with a stable government, etc.

To sum up, the general objective of the future fisheries policy can be formulated as follows:

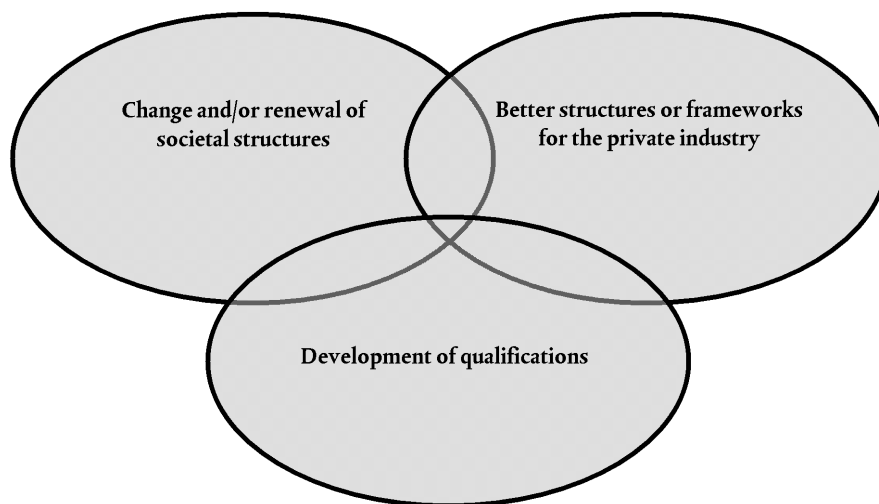
'We must achieve the maximum long-term economic benefit of the fishable resources existing in the Greenlandic waters.'

The policy pursued so far has to a large degree focused on issues of a more short-term nature, of which can be mentioned the following:

- subsidies including among others things a minimum price system, subsidies for petrol, subsidies for the development of industry (ESU), a special fishing industry tariff on electricity and water, and capacity management,
- the issue of ownership which among other things includes:
 - a blend of the role of ownership and the role of authority,
 - limitations on ownership of quotas,
 - limitations on access to licences.

One of the aims is to change the focus on the problems of the fishing industry so that the considerations will become more predictable and long-term oriented. In this connection, the current problems relating to the measurement of socio-economic values and profits must be stressed. There is a need for an economic model for the fisheries sector in Greenland that will contribute qualitatively to the estimation of socioeconomic output and yields.

In accordance with the principles of good governance, the general structural policy action plan has three focus points which alone and together play a focus role for the long term strategy and development of the industry:



The problems and challenges that the formulation of a structural policy for the fisheries sector represents are placed under the above focus points. There is a need to create a parallel to the general structural action plan, also to fit it in along with the other initiatives of a structural policy nature.

Regarding the future structural policy for the fisheries sector, there will be a continuous need for public regulation of some sort. This will be done in accordance with the legislation in the fisheries, tax and finance fields.

The aim is to present a proposal for a structural policy for the fisheries sector to the Greenland Parliament for reading in the 2004 autumn session. A time schedule for the entire process is given below. To meet this schedule all the initiatives must be described thoroughly, one by one, in order for these initiative policies to be implemented in the global structural policy for the fisheries sector. Furthermore it is the intention of the Home Rule Government that an economic model should be elaborated and drawn up at the same time so that it can be used as an instrument to measure what initiatives serve the society best and to show the actual situation in the fisheries sector.

The following objectives apply to the focus points of all partial policies and to the structural policy in general:

1. the objectives must be clear and achievable over time;
2. they must be measurable based on predefined indicators;
3. they must be controllable; and
4. initiatives implemented or carried out must be capable of evaluation in terms of goals.

Furthermore, it must also appear clearly what the consequences will be if the objectives are not achieved within the time limit given.

1. The focus points of a structural policy for fisheries

The elements of the individual focus points are listed below. This listing will also be used in the formulation of the framework for the continued policy formulation.

1.1. Renewal of societal structures

The public sector in Greenland is very dominant in the global range of industries because of the many publicly owned companies and because of the special geographical and economic conditions in Greenland where the public sector handles a number of subsidies and aids.

The public sector has to a large degree created the framework for the development of the Greenlandic society into a modern welfare society. The question is, however, whether the public sector should continue to dominate the fisheries sector. The Government believes that it is time to evaluate what the future role of the public sector is to be in the Greenlandic fishing industry.

As regards the future fisheries policy, it is necessary to look at the following areas:

- 'logistics': the political objective is to ensure an infrastructure that supports the basic needs of Greenlandic business, including the fisheries,
- 'ownership': the political objective is to improve the operations and financial position of the Home Rule companies to enable them to mature and be privatised in whole or in part,
- 'subsidies': the political objective is to remove existing subsidies entirely or to reduce them to a level which will promote the industry's movement towards greater market orientation. This applies to both direct and indirect subsidies including the existing fishing industry tariffs on electricity and water, the minimum prices of raw materials, oil grants for vessels and the existing commercial support scheme (ESU),
- 'streamlining': the political objective is to carry out the structural adjustment both on land and at sea in such a way that public grants and cross-subsidies are significantly reduced.

1.2. Better framework for the fishing industry

The Greenland Home Rule Government creates, through legislation and regulation, frameworks and conditions for the fishing industry. This applies to areas such as:

- 'investment': provision of risk capital. The framework within which more risk capital can be provided for the improvement of Greenlandic fisheries, with the ultimate aim of reducing public financial intervention,
- 'resource management': an evaluation of the existing quota system and the technical control measures is required. The evaluation will have to be done in order to maintain a sustainable development of the fisheries,
- 'biological advice': in the field of biological advice the political objective is to improve the scientific knowledge of the biomass for fish and shellfish through combined efforts,
- 'development': the political objective is to find and develop new commercial species including developing methods to utilise these new resources. Utilisation of new species in the fisheries will be done with respect of the principle of sustainable development.

In all areas affecting the possibilities and conditions of the various companies, it is the task of the Government to secure good frameworks and conditions. The aim is to ensure that the efforts in each of these areas are coordinated to achieve a common goal.

1.3. Development of qualifications — education and labour market

The education and labour market policies play an important role for the development of the public sector as well as the private sector in Greenland. The ability and willingness to learn is a precondition if the industrial political frameworks are to be achieved and utilised in an optimal way. One of the challenges facing fisheries is the ability to handle the necessary continuous development of employee qualifications throughout the fishing industry in Greenland.

The precondition 'strengthened development of qualifications' is among other things created through:

- 'education and labour market': the political objective is to ensure the appropriate use and development of the available labour force in Greenland. Structural adjustments will create a need to adapt the labour force to changed or new forms of production at both land-based plants and on board fishing vessels.

2. The Cabinet's 2004 budget

The Cabinet's 2004 budget will be published before the beginning of August 2003. The reading of the budget will take place during the 2003 autumn session of the Greenland Parliament, and the budget is expected to be adopted on or before 15 November 2003.

The Cabinet's 2004 budget incorporates an increase in the amount appropriated for administration in the field covered by the Ministry of Fisheries, Hunting and Agriculture. This increase is expected to improve the Ministry's possibilities of making the necessary qualitative evaluations of the economic consequences of various initiatives, for example through the establishment, follow-up, maintenance and analysis of fisheries economy models both within Greenland and worldwide. In addition, a strengthening of the Ministry's legal responsibilities will improve the servicing of the Cabinet in terms of the regulatory aspects of local, regional, bilateral and international fisheries.

3. Time schedule.

Time	Heading	Comments
30 June 2003	Budgetary support is decided	The Greenland Home Rule Government and the EU Commission make an agreement on budgetary support. The agreement is described in the explanatory notes to the Cabinet's 2004 budget, which will be presented to the Greenland Parliament in the 2003 autumn session.
August 2003	A steering group is set up	A steering group is set up to coordinate the whole project. Its members include the directors of the departments involved (board secretariat, Office of Foreign Affairs, Department of Finance, Department of Fisheries, Hunting and Farming, Department of Business and Department of Education, Culture, Church and Science), with the head of the structural policy office and the chairmen of the individual working groups as delegates. The members of the steering group meet regularly and are kept up to date on the progress made by the working groups.
August 2003	The steering group sets up three working groups	The prepared project plan for a structural policy for the fisheries sector is adopted by the steering group. The project plan must at least contain: Three working groups on the focus points 1. Renewal of societal structures; 2. Better framework for the fishing industry; 3. Development of qualifications
August 2003	Planning of a fisheries policy seminar is initiated	To achieve the broadest possible debate on a structural policy for the fisheries sector the results of the working groups will be presented to the most important stakeholders in the fishing industry at a seminar.
End of February 2004	The working groups deliver their draft for partial policies	The individual working groups have finished their work and have drawn up a proposal for partial policies on the subjects comprised by the focus point within which the working group has been working.
May 2004	The Cabinet holds a fisheries policy seminar, at which a draft structural policy for fisheries is discussed	The seminar is held with participation of the most important stakeholders in the fishing industry. Responses are invited to presentations based on proposals made by the three working groups for partial policies.
August 2004	A proposal for a structural policy for fisheries is delivered to the Greenland Parliament	The Cabinet delivers its proposal for a structural policy for the fisheries sector in Greenland for reading during the autumn session of the Greenland Parliament.
Autumn 2004	The Greenland Parliament's reading of the proposal for a structural policy for the fisheries sector	

Time	Heading	Comments
December 2004	First report to the Commission	Measurable subjects for the rest of the budgetary support agreement period 2005 and 2006 are specified in the report to the Commission. In relation to the political reading of the Cabinet's proposal for a structural policy for fisheries in Greenland, new goals have emerged in accordance with the principles of the budgetary support area.
December 2005	Second report to the Commission	The second annual report to the Commission will be the first with a report on the progress of the initiatives implemented following the presentation of the structural policy for fisheries. The evaluation of initiatives carried out can also be incorporated into this report.
December 2006	Third report to the Commission	The third and last report within Protocol IV. The report will follow up on the initiatives implemented following the presentation of the structural policy for fisheries.