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EUROPEAN COUNCIL, BRUSSELS

28/29 JUNE 1982

EUROPEAN REGIONAL DEVELOPMENT FUND

Brief by Foreign and Commonwealth Office

OBJECTIVES (if discussed)

1. To emphasise our interest in achieving progress in discussion of the new Regulation and (if appropriate) our willingness to consider proposals for a transitional solution to break the deadlock.
2. To ensure that whatever solution is agreed does not prejudice the position of Assisted Areas in Yorkshire and Humberside and the South West and East Midlands.

POINTS TO MAKE

3. Very desirable to develop Community policies in fields other than agriculture. ERDF has important rôle to play in this process.
4. Essential to find a way of taking discussions forward which took account of views of all Member States while safeguarding principle of concentration of resources on areas of greatest need.
5. (If idea of transitional solution is raised) Agree that a transitional approach could be helpful. Details and basis of such an approach must be discussed further.

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6. Could not accept any solution which envisaged the exclusion of some UK Assisted Areas. Unfair to exclude these very large deprived areas just because they fall within even larger and relatively better off regions.

BACKGROUND

7. ERDF a major source of Community funds for UK: receipts in 1982 expected to be £230 million. Our quota share is 23.8%. The Fund is due to be revised this year. Commission has proposed a quota section limited to the four least prosperous Member States (Italy, Greece, Ireland and UK, plus the DOM and Greenland), and an enlarged non quota section (20% instead of 5%) to cater for the Member States excluded from the quota section. It also seeks to tighten the rules in various ways so as to extend its influence on the formulation of regional policy.

8. Under the Commission's present proposal assisted areas in Yorkshire and Humberside, the South West and the East Midlands would be excluded from the quota section. This has aroused much controversy in the UK. UK "level 2" regions are much bigger than their counterparts elsewhere in the Community so that relatively large pockets of deprivation are not reflected in the statistics which the Community use to determine eligibility.

9. After discussion in the Foreign Affairs Council in May it became clear that the Commission's ideas for the quota section was not acceptable to certain Member States who stood to lose their quota, especially France (all Member States at present have quotas). In an attempt to overcome this opposition, and to unblock discussions, the Commission is now thinking of an interim or transitional solution (3 years) whereby there would be a gradual decrease in the quotas of the more prosperous Member States matched by corresponding increases in the shares of the less prosperous. There would be a corresponding progressive expansion in the size of the non quota section.

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10. We supported the Commission's net fund proposal and have now informally expressed readiness to consider the Commission's transitional solution idea. But we have told them that we would prefer a transitional arrangement not linked to the 'synthetic index' (the Germans have suggested one). The 'synthetic index' (which attempts to illustrate the relative prosperity or poverty of regions in the Community on the basis of GDP per caput and long-term unemployment) has been criticised because it is based on out of date and unreliable data. It has moreover given rise to our problem of excluded Assisted Areas (see paragraph 2 above). We have made it clear that we could not accept a transitional solution which did not safeguard the interests of the Yorkshire and Humberside, the South West and the East Midlands.

FOREIGN AND COMMONWEALTH OFFICE
16 June 1982

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