



From the Minister of State for Industry

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Norman Lamont MP

CONFIDENTIAL

The Rt Hon Sir Geoffrey Howe MP
Foreign Secretary
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Dun Goolby

EC REGIONAL AID CEILINGS

I am writing to you as Chairman of OD(E) about the Commission's imposed ceilings on regional aid grants in Member States.

Under the present regime, these ceilings are fixed at 75% net grant equivalent (NGE) in Ireland, Northern Ireland and the Mezzogiorno, and 30% NGE in the GB development areas. The Commission may well allow 75% ceilings in substantial parts of Spain and in the whole of Portugal except Lisbon.

All the Commission's published statements on the manner in which they apply regional aid ceilings clearly state that the main determining factors are GDP per head and structural unemployment. Yet their own table, based on these criteria, and published at the end of Chapter 7-1 of their second periodic report on the regions of Europe (COM(84)40 final dated 13 March 1984), shows that Merseyside; Dumfries, Galloway and Strathclyde; Northumberland and Tyne and Wear; and Cleveland and Durham are all worse off than 4 comparable Italian regions which enjoy 75% NGE ceilings. Merseyside in particular is shown to be worse off than every Italian region except Calabria and Sardinia. West Berlin, which also enjoys a 75% NGE limit, is shown to be the fifth most prosperous of the 131 Community regions.

None of the Member States appear to have schemes which permit them to reach these maxima. But I have little doubt that published domestic maxima are disregarded in individual cases especially where mobile inward investment projects are involved. Individual problems caused by the differentials are frequently brought to my

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attention by UK industrialists. I have no answer to these criticisms, especially given the contradictory data published by the Commission itself, and I expect further representations when ceilings for Spain and Portugal are announced.

I think we should now make strong representations to the Commission about the unjustifiable differential between the ceilings in GB and those obtaining in other Member States. Our objective should be not to get the GB ceilings raised, but to get the others lowered. This would fit well with our general policy towards industrial aids in the Community.

I recognise, of course, the implications for Northern Ireland. We could maintain that Northern Ireland was a special case, but it would be difficult to secure reductions in other countries' NGE ceilings without some reduction in Northern Ireland's. However we would expect other countries' ceilings - and in particular that in the Republic of Ireland - to fall as far or further. It would clearly be unacceptable for the Republic's ceiling to be higher than Northern Ireland's.

If you and the others to whom I am copying this letter agree that we should make representations, I suggest that our officials meet to decide on the manner of approach.

I am copying this letter to members of OD(E), the Secretaries of State for Scotland, Wales and Northern Ireland, and to Sir Robert Armstrong.

A handwritten signature in cursive script, appearing to read 'Norman Lamont'.

NORMAN LAMONT

