



From the Minister of State for Industry

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215) 5186
GTN 215)
(Switchboard) 215 7877

THE HON PETER MORRISON MP

Malcolm Rifkind Esq MP
Minister of State for Foreign
and Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street West
LONDON SW1

CDO
15/K-

14 October 1985

The EC Commission published at the end of last year proposals for a final set of four non-quota measures under the European Regional Development Fund. These proposals have been discussed at Working Group level in Brussels, and will shortly be put to COREPER and then to the Council of Ministers of Foreign Affairs. In this letter I set out the line which I think we should take.

There are four proposed regulations. Three of them concern areas affected by the decline in the textiles, shipbuilding and fisheries industries, and the last concerns the border areas of Ireland and Northern Ireland. The Commission's proposals on shipbuilding and textiles are to extend the existing measures, which already benefit various UK areas, so as to benefit certain areas in other member states. While the UK is not therefore a beneficiary from the Commission's proposals in respect of shipbuilding and textiles it is a handsome beneficiary from the proposed Northern Ireland and fisheries measures, and a net beneficiary from the proposals as a whole. In any case our likely benefit from the package of measures is greater than our likely share of the main ERDF in the light of the changes needed to accommodate Spain and Portugal about which I wrote to you on 30 September.

In the light of this, our main aim must be to get the measures adopted before the accession of Spain and Portugal at the end of the year, and to preserve their non-quota status against attack from the Italians and Greeks, who are arguing that the measures should come under the main ERDF, and thus that expenditure on them should count towards the quota ranges of the beneficiary countries. There will be strong resistance to additional geographical coverage

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of any of the measures where that additional coverage would imply a need for more money. We should therefore, in order to help achieve our main objective, be prepared to drop all our requests for increased geographical coverage, with the exception of those relating to Northern Ireland, Fleetwood and Fraserburgh, if this seems sensible at COREPER as part of a move towards an overall deal. The fact is that none of our other candidates satisfy the quantitative criteria devised by the Commission. There is no chance whatever of persuading the Commission or other member states, to agree to extra areas that do not satisfy the quantitative criteria, and even if we did the Commission would certainly refuse to provide more money.

In the case of the fisheries measure our main aim is to get the measure adopted on a non-quota basis with no reduction of the money available to Hull and Grimsby. However the European Parliament also suggested the addition of Fleetwood (Blackpool TTWA) and Fraserburgh. Both satisfy the Commission's quantitative criteria but neither are assisted areas which is normally also a necessary requirement. We have nevertheless recently persuaded the Commission Services to add Blackpool Travel-to-Work-Area, together with extra money (two mecus), and our first priority must be to hold onto this gain. The Commission and other member states are unlikely in the event to agree to add Fraserburgh, together with extra money, because its unemployment rate is not sufficiently above the national average. We should, however, maintain the case for Fraserburgh, and only give it up if this is the price of ultimate agreement on the measures as a whole.

The proposed measure which benefits Northern Ireland also applies to parts of the Republic of Ireland. It comes into the category of "requests for aid relating to border problems in the most deserving regions of the Community submitted by two or more member states". Our aim has been to get all of Northern Ireland eligible but without asking for extra money to be made available. The Commission have publicly agreed to add Down and Ards to their original list in the light of the Opinion of the European Parliament, but Ards has less of a case than various excluded areas. Our aim should be to secure the inclusion of all of Northern Ireland. If this is impracticable we should first concede that the regulation should not apply to Belfast, and then, if necessary at the Council, negotiate the inclusion of as many district Council areas as possible on the basis of relative disadvantage and in the light of current unemployment levels.

In the light of our overall aims, and of the line which we shall need to take on Fleetwood, Fraserburgh and Northern Ireland we need to consider the line to take on Clwyd, about which Wyn Roberts wrote to me on 30 September We have hitherto been arguing



unsuccessfully that Clwyd should be included in the textile measure. However there is no support from the European Parliament for Clwyd, it does not satisfy the quantitative criteria, and it is in any case an existing and likely future beneficiary from the existing steel non-quota measures. I think therefore that our representative in COREPER should have authority to cease pressure for Clwyd in return for a minutes entry that Clwyd is expected to get further ERDF aid under the steel non-quota measure.

I am copying this letter to the members of ODE and EA Committees and to Rodney Elton (Environment), Nicholas Edwards (Welsh Office), George Younger (Scottish Office), Rhodes Boyson (Northern Ireland Office), Michael Jopling (MAFF) and to Sir Robert Armstrong.

A handwritten signature in black ink, appearing to be 'P. Morrison', written over a horizontal line.

PETER MORRISON

cc/c



Foreign and Commonwealth Office

London SW1A 2AH

From The Minister of State

4 November 1985

The Hon Peter Morrison MP
Minister of State for Industry
Department of Trade & Industry
1 Victoria Street
LONDON SW1

GDP
5/Ki

Dear Minister,

Thank you for your letter of 14 October. I have also seen the letters from Nick Edwards, Allan Stewart, Rhodes Boyson and Michael Jopling.

I think we are agreed that the most important priority is to secure the adoption of the four non quota measures before the end of 1985 in order to prevent the UK's receipts from them being counted against our 1986 ERDF quota. Our tactical position on extending the geographical coverage should take second place to this.

I agree with the line you propose on Clwyd, Fraserburgh and Northern Ireland. I see virtually no prospect of the Commission offering to include Fraserburgh without provision of extra money. The financing of the fisheries measure has been worded out on a Community-wide basis on the current scale of the fishing industry in each port and the numbers of jobs lost. It is not in our power to distribute the UK's allocation between our ports as we wish. I also share Michael Jopling's reservations about the practical difficulties of including Fraserburgh at the expense of Hull, Grimsby and Fleetwood.

That leaves the possibility of securing extra finance for Fraserburgh. It is certainly worth a try, and we should make one last effort. But if it becomes clear that to press further would lead to other member states demanding the inclusion of other disadvantaged areas and thus prevent the adoption of the measures in 1985, we should, as you suggest, agree to the package without Fraserburgh. This would be better than a delay which might cause us to lose out financially from the ERDF in 1986.

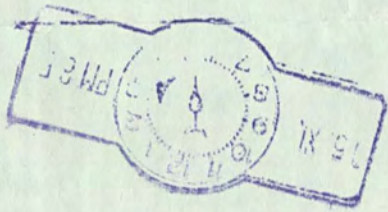
I am copying this letter to the members of OD(E) and EA Committees and to Rodney Elton (Environment), Nicholas Edwards (Welsh Office), George Younger (Scottish Office), Rhodes Boyson (MO), Michael Jopling (MAFF) and Sir Robert Armstrong.

yours sincerely
Anthony Cary

for Malcolm Rifkind

Approved by Mr Rifkind and signed in his absence by his Private Secretary

EUR. Pol: Budget: Pt 30



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✓ FC

Treasury Chambers, Parliament Street, SW1P 3AG

14 November 1985

Ian Peter,

CG 14/ki

EUROPEAN REGIONAL DEVELOPMENT FUND: NON-QUOTA MEASURES

Thank you for copying to me your letter of 14 October to Malcolm Rifkind about the ERDF non-quota measures. I have seen Nick Edwards' letter of 17 October, Allan Stewart's of 22 October and Michael Jopling's of 29 October, and Malcolm's response of 4 November.

I would not wish to press views on how the final stages of these negotiations should be handled; you and colleagues most concerned can best decide on tactics. Clearly we must do the best we can to capitalise on these proposals which in their small way offer one of the few opportunities for increasing our returns from the European Community.

The reduction of the share of our receipts from the ERDF which now seems certain is regrettable - if unavoidable; the adoption of these measures before the accession of Spain and Portugal should ensure us a return from the Fund slightly greater than could be expected were we to rely solely on the Fund's normal operations. But that will not be without its disadvantages in public expenditure costs.

Moreover, the sums involved here offer no comfort against the high hopes expressed at Fontainebleau that the long term solution to the problem of the UK's deficit lay in the development of EC spending policies. The developments on the ERDF are all in the other direction and, for the future, the UK's interests will clearly be best served by doing everything possible to limit the Fund's size.

I am copying this letter to recipients of yours.

Ian Gow

IAN GOW

The Hon Peter Morrison MP
Minister of State for Industry
Department of Trade and Industry

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BUDGET

PT 30



DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET LONDON SW1P 3EB
01-212 3434

My ref: B/PSO/18266/85

Your ref:

11 November 1985

COO

Dear Peter

Thank you for copying to me your letter of 14 October to Malcolm Rifkind about the ERDF non-quota measures. I have also seen Nicholas Edward's, Allan Stewart's and Michael Jopling's responses.

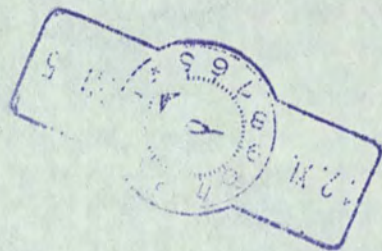
I support Michael's view that we should not divert any funds from Hull and Grimsby. The local authorities there consider that they have played an important role in persuading the European Commission to put forward the fisheries measure and have well developed plans for spending the allocation they expect to get. To cut what they regard as their reward would be very unpopular on Humberside. Nor would the idea that they could make up the difference by claiming money from the main part of the Fund impress them as there is no certainty that they could achieve this.

/ Copies of this letter go to members of ODE and EA Committees and to Nicholas Edwards, Rhodes Boyson, Michael Jopling, Allan Stewart and Sir Robert Armstrong.

*Yours
Dai*

RICHARD TRACEY

Euro PD1 PT 30
Budget



cc PC
BS

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH



From the Minister

The Hon Peter Morrison MP
Minister of State for Industry
Department of Trade & Industry
1-19 Victoria Street
London
SW1H 0ET

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29/10.

29 October 1985

Peter Morrison

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I have seen Allan Stewart's letter of 22 October to you about the non-quota measures under the European Regional Development Fund.

When I wrote to Norman Lamont on 12 February, I explained that any diversion of the ERDF money allocated for Humberside would cause a major row. This is still very much the case and while I recognise that the amount suggested by Allan Stewart is relatively modest, we should not underestimate the strength of the reaction such a diversion would produce. I therefore fully support the line taken in your letter of 14 October to Malcolm Rifkind that our aim must continue to be to obtain the best settlement possible without any reduction in the money already offered for Hull and Grimsby.

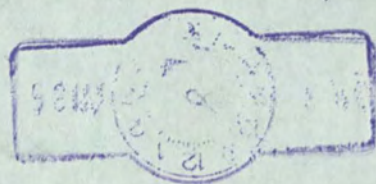
I am copying this letter to the members of ODE and EA Committees, to Rodney Elton, Nicholas Edwards, Rhodes Benson, Allan Stewart and to Sir Robert Armstrong.

Lucas Evans
Michael

MICHAEL JOPLING

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Budget



CCPE



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU
TELEPHONE: 01-233 3000

The Hon Peter Morrison MP
Minister of State for Industry
Department of Trade and Industry
1-19 Victoria Street
LONDON
SW1H 0ET

N 22/85

22 October 1985

Dear Peter,

I refer to your letter of 14 October to Malcolm Rifkind about the ERDF non-quota measures.

I agree with the line which you propose for Fraserburgh, ie that it should only be given up in the negotiations as the price for agreement on the measure as a whole.

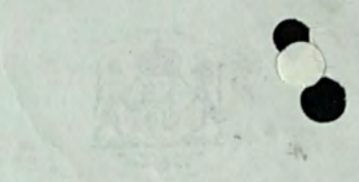
If the Commission is ready to agree to the inclusion of Fraserburgh, given the European Parliament's support, but not provide any additional money, I think we should still accept. Fraserburgh has suffered considerable loss of employment in the fish processing industry as a direct consequence of the Common Fisheries Policy, and we regard it as important that Fraserburgh should be covered by the fisheries measure. The amount of resources which might be diverted from Hull and Grimsby would be small, say 10% of the allocation (£750,000), and these areas could make up any losses through application to the normal ERDF funding mechanism. Fraserburgh, since it is a non-assisted area, has no alternative avenue for gaining ERDF support.

I am copying this letter to the members of ODE and EA Committees, to Rodney Elton, Nicholas Edwards, Rhodes Boyson, Michael Joplin and to Sir Robert Armstrong.

*Yours ever,
Allan*

ALLAN STEWART

EURO POL
BUDGET
PT 30



The Hon Peter Skyring MP
Minister of State for Industry
Department of Industry
12 York Street
LONDON
SW1M 6BT

October 1983

Dear Sir

I refer to your letter of 14 October in relation to the
two-point measures.
I agree with the fact that you are proposing to provide
should only be provided in the form of a contribution
the measure as a whole.
If the Government is ready to agree to the inclusion of
given the European Commission's support, but I believe you
likely to think we should still support. I am sorry that
unacceptable loss of employment in the first priority industry as a
direct consequence of the Common Fisheries Policy, and we have
important that I should be able to do so. I am sorry that
The amount of the contribution should be agreed by the
would be able to say that of the Commission (LONDON) and that
would make up any losses through application of the normal
mechanism. I am sorry that I cannot say more at this time.
Alternative arrangements for funding ERDF support.

I am copying this letter to the members of CDM and DA Committees,
Anthony Blair, Richard Edwards, Michael Boyton, Andrew Johns and to
Sir Robert Armstrong.

Yours faithfully
ALEX STRAIN

cc. PC



Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)

Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)

From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

17 October 1985

De Peter

WSPM

EUROPEAN REGIONAL DEVELOPMENT FUND

EG REGULATION 219/84: NON QUOTA AID TO TEXTILE AND FISHERIES AREAS

Thank you for copying to me your letter of 14 October to Malcolm Rifkind setting out the line which you propose to take in the final stages of the negotiations on the package of measures brought forward under the non-quota section of the European Regional Development Fund.

I would accept that so far as the UK's overall objectives are concerned we should aim to secure early agreement to funding "off the quota ranges" and in respect of the best possible UK deal which can be secured. I am therefore, in the main, content to leave decisions on the detailed handling of the package to negotiators to be decided in the light of developments, subject only to two points, both of which relate to Clwyd's inclusion under the textile measure.

As you will know from Wyn Roberts' letter to you of 27 September, the suggestion that the case for Clwyd should not be taken to the highest possible level is one which should present me with particular problems. Apart from the fact that the area so nearly satisfies the precise historical criteria devised by the Commission services, there is also, of course, an added sensitivity so far as this area is concerned as a result of the more recently announced Courtaulds closure. The County and District Councils in the area are equally likely to be at a loss as to why Clwyd should not qualify for aid given that the only criteria which the Commission appear to be prepared to acknowledge publicly (to the local MEP and others) are the subjective criteria featuring in the Regulation itself which clearly place them in scope.

/All this leads ...

The Hon Peter Morrison MP
Minister of State for Industry
Department of Trade and Industry
1-19 Victoria Street
LONDON
SW1H 0ET



All this leads me to the view that there would be some difficulty in seeking to justify a situation where the case for Clwyd was conceded without a further high level attempt to shift the Commission on the application of the criteria, and equally without a renewed effort to get them to acknowledge publicly those criteria if the attempt should fail.

Presentationally, conceding the case for Clwyd (which is a Development area where one in five are unemployed) at a stage where the case for Fraserburgh (non-assisted and with a lower rate of unemployment) was still in play might also appear strange. This situation, at least, could of course be avoided if both Fraserburgh and Clwyd were to be progressed in tandem to Council. Apart from any presentational consideration this would anyway provide us with a negotiating card under both the textiles and the fisheries measure.

If it does come to that then the Commission has suggested that Clwyd would qualify under any future round of steel measures. A minutes declaration to that effect would, of course, provide us with a final basis for compromise and I am grateful to you for the suggestion that we should press for this should the argument in favour of Clwyd finally and irrevocably fail - which I hope it will not.

/ Copies of this go, as yours, to the members of ODE and EA Committees and to Rodney Elton (Environment), George Younger (Scottish Office), Rhodes Boyson (Northern Ireland Office), Michael Jopling (MAFF) and to Sir Robert Armstrong.

J. Armstrong

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EUR, POL: Budget: Pt 30

