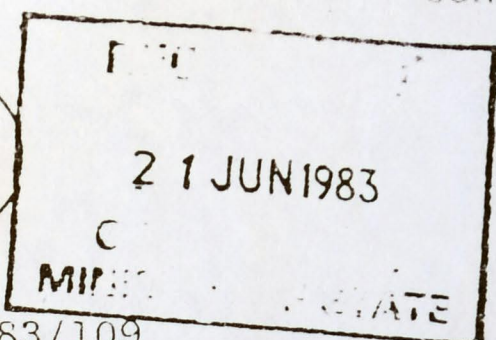


FOR INFORMATION  
 Mr Walsley  
 PS/SofS  
 PS/M Trippier  
 PS/Sir Brian Hayes  
 Miss Mueller  
 Mr Gill  
 Mr Dick  
 Mr Russell  
 Mr Ingram  
 Mr Duquich.



FCS/83/109

MINISTER OF STATE FOR TRADE AND INDUSTRY

Foreign Affairs Council 21/22 June: ERDF

1. Thank you for your letter of 17 June about the ERDF.
2. I agree that we should reject the Commission compromise, on the grounds that it fails to fulfil the commitment to concentration made by the European Council at Lancaster House in 1981. In this our task has been made more difficult by the failure of the European Council at Stuttgart to include any reference to concentration of ERDF in its conclusions.
3. The question now, therefore, is how best to secure our objective at tomorrow's Foreign Affairs Council. The report of Coreper at the Foreign Affairs Council (REGIO 48) makes it clear that the German Presidency compromise remains firmly on the table and that it could if necessary be applied over 2 years (de facto 1984 and 1985) instead of 3. I think it would be tactically unwise to reject the German Presidency compromise in quite the way you suggest. Instead I propose that Malcolm Rifkind should take the line that we continue to regard the Presidency compromise as a basis for discussion but that it does not go far enough. I do not think we need to concede immediately the principle of a 3 year progression to concentration, beginning this year, although I agree that we should be ready if necessary to fall back (reluctantly) to 2 years if it is clear that a 3 year solution is no longer practicable.
4. I agree however that we should have our own proposals ready to table during the Council discussion if the tactical situation warrants it. It was therefore very useful to have the table of quota figures enclosed with your letter and Malcolm Rifkind will have these with him for use as and when appropriate.





5. I am copying this letter to members of OD(E) and E(EA) and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'G. Howe'.

(GEOFFREY HOWE)

Foreign and Commonwealth Office

20 June, 1983





## DEPARTMENT OF TRADE AND INDUSTRY

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JF3790

Secretary of State for Trade &amp; Industry

6 July 1983

The Rt Hon Geoffrey Howe QC MP  
 Secretary of State for Foreign  
 and Commonwealth Affairs  
 Foreign and Commonwealth Office  
 Downing Street  
 LONDON  
 SW1

*pp. 5 requested*

*Annik Foreign Secretary*

*ref. A.S.C. 8/7.*

*Dear Geoffrey,*

ERDF : FOREIGN AFFAIRS COUNCIL 21/22 JUNE 1983

Thank you for your minute of 20 June. I have now seen the minute recording the outcome of the discussion of the ERDF regulation, and feel some concern at the outcome as reported. I understand that the Council Secretariat may have exercised considerable licence in drawing up the minutes; if this is so I would urge the following points be considered.

2 Firstly, the minutes record a table, of which the Council is said to have noted, showing the "various figures accepted by each of the delegations". The UK is shown as having "accepted" 26.572%, which is the figure for the third year of the German Presidency compromise - which, according to your letter, we were to say did not go far enough and which I understand Malcolm Rifkind did indeed say.

*See Pt 20*

3 In my letter of 17 June, I referred to the difficulties that would be caused for us if we were forced to fall back on a solution which would enable the Commission, rather than ourselves, to propose which of our regions should benefit from the ERDF. I was therefore concerned to note the second indent in the last paragraph of the Council minute, which says, "The Council has established that .... a transitional solution could be devised for the year 1984, so as to enable the Council to decide on the subsequent period in the light of the Commission's report". This is not the outcome for which we were working. It has taken us 18 months to secure success in negotiating the Commission away from their earlier proposal to base ERDF eligibility on their criteria rather than ours. Their criteria





you will recall, would have eliminated large tracts of UK assisted areas from ERDF eligibility and we have given public and categorical assurances to the local authorities that we shall not allow this to happen, not to mention our manifesto commitment to secure better co-ordination between the ERDF and our own policies.

4 It is difficult to see how we can associate ourselves with a return to the previous Commission proposal, and we perhaps need to discuss our future attitude to these negotiations in OD(E) as soon as possible. In the meantime, I hope that the United Kingdom Ambassador can be instructed not to agree to a solution which gives the Commission the responsibility for proposing which areas should be eligible for ERDF benefits from 1985 onwards, and to correct any misapprehension caused by this obviously defective record of the proceedings.

5 I am copying this letter to members of OD(E) and E(A) and to Sir Robert Armstrong.

Yours  
Lrd,  
Lrd.



Edna PR: Buzar

Pr 21



7 JUL 1983



*[Faint, illegible handwritten text]*



CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

From The Minister of State

15 July 1983

N.B.P.N.

Dear Cecil,

AM 15/7

h-a.

EUROPEAN REGIONAL DEVELOPMENT FUND

Thank you for your letter of 6 July to Geoffrey Howe about the minutes of the June Foreign Affairs Council on the ERDF.

We entirely agree with you that the minutes are inaccurate in the two important respects you mention. As you may have already seen, our Permanent Representative in Brussels set the record straight in COREPER on 13 July.

We understand the reason why you would like to avoid a one year interim solution which would leave the Commission with the responsibility for proposing which areas should be eligible for ERDF benefits from 1985 onwards. We too would have preferred to see a 2-3 year arrangement with as much concentration as possible, so as to leave the UK in the best position to remain a net beneficiary after enlargement and we have always worked to that end.

However, since you wrote on 6 July, it has become quite clear that this objective is no longer attainable. The agreement at Stuttgart that the Commission should produce a report on the structural funds, including the ERDF, by 1 August, and thereafter produce new proposals in the light of their report, means that a 2-3 year agreement is just not on.

We are therefore faced with two possibilities. The first is a one year interim solution, with a measure of concentration. This would be a useful first step towards increasing our quota before Enlargement. And we could reinforce our position by seeking an entry in the minutes (if necessary by the UK alone but preferably subscribed by a number of Member States) making it clear that further concentration must follow. Any agreement would of course be subject to a satisfactory settlement of all the outstanding operational issues. But even this seems unlikely to be achieved.

The Rt Hon Cecil Parkinson MP  
Secretary of State for Trade  
and Industry

/The

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The second option, namely continuing with the existing regulation, with the Commission fixing quotas, will almost certainly achieve more support. Although this would be a disappointing outcome in that there would be no progress towards concentration, I believe it would not be too bad from the UK's point of view. There are indications that the Commission may administer quotas in a flexible way which would give Member States, such as ourselves, who are efficient in their take-up of funds, more than their nominal quota. We could encourage the Commission to hold fast to this approach. We should also lobby them in the coming weeks to ensure that our ideas for the ERDF find a place in the review of the structural funds.

I now come to your important concern that the Commission may put forward proposals which may involve their fixing criteria for eligibility for ERDF benefits. I would like to make two points about this. First, under the Treaty the Commission have the right to make proposals and this is something we cannot change. I am sure you would agree that it would therefore be quite inappropriate to imply in Council or in COREPER that we seek to deprive the Commission of the responsibility for making proposals on the ERDF. They will continue to produce proposals, which may or may not be helpful to us, regardless of the outcome of the current negotiations.

Secondly, however, I think you overrate the power implicit in the Commission's right to put forward proposals. They cannot impose solutions on Member States. If their proposals are not accepted they have to amend or withdraw them. Thus in 1981, as you know, we made it clear to the Commission that the part of their proposal which involved the exclusion of certain UK Assisted Areas from eligibility was unacceptable. As a result it was dropped. Similarly, if they were at a future date to produce new proposals based on 'objective' criteria which had the same effect, we could again resist them, most probably in the company of several other Member States. There is no question of UK Assisted Areas being excluded against our will.

We would welcome an early OD(E) discussion on the UK's future attitude to these negotiations. In the meantime my officials will be circulating a draft brief for the Foreign Affairs Council on 18 July for approval. I should be grateful if you could let me know as soon as possible whether there are any difficulties with the proposed line.

I am copying this letter to members of OD(E) and E( A) and to Sir Robert Armstrong.

*Yours ever*

*Baroness*

Baroness Young

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Euro Pd/  
Budget, p. 21

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The second option, namely continuing with the existing  
regulation, with the Commission fixing prices, will almost certainly  
be the most appropriate. Although this would be a disappointing  
outcome it would be no progress towards a more  
I believe it would not be too far from the UK's point of view.  
There are indications that the Commission may administer prices in  
a flexible way which would give Member States, such as ourselves,  
and are satisfied in their take-up of funds, more than their  
current share. We could encourage the Commission to hold back  
to this approach. We should also fully take up the common market  
to ensure that our share for the ERM finds a place in the value  
of the structural funds.

I now come to your important concern that the Commission may  
put forward proposals which may have a negative effect on  
eligibility for ERM benefits. I would like to make two points  
about this. First, under the Treaty the Commission have the right  
to make proposals and this is something we cannot change. I am  
sure you would agree that it would therefore be quite inappropriate  
to try to influence the Commission or to try to seek to deprive the  
Commission of the responsibility for making proposals on the ERM.  
They will continue to produce proposals, which may or may not be  
helpful to us, regardless of the outcome of the current negotiations.

Secondly, however, I think you overstate the power implicit  
in the Commission's right to put forward proposals. They cannot  
impose solutions on Member States. If their proposals are not accepted  
they have to amend or withdraw them. Thus in 1981, as you know, we  
made it clear to the Commission that the part of their proposal  
which involved the exclusion of certain UK assisted areas from  
eligibility was unacceptable. As a result it was dropped.  
Similarly, if they were at a future date to produce new proposals  
based on "objective" criteria which had the same effect, we could  
again object to them. Most probably in the future we will have to  
negotiate. There is no question of UK assisted areas being  
excluded against our will.

We would welcome an early CEE discussion on the UK's  
future attitude to these negotiations. In the meantime our officials  
will be circulating a draft brief for the Foreign Affairs Council  
on 28 July for approval. I should be grateful if you could let me  
know as soon as possible whether there are any difficulties with  
the proposed line.