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Foreign and Commonwealth Office

London SW1A 2AH

12 August 1983

From The Minister of State

The Rt Hon Timothy Raison MP

16/8.

Dear Patrick

will request if required

Thank you for your letter of 2 August about the European Regional Development Fund. I am replying in the absence of Janet Young.

We have of course now seen the Commission's report on the Structural Funds, which as expected reserves its more radical proposals for the ERDF. The Commission have clearly taken advantage of the Council's failure to agree on the new ERDF Regulation to put forward again some of their favourite ideas for the Fund, including the introduction of programme financing, and the phasing out of quotas.

As you suggest, this constitutes a new and important element. In preparation for the meetings which are taking place this month on the Commission's report and for the Special Council on 30 August (when it will be on the agenda), officials are considering how we should react to the Commission's ideas. We suspect that they will have a cool reception from a number of Member States. But I suggest that we should look at the points you raise when we know how the discussion goes at the Special Council and we have some idea whether the Greek Presidency intends to put the ERDF on the agenda of the normal Foreign Affairs Council in September.

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

Yours ever

TR

TIMOTHY RAISON

The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment

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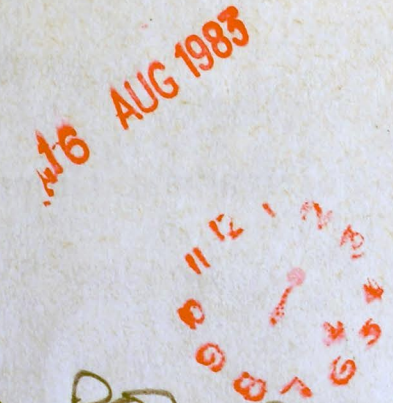

Euro POL Budget Pt 21

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Apologies
This should
have been circulated
2/8

With the Compliments of the
Secretary of State for the Environment

NBPM
2/8

GARRISH

SECRETARY OF STATE FOR THE ENVIRONMENT

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My ref: J/PSO/13712/83

Your ref:

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Dear Janet,

I have been following with interest your exchange of letters with Cecil Parkinson about ERDF.

I too would welcome further discussion in OD(E). Clearly the options open to us are now very limited, and we shall need to re-assess our objectives in the light of the Commission's forthcoming report on structural policies.

In the meantime you may like to know my preliminary views. From DOE's standpoint the new Regulation, despite all the improvements secured by our negotiators, is still a mixed blessing, with some important points still to be resolved, and not worth the risk of taking on without the bait of a substantial increase in our quota. That increase does not now seem on the cards.

It seems to me moreover that, the German Presidency having failed to get the new regulation agreed, we shall have to face the Commission trying to re-coup some of its failure (on programme finance and on additionality for example) and the hard line member states doing the same. So we would be lucky to hold on to the improvements won so far.

This points to sticking to the present regulation, up to Enlargement if we can. An as you have said, we may do well out of any flexibility in the use of the current quotas, (though there are some worrying signs of the Commission exploiting the position to extend its competence and interfere in Member States priorities, which will have to be resisted).

Another factor arguing against a one-year solution, even if still obtainable, is that its natural corollary is distribution by "objective criteria" in following years. I agree we cannot prevent the Commission putting forward such proposals: that is how they intend to use the Second Periodic Report and the Greeks will doubtless encourage them. However I am less sanguine than you about our ability to simply reject them and I am sure one objective of our policy should be to frustrate them, even if it means making common cause with the French, just as long as we can.

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Any new synthetic index based on objective criteria is likely to rule out whole English regions - and the Assisted Areas within them. Not only would this, as Cecil pointed out, be embarrassing domestically, but it would also reduce our ability to use our quota and it could cut across our work on the domestic Assisted Area map in a very awkward way.

Yours

Patrick

PATRICK JENKIN

The Baroness Young (FCO).

Euro Pa
Bureau
Pt 21

18 AUG 1988