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From The Secretary of State for Wales

Oddi wrth Ysgrifennydd Gwladol Cymru The Rt Hon Nicholas Edwards MP

25 August 1986

Handwritten signature: J. Peter

Thank you for sending me a copy of your letter to Lynda Chalker of 31 July.

I agree that the Commission's latest papers on Integrated Operations (IO) make interesting, if not very elucidating, reading. Geographic coverage apart, which obviously needs to be pursued further, the main question seems to me to be just how much the proposals for steel areas contribute to the overall development of the IO concept.

Certainly the memorandum released on 16 July had proportionately more to say about the need for reform of the European Coal and Steel Community loan arrangements than about IO, which may explain why the media, including the "Financial Times", reported it almost exclusively in an ECSC context. (This incidentally has caused some confusion amongst potential borrowers located outside the identified "priority" areas and I should be grateful if you could bring this to the Commission's attention during the forthcoming discussions and clarify with them what their precise intentions are with regard to the proposed changes to ECSC arrangements). There is also, of course, the proposal for a possible Community Programme for steel, which merits consideration. In both cases however, the approach is undeniably sectoral and the references to the general IO concept, and the integration of the structural funds, minimal.

Since most areas do not suffer exclusively from one sectoral problem but from a combination of structural problems, this approach if continued (as seems likely given that the Commission have indicated that they will be looking next at the possibilities for IO in ship-building areas) may not, of course, turn out to be entirely to our advantage since the inevitable consequence will be sectoral criteria which candidate areas sometimes cannot in entirety meet.

The Hon Peter Morrison MP
Minister of State for Industry

/This is ...



This is, of course, precisely what has now happened to Mid' Glamorgan which has been excluded from the Industrial South Wales coverage (even though it met the Commission's original criteria which took both steel and coal into account). Much the same is also true for Clwyd (where coverage has been reduced) and which in addition to losses from steel has simultaneously experienced declines in other sectors, particularly coal and textiles.

The Commission may, of course, have it in mind to address the problems of complex areas in their long-awaited general paper on integration but it would, I think, be unwise to depend on that or indeed to assume that progress on other parallel initiatives would compensate for a failure on the part of the Commission to pay adequate regard to the problems of areas like Industrial South and North East Wales under the present initiative.

Both Mid Glamorgan (within the context of the pilot proposals for IO development in Industrial South Wales) and Clwyd (in the form of the IO studies respectively sponsored by the Commission and the Economic and Social Committee) have longstanding claims to IO status. Both are eligible for the full range of structural funds (including ECSC, European Social Fund and Agricultural Guidance and Guarantee funding). Clwyd as a whole is also designated under the ERDF Non Quota Steel measures and the Southern part of Mid Glamorgan is similarly covered, in recognition of its dependence on steel employment located beyond its geographic boundaries. There is, therefore, ample opportunity for the integration of Community funding in both areas, and equal scope for the application of such resources since both areas feature prominently - and in entirety - amongst the most disadvantaged regions of the Community.

In regional development terms I can, therefore, see no sound logic as to why either area should be excluded, either wholly or in part, from the scope of the present proposals and I trust that you will indeed be able to convince Commission officials that in order to reach a logical and workable solution some flexibility is required in interpreting the qualifying criteria as indeed appears to have been the case so far as the Portuguese regions are concerned.

/ Copies of this letter go to recipients of yours.

J. E. N.

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