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Prime Minister

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PRIME MINISTER

ESPRIT

in meeting folder

1. I have seen a final draft of the brief agreed by officials for your use with Davignon on 13 February. I have also just received Nigel Lawson's minute of 9 February. *TPM?*

2. I am very pleased that we are all now agreed that we should back the approach to Community R & D proposed by the Germans at the January Foreign Affairs Council (ie, to agree to ESPRIT on condition that the Community concentrates on three priorities, cuts back on programmes of lower priority, and, so long as the 1% ceiling applies, ensures that all Community R & D is financed within a financial envelope of the order of 600 mecu per annum). I will take this line myself when I see Davignon on Monday, stressing the need for the Commission to provide a clear idea of how the priority programmes in the German proposal are to be financed and the implications for other programmes, as a necessary basis for agreement at the 28 February Research Council. I would indicate that our approach at the February Research Council will be strongly influenced by whether the Commission can demonstrate convincingly that there will be strict control of total Community R & D expenditure and concentration on the priority programmes, above all ESPRIT.

3. I propose to take a similar line with the Select Committee when I give evidence on 15 February, if as is likely, they ask about ESPRIT.

4. Nigel Lawson is obviously right to point out that we shall be unable to resolve the attribution problem before Davignon's visit. I would just like to underline the importance of our being in a position to agree ESPRIT at the Research Council on 28 February. If we are unable to do so and find ourselves

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blocking the programme in isolation, it would damage our overall negotiating position and confirm the suspicion that our approach to the Community is almost wholly subordinate to the Budget, even where the programme is supported by and favourable to the research efforts of British industry. A further point to take into account is the increasing political embarrassment at home. You may have seen that in the White Paper debate on 26 January Robin Cook attacked our position on ESPRIT vigorously and, although Ian Stewart did well in his reply, pointing out inter alia that there is a provision in the Budget for the early stages of ESPRIT, for which he had himself voted in the Budget Council, I do not believe that our defence is entirely convincing. Our position is also not understood by British industry, which is fully in support of this programme (you will be aware, for example, of the views of Walter Goldsmith of the Institute of Directors, on this subject). It would be an unhappy achievement if we united left and right against us on this issue.

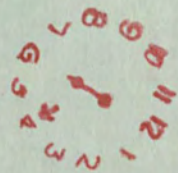
5. I am copying this minute to Norman Tebbit and Nigel Lawson and to Sir Robert Armstrong and Dr Nicholson.

GEOFFREY HOWE

Foreign and Commonwealth Office

10 February 1984

Education : Avery Kemp Nov 82



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