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PRIME MINISTERCCPC
Bluep**EC RESEARCH AND DEVELOPMENT FRAMEWORK PROGRAMME**

We are to discuss at E(A) tomorrow, our approach to Community negotiations on the Framework Programme for Research and Development and its budgetary implications (E(A)(86)54 refers).

The report from Cabinet Office of discussions at official level includes the proposal that existing EUROPEs provision should be re-allocated among Departments. The main gainer would be the Department of Trade and Industry and my Department would be the main loser. Under the EUROPEs system Departments have to find savings to offset the UK contribution to increased EC R&D expenditure above their baseline provision - changes in the baseline are not therefore a matter of detail.

There is no domestic expenditure in my programmes which I am ready to cut to make way for Community R&D. In accordance with the logic of the existing EUROPEs system, I have already concluded that in negotiations over the proposed Framework Programme, the UK should insist on an energy element (other than that carried out at the JRC which is under separate review) no higher than 1095 mecu compared with the Commission proposal of 1370 mecu. As the EUROPEs baseline is at present distributed, this would obviate the need for me to find offsetting cuts in my domestic programme.

The re-allocation of the baseline proposed by Cabinet Office officials alters the picture. The highest energy element in the Framework Programme which would not require cuts in domestic programme would then be about 680 mecu. Despite, therefore, the difficulties of negotiating such a figure, an energy element no higher than 680 mecu would have to be an essential part of our negotiating position.

I believe therefore that the proposed re-allocation of EUROPEs provision would be an obstacle to settling our position for negotiations with Community partners and would undermine the more disciplined approach to Community expenditure which we have been



trying to achieve in Whitehall. I do not see how Departments can sensibly plan ahead if EUROPE'S provisions are subject to sudden change or, if, when they have reduced EUROPE'S bids to a minimum, they are called upon to make further cuts to offset increased expenditure on programmes in other areas.

Beesley

SECRETARY OF STATE FOR ENERGY

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COMPTON

