



PM/85/68

PRIME MINISTER

R and Priorities Across Government

1. I regret that because of other commitments I will be unable to take part in the discussion of the government's R&D priorities at the E(A) meeting on 10 July. Tim Renton will attend instead. This will be an important discussion and I would like briefly to record my views.
  
2. I welcome the emphasis in Sir Robin Nicholson's paper (E(A)(85)40) on wealth creation. The picture painted by the 1985 Annual Review of Government Funded R&D, the comments of the Advisory Council for Applied Research and Development (ACARD) and Sir Robin Nicholson's paper is not encouraging. Current trends show that, in comparison with our major trading partners, our national commitment to Research and Development shows a relative and significant decline. On the civil side there is a clear disparity between our performance and that of our partners. On the defence side the resources devoted are substantial, but you know well that I have long had doubts about the contribution of this expenditure to wealth creation in the wider economy. We need to ensure that it does not simply support firms who become reliant on defence research contacts, to the detriment of our national enterprise culture. Furthermore, industry in general still appears unwilling to increase its own funding of R and D, despite their increased profits and productivity. All these figures (expressed as percentages of GDP) become still more worrying if we remind ourselves that our GDP is already significantly less than that of competitor countries of comparable size - France and Germany, for example.
  
3. My departmental concern is of course with international scientific and technological collaboration. But quite apart



from my departmental concern, I am convinced that the need to promote success <sup>on a European scale.</sup> as a ~~European state~~, if we are to cope with American and Japanese pre-eminence, makes it inevitable that this will become an increasingly important aspect of our national R and D effort. In science the UK has a good record in international collaboration and one that has generally served our interests well. We may need to re-double our efforts to improve the management of some programmes; but something more than good management will surely be necessary if we are to serve our long term interest of ensuring that this record is maintained and improved.

4. In technology we look primarily to the private sector. In my judgement, international collaboration is not an area where industry has been particularly strong, nor perhaps have they needed to be - so far. But EUREKA has reminded us, if we needed reminding, that one aspect of creating a competitive technological capacity, in Britain as in Europe as a whole, is effective and market orientated collaboration, often on a continental scale. Our companies appear to want to take part in market-based collaborative high technology projects but may be hesitant about the long-term implied commitments. Government has a role here, not only in fostering general economic confidence, but also in encouraging collaboration and helping in practical ways to make it come about.

5. I therefore support Sir Robin Nicholson's recommendation that a Ministerial group should be established to examine Government priorities more carefully. There has been much useful work at official level and this will need to continue. But I believe the time has come for Ministers to take a closer collective look at the subject and I should like to be personally involved. Though the evidence can not be conclusive, Sir Robin Nicholson's comments are reinforced by my own observations and experience; I believe we have seen enough to suggest that there are serious problems to be tackled now.



6. I was also interested in Sir Robin's comments on flexibility. In my view a degree of flexibility is as economically vital in R and D funding as it sometimes seems to be politically irresistible in large demand-led public expenditure programmes, for example in the social field. I believe ACARD's comments in this context are useful. It is clear to me that improvements in the present arrangements are needed and I agree with Sir Robin that officials should be asked to advise Ministers by the autumn.

7. I am copying this minute to Sir Keith Joseph, Patrick Jenkin, Michael Heseltine, Norman Tebbit and other members of E(A) and to Sir Robert Armstrong and Sir Robin Nicholson.

*CP Budd (Private Secretary)*

*JP*

(GEOFFREY HOWE)

(Approved by the Secretary of State  
and Signed in his Absence)

Foreign and Commonwealth Office  
8 July, 1985

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

9 July, 1985

Dear Mr Powell

CR  
16 p.c.

R & D Priorities across Government

I regret that an error crept into the typing of the Foreign Secretary's minute to the Prime Minister (PM/85/68) of 8 July. *attached & amended*

The second sentence of paragraph 3 should read "But quite apart from my departmental concern, I am convinced that the need to promote success on a European scale, .....

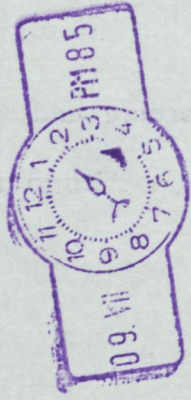
I am copying this letter to the Private Secretaries to Sir Keith Joseph, Patrick Jenkin, Michael Heseltine, Norman Tebbit, other members of E(A) and to Sir Robert Armstrong and Sir Robin Nicholson.

Yours sincerely

PP (C R Budd)  
Private Secretary

C D Powell Esq  
10 Downing Street

CONFIDENTIAL





10 DOWNING STREET

R&D priorities A/L

- Mr committee to look at  
R&D. Its purpose is  
endless. Approx 15 days.  
only if do something useful

<sup>Mr</sup>  
- Look at R&D speed

carefully. Check is sub-structure  
in R&D eg % of overall  
creating a decision paper.  
is this not identity decision  
necessary.

- Find ways of increasing that.  
eg H&MFF disengagement.  
Practice not more.