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Secretary of State for Trade and Industry

CONFIDENTIAL

10 December 1986

The Rt Hon George Younger MP  
Secretary of State for Defence  
Ministry of Defence  
Main Building  
Whitehall  
LONDON  
SW1

Prime Minister <sup>2</sup>

It is doubtful whether  
R&D are taking seriously enough  
E(A)'s decision to constrain  
defence R&D.  
This is a course relevant  
to the Nimrod decision.

Dear George

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E(RD) REMITS TO THE MINISTRY OF DEFENCE

As you know, a meeting of E(RD) was scheduled for 8 December, essentially to discuss papers from you about the implications of constraining future defence R & D expenditure in accordance with the earlier E(A) decision (arising from the E(RD) meeting at the end of September), about your Department's future strategy for international collaboration in the development of new weapon systems and its implications for UK industry, and about the practical arrangements to be made in your Department to ensure that the industrial dimension is fully taken into consideration at all stages of decision-making on defence R & D and procurement (the later two remits deriving from E(RD)'s consideration before the summer holiday of the MISC 110 follow-up report).

As Chairman of E(RD) I was therefore concerned to hear that there now appears to be no prospect of any of this material being available before Christmas, including the paper on the practical arrangements between our two Departments to ensure that full consideration is given at every stage to the industrial implications of defence R & D and procurement decisions. I understand that your officials feel that this latter paper has to await the outcome of a meeting between our respective Permanent

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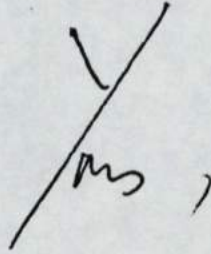




Secretaries on 19 December, and that they expect also to draw on that discussion in preparing the substantive paper about your future R & D programme which you were invited to prepare by the end of November in consultation with the Chief Scientific Adviser, Cabinet Office. My officials tell me, on the other hand, that they never thought that this meeting should result in several weeks delay in the completion of outstanding work.

I know that you yourself strongly endorse the importance we have collectively attached to pressing ahead with efforts to increase the benefits to British industry and the UK economy from Government spending on R & D, more than half of which is the responsibility of your Department. I very reluctantly accept that there is unlikely now to be the opportunity before Christmas for a constructive discussion of adequately prepared papers, but I am clear that we owe it to colleagues not to delay beyond January - not least so that you are in a position to take account of decisions in your next annual review of defence plans. I should be very grateful, therefore for your help in ensuring that, following discussions with officials of all Departments concerned, all three papers will be ready for a meeting of E(RD) in mid-January.

I am copying this letter to the Prime Minister, E(RD) colleagues, Sir Robert Armstrong and Mr Fairclough.

  
PAUL CHANNON 