

W0344

THE PRIME MINISTER

30 April 1985

EUREKA

You will be aware of the French proposal for a new European programme of coordinated research, with the acronym Eureka. I should like to offer a view on the subject, as this may come up in the margins of the Bonn Economic Summit.

The French proposal is based on the familiar (and correct) argument that Europe is falling behind the USA and Japan in high technology areas which will form the basis of economic prosperity in the future. Without further analysis, they assert that the way to combat this is to pool European R and D resources in certain key technologies. To this end, the proposal embraces a new European agency which would coordinate the activities of governments, industry and research establishments in Europe in areas such as large computers, advanced lasers and microelectronics.

My view is that the proposal is ill-thought out, in that whilst it identifies the right problem, the diagnosis is wrong. I believe that the root cause of Europe's failure to capitalise on its technological potential is its failure to exploit its research and the lack of a true common market for high technology goods and services. There are all too many examples of European countries (France is the worst culprit, but there are others) putting up artificial barriers to the high technology products of other European countries until they can develop their own capacity to manufacture similar or even inferior products.

But, inadvertently, the French in making this proposal have left themselves open to counter attack, and we have an opportunity to turn the argument round. So, instead of simply rejecting the proposal, I believe we should agree that there is a problem but it is one of exploitation rather than coordination of research.

If we succeed in re-locating the discussion on these grounds, then we can effectively exploit the French initiative. An important step would be to conduct the next exploratory stage at a trilateral, rather than bilateral level. It is probable that we could harness German support, but not so long as the French remain as intermediaries.

I should just add that, there is some uncertainty, including amongst the French, about how Eureka relates to SDI. It is clear that US proposals for SDI sparked French fears about the civil spin-off within the US which might give the US an unassailable lead in certain technologies, but I do not think it is necessary to discuss the development of Eureka in an SDI context.

I am copying this minute to Sir Robert Armstrong.

RBN .

ROBIN NICHOLSON
Chief Scientific Adviser