



FCS/84/240

CCPC

NBPM

CHANCELLOR OF THE EXCHEQUER

Community Expenditure on R & D and Euro-PES Arrangements

1. Thank you for your minute of 30 July ^{PT26} which I saw briefly before I went on leave. On my return I have had an opportunity to consider the issues you raise, with Norman Tebbit's letter of 7 August to you on the same question.
2. There is no question but that we must continue to attach the highest importance to controlling Community expenditure. But we have also to honour the commitments we have made on R & D over the past two years, including the agreement reached at the Brussels European Council in March on increasing the proportion of Community resources devoted to financing priority Community research and development activities.
3. The immediate question at issue is the line we should take in the run up to and at the Research Council on 16 October. I agree that we must decide among ourselves what would be an acceptable figure for the Community R & D programme. The Commission's proposed figure is absurdly high. We must seek to forge an alliance with those Member States who share our concern at the Commission's proposals. But even the Germans would not accept that the Brussels European Council commitment does not involve any increase in expenditure. We should handicap ourselves if we were to put forward proposals which stood no chance of acceptance.
4. At OD(E) on 3 October we shall need to consider an approach which might enable us to reach a common position with our potential allies and particularly the Germans in advance of the Research Council on 16 October. To do this, I believe we should pursue both your suggestion that we should reach an understanding between ourselves about the appropriate expenditure levels for

/Community



Community R & D in 1986 and beyond, and Norman Tebbit's proposal that we should decide our own programme priorities. I understand that officials have already begun to prepare the ground for our discussion at OD(E).

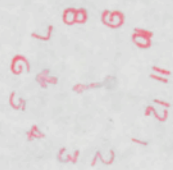
5. I am sending copies of this minute to OD(E) colleagues, the Prime Minister and Sir Robert Armstrong.

A handwritten signature in black ink, consisting of several sharp, angular strokes that form a stylized representation of the name 'Geoffrey Howe'.

GEOFFREY HOWE

Foreign and Commonwealth Office
7 September, 1984

Env PDI PT27
Budget



- 7 SEP 1984