

Mr Coles

No more than  
Council (iii) - but would  
that take us over the top  
of 12.175?

Qz.03481

Any provision  
for us for refunds  
in 1984 budget?  
Would this

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The Prime Minister.

You should know of this minute  
to the Foreign Secretary. A decision is  
needed by Sunday. The minimum  
solution seems right to me. Would  
you like me to tell the Foreign  
Secretary that that is your view?

FOREIGN AND COMMONWEALTH SECRETARY

ESPRIT

further expenditure  
make our refunds  
more difficult.  
no

A.J.C. 9/12

The European Community's programme for research in information technology (ESPRIT) which was discussed at OD(E) on 17 November and at the Prime Minister's meeting on 1 December, was one of the questions which did not come to decision at the Athens European Council. ESPRIT will now be on the agenda of the Council of Ministers (Research) on 13 December. The United Kingdom's line for that Council meeting was discussed by officials of the Department of Trade and Industry, Treasury and Foreign and Commonwealth Office at a meeting under my chairmanship yesterday. There was a divergence of view and I was asked to minute you as Chairman of OD(E) to put to Ministers the possible courses of action.

2. There are three alternative courses which the United Kingdom might adopt at the Council of Ministers (Research) on 13 December:-

- (i) the maximum solution. The United Kingdom would agree to the five year programme averaging about 140 million ecu a year (UK share, before receipts, of about £18 million a year) subject to a mid-term review with a separate Council decision on the funds necessary for the second half of the programme and to the overall condition that funds must be available within the Community budget, if necessary by displacement of other programmes. At my meeting some officials supported this course but, without further Ministerial discussion and decision, it is open to the near fatal objection that the Trade and Industry Secretary has made quite clear that he is not prepared to find equivalent savings on his

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domestic programmes and the Chancellor of the Exchequer has made equally clear that he will not agree without such a commitment;

- (ii) the nil solution. The United Kingdom could take the line that we would not agree to any funding at all for ESPRIT. Within the Community this would probably be seen as a decision by the United Kingdom government to maximise the difficulties following the European Council in Athens. There are two reasons specific to the ESPRIT programme which would make it difficult for the Parliamentary Under Secretary, Department of Trade and Industry (Mr Trippier) to sustain a nil solution: first, at the scientific and technical level the United Kingdom has consistently maintained that the ESPRIT programme is better than some other Community research and development programmes, which would point to going ahead with ESPRIT and cutting back on some other Community expenditure. Secondly, the draft 1984 budget, which was sent forward by the Council of Budget Ministers, makes provision for a modest start to be made on ESPRIT in 1984;

No - this is an attempt to bounce us.

Need - but we have to decide what should be cut back

- (iii) the minimum solution. The United Kingdom should not block the ESPRIT programme but should agree only to the funding already included in the 1984 draft budget. The United Kingdom share of the payments provision in the 1984 draft budget is about £6 million. The United Kingdom share of the commitments provision in the 1984 draft budget would be about £20 million, some of it being payable later. We should need to make it a condition of our agreement that the Commission could finance not only the payments but also the commitments within the 1% VAT ceiling and that, if

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necessary to respect the ceiling, they would find offsetting savings on other lower priority programmes. The United Kingdom contribution to ESPRIT payments and commitments made under the present draft 1984 budget provision would not require cuts in the Department of Trade and Industry's domestic programmes. This means that the funds could be found either within Programme 2.7 as part of the United Kingdom's overall net contribution to the Community or by access to the contingency reserve. This decision would be free-standing. It would not prejudice the wider decision which Ministers will be invited to take later about "attribution" and non-additionality which was discussed in E(A) on 1 December. It would not prejudice the public expenditure treatment of any further expenditure on ESPRIT, if Ministers were to decide upon it (for example, following successful negotiation of a budgetary safety-net).

What provision is made in the 1984 budget (on reserves left) for refunds to us as a result of 2 refunds? Will this ESPRIT programme affect that?

3. As a decision on these questions is needed in time for the Council of Ministers (Research) on 13 December, it would be helpful if members of OD(E) could let you know their reactions by mid-day on Monday 12 December and, in particular, whether they could accept course (iii).

4. I am sending copies to members of OD(E), Sir Robert Armstrong, Robin Nicholson and John Coles (10 Downing Street).

*D F Williamson*

D F WILLIAMSON

Cabinet Office

9 December 1983

LB



10 DOWNING STREET

cc HMT NIO  
MAFF CO  
LPSO Mr Williamson  
AGO. CO.  
DTI

From the Private Secretary

12 December 1983

ESPRIT

Since a decision is needed early this week, I thought it right to show to the Prime Minister over the weekend Mr. Williamson's minute of 9 December.

The Prime Minister has commented as follows. She would not wish to envisage any solution going beyond the minimum solution in paragraph 2(iii) of the minute. But she has asked whether that solution would take us beyond the 1 per cent VAT ceiling.

Mrs. Thatcher has further enquired whether there is provision in the 1984 EC budget for refunds to the United Kingdom and whether the further expenditure proposed for ESPRIT would make the question of our refunds more difficult.

I am copying this letter to the Private Secretaries of other members of OD(E) and also to Richard Hatfield and Mr. Williamson (Cabinet Office).

A. J. COLES

Roger Bone Esq  
Foreign and Commonwealth Office

ME