

cc NO

Education: Alvey

(2)

CONFIDENTIAL



Prime Minister.

This answers some of the questions you posed this morning.

FCS/83/264

SECRETARY OF STATE FOR TRADE AND INDUSTRY

A.S.C.  $\frac{12}{2}$

ESPRIT

attached

1. You will have seen the European Secretariat's note of 9 December about the line on ESPRIT which we should take at the 13 December Research Council and on how the domestic financial arrangements might be treated.

2. I agree that the first option set out in the note (agreement to the full five year programme) is not appropriate in the aftermath of the Athens European Council: we should not agree to the Community entering into commitments for which it may not have the resources. I entirely agree that the second option (to block the programme altogether) would have serious drawbacks and would in my view have a very damaging effect on our prospects of achieving our negotiating objectives within the Community. Funds are available in the 1984 budget and we would undoubtedly be isolated if we tried to argue in the face of that fact. We must clearly be very careful to ensure that we do not manoeuvre ourselves into a position of opposing in isolation a Community programme which we have consistently supported and which it is in our interests (and in the interests of UK industry) to see go ahead as soon as possible. Moreover we must avoid provoking the European Parliament into taking punitive action against our 1984 budget (including our refunds) two days after the Research Council. Reports in the European press blaming Britain for blocking the ESPRIT programme could all too easily give the Parliament a pretext for making trouble. The sums at stake (£435 million) are much greater than those involved in Mr Williamson's third option (agreement to an interim, one year programme).



3. Under these circumstances I think the balance of argument points clearly towards David Trippier taking the line set out in the third option of the note. This would be in line with the position that the Prime Minister and I adopted at Athens - of avoiding any suggestion of hostility to the ESPRIT programme as such, while keeping any argument on the scale of the programme as a card to be played only when a satisfactory overall outcome was in sight. Such a solution would not take us beyond the 1% ceiling (see paragraph 2 of John Coles' letter of 12 December): the 45 mecu expenditure is already in the 1984 budget and the conditions that Mr Williamson proposes would make it clear that offsetting savings on other lower priority programmes must be found to finance both payments and commitments within the ceiling. On the question of our 1983 refunds (paragraph 3 of John Coles' letter of 12 December) there is already provision in the 1984 EC budget for them: money will of course be tight, but our agreement to ESPRIT, for which 45 mecu has already been earmarked, would not jeopardise our refunds. Indeed, for the reasons in paragraph 2 above. I believe that a decision by us to refuse the legal base which would enable money already in the budget for ESPRIT to be spent would significantly increase the risk of the Parliament making trouble.

4. On the question of attribution, I could agree to either of the arrangements suggested by the Cabinet Office. It is clearly important to protect the position of the Treasury and the other Departments concerned pending the outcome of the examination by officials commissioned at EA.

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5. This minute goes to all members of OD(E), to Private Secretary to the Prime Minister and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

(GEOFFREY HOWE)

Foreign and Commonwealth Office  
12 December 1983

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