



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

12 December 1983

The Rt Hon Norman Tebbit MP
Secretary of State for Trade and Industry
Department of Trade and Industry
1 Victoria Street
LONDON SW1

Stan Norman

RESEARCH COUNCIL, 13 DECEMBER: ESPRIT AND OTHER R & D PROGRAMMES

I have seen the note by the Cabinet Office prepared in the light of the discussion between officials on 8 December.

In my view there is a case for simply digging our heels in on all new policies in the aftermath of the Athens Council. There are certainly cases e.g. parts of the R & D framework programme where we may well want to take this position. But I recognise that there will be strong pressures from elsewhere in the Community to let the ESPRIT programme start and that in this particular case for us to block it entirely might be counter-productive in the wider context. I am therefore prepared to accept what is described as the minimum solution in the Cabinet Office note, i.e. that the programme can be got underway using the 45 mecu for payments already in the Community Budget for 1984. We should not, however, go beyond a figure of around 90 million ecu for commitments in 1984 (irrespective of what the European Parliament puts into the Budget), since there can be no certainty that a higher commitments figure would be financeable within the 1 per cent ceiling. My agreement to the minimum solution is subject to this point and to the further conditions set out in paragraph 4 below. As regards the level of the programme in future years, we will have to make it clear that that can only be determined in the light of the resources available when the Budgets are drawn up. (I should add that, as I understand it, expenditure of 45 mecu would not in any way compromise the provision for our 1983 refunds which is already within the 1984 Budget).

./... As regards



As regards the implications for domestic public expenditure I made it clear in June that I would be looking for savings on the DTI programme to offset the cost of ESPRIT. E(A) Committee agreed on 1 December that there must be an "effective mechanism" to ensure that Community expenditure did not add to domestic public expenditure. It is no longer, therefore, an open question whether the cost of this programme should be offset: and DTI is clearly the Department with prime programme responsibility for ensuring that it is.

That said, I accept that the arrangements for applying the E(A) conclusions have still to be settled in detail. I can therefore agree exceptionally that you need not offset the UK ESPRIT contribution for 1984-85 only from within your own Departmental programme: any balance you are unable to offset in this way can on this occasion be found by reductions in the EFLs of the nationalised industries for which you are responsible. This is, of course, a wholly exceptional way of dealing with the problem, and I look to you to accommodate the cost of the UK contribution for subsequent years within your agreed programme in accordance with the precise arrangements to be set up following the E(A) discussion.

I understand that the Research Council will also be asked to consider a number of other R & D programmes which have yet to be approved. The most important of these programmes is that for non-nuclear energy R & D. Since there is only minimal provision for this in the 1984 Budget, we must seek to limit the programme to a figure as near as possible to the existing level of expenditure, which I understand to be about 26 mecu a year. And whatever is agreed must be subject to the proviso that it can be financed within the funds available in the 1984 Community Budget and subsequently. If necessary, as in the case of ESPRIT, we should limit the financing decision to one year only at this stage. As regards offsetting the cost to the UK, Departmental responsibility rests with the Department of Energy and I would expect the principle agreed by E(A) on 1 December to be applied in this case in accordance with whatever mechanisms are finally decided upon.

I am sending copies of this minute to the Prime Minister, the Foreign Secretary, colleagues in OD(E), the Secretary of State for Energy, and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to read 'Nigel Lawson', written in a cursive style.

NIGEL LAWSON



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5422
GTN 215
(Switchboard) 215 7877

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Secretary of State for Trade and Industry

13 December 1983

CONFIDENTIAL

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London SW1

Prime Minister.

A strong letter.

D. Nigel,

A.C. 13/12.

RESEARCH COUNCIL, 13 DECEMBER: ESPRIT AND OTHER R&D PROGRAMMES

- with AT?

We spoke this morning about your letter of 12 December.

2 As I told you, I was surprised in the extreme that you find it impossible to accept the choice (iii) without adding conditions which, as I made clear in my letter to Geoffrey Howe yesterday, I should find totally unacceptable. The conclusions of E(A) Committee were that there should be "an effective mechanism" to ensure that Community expenditure did not add to domestic public expenditure. But the conclusion was equally that the issues were complex and "needed further study by officials before final decision could be taken". I should make clear that I do not regard this conclusion as accepting the principle of offset or attribution. Yet your proposal is clearly based upon establishing the principle of offset, in a way which, if accepted, would pre-empt what must properly be decisions to be taken by E(A) and, if necessary, Cabinet. I find this unacceptable. I should also make clear that I should find it toally unacceptable if the EFLs of the nationalised industries for which I am responsible were set, not by reference to the needs of those nationalised industries, but rather by reference to other, and totally unrelated, programmes. Yet this is what you are proposing.

3 I therefore must make clear, as I did on the telephone this morning, that, unless option (iii) is agreed to without the conditions put forward in your letter, I shall ensure that we proceed on the basis set out in my earlier letter today, namely that we should espouse option (ii) described as the nil solution. I have therefore instructed David Trippier to inform the Presidency and the Commission that the UK will be unable to agree to the Esprit programme today, and that if they are taken to a



decision today the United Kingdom would be forced to veto the proposal. I hope it will prove possible to postpone discussion. If not, Esprit will be blocked. I have told Geoffrey Howe, with whom I have discussed this on the telephone, of the line at the Council to which your conditions have led.

4 I am copying this letter to the Prime Minister, other members of OD(E), Peter Walker, and to Sir Robert Armstrong.

cf
Norman

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EDUCATION: Alvey Nov 1982

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