

PRIME MINISTER

Mr. Tebbit prefers the minimalist option (iii) but only if he does not have to find offsetting savings. Otherwise he would go for the nil option (ii).

The Chancellor agrees (iii) provided the UK contribution is attributed to DTI and offsetting savings found. As a concession he will accept savings on DTI's EFLs.

Mr. Tebbit may well refuse - leaving an impasse.

Would you prefer

If offsetting savings are not forthcoming, we shall have to go for the nil option. Although it would be harmful

- (i) Mr. Trippier to have to argue for nil option?
- (ii) Mr. Tebbit to make offsetting savings (about £6 million).

I assume you would not want Esprit to be agreed before offsetting savings at home are identified. *Correct.*

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12 December 1983

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D Geoffrey.

ESPRIT

attached

I have seen the Cabinet Office minute to you of 9 December (Qz.03481) about the problem of handling discussion on this item at The Research Council on 13 December.

2 Of the three options which it describes, I would accept that choice (iii) is the least damaging in the current circumstances - provided that it is clearly accepted that there will be no requirement placed upon my Department to find offsetting savings in its PES either for payments made during 1984 under the ESPRIT programme or for commitments authorized under the programme in 1984 for payment in later years.

3 Should this not be acceptable - or should the Commission be unable to meet the conditions placed upon it in option (iii) - then I fear we have no alternative but to espouse option (ii), described as the nil solution, so long as I am asked to find equivalent savings from my domestic programme. I recognize that the history of our support for ESPRIT together with the provision already made by the Budget Council for at least a modest launch will put our spokesman in an invidious position at an unwelcome time. I fear however that I would have no alternative.

4 I am sending copies to those who received the Cabinet Office minute.

NORMAN TEBBIT

EDUCATION: Research
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