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6 February 1984

PS/Secretary of State for Trade and Industry
1 Victoria Street
London SW1

A.S.C. $\frac{6}{2}$.

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Dear Private Secretary,

ESPRIT

On 3 February I received a telephone call from M. Yves Farges who is the member of the Cabinet of Fabius responsible for preparing the European Community Presidency's position on ESPRIT for the next Research Council on 28 February. He asked if I could informally bring him up to date with the UK's position on ESPRIT.

2. I said that no decision had been put to Ministers since before the last Research Council on 13 December when, as he would remember, the UK's position was broadly in line with that stated by Germany.

3. Since that time we had heard with interest the German proposal made at the Foreign Ministers' Council a couple of weeks ago to limit R & D spending to its current level but to include the ESPRIT programme within that expenditure instead of low priority items. Officials were trying to obtain further details of the German proposal so that the position could be put before Ministers. So far officials had had some difficulty in obtaining the details and it was not clear whether the next step lay with Germany or with the Commission.

4. I said that although, for the reasons given above, the matter had not yet been put to Ministers, I thought it was possible that there would be some interest in the German proposal since it appeared

to meet the British view that ESPRIT should have a high priority amongst Community R & D spending programmes, but that it should not be used to expand the overall expenditure.

5. I reminded Farges that Vicomte Davignon was due to visit the Prime Minister, Sir Geoffrey Howe and Mr Tebbit in the week beginning 13 February and I thought it was unlikely that Ministers would wish to come to any firm decision about ESPRIT before that visit. (In making this comment I had in mind that the next discussion on attribution is to take place shortly after Davignon's visit and, saving any prior agreement amongst Ministers about ESPRIT, it is clear that no definite statement about the British position can be made until after the attribution discussion.)

6. In summary I said nothing more than Ministers have already said at Research Council meetings, but I report the conversation because it is clear that we shall be under continuing pressure from the French Presidency to indicate our likely line on ESPRIT for the Research Council meeting on 28 February as soon as possible.

Yours sincerely,
Robin Nicholson

ROBIN B NICHOLSON
Chief Scientific Adviser

cc: PS/S/S Foreign & Commonwealth Affairs
→ Mr Coles, No 10
Mr Hatfield
Mr Gregson
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ow
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With the compliments of

THE PRIVATE SECRETARY

ROGER BOWE.

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ESPRIT; Briefing Note

ESPRIT good programme. Help Community catch up with Americans/Japanese in information technology. Industry finances on equal basis with Community. British industry enthusiastic, played full part in pilot programme in 1983. Probably brings useful net benefit to UK. We have publicly stated our support. Notably at Stuttgart and in our Other Policies paper.

After Athens European Council reserved our position on ESPRIT. Needed to be sure that agreement did not imply increase in own resources. Germans took even tougher line.

Situation now changed. At Foreign Affairs Council on 23 January Germans deserted us. But proposal they put forward - that ESPRIT should be agreed in principle subject to a number of conditions affecting public expenditure aspects - suits us well.

Situation in which find ourselves brings a risk and an opportunity.

Risk. If ESPRIT not agreed at 28 February Research Council because UK holding out alone against the programme, we would strengthen suspicion that our preoccupations in the Community are exclusively budgetary. Could be damaging in post-Stuttgart negotiation context. Moreover, would discourage our industry, which actively interested in the programme, putting at risk a probable net benefit. Wrong to suppose veto on ESPRIT a level against community eg on budget.

Opportunity. Germans suggest that ESPRIT, JRC and the fusion programme should be established as priority programmes within existing budgetary ceilings of around 600 MECUS per annum for Community R & D as a whole. This ceiling would apply for as long as 1% VAT limit in place. Lower priority R & D programmes would be sacrificed.

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/R & D

R & D priorities are realistic in the circumstances. German proposal would put a cap on Community R & D in 1984 and 1985, meeting our main concern that agreement to ESPRIT should not imply an increase in own resources.

Sure therefore that we should support the German proposal. Hope we can say so to Davignon on 13 February.

Also sure that we should not let attribution issue stand in the way of doing so. Hope can reach agreement in Whitehall which will enable us to give the programme the go-ahead while still safeguarding our position on own resources and public spending.