



Ref. A085/1171

PRIME MINISTER

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Cabinet: Community Affairs

The Foreign and Commonwealth Secretary may refer to the recent French proposal for a European Research Co-ordination Agency (Eureka). This would be an agency outside the Community framework, separately financed by contributions from business and Governments, which would co-ordinate research and development in a variety of fields, including space, computers, artificial intelligence and micro-electronics. One purpose of the French may be to try to encourage European research to match the advantages which United States industry will gain from the spin-off from the Strategic Defence Initiative. The proposal is not well thought out - it would, for example, overlap with a number of existing programmes - but since the French have secured some German support for their initiative, the Foreign Secretary will suggest that at this stage the United Kingdom's attitude should be a questioning one, taking no commitments and seeking to clarify what is intended.

2. The Chancellor of the Exchequer will report that the Budget Council on 23 April, at which the United Kingdom was represented by the Economic Secretary, reached agreement on the financing of the 1985 budget overrun. Led by the United Kingdom, the Council cut back the Commission's request for an additional £1.3 billion (2.3 billion ecu) to about £1.1 billion (1.9 billion ecu) which represents little more than the provisional November figure of 1.3 billion ecu plus the 1984 revenue deficit. The United Kingdom's gross share of this under the second Intergovernmental Agreement will be correspondingly reduce at around £240 million.



Since the Fontainebleau abatement system will apply this time, the net cost to the United Kingdom will be about £40 million, ie over £10 million less than the figure for 1984.

3. The Minister of Agriculture, Fisheries and Food will report that, as he forecast to Cabinet last week, the Agriculture Council on 22-23 April reached no decisions on farm prices for 1985-86. The Italian Presidency's attempt at a compromise, which was less satisfactory than the Commission's original proposals and would have upset the balance both between the arable and livestock sectors and between Northern and Mediterranean products, failed to attract support from the Commission or the majority of member states. Mr Jopling stated that in many respects it took the negotiations backwards rather than forwards. British farmers do not like the delay in settlement but it is advantageous to the British taxpayer. In particular, for milk the further cut in quotas has now come into effect automatically but the costly element (higher target price) has not been agreed and in our view cannot for physical reasons be backdated. This is important as we approach the peak period of European milk production. The next meeting of the Agriculture Council will now be on 2-5 May.

4. The informal meeting of Research Ministers on 23-25 April, at which the United Kingdom is being represented by the Minister for Information Technology, is discussing a wide range of research and development issues but is not expected to take any decisions requiring a report to Cabinet.

5. The Foreign Affairs Council meet on 29-30 April, and the Agriculture Council on 2-5 May. There will be an informal meeting of Health Ministers on 3-4 May.

ROBERT ARMSTRONG

24 April 1985