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PRIME MINISTER

**EUREKA - FRENCH PROPOSAL FOR A EUROPEAN RESEARCH
CO-ORDINATION AGENCY**

It seems likely that when you see President Mitterrand at the Bonn Summit this week, he will press you for a response to the French Initiative on "Eureka", on which M. Dumas wrote to Geoffrey Howe on 15 April. I have become concerned about the way in which discussions of the French Initiative within Europe during the last two weeks have been drifting towards acquiescence in the proposal without any serious analysis having been made of it or any consideration given to alternatives. There is a risk that unless we make our own position on it clearer to the French, we may find ourselves confronted with a take-it-or-leave-it proposal, which has been accepted by the Germans and other European countries and which it will then not be easy to amend.

2. As you know, a good many details in the French proposal remain obscure. It is uncertain whether the research to be co-ordinated is primarily civil or military; whether and, if so, how, it is related to the Strategic Defence Initiative (SDI); and whether or not the new agency should be a Community institution.

3. What is already clear is that Eureka looks likely to be very expensive. The French proposal appears to be that joint funding between Government and industry on the 50:50 ESPRIT model should be the general pattern. In view of the number of technologies involved, the French may well be thinking of expenditure of several £billions over the next few years.

4. My concern about the potential costs is increased by M. Delors' proposal that Eureka should be absorbed into the bureaucracy of the Community. It is clear that this is linked with his proposal to double Community R&D spending from 3 to 6 per cent of the Community Budget - an ambition which you resisted at the European Council on 29/30 March.

Prime Minister
Relevant to your
bilateral with
President Mitterrand -
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briefs.
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5. In my view there can be no need or justification for increased governmental spending on anything like the scale the French appear to have in mind. Most of the companies involved in these defence-related technologies are in a strong financial position and well able to finance such research themselves. GEC is an obvious example. Better co-ordination of European R&D may be needed, but not more public funds. Given the present public expenditure position, I should have to ask that any UK contribution towards Eureka would have to be found from within existing PES allocations. It is clear that this could only be done if Departments are prepared to consider sacrificing other existing priorities.

6. I think it is important that we make our position on Eureka clear to the French now, before positions harden, and to avoid future misunderstanding. I suggest that in any discussion in Bonn you might like to make the following points to President Mitterrand.

- we sympathise with the French on the desirability of greater collaboration in the Eureka sectors. But we cannot enter into any commitment to the French proposal until they have explained in detail what they have in mind;
- better collaboration does not and should not mean heavy Government expenditure. Most of the companies involved in these defence-related technologies are flush with funds; Government budgets are not. Any new agency set up should be limited to a minimum administrative budget.
- We are doubtful whether any new agency should be a Community institution. This would merely feed Commission ambitions for a bigger budget. Community record in managing R&D not good; over-heavy bureaucracy; too much insistence on a fair share of contracts for all Member States.

7. I am sending copies of this minute to Geoffrey Howe, Norman Tebbit, Michael Heseltine and to Sir Robert Armstrong and Sir Robin Nicholson.

N.L.

1 May 1985