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Secretary of State for Trade and Industry

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MS

30 November 1983

CONFIDENTIAL

Andrew Turnbull Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Prime Minister ②
You asked for more information
on Esprit. This is attached. ~~My~~
of course I deals with our payments
to Esprit, whereas you wanted
receipts from. DTI will provide
further information.

Dear Andrew,

ESPRIT

Thank you for your letter of today's date, setting out a number
of questions the Prime Minister had on the Foreign & Commonwealth
Secretary's minute of 22 November about Esprit. I enclose a
background note prepared by the Department to cover these points.

AT 30/11

2 I am sending a copy of this letter to the Private Secretaries
to the Members of OD(E) and to Dr Nicholson (Cabinet Office).

Yours ever

Colin McCarthy

M C McCARTHY
Private Secretary



How is the UK Contribution to Esprit Calculated?

The Commission proposal is for a programme of 1500 mecu over 5 years funded 50% by the Community. At the exchange rate of 1 ecu = £0.57, this would give an average annual Community expenditure of £85.5m. The UK contribution to the Community budget is approximately 22%, which would give an annual contribution of £18.8m.

ESPRIT and other community R&D programmes

The significance of ESPRIT is that industry has been involved in the detailed planning of the programme as well as in its implementation. The programme has been the subject of considerable work; it is practical and influenced by the needs of the market place not by the ideas of Community bureaucrats. It is also in an area where industry wants to collaborate with its peers in other Member States. Some of the Commission's other proposals for R&D do not take such account of the needs of industry, nor whether there is a real need for Community action. Three examples are:

R&D for developing countries (38 mecu over 1984/87)

Designed to improve the indigenous capacity of developing countries to carry out research. It is not clear that this would be efficacious, nor that it is appropriate for Community rather than national aid programmes.

Environmental programmes (66 mecu over 1984/87, including the less worthwhile work at ISPRA referred to below)

A collection of disparate projects, dealing with pollution, which have been added on to Community obligations under two international conventions. They have no obvious Community objective underlying them.

Nuclear Safety

Although the objectives of research into nuclear safety are worthy of support, much of the work at ISPRA is of very low calibre: but the Italians are very resistant to efforts to discontinue it.

Overlap between Alvey and Esprit

Approximately two fifths of the Esprit programme (the office automation and computer-integrated manufacture sections) has no counterpart in Alvey. Even where Esprit and Alvey cover the same overall technologies, some of the strategic objectives of Esprit, such as the promotion of European collaboration and agreeing European standards, are not - and could not be - part of Alvey.



Further, the Esprit programme is bound to take account of the interests of other Member States. As a result its detailed technical objectives will not be identical with those of Alvey in the same area, either in content or, equally importantly, timescale. In addition, the benefits to the UK from an individual ESPRIT project may be very much less than from a corresponding Alvey project. There is no UK participation, and they will not normally be free to disclose the details to other UK firms.

How can we work to prevent duplication?

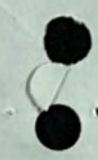
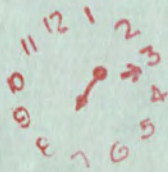
While the UK has complete control over Alvey, we do not own Esprit. And in both programmes, the choice of projects will ultimately depend on industry's willingness to put up their share of the costs. For these reasons we cannot guarantee to prevent all cases of overlap. Nevertheless neither industry, the Commission nor the UK wants wasteful duplication and there are steps that can be taken to this effect.

- (a) Where we believe the UK's needs on a particular topic are being met by Esprit, we shall not support the same work under Alvey.
- (b) When the UK has supported work under Alvey we will use our influence with the Commission and our position on the Management Committee to oppose any duplication. Both the annual workplan and the larger individual projects have to be approved by the Management Committee (by qualified majority). This gives us a significant say, but not a power of veto.
- (c) UK industry is heavily involved in the preparation and planning of Esprit. They will be working at the detailed technical level to steer Esprit away from work that has already been started in the UK but rather to build on it.

Would we have provided as much for Alvey if we had known about Esprit?

not on this scale
We did know about Esprit. The Alvey programme was based on a detailed study of the UK needs in information technology. Esprit has objectives relating to the whole Community. It is not a substitute for Alvey. The Alvey Committee took full account of the plans for Esprit, but final details were not then available. When the Government approved the Alvey programme it was already obvious that the Commission's proposals for Esprit would be substantial. It was however not clear what scale of programme would eventually be approved in the Community.

30 NOV 1985





10 DOWNING STREET

From the Private Secretary

30 November 1983

ESPRIT

CPK
The Prime Minister has seen the Foreign and Commonwealth Secretary's minute of 22 November and has asked a number of questions on it. You have agreed to put in a note by close of play tonight answering the following:-

- (i) How has the UK's share of the ESPRIT programme (£18 million out of £79.8 million) been determined?
- (ii) What are the weaker Community research programmes referred to and what are the obstacles to cutting them back?
- (iii) How far does ESPRIT overlap with domestic research expenditure, in particular the Alvey programme?
- (iv) To what extent is it the case that the Government would not have put so much into Alvey had the size of ESPRIT been known?

I am copying this letter to the Private Secretaries to the members of OD(E) and to Dr. Nicholson (Cabinet Office).

ANDREW TURNBULL

Callum McCarthy, Esq.,
Department of Trade and Industry.