

28 November 1983

PRIME MINISTER

ESPRIT

*Communications?  
Satellites? What we  
do we do same things?*

I believe the ESPRIT programme is the most important R & D proposal which has yet come from the EEC.

2. The world market for IT equipment is estimated at about £100 bn next year with a growth rate of 10-15 per cent per year. For comparison the civil airliner market is about one-tenth the size and one-half the growth rate.

3. Europe's current performance in this staggeringly large market is abysmal. It has only 10 per cent of the world market and a 40 per cent share of its own indigenous market. Europe already has a £7 bn trade deficit in IT. Japanese and American firms increasingly dominate.

4. The technology is changing with great rapidity and the industrial structure of the mature IT market has yet to be formed. Thus Europe, with its great scientific and technological resources, still has an opportunity to play a major role in what must become the major industry of the 21st century. ESPRIT is a collaborative research programme designed to give European industry the opportunity of playing this role.

5. ESPRIT is a collaborative research project which has programmes in three of the enabling technologies -

- advanced microelectronics
- software technology
- advanced information processing

and in two application areas -

- office systems
- computer integrated manufacturing.

6. European private sector industry has had a major part in planning the R & D programme and, of course, is proposing to fund half the cost.



This is a radical and welcome step in European R & D which has previously been funded overwhelmingly from EEC funds alone.

7. The pilot phase of ESPRIT has been highly successful with keen industrial competition for R & D contracts. UK industry responded rapidly with high quality proposals and played a part in 21 of the 36 pilot projects. Our industry strongly supports the main ESPRIT programme.

*But we wouldn't have put so much into Alvey had we known this programme was to be so large*

8. Alvey and ESPRIT are complementary R & D programmes. Alvey was essential if the fragmented UK IT industry was to develop the technological and industrial muscle to compete in Europe (presently our largest IT company, GEC ranks No 18 in the world!). ESPRIT is essential if European companies and partnerships are to compete with Japan and America.

9. There is a danger of technical overlap between Alvey and ESPRIT but this can be avoided by private sector involvement (they won't pay twice for the same programme!) and by good management, especially of the Alvey programme.

10. There is also a danger of losing our technology to Europe. But if we're sensible, we can also gain technology from Philips, Siemens and the other high quality European IT companies. Without European collaboration the likelihood is of a small, technically excellent UK IT industry which fails to develop world-competitive products and eventually can no longer sustain its own technical base.

*Which?*

11. In the past the EEC has taken on many poor R & D programmes because of a political unwillingness to take harsh action. In the last 5 years, the UK has striven to change the situation and replace the mediocre and the unimportant with the excellent and the relevant. In particular we have sought to involve private sector industry. ESPRIT is the first outcome of our efforts. It is vastly superior to most of the rest of EEC R & D. We should support it strongly at the £79.6 m a year figure as the Foreign Secretary suggests in his minute to you of 22 November. (I do accept, of course, that our tactics on the budgetary situation may require us to take a different position in the initial negotiations.)

*What?*

*RBN.*

ROBIN B NICHOLSON  
Chief Scientific Adviser

Cabinet Office  
28 November 1983



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Murray  
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