

EUROPEAN PARLIAMENT

# Working Documents

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10 October 1983

DOCUMENT 1-750/83/ANNEX I

ANNEX I

to the VERONESI Report

drawn up on behalf of the Committee on Energy,  
Research and Technology

on the proposal from the Commission of the European  
Communities for a Council decision (COM(83) 258 final -  
Doc. 1-466/83) adopting the first European Strategic  
Programme for Research and Development in Information  
Technologies (ESPRIT)

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Opinion of the Committee on Economic and Monetary Affairs



O p i n i o n

of the Committee on Economic and Monetary Affairs

Draftsman: Mrs Desouches

At its meeting of 19 and 20 September 1983, the Committee on Economic and Monetary Affairs appointed Mrs Desouches draftsman of an opinion for the Committee on Energy, Research and Technology.

At its meeting of 27-28 September 1983, it considered the draft opinion and adopted it unanimously.

The following took part in the vote: Mr Moreau, chairman; Mrs Desouches, draftsman; Mr Beazley, Mr Beumer (deputizing for Mr Vergeer), Mr Bonaccini, Mr Damseaux (deputizing for Mr Nordmann), Mr Rogalla (deputizing for Mr Wagner), Mr Van Rompuy, Mr Wedekind (deputizing for Mr Franz) and Mr von Wogau.



## BACKGROUND

1. Parliament has already given its opinion on the pilot project phase of the European Strategic Programme for Research and Development in Information technologies (ESPRIT). The Commission is now putting forward a proposal to the Council for the first 5 year phase of what is envisaged as a ten year R. and D. programme.

The programme is by far the largest of its kind launched by the Community. The projects will be chosen in large measure as a function of their contribution to industrial strategy, and will be carried out through contracts with undertakings and with universities, with costs shared 50% by contractors and 50% by the Community. The financial resources required for the first phase are estimated by the Commission as 1500m ECUs of which the Community would have to provide 750m ECUs. ESPRIT would also involve coordination of R. and D. activities carried out under the programmes of the Member States and by the Community, and with exchange of information on R. and D. activities in the areas covered. Six main areas of research activity are envisaged, Advanced Microelectronics Capability, Software technology, Advanced Information processing, Office systems, Computer Integrated Manufacturing and Infrastructure Actions!

### The vital need for Community action

2. The importance of the new information technologies in ensuring the future competitiveness of European Community industry has been emphasised on numerous occasions by the Committee on Economic and Monetary Affairs. Firstly they are significant in their own right: The Commission's document on ESPRIT (COM (83) 258 final) points out (Appendix - Section I, Background, page 5) that 6% of the Community's GDP is produced by the IT core industries, such as the computer and components industries, and that (OP. CIT, page 6), IT manufacturing alone employs about 5 million persons within the Community, or 5% of its total work force.

The new information technologies are also of key importance in terms of their impact on other industries. The Commission's document states (OP. CIT, page 5) that 29% of the Community's GDP is produced by industries such as telecommunications and financial and insurance services which apply IT in a major way, and that a further 20% of GDP is derived from other industrial sectors with a high information content or which increasingly use computer aids. By 1990 IT is expected to be the world's largest manufacturing sector.

3. And yet the weaknesses of the European Community's position in this sector is also evident. In spite of pockets of excellence within the Community in certain fields there is a great danger that in the new information technologies as a whole the European Community will fall further and further behind its main industrial competitors, the United States and Japan.

From having a trading surplus on IT products in 1975 the Community had a trading deficit of \$5 billion by 1980, and this figure may be double that by now. Worse, imports are primarily of high technology products, while exports consist of more mature lower technology products.

A further striking figure is cited by the Commission in its ESPRIT document (on page 6 of the Background section in the Appendix) "If the market in the Community for IT Products had developed at the same rate as that in the USA and Japan, supplying this additional demand could have provided perhaps 2,000,000 more jobs."

Technology transfer within the Community appears to have been slower than in its competitors. The observation in the Commission's ESPRIT document (page 27 of the Appendix) that "technology transfer between research and practical applications is much slower in Europe than in Japan and the U.S." referred specifically to software technology, but could have been more broadly applied to the new information technologies as a whole.

4. The Community's response to this growing challenge has been completely inadequate. This has been underlined on numerous occasions by the Committee on Economic and Monetary Affairs <sup>(1)</sup>. Community programmes have been conceived too late, have been only partially implemented and have been on far too small a scale. It is not just a question of inadequate funding: the necessary accompanying measures in such fields as public procurement and standards have also not been taken.
5. The ESPRIT project is on a much larger scale than previous Community initiatives. Much greater boldness was needed, and on this count alone the ESPRIT initiative should be welcomed, but subject to the comments below.

#### CONCLUSIONS

6. The Committee on Economic and Monetary Affairs supports the ESPRIT concept of mobilizing Community resources to carry out the pre-competitive research that is necessary for the Community to remain competitive in world terms in the field of the new information technologies.
7. It offers no specific comments on the choice of sectors, but emphasizes in particular the importance of the sixth priority area, that of infrastructure actions, providing for coordination of Community and Member States' research and development programmes, a policy for standards, and an information exchange system to facilitate the vitally needed, and in the past often lacking, process of technology transfer from basic research to commercially viable products.

The Committee also welcomes the proposal for industrial Advisory Boards to be established. Moreover, given the importance of the industrial implications of the ESPRIT Project, the Committee on Economic and Monetary Affairs wishes in future to be more closely involved in the consultations with these Boards as well as in the development of the programme in general.

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<sup>1</sup> e.g. in its recent report by Mr HERMAN (Doc. 1-1312/82) on the pluriannual data processing programme

8. The Committee notes with approval the flexibility provided by the adoption of annual work programmes, and of rolling plans. Community decision-making tends to be so slow, and the pace of technological development in this field so fast, that adopted programmes run the risk of at least being partially outdated before they are started. A considerable measure of programme flexibility is thus essential.
9. The Committee considers, however, that the ESPRIT document is insufficiently clear about the choice of participants in the ESPRIT programme, and about the treatment of non-participants. In particular it would like more information as to which companies are participating, how competition in the sector will be affected, and about the treatment of multinational companies with headquarters outside the Community. Furthermore the ESPRIT document states that small and medium sized enterprises may occasionally benefit from Community financial support well beyond the normal 50% figure, and that particular arrangements concerning the access to or the exploitation of the results are also envisaged in such cases (page 54 of the Appendix). This is to be welcomed, but more guidance from the Commission would be useful. Another point which is left unclear is the broader point of how companies which did not participate in a specific project should have the opportunity to acquire the rights. The ESPRIT document merely states (page 59 of Appendix, in paragraph 34) that in such cases "the terms should be negotiated on a commercial basis taking into account the contributions of the original parties as well as those of the Community".
10. The Committee on Economic and Monetary Affairs also emphasises the vital need for the Community to take complementary measures to ESPRIT. The importance of standards policy has already been underlined: In this context the Commission should keep Parliament informed of any specific problems it has in connection with standards, so that Parliament can promote awareness and lend its support in resolving these problems.

The need to open up the market must also be strongly underlined.

Fragmented national exploitation of ESPRIT results will be insufficient.

11. The wider employment and social implications of the new technologies must also be carefully evaluated. In this context the Committee welcomes the fact that one of the priority areas for research in the office automation part of ESPRIT concerns human factors, covering all aspects of the interactions between man and information handling systems.
  
12. The Committee would finally emphasise the importance of regular feedback on the progress of ESPRIT. It is hard for the Committee to judge whether the currently proposed programme is the most appropriate. A continuing dialogue with the Commission will therefore be necessary. In this context the Committee regrets that Article 6 of the proposal for a Council Decision only calls for a report on the performance and results of the programme to be transmitted to the European Parliament at the end of each five-year period of the programme. The Committee would suggest instead that the Commission be invited to appear before the competent committees of Parliament, including the Committee on Economic and Monetary Affairs, at the time of the establishment of the annual working programmes cited in Article 3 in order to provide an annual update of results achieved.

