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the conference and elaborating the EUREKA concept; the Commission is also a party to the EUROTRAC and EURONET projects.

Britain has suggested that it organize the next ministerial conference in the first half of 1986. The British Government thus assumed, upon completion of the Hanover conference, the chairmanship of the group of High Representatives and responsibility for the preparation of the third ministerial conference. Apart from examining all existing project proposals and concepts (at Hanover, 300 project concepts of varying degrees of development were submitted), one of Britain's immediate tasks now is to bring about consensus on the structure and location of a small EUREKA secretariat. The ministerial conference stipulated that the High Representatives should reach agreement by 31 January 1986. One proposal has

already been tabled: after the Franco-German summit in Bonn on 7 November 1985, President Mitterrand and Chancellor Kohl announced that they intended to suggest to the other participating countries and to the Commission that Strasbourg be chosen as the site of the secretariat.

EUREKA's progressive development will in future depend less and less on the momentum imparted to it by governments. What matters is that the top echelons of companies and research institutes should adopt and disseminate the EUREKA idea. If EUREKA helps to bring about scientific, technological and entrepreneurial solutions enabling the Europeans to effect the process of adjustment necessitated by the "third industrial revolution" in an appropriate fashion and on the basis of our system of values, then this political impetus will have been worthwhile.

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## The Prerequisites for a Spectacular Programme

by Otto Wolff von Amerongen, Bonn\*

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**T**he EUREKA programme, which made headlines for weeks on end, began as an idea discussed over breakfast by a German minister and his French counterpart but soon led on to a major conference in Hanover and the rough outline of research projects. The objective of the research policy formulated under the EUREKA banner is to increase the competitiveness of European industry. We now know that the projects under discussion are to involve not only products, systems and services with a worldwide market potential but also public sector infrastructure. Some of the projects to bear the EUREKA name are therefore market-oriented, while others come under the heading of basic research.

My views on research initiatives that transcend the bounds of the Community and are also partly state financed are well known: research should be carried out first and foremost in the corporate sector and by

individual firms. State assisted schemes, possibly coupled with government grants, can never play more than a supporting role. Projects initiated and funded on a co-operative basis can make sense in areas where research is beyond the financial means of individual firms; such initiatives are to be welcomed where there is a demonstrated need for basic research.

In the light of what I have just said, I believe that the free-market orientation of EUREKA projects requires firms and the state to play a different role than in infrastructure projects and basic research. EUREKA offers an opportunity for international co-operation on projects that individual countries would possibly not have been able to complete on their own.

As far as the funding of market-oriented projects is concerned, the participating countries should adhere strictly to the statement in the declaration of principles that enterprises should finance projects from their own

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\* German Industrial and Trade Association.

funds, the capital market or, in a small number of specific cases, any public funds made available to them. EUREKA must not become another case of subsidisation, neither by offering firms concessions for the use of their own or borrowed resources or by distributing state funds direct. I am fully in agreement with the British Foreign Secretary when he says that "what matters is that European high technology companies should produce goods that their customers want. Business judgements like this cannot be made by governments". Nor, I would add, can they be financed by them.

### **No Regulation from above**

The declaration of principles lays down no universally binding financial regulations. It therefore has an exposed flank from the ideological point of view, with the result that the more market-oriented interpretations and the more interventionist concepts can both be realised. Countries that have few qualms about providing public funds for market-oriented projects will also wish to do so within the framework of EUREKA, and there will be nothing to prevent them. The EUREKA programme leaves project participants or their governments to arrange finance. In this way, each country can pursue its own kind of industrial policy through its own EUREKA projects, in which other countries are not obliged to participate.

However that may be, the governments of countries with firms participating or wishing to participate in a project must agree to some extent on the form and scale of assistance to avoid discrimination between co-participants. There is therefore a danger that cross-border EUREKA projects will provide a foothold in this country for aspects of industrial policy that are alien to our market economy. EUREKA should not open the door to greater state intervention and more state funding.

Nevertheless, in contrast to EC programmes, national funds from private or public sources for EUREKA will only be used for projects in which the particular country is involved. This at least ensures that responsibility for project financing will remain closely linked with planning and execution.

It is intended that EUREKA projects will come into being mainly as a result of consultation between project partners – enterprises and/or research institutes – in groupings of their own choice. This is designed to ensure that initiative emanates from below, that is to say from the parties with an active interest in the project. It is they who determine the form of cooperation, the nature

of the project management and the organisation and work of the project's administrative support. This is a decentralised, free-market arrangement that gives self-organisation preference over a uniform state scheme imposed from above. That is a good thing, but I am very curious to see how it will work, and indeed whether it will work.

Measures must be taken to ensure that the rights arising from project results remain the unrestricted property of participating companies. Neither the Conference of Ministers nor the other bodies should be given such wide powers of control, supervision, approval and information that confidentiality and secrecy may be violated and hence the competitive position of project participants impaired. Without such safeguards, the business sector's interest in EUREKA projects would probably wane considerably.

Many EUREKA projects will be carried out in a competitive environment, so that there will inevitably be some conflict with the intended principle that projects be open to all comers. This means that in many instances further participants will be able to join only during the initial definition stage of a project; after that, project participants themselves should decide whether to admit further partners.

### **Risks**

If EUREKA is to be oriented towards the market, the list of areas of research set out in the declaration of principles should not be restricted. EUREKA must remain open to new stimuli, especially from firms and research institutes. Only this can ensure that the research is market-oriented. Essentially, the need for projects can be identified only by firms and institutes, not by the state.

Nor should the Conference of Ministers have powers to decide collectively on the qualitative value of EUREKA projects. For example, if the governments of countries whose firms were not even involved in a particular project had to give their assent in the Conference of Ministers, a partial blocking mechanism would be created. Worse still, if unanimous decisions were required, countries that believed themselves to be at a disadvantage could veto any project at will, impose irrelevant conditions and demand political compromises.

The participation of small and medium-sized firms remains a problem. The explicit emphasis on the fact that EUREKA should also be accessible to small and medium-sized firms is appealing, but it leaves many questions unanswered. Will small and medium-sized

firms be able to participate in projects alongside major enterprises, with equal rights regarding financing, project management, patent rights and transfers of technology? Or will they get only parts of projects, subcontracting work and insignificant contracts? Indeed, how detailed a knowledge will they be allowed to have of the project in which they are participating? The project research to be carried out under the EUREKA scheme is perhaps better suited to the needs of large firms, whereas the promotion of technology specifically for small and medium-sized firms would have to look somewhat different. This aspect has still not been fully discussed.

It must be pointed out in this connection that protection of the interests of non-participating firms requires that "co-operation" under the auspices of EUREKA stop short of the creation of state-sanctioned cartels, for that would ultimately have the very opposite effect to the intended acceleration of technological progress. Just as competition in the markets in goods and services produces better results than state management, so competition in the field of technology will achieve more than could be attained by suspending competition in the name of "increased co-operation".

#### Necessary Preconditions

The general conditions proclaimed in the EUREKA declaration of principles, namely that:

- "The establishment of a large homogeneous, dynamic and outward-looking European economic area is essential to the success of EUREKA"
- "EUREKA should lead to an acceleration of ongoing efforts to elaborate joint industrial standards, . . . eliminate existing technical obstacles to trade . . . and open up the system of public procurement"

are not in actual fact a framework of conditions for EUREKA at all. They have yet to be fulfilled. Steps must be taken to create these conditions before EUREKA can be a success. Turn it around, and it makes more sense: the declarations presented here as prerequisites are the true objectives of the EUREKA programme. If EUREKA made it possible to achieve these objectives, some of which are basic prerequisites for a true internal market, I could come to terms with the minor flaws that will undoubtedly remain in any final version of the EUREKA programme that is adopted. Even more than today, a large homogeneous internal market is essential to the closer technical cooperation EUREKA is seeking to achieve. For me, the only question is why such progress should be achieved more quickly and easily among 17 EC and EFTA countries and Turkey than in the smaller group of EC countries, which have been striving unsuccessfully in this field for years, for example to formulate the common industrial standards they so urgently need.

The question must also be asked whether EUREKA will not drain human and financial resources away from projects that are already under way in the EC. Will there not be overlaps and duplication? Why will yet another bureaucracy be created under EUREKA when one already exists within the EC? It must be realised that matters of competition law and policy and the creation of the internal market fall within the competence of the EC, so that EUREKA cannot be run in disregard of the Community.

This aspect should be considered again, as indeed should much else that appears to have been hit upon but not thought through properly. Taking the political initiative for EUREKA was the easiest part; the most difficult task, that of transforming it into reality, has yet to begin!

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