

**Address by Monsieur Seillière, UNICE President, following
presentation by Commissioner Potočnik of new key figures on
Science, Technology and Innovation in Europe**

19 July 2005

1. Disappointing economic performances in the EU have reflected the declining trend in our growth potential which is currently below 2% (compared to 3.5% in the US). The EU is not anymore an engine for growth and its performances sharply contrast with the US growth figures, most of the time above 3% over the last ten years. The OECD has recently confirmed that once again, recovery in the EU lacks momentum this year with an expected slowdown to 1.2% in the euro area (and an estimated 1.7% for the EU).
2. The fact that economic growth in the EU has remained at a low level for several years, and shows no sign of a dynamic upturn, reflects a lack of confidence among economic operators regarding investment in Europe. This lack of confidence is now also visible in companies' R&D spending in Europe: the Commission's report shows that corporate R&D expenditure in Europe is growing at a very slow pace, broadly equivalent to GDP growth, itself very sluggish. This trend runs counter to the Lisbon agenda which wanted public and private R&D spending to rise at a markedly higher rate than GDP, in order to accelerate the innovation process and the associated job creation.
3. The problems which are at the root of this virtual stagnation in R&D expenditure in Europe are largely structural; they have to be remedied through far-reaching economic and regulatory reforms that restore investment-friendly conditions. It is not a willingness to invest that is missing. The fact that the R&D investments of European companies in the USA are growing healthily proves this (the figure in 2001 was € 5 billion).
4. Three strategic avenues require priority attention:
 - a) With a view to restoring confidence of business, it is vital to put in place an environment that allows the economy to return to a sustainable growth path.

This calls for much more resolute implementation of the Strategy for Growth and jobs endorsed by the European Council and supported by UNICE.

- b) It is essential to modernise a number of national and European laws to foster increased private investment in research and innovation:
 - There is need for a much more proactive and anticipative approach to ensure consistency in the EU regulation of product markets, as well as ensuring that such regulation evolves in a way which encourages rather than impedes the development and deployment of new technologies. The current ideas in the legislative debate for controlling Genetically Modified Organisms (GMOs) in food (with cumbersome labelling and tracing systems) are approaches that should not be followed.

- The forthcoming revision of the framework for state aid for research must be modernised to take into account the reality of the R&D process and the globalisation of technological competitiveness. EU rules in this area make it impossible to give companies the same vigorous support given by public authorities outside Europe. For example, the US and Japan have no state aid control so there is no restriction whatsoever for these governments to help their companies through generous research contracts or direct subsidies. In Europe, such aid is in principle prohibited because it distorts trade between Member States. Only under rather strict conditions can EU countries help their companies.
 - Lastly, protection of intellectual property arising from research results has to be improved and made less costly.
- c) It is essential to establish much stronger synergy between the research carried out in academia (universities and public research bodies) and companies. All too often, the research agendas for these two types of players are insufficiently connected, which results in missed opportunities for innovation. Cultures, management practices and legislation need to facilitate launch, on a large scale, of industry-academia cooperation projects.

It is vital to put in place at all levels (regional, national, European) an efficient framework for such cooperation between companies, universities and public research institutions, aiming at facilitating:

- joint definition of strategic agendas for research activities;
 - efficient implementation of these agendas.
5. Europe needs an innovative Seventh Research Framework Programme (FP7). European industry and business supports the Commission's FP7 proposals. In particular, UNICE strongly supports the Commission proposal to set up long-term public-private partnerships in the form of Joint Technology Initiatives (JTIs). These Initiatives will combine private-sector investment and national and European funding, including grant funding from the Research Framework Programme and loan finance from the European Investment Bank. The planned deployment of European Technology Platforms, with the participation of all economic, public and academic players concerned, is an excellent new approach for identifying priority areas for the launch of JTIs. It is essential that these platforms remain industry-driven.
6. In order to be able to play a role as an innovation accelerator in Europe, the annual budget of the Framework Programme must be considerably increased compared to its current level. A significant reduction compared to the doubling of the budget proposed by the Commission would raise serious doubts among industry about the commitment of the EU and its Member States to the revised Lisbon strategy endorsed by the European Council last March. It would be a serious setback. UNICE is greatly concerned that, at the 17 June European Summit, the Luxembourg Presidency tabled a compromise proposal for the Financial Perspectives 2007-2013 which amputated a substantial chunk from the Commission's proposal to double the budget. UNICE firmly urges the Commission to defend its original budget proposals, and not to give ground as it has apparently done. In any case the new instruments targeting industry's competitiveness should be given priority.

The Commission has proposed the creation of an autonomous European Research Council (ERC) to support investigator-driven “frontier research” carried out by individual teams competing at the European level, in all scientific and technological fields, including engineering, socio-economic sciences and the humanities. This is one of the elements of FP7 that should be reassessed should the proposed doubling of the budget not come to pass.

Ladies and Gentlemen,

I would like to end by expressing my total support for the "*Wake Up call for Knowledge Europe*" launched by Commissioner Potočnik, emphasising at the same time that the figures published today reveal the need for a wake up not just in the area of research, but also in the area of modernisation of our economic and regulatory policies.

It is time to act.

UNICE counts on the national governments and the European institutions to take these issues forward.

Thank you for listening.