

**NOTE FOR MAURI PEKKARINEN, FINNISH MINISTER OF TRADE AND
INDUSTRY AND PRESIDENT OF THE COMPETITIVENESS COUNCIL**

**MEETING WITH UNICE PRESIDENT ERNEST-ANTOINE SEILLIÈRE
AND EK PRESIDENT CHRISTOFFER TAXELL
ON 6 JULY 2006**

INFORMAL COMPETITIVENESS COUNCIL 10-11 JULY 2006

Innovation forms the central theme of Competitiveness Council discussions during the Finnish EU Presidency. The informal meeting of the competitiveness ministers in Jyväskylä (10th/11th July) is the first, and identified by the Finnish government as the key meeting in which this topic is to be discussed.

The Finnish Presidency intends that the meeting in Jyväskylä to set in motion discussions between the Member States and the Commission, which will help advance the EU's innovation policy agenda, building on existing work in the context of the Lisbon Strategy. The purpose is to stimulate a discussion on the need to develop a broader perspective on innovation policy along the lines suggested in the analysis presented below.

It is proposed that the competitiveness ministers' dialogue at the Jyväskylä informal meeting be structured around the following topics and questions:

A. The need to broaden policy focus. Do you agree on the overall analysis of European innovation policies and the need to shift the current approach more towards demand-led innovation policies? How relevant is this challenge to different Member States, sectors or operational contexts?

- UNICE agrees with the Presidency's overall analysis of current European innovation policies. Innovation is a means of both responding to the challenge posed by globalisation and is also a key means of meeting the growth and jobs strategy;
- We also agree that more focus needs to be turned towards stimulating market demand which in turn would facilitate greater innovation (in the broader sense of the word). To do this a fully functioning, effective Internal Market is necessary;
- The Internal Market today is not innovation-friendly enough. We believe that Internal Market policy and innovation policy need to go hand-in-hand. The better the Internal Market works, the easier it is to realise the Lisbon targets (especially the 3%

Barcelona goals) because companies will invest in R&D if there is output (and a market for it) as a result.

- In this context we would support the findings and the broad recommendations of the report “Creating an Innovative Europe” produced by the Independent Expert Group led by former Finnish Prime Minister (Esko Aho) appointed following the Hampton Court Summit (Aho Report). We believe that the Aho report presents a justifiable strategy to create an innovative Europe (*for more info on Aho report see annex to this paper*).
- Any demand driven policy should not however be at the expense of existing policy which promotes private and public funding on R&D and expenditure on education. It is the combination of current R&D and innovation policy priorities and widening market demand which can improve Europe’s innovation capacity.

B. Carrying the actions forward. Are the lines of action envisaged above sufficient, feasible and effective? How can they be integrated into the Member States’ policies and into the various on-going initiatives at EU level under the Lisbon Strategy for growth and jobs?

- The Finnish Presidency has identified the following lines for policy action:
 - Competition and innovation friendly regulation;
 - Innovation-friendly public services;
 - Research system adaptable to changes in the global economy;
 - Entrepreneurship culture.
- UNICE agrees with these broad policy lines. However we would perhaps add that innovation cannot be fixed by a single set of policy measures. A range of policies (at both the EU and the national levels) have to be enacted to support innovation. This broad framework must not only allow for innovation but also encourage and reward it.
- How best these identified policy lines can be integrated into Member States’ policies depends to the degree on which Member States’ accept and act on their European responsibilities:
 - Government’s need to start the implementation of their National Reform Programmes (NRPs) without out delay;
 - The Commission and the European Council should show vigilance in following up implementation of the NRPs;
 - The European Institutions and Member States must through common efforts decide upon the reforms and measures set out in the Community Programme.

C. Policy frameworks differ between the Member States. In what ways can it be ensured that Member States that differ in terms of their innovation policy frameworks all receive the full benefit of the broadened perspective on European innovation policy?

- Flexibility is important in any approach. A one-size fits all approach might not necessarily be the right approach when one considers the different needs and situations of Member States. European innovation policy needs to be both flexible enough to accommodate the differing needs of Member States but also unified enough so as to address the innovation challenges faced by European in general.

D. The appropriate way to address this challenge. Which approach should be taken to strengthen European approach to Innovation Policy? What are the expected roles of the European Union, Member States and other actors in this process?

- A unified approach to innovation policy in Europe is required to meet the challenges. This requires unity of thought and action at the political level (EU and Member State) but also at the policy level.
- As already stated innovation cannot be fixed by a single policy or set of measures. A range of policies have to be enacted. Individually this policy range might have differing goals but collectively they need to have the same overriding goal; that of advancing Europe's innovative capacity.
- Innovation policy needs to contain, besides R&D focus, financing (especially venture capital), competition / State Aid, mutual recognition, SMEs, entrepreneurship, development of business, networking and services, Intellectual Property Rights, Internal Market as well as education questions.
- Each actor has its own defined role to play. The EU in particular has a coordinating role which also has supervisory and enforcement elements. It also has a role to ensure that European policies (in particular the 7th Research Framework Programme) support innovation and competitiveness;
- Industry (both large and small) also has a role to play. It is important to remember thought that large, multinational companies play an important role in the knowledge economy through the R&D and knowledge-intensive products and services they produce in Europe. European innovation policy needs to stimulate large companies to keep undertaking innovation in Europe as they are important because of their relations with SMEs (outsourcing R&D and production).

Annex:

From UNICE Economic Outlook Spring 2006

Research and Innovation: What's new in the Aho report?

In December 2005, European heads of state again confirmed the need for a substantial enhancement of the EU's research effort led by the Seventh Framework Programme. The expert group set up at the request of the Hampton Court summit under Mr Aho has now provided a strategy to facilitate an innovation Europe which places innovation-friendly markets at its core.

The core recommendations of the Aho group are that a Pact for Research and Innovation is needed to drive the agenda for an Innovative Europe.

This pact advocates the need for Europe to provide an innovation-friendly market for business which combining large scale strategic in areas such as e-health, pharmaceuticals, energy, environment, transport and logistics, security, and digital content. The Aho group also identifies increasing resources for excellent science, industrial R&D and the science-industry nexus and greater mobility in human resources in financial terms and in organisation and knowledge terms.

Leading markets, straightforward regulation, and better use of public procurement and standards will encourage the flow of best minds to come and remain here, confident that they will have the resources they need to make a difference which can in turn can only contribute to achieving the Lisbon goals.

UNICE fully endorses the need for urgent and more coherent action at European level and by member states. Europe needs more R&D, the contributing conditions of which, as explained by Mr Aho, depend in creating a culture of innovation supported by a greater sense of purpose and strategic direction which is primarily the responsibility of member-state governments.
