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### **INFORMAL COMPETITIVENESS COUNCIL PRAGUE, 4 MAY 2009**

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#### **WHAT NEEDS TO BE DONE TO DEEPEN THE EUROPEAN RESEARCH AREA (ERA)?**

BUSINESSEUROPE embraces initiatives transforming the ERA into an effective market for R&D and an attractive hub for research on the global stage.

Most of the initiatives recently adopted have tried to devise more efficient instruments to facilitate the free movement of researchers or to promote common rules dealing with intellectual property in the case of knowledge transfer activities.

Beside these improvements which are about to be implemented, BUSINESSEUROPE would like to stress that efforts still have to be made on the following issues:

#### **1. Encourage competition**

We are convinced that the European Research Area should be organised as an internal market for research, in order to encourage excellence in competition.

In view of this, the European Commission and Member States must do everything to give research institutions autonomy. This presupposes competitive financing, also where public resources are involved. If financing is organised in competition, institutions can also be given complete staffing and pay autonomy.

In these times, Europe really needs a stronger focus on innovation. This includes curiosity-driven research - where academia and industry work together - and an innovation approach to carry the idea all the way to the market and build on business-specific needs, strengths and structures.



## **2. Improve the efficiency of existing ERA instruments**

With time, instruments created with a view to supporting the European Research Area have become more numerous, making the ERA a complex structure with gaps and overlaps leading to a loss of efficiency. We think that improving the existing instruments should be given a high priority.

Companies are particularly worried about the development of Joint Technology Initiatives, a tool which has a big potential but is under-exploited because of many major problems which have emerged largely due to heavy bureaucracy. We believe that the effectiveness of Joint Technology Initiatives (JTIs) can be improved by reforming the system of management (eliminate red tape, increase responsibility of industry) in order to make it more workable.

Furthermore, the efficiency of existing ERA instruments can improve provided that coherence is strengthened between recent initiatives on the one hand and between the European and national levels on the other.

Better linkages between recent initiatives – such as lead markets, clusters and the forthcoming Knowledge and Innovation Communities to be selected by the European Institute of Innovation and Technology – should be developed.

Similarly, more effort must be made to improve policy coordination between the European and national levels. BUSINESSEUROPE is convinced that the Communication on joint programming shows the way forward and urges Member States to implement it so that joint activities can be launched in 2010.

## **3. Better linkage between the European Research Area and challenges European society is facing**

The European Research Area should be a framework for research programmes with a broad scope, addressing challenges which European society is facing: energy supply, climate change, food security, ageing populations, etc. This requires broadly based innovation strategies with ambitious pan-European objectives, determination and flexibility to react to changes in the scientific, policy and industrial agenda.

## **4. Foster effective public-private cooperation**

Efforts are still to be made to ensure that the European Research Area encourages effective public-private cooperation and partnerships, without red tape. As recently advocated by the European Commission, this will require a trust-based approach and risk-tolerant rules on research funding. Initiatives such as “Responsible Partnering\*\*” aimed at improving better practices for collaborative research and knowledge transfer also show the way forward.



A particular example of best practice is Germany which has introduced the research premium for universities and Public Research Organisations (PROs) winning research contracts from business to strengthen cooperation between companies and research institutions. This could also be an instrument to develop a European internal market for contract research.

In the case of a combination with teaching tasks (universities), public resources should be awarded to students via “education vouchers” which they can transfer to the university of their choice. It must be possible to exchange the vouchers at any European university.

### **5. Ensure effective knowledge transfer**

Effective knowledge transfer should be a top priority for the European Research Area. In this respect, the Commission’s intellectual property code of practice was an important step forward. It is now time that the restrictions on collaborations between companies and publicly funded research organisations in the EU rules on state aid for R&D and innovation are supplemented with clear operational guidelines.

### **6. Improve the interface between education, research and innovation**

Efforts must be enhanced to develop innovation, entrepreneurial and research-friendly education systems with a view to ensuring a sufficient supply of an adequately skilled workforce.

In 2002, European institutions were warning about the upcoming skills crunch. In Germany, the Czech Republic and France, it has become increasingly difficult to recruit enough engineers, especially in sectors like ICT, energy and manufacturing. A study published at the European Business Summit in March 2009, made by INSEAD<sup>1</sup>, shows that Europe’s skills problem is aggravated by the financial crisis. While unemployment in Europe is approaching 18 millions, it is estimated that between 4 and 5 million jobs remain empty across European markets.

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<sup>1</sup> FEB-INSEAD-Microsoft-Shell report “Who dares? Who cares?”