BUSINESSEUROPE

SPEECH

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FIRST EUROPEAN INNOVATION SUMMIT

WHAT IS THE FUTURE FOR EUROPE'S INNOVATIVE COMPANIES?

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Dear Mr Peterle,
Ladies and Gentlemen,

Let me start by thanking the organisers of the first European Innovation Summit, which enables us to meet and discuss the current and future innovation strategy at an ideal time, with a European Innovation Act under preparation.

Innovation[1] is at the heart of companies' success.

It is the driver of sustainable growth in Europe and a main contributor to competitiveness at the global level.

It is also the answer to the great challenges European society faces such as climate change or energy security.

Europe has excellent capacities for generating new ideas and inventions. With 38% of the total volume of scientific publications, it occupies first place in terms of "scientific output".
Yet, Europe suffers from an innovation deficit: it experiences difficulty in turning research results into marketable products effectively and rapidly. This deficit needs to be addressed urgently.

The Barroso Commission has initiated an important change of direction in European research and innovation policies.

A number of policy actions such as adoption of a broad-based innovation strategy by the Council of the European Union in December 2006 and publication of the green paper on the European Research Area (ERA) in 2007 have marked the period since.

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[1] The generation of new ideas and their transformation into economic value in the market.

Following the green paper on ERA, five major initiatives have been launched: a European partnership for researchers, joint programming, world-class research infrastructures, opening of ERA to the world, knowledge transfer and IP management. BUSINESSEUROPE has broadly supported and continues to support measures designed to:
- remove partitions between markets,
- enhance the integration and coherence of R&D and innovation policies, and
- develop partnerships between industry, research institutes and universities.

Yet, the scale of challenges faced by the economy and society, the context of crisis and a fiercer competition at global level call for further efforts to support research and innovation in Europe.

For BUSINESSEUROPE, a renewed EU innovation strategy is needed with a view to building a successful future for Europe.

It must be based upon five top priorities:

1. Increase public and private investments in R&D and innovation

Increasing the level of R&D and innovation spending remains a strategic priority. Companies need improved framework conditions for private investment in particular for financial support, fiscal incentives and better access to specialised innovation finance[2]. Against that background, a key priority is to establish an integrated venture capital market within the EU.

Furthermore, the EU budget should reflect Europe's future as a knowledge-based society, rather than its past. Therefore, the share of the EU budget spent on R&D and innovation in the next Financial Perspectives needs to increase.

2. Enhance the efficiency of public support policies

Support to innovation does not only imply granting money. It is equally important to ensure that the architecture and management of policies and programmes enable the full optimisation of investment.

The challenge here is not to create new instruments but to improve their efficiency.

To cut red tape, a more risk-tolerant and trust-based approach will be needed in research funding.

This requires a revision of the EU Financial Regulation with a view to creating a partial exemption for R&D.

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[2] Early-stage venture capital is scarce in Europe: about a third as great, as a percentage of GDP, as in the USA. Source: European Investment Fund.

BUSINESSEUROPE also recommends that future public-private research partnerships such as Joint Technology Initiatives are implemented without resorting to the "Community body" statute.

We would also like to see the principles of "Responsible Partnering" promoted as a voluntary code of conduct in research collaborations between companies and universities or research institutes. Actually, an update of the Responsible Partnering Handbook is scheduled to be released next week.

3. Nurture future talent

The growing mismatch between education and the knowledge economy's needs in Europe is a problem.

Europe needs to upgrade its capacity to innovate by ensuring a sufficient supply of skilled workers.

Education policies must be shaped under a global and lifelong vision with a view to developing entrepreneurship and boosting graduates' employability.

4. Stimulate demand and markets for innovation
Market demand for new products and services is a key factor influencing the level and strategic orientation of R&D investment.

In view of this, demand-side instruments should be developed further.

The EU "Lead Market Initiative" is a good step in that direction as it aims to create better and more innovation-friendly market framework conditions. It must be developed in an open competition context. Also the use of pre-commercial procurement of R&D services should be encouraged.

5. Implement integrated policy approaches

Innovation is strongly influenced by the regulatory framework, which has to be conducive, coherent and stable. Policies should be designed and implemented with a holistic view.

Achieving stronger coherence between instruments and levels of action is a key condition for the success of the initiatives under way, with the effective participation of companies.

Our vision is detailed in the brochure *Innovation. Building a successful future for Europe* which has just been released.

We believe that the action agenda set out above is essential to develop a modern innovation system, characterised by cooperation between all research players, integration of education, R&D and innovation, and creation of synergies, which is capable of responding to today's and tomorrow's major challenges.