

European Business Summit 2004

Re-appraising Europe's approach to innovation and research

Speaking notes for Philippe de Buck

in Plenary Session 11h45

- Let me focus my intervention more on innovation rather than research, because R&D is the means, whereas innovation is the goal. The goal is to find new markets, sell cheaper products, raise the standard of living, achieve more growth and jobs. So the question we need to ask ourselves is: How does innovation happen?
- Good conditions for research and development are surely a necessary condition for innovation. We have heard a great deal yesterday and today about biotech, nanotechnology, food technologies, environmental technologies, etc. Yes, it is important to support new cutting-edge technologies. Yes we need to discuss fiscal incentives, and the question of how to make European universities compete with the world's best.
- UNICE supports the broadening of the strategic scope of Community R&D policy in recent years, including the European research area concept, but calls for the budgetary resources earmarked for this policy to be increased, in line with this broader scope. An increase in the EU R&D budget is essential if in future the acceptance rate for research proposals is not to hover around 15%, or even as low as 5% for some Community programmes, as was the case when the first tender calls were issued for the 6th framework programme.
- All these research-connected measures are important. But what is the red thread we need to keep in mind when we are tackling all those challenges in the future? The answer is entrepreneurship. In order to turn R&D into innovation, an **entrepreneurial "spark"** must be present, in terms of management, market know-how, financing etc., and overall, the in terms of a willingness to take risks.
- But how do you ignite the spark? The public sector should not try to ignite it itself or offer extra amount of gasoline. History has proven that this has only created bonfires, at best. The state must try to generate an atmosphere of freedom, flexibility and risk-taking. In order to do that we need to modernise our society, adapt it to a globalised world. This concerns a whole range of measures which touches almost every aspect of our society.

- I am talking about the Lisbon Strategy. Every measure within the Lisbon Agenda should be carried out to boost the entrepreneurial spark, boost innovation. For example, a more flexible labour market will create a more innovative climate because it will make it more feasible and less risky for an entrepreneur to try out a new idea with some new employees. It takes 45 days on average in the EU to start a new business. Every day we manage to make this process last shorter, for example by abolishing unnecessary regulation, will incite Europeans to innovate. And we must strive for reaching the 4 days it takes in the US to start a business.
- We have created the image of Jonathan Swift's Gulliver tied up in the land of Liliput at the last UNICE Competitiveness Day to symbolise that enterprises in Europe are bound by thousands of tiny little rules preventing them to release their potential
- If we tackle the innovation issue from a narrower perspective than this all-embracing one, we will fail. But that also means: we must all work together at all levels to modernise the society. To implement a strategy for an innovative Europe means first and foremost to implement an efficient governance structure.
- UNICE has called the new Commission later this year the "Lisbon" Commission because the implementation of Lisbon will fall to these commissioners who will be in office for the remainder of the 2010 timeframe. We support the nomination of a "Competitiveness Commissioner", whose – horizontal - task it will be to ensure that the red threat of making our society more dynamic will not be lost within all the complex tasks of the Commission.
- Another key institution to ensure a coherence in policy-making throughout Europe, is the Competitiveness Council. Sitting next to me is Mary Harney, President of the Competitiveness Council, who is as committed to this concept and the important role of the Competitiveness Council as I am. The Competitiveness Council must become an institution whose job is to watch that the entrepreneurial spark is not extinguished anywhere.
- Mrs Harney you have had an important meeting of the Competitiveness Council yesterday. The Lisbon strategy incorporates the perspective of sustainable development, in other words development which achieves a balance between economic, social and environmental objectives. In this context, the failure of the USA to ratify the Kyoto protocol and uncertainties about ratification by Russia are a source of deep concern for UNICE. Unilateral pursuit of the European Union's current policy, in a scenario of non-entry into force of Kyoto, would run totally counter to the sustainable development agenda that the Union has set for itself.
- UNICE therefore finds it essential that the European Council has a debate at the Spring Summit on the relationship between EU climate change policy and EU competitiveness policy. The Spring Summit should call on

the Commission to immediately launch a review of current EU climate-change policies. This review should consider the case of non-ratification by the major economic areas and look at the negative consequences of a continuing unilateral policy, both in environmental terms and in economic terms. The review of the current EU climate-change policies should also be relevant as an alternative to the Kyoto protocol in case it does not come into force.

- UNICE fully supports the fact that yesterday's Competitiveness Council invites the Commission, "in the context of the EU's Emissions Trading regime, to keep it informed of the results of the examination of Member States' National Allocation Plans and to provide an assessment to the Council of the effect of the regime on the competitiveness of European industry, having regard inter alia to possible effects on electricity prices". This request represents a first positive step towards the necessary review of Community policies I have just outlined.
- We also support the Competitiveness Council to be consulted in the process of determining commitments to be made under the next phase (post-2012) of the climate change strategy, with a view to safeguarding the competitiveness of European industry. However, for UNICE, the Spring Summit should give a wider mandate to the Competitiveness Council regarding the future development of EU climate policy, by involving it in management and evaluation of the strategic initiatives deployed during the period 2004-2011.
- The Competitiveness Council / Spring Council is so important because it is composed of national governments. And it is up to the national governments to implement the majority of modernising Lisbon measures, on which they all have agreed in principle but which are sometimes painful to carry out. UNICE has recently published the "Competitiveness Action Plan", a document that assembles Lisbon recommendations to all national EU governments made by our national Member Federations. Although we kept it as simple as possible, when you read this document, you might still find it very complex, with so many different recommendations from different areas addressed to different decision makers. But this is Lisbon, and this complex way is the only way we can go to thoroughly transform our society.
- Everybody must do its share to transform society. Ourselves, the European Business Community as well. At the last Competitiveness Council, UNICE President Strube launched an appeal to his colleagues that they must all become ambassadors for competitiveness / for entrepreneurship. We must promote a new culture that cherishes the spark (*maybe: analogy to Olympic flame...*). And let me finish with this:
- When you open the newspapers nowadays, hardly any day goes by without a new story about some European company relocating – "offshoring" - production or even R&D to China, India, Brazil, etc. This

indeed is a serious problem, that I do not want to de-dramatise. On the contrary.

- But UNICE believes in the European “spark”. Europe’s cultural diversity history makes it predestined to innovate. Europe, after all, is the world’s cradle of entrepreneurship. We have five more years to implement Lisbon. Let’s start now.
