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R&D: an engine for growth and a challenge for policy

Ladies and gentlemen,

I am most satisfied to welcome you to this second day of the 2010 CONCORD Conference.

This Conference lies at the juncture of Science –the focus of yesterday's Academic forum - and Innovation –the focus of today's Practitioners forum, with Research and Development (and more concretely corporate R&D) occupying the central stage. Research, Innovation and Science – the three ingredients of the brand new Commission portfolio I am honoured to hold!

I am glad that President Barroso decided to connect up these different areas and that, for the first time, the word 'Innovation' will appear in the title and the mandate of a European Commissioner. In this sense, we will be following the example set by some of the Member States, such as, Spain, that two years ago, created a new Ministry for Science and Innovation.

It shows that there is a consolidated new policy trend that recognises the need to put the creation of new ideas and their quick translation to the market at the core of any strategy aiming at a durable economic recovery.

I know that yesterday you had very interesting exchanges on the scientific evidence, which shows very clearly that corporate investments in R&D and innovation have a major impact on corporate performance and social prosperity. I am eager to receive the final conclusions of this Conference, as the evidence gathered will be most helpful to the Commission and to Member States when we are designing our policies and support instruments to promote a more research intensive and innovative productive sector in Europe. Indeed, this is an excellent example on how science can support the development of evidence-based policies, something which this new Commission is very keen on

The time and the subject of this Conference could not be more appropriate. Only yesterday, the Commission adopted its proposal to the European Council of a new strategy - "Europe 2020". This strategy outlines the policy priorities and the initiatives to be taken over the next five to ten years to face a double challenge: allow the EU to exit from the crisis and to do so in a way that allows Europe to

enter into a new economy: a smarter, a greener and a more inclusive economy, delivering high levels of employment, productivity and social cohesion.

If one single word is able to encapsulate the essence of the Commission's proposal, this word is 'Innovation'. Innovation understood as the improvement of our economy and society's ability to tackle the grave challenges facing our way of life in energy, climate change, health and demography. The full economic and societal benefits of the main initiatives included in our proposal (the so-called Flagship Initiatives) will materialise only if the innovation chain, from research to retail, functions properly and if every link is reinforced. In this respect, the 'Europe 2020' strategy rightly highlights the importance of marrying up research activities with demand-side policies, such as smart regulation or pro-innovation public procurement.

As Research, Innovation and Science Commissioner, I will have the task of leading the preparation of initiatives to deliver on the 'smart growth' priority within the strategy, aiming at making of knowledge and innovation the main drivers of our future growth. I will prepare a new Research and Innovation Plan for this purpose in collaboration with a group of fellow Commissioners who share responsibilities in this area. The objective is to have this plan ready before summer, in time to send it to the European Council for endorsement at their autumn summit. We need bold joint action from the EU and Member States to deliver results and it is a very positive signal that the Spanish Presidency has made innovation one of its key priorities.

Allow me to briefly outline my priorities concerning the establishment of a strong Research and Innovation agenda:

First, we need to unleash the EU's research potential and improve the excellence of the European Research base. And the best way of doing this will be to continue the efforts started by my predecessors, Philippe Busquin and Janez Potocnik, in establishing the European Research Area: a single, unified research area where ideas and technology can circulate freely.

We must ensure that excellence is at the heart of the EU Research Policy. We need to develop the full potential of the European Research Council and continue to make funding available for 'blue sky' research on the basis of merit alone. Our objective should be to become a world leader in a range of sciences, including nano-technology and bio-technology.

Bringing down barriers to researchers mobility in Europe and pooling our resources to finance large-scale research infrastructure will continue to be on top of my agenda.

And of course, staying open to the world is essential. We need to strengthen our science and technological cooperation with our main international partners.

But having a large and an excellent knowledge base will not be enough. We need to improve Europe's capacity to transform its inventions into commercial successes. That is why we need, as the Europe 2020 strategy proposes, a true 'Innovation Union', where companies, such as many of the organisations represented here today, will want to do business and invest.

We cannot succeed without the business community. We know that Europe's R&D investment gap is predominantly in the private sector. And we also know, thanks to the work of the academic community represented here, that this is largely explained by the lack of young and innovative companies in Europe. This is confirmed by the analysis contained in the EU Industrial R&D Investment Scoreboard, an annual Commission publication produced by the Institute for Prospective Technological Studies, which hosted the sessions yesterday.

This analysis clearly shows, not only that Europe has fewer companies in R&D intensive sectors than the US, but also that we have fewer young and innovative companies that grow to become global players. This is worrying, as the evidence also suggests that investments in R&D have greater impacts on the business performance of innovative, high-tech firms and that the spillovers to the rest of the economy are greater.

What consequences could we, policymakers in Europe, draw from this evidence?

We must remove barriers to entry and improve the framework conditions. We cannot continue with Europe having much higher costs in patents than in the US and we urgently need a stronger and a truly integrated European venture capital market. And we must deliver a large, harmonised single Market. Firms will not increase their R&D investments unless they are convinced that they will get a good return on them. I want to identify the bottlenecks to innovation and then tackle them. I will work with my colleague, Internal Market Commissioner, Michel Barnier, on this specific issue.

And we need to consider seriously the need to better target our support policies, to promote the necessary shift of Europe's industrial structure towards more dynamic and research intensive sectors.

Finally, if we want to have a smarter economy, we need to pay attention to education and to skills. We need third level education institutions in Europe collaborating with industry. We also need skills audits to ensure that industries can find people with the competences they need. These are part of 'Europe 2020' Flagship Initiatives, and we will have to work hard to ensure that the three sides of the knowledge triangle – higher education, business and research centers - are strongly linked.

I am sure that you will agree with me that this is an ambitious and challenging agenda that will require joint efforts and resources from everyone. We will need to find new instruments to encourage the different actors to co-operate and to

mobilise public and private funding. In recent years, the Commission has re-focused its work on collaborative (public-private) research, through the creation of new Public Private Partnerships, some of which take the form of Joint Technology Initiatives in key strategic sectors for our future, such as innovative medicines or fuel cell cars.

We also need to find new formulas to spend public money more efficiently and in a simple way to avoid discouraging participation of small and medium size enterprises. The Commission has already announced its commitment to simplify the EU's Research Framework Programme financial and administrative procedures and to increase to 15% the participation of SMEs in collaborative research projects.

Improving research and innovation policies in Europe will require a strong partnership between the Member States and the Commission. I am glad to say that the collaboration between the Commission and the Spanish Ministry of Science and Innovation is a good example of how effective this partnership can be.

I am sure that, with the joint efforts of all the actors represented here today – scientists, business, policy makers- we will be able to deliver on the 'Europe 2020' strategy and transform the EU into a much more vibrant and dynamic innovation economy.