

<p>KEYNOTE ADDRESS FOR THE INFORMAL COMPETITIVENESS COUNCIL OF 15 JULY 2010</p>

"The Innovation Union: smoothing the path from ideas to markets"

Ladies and Gentlemen,

The Europe 2020 Strategy tabled by the new Commission in March was fully endorsed by our leaders barely one month ago.

Europe 2020 is an ambitious, transformational agenda, designed to turn Europe into a smart, sustainable and socially inclusive market economy. We must identify and invest in new growth markets and innovate more quickly if we are to both create and maintain jobs and remain competitive in future.

Knowledge, research and innovation are at the core of this Strategy, and Antonio Tajani and I are leading preparatory work on a flagship initiative that will propose bold actions to create an "Innovation Union" in Europe. President Barroso intends to present this initiative to the European Council in December.

The Flagship is scheduled for adoption by the Commission at the end of September. I am very glad to have this opportunity to discuss it with you at this early stage. I would like to thank the Belgian Presidency for giving me this opportunity.

(FOR THE INDUSTRY MINISTERS: I am particularly pleased to have the chance to speak to you, the Industry Ministers. Innovation is a cross-cutting policy area which concerns both industry and research Ministers. Given the complexity and inter-connectedness of the challenges we face, it is essential to work across different policy areas. So, I congratulate the Belgian Presidency for bringing the two sets of Ministers together in joint sessions this afternoon ...)

The Innovation Union will focus on the big challenges we face today that people really care about — such as fighting climate change, using scarce resources more wisely and efficiently, and caring for the growing number of older people.

These are areas where government intervention is justified, with a strong rationale for European action. They also

represent huge commercial opportunities: I have very strong feedback from industry, for instance the 2009 Business Panel on Innovation, that we should focus on these challenges for exactly that reason. Indications from our Innobarometer survey also confirm this. To tackle these big challenges, the Innovation Union will use all resources and policy instruments, at European, national and regional levels, and across all policy areas and sectors.

It will develop a European approach to innovation, building on the strengths of the single market and making full use of our strong public sector. The public services of the European Union can and must be major drivers of innovation into the future.

It will also reflect a broad understanding of what "innovation" means. R&D is vital for many innovation activities of firms and for the competitiveness of an industry and indeed a country. However, my use of the term also covers innovation in business models, management structures and processes, the delivery of services by the public sector, as well as innovation in design and marketing, and also social innovation — meaning innovation that provides social benefits to communities.

The Innovation Union initiative is still a "work in progress". But I can already tell you that we want to put forward a full set of proposals to unblock the path from ideas to markets.

A first series of proposals will aim to improve our knowledge base, creativity and skills.

We are thinking about proposing a European Research Area framework, which would remove obstacles to the cross border flow of people, ideas and funding, making the "Fifth Freedom" a reality

We are also considering concrete actions to further encourage the modernisation of universities and the development of research training and careers.

Another feature will be a commitment to developing world-class research infrastructures, based on the work of the European Strategy Forum for Research Infrastructures (ESFRI).

Finally, actions are being planned to support the development of new skills for innovation and to promote European design and creativity.

A second set of actions will be related to access to finance, which is a key bottleneck, particularly for innovative start-ups and SMEs.

We are looking into strengthening considerably the European financial instruments to address market gaps in loans and venture capital, notably through the European Investment Group.

We are also considering actions to improve the use of cohesion funds to support research and innovation capacities, which should be implemented by Member States and regions within strategies of smart specialisation.

Also the state aid framework needs to be reviewed to ensure that all forms of innovation can be adequately supported.

The third set of actions will aim to create a single innovation market

As regards intellectual property markets, the Community patent should be quickly agreed on and we are looking into all options to ensure that this is achieved at last. Also a European market for patents and licensing could be developed, following good practices in France and Denmark.

As regards markets for innovative goods and services, we will propose screening and adapting the regulatory frameworks that are linked to the European Innovation Partnerships.

Europe's standardisation system needs to be reviewed with the aim of speeding up standard-setting in key areas for innovation.

And we are planning new actions to enhance the public procurement of innovative products and services.

Beyond these actions, which can be taken or coordinated at the EU level, the national research and innovation systems are essential for establishing a single market for research and innovation. Each Member state has its own path to greater innovation, tailored to its own needs, strengths and weaknesses. These different innovation trajectories will also be more effective if they share some broad characteristics that are recognised as common to well-performing systems. It will not be a one-size-fits-all approach, but we will propose to develop with Member States a limited number of guiding principles for the national research and innovation systems. My services have already sent a proposal to your administrations for such guiding proposals and had a constructive discussion with them.

We need to capitalise on your experience in promoting innovation. Some Member States have made more progress than others, but all have something to learn from each other.

We need to share information both on the common obstacles and difficulties, and on the new ideas and best practices that bring results.

I invite the members of the Competitiveness Council to work with us in partnership to monitor the application of the guiding principles for national systems, so that we have a clear overview of what is working and what we may need to change, based on your national experiences. That will be the best way to ensure that the guidelines are appropriate and effective.

Finally, in order to make Innovation Union attractive and successful on a world-scale, the international dimension is essential. We need to make the most of the existing visa and blue card directives for researchers and high-skilled workers from third countries who may wish to spend part of their careers in the EU. We must find ways to establish a more level playing field with third countries, notably with respect to market access and IP protection. And we should establish common EU-national orientations for international scientific cooperation, including for the development of major global research infrastructures.

But equally important to all these "horizontal" elements of the Innovation Union initiative will be the focus on key societal challenges. Because we don't just want more innovation, we want the right kind of innovation. In an age of austerity, we need to concentrate on the areas our citizens care most about.

To do this, I intend to launch a small number of highly targeted "Innovation Partnerships".

These Partnerships will be launched in areas where a clear and verifiable goal can be defined — for example, adding 2 extra healthy life years by 2020 — with a direct link to a societal challenge – in this case, demographic change. Each partnership will be broken down into distinct work packages focusing, for example, on preventive medicine, the treatment of chronic diseases or technologies to allow older people to remain independent for longer while reducing the cost of caring for them.

Other partnerships could include 20 zero emissions cities by 2020 or the efficient use of, and possibly substitution or recycling of, raw materials.

A key selection criterion is that there should be a significant market potential for EU industry.

Partnerships will provide a framework for pooling resources and bringing together all key actors, as well as relevant policies and instruments, simultaneously tackling all bottlenecks and building bridges, on both the funding or supply side as well as on the demand side, covering procurement, standardisation and regulation issues. They will not be a new instrument, but will weave together the many existing instruments already in play.

Here I'm referring to the JTIs, the Joint Programming Initiatives, the Lead Market Initiative, the Knowledge & Innovation Communities (KICs) launched by the EIT, the public-private partnerships of the Recovery Plan, the thematic priorities of the current and future Framework Programmes ... and so on.

For particular issues linked to particular challenges, these need to be gathered together, framed, and focused to maximum effect. We're looking for streamlining and simplification.

In a way, the Partnerships can be thought of as innovation short circuits— speeding up breakthroughs and making sure they are rapidly deployed.

Governments will have a major role to play in this process as, for example, providers of funding, regulators, standard-setters, procurers and "early adopters".

To drive real change, we need to show that there is buy-in at the highest political level. This is essential. This is why I consider our discussion today so important.

And since Partnerships address European societal challenges, they concern us all. We know that companies will invest in these new market opportunities; we know that European citizens want us to invest in a society that is good to raise families and grow old in. So we need to mobilise the engagement and support of the key players — Member States and the Commission, and also industry, researchers and the deliverers of public services.

Through them, all possible resources — funding at EU, Member States, local levels, public procurement, standardisation, legislation — will need to be pooled to generate the critical mass and speed needed to deliver solutions to European citizens and businesses and enable

Europe to take a global lead in techniques and technologies for tackling societal challenges.

Each Partnership will need to be underpinned by major actions, including, as appropriate, joint R&D and procurement programmes — with the necessary financial commitments — and agreements on fast-track standards-setting and regulatory changes.

Furthermore, Partnerships will need to be open and nimble. Here I'm thinking of a need for flexibility, the trend in industry towards "open innovation", and our objective of promoting the Fifth Freedom. It is time to make this a reality, to promote networking, the exchange of new ideas and access to publicly-funded research, while ensuring that our brightest minds will be free to innovate, knowing that their ideas will be protected. The huge power of end-users, amateur inventors and innovators, and social innovators also needs to be combined with existing activities in a lean governance approach.

I've talked with a number of potential players in recent months, together with my fellow Commissioners concerned with innovation, and this has helped shape our ideas and the proposals to be contained in the Innovation Union flagship

initiative. Your own comments and suggestions will be very welcome as we prepare proposals for a first set of Innovation Partnerships.

Ladies and Gentlemen,

The Innovation Union flagship initiative that I've described is one of several such initiatives announced under Europe 2020. It has particular links to the "Industrial Policy for the Globalisation Era" initiative now developing under Antonio's leadership.

Personally, I'm convinced that there is no smart, sustainable and inclusive future without a strong industrial base in Europe.

Beyond this personal conviction, and from the research and innovation angle, it is clear that industrial competitiveness and innovation are intrinsically linked. The one cannot do without the other. The same goes for the design of these policies. Take the "low-carbon and resource-efficient economy" we're all aiming to build. This will thrive on innovation, and it requires policies that foster European competitiveness in the sectors concerned. This kind of incremental innovation can help us create a virtuous cycle where targeted, increased investment leads to more excellent

research, leading to innovation, from which more and better jobs are created. All kinds of innovation, high-tech and low-tech, from all kinds of sectors, all businesses great and small, could be part of this cycle. This boost to the economy leads again to the start of the cycle with money ploughed back into research.

This has consequences for the policy actions we shall be proposing. We touch on a number of the same topics and policy tools: skills and education, intellectual property rights, competition policy, state aid, access to finance, and standards and public procurement issues. There's a lot of complementarity. We'll discuss some of these at the joint industry-research workshops this afternoon.

The key is to complement our activities under the overarching Europe 2020 strategy and use the instruments we have at our disposal coherently.

Let me give you a couple of examples how I see this in practice.

Take the initiative on key enabling technologies. Together with Commissioner Tajani, Commissioner Kroes and I launched the High-Level Group earlier this week [*13 July*], where some of you are represented [*DE, FR, UK*]. The

Commission's research arm is contributing strongly, for instance on nanotechnology and advanced manufacturing technologies. We expect this to be the first of a number of joint approaches that aim to create new industries and markets through encouraging the wide deployment and take up of emerging technologies.

And consider small and medium-sized companies. SMEs are crucial players for generating, taking up and exploiting new ideas. Due to their flexibility and market insights, SMEs are often the interface between research and commercialisation: they transform new developments into successful businesses and apply new technologies to meet customers' needs. Over the last twenty years, innovative SMEs have renewed entire sectors and created new industries. Tapping their innovation potential is essential.

I can assure you that we'll be making great efforts to try and improve the conditions for SMEs in our Innovation Union proposal, notably through improving access to risk capital, through greater procurement of innovation, and by simplifying SMEs' access to EU programmes. These will complement actions in favour of SMEs, such as support for

SME globalisation, under the new "Industrial Policy for the Globalisation Era"

Johannes Hahn also intends to throw the full financial weight of European regional policy behind the Innovation Union and encourage local and regional authorities to implement the Europe 2020 strategy in the field.

Dear Colleagues,

For this Innovation Union and this vision of Europe 2020 to become a reality, we need to act together. Today marks another step in the journey towards a smarter, greener and more inclusive Europe in 2020. In this afternoon's workshops, we're going to discuss financing, the European Innovation Partnerships, and the governance of research and innovation policies. These are very important topics to discuss at this time, as we need to translate visions into commitments and targets and start creating a more dynamic Europe. A Europe where innovative firms want to do business, where talented people want to live and work, and where an Innovation Union supports the welfare and economic well-being of all.

Thank you.