

Innovation Day
keynote speech delivered by
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Republic
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Ladies and gentlemen,

2009 had been designated the year of Creativity and Innovations long before we could suspect what was coming. Long before the Lehmann Brothers fell, long before our businesses switched to a “cash is king” policy and started moving from variable into fixed costs. There is no doubt, the economic downturn makes money scarce and taking risk more expensive. It may trigger a shift from pursuing long-term dynamic efficiency to short term static efficiency. It may mean less investment into innovation - at times when we most need it.

For 1000 years, ability to innovate has been the main comparative advantage of Europe, which is not big, nor rich in natural resources. Innovation increases competition and boosts productivity. It helps to tackle main societal challenges such as demographic developments, climate and energy, education or e-government. It is absolutely vital for Europe to overcome the current crisis but also to stand the transformation test of a globalizing society. So what is today the key to spurring innovation and thus economic growth? Let me give you a brief outline of the main priorities of the Czech EU Presidency in this area.

1) INTELLECTUAL PROPERTY RIGHTS

The key to innovation at times of crisis is incentivisation. Strong intellectual property rights are all about providing incentives to the creators, the inventors, the innovators, the risk-takers. Too much IPR

does not kill innovation; rather the opposite. Lack of IPR, on the other hand, can be fatal to SME's, who are the genuine drivers of our economy and who, according to many studies, outperform larger firms in terms of technological importance of their innovations.

Now what is the situation at the EU level? The EU patent system remains fragmented and inefficient. Obtaining a patent is 3 times more expensive in EU (the largest integrated market in the world) than in the U.S. or Japan. This situation has been a thorn in the flesh of the EU for several decades, yet it still continues to undermine the goal of the Lisbon Strategy – for EU to become the most competitive and most innovative economy by 2010. The EU therefore has to give full priority to negotiations of a **Community patent** and its jurisdiction. Significant savings must be introduced in translation and procedural requirements – currently extremely expensive. The Czech Presidency is deeply committed to this task and will do its best to push “the elephant” forward.

2) A GENUINE EUROPEAN KNOWLEDGE AREA

The motto of the Czech Presidency is “Europe without barriers”. Europe in which all four basic freedoms of the internal market – free movement of goods, services, workers and capital – are fully exploited and give access to the wealth of today. For EU to remain competitive and not to fall into oblivion of the globalizing world, the challenge is to seek the key to the wealth of tomorrow: the **fifth freedom** – the **free movement of knowledge**, enabler of innovation and a very under-integrated area.

I. Free movement of knowledge presupposes dismantling barriers of mobility of researchers. Research infrastructure and programmes are of no use without human capital. The Presidency will build up on the “*European partnership for researchers*”, launched under the French

Presidency and seek to keep the momentum. A special conference on Researchers in Europe without barriers will take place in Prague on 28.-29. April 2009 for that purpose.

II. Free movement of knowledge also pre-supposes further development of the *European Research Area* (ERA). EU needs to learn to use its innovation potential as a whole. It is NOT normal that Europe has so few world-recognised poles of excellence despite the high quality of our many, but scattered, research teams. It is NOT normal that the EU has no University in the top 20 Academic Ranking of World Universities in engineering and computer science.

Regional aspects concerning the development of large research infrastructures are crucial, if the fragmentation of European research – our main challenge - is to be overcome. The Czech Presidency would like to address the possibilities of cooperation among smaller EU Member States in the development of research infrastructures, in order to pool their – often limited - human and financial resources.

III. Last but not least, genuine free movement of knowledge is feasible only with sufficient funding. The 2008 Trendchart published in January this year indicates that EU spending on R&D reaches just 1,84% GDP – far less than the 3% Lisbon target and less than the 2,6% US expenditure. I personally believe that Europe will not receive anymore wake-up calls – the current crisis is the last one. The 7th EU Framework Programme has been a progress, but we should make sure that in the next EU Financial Perspective, 2013 to 2021, the European Union finally manages to identify the right priorities and allocates an even greater

proportion of the EU annual budget for research, technology and research programmes.

3) ECONOMIC RECOVERY PLAN

I mentioned earlier today that the key to innovation at times of crisis is incentivisation. The Czech Presidency was entrusted with a difficult task: to ensure the implementation of the European Economic Recovery plan, which is meant to stimulate the stalled European economy. The main challenge identified by the Czech Presidency is, in doing so, to **maintain a careful balance** between the short-term measures supposed to boost demand, save jobs and help restore confidence on one hand (*fiscal stimulus amounting to 1,5% of GDP*), and the "smart investment" meant to yield higher growth and sustainable prosperity in the longer-term on the other hand.

To put it more provocatively, rescuing jobs won't rescue the economy. Supporting companies might harm innovation. We should take big care that the Recovery Plan generates not only a short-term, ephemeral effect, but that it lays sound basis for a healthy and competitive European economy in the long-run. In order to achieve that:

I. The Plan has to remain firmly anchored in medium and long-term structural framework, such as Lisbon Strategy. We should also come back to sound fiscal policies as soon as possible. The respect of the revised Stability and Growth Pact is of crucial importance.

II. We should put emphasis on those instruments of the Recovery plan that generate medium to long-term added value. Let's boost SME's who are the drivers of European innovation. If we subsidize innovation, let's do it with attention for SME's and new entrants. Let's push for

better regulation. Let's increase investment in research and development. Let's support innovation in manufacturing, in particular in the construction industry and the automobile sector – for example improve energy-efficient in buildings. The Recovery plan provides for all these instruments and many others.

CONCLUSION

I firmly believe that the economic downturn should be seen as an opportunity for new advances to address today's global challenges. For ICT - industry founded on innovation, the current turmoil will create openings. ICT will play a key role in accelerating the European economic recovery. Direct investment in ICT can maintain jobs and it can also make the European economy more competitive. ICT solutions reduce costs and help companies get quickly out of the crisis:

- they reduce need to travel – video-conferencing, document-sharing, audio and web conferencing and plenty other technologies reduce travel costs and improve individual productivity

- they virtualize IT – cloud computing, grid computing, and thin-client architectures all help reduce IT costs and optimize resources needed for data centers. Through this technology, companies no longer need mega data centers that consume as much energy as a city with 50.000 inhabitants

Last but not least, ICT also has significant place in addressing the main societal challenges for the next decade – Energy – Demographics – Environment – E-government – Transport – E-Health...

Ladies and gentlemen, in the 17th century, Prague of Rudolf II and of Tycho de Brahe was the heart of European Science. Throughout the 18th

and 19th century, Bohemia and Moravia, industrial centres of the Austro-Hungarian Empire, were the main drivers of innovation in the monarchy. Until the beginning of the communist rule Czechoslovakia of the 20th century belonged to the world top 10 industrial powers. Innovation and competitiveness are “in the Czech blood”. I can therefore assure you that the Czech Presidency is very committed to keep innovations on the top of the European agenda. Let’s “innovate” ourselves out of the crisis. Thank you for your attention.