

Press release  
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## **Leveraging Europe's strengths**

A number of participants used the second day of The Future of Europe Summit in Andorra to stress that while it may be lagging in certain areas, the Continent has not yet lost the race to the knowledge economy. Europe has strengths – like language skills, a track record in cooperation and an open mindset – that could help it succeed in an increasingly competitive global marketplace.

There was a broad agreement that Europe has not been burying its head in the sand on the issue of innovation. Apart from the famous Lisbon agenda, there was also praise for the 2006 report from former Prime Minister of Finland Esko Aho. That called for a pact for innovation to be signed by political, business and social leaders and stressed that current trends are unsustainable in the face of global competition.

Repeating a theme that came up Thursday, panellists said that Europe needs to focus on sectors where it has innate strengths like health care and pharmaceuticals -- themes which tally with Europe's ageing population.

Friday's first session, entitled "**Winning the race in the knowledge economy,**"

looked at the key challenges that Europe faces, where it has a competitive advantages and how these could be reinforced.

**Jan van den Biesen**, director of R&D at Philips Research in the Netherlands, laid out the two sides to the research field in the EU. His company has successfully opened a research campus with about 40 companies, bringing "cross-fertilization." "Innovation is at the regional level. You need physical proximity," he said.

On the positive side, the EU is taking some steps to integrate its framework research programs. Only last week, the EU Competition

Council approved four new technology initiatives, bringing together public and private bodies to work on single programs.

On the negative side, participants bemoaned that fact that there is still no single Europe market, and until that emerges, companies will be hampered.

“For us it is much more interesting to work on e-health in the U.S. or China,” said **van den Biesen**. He noted that in Brussels, decision-making has become too bogged down in trying to avoid misappropriating money and that means funds aren’t getting through to where they are most needed. Some projects have to go through seven audits before financing is released.

In a later session **Hugo Niesing**, Co-founder of WattPic from the Netherlands, complained that to secure funds from the EU requires a bank guarantee, which might represent more than 10% of a loan’s value.

He spelled out the difficulty in translating good ideas to the market in Europe. “We have found some hurdles – it’s not finding the finance, but it’s managing the finance,” he said, adding that the quality of European research really needs to be improved using official framework programs. “Spending needs better focus on outcomes,” he said. “For framework programs, you always see the same universities -- not because they are the best, but because they know where the money is.”

**Emiliano Duch**, Founder of Competitiveness, Spain, laid down the challenge that the EU needs to move away from manufacturing to services. “The challenge for the EU is that anything that can be manufactured will be manufactured abroad” he said. “Services are the way to transform products and that is where clusters come in. You need to cooperate with others.”

**Glenn Hoetker**, Associate Professor at the University of Illinois, stressed the advantages that Europe can draw upon. In contrast to the U.S., it is relatively open to immigration and it has a “locational

advantage”. Asia, while it has strengths in education, “may be driving creativity out and the EU is well positioned here.” The U.S., he said, has not been linguistically responsive and misses out on a lot of applied research.

**Herbert Oberhänsli**, Head of International Relations at Nestle, stressed the need for the EU to improve its tax treatment of innovation.

All panelists agreed that if the EU could trim its spending on **agriculture**, it would create a great opportunity to finance research and demand.

A second session, “**From brain drain to brain gain and job creation**,” looked at retaining brainpower in Europe and attracting more highly skilled international labour to stimulate entrepreneurship.

On the panel, **Joel Decaillon**, Political Secretary at ETUC in Belgium, stressed that Europe will have a massive shortage of skilled labour in coming decades – a deficit of 20 million according to Franco Frattini, the Deputy President of the European Commission. Decaillon noted that the best performers in innovation are in Scandinavia, where democracy combines with transparency and a strong welfare system. He stressed that the EU must not lose track of its democratic credentials.

**Antoni Martínez**, Manager of the Energy Park b\_TEC in Barcelona, spoke in detail about the benefits of clusters. He called for more funds for universities to join with the private sector and training to help universities work with the private sector.

**Mark Minevich**, Founder of the Billion Minds Foundation, gave a provocative presentation. He laid down a possible doomsday scenario, where regional tensions and a spike in commodity prices could bring a breakdown of the nation state and the replacement of many of the companies that dominate today’s landscape. The future, he said, is all about networks.

“Networks are going to be as powerful in the future as companies, they’ll make decisions, they’ll do research, they’ll have buying power. We’re just at the start of social networks. If you’re not part of the network, be very careful, be very cautious.”

He also said that Europe must reach out to cooperation with and immigration from **Eastern Europe**, not least **Russia**. “They feel now is also their century not just in energy but in brainpower. If we don’t act, they may form alliances with China and India. So we have to make a choice we have to bring them in.”