

Innovation, Competition and Economic Growth



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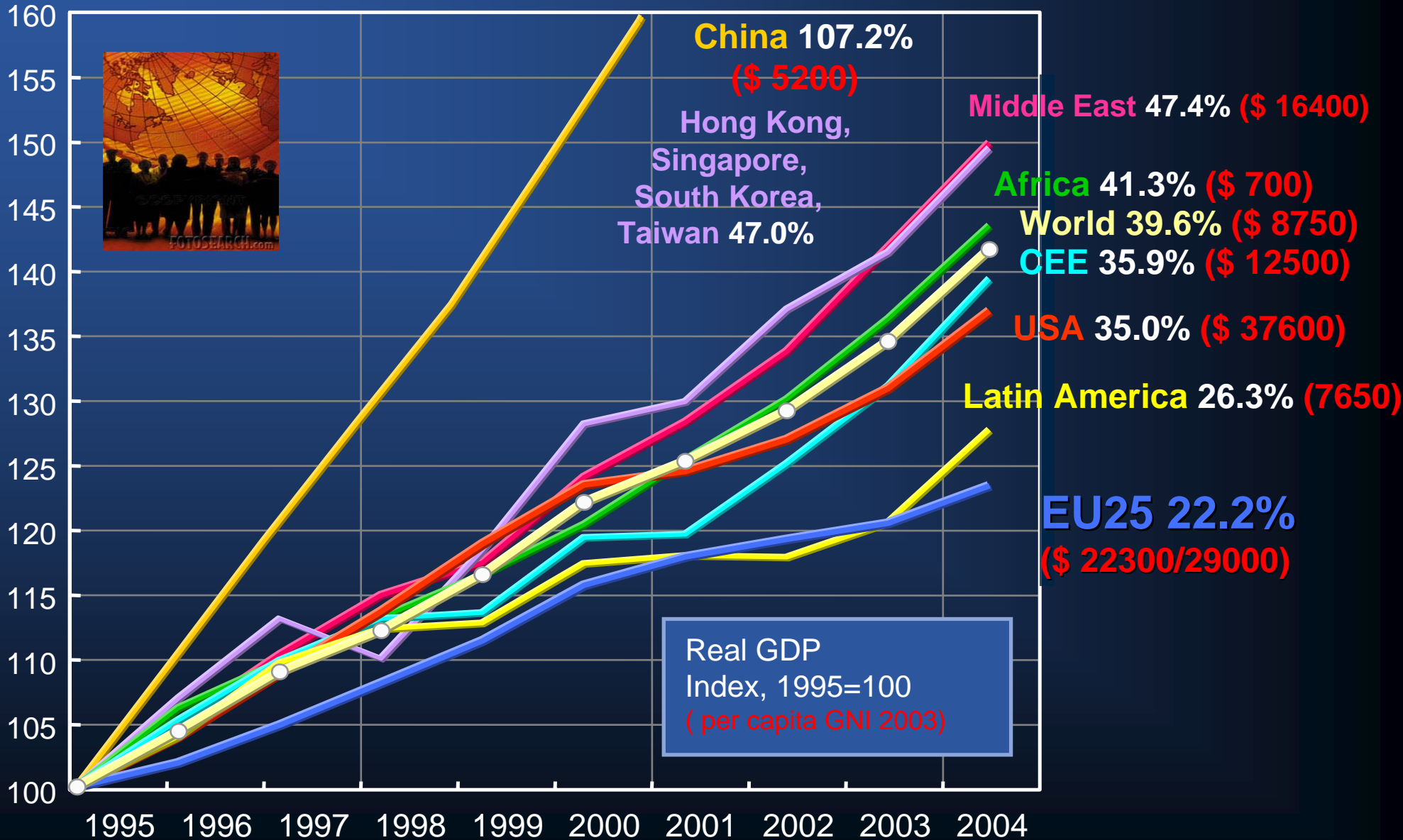


Knowledge Economy Forum V:

INNOVATION AND TECHNOLOGY
ABSORPTION FOR GROWTH

Prague, 28-30 March 2006

Economic Growth in Selected Regions/Countries





Under competitive pressure the new Wealth of Nations depends on ...



...their ability to learn

...their ability to deliver (reforms)

...their ability to adapt
(to new challenges)

...their ability to attract
(capital, knowledge, human resources)

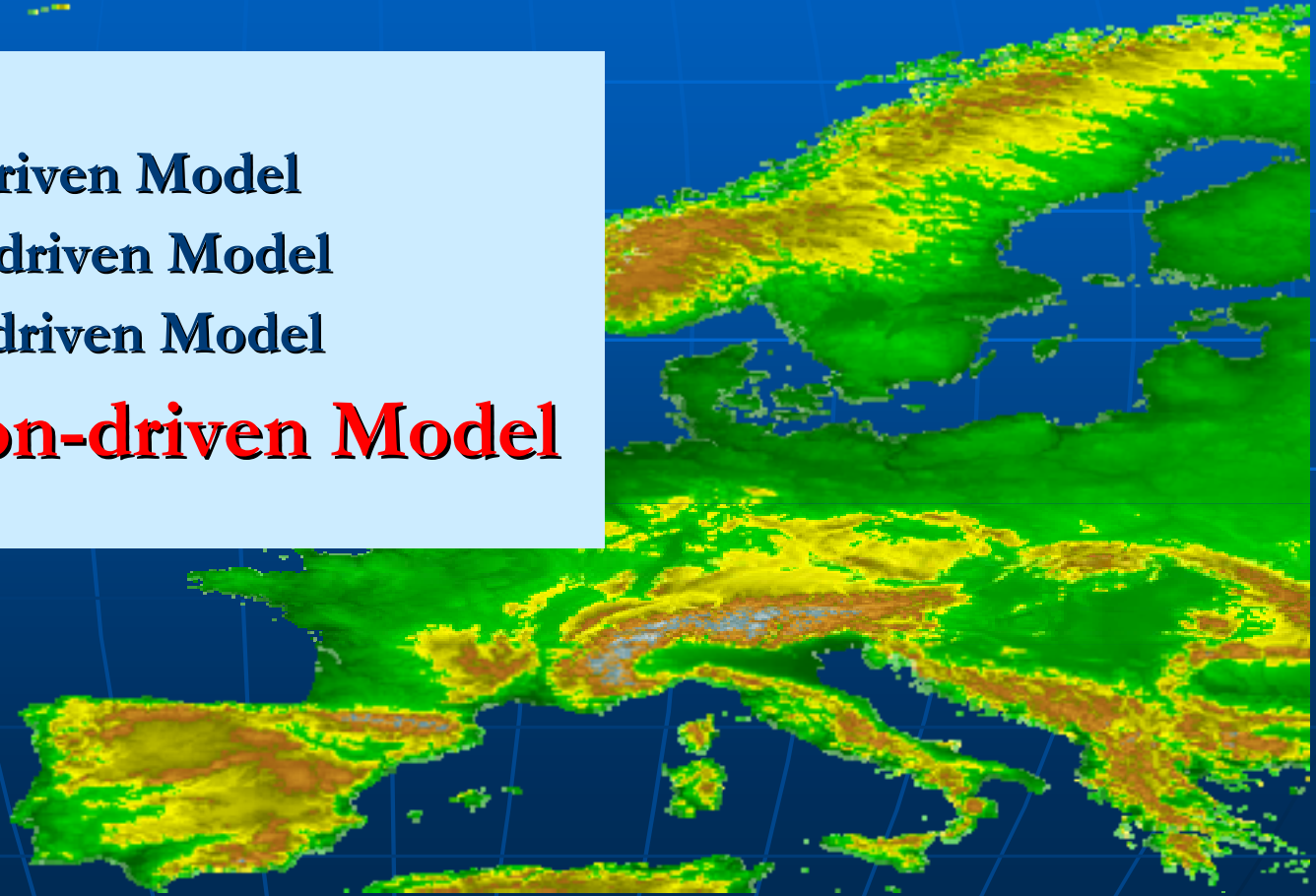
...their ability to sell
(on domestic and foreign markets)

Strategic Drivers of European Development



Trade-driven Model
Market-driven Model
Money-driven Model

Innovation-driven Model



Lisbon I: Strategic Goal 2010 ...

**...to become the most
competitive and dynamic
knowledge-based economy in
the world,
capable of sustainable
economic growth with more
jobs of a higher quality
and with greater social
cohesion.**

Lissabon II

- *how to bring it about* -



Human Capital Formation, Education, Skills

European Area of Research and Innovation

Investment in Internet, e-Commerce and ICT

Entrepreneurial Spirit, start-ups and SMEs

Link Science Base with Industry

**Lisbon mid-term Review 2005:
No Failure, but Relaunch needed!!**



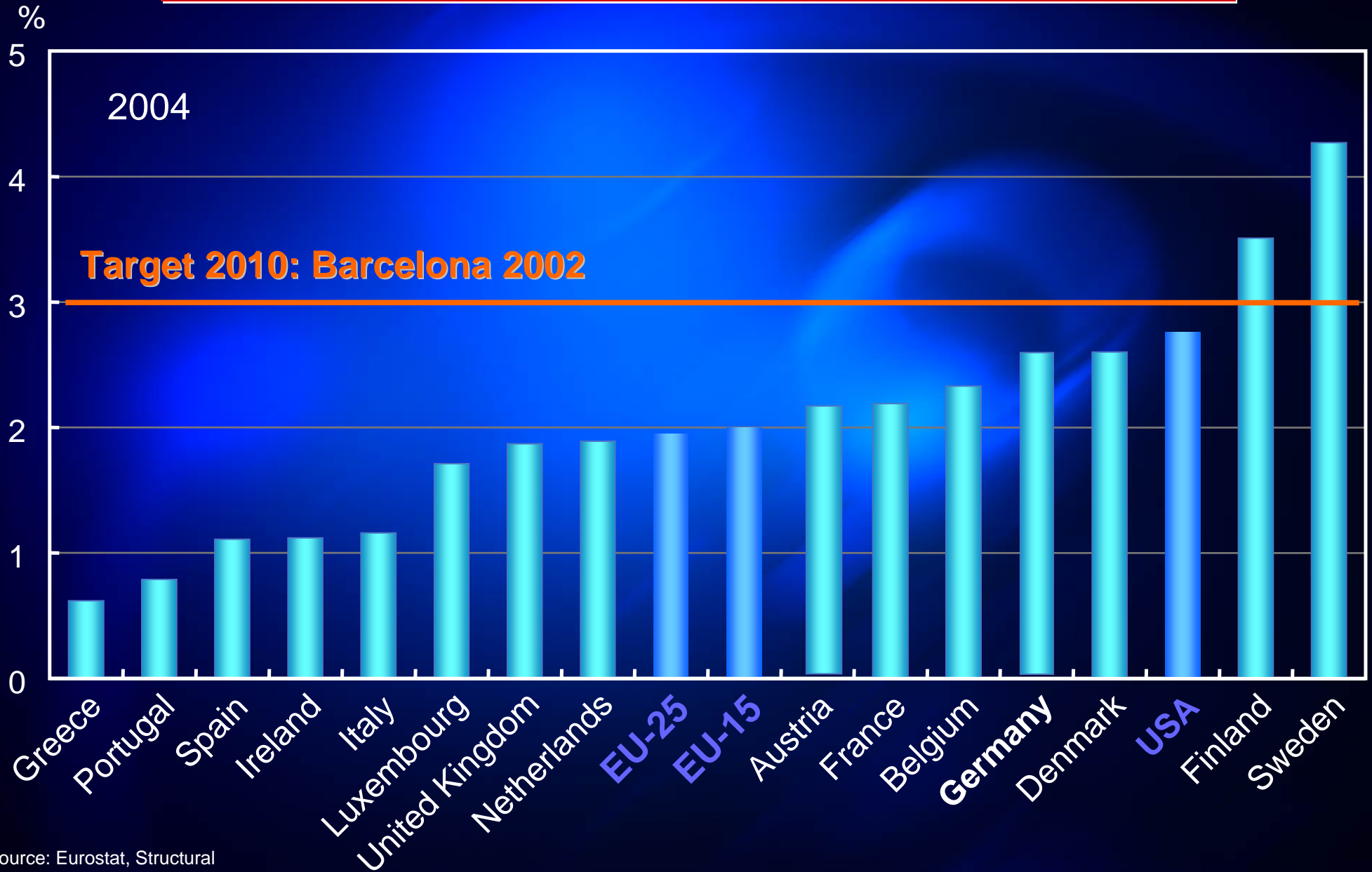
Lisbon 2010 – notwithstanding problems of implementation - is neither a typing error (2100) nor a disaster!

Focus on growth is missing, New Economy basis has vanished, but liberalisation successful in sectors such as Telecom, Railways, Financial Services etc.

No ticking off measures, but diffusion of reform spirit

Problems to tackle: Governance, NRPs and Reform-Interference

R&D spending as % of GDP



R & D expenditure and Targets set in NRPs (% of GDP)

Member State	2004 ^[1]	Target for 2010 or other years ^[2]
Belgium	1,93	3,00
Czech Republic	1,28	2,06
Denmark	2,61	3,00
Germany	2,49	3,00
Estonia	0,91	1,90
Greece	0,58	1,50
Spain	1,07	2,00
Ireland	1,20	2,50% of GNP
France	2,16	3,00
Italy	1,14	2,5
Cyprus	0,37	1,0

^[1] Source: Eurostat. Most values provisional. The values for IT, LU and PT refer to 2003.

^[2] Source: National Reform Programmes, European Commission estimates based on the targets provided by PT, SE © kgretschmann

R & D expenditure and Targets set in NRPs (% of GDP)

Member State	2004	Target for 2010 or other years
Latvia	0,42	1,50
Lithuania	0,76	2,00
Luxembourg	1,78	3,00
Hungary	0,89	1,8
Malta	0,273	0,75
Netherlands	1,77	3,00
Austria	2,26	3,00
Poland	0,58	1,65
Portugal	0,78	1,80
Slovenia	1,61	3,00
Slovakia	0,53	1,80
Finland	3,51	4,00
Sweden	3,74	4,00
UK	1,79	2,50

KNOWLEDGE NEEDS OPPORTUNITY

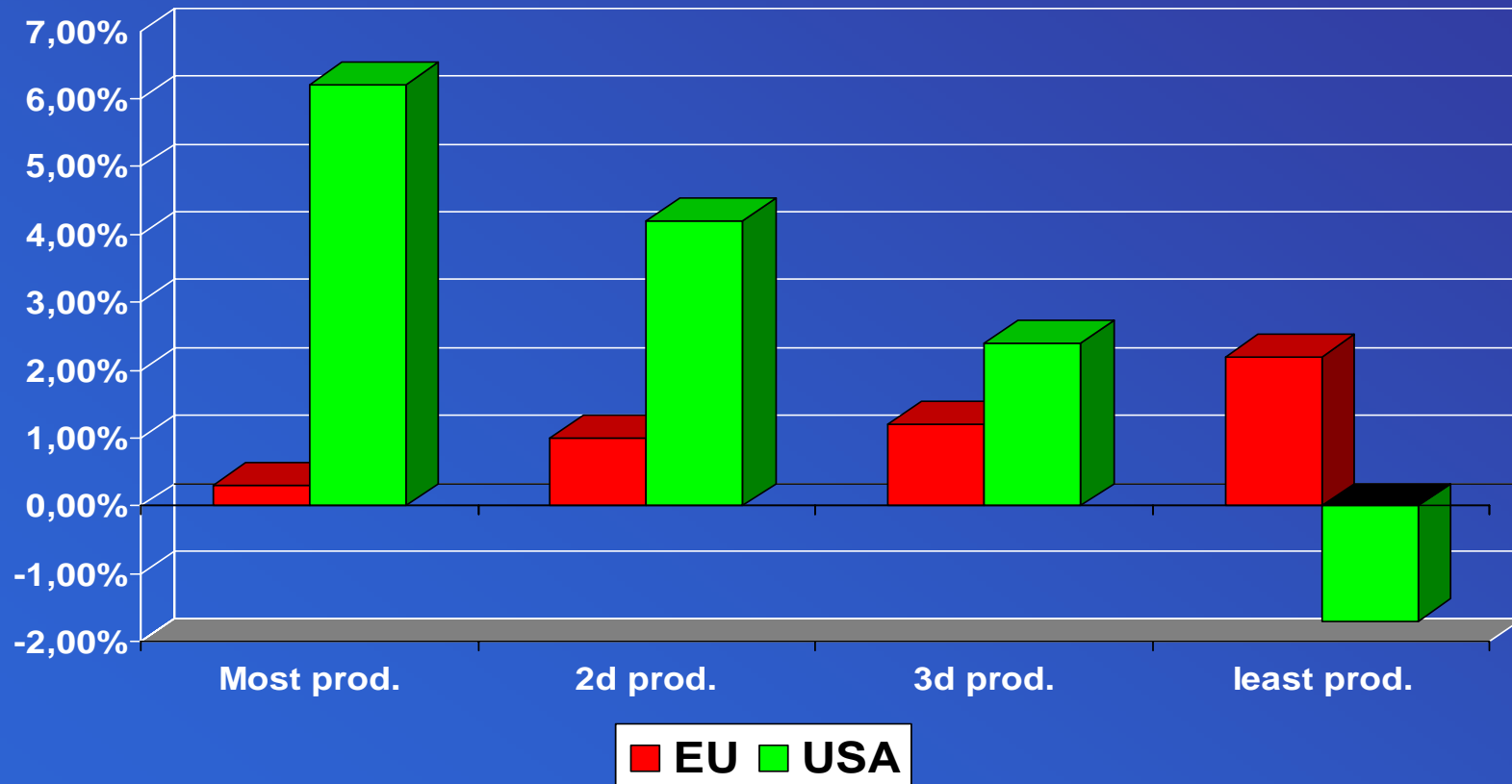
The key challenge is to overcome the
“European Paradox”:

not just to acquire more knowledge, rather

*to transform knowledge successfully
into commercial viable products
and services*

Lack of Competition?

Employment Growth of Enterprises (by productivity quartiles)



Beyond Lisbon: Challenges, Actions, Measures



Areas of Action

Partnership for Research & Innovation



Unlocking Business Potential (SME)

Measures



NEGLECTED TRUTHS I



Curiosity, not money alone, drives research

Creativity, not linear development drives innovation

30% of all innovation is business model redesign, 40 % product innovation, 30 % process innovation

The most important agents of innovation are users/customers & partners /advisors but not R+D departments

NEGLECTED TRUTHS II



*The opposite of innovation is imitation –
adequate IPR is required*

*The direct employment effects
of more R&D are inconclusive*

*In politics the shortest distance
between two points is never a straight line*

Conclusion

Without dynamic change, there can be no progress

Without venturing into the unknown, there can be no advancement

Without taking risks, there will be no pay-off"

Kung-fun-tse

HAYEK'S VERDICT



***"Competition
is a device
for promoting
discoveries"***