

# European Innovation

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## Public acceptance of innovation: using mobile phones in flight



**PAXIS**

- Rounding up the Paxis initiative
- 2005 European Innovation Scoreboard
- Innovating Regions in Europe – Network News



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DIRECTORATE-GENERAL FOR ENTERPRISE AND INDUSTRY

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## A boost for start-ups

Small firms are the lifeblood of any economy. The more new firms are launched, the greater the number that are likely to grow into the dynamic, innovative enterprises that make the largest contribution to the economy. Perhaps the best assistance that regional authorities can give to innovation is to create the conditions in which entrepreneurs can most easily get started in business. The Paxis regions (see our first feature) have been working on that, both individually and together, over recent years. As this major EU-funded initiative draws to a close, the partner regions have held their final conference, sharing their experiences and preparing new initiatives.

Half of the challenge for any entrepreneur is to match a gap in the market with potential customers' needs and desires. If the two are not aligned, new products may fail to take off, or do so only slowly. Public acceptance of new products and services is a critical factor in how quickly they become adopted. In our second feature, we look at the example of mobile phones in aircraft. Ubiquitous on land, until now phones have been banned from planes for technical and safety reasons. Within a few months that is set to end. But is this because passengers really want it?

We also look at the latest European Innovation Scoreboard. Every year this valuable tool is further refined, and the range of information it provides is widened. But the overall picture it presents – of the EU's position in the world and of the comparative position of Member States – has scarcely changed over the past five years. So are Member States taking adequate steps to improve their innovation performance?

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# Favouring manufacturers

*In October, the Commission adopted a new industrial policy communication, aimed at creating the conditions in which manufacturing industry can thrive. Gert Jan Koopman, the Commission's Director for industrial policy, outlines the challenges at both EU and national level if manufacturing firms are to contribute to the partnership for growth and jobs set out in the revised Lisbon Strategy.*



Gert Jan Koopman

**European Innovation:** *Does this new industrial policy communication build on those of 2002 and 2004, or does it take policy in a new direction?*

Gert Jan Koopman: It builds on them, adding a work programme for the next two to three years. The two previous communications set out a series of principles, underlining that industrial policy is essentially about improving framework conditions. With this one we have looked at sectors of manufacturing industry and screened them against these conditions, to evaluate what action is necessary. For the first time, we have established the key challenges at sectoral level and tried to identify a work programme to deal with them.

**Is the sectoral focus a change in policy?**

What is new is that we have screened 27 sectors of manufacturing industry against the same set of criteria. Ten to 15 years ago we had a sectoral approach, but dealt differently with the difficulties of each sector. Then there was a time when industrial policy was, frankly, taboo. With the 2002 communication we re-established it as a policy aim. So the sectoral dimension is coming back, but within a horizontal framework.

We are not trying to pick winners, or to support sectors for the sake of it, but aiming to improve framework conditions for all sectors. Nor are we engaged in building European champions. They may arise, once framework conditions are improved, but it is not our objective per se.

## Coordination

**To what extent does the success of this policy depend on partnership between the EU and national levels?**

It needs a mix of action at Community and Member State levels, but collaboration between these policy levels is essential. In producing the communication we have collaborated intensively with Member States, ensuring that the analysis is shared. It is crucial that discussions on an industry involve its main players.

**Why the focus on manufacturing when services form a greater proportion of the European economy?**

Services are increasing their share of employment and value added, measured in current prices. But looking at output volumes, the share of manufacturing is constant, or even increasing slightly. The reason is that manufacturing generally has much higher levels of productivity growth. Innovation is extremely important, and if you look at R&D expenditure, for example, most of it takes place in manufacturing.

We need to be particularly attentive to the framework conditions for manufacturing, because in terms of R&D and exports, it is 80% of the EU economy. A lot of the growth in business services that we have seen in the past decade is completely dependent on manufacturing. It is critical that we fully understand the importance of manufacturing industry for the economy as a whole.





The Manufacture European Technology Platform has developed a research- and innovation-based strategy for the transformation of Europe's manufacturing industry. <http://www.manufacture.org/>

### Adding value

*Should we focus our efforts on high value-adding activities, such as R&D, but allow other parts of the value chain, such as production, to move outside the EU?*

We need to retain high value-added activities, but some production activities are high value added. And some production is a prerequisite for R&D. If you lose basic production facilities, you ultimately lose the very reason for carrying out R&D activities in certain sectors. The communication gathers a lot of the available information about delocalisation, and demonstrates that, in the aggregate, this is not yet a very significant issue. That puts things into perspective, and is an important message.

*Is labour market reform essential for industrial policy?*

Labour market reforms are crucial to facilitate structural adjustment. But we emphasise that this is about protecting people, not jobs. For this, you need to have framework social models, but there are different ways of doing it.

### Internal market

*Is the Commission going to take a stronger line in ensuring the implementation of single market legislation across the Member States?*

People are waking up to the fact that progress in the internal market has come to a halt and there are still obstacles to be addressed. Through the new Lisbon Strategy – partnership for jobs and growth – we are talking with Member States about the entire range of their microeconomic policies and addressing these issues in depth – how does their transposition of internal market policy fit in with what they do nationally?

To do these things meaningfully you need an integrated approach. That is coming out of this new partnership approach – it is only in its very first phase now, but seems to be working well. The national reform programmes from the Member States demonstrate that the commitment is real. There is still a long way to go, but the tools we have are more powerful than many people think.

*Innovation is one of the areas identified in the action plan – is it the key to the growth of manufacturing industry?*

It is a very important part of the answer, but not the only important part. We believe that practically all functions of manufacturing industry need to move up the value chain. If this analysis is correct, it can only happen through innovation. Not just technological innovation, since in many cases it is about doing things differently – but organisational or process innovation as well. Innovation will play a crucial role alongside more competition in markets, a reduction in the regulatory burden, and a reduction in costs. So there is a mixture of things, but innovation is central.

*“It is critical to grasp the importance of manufacturing industry for the economy as a whole.”*

(1) Communication from the Commission ‘Implementing the Community Lisbon programme: A policy framework to strengthen EU manufacturing – towards a more integrated approach for industrial policy’, COM(2005)474; [http://europa.eu.int/comm/enterprise/enterprise\\_policy/industry/com\\_2005/com\\_2005\\_474\\_en.pdf](http://europa.eu.int/comm/enterprise/enterprise_policy/industry/com_2005/com_2005_474_en.pdf)

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