

Trailblazing the Future: EU Innovation Policy Remake

Klaus Gretschmann and Stefan Schepers

Europe is confronted with a convergence of global and homemade crises. Sharp thinking former politicians, such as Henri Kissinger or Helmut Schmidt, recently expressed their serious concerns about the course of events. Is Europe sleepwalking again, this time perhaps not into war, but certainly into more economic and social trouble, political decline, civil unrest and global irrelevance?

We hope not! Rather maybe, ten years from now, we may look back on the present as the dawn of a new European Era: a time when rapid and continuous innovation changed almost everything, and changed it for the better: the way we live, how we produce, consume, communicate, interact and participate in our societies. Indeed, innovation has become the “*magic word*” in today’s intellectual debates about global competition, via job creation and growth stimulus to financial crisis solutions, tackling demographic problems, fighting deadly diseases and so on.

No doubt, budgetary discipline is needed, but it should be complemented by many modernizations to ensure a revival of dynamism. But how could this be brought about? The answer is placing innovation centre stage and proclaiming a decade of research and innovation of framework conditions, those very basic inter-dependent elements (such as education or networks) which determine successful economies and societies, in order to not only preserve Europe’s role as a decisive global economic player, but also to reduce growing inequalities and preserve social models for which people the world over envy us.

Against this backdrop, and in order to really kick start more effective European policy-making for growth and employment, an ***independent, tripartite High Level Group*** of senior civil servants of European and national administrations, managers from leading innovative companies and prominent academics has for two years been working on ***EU Innovation Policy Management***.

This initiative was launched by the Polish Presidency of the EU Council in 2011, and after the positive reception of its first report, the Irish Presidency asked it to continue its work which was completed just recently under the patronage of the Italian EU Presidency.

The recent report published entitled ***“The way forward to improve people’s lives: Inspiring and Completing European Innovation Ecosystems”*** aims to contribute to the European market of ideas. Its recommendations are divided into three parts: the first part focuses on how best to shape the EU Innovation Ecosystem in order to make it competitiveness-proof, the second part deals with social innovation as a means to bolster unintended side-effects and to make citizens more inclined towards innovation and the third part centres upon how to make the system of EU governance more conducive to innovation.

Key recommendations range from strategic ones, such as unfolding the embryonic European and national innovation ecosystems:

- improving overall policy coherence (inside COM but also between Member States);
- drastically reducing regulatory rigidity and burden;
- establishing an Independent Impact Assessment system (to better embed policies in complex, inter-acting realities).

But also concrete ones, such as

- providing new ways of funding to innovation (e.g. by cutting waste in the EU system);
- facilitating industrial cooperation (e.g. by relaxing EU competition law);
- taking an all-encompassing and inclusive view of intellectual property (eg. by going beyond patents).

A key problem underlying the sub-optimal design of EU innovation policy is the supra-national governance model of the EU, once useful for creating a common market and a single currency, but unfit for today's new challenges. It focuses far too much on regulating everything instead of operating with more sophisticated collaborative governance methods. Moreover, once it has opened a particular regulatory trajectory, it continues on it without regular and thorough evaluation of its effectiveness. No wonder European companies suffocate under complex, sometimes contradictory, shaky and time-consuming regulations which benefit no one and do not stimulate research and innovation nor competitiveness or employment. Political debates tend to focus too much on 'more or less Europe', but not on the cost-efficient functioning of its policy-making system, now designed half a century ago for a different political and economic context.

In order to ensure policy coherence not just within the EU Commission but also between the EU and Member States and amongst them, new approaches to impact assessment, policy design and legislation must be found.

On 1 November, the *Juncker Commission* took up its new assignments. Signals are mixed: on the one hand, the Commission may be able to build on the €80 billion Horizon 2020 program. Let us hope that it does not lead to a massive debt increase as with the Abe stimulus package in Japan by investing it in the wrong ways. The first spending proposals of Member States are worryingly lacking focus on much needed innovations. On the other hand, scrapping the post of the CSA may indicate some reticence towards scientific advice. A British proposal for a new approach to evidence-based policy-making was rejected without even being considering. Yet the new Commission seems to be a more creative one and is taking a more ambitious stance on innovation than its predecessor. Although the new EU Commission has made its first vice-president responsible for better regulation and its other vice-presidents for policy consistency, it still requires a lot of goodwill and courage and persuasiveness to make good use of the political opportunity to reform. They have not been given yet instruments to do so and depend on Commission officials temporarily transferred to their cabinets. And even if the Commission

moves further towards innovative thinking and practice, will the political antics in Parliament permit it?

Interestingly enough, in Europe a new drive for innovation and new ambition seems to be emerging at a time when many in the US and Silicon Valley have begun to question whether the golden age of technological innovation is already over. There's no single magic formula for coming up with the next big thing, and there's no shortage of people trying. Luckily, there doesn't appear to be any shortage of demand for innovative ideas and products, not only in high technology sectors, but also in traditional industries, in services, in management and hopefully in governance. So let's embrace our creativity, our inquisitiveness and our ability to imagine and do away with our fear to experiment here in Europe.

To be sure, original ideas don't just come out of nothing. It's a combination of all the knowledge and inspiration that the brain collects and then builds into new things. What is required are creativity and serendipity. All depend on the right, stimulating environment – *the inspiring innovation ecosystem*. We do need a new approach to innovation policy for good reasons: Since the 1990s, as a consequence of a variety of developments, EU policy making and implementation has become heavily focused on following proper procedure, restricting the initiative, creativity and responsibility of otherwise highly competent officials and leading to excessive bureaucratization of problem solving. As a result, the quality and quantity of outcomes has been declining to the detriment of Europe's innovation and competitiveness.

What is badly needed is collaboration between research, business, governments and the EU Commission, instead of silo thinking by each of them and mutual distrust. We must also dare to question regulatory capture in Brussels by a select number of NGOs with their own agendas whose impact on growth and employment is unclear to say the least. Instead of fragmenting responsibilities for research, education and enterprise policy, governments and Commission should ensure convergence and cooperation, because they are the three pillars of global competitiveness on which the public income depends to finance Europe's cherished social protection systems.

What the HLG's work and reports teach us conclusively is that it's high time for the EU system to sober up, focus on essentials and make a flying new start!