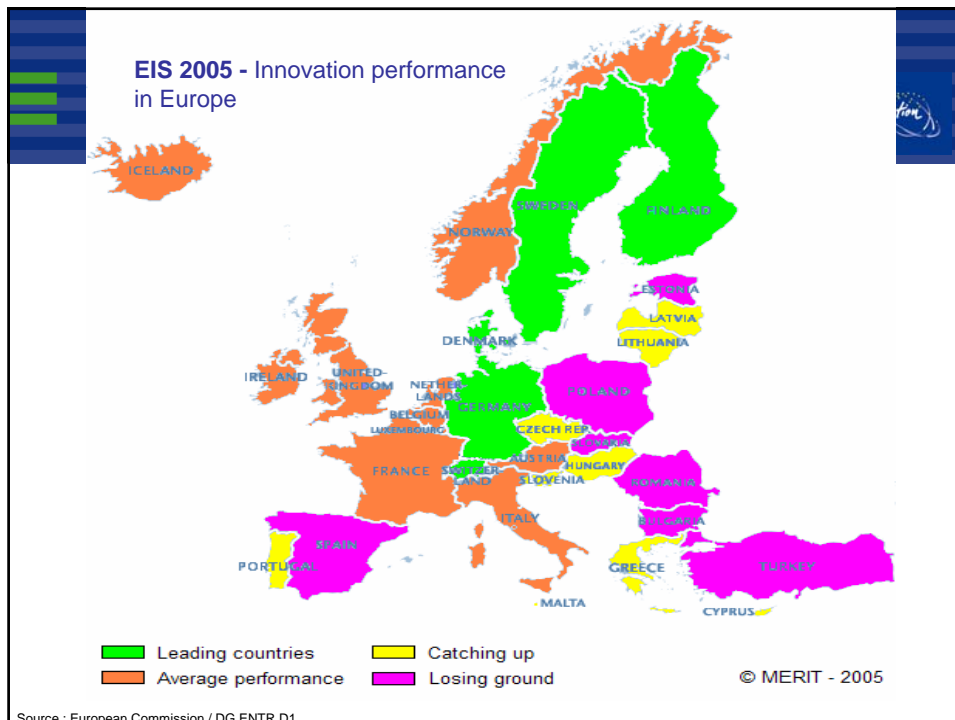


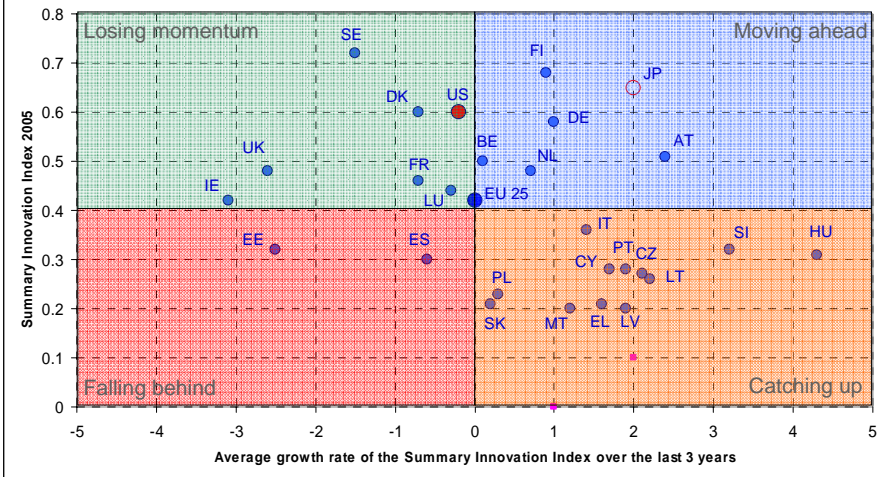
Globalisation and knowledge-based economies:
European perspectives

Heikki Salmi

Advisor to the Director General,
Directorate General Enterprise & Industry



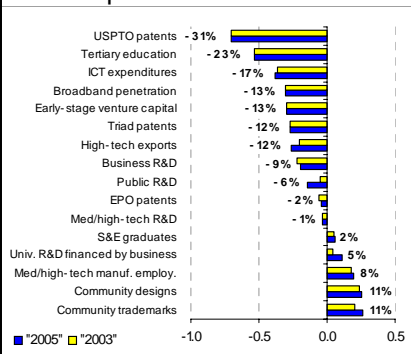
Innovation performance in the EU compared with the US and Japan



Source: European Innovation Scoreboard 2005

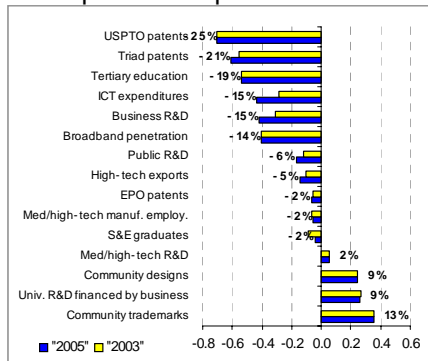
Innovation Gap: main sources

Compared to the US



- . Patenting in the US
- . Tertiary education
- . ICT expenditures

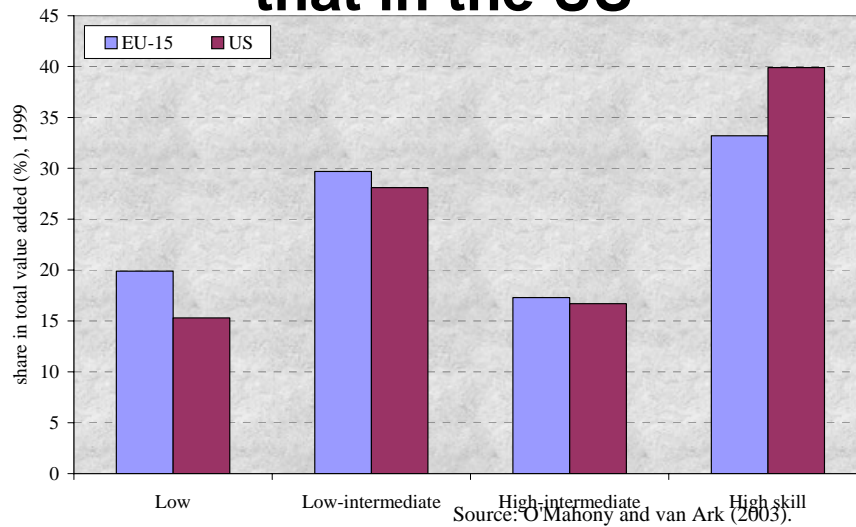
Compared to Japan



- . Patenting in the US
- . Triad Patents
- . Tertiary Education

Source: DG ENTR/D

The share of high-skill production remains below that in the US



Revised Lisbon Strategy

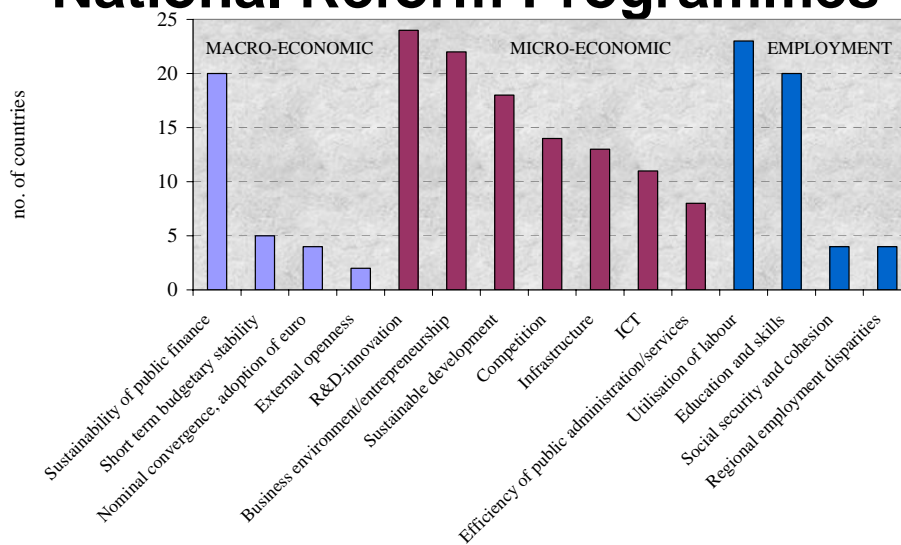
Refocus on growth and jobs:

- EU's attractiveness as a place to invest and work
- Knowledge and innovation for growth
- More and better jobs

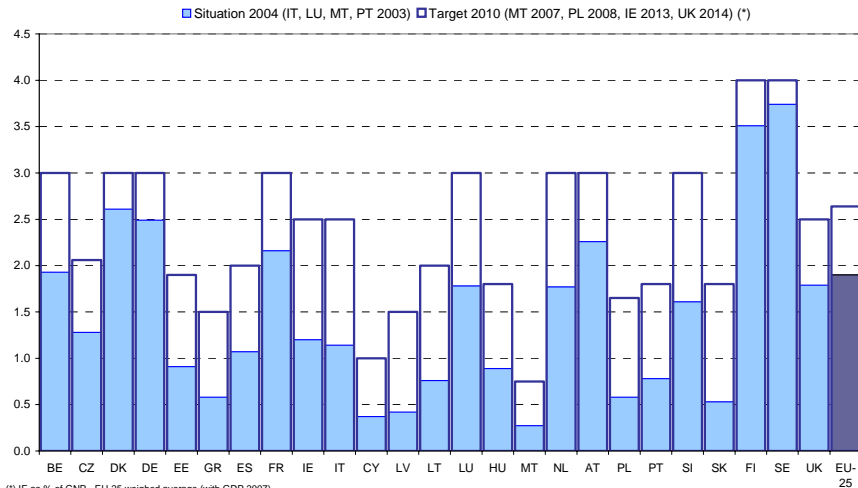
Knowledge and innovation for growth

- Invest in research
- Innovation
- Use of information technology
- Sustainable use of resources
- Strong European industrial base

Key challenges in the 2005 National Reform Programmes



R&D targets



(*) IE as % of GNP - EU-25 weighed average (with GDP 2007)
 Source: Eurostat, Structural Indicators, Innovation & Research - OECD / NRP's of the Member States

10 actions to support innovation as part of the Lisbon Strategy for Growth and Jobs

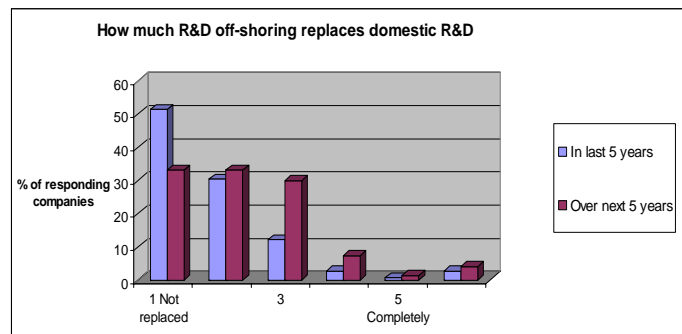


- Action 1 :** Better education systems to promote an innovation friendly society
- Action 2 :** A European Institute of Technology should be established to help improve Europe's innovation capacity and performance. The EIT should be operational by 2009
- Action 3 :** Develop a strategy to create an open, single, and competitive European labour market for researchers
- Action 4 :** The Commission will publish voluntary guidelines for Member States and stakeholders to promote knowledge transfer between universities and other public research organizations and industry
- Action 5 :** The EU's cohesion's policy for the period 2007-2013 will be mobilized in support of regional innovation by 'earmarking' a large proportion of the 308 billion € available for investing in knowledge and innovation
- Action 6 :** A new framework for State aid to research, development and innovation and new guidance for the design and evaluation of tax incentives for research and development will be presented
- Action 7 :** A new patent strategy before the end of 2006 and a more comprehensive IPR strategy in 2007 to facilitate the circulation of innovative ideas will be presented
- Action 8 :** An initiative on "copyright levies", to be presented before the end of 2006, will facilitate new digital products, services and business models
- Action 9 :** The Commission will, after public consultation, test in 2007 a strategy to facilitate the emergence of innovation-driven "lead-markets" in Europe
- Action 10 :** The Commission will publish and distribute, by end 2006, a Handbook on how pre-commercial and commercial procurement can stimulate innovation

The implications of R&D off-shoring on the innovation capacity of EU firms

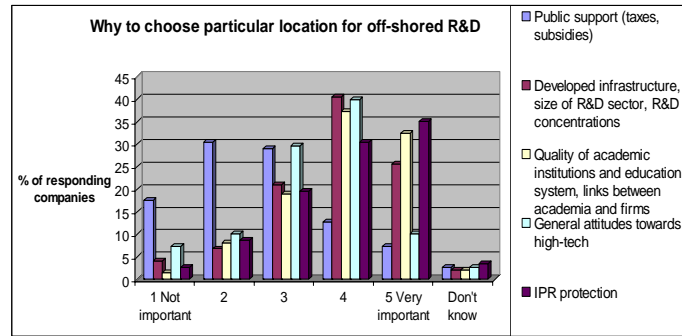
A study undertaken by LTT for the European Commission

Does R&D off-shoring replace domestic R&D?



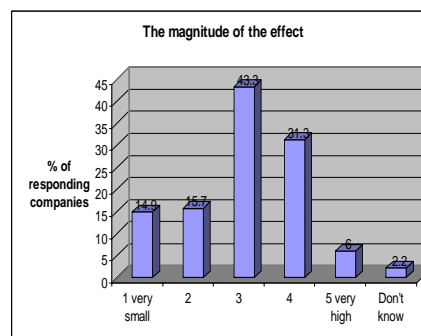
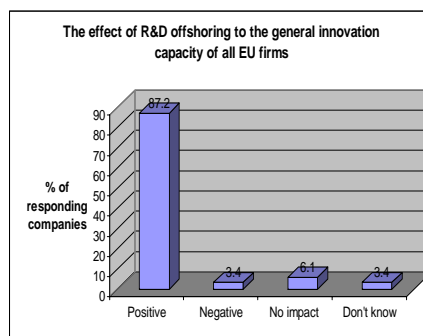
- The replacement effect has been limited over last 5 years.
- However, firms do anticipate a relative growth of off-shored R&D compared to domestic in next 5 years.

Why offshore in a particular location?



- Public support relatively unimportant in decisions about R&D locations.
- Good IPR protection and quality of academic institutions and links between firms and academia very important.

R&D off-shoring and general innovation capacity of firms



- Responding companies expect the general innovation capacity of all EU firms to increase significantly because of R&D off-shoring.

Thank you