

European Ideas Network - Summer University  
18 - 20 September 2008

**EIN POLICY ROUNDTABLE ON  
COMPETITIVENESS AND INNOVATION**

**CHAIRMAN: PHILIP BUSHILL-MATTHEWS MEP (EPP-ED GROUP)**  
**RAPPORTEUR: JACOB LUND NIELSEN (CABINET DN)**

**Background**

The challenge of how to be globally competitive preoccupies policy-makers in both advanced and developing countries as we enter an increasingly open and integrated world economy. But while many **focus** on the macroeconomic, political, legal and social aspects of a successful economy, the World Economic Forum (WEF) has noted that progress in these areas is necessary but not sufficient. Stability provides the opportunity to create **wealth**

**h**, but the actual creation depends on how nations use the productive capacity of their human, capital and natural resources to

**produce**

goods and services. Productivity depends on the microeconomic capability of the economy to stimulate a business environment where companies can grow and prosper. Governments need to enhance

**joined-up**

policy-making across ministries and agencies – working with companies, educational and research institutions to deliver growth through persuasion, incentives and

**leadership**

The world economy is not a zero-sum game and trying to skew market outcomes through policy measures - such as subsidies, wage controls and currency devaluation - will fail. But nations can improve their **prosperity** by improving productivity, thus expanding the global pool of demand to be met. Globalisation has increased the returns to

**productivity**

by opening up large new markets for competitive countries. Globalisation has also raised the costs of low productivity, reducing the ability of a sheltered home market to sustain low-productivity companies or provide high-paying jobs for less-skilled employees. The central challenge is to create the conditions in which companies and employees can

**innovate**

and become more competitive. The EU needs to pursue aggressively best practices in terms of the regulatory environment, infrastructure, university and

**skills**

assets, and other diamond conditions.

China and India are re-emerging as **global** economic powers. Europe needs to decide

whether it wishes to be overtaken by younger and more dynamic nations, or to prepare for the next round of world competition by being at the forefront of key growth areas such as nano-, bio- and cyber-technologies. In the 2007 WEF business competitiveness index

**ranking**

, four of the top five nations (United States, Germany, Finland, Sweden and Denmark) were European, with a further eight coming in the top twenty (including Switzerland, Norway and Iceland). The United States strength rests in its ability to innovate, finance and source skills. The leading EU member states benefit from sales abroad, clusters of excellence, plus clear legal, management and regulatory structures. Significant

**depreciation**

of the US dollar is likely to impact on Europe's position next year.

Education is the foundation for personal, social and economic success. But research by Bruegel shows that Europe as a whole trails the US by a wide margin. Total public and private spending on **higher education** in the EU is 1.3 per cent against 3.3 per cent in the US - average spending of less than €10,000 per EU student versus more than €35,000 in the US.

European universities often suffer from poor insufficient

**governance** and

**autonomy**

– further reducing efficient spending. If Europe is to be a leader in the global knowledge economy, with the top-level research needed to achieve this, comprehensive reform of our universities is needed. Europe needs skilled workers who are able to think creatively and

**innovate**

, making ideas work. Likewise, Europe's

**Single Market**

programme needs to be fully implemented. Since 1993, the Single Market has been a reality for goods, but service markets, including financial ones, remain highly fragmented. The efficient provision of services – which account for about 70 per cent of European economic activity and offer the greatest opportunities for employment growth – is crucial for a modern economy.

During the EIN **summer university** in Warsaw in 2007, the policy roundtable concluded that Europe must be serious about developing the **knowledge** society. The EU should invest in higher education and training. With strong intellectual property rights and a European Community patent, inventors may be attracted to the EU. The debate continued in Paris in March 2008 at an EIN

**seminar**

with the French think-tank Fondapol and the Robert Schuman Foundation, when it was felt Europe should launch a "Single Market 2.0" to help SMEs. Being open to fresh thinking - combined with a flexible and inclusive labour market where it pays to work harder and longer - should create new opportunities such as

**green**

collar jobs. In May 2008, the working group organised a further EIN

**seminar**

in Stresa with the Italian think-tank Respubblica to look at competition as the main source of growth, welfare and pluralism. Overall, the EU should wake up from its sense of complacency and rediscover the courageous,

**entrepreneurial**

spirit that made Europe's member states world leaders since the industrial revolution.

**Five areas that might merit further examination at this year's summer university in Fiuggi are:**

**? How can the EU help companies meet the competitive challenge of increasing commodity costs?**

**? Could the US Presidential elections and the possibility of recession lead to more protectionism?**

**? What impact could the failure of the Doha trade talks have on global competitiveness and innovation?**

**? Can Europe do more to create clusters of companies by lowering barriers to trade and investment?**

**? Should EU cohesion policy focus on ensuring convergence or on the Lisbon Agenda's objectives?**