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**EIN POLICY ROUNDTABLE ON
COMPETITIVENESS AND INNOVATION**

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Conclusions

China and the international dimension to competitiveness and innovation was the main focus of discussion. Previous working group sessions have dealt with economic reform, deregulation, how to promote a knowledge society, the role of government and India.

The chairman asked the panellists which questions politicians should be asking in order to get the right answers and practical suggestions for how the case for globalisation could be argued positively and constructively by the centre-right ahead of the European Parliament elections in 2009.

Mr Lai enumerated a list of problems in the Chinese economy such as an inefficient capital market, state-controlled monopolies, rampant pollution, and the exchange rate and capital control regime. However, he suggested an up-beat development scenario for China; increasing demands for democracy on a local level would be a lever to a more democratic regime while the political elite considers democratic institutions perhaps undesirable but inevitable in the longer term; while structurally the liberal economic regime making China interdependent to the global trade flows and embedded in a WTO-framework would be another driver for political reform.

Mr Wüttke gave a graver assessment depicting the problems European companies face in competition with Chinese State owned Enterprises, beneficiaries of favourable treatment and indirect subsidies, as well as the continued challenges with regards to IP-protection. The Chinese economy – still dominated by low-tech, market-share focused production companies - would continue to grow aggressively until 2020. But most Chinese companies do not yet feel competitive due to their lack of industrial innovation and high-value-added products.

Mr Crookes depicted the phased move from a one-way to a multi-way dynamic in knowledge creation altering the nature of the innovation flows between Europe and China over the last decade, noting that the Chinese were becoming rapidly more skilled in disruptive thinking and thus creativity, and that knowledge clusters of universities, start-ups and access to venture capital was a key factor in this change.

Mr Kawar suggested that the case of Jordan as one in which economies without access to vast energy resources could thrive through economic reform encouraging entrepreneurship and innovation and that the large proportion of young people in Arab populations were a strategic resource for economic growth if put to use. He urged an international dialogue based on shared responsibility and Europe's role as a provider of incentives to growth and good governance

rather than passive aid.

A number of distinguished participants made contributions to the discussion including Chichester MEP, del Castillo MEP, Wortman-Kool MEP, Peter Jungen, Hans Glatz et al, touching upon themes such as education, the role of personal freedom in innovation, the creation and promotion of SMEs, PR-enforcement and Patents.

The Rapporteur summed up by concluding that both optimist and pessimist assessments of China are likely two sides of the same coin. Europe now needs to focus its efforts on coming up with concrete answers on how to structure its trade, competition, fiscal and innovation/industrial policies within the paradigm of a globalised economy rather than basing our answers on a insular European perspective. That way Europe can drive change rather than merely react to it.