

Executive Summary

In keeping with our core mission of promoting market-oriented reform in Europe, the Stockholm Network has been keeping a close eye on the EU's Lisbon Agenda with a series of publications aiming at giving these goals a closer look to see if they are having any success in improving Europe's prosperity.

The first paper in the Lisbon series was published in Autumn 2007. *Beyond Lisbon: Reviewing EU policies on IP, Competition and Innovation* evaluated the EU's intellectual property, competition and innovation policies by looking at four broad mechanisms the EU either used or wished to develop to set policy in the following four areas: the Lisbon Agenda's broad policy goals; the creation of a European Research Area; competition and anti-trust policy under Article 82 of the EC Treaty; and, intellectual and industrial property. *Beyond Lisbon* provided a holistic assessment of the EU's achievements within these policy areas and made recommendations on how it could improve its performance and reach its stated goals. One of its key conclusions was that the Lisbon Agenda could only ever hope to succeed if it focused on a narrower, more targeted set of goals.

With the Eurozone entering a recession, the moment could hardly be more timely to examine how much progress has been made since our last report. In this new project - the *Lisbon Barometer* - the Stockholm Network sets out to statistically measure the specific effects of the Lisbon Agenda reform effort and to outline policy recommendations based on these measures. By using nineteen statistical categories – some used by the European Commission itself and some picked to supplement the Commission's measures – covering both standard and less traditional areas of innovation and competition, the *Barometer* has been able to monitor and rank the progress of nine EU countries towards meeting the specific and general goals of the original Lisbon Agenda of 2000 and the more recent Lisbon Strategy for Growth and Jobs. These countries – Sweden, the Netherlands, Romania, Slovenia, France, Germany, Italy, Spain and the UK – were picked to provide a mixture of old and new members, as well as perceived Lisbon laggards and innovation pioneers. In many categories the performance of these countries, as well as that of the wider EU-27 community, was compared to that of the United States and Japan. While the *Barometer's* overall results were perhaps no surprise – with Sweden and the Netherlands coming out on top – its most interesting finding was the degree of variation between different countries both in terms of their overall performance as well as within individual categories. For example, two countries which are performing relatively poorly when it comes to reaching the EU's headline target of investing 3% of GDP into research and development, Germany and the UK (at 2.51% and 1.88%, respectively), are, at the same time, true world leaders within two other significant measures – patenting intensity and hi-tech exports as a percentage of all exports.

In light of this finding, this paper's central recommendation is that the European Commission move away from viewing Lisbon I and II as a pan-European project requiring EU-wide targets and goals. Instead, the diversity, different aspirations and varying requirements of each individual Member State should be embraced. To some extent the Commission has already started to do so – last year it began to issue reports on individual Member States' National Reform Programmes. This should continue.

With this in mind we make the following policy recommendations:

- The European Commission should continue to move away from EU-wide goals and targets and focus more on specific national achievements, aspirations and requirements. To this end, last year's publication of annual reports and recommendations for individual countries should be built on and expanded. This tool can be highly effective in identifying leaders and laggards as well as highlighting specific areas of national innovation policy that are in need of attention. The reports can also be used as a means of highlighting and spreading best practice from within the EU-27.
- During its Presidency of the EU Council, Slovenia made innovation a top priority. It started the Ljubljana process, an initiative to speed up and implement the EU's goal of realising an internal market for research and researchers – the European Research Area, first created in 2000 – and presided over the Council of Ministers' agreement to continue cutting red tape and provide €100million in funding to support the research capacities of SMEs through the Eurostar project. While both of these goals are laudable – indeed the EU under the French Presidency should continue to make innovation a key area of focus – streamlining research processes and increasing direct research funding from the EU level does not necessarily serve the best interests of either Member States or the research community. Indeed, unnamed sources close to the Ljubljana process have actually admitted as much in recent interviews.¹ A greater emphasis on national needs and capabilities should be incorporated into the Commission's work. Individual countries are more, and less, suitable for particular strands of the knowledge-economy and this should be emphasised in the Lisbon Agenda. Specialisation and national variation should not be rejected but embraced. Increasing the share of funding coming from the Commission level at the expense of national funding risks creating even more bureaucracy and space between the researcher on the ground and the body funding the research, and should be avoided.
- Member States and the Commission should learn from methods of innovation and knowledge transfer that have been internationally tried and tested. The EU-US Innovation Initiative, for example, has seen officials from the EU Member States and the Commission visit the US to study its knowledge transfer and innovation systems. Initiatives like these

¹ *Science Business*, 'Irish No Vote to Hit innovation agenda', July 2, 2008, <http://bulletin.sciencebusiness.net/ebulletins/showissue.php3?page=/548/2967/11076>

could focus on learning from the US's success in transferring technology and knowledge from public research organisations to industry and could be more widely rolled out.

- There is already evidence that the EU is learning from and implementing legislation and programmes that would facilitate innovation across the EU. The recent Commission Recommendation on the management of intellectual property in knowledge transfer activities and Code of Practice for universities and other public research organisation draws heavily on the 1980 US Bayh-Dole Act, which brought with it a new approach to intellectual property deriving from federally funded research. This learning process should continue. Particular attention could be paid to other programmes in support of innovation that have been adopted – the USA's Small Business Innovation and Research Program, for example.

These recommendations provide a platform from which the Lisbon Agenda can take the final steps away from its origins as a grand political project, to one of practical public policy with real results.