EDUC-012

Brussels, 15 May 2003

OPINION

of the

Committee of the Regions

of
10 April 2003
on the

Communication from the Commission:

More research for Europe

Towards 3% of GDP

(COM(2002) 499 final)

and the

Communication from the Commission:

The European Research Area: providing new momentum -

strengthening - reorienting - opening up new perspectives

(COM(2002) 565 final)

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THE COMMITTEE OF THE REGIONS

Having regard to the European Commission Communications on More Research for Europe: towards 3% of GDP (COM(2002) 499 final) and on the European Research Area: providing new momentum - strengthening – reorienting – opening up new perspectives (COM(2002) 565 final);

Having regard to the decision of the European Commission of 12 September and 17 October 2002 to consult it on this subject, under the first paragraph of Article 265 of the Treaty establishing the European Community;

Having regard to the decision of its president of 26 June and 5 October 2002 to instruct the Commission for Culture and Education to draw up an opinion on this subject;

Having regard to its Opinion on the *Proposal for a Decision of the European Parliament and of the Council concerning the multiannual framework programme 2002-2006 of the European Community for research, technological development and demonstration activities aimed at contributing towards the creation of the European Research Area* (COM(2001) 94 final) (CdR 283/2001)[1];

Having regard to its Opinion on the *Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on the regional dimension of the European Research Area* (COM(2001) 549 final) (CdR 442/2001 fin)[2];

Having regard to the ongoing implementation of the sixth of the framework programmes for research, which have become an integral part of regional and supraregional research support;

Having regard to the progress already made towards the European Research Area;

Having regard to the need to further boost the European Research Area, the response required to the call of the March 2002 Barcelona European Council, and the action needed to prevent any hampering of Europe's innovative potential, enabling Europe to grow into the most competitive knowledge-based economy in the world by 2010;

Having regard to its draft opinion (CdR 328/2002 rev. 2) adopted on 18 February 2003 by the Commission for Culture and Education (rapporteur: **Ms Helma Kuhn-Theis**, Chair, Committee for European Affairs, Saarland Landtag – D-EPP);

unanimously adopted the following opinion at its 49th plenary session, held on 9-10 April 2003 (meeting of 10 April):

Views and recommendations of the Committee of the Regions

THE COMMITTEE OF THE REGIONS,

1. **endorses** the Commission's view that the establishment of the European Research Area has led to the development of a reference framework for thinking on and discussion of research policy issues in Europe;

2. also **feels** that, basically, the resources provided for research are too low and that there are too few incentives to undertake research and put its findings to profitable use, particularly in the private sector. Special efforts should be made to foster the involvement of universities and research establishments as well as SMEs in the Sixth Framework Research Programme. SMEs make up the large proportion of industrial fabric and employ almost two-thirds of European workers but they are also in the greatest need of support in gaining access to innovation. The Committee also agrees in principle on the need for increased coordination of activities not only among EU Member States and associated countries, but also between public and private-sector R&D. The open method of coordination should be examined as a possibility for the R&D sector. The aim in this connection should be the widest possible involvement of European and national political bodies representing authorities which have competencies in this field. For research cooperation, the Committee recommends a voluntary, bottom-up approach;

3. **points out** that coordination must not result in any one-sided focus on particular research areas. The European Research Area should provide for different and flexible support instruments for fundamental and industry-based research, and should, at an early stage, seek to

establish "added value chains" between them (vertical integration). Fundamental research in particular requires open support structures that reflect the bottom-up approach. Fundamental research especially relies on public funding as it usually cannot be financed by commercial enterprises. Fundamental research is necessary, however, to maintain the basis for innovation. In order to resolve the multifaceted and complex difficulties encountered in R&D, European-level research should increasingly adopt a multidisciplinary approach (horizontal integration). The integrated projects under the sixth framework programme for research clearly reflect the principle of vertical and horizontal integration;

4. **backs** the idea of creating an "internal market" in research and also, in principle, supports moves to restructure European research with a view to improving the coordination of national research activities. To reiterate a point made in earlier opinions, Member States reject research that is centralised and "planned" at European level;

5. **shares** the Commission's view that the progress made depends directly on the degree of mobilisation of the Member States on the various topics and in particular their level of involvement in activities relating to them. It is essential therefore to secure even greater – and also topic-led – regional involvement in any further measures. A good research environment should also be secured for local and regional authorities;

6. **agrees** that the European Research Area initiative cannot be completed under the sixth framework programme alone, and that it also has to create its own momentum drawing on separate initiatives. This requires the involvement of the Member State regions and local authorities, when measures in combination with the Structural Funds are required.

Benchmarking of research policies

7. **welcomes** the Commission's initial findings from the benchmarking exercise that: (i) the EU research effort has to be strengthened if the Lisbon objectives are to be met; (ii) it is vital to secure the active involvement of the stakeholder regions; and (iii) it is sometimes difficult to draw useful conclusions from the indicators.

Mobility of researchers

8. **would reiterate** that the proposed measures – some of which are already in place – to make researchers more mobile (should) meet with approval in the regions. The Commission announces the provision of "adequate information and assistance at all levels". This must also be understood to include financial support (e.g. from return fellowships). The Committee would expressly advocate that greater consideration be given to incentive-based mobility schemes (return bonuses). In line with European cohesion policy, the boost in knowledge and technological expertise provided by returning researchers will be a key factor in improving innovative capacity and competitiveness. It is important to press ahead with the drive to encourage mobility and to stem the braindrain to the USA and other areas of the world. Continued backing should be given to measures to further boost the proportion of women involved in research and science.

Networking national research programmes, strengthening the public research base and boosting private investment in research [towards 3% of GDP]

9. **considers** that, although for some countries, the 3% of GDP objective is very ambitious, the resources needed to achieve it should be committed. The Commission calls for an increase in R&D investment from 1.9% of GDP to 3% by 2010. Some Member States currently invest more than this already (Finland 3.67%, Sweden 3.78%), but the EU-15 average is under 2% (e.g. Greece 0.67%; Spain 0.97%). The candidate country average is just 0.7%. It is questionable whether countries whose national incomes are less dependent on R&D investments *can* meet such an objective, and whether technological convergence is essential to achieving the Lisbon objectives and whether the planned means (instruments, incentives and frameworks) for meeting them are adequate and proportional. Moreover, to facilitate industry-based research, some candidate countries would first have to remedy structural deficiencies. Clarification is needed even when the 3% requirement is not pitched too high for these countries and it should therefore be reached in various stages;

10. firmly **backs** the call for more R&D investment, but would also direct that call to the EU itself. The Committee of the Regions already made that call in its Opinion CdR 283/2001 on the proposal concerning the EU's sixth framework programme for research, technological development and demonstration activities aimed at contributing towards the creation of the European Research Area. On the issue of programme funding, the Committee opinion recalled that the Community decided as far back as 1985 that 6% of the overall budget should be earmarked for the framework programme but that, so far, this has not been achieved;

11. **considers** that the Commission's call to increase the private-sector share of R&D expenditure from 56% of total investment at the moment to 66.7% is realistic. It should be noted, however, that companies are only in a position to invest in R&D where there are short-term prospects of durable results. The Commission’s call poses a problem in relation to fundamental research and development, where long lead times are required for the development of competitive goods or services (e.g. in biotechnology and especially in medical research). In such cases, special commitment should be backed up by an increase in effective EU support. Small and medium-sized companies, even when working together with the public sector, are only prepared to provide extra resources for research if concrete benefits are foreseeable with a reasonable timescale and if the support guidelines permit simplified exploitation of research results. To provide incentives for private investors, it is important to reconsider the classifications used in R&D, especially as regards the definition of "precompetitive development";

12. **notes** that, under the European support framework (which forms the basis of state aid, preferential loans etc.), support is permitted, only until demonstration models or pilot installations are in place. The annex to this support framework gives the underlying definition of research and development. Under this definition, R&D finishes at the "precompetitive development" and prototype stage. The additional clause "... provided that such projects cannot be converted or used for industrial applications or commercial exploitation" is tantamount to a significant restriction of R&D investment. SMEs in particular, with their limited staffing and financial resources, are in no position to close the gap between a pilot project and a marketable product on their own. Against that backdrop, the increased moves set out in the Sixth Framework Research Programme to promote demonstration activities, support SMEs and utilise technologies are to be welcomed;

13. **would like** to give further consideration to the statement that the achievement of the Lisbon strategic objective is under threat because of the EU's growing lag in R&D expenditure compared with the USA and Japan. According to the Commission, this lag is due to lower research spending by the EU private sector. The business sector accounts for 72% of R&D expenditure in Japan, compared with 56% in Europe and 67% in the USA. The Commission itself concedes that Japan has a different kind of enterprise culture, making it impossible to compare the figures. It should be noted that, in spite of widespread R&D activities and the

shift to the business sector over the past few years, the Japanese economy has not substantially improved. High R&D expenditure, although essential for promoting economic development is not, in any event, a guarantee of such development. The US figures set out in the communication must be seen in perspective. The Commission should differentiate between the various facets of R&D expenditure, and, in particular, should calculate the quantity of resources devoted to defence research. An estimate should be made of the potential impact of channelling these resources directly to non-military research without diverting them through the defence industry. Europe should not aim to go down the same road. *Rather, Europe should seek to take its own, innovative path, and focus on "non-military research"*;

14. **agrees** that the growing concentration of transnational R&D expenditure in the USA, is a worrying trend and clear evidence of a decline in Europe's attractiveness as a business location. One reason for this is poorer access to external sources of finance, local infrastructures and diffusion of knowledge. Companies base their decisions on location primarily on adequate access to workers and customers in their core business sector. On this front, Europe has the opportunity to promote attractive locations by actively developing clusters. Companies also relocate because of Europe's cost disadvantages in terms of the environmental and safety requirements. These more stringent standards must be retained. The EU should continue to push for environmental protection standards which are higher than those in the rest of the world. Under no circumstances must European standards be lowered in the quest for profitability;

15. **welcomes** the intention of continuing to use structural funding to remove regional imbalances in infrastructure and training. However, such moves must be distinguished from measures to promote research, as their purpose is different. Support for research must be – and continues to be – contingent on scientific excellence. Additional structural support may be available, particularly in Objective regions, making possible synergies between structural and research support. The Committee has repeatedly made this point in earlier opinions [e.g. CdR 442/2001 on COM(2001) 549 final.: *The regional dimension of the European Research Area*];

16. **does *not* agree** with the Commission that “the current Community Framework for State Aid for Research and Development, which allows for supportive R&D intensities, should be prolonged until 2005”. The current framework **is not an appropriate way** to boost innovation in the knowledge economy, particularly in relation to SMEs (cf. point 13);

17. **endorses** the point that governments need to ensure that public R&D spending does not crowd out more productive private-sector investment. Increased scope for SME participation in public procurement is also a very welcome move. In practice, this might mean that large companies awarded major contracts would be specifically required to involve SMEs in the projects as subcontractors. Another option would to establish sector-based research networks involving a number of SMEs along similar lines to the specific SME measures provided for in the Sixth Framework Programme for research;

18. **backs** the call for more effective and focused use of public funding to promote private R&D. This may in some cases require a restructuring of public expenditure. The Committee supports a shift of emphasis from traditional to more innovative forms of support measure (e.g. the establishment of networks of excellence);

19. **considers** that the statement "Policies should aim at encouraging the networking of public and private research **regardless of location**" requires further clarification, since the Commission's aim of "encouraging further the development of public-private R&D partnerships and clusters" is contingent on location;

20. **sees** a fundamental need for national R&D programmes to be more open to transnational

cooperation. This must be done, however, within a defined framework, while ensuring that both sides benefit;

21. **is in favour** of exploring the role that industrial associations at national and European levels can play in promoting access to information through the use of good R&D management practices. Consideration could also be given here to networks or technology-based associations, whose impact on private R&D must not be underestimated;

22. **welcomes** the ongoing efforts to launch activities **based on Article 169**, especially to combat global-scale infectious diseases (malaria, HIV, tuberculosis), with the involvement of non-EU countries, particularly those directly affected. Most regions would certainly be in favour of exploring measures of this kind in other key areas such as, for instance, nanotechnology or nanobiotechnology.

Appropriate systems to protect intellectual property rights

23. **welcomes** the establishment of legal certainty in the field of IP protection at European-level, and action to minimise costs. The systematic development and use of common European standards should also be promoted, particularly through the use of a European patent. Difficulties, such as the involvement of national authorities, linguistic differences and different national provisions, must be resolved quickly through multilateral cooperation.

Establishing supportive financial markets and favourable fiscal conditions for R&D [COM (2002) 499 final only]

24. **welcomes** the Commission's statement that a mix of different instruments is needed, as no single instrument is able to provide the full range of incentives. The optimal mix of instruments differs not only across countries but across regions as well, and extremely careful selection is required as a result (bearing in mind the skill's available in each region). In some cases, this may mean changing the balance between the public and private R&D sectors. However there should, if possible, be no increase in overall public spending;

25. **would like**, in conclusion, **to acknowledge** the Commission's efforts to involve the regions more closely in its policies. Success depends on the Member States and regions, which have to ensure that the measures already taken have an impact across the EU. This requires that they be involved in the discussion process. Thus, cooperation with the regions should also be encouraged in drawing up a list of priority measures, in order to give a further impetus to the European Research Area.

Brussels, 10 April 2003.

The President of the Committee of the Regions	The Secretary-General of the Committee of the Regions

Albert Bore **Vincenzo Falcone**

[1] OJ C 107, 3.5.2002, p. 111

[2] OJ C 278, 14.11.2002, p. 1

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