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**Herman Van Rompuy
President of the European Council
Lisbon Council Innovation Summit 2013 - Marconi Lecture**

It is a pleasure to be back at the Lisbon Council for this Innovation Summit, and an honour to deliver this year's Marconi Lecture. Few think-tanks in Brussels have as strong a focus on Innovation as the Lisbon Council. And I find it inspiring that you have placed this annual lecture on Innovation under the patronage of such an eminent figure as Guglielmo Marconi.

Marconi was a true European. Half-Italian and half-Irish, he saw the world as his playground. He was an "*homme éclairé*" par excellence, entrepreneur, diplomat, scientist and politician all at the same time. We owe him one of the biggest breakthroughs in communication technology: the development of the wireless (later the radio) at the turn of the twentieth century.

Marconi was a great inventor and physics Nobel Prize winner in his own right. But he was also more than that. He had the genius to take existing technologies, and combine them in a novel way, to create something completely unprecedented. And that's a form of genius that we shouldn't underestimate. The power to join the dots in a novel way, and making something new, something unforeseen appear.

When we speak about innovation, we tend to focus a lot on research. And research is of course a hugely important part of innovation. But another aspect deserves much more attention. And that is how we can figure new ways to use existing technologies, how we manage to get more mileage out of the technologies we invent. This is one of the lessons we can take from Marconi.

P R E S S

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It is important, because it is a matter of mindset – *une question de regard, d'approche*. As Antoine de Saint-Exupéry once said: "*A pile of rocks ceases to be a rock pile when somebody contemplates it with the idea of a cathedral in mind.*" You don't build cathedrals alone, you build them as a society. And some may argue that, as a society, we aren't as innovation-minded as we used to be.

You may have already come across the latest book by economics Nobel prize Edmund Phelps; it came out roughly a month ago. In this book, he revisits the exciting century-or-so leading up to the 1960s, during which our continent, and the United States underwent a tremendously creative surge. What is particularly distinctive about the drive for modernity that he describes is how widespread it was. A grass-root, innovation-minded society, where people – not just geniuses, ordinary people – would get excited about finding new ways to do things, and do them better.

Phelps uses an interesting word: "*tinkering*", and argues that it is precisely from a certain form of collective restlessness, an impulse to try doing things differently, that innovation and growth really happen.

In a truly, deeply innovating society, innovation seldom makes the headlines because it happens constantly, daily, in every single sector. It's not so much about the outbursts (though of course they matter) but about a constant flow of applied ideas that fuel growth and create jobs.

In our economic situation today, with the challenges at hand – not least the battle for jobs – this is something we should think hard about. We have to reconnect with everyday innovation. Because to create jobs, to nurture growth, we need to work on our competitiveness. And the bottom line is: to create real productivity gains, you need a pioneering spirit. In science, and in business.

Innovation isn't something that happens only in science labs. It should happen in every workshop, in every office, behind every computer, in every meeting room. It means being open to trying out new things. Testing ideas until they work. Asking ourselves: how do we turn brainwaves into breakthroughs, and breakthroughs into real business?

I want to insist on this aspect, turning ideas into real business, because when it comes to our competitiveness as a Continent, this is where the heart of the matter lies. When you look at the figures, for instance in the 2013 Competitiveness Report by the European Commission, the problem is strikingly clear. The EU-US productivity gap, which had started to narrow in the years before the crisis, is widening again. Put plainly, compared to the United States, our collective competitiveness is eroding.

Several factors come into play. Not least rising energy prices in Europe at a time of cheap electricity and gas in the US, to take just an example that has been very high on the European Council's agenda (we had a dedicated session in May) and where together as a Union, we are taking action.

But when trying to explain where we lose-out most in productivity gains, there are two other factors that stand out.

- The first is research commercialisation: Europeans may be leaders in scientific excellence, but we find it more difficult to bring this research to the market, compared to our main competitors in the US, Japan or South Korea.
- The second is ICT technologies: compared again to our main competitors, we simply haven't been as good at making the most of the markets around these technologies, and this is holding us back.

I'd like to look at each in turn, starting with research commercialisation. We have world-class science. The latest Nobel prize for physics, to the European fathers of the "Higgs boson", evidenced last year at the European Organization for Nuclear Research (or CERN), is a case in point. We have world-class science... but we need to be excellent at bringing ideas to markets too. Otherwise others will do it for us, with our ideas. As they did for instance with the World Wide Web, which was invented at the CERN. I am certain that behind the scientific breakthroughs of the future, there will be some European brainpower, some European research.

We will be there, on the way towards: Driverless, non-polluting cars... The mapping of the human brain... Thorium energy... The cures for cancer, for Alzheimer... But will we Europeans also be there when it comes to turning these scientific breakthroughs of tomorrow into new products, new markets for the day after tomorrow? We need more world-class innovation success stories. Not just the research, but the impact on the lives of people, the engine for growth and progress for our societies and worldwide. Those are the real revolutions: those that will create jobs and spear growth.

Of course it's about the R&D – R&D plays a huge part in an economy's vitality, and we've seen it in the crisis, the countries that have kept investing in R&D and in innovation have weathered those last years better than others. And that's why despite tightening our EU budget overall, we've increased our future spending on research and innovation until the end of the decade by 40%; and why through Europe2020 we will be devoting €20bn to research by 2015. But it's about more than R&D: it's about how we think beyond the R&D. How we make sure it has a real multiplier effect, how we draw the best from its potential.

And that is precisely what European leaders are focusing on at the European Council. In our work on industrial competitiveness, again on our agenda in February next year. Or on our defence industry, which Presidents and Prime ministers will debate in December. In all our funding efforts – for research, for innovation, for competitiveness –, what we are trying to encourage, is this multiplier effect for our economies, for our societies.

Let me take an example where the European Union is investing big: key enabling technologies, a market that could be worth a trillion euro by 2015. Every decade or so, a new material or technology paves the way for fundamental changes. Think of the way the discovery of silicon in the 1940s made the ICT revolution possible, or gallium arsenide in the 1970s allowed for the invention of lasers.

The game-changer of the early XXIst century may well be graphene – the thinnest and strongest material we know, discovered in Europe. The Commission has just launched a 1 billion euro programme to develop graphene technology. To explore yes, the R&D, but also how to turn those results into commercial products and how to build up demand for these products. Because when it comes to boosting innovation, we need an integrated approach.

That is why, European leaders asked the Commission to create its new indicator, to analyse how Member States are getting the most out of innovation. And why two weeks from now, I have convened a European Council meeting devoted to the question of innovation, especially on digital matters. Because one major area of innovation is ICT.

To be blunt: we Europeans are lagging behind, and the reason behind this is mainly because we've invested too little in the infrastructure, the skills and the organisational changes that are needed to reap the benefits of these technologies. And that is a disgrace. This is something we used to be so good at.

From Marconi onwards, in the history of communication technologies, there is a glorious trail of innovation coming from Europe for the best part of the nineteenth and twentieth century. "Made in Europe" communication technology that has changed the world.

Starting with the radio, and the television. And the World Wide Web (as I said, developed in Geneva at the CERN). And the CD-ROM. Even MP3 music technology is a European, in this case German invention. But who turned it into real business? American companies.

We used to lead the world on communications technologies, not so long ago. Why did we let it slip? There's no reason we can't do it on social media, on big data, on cloud computing, on the "Internet of things".

Over the past 5 years, the annual sales of typical ICT companies from the US and Asia went up almost 50%, while those by European companies stagnated, or even went down in some cases. Over the next 5 years, the digital economy should grow each year by 8% in G20 countries, and by double that in many developing markets. Think of the opportunities...

The good news is, we know exactly what we would need to do to get back in the game. From intellectual property, to copyrights, to market fragmentation, to consumer protection, to investment in infrastructure, to support for start-ups, to digital skills: we know what's holding us back, and we know the remedies.

It's the body of knowledge that makes up our digital agenda, our joint to-do-list. And we know how much European citizens, and European companies could benefit from doing so. In terms of opportunities, in terms of rights. And most importantly: in terms of growth and in terms of jobs. So two weeks from now, at the European Council on Innovation, leaders will look very concretely at how to make that digital catch-up happen.

As Neelie Kroes, our *digital crusader* for Europe, puts it well: what's behind the proposals we'll examine during this European Council is a triple imperative.

Growth – so that our ICT companies can think European to compete globally;
Fairness – to put an end to unfair practices and allow consumers to get the best deal;
And *leadership* – the digital leadership Europe we once had, and that we need to recapture.

Among the different areas we will examine, the Telecom sector is one where there is much to be done, and much that we are determined to do. Compared to our Single Market, the map of our telecom markets is scattered with outdated barriers. In fact, nowadays in Europe, you often realise that you've crossed a border because your phone start beeping or buzzing in your pocket.

Fragmentation is a real issue. Where the United States or China have 3 or 4 major operators with a single set of rules for investments or consumer protection, we have hundreds of operators, and 28 rulebooks. It's bound to take a toll. It's costly for consumers and businesses, it makes it harder for European ICT firms to become global leaders, and it means investors think twice before investing in infrastructure and networks. So during the October European Council, leaders will be looking at some targeted changes to telecoms regulations; to make it easier for operators to work across borders.

Europe is also still a truly fragmented market when it comes to online content and online shopping. This is another area where we've got the power of the single market at our fingertips. We need a much more consumer-friendly digital economy. With guarantees for privacy and data protection. And more secure online transactions, to help boost e-commerce: at least a third of internet users don't buy online because they worry about online payments!

We also need a copyright system fit for the digital age. At a time when travel and physical trading has become boundless in Europe, how can we expect our citizens to accept geographical blocking for online content? It's just not good enough, and we have to find a suitable way around these online borders!

Governments should also think digital dramatically more than they do now. To save time, improve services for citizens and reduce costs. Public administrations could make savings of up to 20 percent just by moving to eGovernment, eHealth and eProcurement. There's no reason why using government services online shouldn't be as easy and intuitive as social media, or online banking, or online retail. Some of our member states are frontrunners in that respect, and the envy of the world. We should draw from their experience Europe-wide!

It's true for e-health. It's true for e-procurement, and it's of course particularly true for e-education, and education more widely. And at a time of painfully high unemployment, especially for young people, few things could be as important as making sure we are encouraging the right skills.

The jobs that were lost in the crisis are unlikely to reappear in their old form. For the most part, the new jobs will be different jobs, requiring new skills. And a lot of that will be digital. By the end of the decade, digital skills will be a must for 9 jobs out of 10. And we should see this as an opportunity.

Because, despite huge unemployment today, there could soon be up to 900.000 unfilled vacancies for ICT specialists, by 2015. It's not hard to do the maths. Yet still today, two thirds of children in the classrooms of our Union still don't have the access to the IT technology and teaching that they deserve. Schools and universities must keep up with our digital, tech-savvy youth. The Union stands ready to help, through its structural programmes for skills, and the Youth Employment initiative that will kick-in in January.

Beyond putting computers in the classroom, what this is really about is bringing innovation back at the heart of education. Encouraging young people early-on to embrace the spirit of enterprise. Give them the desire and the space to grow and innovate. There's so much untapped potential, for instance in universities.

Yesterday, I met in Paris with students on an pilot engineering course, with innovative teaching methods, and research and innovation at the heart of everything they do. It's still a pilot project but it's bound to grow. And it shows it's possible.

But there is more that we can do. For instance, compared to the United States, where it's not unusual for students to start a business before they even graduate, where do we stand? It's so much easier to start out on a start-up adventure when you can do so in a safe and supportive setting, like a university campus or a business incubator. And it's the kind of learning-curve that makes it much more likely later on to take off and fly with your own wings.

That's why all the work we do (in member states and together as a Union) to support business is so important. Because our start-ups, our SME's and larger businesses could be creating jobs – including digital jobs – Europe-wide.

I want a situation where high-tech start-ups from Los Angeles, from Rio, from Shanghai move to Europe to develop their business. Not the other way around.

We need to play up our advantages, and we have many. We've got all it takes. We just have to be better at showing what we are better at, why Europe is not just a great place to live, but also to work, to innovate. And we have got to strive to stay truly better at it. That's how we will make the difference. How we will keep a foothold on the frontier. And how we will make our dear Marconi proud.