

Ladies and gentlemen,

I am delighted to be here at the Lisbon Council. I know that you have a reputation for exciting, and above all solution-oriented, thinking. This appeals to me because I am a very practical person, a 'doer', some one who wants to bring about real change on the ground, and to make a real difference to people's lives.

I am also happy to be here with Anthony Williams, whose book has changed the way we all think about innovation and innovation policy.

It is just two days since the Commission adopted its proposal for Europe 2020. Research and innovation are at its very core. They are the only way to deliver new sources of growth and sustainable jobs to replace those which have been lost. So naturally, they feature in every part of the document.

This means that, as Research and Innovation Commissioner, I will be responsible for delivering large parts of the Strategy. My job is to create the conditions for a more dynamic Europe, where innovative firms want to do business, and where talented people want to live and work.

My job, in short, is to work with the Member States, business and other stakeholders to

transform Europe into a really vibrant innovation economy, what I call an "i-conomy."

In doing so, I will have the strong support of President Barroso; his personal commitment to the research and innovation agenda is very strong.

One of my first tasks will be to draw up a new Research and Innovation Plan, setting out how we intend to drive forward the research and innovation parts of the Europe 2020 agenda.

Since innovation is a cross-cutting policy, I will work very closely with other Commission colleagues on this, such as Industry Commissioner, Antonio Tajani, and the

Commissioner for the Digital Agenda, Neelie Kroes.

The European Parliament, and particularly the Industry, Research and Energy (ITRE) Committee, will be involved at every stage along the way.

This Plan will have to be ready by September because the Heads of State and Government have decided to hold a special discussion on research and innovation at the Autumn European Council. This is yet another sign of their growing importance for our economy and society.

The Plan will make clear my intention to re-focus research and innovation policies very

clearly on the so-called grand challenges facing our society: climate change, energy security, food security, health and an ageing population.

And it will be based on a broad understanding of innovation. The "i-conomy" depends on a strong science base. But we must also be able to transform our inventions into innovative products and services that the customer wants.

As I said during my parliamentary hearing, we need to connect up and speed up innovation along the whole policy chain, from research to retail.

Equally, more attention should be paid to other forms of innovation, such as business model or management innovation, design and marketing, and services innovation, all of which are largely unrelated to research spending.

We must remember, as Mr. Williams' excellent e-brief points out, that scientists are not the only innovators!

Indeed, innovation is not limited to the private sector. It can – and must – happen in schools and hospitals, crèches, community centres and care homes. In an age of fiscal austerity, we must get more for less from our public sector.

Mr. Williams' e-brief contains some very valuable insights. We are indeed living in the white hot heat of the Internet revolution. The pace of change is indeed faster than with previous technology-driven revolutions.

We are seeing the emergence of a new type of business, which co-innovates with its customers and even its competitors, and which, rather than relying solely on its own employees, puts some of its data into the public realm, to leverage the talents and insights of the global research community.

This has huge implications for the economy, education, energy and government itself. It is fascinating on an intellectual level. But, of course, as a decision maker, I want to know,

in very concrete terms, what I can do to help Europe succeed in this brave new world.

One issue that I know arouses a lot of interest is the 3% R&D target.

I know that this is controversial. But I believe that it should stay.

Research Ministers have told me in clear terms that its existence has strengthened their hand in their dealings with their Finance Ministers.

Indeed, in most Member States, R&D intensity has increased since its introduction. Our failure to meet it is due to the disappointing performance in some of the bigger countries.

Now is exactly the wrong moment to remove this discipline. With budgets under pressure, governments may view research and development as an easy area for cutbacks. But we know, from the experiences of countries like Finland, that raising R&D budgets is the route to recovery.

The Commission is proposing to retain the 3% target, while developing an indicator to capture research and innovation performance. I have decided to set up a Panel of Experts to advise me on this. It will be made up of economists and innovation experts.

Equally, while the Commission is proposing to retain the 3% target, it will not be 'business as

usual.' It will be applied in a much smarter way.

It's often believed that it is a 'one size fits all' 3% target. In fact, Member States set their own national targets according to their particular circumstances.

From now on, we will be asking them to do so as part of a coherent and realistic vision. Targets will not be plucked out of thin air, with no clear idea of how to meet them. Rather they will be the product of a careful reflection on the particular Member State's economic future and the role that R&D can play in that future.

We are suggesting national targets with robust monitoring. Moreover, we will get serious about improving the conditions for R&D investment, particularly in the private sector. This is where Europe's R&D spending gap is. It accounts for two thirds of the target.

I see the priorities as follows:

First, as the e-brief says, the secret to success now lies in collaboration across borders and cultures. That is why we must have a single, unified research area in Europe, within which researchers and knowledge can move around freely. It is known as the European Research Area, and I am determined to make it a success.

For example, I want to remove, once and for all, the pension and social security obstacles which prevent researchers from moving freely between countries.

And I want to put an end to the fragmentation of national research efforts and avoid duplication of effort. At a time when public finances are under such pressure, we must get the max out of every euro spent.

We already have joint programming initiatives, involving several Member States, in the area of Alzheimers research. More are in the pipeline; I will pursue these with vigour.

We are also pooling our resources to finance large-scale research infrastructures. These

include the polar research vessel, *Aurora Borealis*. This is a world-class piece of equipment. Buying together has allowed us to buy the best.

For the European Research Area to work, Member States must see their own research efforts as part of a greater whole. That means, among other things, setting aside sufficient resources for participation in cross-border co-operation, including joint programming.

Meanwhile, we must make the best possible use of European level funding instruments. Our Framework Programme – the biggest public research programme in the world – is coming up for review soon. I will tie it much more closely to the grand societal challenges.

And I will simplify its financial and administrative procedures so that it can be even more effective.

And the up to 86 bn euro of EU Structural Funds money we have for research must be used to maximum effect, to upgrade research infrastructures across the Union, so that all Member States can participate fully in the Research Area. I will work closely with my colleague, Regional Policy Commissioner, Johannes Hahn, to ensure that this happens.

And of course, the Research Area must be open to the world. It is the only way to be among the best. The EU has 19 international science and technology co-operation

agreements with key partner countries. I want to extend this work during my mandate.

A word here about basic versus applied research. Both are vital!

Many of the inventions we now take for granted are the result of research that had no apparent commercial purpose. The internet is the outstanding example. So, excellence in frontier research is a must.

The European Research Council was set up in 2007. But it already has an excellent reputation for awarding funding on the basis of merit alone – regardless of where proposals come from. It has my full support.

After all, how did the ball get rolling on climate change? It was because scientists from all over the world made a convincing case for urgent action. Sound science changes hearts and minds. We neglect it at our peril.

At the same time, I want a strong focus on industry-driven, applied research in the next five years. We must strengthen the links between all three sides of the knowledge triangle – higher education, business and research centres. As many of you will know, this is a top priority for President Barroso.

And public private partnerships are often the best means of mobilising resources to meet our objectives. A number are already active in areas such as fuel cells and hydrogen,

which can potentially replace petrol in cars, and the next generation of aircraft. I believe we can launch more under my political mandate.

This brings me to my next point. A strong science base is not enough on its own.

We must also tackle the bottlenecks that prevent bright ideas from reaching the market.

This is particularly important given Europe's poor track record in this respect.

It is essential to hitting the private sector component of our R&D target.

So, we must build a fully functioning 'Single Market for Innovation.'

That means tearing down the barriers to cross-border trade in services, and the cross-border provision of venture capital.

It means finally finding an agreement on the Community Patent.

More than this, we need to take a fresh look at our entire intellectual property framework.

Indeed, we need to ask ourselves some pretty profound questions about how best to foster innovation in the early 21st century.

It may be by promoting the growing trend towards greater openness. On the other hand, firms will inevitably vary in terms of how open they want to be, depending on their line of business. Some will want to be 'open' in some markets, but 'closed' in others. This may well be perfectly legitimate. We will have to get the balance right.

I will work closely with my colleague, Single Market Commissioner, Michel Barnier, on all these issues.

I am also convinced that, in key areas connected with the major societal challenges, it will be necessary to launch strategic initiatives of European interest aimed at solving particular problems.

I am thinking, for example, of the health sector, where innovation can lead to life-changing improvements for millions of our people, or the low carbon energy sector.

This idea has been taken up in the Europe 2020 strategy. We are calling these strategic initiatives 'European Innovation Partnerships.'

Once again, the aim will be to strengthen every link in the chain.

To boost research and finance demonstration projects, we will mobilise both public and private sector resources, combining Member States and Community budgets effectively, and involving the European Investment Bank.

And to encourage the development of new markets, we will draw up packages of measures to tackle bottlenecks, including health and safety regulations to boost consumer confidence, rapid development of European standards or smarter, greener procurement.

It is important to distinguish between this approach and old-style industrial policy. It is not about picking winners. It is not about national champions.

It is simply a recognition that, even with the incentives provided by the emissions trading system, the market alone will not deliver all

the technologies that are needed to fight climate change.

The approach will be market-driven and technology neutral. I would not sign up to it otherwise.

Indeed, I agree with the sentiment expressed in the e-brief that the old models of industrial planning are largely redundant, and that it makes more sense to focus on giving citizens the skills they need to tap into global innovation networks.

This must apply to all citizens. All must have access to the training and education they need. We cannot allow an 'Innovation divide' to open up.

Innovation is no longer the preserve of a select elite. It is needed in every walk of life.

It is no longer limited to the laboratory or the factory. It permeates every area of life.

It cannot be limited to the prosperous regions. It must spread across the whole territory of the Union.

We are all innovators now – and the task ahead is to build, not just the "i-conomy", but a cohesive and prosperous "i-society."

Thank you.

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