

Comment of the Czech EUREKA Chairmanship to the Consultation document on State Aid for Innovation

Introduction

EUREKA welcomes this initiative of the European Commission to create discussion on effective system of state aid policy of innovation in Europe. Present Czech EUREKA Chairmanship would like to contribute on behalf of EUREKA framework to the discussion on this issue using EUREKA's 20 years experience and competence.

Background

Created as an intergovernmental Initiative in 1985, **EUREKA aims** to enhance European competitiveness through its support to industry, research centres and universities who carry out pan-European R&D projects to develop innovative products, processes and services. EUREKA has 35 member countries; the European Commission is also full member of the Network. Through its flexible and decentralised framework, EUREKA offers project partners (i.e. companies and research organisations) rapid access to a wealth of knowledge, skills and expertise across Europe and facilitate access to national public and private funding schemes. This, combined with its time-to-market speed, means that EUREKA is considered the most appropriate tool for many companies and SMEs to fulfil their R&D objectives. More than 40 percents of participants are SMEs. The internationally recognised EUREKA label adds value to a project and gives participants a competitive edge in their dealings with financial, technical and commercial partners.

Principles for funding EUREKA projects

Funding of EUREKA projects is based on a private-public partnership. The most serious consequence this phenomenon is the lack of synchronisation of national funding schemes, which costs a lot of time and sometimes even the loss of a market opportunity, due to temporal delays.

Comment to the questions 4 and 12

The globalisation process has imposed an increased effort for ever-more effective business performance. Companies have constantly strived to grasp a competitive advantage and therefore they have to pursue every opportunity to this end. One of the typical strategies of large companies is outsourcing, namely, their moving of their activities to countries where they would get better conditions for conducting their business, such as cheaper labour, lower taxation or better partners. Europe cannot compete by the low cost strategy but at the same time it cannot afford to loose large companies that drive not only the European economy but R&D and innovation projects in the industry as well. Therefore, enhanced collaborative approaches with public financial support for close to market R&D and technological innovation should be in place in Europe to compensate for the lower production costs and other competitive advantages in the third countries, by

- (i) supporting added-value knowledge-based activities, and
- (ii) foster and support business innovation that can be conducted more effectively and competitively at the European level.

Limiting state aid for innovation to SMEs is in contradiction to the high importance of large companies in innovation related R&D and is declined.

One of the most effective tools is based on the cooperation and partnership between global players, local SMEs, and scientific institutions (so called Open Innovation System). In the framework of the EUREKA Initiative such strategic initiatives, called EUREKA Clusters, have a long established and increasingly important position. Among others, EUREKA Clusters have contributed substantially to the development of high competitiveness of certain European sectors, foremost of microelectronics, and information and communication technologies. This R&D and innovation collaboration is possible to establish under the condition of satisfaction of all players; one of such incentives being a fair state aid. A new, dramatically reduced state aid for large companies could bring a very undesirable shift in their behaviour and their relocating from Europe to other countries.

Recently, a more profound collaboration between EUREKA Clusters and the 7th Framework Program is being prepared, based on Article 171 of the Treaty. Clusters could be the appropriate EUREKA mechanism for successful collaboration with European Technology Platforms and/or Joint Technology Initiatives and these EUREKA Clusters bring a lot of its experience into much younger EU programmes.

This comment was prepared by the Czech EUREKA Chairmanship Secretariat in co-operation with EUREKA member countries.

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Prague, 21 November 2005