Europe’s Missing Yollies

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Outline

• Introducing the Yollies
  • What the US has and the EU lacks
  • Missing Yollies
  • Better Yollies

• Why missing Yollies matter: contribution to the EU’s R&D intensity gap with US

• Why EU Yollies are not better: missing the right sectors

• Why does Europe have fewer Yollies?

• Implications for Belgian and EU innovation policies
R&D and innovation = key driver of competitiveness:
→ Lower cost
→ Higher quality of new goods and services

What the US has but the EU lacks: Yollies

There are fewer EU-based than US-based yollies
(Yollies = Young Leading Innovators created after 1975)
This matters because yollies are more R&D intense
What the US has but the EU lacks: Yollies

In addition, EU-based yollies are less R&D intensive (4.4%) than their US counterparts (10.2%)

The lower R&D intensity of EU yollies is contributing the most (55%) to the total EU-US R&D intensity gap
Almost all of the explanation for the lower R&D intensity of EU yollies can be found in a different sectoral composition: Europe simply has fewer yollies in the high R&D intensity sectors.

There is an EU problem of missing yollies in the ‘right’ R&D intense sectors, especially biotech and internet.
Why Europe has fewer Yollies?

Well known stories:

- Risk-taking financial markets
- Segmented product markets
  - Early users/lead markets
- (Re-)entry & exit costs
- Flexible labour markets
- Insufficient linking in “innovation system”
  - Industry science links
  - Large incumbents and small new entrants
  - Public Private partnerships
- Government policy
  - Funding
  - Procurement
- IPR regime
- Belgium: strong dependence towards foreign MNEs

Recommendations for Belgian and EU’s innovation policy

- Overall innovation policy is necessary but not sufficient;
- Policies need to address the specific barriers of new sectors and firms that are rooted in market failures and which government policy can redress
  - Non-sector specific measures
    - Access to finance
      - Of proposal for EU programmes of financing early stages of highly risky innovative projects
    - Reducing the costs of IPR protection
    - Competition/policy for new innovative markets
  - Sector specific measures
    - Public procurement for nurturing early stage innovations and potential competition in sectors where public sector is pivotal
    - Regulations and Standards to nurture innovations and potential competition
    - Technology neutral; open; global
- Invest in prospective technology analysis, sectoral monitoring and policy experimentation/evaluation capacity
« La prospérité d’une petite économie ouverte dépend fondamentalement de sa compétitivité. Mais celle-ci doit être comprise au sens large. Elle ne dépend pas seulement de la hauteur des salaires. Mais aussi de la spécialisation du pays et de sa capacité à innover. »

Guy Quaden, Le Soir, 16.02.2011

Thank You For Your Attention

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