

Table ronde de politique économique / Policy round table :
Les défis de la Belgique face aux réformes structurelles

Europe's Missing Yollies

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Outline

“Introducing the Yollies

“What the US has and the EU lacks
“Missing Yollies
“Better Yollies

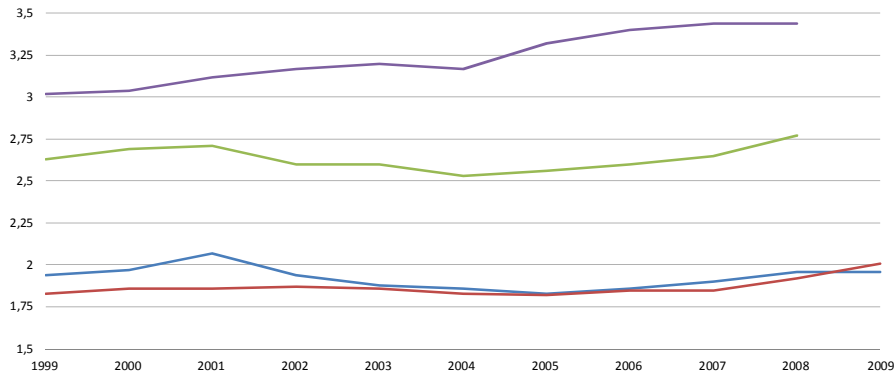
“Why missing Yollies matter: contribution to the EU's R&D intensity gap with US

“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 in % of GDP



Sources: Bruegel/European Commission, JRC-IPTS on the basis of the EU Industrial R&D Investment Scoreboard (European Commission, 2008).

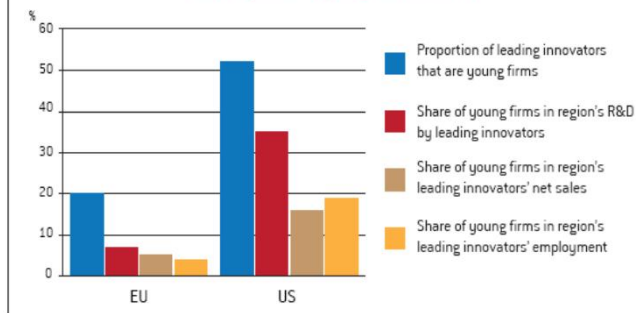
R&D and innovation = key driver of competitiveness:

→ Lower cost

→ higher quality of new goods and services

What the US has but the EU lacks: Yollies

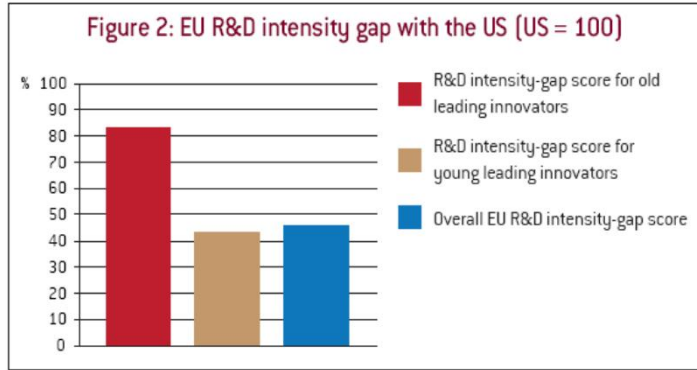
Figure 1: Share of yollies in number of firms, R&D, sales and employment by region (2007)



Sources: Bruegel/European Commission JRC-IPTS on the basis of the EU Industrial R&D Investment Scoreboard (European Commission, 2008).

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

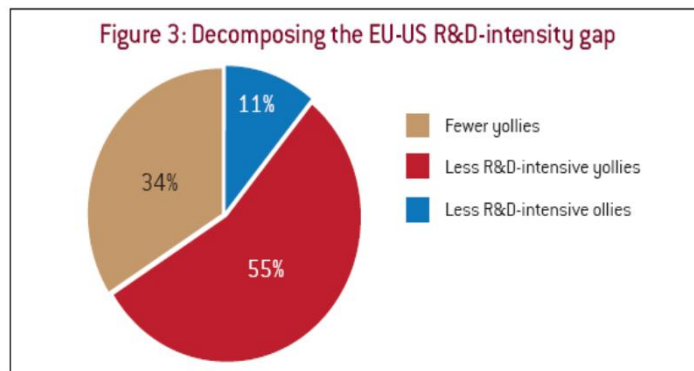
What the US has but the EU lacks: Yollies



Sources: Bruegel/European Commission JRC-IPTS on the basis of the EU Industrial R&D Investment Scoreboard (European Commission, 2008).

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

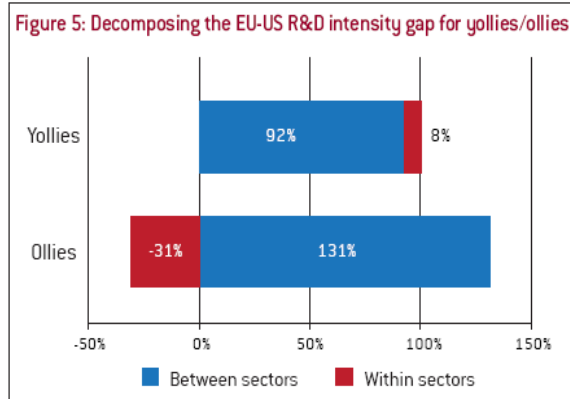
What the US has but the EU lacks: Yollies



Sources: Bruegel/European Commission JRC-IPTS on the basis of the EU Industrial R&D Investment Scoreboard (European Commission, 2008).

The lower R&D intensity of EU yollies is contributing the most (55%) to the total EU-US R&D intensity gap

What the US has but the EU lacks: Yollies



Sources: Bruegel/European Commission JRC-IPTS on the basis of the EU Industrial R&D Investment Scoreboard (European Commission, 2008).

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

What the US has but the EU lacks: Yollies

Table 1: Comparing EU to US yollies in key sectors

	European Union			United States		
	Yollies RDI	Ollies RDI	Yollies as % of firms	Yollies RDI	Ollies RDI	Yollies as % of firms
Semiconductors	17	16	10	18	16	20
Biotechnology	18	10	12	27	12	17
Telecom eqpt.	18	13	3	14	11	8
Pharmaceuticals	25	15	5	14	15	6
Healthcare	11	4	2	10	7	4
Computer h'ware		6	-	6	4	7
Internet			-	11		3
Computer services	3	5	7	6	6	1
Electronics	6	6	9	5	5	2
Software	17	14	20	15	13	17

Sources: Bruegel/European Commission JRC-IPTS on the basis of the EU Industrial R&D Investment Scoreboard (European Commission, 2008).

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
 - . Cf proposal for EU programme of financing early sstages 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 user
 - 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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