

Supporting innovation and technology should be top priority of new European Commission

Open Letter

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In the 2019 European elections more than 50 percent of the voting population cast their vote – more than at any time in the past twenty years. In a world of rapid change and increasing uncertainty more and more people seem to believe that Europe matters.

They are right, of course. That's why it is important we take a closer look at the most urgent economic challenges the European Union faces in the years to come. A recent survey by the European Round Table of Industrialists among 52 CEOs and Chairs of multinational companies based in Europe helps to identify those challenges and opportunities.

Europe has a long history of ground-breaking innovation. Breakthroughs in chemicals, pharmaceuticals, machinery, electronics and automotive technology paved the way to global success for European industrial enterprises, propelled economic growth and continuously increased living standards. Europe remains a global leader in science, with 28 of the world's top 100 universities and a share of around one third of the most cited scientific publications. However, compared with China and the US, Europe struggles to capitalise on these strengths. The growing R&D gap is reflected in patent applications, while the number of fast-growing companies (unicorns) is much smaller in Europe than in China and the US.

When asked about the attractiveness of Europe compared with other locations, the CEOs and Chairs cite social and political stability and the quality of academia and education. However, they also see high taxes and rigid employment laws as factors reducing the attractiveness of Europe for multinational companies. For almost half of the respondents, Europe does not provide an enabling climate for research and innovation, and 33% complain about an inferior digital infrastructure. These assessments help to explain another finding of the survey: a higher propensity to increase investment and employment outside of Europe.

The leadership of European institutions should take the high election turnout as a strong signal to support EU policymaking over fragmented national regulation. Common rules across the EU offer opportunities to boost Europe's competitiveness. ERT Members are calling for a joint effort at the European level in several areas which will strengthen the internal market. The key tasks for the new European Commission should be accelerating digitalisation and a digital single market, as well as investments in Artificial Intelligence with common rules, and fast mobile communication technologies (5G) without disruption at national borders. General support for the development of new technologies is seen as equally important, followed by ensuring fair and rule-based global trade.

These targets are important to business, of course, but they are equally important for European society as a whole. Europe cannot compete with low labour costs: average wage levels are already high and will likely grow further as qualified labour becomes scarcer with our populations growing older. Technological innovation and the continued harmonisation of regulations in Europe are urgently needed to spur productivity and GDP growth, enabling EU governments to cope better with the challenges of aging populations, support social cohesion and maintain political stability.

Technological innovation is also at the heart of our efforts to combat climate change - another key priority for ERT CEOs and Chairs. Here European industry is in a good position to take the global lead in technical solutions for carbon management – but the EU needs to create an environment that supports technology and innovation. EU Member States need to unite behind a harmonised approach.

ERT Members are calling for three measures to better link academic research and industrial innovation to support investment in Europe.

First, we need to strengthen the EU internal market with harmonised regulation. This means further integrating European markets for goods, services, data, energy, and new technologies. This will improve efficiency and enable innovations to scale up to the same level as in competing regions around the world.

Second, we need to address social challenges using policy to support innovations that advance shared goals like carbon management and a circular economy.

Third, we need to embrace smart regulation. This means ensuring that regulation of emerging technologies is harmonised across the EU and balances risks and benefits realistically to give promising innovations the chance to develop to their full potential.

Note to Editors:

In total 52 CEOs and Chairmen of Europe's leading industrial companies replied to the survey.

The survey was conducted by the Centre for European Economic Research (ZEW).

The full results of the spring 2019 survey are available [here](#).

A detailed analytical report prepared by ZEW is available [here](#).

About the ERT Economic Confidence Survey

The Economic Confidence Survey is an initiative launched by ERT in October 2017. It is done in autumn and spring each year and covers current business plans and policy issues of interest to European industry. In each survey, the same four questions are asked to ERT Members to capture their sentiments regarding the general business outlook, sales, investment, and employment plans, for both Europe and the rest of the world in the next six months. An economic research institute (ZEW) is in charge of conducting the survey and ensuring confidentiality.

About ERT

The European Round Table of Industrialists (ERT) is a forum bringing together 57 Chief Executives and Chairmen of major multinational companies of European parentage covering a wide range of industrial and technological sectors. Companies of ERT Members are widely situated across Europe, with combined revenues exceeding €2,250 billion, sustaining around 6.8 million jobs in the region. They invest more than €50 billion annually in R&D, largely in Europe.

ERT advocates policies at both national and European levels, with the goal of improving European competitiveness, growth and employment.

About ZEW

The Centre for European Economic Research (ZEW) in Mannheim is a non-profit and independent institute with the legal form of a limited liability company (GmbH). Founded in 1990 on the basis of a public-private initiative in the Federal State of Baden-Württemberg in co-operation with the University of Mannheim, ZEW is one of Germany's leading economic research institutes, and enjoys a strong reputation throughout Europe. For more information visit: <http://www.zew.de/en/>