

*Industrial and Innovation Policy
Options for the New Member
Countries of the EU*

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The prevailing IP approach in the 90s

- First IP versions: hands-off approach; crisis management of firms/sectors by governments
- Innovation policy: insitutional separation from industry, gov't efforts to set up diffusion systems
 - Reform ideas based on the „linear model” of innovation
- Turning points:
 - 1. New kinds of competitiveness problems in late 90s
 - 2. Growing competition for FDI
 - 3. Changing attitude towards IP in the EU
 - 4. Weakening/collapse of national innovation potentials.

Main patterns of IP in the CEECs

- From „hands-off” to innovation and FDI orientation (PL, HU), but mixed picture
- Rhetorics *cum* discretionary IP (CZ)
- Liberalism without a market (RO)
- Reconversion orientation (LV)
- Shift from crony privatisation to active horizontal approach - incentives to FDI (SK)
- Neo-liberalism in small, open economies (EE, SN)
- **Conclusion: innovation focus is rare and mostly not consistent with industrial policy**

The performance picture in industry

- Transformational recession overcome everywhere in CEECs by the early 2000s
- Faster growth of industry in less developed CEECs (Gerschenkron)
- Stable growth of industrial output from 1995 on only in first reformers (HU, PL)
- IP pattern doesn't seem to be decisive in growth, but consolidated competitive environment counts
- Important: existence of established market players, stable exporters (mainly TNCs)
- Export share of high-tech goods high in some countries (e.g. 30% in H), but only due to FDI

Main innovation policy problems in the new member countries I

- GERD/GDP levels usually below 1% (exceptions: SLO, CZ) - strong correlation between this indicator and GDP/capita!!!
- Loss of qualified R+D manpower, levels less than one half (per 1000 inhabitants) of A or D
- Local version of „European Paradox” - bias towards publications, decline of domestic patenting
- Debate on basic (fundamental or „frontier”) research: could small catch-up countries afford it?

Main innovation policy problems in the new member countries II

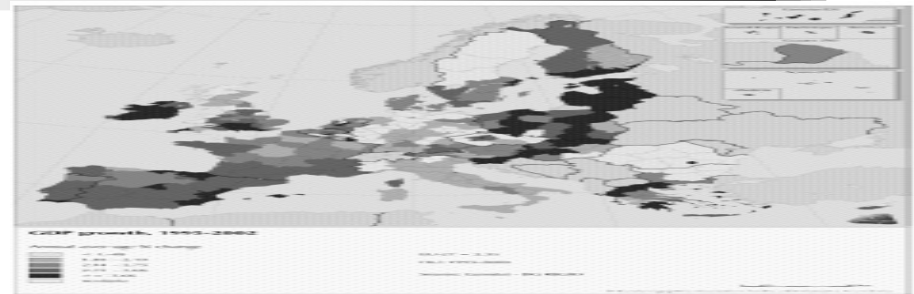
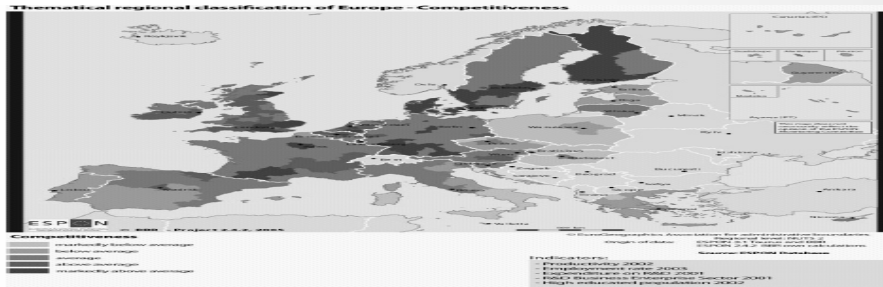
- Strong discrepancies between regional structures of industry and centers of R+D or innovation (examples of Szeged, Debrecen, Lublin, Kosice)
- Still: problems of IP protection (incentives!)
- The financing of startups (venture capital) poor and underregulated, VC legislation primitive
- Missing incentives for local business to buy R+D and innovation management services (prevalent „assembly” pattern of incoming FDI also a factor)

Selected innovative tools of and approaches to IP in CEECs

- „Innovative” ~ „innovation-fostering”
- Fiscal innovations (HU, SK): Simplified Corporate Tax, „linear” tax system
- Promoting networking (HU): Integrator Scheme, Joint Research Centres (between universities/firms)
- Return to high-value-added branches within „old” sectors: LV (cf. Italian examples of being innovative in low-tech sectors)
- Should R+D be promoted necessarily in high-tech sectors?

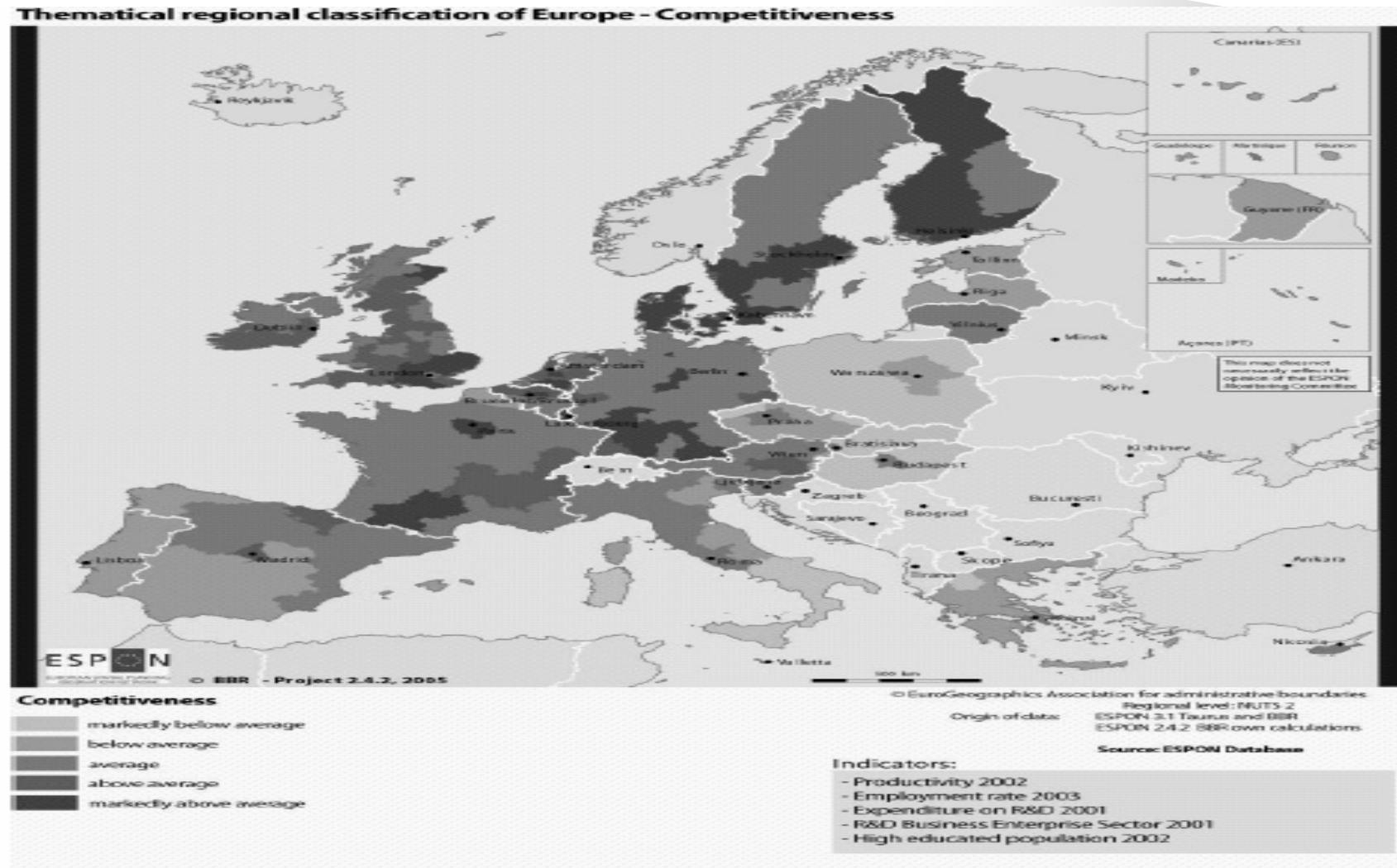
Catchup in Europe

- A comparison of the EU's regional maps of growth and competitiveness

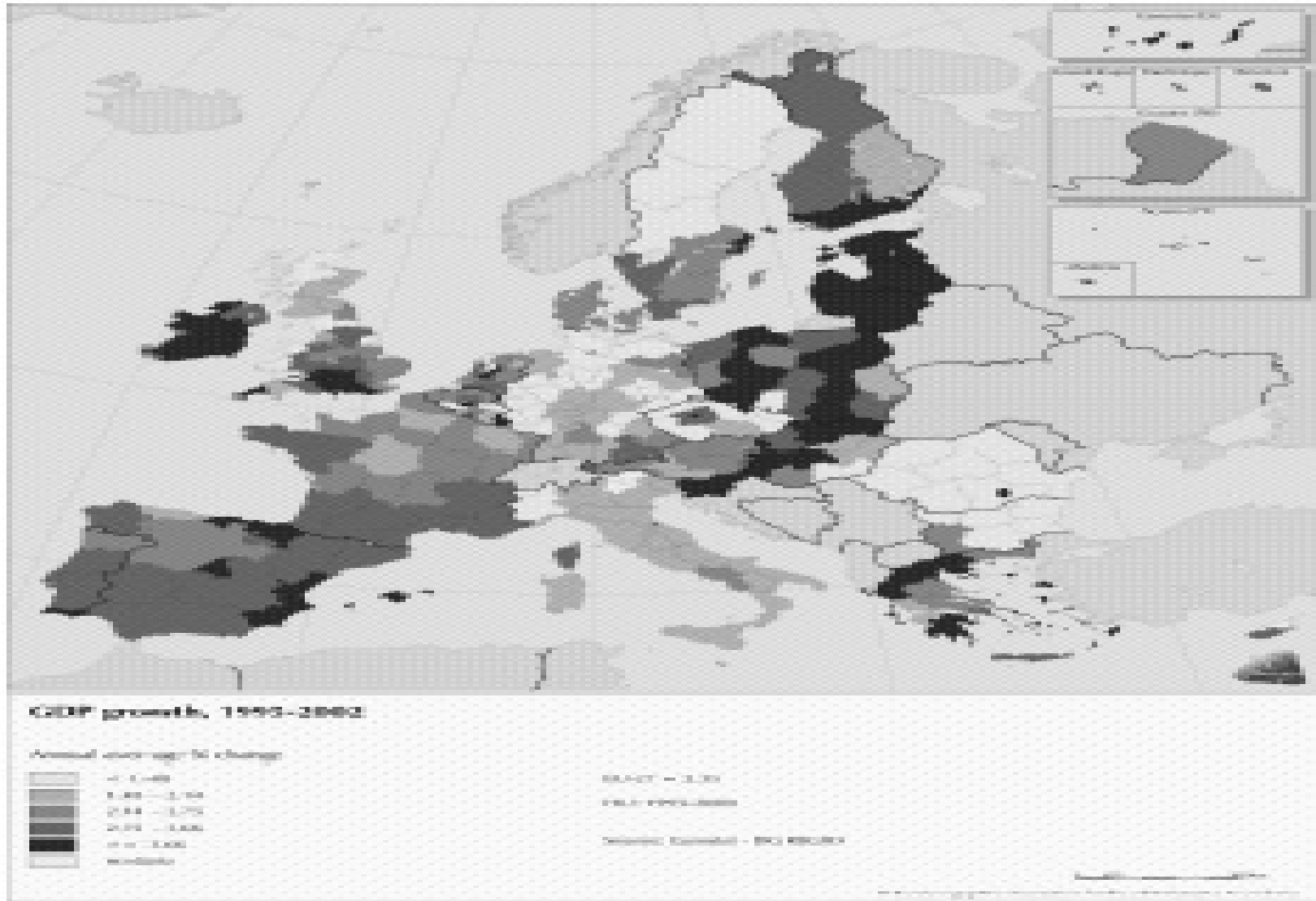


- Positive : IRL, South England, Southern Finland, Central Europe (A, CZ, SK, H, SLO) - negative: I, Northern and Eastern Germany, some French regions
- Engines of growth: rather the more innovative regions with more flexible labor markets, wgae-based competitiveness is losing ground

The competitiveness map



The growth map



Conclusions I

- Impact of Lisbon Strategy + the changing approach of Brussels to IP is becoming visible in CEECs
- Incentives to FDI inflow - standing priority
- Fiscal reforms („tax competition”) in the IP framework - cost-based approach to competitiveness still prevails
- Performance gap: publications vs. patents
- Stronger focus on innovation and network building needed

Conclusions II

- Still missing: a clear choice between the R+D or innovation focus of catch-up and competitiveness policies
- Weak point: SME support, also due to their fragility and lacking legal guarantees
- Dilemma for innovation policies in CEECs: how strong a regional focus should it have?
- Potential conflict between „cohesion-oriented” and „competitiveness-oriented” policy scenarios regarding innovation policy

Thank you for your attention!

