2.2.3. The aim of cooperation in this respect is to ensure that operators contact their correspondent in the competent authority immediately to inform of any circumstances which suggest that chemicals may be diverted for the illicit manufacture of narcotic drugs and psychotropic substances.

2.2.4. Within EU, the voluntary monitoring of non controlled chemicals has concentrated mainly on those chemicals used in the illicit manufacture of synthetic drugs. At the wider international level, the UNINCB (United Nations International Narcotics Control Board) has also sought to address the problem of proliferation of use of non-controlled chemicals in illicit drug manufacture and an Advisory Expert Group has drawn up a Special Surveillance List of chemicals which are used in the illicit manufacture of heroin and cocaine as well as the synthetic drugs.

3. **Conclusion**

The Committee endorses these measures and advocates uniform application of Community legislation in this field so as to prevent any diversion of drug precursors for the manufacture of illegal narcotic drugs.

Brussels, 26 February 2003.

The President

of the European Economic and Social Committee

Roger BRIESCH

Opinion of the European Economic and Social Committee on the 'Commission Communication — More Research for Europe — Towards 3 % of GDP'

(COM(2002) 499 final)

(2003/C 95/03)

On 12 September 2002 the Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the above-mentioned Communication.

The Section for the Single Market, Production and Consumption, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 29 January 2003. The rapporteur was Mrs Sirkeinen.

At its 397th plenary session on 26 and 27 February 2003 (meeting of 26 February), the European Economic and Social Committee adopted the following opinion by 108 votes to none with one abstention.

1. **Summary**

The EESC

— welcomes the targets set at Barcelona and the Commission Communication for opening a debate;

— underlines that particularly in times of economic slowdown R&D should be seen as an investment, not an expenditure;

— stresses that the goals of competitiveness, economic growth, employment, high environmental and health standards and a balanced sustainable development can only be achieved by more knowledge, R&D and innovation;

— encourages the Commission to a stronger presentation of the case and a stronger challenge to the Member States in face of the dramatic change needed;

— proposes that regional funds and funding to candidate countries be directed to R&D;

— recommends that the Commission prepares a strategy for SMEs and research;

— puts more emphasis on removing borders and barriers to cooperation and networking than overall top-down coordination;

— sees that, in order to maintain growth of R&D investment in the EU by big frontrunner companies as well as strongly increasing the number of companies doing R&D, the Commission's proposals need to be implemented, in particular on:

  — finalising the internal market;

  — the Community patent and other IPRs issues;

  — human resource development and mobility;

  — advice and liaison services to SMEs; and

  — renewing state aid rules on R&D financing.

2. Introduction

2.1. The European Council at Barcelona agreed that research and technological development (R&D) investment in the EU must be increased with the aim of approaching 3 % of GDP by 2010, up from 1,9 % in 2000. The Council also called for an increase of the level of business funding, which should raise from its current level of 56 % to two-thirds of the total R&D investment.

2.2. The investment objectives arise from the recognition that strengthening our R&D and innovation systems is essential in realising the Lisbon strategic goal of the Union becoming 'the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion' by 2010. In comparison with the US, the gap in R&D investment reached more than EUR 120 billion in 2000. In particular, investment by business is lower in the EU.

2.3. In its previous opinions, the EESC has recommended to set a goal for R&D investment, which the Commission has recognized. The EESC has further recommended [1] setting a target of an increase of about 50 % in the overall Community RTD&D budget as a medium-term political goal for the period beyond FP6 and appealing to the Member States and to act likewise on their part.

2.4. The targets were set for the Union as a whole and as the decision was taken by the European Council it means that all Member State Governments committed themselves to act on them and contribute to the whole. A few (two) Member States are for their part over a 3 % level, while others show much lower figures. The diversity of situations in Member States and Candidate Countries must allow for a differentiated policy response.

2.5. The present Communication from the Commission aims at launching a debate on the ways and means of reaching the objectives for R&D investment. The Commission analysis of the situation, its background and effects, and presents objectives to be pursued in order to create more attractive framework conditions and more effective use of public financing for business R&D as well as R&D and innovation in corporate strategies and management.

3. General comments

3.1. The EESC recognises with satisfaction that its recommendation has been taken on board and welcomes the important targets set at Barcelona. After the political decision action is needed, in particular by Member State Governments. The Communication from the Commission is welcomed for keeping the issue in the forefront and presenting proposals and advice. The debate will hopefully help to push things forward.

3.2. Economic growth is presently slow, the market in many sectors is sluggish and Member States struggle with budgetary problems. The argument is heard that under such conditions R&D expenditure cannot be increased neither by State nor by business. It should be strongly underlined that money spent on R&D is an investment, for the society as a whole as well as individual company, not an expense. The Commission should be commended for consequently using the proper expression, 'R&D investment'.

3.3. More innovations are needed in order to strengthen the role of European companies on the world markets and thereby get economic growth and employment in the EU back on a stronger track. The key to better competitiveness and economic development is also stronger productivity growth, in particular with the demographic development we are facing. A high level of environmental and health protection, which Europeans value highly, needs to be developed without compromising on economic growth and social welfare, respecting the goal of sustainable development. All these goals, for individual enterprises as well as the EU economy, can only be achieved by more knowledge, R&D, innovation and investment in new and better technologies.

(1) OJ C 260, 17.9.2001.

3.4. In order to turn the trend in line with this, it is important that an ambitious target has been set. It must be clearly understood that dramatic change is needed. However, especially in view of the upcoming enlargement of the EU, the target is probably over-optimistic.

3.5. The Commission links the need for more R&D and innovation with the Lisbon goal, which is right and vital. But key actors here are Member State governments and companies, and they may need stronger motivation to make the dramatic changes needed than just stating the overall goal of Lisbon. A stronger presentation of the case could have been expected from the Commission.

3.6. Member States should be strongly challenged. There are big differences between individual Member States concerning the level of R&D investment and relative role of private and public sources. Publishing comparisons can be instrumental to challenge governments. It is surprising that the Commission has only briefly referred to a few figures at the opposite ends of the statistical evidence.

3.7. The level of R&D investment in the candidate countries is generally lower than in the Member States. The candidate countries' governments would be well advised to head for a national goal of 3 % as soon as possible given that their foreseen faster economic growth over time will make the challenge even harder. Investment in R&D infrastructure should be a priority in order to create a growing ground. EU funds to the candidate countries should be directed in particular to this.

3.8. Statistical aggregate information should always be interpreted with care. Comparisons between the EU and the US always provoke debate, so also in the case of R&D and, in particular, the share and role of military R&D. This share is clearly higher in the US. Military R&D does not contribute directly and fully to competitiveness in the civil markets. But, even if no statistics are available, it can be assumed that a big part is directed to so-called dual use — military and civil — purposes. Given the lack of transparency of military R&D support to companies this probably creates a considerable competitive advantage to American industry.

3.9. According to the Barcelona goals, in particular enterprises are expected to increase their R&D investments. A survey of companies represented on the European Round Table of Industrialists (ERT), representing 13 % (EUR 22,3 billion in 2001) of all R&D investment in the EU, foresees that their R&D investments in the EU will not grow or grow only slightly. ERT companies plan to invest more in R&D outside the EU, mainly because of relatively unattractive framework conditions for investing in the EU in terms of human resources and infrastructure, financial incentives and overall legislation and regulation. ERT results support the messages of the Commission's communication, but underline the seriousness of the need for dramatic change.

3.10. Maintaining a growth of R&D investment in the EU by frontrunner big companies, like those of the ERT, is crucial. In addition the number of companies investing in R&D must be increased. A big potential lies in the vast number of mainly small and medium-sized enterprises in different sectors. Raising awareness and motivation in these companies needs wide-ranging efforts as well as introducing most suitable support measures.

3.10.1. Referring to the European Charter for Small Enterprises the EESC recommends that the Commission prepares an open coordination strategy for SMEs and research. Cultural barriers and administrative burdens between SMEs, in particular micro enterprises, and the research spheres have to be overcome in order to develop and benefit from the enormous innovative potential of these companies.

3.11. Public R&D investments need to be sufficiently directed towards technological development and application in order to stimulate industrial R&D investment. The goal should be to serve development of new products and services as well as more efficient processes. Education and career incentives of researchers need to develop in the same direction. The resources of corresponding basic research must naturally be ensured.

3.12. Networking needs to become the key issue of future R&D developments in the EU. Easy and efficient cooperation between universities, research institutes and companies gives optimal results for investments made. Still remaining numerous obstacles must be removed. Cooperation involving several companies can work particularly well in more traditional sectors and when production processes are developed. Also in newer areas, like ICT, R&D cooperation has been strong and successful, even in situations of hard competition and respect for business confidentiality.

3.13. Regional funding both by the EU and Member States should be increasingly directed towards R&D and innovation as well as relevant education and training.

3.14. A better coordination of R&D programmes and efforts of Member States is strongly called for by the Commission as well as many stakeholders. The need to create programmes with sufficient resources to reach world level achievements and vital centres of excellence is evident. Coordination must, however, not be centralised, directed top down. It should under no circumstances hinder healthy competition, which is a necessity on the road towards excellence.

3.15. Coordination should rather be based on wide and open exchange of information on plans and programmes and supportive to all kinds of partnerships and coalitions with a bottom-up approach. More important than overall EU-wide coordination is to mentally and legally remove national and institutional borders and barriers!

4. **Specific comments**

The EESC in general agrees with the points taken up by the Commission in Chapter 3 Reversing the Trend: Areas for Concerted Action. In the following only issues that the Committee wants to particularly stress or add are taken up.

4.1. *More attractive framework conditions*

4.1.1. The importance of a well functioning, open and competitive market cannot be stressed enough. The finalising of the internal market — which gives demand potential enough for even fairly big R&D investments — is crucial. Many innovation projects are, however, today so expensive that their profitability requires access to even wider markets.

4.1.2. Concerns about adequacy in number, speciality and motivation of European researchers are repeatedly aired. New ideas need to be employed in order to make research, and also engineering, careers more attractive. Barriers to movement between states and public and private occupations need finally to be removed — development has been painfully slow. As to education of researchers, one practical example is a target-oriented programme, giving incentives to both universities and graduate students, that has been implemented with good results in Finland.

4.1.3. EU-legislation on Intellectual Property Rights needs to be put in place urgently. This concerns both GMOs and software as well as a cost-efficient Community patent system. Companies need regulatory certainty and clarity in order to venture investments within the EU.

4.1.4. Unnecessary or unclear regulation and burdensome administrative procedures are a disincentive to, among other things, corporate R&D investments. Simplification of legislation is needed in order to cut 'red tape', as the EESC has been stressing regularly. The Better Regulation Initiative should be applied in order to achieve a genuine balance between economic, social and environmental aspects of sustainable development.

4.2. *More effective use of public financing for business R&D*

4.2.1. A mix of measures is needed to create optimal incentives for different kinds of enterprises to increase their R&D investments. Public support is justified by the fact that market incentives lead companies to invest less in R&D than what is optimal for the economy as a whole. The return on R&D investments are also usually slower than return on other investment.

4.2.2. An important part of the effort to increase R&D should be to motivate more companies to develop their own R&D strategies and activities, often starting from nil. Appropriate measures for this are, for instance, advice and liaison services to create contacts with research units. One example could be SINTEF in Norway, with the task of building a bridge between SMEs and the expertise of the University of Technology in Trondheim. As to financial support, a tax relief could serve well to start R&D in SMEs.

4.2.3. Supporting start-ups in high-tech sectors, with high risk but a potential of fast growth, requires its own instruments. Here seed money and sufficient risk capital are particularly important. One efficient measure in this area has been the granting of 'equity loans', issued by the Technology Development Centre in Finland. The borrowed capital is treated as equity and thereby not burdening the usually utterly weak balance sheet of the company.

4.2.4. Studies show that state aid to corporate R&D projects do not usually decrease the company's own investment, on the contrary. Public aid gives the company a possibility to start more R&D projects than it otherwise could. In other cases the aid makes it possible to operate a project with more resources and faster than without aid, which can be very important in fast-changing markets.

4.2.5. The treatment of R&D support in the EU rules on state aids needs, indeed, a review. It may not necessarily be a question of more generous rules, but definitely to make them more flexible. To mention just one important problem, cooperative projects between the public and private sector are burdened by requirements of notification to the Commission, which adds bureaucracy and also leads to much uncertainty. These kinds of barriers to partnerships need to be removed. A well judged 'de minimis' rule should be introduced.

4.3. *R&D and innovation in corporate strategies and management*

4.3.1. In order to be able to strengthen their R&D efforts, enterprises need a stable political framework. Governments need to give a clear and coherent message, not only on measures for more R&D as such, but on their emphasis and orientation towards a knowledge-based, innovation-oriented economy whenever any policies are addressed and executed.

4.3.2. Companies need, and they do take, different, individual approaches to their R&D. Amongst advice to be given, the EESC stresses one in particular: networking with the public research institutions as well as other companies. Some of the barriers to networking seen by companies are real and relevant, but many are more a matter of tradition and mistrust.

Brussels, 26 February 2003.

The President

of the European Economic and Social Committee

Roger BRIESCH

Opinion of the European Economic and Social Committee on the 'Proposal for a Directive of the European Parliament and of the Council on the promotion of cogeneration based on a useful heat demand in the internal energy market'

(COM(2002) 415 final — 2002/0185 (COD))

(2003/C 95/04)

On 5 September 2002 the Council decided to consult the European Economic and Social Committee, under Article 175 of the Treaty establishing the European Community, on the above-mentioned proposal.

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 6 February 2003. The rapporteur was Mr Buffetaut.

At its 397th plenary session on 26 and 27 February 2003 (meeting of 26 February), the Economic and Social Committee adopted the following opinion by 107 votes to one with two abstentions.

1. **Introduction**

1.1. The proposed Directive is set against the following backdrop:

— the European Union is extremely dependent on external energy supplies;

— greenhouse gas emissions are on the rise, contrary to the commitments under the Kyoto Protocol; and

— the EU has limited scope to influence energy supply conditions.

It is therefore paradoxical that the potential for using cogeneration as a measure to save energy is underused.

This is why the promotion of high-efficiency cogeneration based on a useful heat demand is now a Community priority, intended to supplement renewable energy policy.