

OECD FORUM 2007
Innovation, Growth and Equity
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Opening Plenary: Innovation, Growth and Equity

Angel Gurría, Secretary-General, OECD

Mesdames et Messieurs, bonjour !

C'est pour moi un grand plaisir de vous accueillir ici à l'occasion de l'édition 2007 du Forum de l'OCDE, l'un des principaux observatoires de la mondialisation.

Le thème de cette année « Innovation, croissance et équité » introduit une équation déterminante pour une mondialisation performante et plus équilibrée. Comment stimuler l'innovation au service d'une croissance et d'une prospérité équitable dans nos pays ? C'est la question centrale à laquelle nous devons tenter de répondre au cours des débats qui vont suivre.

Permettez-moi de dire quelques mots sur ces différents points.

Innovation: The main driver of growth

The global economy is now in its fifth consecutive year of growth. This is the strongest economic expansion since the early 1970's. Innovation and globalisation have been the main sources of this process. We are not sure how long this "golden age" will last, but one thing is certain: innovation will keep feeding the levels of prosperity of nations.

Improving innovation performance must be a constant top priority for decision-makers. Countries can achieve vigorous long term growth if they become dynamic innovation platforms. Economies with reform-minded governments and innovative corporations are making the most of globalisation. Through promoting and strengthening innovation performance, countries become more competitive, more attractive for investment and more prepared to face the emerging economic, social and environmental challenges of globalisation.

The link between innovation and economic performance is becoming more widely appreciated in public policy. In fact, as Michael Mandel expressed in one of his last books: "Politicians and economists that don't talk about technology when explaining economic expansion are "enemies of growth"". This could be put in more diplomatic terms, but it certainly touches on an important issue.

Modern economies are built with ideas and knowledge, as much as with capital and labour. It is estimated that nearly half the US' GDP, for example, is based on intellectual property. The EU has set the 'Barcelona target' of increasing R&D to 3% of GDP by 2010 to become "the most competitive and dynamic knowledge-based economy in the world".

At the OECD we believe the creation, dissemination and application of knowledge will continue to be the main engine of national and global economic expansion for many years. And not only in the OECD. Last year, China spent more on R&D than Japan for the first time, becoming the world's second largest investor in R&D after the US.

The three pillars of innovation

There are three elements which are strategic to fostering innovation: 1) high accessible quality education; 2) investment in science and technology; and 3) an innovative business-oriented environment. The effectiveness of good economic policies will certainly make a difference in these areas.

Providing high-quality education

Quality education breeds innovation. A well performing and accessible education system facilitates the adoption and diffusion of innovative activities. Investment in the education and training of highly skilled workers is a major factor of competitiveness, productivity and growth. But access to quality education is also the main driver for reducing economic inequalities.

The OECD has paid special attention to improving human capital, developing internationally standardised tools for the assessment of educational systems. The Programme for International Student Assessment (PISA) has become a key reference for the improvement of educational systems and achievements in member countries.

Investment in science and technology

Investment in S&T is also critical. One of the most eloquent indicators of the health and potential of a national economy is the level of research and development (R&D) it generates. OECD countries have so far provided most of the world's R&D capacity, accounting for over 80% of global R&D expenditure. The 2006 R&D Scoreboard reported that 82% of the top 1250 companies that invest the most in R&D come from five OECD countries: the United States, Japan, Germany, France and the UK.

R&D by all the OECD countries reached 729 billion dollars in 2004, representing a 10% increase in relation to 2000 and 2.3% of the group's GDP. However, R&D average annual growth rates have been slowing down and many OECD countries have seen little improvement in productivity performance in recent years despite the new opportunities offered by globalisation and new information and communication technologies. We certainly have a challenge there.

Building a business-oriented environment

Improving the business environment is especially important, as business is the main driver of innovation. When we see an economy as a living system our perspective becomes one of how to provide the right environment. We must think more like gardeners than mechanics.

In some countries, further liberalisation of the services sector and of network industries could encourage innovation and productivity improvements. More innovation-friendly regulatory regimes, combined with flexible labour markets and lower barriers to

trade and FDI, will enhance competition and foster the flow of technology and knowledge across borders. The reform of financial markets can also boost innovation and growth.

Intellectual property rights (IPR) pose another important challenge. Recent transformations in the economic context, not only globalisation but also the emergence of new technologies in software, the internet and biotechnology, have facilitated collaboration among creators and inventors, but have also made it easier to copy and have thus challenged the effectiveness of the IPR system. Governments have reacted to these changes by strengthening the rights of IPR holders. Firms are increasingly applying for the protection of this investment in innovation. At the same time, the innovation process itself has become more open; ideas and knowledge for innovation are now drawn from many, often global sources, and linkages and cooperation are also of growing importance. The key policy question remains how to strike an appropriate balance between providing incentives and protection to innovators and providing access to new knowledge for users.

Addressing these challenges demands reforms, which are not always easy to implement. The OECD's work on the political economy of reform is increasingly helping countries to make these reforms happen. But it will also require a concerted action by education institutions, R&D centres, the private sector and national and local governments. The OECD Forum provides an ideal platform to foster these strategic partnerships.

Innovation and equity

If the main products of innovation were only economic growth and corporate expansion, we would definitely be falling short or meeting the policy challenge. The concentration of innovation capacity in a small number of countries has a direct impact on the global distribution of income and opportunities, and it also affects the distribution of benefits within countries.

Innovation fosters productivity and growth because it attracts highly qualified people and capital, but also because innovation looks for a favourable and secure environment to invent, register patents, produce and sell. The majority of human beings live in countries which lack this attractive environment. We run a great risk if we don't change this pattern. If we don't take innovation, and therefore employment, to the people, the people will move to the innovation centres, legally or illegally.

We still have much to do to transform this force into development. A very eloquent example of how can we turn innovation into a development tool is the "One Laptop per Child" project. In this initiative, experts from both academia and industry designed an ultra low-cost and durable lap-top for the world's poorest children. While I was getting to know this \$100 portable computer during this year's World Economic Forum, I thought about how this small invention will allow many communities in developing countries to leapfrog decades of development in a relatively short time.

The OECD's contribution: Towards an innovation strategy

At the OECD, innovation is becoming a transversal component of our work. Most of our committees and publications, on a wide variety of topics from education to environmental issues, from energy to employment and regional competitiveness, are impregnated with this "magic powder" of innovation.

Considering the growing importance of innovation for economic growth and for addressing global challenges, the OECD is currently working on a proposal to develop an OECD Innovation Strategy. This area of work will contribute to our overall strategy to become the "hub" of a global dialogue on policy issues.

This new Innovation Strategy would add to the existing body of OECD work on innovation, providing a cross-disciplinary package of policy elements and recommendations to boost innovation capacity and performance. This would include the identification of good policy practices and policy guidelines, as well as better metrics to identify and benchmark innovation performance. It would also provide analysis clarifying the links between innovation and entrepreneurship, economic growth, social progress and "global challenges" in domains such as environment and health.

Augmenting the science, technology and innovation capacity of our member countries is an imperative. We are expecting a strong mandate from our 2007 Ministerial to advance in this direction.

Conclusion

Mesdames, Messieurs, l'expansion et la prospérité économiques ne se construisent plus sur des réserves abondantes de main-d'œuvre non qualifiée et mal rémunérée. A l'ère de la concurrence et du progrès technologique, la clé de la prospérité viendra d'une force de travail créative, qualifiée, sachant produire des idées, des biens et des services à forte intensité de savoir, employée dans des entreprises privées capables d'innover, d'adopter les technologies les plus modernes et de vendre dans le monde entier des biens et services perfectionnés.

La véritable source de richesse et de progrès social aujourd'hui ne se trouve plus dans les actifs matériels ... mais surtout dans l'esprit humain, l'intelligence, l'imagination et dans notre foi en l'avenir. Le capital intellectuel est la forme ultime d'avantage comparatif. Pour être à la hauteur des multiples défis d'un monde contemporain en constante mutation, rien n'est plus productif qu'un investissement au service de l'innovation. Rappelez-vous que « pour résoudre un problème insoluble, il suffit d'avoir une idée ».

Je souhaite que vos échanges soient aussi intéressants et fructueux que possible. Je vous remercie.