

OECD - Meeting at ministerial level on 19 and 20 March

Summary of the statement of Mr. K.H. NARJES on Innovation

There is an economic and growth crisis that puts anything since the Second World War in the shade. It would be completely wrong to seek only external causes for this. One typical feature of internal weakness is the growing disorder in government finance. The other main features are the growing shortage of jobs, declining competitiveness on world markets, current account deficits, declining productivity and obvious failings in innovation capacity.

With inflation unchecked, this type of situation affects us twice as badly since we are forced to recognize that demand-management techniques are no longer completely effective, or at least no longer produce the results we once expected.

Therefore we must find ways of improving supply and modernizing production. In other words, we need to undertake a thorough overhaul of our powers of innovation.

Innovation is the process of inventing new products and processes or creatively combining existing know-how to improve products and manufacturing methods. Such innovations require entrepreneurial decisions - rather like passing through the eye of a needle - before they can get on to the market, where they then have to compete against other products.

It is not so much that innovatory ideas, brainwaves or projects are lacking in the short term, but rather that firms' ability and readiness to invest in new plants are impaired. Promoting innovation is thus synonymous, in the short to medium term, with a policy of strengthening firms' ability, and encouraging their readiness, to invest in capital projects. The task of economic policy must therefore be to remove or reduce, as far as it can, all known obstacles to innovation and capital investment. It should be wary, however, of interfering with individual products or new manufacturing techniques. Choosing the most suitable product is ultimately up to the market - and it alone - which gets the best possible tech-

nical results. This process of search by the market is superior to any technical experiment at planning. The State's task should be to arouse and promote innovative and investment forces by indirect incentives and to speed up innovative processes.

The European Community is called upon to direct its policies towards promoting innovation. Intentionally or otherwise, a series of restrictive national measures has created the danger that the advantages of the Customs Union, which restored a large home market, might be frittered away again. This tide must be turned so that investors can once again take their investment decisions with the certainty that they will be allowed lasting free access to all sub-markets in the Community. For this reason it is precisely in times of recession that vigorous efforts should be made to resist the short-term enticements of protectionism.

Just as important as action to maintain and complete the European home market is it for us to ensure that the Community's external trade policy is an open one. This too will entail fighting against protectionism and endeavouring to keep the doors to world markets open as wide as possible.