Speech by the Minister of Economic Affairs, Agriculture and Innovation, Maxime Verhagen, Trilateral Commission, The Hague, 12 November 2011

*Check Against Delivery*
Thank you Ms Fresco/Louise. 
Your Royal Highnesses, Excellencies, ladies and gentlemen,

It’s an honour to address you all in The Hague today. Much has been said about innovation and sustainability. But I’m not worried about originality today. As the great French filmmaker Jean-Luc Godard said: “Ce n’est pas d’où vous prenez vos idées qui compte, mais où vous les amenez.” – “What matters is not where you get your ideas from, but where you take them to.”

We Dutch have always understood that. It was the key to our Golden Age. In the seventeenth century, the Netherlands was a technological paradise. We had state-of-the-art windmills, ships, pottery, paper and ploughs. Yet we did not invent them. We were a major importer of knowledge.
Our strength was that we *improved* technologies that *others* had developed.¹

What made Holland great was not where we got things from, but where we took them to. Thanks to our open economy and entrepreneurial spirit. We still apply those lessons.

As Minister of Economic Affairs, Agriculture and *Innovation*, my focus is indeed on innovation.

Innovation serves a double purpose. We need it in order to strengthen our economy and develop attractive, affordable, sustainable solutions for the challenges of today and tomorrow. Challenges as diverse as climate change, ageing, shortages of raw materials and energy, feeding nine billion people and, Mr Lomborg, combating HIV/AIDS.

**Sustainability**, to me, is both an end in itself and a means to an end. We simply *have* to tackle climate change and food issues. At the same time, new sustainable solutions will lead to more growth and competitiveness. Which in turn will help us develop new, better sustainable solutions.

So green and growth go together.
I was presented with a good example when I visited DSM last week. Some time ago, the company introduced a new coating that makes glass in photo frames clearer. By taking that new technology a step further, they have now succeeded in enhancing the energy output of solar panels.

Growth is all the more important with budgets tight, the euro zone in crisis, the US economy struggling and emerging markets on the rise.
The question, then, is how can government create the best environment to stimulate innovation? I am happy to have Hans Wijers as a co-panellist today, as he advocated a modern industrial policy thirty years ago in his doctoral thesis.\textsuperscript{2} My argument is that we need a modern industrial policy to stimulate innovation.

Before explaining exactly what I mean by this, let me take a brief look at modern Dutch history. And I am sure many of you will see parallels with developments in your countries.

\textbf{[A short history of industrial policy]}

In the nineteen fifties and sixties, we had a highly successful industrialisation policy. It led us out of the devastation of the war to spectacular growth and prosperity.

\textsuperscript{2} Dr G.J. Wijers, Industriepolitiek, H.E. Stenfert Kroese BV, Leiden/Antwerpen 1982.
Yet in the seventies and eighties, industrial policy came to stand for excessive government intervention and defensive policies. Direct support went to specific sectors and companies, from car-maker DAF to shipbuilder RSV. Those injections of taxpayers’ money strengthened neither the companies nor the Dutch economy. On the contrary, they stifled competition and reduced incentives for companies and people to adapt to changes in the global economy.

This led to a dramatic shift in the nineteen eighties and early nineties. Government kept its distance from business. By and large, it steered clear of direct market intervention. Instead, it took generic policy measures to create the right conditions for business. Innovation was left to the market.
As Minister of Economic Affairs in 1994, Hans Wijers led a major policy operation to increase competition and deregulate the economy. Yet the government still had an industrial policy. As Hans argued in his thesis, government needs to have a vision of the future economic structure. It is not enough to create the right conditions for business and then just wait and see what plans companies come up with.

[Dutch innovation policy in 2011]

So where do we stand now? Well, my position is between government interventionism and deregulation.

Holland has a lot going for it. We are number seven on the Competitiveness Index of the World Economic Forum. We are the world’s fifth-largest investor. And the world’s leading exporter of fruit, vegetables and seeds. Five Dutch companies head the Dow Jones Sustainability Index for their sector.

3 Dit was de MDW-operatie: marktwerking, deregulering en wetgevingskwaliteit
And our researchers are top of the pile: we are second in the OECD in terms of scientific publications; second in the EU for patent applications; and fourth in the Times Higher Education rankings.

Yet we fail to make the most of that knowledge. Too many patents remain unused. Too little knowledge is leading to new products and practical solutions. Too little is being invested by businesses in Research and Development. Private investment in R&D in the Netherlands is at a low 0.8 per cent of GDP. Much lower than in other European countries.

Our innovation policy aims to change that.

How do we plan to go about it?

First, we are creating **optimal conditions** for businesses to invest and innovate.

We are cutting red tape.

We are replacing innovation grants to **specific** companies by fiscal measures that benefit **all** companies investing in innovation.
And we are improving access to risk capital for smaller and medium-sized companies that want to invest in innovation. My goal is a substantial increase of *private* investment in R&D.

We are also working on creating optimal conditions for sustainable development. The European Emission Trading System (ETS) is one example.

Second, we are focusing our efforts and money on the ten top sectors of our economy. Sectors that revolve around knowledge and innovation. Ranging from energy, agri-food and water to life sciences, logistics and high-tech. These are all sectors in which Dutch businesses stand out in the world economy. Sectors that can both strengthen our potential for growth and provide sustainable solutions. Sectors where government can make a difference.

We want to make the most of our entrepreneurial spirit and our open economy. Like we did in our Golden Age.
I have said repeatedly that I am not worried about having too many Chinese investors. I am worried about having too few! Foreign investors account for about one third of all investment in R&D in the Netherlands. They play a crucial role in strengthening the top sectors of our economy. From the dairy company Fonterra of New Zealand and Danone of France to Fujifilm of Japan and Huawei of China.

We still import knowledge and ideas.

Drawing on the lessons of our past, this government is also making a fundamental choice for ‘less government’ and ‘more society’. So far, I have signed sixty Green Deals with local private and public parties that want to save energy, turn sewage waste into energy or increase the number of electric cars. In the same way, my innovation policy is not top-down but bottom-up. Because true innovation, fresh ideas and sustainable solutions come not from central government but from society.
This is why I have asked businesses and research institutions in our top sectors for concrete proposals to strengthen competitiveness. They have also come up with proposals to increase sustainability – like making the transition to a bio-based economy. Five of our top sectors are joining forces to make that happen.

We are now working on innovation contracts between entrepreneurs, researchers and government for each of the top sectors. These contracts will define what kind of research is done. And who pays for it.
I am actively involved. But I will not tell sectors what to do.
I believe they know best.
[We need growth in Europe!]

Ladies and gentlemen,

We can only be successful if Europe is, too. It’s our loss that we neglected the E of the EMU. We would not be in today’s mess if we hadn’t.

We now urgently need to strengthen the potential for growth and innovation in Europe as a whole. We need to
- speak with one voice to the outside world,
- stick to our agreements inside the Union,
- and complete the single market for services, patents and e-commerce. [The single market your previous chairman Mario Monti was already fighting for when he was Commissioner in the nineteen nineties.]

We need to do all that to make Europe more competitive. If we do, it will help us pay for the development of attractive and affordable technologies to tackle the challenges of both today and tomorrow. For we need growth to be green.
[Conclusion]

Ladies and gentlemen,

Let me conclude. We are implementing a modern industrial policy in the Netherlands. It aims at both creating the right conditions for business and stimulating innovation in our top sectors. Innovation that is key to sustainability.

I won’t go so far as to say that a new Dutch Golden Age is about to begin. But we are continuing to apply the lessons from our past. Welcoming foreign investors that bring fresh ideas and new insights. And encouraging initiatives from society itself.

I look forward to our discussions.
Thank you.