

FINANCIAL TIMES

FT SPECIAL REPORT **AUSTRIA** TUESDAY OCTOBER 25 2005

Increase in spending on research and development

For one of the world's most prosperous countries, Austria's record on technical innovation is disappointing, writes Eric Frey.

Spending on research and development has increased in recent years, as the government and leading companies co-operated to push the ratio toward the goal of 2.5 per cent of gross domestic product.

But Austria still lags behind not only Germany, which is 10 times as large, but also relatively small Nordic countries such as Sweden and Finland.

Of patents published worldwide in 2004, 1,355 were originally filed in Austria. This was slightly more than in less populous Switzerland (1,119), but significantly less than in Sweden (2,272). Germany has 10 times as many inhabitants but 40 times as many patent applications.

Moreover, only 12 per cent of all Austrian filings were in the telecoms, IT or electronics area, where most innovation in highly industrialised countries takes place today.

In Germany, the share was 23 per cent and in the UK 37 per cent.

Austria has fared quite well in terms of economic growth in spite of this

weak record, but this may not continue, suggests Matt Brocklehurst of Thomson Scientific. "If Austria wants to remain competitive as the EU is getting bigger, it should start to be more innovative in telecoms and IT."

A key reason for dearth in patents is the lack of strong multinationals with large research departments.

Austrian mid-sized companies are good in adopting new technologies but do not necessarily develop them themselves.

Moreover, "a lot of its wealth comes from inward investments from overseas companies and from the service sector", says Matt Brocklehurst.

Basic industries such as timber do not require that much innovation, either. An area of surprising strength in patent generation is the automotive sector, with 18 per cent of all patent applications.

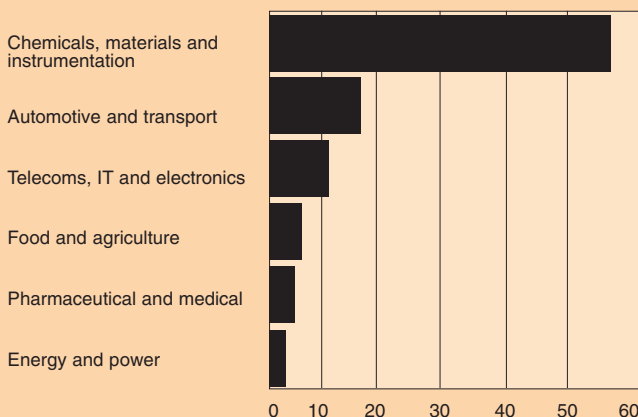
Austria has no fully-fledged car company but is a significant supplier to the German car industry. The value of car part exports is higher than the import of finished vehicles. Graz is best-known for its auto cluster.

Successful IT clusters, however, exist only on the drawing board.

Innovation indicator: Austria compared

Country	Patents Filed	World Rank
Germany	55,478	4
UK	12,245	8
Sweden (similar GDP)	2,272	14
Austria	1,355	18
Switzerland (similar GDP)	1,119	19
Hungary	597	23

Patents filed by sector (% of all patents filed in Austria)



Tables show number of national applications published worldwide in 2004. Where patents are applied for in more than one country, the priority country is the original country of application.

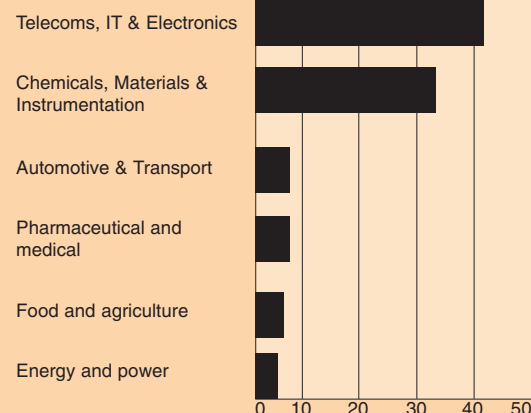
Source: Thomson Scientific www.scientific.thomson.com

FT SPECIAL REPORT **CHINA** TUESDAY NOVEMBER 8 2005

Innovation indicator: China compared

Country	Patents Filed	World Rank
Japan	342,726	1
US	167,183	2
South Korea	71,483	3
Germany	55,478	4
China	40,426	5
Russia	19,104	6

Patents filed by sector (% of all patents filed in China)



Source: Thomson Scientific www.scientific.thomson.com

IMPORTANCE OF PATENTS

China is eager to innovate, writes Mure Dickie. For the government, reducing dependence on foreign technology is essential if the country is to develop its economy. For companies, innovation offers a road out of labour-intensive, low-margin business that dominate the manufacturing sector.

Such hopes, combined with increasing interest in intellectual property protection, explain the recent rapid growth in patents filings. Patents have become a badge of corporate honour. Huawei Technologies boasts that it made a record 1,231 applications in the first half of this year.