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New study:

Value for Money: Getting Europe's Trade and IPR Policy Right

Few issues in trade and international commercial policy have in the past decade provoked as much contention as intellectual property rights (IPRs). Few issues are also as misunderstood as IPRs. What is missing is a narrative about the role of IPRs in a modern economy – a narrative that informs policymakers about rational design of policy. In this new study, Fredrik Erixon revisits the economics of IPRs and sets out a policy narrative for EU IPR policy.

The role of intellectual property rights for the world economy has increased over the past decades. Industrial countries have climbed the value-added chain by sourcing labour-intensive production from emerging countries and investing substantially more human and capital resources into research and innovation. A significant, yet increasing, share of output, value-added and trade builds on innovation. Innovative sectors take up a larger share of the world economy. The amount of resources spent on research and development (R&D) have multiplied over the past decades. Competition has grown tougher as many regulations that previously protected markets and incumbents have been swept away. Technological development has speeded up the pace of imitation in the economy and shortened the life cycle of a product.

Intellectual property rights are a central piece of trade policy as they foster real market integration. Yet recent EU trade policy has provoked a debate that has displayed the lack of a policy narrative for intellectual property protection. There is much debate over the design of trade or climate change policy, but few contest the basic policy narratives of what those policies aim to achieve. It is different with IPRs. There are only fragments of a narrative in the policy discourse. And those fragments usually do not fit together. Absent a narrative for why IPRs are important, trade policy will not be an effective tool to spur cross-border integration of innovations.

There are two central parts of the narrative of IPRs. Firstly, IPRs stimulate innovation and investment in research and development. Secondly, IPRs stimulate dissemination of innovative products and functions as a vehicle of overall economic integration.

All IPRs do not have the same role for the economy. Differentiation of IPRs is hence necessary when understanding their economic value. Differentiation is also necessary for policy formulation and understanding the wider narrative. As a first approximation it seems reasonable to differentiate on the basis of what an IPR is supposed to protect – especially the value the protected IP represents for the overall economy. Patents and trademarks then play in a different economic league than others, especially copyrights and geographical indicators.

Globalisation has increased the importance of IPRs. Firstly, economic globalisation means that the division of labour – the force of specialisation – has become global. Countries have through the global

market process experienced a considerable upgrade in the level of specialisation which for Europe has implied a greater resource concentration to production higher up in the value-added chain.

Secondly, a strong factor behind the globalisation of European blue chip firms has been the fragmentation of supply chains. A pre-condition for such supply chain globalisation is protection of intellectual property and the assistance by authorities in home countries to uphold intellectual property rights in the event of infringement.

Thirdly, globalisation has generally increased competition between firms and reduced the natural barriers to market entry. Brand strategy and first-move advantage are today weak protection for those firms needing to recoup investment costs.

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[The paper can be downloaded here](#)

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