

PRESS RELEASE

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*VCI bets on metamorphosis of the innovation location Germany*

## Research projects in the chemical and pharmaceutical industry 2020: confidence prevails

- ▶ 60 percent of chemical and pharmaceutical companies keep up their R&D plans
- ▶ Restraint with regard to external research contracts
- ▶ Corona pandemic exposes weaknesses of the innovation location
- ▶ Implement and expand fiscal R&D incentives in an unbureaucratic manner, increase growth funding for start-ups, strengthen biotechnology
- ▶ Charts: [www.vci.de/infografiken](http://www.vci.de/infografiken)

The massive impacts of the corona pandemic do not spare research and development (R&D) in the German chemical-pharmaceutical industry. All the same, confidence prevails. This is the outcome of a recent member survey presented by the German chemical industry association Verband der Chemischen Industrie (VCI) in Frankfurt. According to the survey, 60 percent of the companies intend to carry out their research projects as planned. About 30 percent postpone individual R&D projects for at least some months, while only few projects are scrapped altogether (2 percent). However, the industry is increasingly showing restraint with regard to external research contracts during the crisis.

Thomas Wessel, Chairman of the VCI Committee for Research, Science and Education, states: "We have to go back to the future! Germany as a research location has been under heavy pressure not just since the corona pandemic, however, the resulting crisis has relentlessly exposed its weaknesses."

In view of the uncertainties about further economic developments, the VCI assumes for the present year that the industry will not reach its record research budget 2019 of ca. 13 billion euros. But Wessel is convinced that the industry will further strengthen its innovation ability in the long term by high R&D investments.

However, this presupposes that the framework conditions for research and innovation at home in Germany be shaped as favourably as possible. The Committee Chairman emphasises: "Germany must undergo a metamorphosis in order to emerge stronger from the crisis."

### **Ensure liquidity of companies – improve growth funding of start-ups**

Irrespective of their size, companies need liquidity for their research projects. Therefore, Wessel calls for the rapid and unbureaucratic implementation of fiscal incentives for research, "so that R&D does not fail due to a lack of staff capacities in medium-sized enterprises simply because the application documents are overly complicated or too extensive." Furthermore, this funding instrument should reach an international level to attract new R&D investments from abroad.

Wessel notes that the crisis is making it even more difficult to finance the growth of start-ups. For this reason, the German federal government should set up its planned Future Fund without delay to reliably make available the necessary money for young innovative companies during their growth phase.

### **Make funding procedures more flexible and agile**

From the VCI's viewpoint, Germany's necessary metamorphosis also includes less bureaucratic funding procedures: Companies sometimes have to wait up to two years for approval of funding projects. Concretely, Wessel demands easier access of businesses to research programmes as well as a simplification of accounting modalities.

### **Strengthen biotechnology**

The VCI Committee Chairman also points to the decisive role of biotechnology in medicine during the corona pandemic. In record time, scientists and companies were able to decode the genome of the new corona virus. Germany should use this momentum and strengthen biotechnology. New technologies, such as CRISPR-Cas, are urgently needed too. Wessel continues and warns: "We should not only talk about these technologies, we should be allowed to use them in practice – not only in medicine, but also in industrial biotechnology and agriculture. This is important for research, development and production here in Germany."

### **Intensify STEM teaching, drive forward digitalisation in schools**

The future of Germany as a land of industry stands and falls with education. Therefore, Wessel speaks for driving forward digitisation in schools, intensifying STEM teaching and increasing the education spending. According to Wessel, the share of STEM subjects is still below the OECD average. This also applies to the expenditure on education.

*The VCI represents the politico-economic interests of around 1,700 German chemical companies and German subsidiaries of foreign businesses in contacts with politicians, public authorities, other industries, science and media. In 2019, the German chemical industry realised sales of over 198 billion euros and employed ca. 464,000 staff.*

**Contact:** VCI Press Office, Phone +49 69 2556-1496, E-Mail: [presse@vci.de](mailto:presse@vci.de)

<http://twitter.com/chemieverband>