

US-Turkey Business Council, Session III

Topic 3.

Knowledge Partnership in R&D, Innovation, Technology Transfer and Funding

Establish A Joint “*Collaborative Innovation Funding Program*” for Private Sector Projects

U.S. and Turkish policy makers should consider establishing a joint funding mechanism for research and innovation partnerships formed between private companies and research institutions from both the countries. There are already a few research-only partnership funding programs set between U.S. and Turkey. However these collaboration efforts and funding agreements are limited to almost uniquely academic research that reflect a diminutive percentage of joint innovation potential. A newly structured innovation funding mechanism should involve private sector as much as research institutions in a much broader term with the goal of creating products and services competitive in global markets in shorter term.

There are a number of immediate and longer term benefits of such approach. First of all this initiative would encourage and improve collaboration between research and private sector members from both countries. These collaboration efforts hold the potential of expanding into joint development, manufacturing, and sales activities not only in U.S. and Turkey but also in third countries. It would also improve the chance of developing joint intellectual property which will be utilized worldwide as well as in both the countries. It will create a lucrative channel between a research organization from one country and a private company from the other. A funding mechanism for technology transfer to Turkish private sector would open up a new intellectual property market for U.S. research organizations, and vice versa.

U.S. and Turkish policy makers or representative institutions can determine and publish the technology areas or the sectors to which joint research and innovation should be directed to through such a funding mechanism.

European innovation funding mechanisms set a good working model for this recommendation. Horizon 2020 and Eureka exemplifies well established technology funding programs between European Union and Turkey. Horizon

2020 does not only incentivize working on innovative products or services but also and more importantly collaboration and partnership between private corporations of member countries. It created a positive environment for innovative companies to access research in other countries. One of the three main focus areas of Horizon 2020 program is called “Industrial Leadership” where growth potential of European companies is stimulated by offering access to risk finance, encouraging private investment in R&D and engaging smaller companies by offering support for innovative SMEs. Horizon 2020 funding opportunities are awarded to consortiums of at least 3 organization from different countries but not a single company which strongly encourages partnerships between companies and countries. Horizon 2020 provides funding for exploring the feasibility of new knowledge or technology up to 100% but not limited to it. Companies can apply for funding to cover networking and coordinating research and innovation projects. SMEs use funding to access mentoring and coaching services. The program funds public sector to act as a buyer for innovative products and services where new market opportunities open for private research on one hand and public sector accesses innovation faster on the other hand. Eureka program has even more direct impact on commercial partnerships sometimes involving 3-4 different companies from member countries, associated countries and even third countries. These relations often carried to other private deals and joint projects between those involved.

Establish A “*Startup Access Program*” for Entrepreneurs and Venture Capital Companies from U.S. and Turkey

In the business world today, startups are positioned as the primary outlet for innovation. It is becoming seemingly clear that a well-established startup ecosystem can have long term impact at every level of business. Even larger corporations acknowledged the startup value and have taken part in ventures investment community. U.S. and Turkish businesses would greatly benefit from having access to each other’s startup ecosystem.

The proposed Startup Access Program should be a vehicle to help innovators, entrepreneurs and investor to access funding, customers, know-how, and partners in the other country as well as its own. U.S. has achieved a model country status for creating a nurturing environment for startups. Turkish entrepreneurs can take advantage of being part of it through this program.

Turkey, on the other hand, is providing vast government funding to local startups, is a gateway to a number of markets in the region as well as being a fast growing economy with relatively young and curious population. Both countries have complementary assets to offer through such proposed program.

Turkey has a large number of untapped technology startups ready for growth with the smart investment. As oppose, the same caliber startups in U.S. are in the midst of investment bidding frenzy. U.S. venture capital institutions would be invigorated to take advantage of these reasonable investment opportunities given that Turkish policy makers give certain guarantees for the protection of such investments. The proposed program should set the framework for cross investment protection against business environment instabilities and regulative changes.

U.S. and Turkey mutually benefit from opening up their startup ecosystem to each other due to their complementary aspects if a framework of incentives and protection can be devised.

Recommendations:

1. The Council recommends that both the governments create a joint “Innovation Funding Program” modelled after Horizon 2020 and Eureka supported by both governments. The funding is provided to joint projects where U.S. and Turkish companies collaborate to create and/or apply new technologies with a significant market opportunity.
2. The Council recommends that both the governments set up bilateral researcher and tech employee exchange programs.
3. The Council recommends that both the governments encourage bilateral, public-private sector efforts to identify high-value, high-likelihood fields of innovation, and encourage both governments to determine what existing public innovation funds/programs could be tapped. For example, the US should be encouraged to open a foreign partnership track for its National Network for Manufacturing Innovation (NNMI) program. These programs demonstrate that manufacturing advancement can be accelerated through strategic sourcing and exchange of foreign talent, materials and processes. The US is committed to spend a few billion dollars annually on these institutes, and

a policies to improve and promote strategic foreign partnerships would benefit both the US and Turkey.

4. The Council recommends that both the governments set up a joint agency (U.S. - Turkey Startup Access Agency) that encourages bilateral knowledge and expertise sharing, enables bilateral market access and supports the startup communities in both countries. Such an agency's tasks would include:
 - a. Organizing demo day events for investors and entrepreneurs from both countries.
 - b. Qualifying startups according a certain innovation and collaboration criteria to participate in the targeted programs of the agency
 - c. Creating a database of qualifying startups and investors from both countries
 - d. Securing and channelizing Eximbank like credits with low or no interest for qualifying startups
 - e. Organizing accelerator programs for Turkish startups to come, relocate, learn and present their business ideas in US
 - f. Tracking government technology, research and entrepreneurship funding and support programs in each country and empower relocating startups to take advantage of these programs.
5. The Council recommends that the Turkish government devise a regulatory guarantee for U.S. based investors investing into Turkish startups.