

Keynote Address at lunch

by Commissioner Danuta Hübner

"Networking knowledge clusters"

at the World Investment Conference La Baule 2008

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Ladies and Gentlemen,

The development of a knowledge-based economy is a complex process and it requires creating new knowledge and applying this new knowledge in practice. Today, this is the only way to create sustainable growth and jobs.

To bring innovation to the market – and Europe is not strong in this respect -, specifically for less technology intensive regions, locally established firms need to develop their knowledge absorption capacity. They must possess the means to hire qualified human capital and have access to R&D – that involves also financing.

So, strategies for the development of knowledge intensive industries must combine policies to develop the internal capabilities of SMEs (60% have to go global), in particular the skills and qualifications of their workforce, with policies that promote university-business links and develop scientific infrastructure.

And for this purpose clusters offer a framework that works.

Dynamic world-class clusters spur innovation in regions, pull talent together and attract foreign investment. They provide fertile environments that promote open innovation and facilitate effective cooperation within the knowledge triangle.

Clusters foster excellence through competition and cooperation between inter-dependent companies and associated institutions located in a given region. They are not the panacea that solves all problems but they are a relevant part of innovation strategies. Across Europe every innovation strategy at the regional level – and we have many different models – should look out for cluster components.

This is recognised by all European Institutions and recently, the Brussels European Council of 13-14 March 2008, stressed that *“the framework conditions for innovation should be better coordinated, through improved science-industry linkages, world-class innovation clusters and development of regional clusters and networks”*.

The problem with clusters is that their creation is highly non-linear. For politicians who would like to work towards and control desired outcomes such a non-linear behaviour is highly unsatisfactory, if not outrageous. But can policy makers totally be hands-off? You will not be surprised that my answer is no. But let me make one point clear to avoid misunderstandings. It is NOT the creation and steering of clusters that should be handled by policy makers. This clearly is a market issue. Instead, it is the nurturing of regional clusters where public authorities have a role to play.

For the success of a cluster policy, national and regional authorities have crucial roles and they need to create an environment in which clusters can flourish. But they must avoid making two important mistakes:

- **They should avoid imposing their blueprints for creating clusters from scratch where preconditions do not exist;**

- **They should avoid artificially extending the lives of clusters when market conditions make them obsolete.**

So, how does European Cohesion policy support clusters?

There are two main types of support. When regions delineate their innovation strategies – and they are encouraged to do so and also share experiences - they often propose actions related to the nurturing of clusters on activities where they have comparative advantages. In this case projects regarding the co-financing of scientific infrastructures such as science parks and incubators are supported as well as the networking activities needed to create the links between businesses and universities.

But Europe needs world class clusters to compete in a global market and for this purpose to foster transnational and cross border cooperation are paramount. And here Cohesion policy also plays a relevant role.

Cohesion policy has since the mid 80s promoted networks of regions and cities that open new windows of opportunity to the co-operation between clusters located in different Member States and regions.

Presently, we are using initiatives such as *"Regions for Economic Change"* to promote a closer and quicker way to exchange experiences and best practices and to link these to the Operational Programmes. CLOE – Clusters Linked Over Europe: *"A Network of Excellence for Cluster Management, Matching and Promotion"* was an INTERREG IVC project conducted from March 2004 to February 2008 that fully confirmed in the voice of all partners and involved regions the potential of this type of initiative.

But the way Cohesion policy works on clusters goes much beyond financial support.

As we all know the Cambridge Cluster is one of the world's leading high-technology clusters, home of around 1500 high technology ventures and 40 000 jobs. It spontaneously emerged in the 80s around the University and the wide research talent located in the area, under the push of an informal network and a club facilitated by Barclays Bank. Financial support of Cohesion policy would make no difference here.

But since the 90s St John's Innovation Centre played a relevant role in its management. And the management and selection of projects for cluster are essential to their growth. St John's is a centre accredited as a Business Innovation Centre (BIC) and is a full member of the European Business and Innovation Centres Network (EBN). These regional Centres are, when needed, supported by regional cohesion policy funds and their European umbrella organisation, the European Business Network. EBN was launched with the financial and conceptual support of Cohesion's policy initiative Innovative Actions.

Nowadays EBN manages the 'European Community Business and Innovation Centre Trademark' on behalf of the European Commission. This confers on EBN the responsibility for granting, renewing and withdrawing licences on behalf of the European Commission, under the co-ordination of DG ENTR and so doing has inspired the work of St John's Innovation Centre.

I believe this demonstrates the value added and the potential of Cohesion's policy as an ally for regions and clusters even in the most developed and well endowed regions.

To conclude, I believe that the debate on cluster policy is of great importance. I would like to use this opportunity and raise the following issues that would indeed benefit from your in-sights. These are:

We have to move forward, even be innovative on the ways we involve the public authorities in the making of clusters and ensuring that public financing lasts long enough to be effective (PPP) but does not stay permanently.

We have to better understand how we can ensure that cluster policy favours new services, new products and innovative businesses, in other words high growth and high productivity industries.

And of course, I would be grateful in the context of our reflection on the future of regional policy to hear from you hat we should do better in EU Cohesion policy to foster creation of clusters.

I welcome your comments and thank you for your attention.