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Seminar "European and Latin American regions – co-operating in the global world"

7th October 2008

14:30 – 16:15, Conference Centre Albert Borchette, Room OC

Minister, ladies and gentlemen,

I am delighted to welcome you here and to open this event which brings together so many high-calibre experts. Let me thank in particular our Brazilian partners, Minister Luiz Antonio Sousa da Eira and Professor Francesco Profumo from the Turin Euro-Latin American Forum.

I would like to address today two issues. I will start with some reflections on how EU regional policy contributes to the creation of innovative regions in Europe. In the second part, I shall see how this experience is reflected in the co-operation with our Brazilian friends until now and in our expectations for the near future including other Latin-American partners.

Today's global changes alter the traditional map of economic disparities. The impacts of the rapidly changing division of labour, demographic changes and migration patterns, climate change and high energy prices spill over national borders and result in new patterns of winners and losers among nations.

It is clear that the pace and the scale of these challenges require national policies with a high innovation and creativity content. But it is more and more evident that competitive national economies need well performing local and regional innovation systems.

There are two ways of explaining this. Firstly, any successful development strategy needs to take into account the unprecedented speed of change in the global economy. Secondly, globalisation is giving more importance to localized productivity advantages. Economic development is driven by the availability of research institutions, innovative SMEs, talents and skills – and the new way they interact one with another.

In such a context public investment policy is most effective when implemented by local and regional authorities, which best know their territories and are closest to where the development actually takes place. National governments themselves have recognised this by transferring an increasing amount of responsibility for public investment to the regional and local level over the past decade.

Thus it is the capacity of regions to support learning and innovation processes which is a key source of competitive advantages. Accordingly, new European regional policy for 2007-2013 promotes the penetration of innovation in business through innovative regional strategies and systems targeting innovation take-up. It also invests in the new business models developed by companies, such as open innovation. Moreover, to address the specific employment issues faced by cities, social innovation is the focus of particular attention.

Let me share with you one reflection which I find particularly relevant for Latin American regions. Within the debate on growth and jobs some economic commentators argue that – in order to promote growth - scarce resources should be concentrated on regions which are already endowed with a high level of technological capital.

I believe that - given its impact on productivity and the GDP level in the long run - enlarging the innovation capacities is also crucial in less prosperous regions. And the more undeveloped they are, the more innovative they have to be. That is why European regional policy for 2007-2013 years will invest 35 billion (out of total EUR 86 billion, 25% of the overall allocation to regional policy) to the broad innovation agenda in the poorest regions of new Member States.

We know however, that in lagging regions often so-called 'innovation paradox' appears – the more the region needs innovation the lower absorption capacity it has. Indeed, in the lagging regions simply increasing the investment levels may not be sufficient. Therefore the focus of the European regional policy is on stimulating the innovation demand, in particular in SME.

Moreover, policy makers should distinguish between different types of regions. For example, while investment in R&D is crucial in urban areas, rural regions need more investments in education and training. Some regions can be more competitive through developing the alternative use of mature technologies rather than trying to compete in emerging

technologies. Last but not least, administrative capacity to deal with innovative measures is a pre-requisite for any strategy targeting regional innovation.

Networking with external, more advanced centres is also crucial. I mention it in a separate line because in an interdependent and changing world close cooperation between regions is a condition for success. This co-operation should foster learning by sharing experience. European regional policy has been making this happen since long through promoting networking and partnership processes. This is why events such as today's seminar are so important.

Interregional co-operation takes us quite naturally into the domain of our co-operation with Brazil.

I am happy to see this partnership is strong and growing. We have been working closely together since the signature of our Memorandum of Understanding last year. We are now ready to launch a comprehensive long-term cooperation agenda for the three years to come (2009-2011).

This comprehensive long term work programme will concentrate on two aspects, which are also key to innovation:

- The exchange of experiences, knowledge and best practices, including institutional building, with a focus on regional policies. The objective is to develop competencies and prepare policy-

makers and staff at different government levels to implement regional policies.

- Support to regional policies through strengthening capacity to design long term strategies, to monitor and evaluate progress made and to implement multi-level governance.

You can find additional details on our work programme in a brochure "Regional Integration and Development - The Brazil-EU dialogue on regional policy", which we have drafted together with our Brazilian colleagues. I am also happy to announce that our Inforegio website will include from today a specific section devoted to regional policy's cooperation with third countries.

I am convinced that our co-operation will produce practical and tangible results. But for this to fully materialize there is one condition – it should build on concrete needs. That is why in the framework of our common work we foresee an important number of seminars, workshops and study visits focused on concrete problems and on policy implementation.

Let me underline in particular the "governance" aspect of our common work. Promotion of better multi-level governance is an important source of added value of EU regional policy.

Efficient multi-level governance means first and foremost empowered regional and local governments. It also means more partnership and co-operation, running across sectoral and administrative divisions. Regional

and local authorities need to be innovative, need to follow closely what goes on in the world in order to seize opportunities. Inspiration and impulses can come from social partners and private actors, ranging from multinational firms, which by definition are plugged in the global economy, to small and medium enterprises, which often have original and innovative ideas.

Many countries and regional organisations in Latin America, in particular MERCOSUR, have expressed strong interest in the EU's cohesion policy model. We are keen to develop further this cooperation. Not only because we have something to share with you but also because we can learn from you. One of the good stories that globalisation is telling us is that collaboration between the regions and local communities is fundamental to the successful development of all the participants. Competitiveness does not have to be zero-sum game.

Let me conclude by inviting Latin American regions to our current networking activities and encouraging them – encouraging you - to actively participate in other global networks of regions promoted by European and international organisations.

Thank you for your attention,