

**Opening speech by Professor Danuta Hübner  
European Commissioner for Regional Policy**

**“European regions: towards world class clusters”**

**InterCluster Conference 2008**

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Ladies and Gentlemen,

It is a great pleasure for me to participate in this Conference. I fully share your objective to generate a better understanding of how to nurture and reinforce the competitiveness of European economy through European clusters. And I also support the focus your place on identifying obstacles to inter cluster cooperation.

I want to congratulate the EUROPA INTERCLUSTER promoters for the initiative and I wish that the goals for the conference will be fully achieved.

Clusters have become one of the principal ways of thinking about how modern industrial and service companies generate competitive advantage. In a globalised economy, increasingly based on knowledge and skills, cluster policies have become a key mechanism for promoting dialogue between the key players in regional innovation systems - the companies, education and research institutions and public authorities.

Today, I want to share with you three sets of remarks. I want firstly to explain how I see the relevance of cluster policy, in particular at the level of regions, in Europe. That will lead me to give some insights into the recent discussions within the Commission and our decisions on what we can do at European level to support cluster and inter cluster initiatives. And finally I want to emphasise the valuable experience that Cohesion Policy has accumulated by working closely with and supporting the regions and Member States in their efforts to support cluster approaches to deliver innovation strategies for growth and jobs.

Clusters are predominantly a market-driven phenomenon, but forward-looking public policies include them in their innovation strategies.

Since the early eighties, public authorities responsible for economic development have begun to recognise the potential of competitive advantages of territory specific “clustering” among companies, and to design policies that supported and encouraged these relations. Indeed, clusters can promote economic development through

enhancing regional innovation capacity. And this is clearly intertwined with regional policy because most clusters:

- Are based on business cooperation and networking in a given territory linking business to the knowledge base and increasing the learning capacity of SMEs.
- They enable the creation of a critical mass for competitiveness and allow access to appropriate levels of R&TDI and training resources.
- They have become oriented towards global markets and to the attraction of talent and skilled human capital.

So, today clusters are an important part of Europe's economic make up, and we clearly see their pivotal role in the developing of the most successful regions. While varied cluster initiatives within the EU member states exist, a truly European cluster policy – going beyond purely national interests and borders - remains at an early stage.

However, in today's globalised economy national clusters, regardless of how successful they may be, do not suffice to ensure, let alone strengthen, Europe's competitiveness. That is why I appreciate so much your effort to promote inter-cluster initiatives. In my view, if Europe manages to link its existing clusters – and we have top performers in many fields – we would finally get what we all, policy makers and European businesses, have been striving for: A strong competitive edge. By linking clusters Europe would withstand, without fail I daresay, current and future gales.

For this we need a cluster policy at the European level. The Commission has just published a widely anticipated Communication on Clusters: 'Towards world-class clusters in the European Union: Implementing the broad-based innovation strategy'.

In this Communication the Commission delivers two main messages:

The first is that we have identified the need for new policy action with regard to clusters delivered in a concerted way between the Commission, Member States and regions. This is the best way to exploit synergies and to efficiently face the challenges that lie ahead for Europe.

We are aware that the creation and steering of clusters should not be handled by policy makers or be designated by a political process. This is, as I emphasised earlier, because clusters are essentially a market process. Nevertheless because of the relevance of the institutional dimension, community, national and regional authorities have an important role in creating a regulatory and supportive environment in which clusters can flourish.

The second main message of the Communication is that in order to increase competitiveness Europe needs to nurture more world-class clusters. This is not the same as creating clusters.

In order to reach this goal of nurturing world class clusters in Europe several steps should be taken. Some of them are not new but of particular importance when it comes to world-class clusters.

1. Removing barriers to trade and mobility within the EU through a well functioning internal market offers the best condition for more trans-national, i.e. Europe-wide, cooperation and mobility of investment, researchers and highly skilled people. These are all necessary elements for the development of stronger clusters in the EU.

2. We need to foster trans-national cluster cooperation, this is where inter-cluster initiatives come into play. For this purpose several policies are working together such as Cohesion Policy, together with the policies for Research and Development, Enterprise and Competition. These policies will reinforce their synergies towards the goal of nurturing more world-class clusters in Europe.

3. In this context I would like to recall that the Community Framework for State Aid for Research and Development and Innovation, published in December 2006, allows investment in open and shared infrastructures for innovation clusters, and cluster animation.

4. We also need to promote the excellence of cluster organisations. For this purpose the Commission will launch a 'European Pilot Initiative for Excellence of Cluster

Organisations'<sup>1</sup> in the course of next year. This initiative will include training and cooperation activities for cluster managers. Currently we are still in the discussion phase. Another idea which is being debated is that it could help to prepare a quality label for cluster organisations.

5. And finally, in order to seek further guidance, the Commission is setting up a 'European Cluster Policy Group'. During two years it shall advise community, national and regional authorities on strategic orientations for the emergence and growth of world-class clusters in Europe. To this end, we have launched a call for tender about a week ago and I would like to encourage you to apply within the next three weeks. We are looking for 20 top experts who can advise the Commission, Member States and regions on how to conduct cluster policy.

Ladies and Gentlemen,

Cohesion Policy, the policy for which I am responsible, has in the past had a central role in the development of European clusters. This central role will continue. We will assure this engagement through two main approaches:

- Firstly, at the regional level, the Operational Programmes supporting innovation include a variety of actions related to the nurturing of clusters. To give you a few examples, a region wanting to nurture an automobile cluster can finance a study on the region's industrial and business profile, its strengths and weaknesses, in order to better target its policy. Or it could finance networking activities or install an agency to implement them. Another cluster might want to have access to the supply of more innovative materials to manufacture its products.

In fact recent independent studies [published in 2008 and based on surveys with national and regional authorities] estimate that during the decade ending 2007 19% of the investments made in Europe to nurture clusters were initiated with support from Cohesion Policy.

- Secondly, Cohesion Policy also promotes transnational and cross border cooperation between clusters.

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<sup>1</sup> Financed through the Innovation and Competitiveness Framework (CIP).

In order to highlight the potential of Cohesion Policy to strengthen transnational and cross border cooperation allow me to present just one successful example.

Many of you may have heard about 'Medicon Valley'. Medicon Valley involves Copenhagen and Malmö in Sweden and is one of the most recognised clusters in bio-sciences in Europe. It gathers world class research and large enterprises that exchange competences. It has a critical mass of venture capital and involves modern hospitals and clinics that open up demand for new products. This cluster, supported by INTERREG from 2000-06 has become the European champion for the attraction of international investment on life sciences. The preconditions were favourable, they had good universities and good hospitals. What made the difference is that Copenhagen and Malmö initiated greater cooperation between them and these synergies then triggered a policy-supported virtuous circle. Of course, I shall not forget to mention that the new bridge helped a great deal in bringing these regions together.

For the period 2007-2013, Cohesion Policy has increased the financial allocation for transnational and cross border cooperation through the creation of the European Territorial Cooperation objective with a stronger focus on innovation than in the past. I hope that the Member States and regions will use those programmes increasingly to support interregional and cross border cluster co-operation.

But I would also like to give two examples in the new Member States that show the potential of cluster nurturing at regional level and their direct impact on the reconversion of regions.

The first example is the 'Aviation Valley' that is helping the WSK Rzeszów region in the Southeast of my home country, Poland, to recover from a history of high unemployment and very low regional GDP per capita (40% of the Community average). Building on the locally based Aerospace Engineering Faculty, an innovative management leadership gathered more than 50 SMEs around the project and nowadays with the financial support of Cohesion Policy the cluster employs more than 16 000 workers. For me this is a real success.

The second example is the OMNIPACK cluster in the Czech Republic, supported by Cohesion policy in the 2004-06 programming period. This cluster was initiated around a key industrial holding (Polyplast) and involves more than 300 SMEs and several local universities. The region's profile in the packaging industry, the human talent and innovative ideas were the catalyst to mobilise financial support from the ERDF and develop the networking activities that brought this cluster to life.

Furthermore Cohesion Policy has also developed other measures to make cooperation in such fields more effective. One of these is the initiative "Regions for Economic Change", which promotes closer and quicker ways of exchanging experiences and good practices on a number of topics, for example on how to bring innovation to enterprises and how to bring innovation quickly to the market. This exchange then helps to link these good practices to the mainstream Operational Programmes where the bulk of investment takes place. One of the pilot projects to test this "Fast track" approach was specifically about clusters, the so-called "CLOE" network – Clusters Linked Over Europe. We conducted a pilot experiment involving 15 regions of old and new Member States that sought to transfer the good practices generated in the original CLOE project. In only nine months, regions successfully learnt from each other what to do and even more importantly what not to do. In my view this confirms the potential of this initiative.

Let me conclude today by affirming my belief that intercluster initiatives, such as Europe INTERCLUSTER, can make an important contribution to the development of clusters of excellence, the drivers of sustainable growth in Europe. This is a goal that is more relevant to pursue than ever in the present financial and economic turmoil.

For the last 4-5 years many efforts aimed at identifying major challenges that will be putting pressure on growth in Europe, on our capacity to compete successfully, to generate sustainable jobs.

The list of these challenges is rather well known though certainly not closed. The list includes pressures coming from global markets with deep changes in production processes and the role of knowledge, climate changes, energy, demography.

I believe we have reached a consensus across Europe on the need to mobilize responses to this challenge coming from all levels of our European governance: European, national, regional and local.

These should be well orchestrated responses and here comes the role of European cohesion policy, based on multilevel governance and which plays a catalyst role for the structural change required to address effectively many aspects of the competitiveness challenge.

But we have this debate on "Europe of clusters" in a period of extreme financial and economic insecurity and turbulence. It is very important that in the time of slowing growth and increasing uncertainty in labour markets Europe stays on the road towards more innovative Europe, more competitive globally, Europe whose enterprises, in particular small and medium sized ones, are able to plug successfully into global supply chains.

Clusters are a well established way towards long term competitiveness, they build upon the potential of cooperation which is an asset of Europe, not yet entirely exploited. Clusters of Europe are a living community, evolving to better respond to new challenges. As those challenges do not respect geographical, political nor administrative boundaries, this puts new kinds of pressures on existing and emerging clusters. That makes your initiative of interclusters so important.

I wish you a successful two days of debate and look forward to hear your conclusions. I welcome your comments on the Communication 'Towards world-class clusters plans' because I am sure that your experience can contribute to the implementation and success of cluster policy at Community, national and regional levels.

Thank you for your attention.