

**Speech by Danuta Hübner, Commissioner for Regional Policy**

**Conference on successful growth poles in Europe**

**Miskolc, Northern Hungary, 27 March 2008**

Ladies and Gentlemen,

I am delighted to see such a wide range of actors present today from the public sector, the private sector and academia to discuss issues central to regional growth and competitiveness. I am particularly pleased to see representatives from other Member States and Regions presenting their own regional growth pole strategies.

I would like to take this opportunity to share with you my views on how regional growth poles can foster development of European economy, and successfully compete in the global knowledge-based economy. Allow me to start with some striking elements of our relative position in research and innovation.

**Ranking of European universities: we need to make progress**

The Academic Ranking of World Universities published on 15 February 2008 by the Institute of Higher Education of the Shanghai Jiao Tong University (which ranks institutions according to their academic/research performance and research expenditure) shows that: no European university ranks among the top 10 universities in the field of engineering, technology, computer sciences and social sciences. In other

fields, such as life and agricultural sciences, clinical medicine and pharmacy only 1 European university is in the top 10.

Regarding innovative companies, no European company ranks among the top 10 Most Innovative Companies in 2007, as revealed by the recently published survey of the Business Week Consultancy Group. Nokia takes the 13th position on the list, followed by BMW in the 16th place.

These rankings might be culturally biased and, I hope, might be contested. Nevertheless, these diagnostics can only confirm the necessity to increase our efforts for achieving excellence. No doubt we should spare no efforts to rank better.

### **Growth poles are essential for competitiveness**

Universities, research institutes and innovative companies interact and nurture mutually beneficial relationships among themselves in a virtuous circle. The role of public policy is to facilitate these interactions.

This happens in many areas across the globe from the United States and Europe to China and India where we find **regional growth poles**. Not all of them however have managed to become a successful "region of excellence". Amongst the successful growth poles, many emerged from universities and knowledge centers and clearly had a strong cluster dimension.

In the **United States** one of the best examples of regional growth poles is the Silicon Valley in California. Founded by Professor Fred Terman in 1939, it is located around the campus of Stanford University. Today the Silicon Valley is a multi-layered knowledge economy hosting more than

8.000 companies such as Hewlett Packard, Apple, Google. The Valley is well-known for giant entrepreneurs such as Bill Hewlett and Steve Jobs. A similar technology campus was developed in the East Coast of the United States by Professor Vannevar Bush around the MIT and Harvard; well-known as the famous Route 128 or the MIT-Harvard effect.

In **Asia**, knowledge economy regions emerged in India, notably in Mumbai and Cochin, the latter around the University of Science and Technology founded in 1971. Other regional economic poles are located in South Korea, Singapore and China around Shanghai and Beijing characterized by high-growth knowledge intensive industries.

In **Europe**, one of the first regional growth poles emerged in the 1970s in Cambridge around the university. The "Cambridge Phenomenon", tagged also as "Silicon Fen" due to similarities with the Silicon Valley, hosts more than 3.000 companies. Most of them are high-technology companies in the field of telecommunications and biotechnology.

During today's conference you discussed some other good European examples of regional growth poles from Finland, France and Ireland. Other role-model European regions are: Emilia Romagna, Munich, Leuven, Limburg and Scotland. In Central and Eastern Europe, economic poles emerged in metropolitan areas such as around Prague and Budapest benefiting from agglomeration economies. The figures of the European Innovation scoreboard 2007 outline that the best ranking countries in innovation efficiency and performance base their success on transforming innovation inputs into outputs, on high level of patenting. Hungary has a relatively good performance in the "Knowledge creation and Applications" dimension. It is close to the EU average level.

Nevertheless, it still suffers from weaknesses in "Innovation and Entrepreneurship", with low level of SMEs innovating in-house and SMEs using organisational innovation.

### **Research and innovation are core elements of the Lisbon agenda**

The renewed Lisbon strategy cannot be achieved without investing in innovation and the knowledge economy, which makes the socio-economic growth of our economies sustainable in the long term. The European regional policy is the main Community instrument for achieving the Lisbon objectives.

The 2007-2013 operational programmes allocate more than €99 billion to investments in research and development and innovation. This is three times the Cohesion policy investments in the 2000-2006 programming period. Around half of this amount – about €50 billion – will be invested in improving the innovative capacity of businesses, supporting technology transfers and cooperation networks as well as R&D and eco-innovation. This almost equals the entire budget of the 7th Framework Programme for Research and Technological Development.

Money matters but to have funds, investing is not sufficient. To achieve our objectives we have to define a strategy and set up a delivery mechanism that responds successfully to questions such as: the type of investments in research and innovation; the best way to transform scientific results into marketable applications, products and services; the coherence of such actions with overall policy priorities and public private priorities.

## **Growth poles can achieve seemingly competing policy objectives**

Regional economic policy faces the challenge of reducing territorial and economic disparities through mobilization of endogenous growth. A successful regional growth pole can induce positive spill-over effects across the region, and in particular towards the economically less-developed areas. Thus, regional policy can match equity and efficiency.

The development path, ie fostering multi-polar development chosen by Hungary is the right choice. The increased economic competitiveness of the metropolitan area of Budapest should be accompanied by the development of regional growth poles which are able to compete in selected sectors in the international arena. Cohesion policy can mobilize the research and development potential of those regional centers in Hungary which have a strong university tradition and scientific culture.

The good news is also that you have designed specific interventions targeting the least developed micro-regions.

## **Five key success factors for regional growth poles in the 21st century**

The context of regional economic development in Europe is increasingly set by **global changes**. The most successful regions are those which manage to think globally, to internationalize their economies and to continuously adapt to the rapidly changing markets and technological progress.

Regional economies have to find their place in world markets, have to participate in global networks and clusters and measure their strengths and weaknesses against global challenges and opportunities and to foster their internationalization.

A region can be successful on the basis of the development of local clusters specialized in industrial niches, mixing existing and specific new skills, even involving ethnic groups or sports teams. Especially for start-ups, this implies that the existing local business mindset and the existing industrial culture is a crucial condition for them in deciding their location.

Developing a successful regional growth pole requires a number of **minimum conditions** to be in place. These include the following:

- You need excellent knowledge centers, universities with a critical mass of high-quality research resources, which can keep the pace with the rapid scientific and technological progress;
- An entrepreneurial climate and culture based on a diversity of business relationships or social connections which can vary from a region to another;
- Adequate physical infrastructure - including incubators, innovation & technology parks, industrial parks - should be put in place to ensure the commercialization of research results.

An appropriate mix of policies and incentive schemes can encourage public and private research units to seek knowledge and technology transfer opportunities and cooperation between university and business. The challenge is also to finance fast movers. This entails a sufficient budget for RTD and innovation. Ensuring access to the right financial instruments - including seed capital, venture capital and capital markets – is also essential. European regional policy can make a significant contribution in this regard. But while, in general, Europe has a good funding system for established companies, new instruments tailored to

the needs of emerging companies remain relatively under-developed. The same is true for fast growing businesses.

Setting **long-term horizons** is essential for a comprehensive investment strategy. Positive regional and local spill-over effects around a regional growth pole don't appear overnight – they are likely to materialize in the medium and long-term.

A comprehensive strategy should encompass a wide array of **interventions** ranging from research, innovation, entrepreneurship to transportation and urban development. In Hungary, this requires concerted interventions of sectoral and regional development programmes. Let me also say that the sustainable development of urban areas is a pre-requisite for long-term economic growth and competitiveness.

Today a development strategy should clearly aim at attracting further investors as well as at maximizing the leverage of public funds. A multinational company can provide significant added value to the regional economy by fostering the growth of supply chain businesses, in particular by facilitating the entry of SMEs into global supply chains.

The emergence of regional growth poles requires a **multi-governance**. Many regional growth poles are built on the so-called 'triple-helix model', implying the complex dynamics of three main actors, government (ministry and local authorities), knowledge centers and industry. In Hungary, you have given a fundamental role to enterprises and clusters in RTD. This ambitious approach requires the setting-up of an efficient delivery system. Strong cooperation between the main stakeholders is a key factor for success.

Clustering can bring a wide range of benefits to the regional economy. A cluster can put in place excellent professional networks of innovative enterprises which can lead to further development of new ideas. Clusters often form international partnerships to increase foreign investment and exports of companies situated therein.

Finally, regional growth poles tend to **interact** among themselves in order to strengthen their complementary role and expand the regional markets to global markets. There is a need for cooperation between urban areas to improve communication links and reduce travel time between the economic centres. Cooperation in soft infrastructure (health, education, culture) can ensure the functional specialisation of cities and growth poles, stimulate the division of labour between them and enhance the quality of life. Strategic planning and co-operation between cities are key ingredients of success.

Growth poles must interact with surrounding areas to spread the prosperity from the core to the periphery. This requires appropriate connection of peripheral areas to their respective regional economic centers and appropriate rural-urban partnerships.

Let me end by saying that exchange of experiences and best practices is essential for adding value to European regional policy interventions. We should capitalize on the experiences of other Member States and regions. Learning from the successes and sometimes from the mistakes of others should become an automatic reflex.

The Commission will continue to work closely with Member States and regions in an effort to ensure that support to research, innovation and entrepreneurship remains in the focus of the 2007-2013 operational programmes. The Commission will continue to use initiatives such as

"Regions for Economic Change" to promote the sharing of experiences and best practices in support of innovation.

Thank you for your attention.