

**Danuta HÜBNER**

European Commissioner for Regional Policy

**Conference “Towards EU-Japan cooperation on  
regional policies: fostering investment in innovative  
regions”**

*Check Against Delivery  
Seul le texte prononcé fait foi  
Es gilt das gesprochene Wort*

**Tokyo, 06 April 2009**

Minister,

Ambassador,

Distinguished guests,

Let me start by thanking the EU-Japan Centre for Industrial Co-operation for organising this conference.

The objective of this Centre, co-funded by the European Commission and the Japanese government is to improve EU and Japanese companies' competitiveness and co-operation by facilitating exchanges of experience and know-how between EU and Japanese businesses. As such it symbolises our recognition of the mutual benefit we derive from closer relations.

Japan and Europe have a lot more in common than might appear at first sight. We have many shared values and principles, the first of which is the desire to combine economic progress and social justice. Our economies are both forward-looking and focusing on innovation. We need to look together at shared challenges and seek for shared solutions.

In my speech I will speak about the following issues: how the European Union is placed in the innovating world? Why is the regional level the most relevant for innovation? And finally, what is the role and evolution of innovation in the European cohesion policy?

## How is the European Union placed in the innovating world?

Based upon the newest report<sup>1</sup> which establishes a global innovation scoreboard, we can say that the US and Japan still innovate significantly better than the European Union. However, the trend shows that **this gap has been closing** recently. Thanks to the improvements in graduate numbers, broadband development and venture capital expansion, but also to strong relative improvements in public private linkages, the US innovation performance grows by 0.95% annually, the Japanese by 1.65% **while that for the EU by 2.65%**.

However, such comparisons must take into account the fact that the **EU is not one country**, but it in fact comprises 27 sovereign member states whose development level and the rank in the innovation index is very diverse. The EU is proud to count in its ranks two out of three most innovative countries in the world – Sweden and Finland (the third one being Switzerland) and half of the 20 best innovators. But at the same time 17, i.e. most of its states perform below the average. Similar **disparities** can also be observed when one zooms in onto the European regions. It is estimated that approximately half of the regions of EU-27 show a large gap in innovation performance while at the same time other regions, particularly in Germany, Scandinavia, the Netherlands or Austria have higher levels of innovation than their global competitors.

This overview highlights key important factors that underpin our policies relating to innovation:

- to compete better in the globalised economy the European Union needs to **innovate more – not only at national but also at regional level**;

---

1 The European Innovation Scoreboard

- to fully exploit our potential **innovation should be a must for all** regions. And the more underdeveloped and poorer they are, the more innovative they have to be;
- **our significant diversity in innovation performance constitutes a huge potential to learn from each other;**

### **Why is regional level most relevant for innovation?**

In our understanding of innovation we have **moved away from the approach which focused on a linear process** of development, beginning with laboratory science moving through successive stages up to the inclusion of knowledge in commercial applications. With time we recognised the **complexity of innovation systems**, including national, regional, local and sectoral dimensions, with many feedback loops between the different “stages” of the process.

Currently, we are in the '**third generation**' phase, where innovation is no longer considered a linear process that starts with research, eventually leading to development, translated later into growth in the most advanced territories. Innovation can also happen thanks to technology adoption, incremental changes, imitation, and combining existing knowledge in new ways. Therefore, innovation is no longer the responsibility of a few enlightened decision makers, experts on high-tech sectors or the ambition of a few high developed regions. **Every region can identify its own niche and join innovative networks.**

Today **innovation is a product of a policy-mix**, a process including different partners and in which the territories, cities and their specificities and conditions are paramount. The regional level is the best placed to elicit local knowledge and create successful innovative strategies that require the

commitment of several categories of stakeholders: business, academia and regional authorities.

This growing interdependence between economic development and involvement of local and regional actors has been reflected in the evolution of economic governance. It has become clear in recent years that **knowledge-based development is best driven through multi-level governance**, through the co-ordinated actions of the Union, Member States and local and regional authorities. National governments themselves have recognised this by transferring an increasing amount of responsibility for public investment supported by financial means to the regional and local level over the past decade.

Additionally, looking at regional economies brings us much closer to the understanding of **the nature of economic development in a global world**, which, as we can witness today - in times of global crisis - can change very rapidly.

In contrast to public perception, **globalization is reinforcing localization** by giving more importance to localized productivity advantages. Global competitiveness is now largely driven by the availability and quality of local or regional resources, such as skills and talents, creative or innovative potentials and the way they interact with one another. At the same time, public investment policy is most effective when it is implemented at regional or local level, where decision makers know best the specific growth potential.

As a result of these processes regional and local economies moved into the core of economic development. Nowadays the **competition for assets** necessary for innovation such as young researchers, creative people and companies is taking place at the regional and even local levels. Throughout the Union we see a variety of development patterns, depending on how able

and how successful local and regional authorities are in this competition. Regions need to understand what type of policy-mix will in their case stimulate innovation most.

Additionally, any successful development **strategy needs to be highly adaptable** must be based on constant **self-evaluation, adjustment** and to take into account the unprecedented speed of change in the global economy. Some years ago, a national government could have designed country development strategy with a time horizon of 15-20 years and implemented it undisturbed throughout this period. Today change, as the global crisis teaches us, happens overnight. Public authorities in such uncertain times cannot look back for old recipes. They need to modernise their policies in order to facilitate innovation in both new and traditional sectors. To come out of this crisis with economies capable to compete effectively in global markets, they must strike the right balance between support to maintaining existing jobs and creating new ones, greener, sustainable and knowledge-based. It will be increasingly difficult to design such strategies far away in the capitals. Such reshaping can be effective only at the regional and local levels.

Finally, we have recently conducted a foresight exercise called **Regions 2020** which identified main challenges facing European regions: competitiveness in the globalised world, ageing population, environmental issues, energy security. They will have an important and diversified regional impact. It is clear that successful response to these challenges requires the regions to embrace innovation.

## **What is the role of regional policy in fostering innovation**

Let me now turn to the role of the European regional policy in fostering innovation. It has been always an **important element** of the policy. However, its **role clearly evolved** over time in line with our understanding of innovation which I outlined at the beginning. The third generation of innovation policy provides a more robust framework for the design of the regional policy than previous perspectives.

European regional policy covers all regions, but at the same time allows a territory-specific response. This way it has helped to create conditions that make **innovation happen in both more and less developed regions**. Even more importantly, the analysis shows that the lower performing Member States are improving fastest in their innovation performance. The catching-up areas rely heavily on leverage from the European structural funds and on their governance bodies which are often the **catalysts to start innovation systems**.

Already today there are **many examples** of innovative projects underpinning the creation of such ecosystems and boosting region's capacity to grow. One such is in **Extremadura, the poorest region in Spain** which connected its 383 municipalities to broadband, linking all public institutions to Internet, to introduce a wide range of educational programmes and foster technology literacy. Here the challenge was to exploit fully the potential of newly created assets.

For the current programming period of 2007-2013 however, we want innovation to be in the core of the regional policy, to **turn such "success stories" into a systematic approach** to regional development. We have defined innovation as one of 3 overarching policy priorities, along with the investment in infrastructure and human capital. We have also introduced **"earmarking"** approach, which requires from Member States and regions –

both better off and lagging ones – to concentrate the predominant part of their allocation under regional policy on the key drivers of renewed Lisbon strategy, with the innovation on the top of this list. And we have demanded from all lagging regions that they have in place **regional innovation strategy** which is guiding their approach to the implementation of European regional policy.

The principle of **multi-annual programming** of the regional policy gives regions another reason for firm embracing of innovation – it guarantees stable stream of funding till 2015. We have recently agreed 7-year programmes, with right priorities where investment in people, in businesses, in innovation is high on the agenda. We have also introduced many **innovations into the regulatory framework** for the policy to make it simpler, faster, more effective and better fitting the innovation challenge.

As a result, in terms of amount of investment innovation expenditure under the new regional policy will triple compared to the 2000-2006 period, up to **83 billion euro** (25% of total regional policy resources).

In the period until 2013 we will continue to provide "traditional" support to RT&D and to application of its results in the economy. But we know now that innovation is rarely a sectoral phenomenon and involves more than just efforts to increase spending on R&D, support to SMEs, or support to high-tech activities. It requires developing **integrated systems** based on the characteristics and specificities of the different territories. With this approach networks of institutions and stakeholders emerge, and space for them must be developed to carry on **constructive dialogue** as well as effective channels for their involvement in the decision-making process.

This concern is addressed by the cohesion policy in three ways:

- by **multi-level governance** structure which allows to share responsibilities in a way which elicits maximum added value at each

layer. Cohesion policy has for long supported the modernisation of the public sector as an actor in the innovation process so that they provide more effective knowledge-based and user-driven services;

- by the principle of **partnership** with academy, business and civil society which allows to stimulate the creation and dissemination of ideas,

and, last but not least,

- by **encouraging and guiding interregional co-operation**. Within the framework of the cohesion policy, the Commission and national and regional authorities have facilitated an increased exchange of practices and disseminated knowledge among more and less innovative regions, in the strong belief that the competitiveness of Europe can not be achieved by individual Member States or regions acting alone. This is in fact where regional policy shows its best.

## **Cluster policy**

In this context, I would like to mention the **support of the cohesion policy to clustering** as in a globalised economy, increasingly based on knowledge and skills, cluster policies have become a key driver of regional innovation, competitiveness and prosperity.

Clusters are today an important part of Europe's economic make up, and we clearly see their **pivotal role** in the developing of the most successful regions. Clusters matter in terms of economic prosperity, productivity and export capacity. Cluster firms register more trademarks than non-cluster ones (29% vs. 14%) and apply for more patents (29% vs. 12%).

Regional policy, the policy for which I am responsible, has had in the past a central role in the development of European clusters. This central role will continue.

Firstly, regional programmes supporting innovation include a variety of actions related to the **nurturing of clusters**. In fact, recent independent studies estimate that 19% of the investments made in Europe to nurture clusters during the last decade were initiated with support from EU regional policy.

A fine example is in Greece. Started relatively recently, in May 2006, **Corallia the Hellenic Technology Clusters Initiative is a thriving microelectronics cluster**, which is showing impressive early results. Over the last 2 years, participating companies have increased their revenues (60%) and exports (110%), while jobs almost doubled (93%) and the number of patents filed is 138% higher.

Another valuable example could be the creation of the Charleroi Biopole in Hainaut (Belgium), a region formerly known for its heavy industry. Biopole focused on the creation of commercially applicable knowledge in the area of biotechnology. Or the development of the Aviation Valley, based on the expanding aerospace cluster, in the Southeast of Poland, one of the poorest regions of Europe.

Additionally, regional policy also promotes **transnational and cross border cooperation** between clusters. Let me present another successful example, which reaches beyond Europe: the '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 the EU cross-border initiative INTERREG has become the European champion for the attraction of international investment on life sciences and is engaged in

an active **cooperation with the Japanese biomedical cluster Kobe/Kansai.**

Ladies and Gentlemen,

Our meeting is about co-operation, about **networking and exchange of experience**. This way of thinking has been present for many years in European regional policy in the form of regional networks and territorial co-operation. Through cooperation we have been pooling our knowledge, talents and resources together, in order to ensure a more efficient, and joint, management of economic, environmental or social challenges.

I am especially proud to have opened up European Regional Policy to international influences. We have signed agreements with Brazil, China Russia and, shortly, Ukraine to **exchange experiences and technical know-how** in the Regional Development field, and we are discussing similar moves with a number of other countries and regional groupings. In cooperation with the Commission, the OECD also prepared a report on place-based policies.

Japan and Europe have many interests in common. We are not only fierce competitors, but we are also keen to share this best experience and practices with Japan and learn also from you. I stress again, this can only be a win-win situation.

Thank you very much for your attention.