

**Regions for economic change: 'Fostering
competitiveness through innovative technologies,
products and healthy communities'**

OPENING SESSION

7 March 2007: 10.00H

Speech of Commissioner Danuta Hübner

Dear Secretary General [*of BUSINESSEUROPE*], distinguished speakers, Ladies and Gentlemen,

I am delighted to welcome such a large audience of regions and their representatives to the first Annual Conference under the Commission initiative "Regions for Economic Change". This is one of key elements of this new initiative which will be taking place each year on the eve of the Spring European Council. Our aim is to demonstrate the contribution which our regions and cities are making to economic modernisation and the achievement of Lisbon objectives. And your presence today confirms the strong interest of the regions in the pioneering approach to economic development.

I am happy to say that for the organisation of our conference we have two committed partners, the Committee of Regions and the region Provence, Alpes and Côte d'Azur. We have also here today Mr Philippe de Buck, BUSINESSEUROPE's Secretary General. This is very important for us because the success of the European search for

improved competitiveness depends on the joint effort of public authorities and European businesses. Without them we will not make it.

Ladies and gentlemen,

For many years regional policy has been raising the awareness of citizens and policy makers of the potential of European regions and of the wide variety of their territories and populations. Through this policy we made the case that the regional and local levels are amongst the most valuable assets for Europe. Today, in a global world, it is clearer more than ever that the competitiveness of Europe cannot be achieved by the Union, individual Member States or by regions acting alone. Economic success requires a close cooperation of all of them.

We all know only too well that even as the European Union, we are a small part of the globe, both in terms of surface and of population. And in the decades to come our relative size in terms of GDP will be shrinking as emerging competitors experience the faster rates of growth, and in terms of population as our populations shrink. According to UN estimates by 2050 population of Europe will diminish by 70 million; at the same time the population of Asia will increase by 1,3 billion and the population of Africa by 1 billion. Demographic change of this magnitude must have an impact on distribution of economic activities.

I am saying this because accepting this reality helps us understand why we are meeting today and why at all we need initiatives such as Regions for Economic Change. I find myself among those who see globalisation as an opportunity rather than as a threat. And I am convinced that ensuring that opportunities generated by an ever more globalized economy spread across European countries and regions requires knowledge based growth, innovation, new ways of doing business. These are European strengths. And these are the origins of Regions for Economic Change initiative.

European Union can become a world leader in the field of innovation. European business has already produced an impressive crop of world-class companies. Recent analyses show that Europe has 29% of the world's leading 2 000 companies, broadly in line with its 30% share of world GDP. European innovation scoreboard for 2006 published last month shows that the innovation gap between Europe and the US has been consistently decreasing since 2002 and is now roughly half what it was then. Out of 6 innovation leaders 4 are situated in the EU - Sweden, Finland, Denmark and Germany.

A large part of this achievement is intrinsically linked to the regional performance. Regions like Uusima, Stockholm and Hamburg are on the top of the Regional European Competitiveness Index ranking. Interestingly enough, we can see that these are not isolated cases - as most of the regions in countries leading in innovation score very well in terms of regional competitiveness. This confirms the view that competitiveness involves the upgrading and economic development of all

regions together. Even more importantly, it also shows that competitiveness is not a zero sum game which relies on shifting of a finite amount of resources from one region to another. All regions can be winners.

This approach reflects the growing consensus that regions are the primary spatial units at which knowledge is circulated and transferred, local innovation systems built and the competition to attract investments takes place. It also highlights the importance of the global frame of reference for regional development and, therefore, for European regional policy. The reason for this is that to be commercially successful innovations need to be internationally competitive and traded around world.

These are the lessons which put innovation at the heart of the new regional policy and renewed Lisbon agenda. So, it is not by coincidence that our conference takes place on the eve of the Spring European Council. You, the regions, have a valuable opportunity – a shop window if you will – to show your contribution to European competitiveness. I can report publicly on the progress in streamlining European cohesion policy with the Lisbon Growth and Jobs Agenda – precisely at the moment when the Commission is presenting the annual growth and jobs progress report to the European Council.

This takes me to my second topic – the negotiations on 2007-2013 period. Here I can report good news. Member States have clearly

responded to our call for making Lisbon the central tenet of cohesion policy. Our estimates indicate that €200 billion of the €350 billion allocated to regional policy is targeted at the investments that were singled out in Lisbon Strategy as key drivers of growth, competitiveness and jobs. From this €40 billion – more than 10 per cent of the total - will be invested specifically in innovation and R&D. Importantly, the Commission's intention is that this contribution exploits the synergy with other EU policies targeting research and development. In June, the Commission will publish a communication which will provide more guidelines on this issue.

From our 2007 working programme I would like to highlight the Fourth Report on Economic and Social Cohesion, which the Commission will adopt by the end of May 2007. It will contain four parts: first, it will update the situation and trends relevant for economic and social convergence in the regions and Member States using the latest statistical data. Secondly, it will bring a new analysis of the key factors determining growth, job creation and competitiveness, which will reflect the growing importance of innovation based development. Thirdly, it will assess the impacts of cohesion policy, national policies, and other Community policies on economic and social cohesion and their inter-linkages. Finally, it will provide a first assessment of 2007-2013 programming documents, particularly in light of the delivery of renewed Lisbon agenda and priorities set out in the Community Strategic Guidelines. A more detailed assessment will be available in the Communication, which I will present to the College in October, following an in depth analysis of the Operational Programmes submitted by Member States and regions.

Let me turn now to the Regions for Economic Change. We build on what has been achieved so far. This initiative capitalizes on the experience of the INTERREG IIC initiative - supporting interregional cooperation - and the URBACT network for exchange of best practice between European cities. These two programmes implemented in 2000-2006 programming period created numerous networks linking regional and local actors throughout Europe. This know-how today turns out to be yet another precious asset that regional policy can bring to economic development in Europe – under the form of "relationship capital".

This concept of the "relationship capital" – present since years in the regional policy – has only recently been discerned and applied in the business. Relationship capital – meaning horizontal business webs involving together experts, partners and customers – is today as important as physical assets. Relationships allow, at the same moment, to share and give access to many users to knowledge and innovation.

If relationships are important to innovation based economic development it is clear that regional policy must further develop the approach based on networking and co-operation. There is no contradiction between the title of the conference 'Fostering competitiveness' and the principles of co-operation we advocate. Modern economics teaches us that whenever resources are scarce there are competitive pressures to cooperate as there is an important correlation between trust and economic success.

The Commission's target was to find a way to mainstream this richness of know-how, ideas and projects in a coordinated matter. That is why Regions for Economic Change communication is built around four central ideas:

- We want to encourage regions and cities to network around the thirty themes proposed by the Commission services for further cooperation. This list of "trailblazers" is organized around priorities set out by Strategic Guidelines for Cohesion.
- We advocate a two way bridge between the mainstream programmes and the networking activities. The idea here is that, first, regions and cities should identify and bring in to the networks the best projects and practices around themes of interest to the main programmes. Second, they extend the networking to policy makers, NGOs and experts to exploit learning and to transfer the best projects to operational programmes 2007-2013.
- To the best networks organized around the themes proposed by the Commission and committed to disseminating and mainstreaming the results, we offer a special incentive through the fast track option. Here the Commission would assist cities and regions and contribute through its expertise from different services to the work of the network.
- Finally, the Commission will reinforce its communication effort and disseminate the results at EU level through different activities. This is the purpose of this and future Annual conferences. Also the RegioStars awards, and the diffusion of case studies - which I shall come back to tomorrow - fall within this effort.

In the last weeks I have noticed that the "Fast Track option" aroused the greatest interest. The title – which referred to the desire to see ideas quickly tested and implemented - is clearly appealing and responded to the desire of many regions and cities to engage in the learning process we proposed. So it is important to clarify how the regions can participate in fast track networks.

After listening to your views expressed in recent months we came to the conclusion that we shall further build on the current bottom-up approach to the establishment of the networks. Through general or targeted calls for proposals the programme authorities will receive and appraise network proposals. For those networks created around the 30 themes the Commission will indicate to the programmes authorities which of them – in the Commission's view - meet the criteria of a fast track network. However, ultimately only the programme monitoring committee will decide on the networks to be assisted.

Ladies and gentlemen,

I hope that during these two days of Conference, Workshops, Round Tables and exhibition you find inspiration and new partners with which to pursue your own work. The Committee of the Regions, PACA region and the Commission services are putting this time and space at your service so you can learn from others and share your own ideas. I am convinced that bringing Europe's regions and cities together, promoting the exchange of experiences and building on them can give Europe a more

promising future. I encourage you to make the most of this opportunity and wish you a good and fruitful conference.

Thank you for your attention,