

***Speech of Professor Danuta HÜBNER
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***Cohesion Policy: A key tool for regions to grasp
the opportunities of globalisation***

Mr President, Ladies and Gentlemen,

Let me start by saying that I am really pleased to have this opportunity to address your General Assembly. I enjoy talking to the regions, to the people which best know what cohesion policy is about. You are my favourite audience and this makes my today's task easier, although, on the other hand, I have to conclude the conference at which I could not participate.

From the reports I can see that you have had an interesting discussion on globalisation seen from different angles – as pressure stemming from increased population flows, degradation of natural environment, a sterilising effect on the cultural diversity and the impact on competitiveness of European economy. So, the first issue I would like to discuss with you is indeed globalisation – seen in the perspective of regional policy. Secondly, I would like to draw your attention to those elements of the recent policy reform which were designed with the idea of meeting the challenges and also tapping the opportunities brought by globalisation. Finally, I would like to conclude by looking into a bit more

distant future and reflecting on the place of regional and local economies and societies in the economic and political agenda of the Union.

I have to say that I liked the title of your round table – demystifying globalisation. It is indeed what we should do because we tend to forget that Europe has traditionally very much taken advantage of globalisation. The EU is the largest world's trader and has substantially benefited from the opening up of the world economy. As low cost products enter the market and prices fall, European consumers get the benefits of globalisation. Of course, there is the other side of the coin as Europe has to cope with increased competition and structural change has become more necessary than ever. Unfortunately, as a result of the slow pace of these adjustments growth spurred by globalisation has taken place mostly outside Europe.

And yet, we have many examples in our regions and cities - which are increasingly linked to global economy - of successfully coping with rapid social and economic pressures and of moving upwards in terms of international competitiveness. In a longer term, these examples demonstrate how to turn globalisation impact into sustainable growth and jobs. This is the wealth of experience which can only benefit Europe and prompt new ways for Union's development. Regional policy in a way has been throughout almost 30 years a big laboratory in which our regions – currently 254 and soon 268 – and cities experimented with new approaches to growth and jobs agenda.

Those lessons become more and more relevant - as we increasingly recognize the role of regions and cities in the economic development. Economic pressures coming from globalisation need quick decisions,

capacities and skills which very often can be found at the regional rather than national levels. That is why investors making decisions about location of their firms do not contend themselves anymore with national economic indicators – they increasingly inquire about local skills and research capacities, region's connectedness to the European Single Market, accessibility and the like.

We see also a similar shift of paradigms in the economics, which put more and more emphasis on the performance of regional and local economies. Regional policy, which has been driving for more than three decades regional growth and convergence in the Union, has paved the way for this understanding.

What is important, regional and local levels are also getting increasingly prominent in the implementation of innovation agenda, which is recognized as key competence in the strategy of continuous adaptation to the new patterns of the world economy. Some weeks ago, during OPEN DAYS, I participated in the seminar organized jointly with the biggest global ICT companies. Their CEOs told me that, when looking for innovative ICT solutions and projects, regional and local authorities are often more creative partners than national governments.

There are some empirical findings confirming this view. In the recently published 2006 Competitiveness Report, innovation is quoted as one of the cases where market failure occurs particularly often, mostly due to high costs of financing. The following analysis of public support to innovative companies demonstrates that the share of companies which received support from regional and local authorities in the years 1998-

2000 was equal to the support given by the central government (15%). On the top of this, another 7% of innovative companies received grants from the EU, mostly through regional policy.

As the recent evaluation found clear evidence that cohesion policy contributed very significantly to improved regional innovative capacity in 2000-2006 I am pretty sure that today these figures would show even greater role of regional and local authorities.

And there are good reasons for this change. For innovation to become a real driver of growth and competitiveness proximity of partners – businessmen, researchers, local authorities, financial institutions – is essential. We must free, mobilize, exploit and engage local potential of knowledge, expertise and co-operation since the local and regional level has a clear comparative advantage in generating innovative thinking and action.

This experience served us as a cornerstone of the recent reform of the cohesion policy. I know that you are very well acquainted with it so let me just give you a couple of – perhaps less known - examples how cohesion policy can help regions and cities in meeting challenges and making best of opportunities brought by globalisation.

Firstly, we offered to regions a new repertoire of eligible actions which implicitly let them deal with globalisation. Let me refer here to some themes of your conference. You were talking about energy efficiency –it has been made eligible in the new regulation for Cohesion Fund. You discussed fighting floods – environmental risk protection is an element of ERDF investment in both Objective 2 and Objective 1 regions. Similarly,

migration – in the context of social inclusion – has been made into one of principal actions under the guideline "more and better jobs" of Strategic Guidelines for new Cohesion Policy.

There is possibility of indirect action even in such areas as the loss of cultural diversity in Europe – for example, by actions targeting the preservation of cultural heritage. This type of actions – since we are in Mallorca let me give you a Spanish example - has been made one of elements of urban priority in Spanish NSRF.

Secondly, there is an issue of spreading best practices and sharing experience. Two days ago I presented to the Commission a new initiative focusing two existing instruments of European Cohesion Policy – the Inter-regional Co-operation programme (INTERREG IIIC) and the Urban development network programme (URBACT) – around development themes set by the Commission and by the regions themselves. This new initiative called "Regions for Economic change", with a total budget of €375 million, will promote best practices in economic modernisation or regional innovation and spread them to less experienced regions in order to stimulate their regional growth. Many of the themes proposed in the communication deal explicitly with globalisation – for example with Kyoto commitments or energy.

Thirdly, we also adopted, for the first time in the history of the cohesion policy, Community Strategic Guidelines which foster the policy investment in critical areas of Lisbon agenda. And we have already today grounds for saying that our approach works. The preliminary assessment on draft NSRF which we carried very recently shows that the resources allocated to the innovation increased dramatically in comparison with the

current programming period. The types of operations foreseen are in line with the Strategic Guidelines. They include strengthening Research and Technological Development, assisting enterprises, making financial instruments available for innovation, promoting the Information Society and improving the human capital. Importantly, there are no major differences between 'Convergence' and 'Regional competitiveness and employment' regions in terms of types of operations proposed.

Let me conclude this part of my speech by saying that in the recent years we have seen the proof that the road to Lisbon passes through the regions. The experience clearly shows that in the global world top-down development strategies are alone insufficient and ineffective. The disappointing implementation up to date of the ambitious Lisbon goals set in 2000 proves that the commitment of regional and local levels is critical. And that is why the Commission decided that the new Cohesion Policy should become a key lever in boosting EU growth potential.

Ladies and Gentlemen,

In his opening speech President Illy mentioned the need to enlarge and deepen European space. Indeed, this is a sort of paradox that slow pace of adjustment to global change leads many to oppose the progress in European integration – both in terms of widening and deepening – which is the best solution that can make us able to respond to the competition coming from China or India.

But when it comes to European regions we find them on the forefront of the change leading to this response. The co-operation between the regions within the Union deepens integration as it removes structural barriers due to the existence of borders. Regions are also pioneering the expansion of European space. I can recall from my own Polish experience how much Polish regions benefited from this type of co-operation long before enlargement took place. Today, it is the turn of Bulgarian and Romanian regions but also of those in Western Balkans, Ukraine and Turkey.

This is a small example of the role the regions can play in setting EU agenda. I firmly believe that time will play our game. The importance of local and regional economies for Europe's growth will be inevitably increasing, putting more pressure on the need for synergies in multi-level governance – and entailing more focus on the role of regions in economic policy governance. In a recent years we have been constantly moving away from the development based on the notion of the government towards development based on the notion of governance.

Global dimension is playing an increasing role in this evolution. The challenges you mentioned today are confirming this point of view. Clearly, our regions should continue to measure their strengths and weaknesses within European framework of reference; this is the imperative of convergence. On the other hand, however, we cannot ignore the fact that European regions and cities are increasingly exposed to global economy. We have to put more emphasis on regions' position in key global networks, clusters and chains. There is no sustainable cohesion without competitiveness.

Thank you very much for your attention.