

**COOPERATION BEYOND THE BOUNDARIES OF PROXIMITY -  
Contribution of Regional Policy to development of peripheral  
regions in the Baltic Sea area  
speech by Professor Danuta Hübner  
Commissioner for Regional Policy  
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Ladies and Gentlemen,

Let me start by thanking the Chairman of the Baltic Development Forum, Mr Uffe Ellemann-Jensen, for inviting me to your 8<sup>th</sup> Annual Summit. The Forum is a great opportunity to various stakeholders – public authorities, businesses, associations and financial institutions – to meet each other, exchange experiences and to create new partnerships and networks.

In many respects, the Baltic Sea region is an excellent example of the importance of cooperation for economic growth and success. It is a region where dozens of networking structures have developed over decades, and where the accession of Estonia, Latvia, Lithuania and Poland to the EU added new needs and opportunities for cooperation. Following the last enlargement the Baltic Sea region has become the fastest growing EU zone developing its capabilities for innovation and cooperation.

When I had a chance to speak at the Baltic Development Forum two years ago, I said that innovation, technology, research and education were the foundation for the future growth of the Union. I have not changed my mind and this plea is still valid. Today I would like to stress

its importance in the context of development not only of peripheral areas, but for the development and competitiveness of the whole EU.

Of course, we know that challenges which affect peripheral regions are different from those faced by central or metropolitan areas. These are: small size or sparse population, non polycentric settlement structures, long distance, high transport costs and poor accessibility, weak influence on governance, weak agglomerative advantage resulting in the high price of different services, often underdeveloped research and development sector depending on public services or public support, low rate of innovation and entrepreneurship resulting often in economic vulnerability.

But today this conventional perception has shaped out. Transition to knowledge-based economy brings new possibilities for regions and there are other endogenous factors that determine the success of regional development. These are ICT infrastructure, availability of educated workforce, level of co-operation of enterprises and research institutions leading to the emergence of innovation, niche sectors and development of competitive clusters.

**To the question whether difficult peripheral regions can be successful in the new context, my answer is – very much so.**

Technological progress and social and economic pressures stemming from globalisation, have an impact on the very concept of peripherality. Traditional support policies have often failed to fully address these challenges. Today, we do not need policies that support, we need policies that dynamise. Locally fostered development strategies and

initiatives increasingly play a key role in turning sluggish development trends into positive spirals of development.

In this process three factors play a key role.

- Firstly, local assets:

peripheral areas dispose of variety of qualities that are not present, or present to a lesser extent, elsewhere: unspoiled environment, high levels of social capital and local knowledge and problem-solving skills. Developing local competitiveness will therefore mean exploiting these specific local advantages. Regional initiatives, building development strategies on existing regional strengths and potentials, will facilitate the planning and implementation of new projects, exploiting their underutilised potential.

- Secondly, networking and coordinating, or in other words, the capacity to shape dynamic networks of regional or local branches of the national administration, local self-governing bodies and private partners.

Distant areas do not always have a potential to establish PPPs or set up clusters, there is less interaction among peripheral regions and very often link to central networks depends only on individual activity of entrepreneurs rather than a systematic approach. Strengthening of networking inside and outside the region will be key to successful strategies. If the endogenous resources are scarce, we must find means to pool them together.

Coordination between different partners is a key issue in order to ensure optimisation of synergies and reduce the risk of lost opportunities, often

due to poor coordination. The model of creating value-added through multi-actor agreement on a joint vision (Triple Helix model) has to be fully developed and implemented.

- Thirdly, innovation:

we need to focus on continuous innovation. If today we say that developments became a complex issue and that simple investment programmes run by central governments are not sufficient to drive growth and competitiveness in Europe, it is particularly true for peripheral regions. If they want to catch up with the core, they need to base their development strategies on innovation even to larger extent than central areas.

To sum up: these three factors – local assets, networking and co-ordination and investing in innovation, are the basis on which peripheral regions should construct their development strategies. Their combination will let look at peripherality not only in terms of a disadvantage but also opportunity.

## **New Regional Policy**

How does European Regional Policy for 2007-2013 address the challenges encountered by peripheral areas and what are the policy instruments which can assist peripheral regions in dealing with their development problems?

There are many ways in which new regional policy can drive the development of peripheral regions, so let me mention couple of them:

Firstly, strategic thematic concentration of the policy investment in the development of the infrastructure, ICT and innovation and on human capital. In particular regional policy in its mainstream dimension will be a crucial instrument enhancing innovation capacities in peripheral regions.

Secondly, we have a new legal framework for regional and cross border co-operation which will offer to the countries of the Baltic Sea more opportunities for cross-border cooperation than ever before. The new Regulation provide for a wider geographical scope for cooperation, more instruments to assist you with implementation and finally, more funding. One more area with a potentially significant change with regard to the future cooperation programmes is that of management structures. To assist programme partners in this regard, the Commission proposed a new instrument – the European Grouping of Territorial Co-operation, which offers regional and local authorities the option of creating a cross-border grouping with legal personality.

Thirdly, national and trans-national platform for networking and sharing best practices – new initiative Regions for Economic Change which the Commission will adopt in the coming days can be mentioned here.

There are already examples which demonstrate that despite apparent disadvantages, due to peripheral locations, innovation can successfully underpin the development of these areas. One of them is the Eco House North project, where development of ecological wooden house systems is based on, on the one hand, the long tradition of use of wood as a construction material, and on the other hand, on the development of new knowledge and creation of new architectural solutions for these houses.

Several private companies and a few municipalities are partners in this project.

However, success stories need time to develop, as establishing a university or a research centre far from the metropolises does not immediately spin off innovative businesses. In northern Sweden and northern Finland, this process has taken a few decades but has proved to be a success.

One way in which regional policy can assist regions in this respect is by investing in the transfer of innovation from research to market.

Today it seems that, for instance, the demographic development in the peripheral regions of these countries, which is generally seen as very negative, has encouraged – if not forced – the development of solutions for keeping the services running.

These solutions are partly social and partly technological in their nature. Technological e-health innovations help in the care of people living far away from the big cities. But also "social innovations" are needed, like organising the health services across national borders so that the same personnel is offering cross border services for patients.

### **Sharing best practices**

A very important challenge for EU Regional policy is the multiplication of the positive development created in successful projects. The results of the projects are made public, but often the link is very weak to the regions outside those where the project was implemented. In many

cases, there would be demand for the results and experiences gained in these projects in other regions far away, but these regions do not know that solutions to their problems have already been developed elsewhere.

It is true that regional development strategies based on local strengths and potentials can help regions and cities brand themselves, attract investors, and create overall economic growth. Local strategies however also greatly benefit from international cooperation with other regions. To many regions, strategy development and strategy implementation are new and challenging tasks. Transnational cooperation and knowledge transfer can help these regions find the necessary inspiration and tools to successfully develop and implement their own strategic initiatives.

Notwithstanding differences among the countries of the Baltic Sea Region, be it economic, institutional or cultural, there are certainly basic similarities which should be further explored in order to enable cross-regional learning, transferability of good practices and better quality of projects.

I strongly believe that network creation and the exchange of experiences and best practices would be for the benefit of the whole EU economy. Around the Baltic Sea, we have already examples of very constructive cooperation that has lead to success stories - but there is also room for development of new ideas, new cooperation constellations. Regional policy is actively supporting these new initiatives and will do even more so in the future

I will strongly encourage you to look to what extent good local, peripheral practices can be dis-embedded from the local context within which they

have evolved and how they can be transferred and re-embed in the new context. It is in this way that the ability to collaborate both within and outside of the territory, use of local assets with knowledge and other resources stemming from the non-local networks can influence development. Peripheral location of some regions and cities will not change but what can change – and diminish - is an intra and inter-regional distance in terms of levels of development and prosperity.

To end, let me stress once again that remoteness from the core does not exclude the possibility of growth and expansion, that innovation does not only emerge *under conditions of proximity* and that whether new regional policy for years 2007-2013 will be essential in boosting innovation and competitiveness in the periphery depends on us.

Thank you for your attention