

Speech by Commissioner Danuta Hübner
Cohesion Policy for Growth, Jobs and Innovation
British Chamber of Commerce in Belgium
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Ladies and gentlemen,

Back in 1957 nobody would bet that Europe in 2007 would look like it looks today. And looking back which we did this year celebrating the 50th birthday, we can be proud of what has been achieved. Nevertheless we, Europeans, are in the mood for change. And this is for two reasons. We feel uncertain about the future and we have doubts about the present. Why? Because Europe is part of the global world which has brought new issues to our agenda. So, as everywhere in the world, also in Europe the policy agenda is in a phase of a profound modernisation.

Europe today faces a number of challenges, and globalisation is one of them. Although globalisation is not a new phenomenon - see for example the period 1870-1913 when international trade expanded rapidly and labour migration increased sharply - the current period of globalisation is characterised by distinctive features: First, pace and scale are without precedent. Second, the production process is increasingly fragmented. Multinational enterprises typically produce in different locations, taking advantage of cost and, increasingly, knowledge advantages. Third, globalisation extends increasingly to foreign direct investment (FDI) and to trade in services. This means that the traditional distinction between tradable and non-tradable sectors has become increasingly blurred.

Climate, energy, demography, migration, competition coming from unprecedented acceleration of globalisation and technological change – these are real problems with which Europe has to cope efficiently. These phenomena are perceived as threats by many, yet they also represent opportunities. I am stating the obvious by saying that European businesses cannot compete in terms of labour costs with the emerging economies. However, if we manage to build on our comparative advantages and tap our development potential at the same time, we stand a good chance to benefit from the increasing integration of global markets.

What I see, however, as the greatest challenge for Europe today is the need to decide on a difficult choice related to the fact that some of our citizens would see Europe as a protective shield against consequences of globalisation while others expect from it active policies of change, building European competitiveness, aiming at profound restructuring, modernising its social model, strengthening its role in the global world.

So, if there is a crisis in Europe, it is really one of managing success and the expectations resulting from success rather than failure.

If there is a crisis, we need to look for it outside the European economy which is expanding at a faster rate than for many years, unemployment is falling fast and inflation is modest. It is new Member States' dynamic growth rates of 7-10% that shape up the EU's combined growth rate. Enlargement has been a win-win situation for the entire European economy.

Some people believe there is a crisis of European integration, with intergovernmental element in policy development growing at the expense of the Community method. At the same time, however, integration is developing rapidly in many areas of policy in which our citizens want progress at EU level. This is very clear for instance in the area of justice, freedom and security.

Let me also say in this context that the new Treaty represents a new opening in European integration and, when adopted and ratified by all Member States, will offer here we have a chance to make the Union more effective.

Some people see crisis in foreign policy area – namely between Russia and the EU. I would not call the current situation a crisis but certainly there is a need on both sides to work harder to avoid crisis developing.

Above all, we are all living in Europe which is at peace. In spite of several regional problems, like the one in Western Balkans, Europe is one of the few areas in this world where there are no military confrontations and where, in general, our citizens feel safe and secure. So, I must say I see no general crisis on our continent, not in the economic area, and not really in the political area, either, though we must all work towards defusing certain tensions which have arisen.

Certainly there is change! Europe is changing, making progress with institutional and structural reforms, improving its global competitiveness.

There are also chances! Yes, chances abound for all of us in Europe. To seize all chances we are offered by global economic integration and technology we must do more to facilitate enterprise and innovation.

Above all, we must remain open to the changing global world, also to our neighbours. For this we need an inspiring vision and a new European narrative for the generation that does not remember wars and queuing for visas.

We must be, as Europeans, prepared how to live in the age of rapid global change. An inward-looking Europe will be marginalized. Because in terms of size there will be less of Europe in the global world in the future.

You, European business people, are at the heart of the change in Europe. Without entrepreneurs, without undertakers in the true sense of the word growth, more sustainable jobs and competitiveness will hardly materialize. That is why the Union's agenda for growth and jobs needs you, and your voice in this time of modernisation of our policy agenda matters.

Globalisation brings certainly new opportunities, cheaper products and better services. But the more and the quicker the changes, the more solidarity and co-operation we will need in Europe. And there is no better way to demonstrate this to our citizens than through European regional policy. This policy is a powerful lever to push forward economic modernisation and diversification on the ground.

Let me say a few words on how EU Cohesion policy can help in bringing this agenda forward. And also talk about what Cohesion policy can do for your enterprises, how your and our efforts can and should usefully complement each other. The policy I am responsible for is based on shared management, 7-year programming period and the principle of partnership. These are all very important characteristics which allow this policy to respond efficiently to emerging challenges.

We are now finalising negotiations with Member States and regions, also with the UK authorities, on the regional policy programmes for the new period from 2007-2013. I would like to share with you some comments on how we have revolutionized this policy to better harness it for the implementation of our growth and jobs agenda.

European cohesion policy has become the primary financial instrument at Community level to implement the growth, jobs and innovation strategy.

Member States have clearly responded to our call for making Lisbon the central tenet of cohesion policy.

The comparison of the composition of cohesion investment 2000-2006 and 2007-2013 shows a significant change in Member States priorities. European Commission's estimates indicate that €200 billion of the €350 billion allocated to regional policy for the period 2007-2013 is dedicated to investments in the field of research, innovation, entrepreneurship, the information society, human resources and trans-European networks that are most relevant for the competitiveness of Europe's economy. And that forms the core of the renewed Lisbon agenda.

From this total, €60 billion or some 16% will be invested specifically in innovation, R&D and information society in the poorest regions and almost a quarter in the richer regions. This compares with around 7% for both types of the regions in the previous period. In absolute terms it means a four-fold increase from 15 to 60 bn EUR. Importantly, the Commission's intention is that this contribution exploits the synergy with other EU policy targeting research and development.

Similarly, support for renewable energies, energy efficiency and environmentally friendly processes and firms has increased from 1% during 2000-2006 to more than 4% in the poorest and more than 6% in richer regions, in euro terms it means an increase from 2,5 to more than 15 bn. The Commission has also pushed for combining grants with loans in programmes funded by cohesion policy. Of course, in many regions the dominating type of investment is the one in infrastructure, especially in the 12 new Member States, where it amounts to up to 40% of the allocation. There are still regions where no investment would go unless decent roads or railroads are built.

Also, in the UK in the 2007-2013 period, there is a significant increase of earmarked expenditure with more than 78% of the ERDF and close to 100% ESF being earmarked towards Lisbon related objectives. That is a rise from 50% currently.

So we have managed to put innovation at the heart of the renewed Lisbon agenda and also an important focus of the new Cohesion Policy. This is because we believe that economic growth in Europe will increasingly need to be innovation and knowledge driven.

But let me again use the UK example. This innovation challenge means that not only existing world class innovation centres – such as Cambridge and the Thames Valley - have to thrive. But there has to be development of innovation activity elsewhere – in Swansea, in Belfast, in Edinburgh and in Cornwall for example. I am especially pleased that the vast majority of programmes in the UK have a priority axis solely dedicated to innovation. This will enable partners to concentrate their activities in that area and ensure that innovation activity increases greatly in the regions of the UK.

Europe is too small to build its competitiveness only on selected poles, we must upgrade entire Europe's capacities to innovate. Let me briefly mention in this context a few excellent projects which I have seen myself in the UK and which have been supported by the European Regional Development Fund.

- First, the Technium network in Wales – I visited their flagship centre in Swansea two years ago. The Technium Wales network comprises a series of technology-led business incubation environments providing the relevant knowledge, support and physical facilities to help young technology businesses realise their potential for long-term growth.

- Second - in Scotland. The Queen's Medical Research Institute in Edinburgh is a facility providing over 16,000 sq m net of research space and support space. It houses 670 research staff working on developing innovative approaches to diagnosis and treatment through developing a greater understanding of the mechanisms underlying common diseases. It was financed under the East of Scotland operational programme.
- In Northern Ireland, the Institute for Electronics, Communications and Information Technologies (ECIT) attached to Queen's University in Belfast is bringing together activities in computing, digital communications and electronics to encourage technology transfer and the formation of companies.
- And finally in England the Combined Universities of Cornwall has provided a substantial further and higher education presence in Cornwall across several different geographical locations. This will enable school leavers from Cornwall to stay in the county for their higher education rather than having to travel to universities outside the region. It has also established business incubation units to encourage those students to go on and establish their own companies in the region. It contributes to general upgrading of educational institutions.

All these activities come on top of flagship infrastructure projects of the kind more frequently associated with ERDF – like the Merseyside Arena on Liverpool's waterfront or the airport in the South-West.

These and countless other examples underline the value of European Regional Policy. They show how regional policy has helped to promote investment in businesses, encourage entrepreneurship, and support innovation and knowledge transfer towards SMEs. This makes this policy relevant to the citizen and capable of generating growth opportunities and creating sustainable jobs.

I have always been impressed by what I have seen during my visits to the United Kingdom. Projects I see in the UK are already contributing to growth and jobs agenda. This is because the programmes have been strategically focussed, they are consistent with the socio-economic objectives of national and regional economic policy, and they are very innovative on financial engineering.

We are well aware that there is no successful policy with one-fits-all solutions. On the contrary, in order to be successful, they need to be tailor-made. Regional policy promotes flexibility that allows each region and city to design and implement its own development strategy. That is why the big businesses talk now to regional and city authorities more than to governments.

We cannot run programmes from Brussels. Day-to-day programme management and supervision are carried out principally in the region itself. Typically this involves wider teams comprising skilled and experienced players from local government, private sector, environmental and social development fields. The UK practice is very good in this area.

One aspect of the Commission's role in the shared management system is advisory. We can bring our experience of good practice from other member states and we seek to add the European dimension to regional programmes.

This brings me to the part where EU Cohesion policy needs you most. The business sector is a "traditional partner" of the public authorities which are responsible for the programmes. This is all the more important for operational programmes with direct relevance for the business sector.

The key role of enterprises is also recognised in the legal framework of Cohesion policy. Representatives of the business sector shall be involved in the whole cycle of the programming – from document drafting up to monitoring and evaluation, according to the General Regulations on the Structural Funds.

Some preliminary conclusions from the draft programmes 2007-2013 show that this will actually be the case. Business representatives provide expertise in their areas of competence, i.e. they participate in the project selection process. And they will be actively involved in the monitoring of programmes. This is particularly true for the UK, where business representatives play an active role in partnerships.

I also believe that there is substantial scope for strengthening Public Private Partnerships not only with regards to road infrastructure but also in areas such as telecommunications where there is a huge ICT investment in convergence regions, environment, financial services, education and research.

Public funds are limited and that is the main reason why Public Private Partnerships are formed. However, Public Private Partnerships also help to enhance the quality and efficiency of public services.

Cohesion policy is now set at the heart of Europe's Growth and Jobs Strategy – and I believe that the programmes in UK have embraced this concept already and will do so more in the future. The new programmes are well designed. The good news for us is that the new generation of our policy will provide ample opportunities for existing businesses to improve their innovation performance. And we will also provide support for new businesses to grow. I believe that there is a great scope for the business sector to join in and to make full use of these opportunities.

Thank you for your attention.