

Speech of Professor Danuta HÜBNER
EU Commissioner for Regional Policy
100th Anniversary of the Finnish Parliament
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Europe of Regions

Mr Speaker,
Distinguished Ladies and Gentlemen,
Dear Friends,

I was extremely happy to receive the invitation to come to Kaajani and to experience on the ground your "Kainuu model". It is my first visit to this region and I would like to thank the Speaker of Eduskunta, Paavo Lipponen, for offering me the opportunity to participate in celebrations of 100th anniversary of the Finnish Parliament. It is indeed a privilege.

It is certainly good to come here representing the European Institutions. But it is also a good feeling to come here as a citizen of Poland, because our two countries have had many things in common in our history. We were both eliminated from the map of Europe for sometime by our powerful neighbours, yet we both survived. We both had to fight for our freedom. As a result of our struggles, I have the feeling that Poles and Finns value our freedoms and our democracies very highly.

It is good to be here as the Member of the European Commission, as a Pole but also as a woman. In 1906 Finland, as the first European country, introduced the principle of universal suffrage with equality between men and women. One year later there were already 19 women

among members of your parliament. Perhaps if the rest of Europe had followed your example, the European Union would not need its regulation on the equality of the genders – this would simply be taken for granted and we would be much more advanced.

This is an important year for Finland. Not only is this the 100th anniversary of the Finnish Parliament. Finland is also the centre of attention in this half of the year as it is holding the EU Presidency. And its agenda is not easy – justice and security, innovation, Russia, enlargement. I think we can congratulate Finland already now for the progress made, though I know that there remain challenges ahead.

I expect that still this year Finland will join the group of Member States which ratified the Constitution. This step will prove once again that the idea of Constitutional Treaty for Europe has its strong supporters and has great chances to successfully resurface again.

I have been asked to talk about the Europe of Regions. And I will do it with great pleasure. But let me before take an opportunity to say a few words about wider European policy.

To say that the Union is at a crucial stage in its development is perhaps trite, but it is nevertheless true. We live through a very intense period of globalisation which, together with demography, are condemning us to make changes in the way we operate in Europe. Globalisation - because it demands rapid structural change; demography - because it is only through raising productivity that we can maintain living standards with a declining workforce relative to total population.

In Finland you provide a remarkable example of rapid structural change. You have achieved excellent results from your education system, in training, labour market reform and through the support of innovation in the economy. We no longer need to look at the tables which compare enterprise culture, innovation propensity, business honesty and transparency. We know that Finland always comes top.

Unfortunately most of the member states come considerably lower in these same tables. Accelerating structural change is the objective of the Lisbon reforms programme in the Union. It is clear that we are making progress in implementing these policies, though progress is too slow. This is partly to do with the public acceptance of change in democracies. And as the European population becomes older, change will become more difficult. Rational individuals take risks when they are young but are prepared to accept ever lower risks as they get older. So it is imperative that we set the points in the right direction now.

It is true that most of the growth triggered by globalisation has taken place outside Europe and there is no way in which at present we can compete with China or India in the production of labour intensive goods. At the same time closing the Union to imports from these countries would not only be against our international obligations but would also be to our own detriment. Europe has gained more from globalisation than the man in the street is prepared to recognise. We have enjoyed low inflation growth for a decade, partly due to declining prices going along with increases in imports from these countries. And these countries are major importers of our goods and services. So we must raise our own productivity through, amongst other things, remaining at the forefront of research and innovation. This is what you Finns have managed so well.

What Europe needs from you, is certainly sharing your experience with others.

Crucial to raising productivity and employment is education and training, but these changes do not come overnight and it takes a long time to achieve improvements in the education and training standards across the whole population. So again we must accelerate improvements now. Today already we are finding it more and more difficult to find employment for low-skilled workers and there is little chance that their employment prospects will improve. This makes measures to make the labour market more flexible urgent, before a large group of our fellow-citizens become permanently excluded from the labour market.

These economic problems have also affected the way Europeans view the Union. They may have been a reason that the Constitution was voted down in two Member States. They maybe are behind the recent antipathy to further enlargement of the Union – a reaction which may cost the Union dear in the longer term.

It also seems that often people find the European Union far too remote from their daily concerns. Because of my portfolio, I travel perhaps more than most of my colleagues, to the Union's regions. I am most of my time on the ground, at local and regional level. Here I find enthusiastic support for the European ideal and for many of our policies in the Union. In my view we must find new ways of bringing policies to the regional and local level, so that people feel that they can understand and influence the way in which globalisation is changing our lives. And at the regional level we can give people the tools to improve their own futures, to stimulate enterprise and risk-taking.

This is already my fourth visit in Finland this year, the first in the region of Kainuu. And I am always very keen on coming here because as a Commissioner in charge of regional policy of the European Union, I am pleased to see that Finland is an excellent example of clever use of tools and resources we offer and paves ways for modern and innovative regional development.

And to address challenges and opportunities of globalisation such exactly should be the regional policy in the coming years. Traditionally we have been looking for solutions at national levels. We should try to approach them from the perspective of Europe of regions.

We are not facing now the first wave of globalisation ever – but this is by far the broadest and the deepest one. Many fear globalization as it makes future more unpredictable, makes it harder for any one country or any region to go alone or for a business to coast along the past achievements. It increases competition and exposes weaknesses that could otherwise continue to be ignored.

And yet, we have many examples in our regions and cities - which are increasingly linked to global economy - of successfully coping with strong social and economic pressures and of moving upwards in terms of international competitiveness. These examples demonstrate that it is possible to turn globalisation impact into sustainable growth and jobs. Regional policy in a way has been throughout almost 30 years a big economic laboratory in which our regions and cities experimented with new approaches to growth and jobs agenda. The variety of social and economic characteristics which those regions and cities represent today

allowed regional policy to become a real pool of innovative solutions and best practices. European regional policy, by upgrading regions into European and global level allows them to measure their strengths and weaknesses against this context.

Why is it so that today we increasingly recognize the role of regions and cities in the economic development? There are many reasons to it. Certainly, the pace of economic and social change requires quick decisions and short command chains, needs capacities and skills which very often can be found at the regional or local rather than at national levels. For investors making decisions about location of their firms, national economic data do not suffice anymore – they want to know about local skills and research capacities, region's connectedness to the European Single Market, school for their children, accessibility and the like. Last month we had Open Days event in Brussels which was attended by more than 6 thousand people. We also invited private sector and big ICT companies. They said that only three years ago when that wanted to come and settle in a new place, they used to talk to national governments. Now, they rather meet regional authorities.

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 building the capacity to adapt to the new patterns of the world economy. It is through the regional policy that we can free, mobilize, exploit and engage local potential of knowledge, expertise and co-operation for the sake of development. The proximity and involvement of partners – businessmen, researchers, local authorities, financial institutions – is a decisive factor in building regional

or local economy's capacity to innovate. To support this, I want to give example of Leeds in Northern England, which I visited yesterday and where I had a chance to see how the University of Leeds, local authorities and businesses co-operate to foster development of the region, boost its growth and competitiveness and how knowledge is transferred to the economy. A day before, in Graz, I participated in a conference on exchange of best practices and experiences in innovation and developing of projects – another good example of working together.

Regional policy has been also paving the way for understanding that social dialogue and democracy can be turned into an important economic asset. It is natural that many people fear globalisation – as it is quite difficult for them to comprehend why they risk losing job because 5 thousand kilometres away somebody is doing the same thing cheaper. But when our citizens have a chance of getting involved in the preparation of regional or local development strategies and in their realisation, they understand much better why and what they should do in order to keep their jobs or develop their businesses. And they acquire the feeling of regaining control of their own lives – and the place they live – rather than just being exposed to the dark forces of globalisation. They develop the feeling of ownership and responsibility for their future.

This capacity of community to co-operate and involve its members, to build relations founded on trust and mutual confidence is often described as social capital. Finnish regions are a good example of how important this capital is, especially in peripheral regions where resources are scarce and conditions harsh. It seems that life in very difficult conditions had forced people to co-operate and seek simple, practical and innovative solutions to everyday problems. Studies show that in

peripheral regions, regions handicapped by geography or history the social capital tends to grow faster and get stronger.

Europeans indeed do not all have the same advantages in the face of the challenge of globalisation, depending on whether they live in a region that is prosperous or one that is lagging behind with respect to development, a dynamic or depressed area, a city or the countryside, a peripheral or isolated area, or one of the key economic centres of the Union. It is the role of the cohesion policy to make better use of the potential of the territorial diversity of Europe for sustainable growth. The territorial dimension helps to prevent uneven regional development from reducing overall growth potential while, at the same time, catching up of lagging regions contributes to the growth in the whole of the EU.

There are many examples which demonstrate that despite apparent disadvantages in territorial terms, for example due to peripheral location, handicapped regions can be home to successful development projects based on edge breaking innovative solutions. But without public investment, very often carried or catalyzed by regional policy, these solutions would never realize! This shows that territorial cohesion and competitiveness should be seen within the same frame of reference. Today to achieve cohesion we must invest in competitiveness. These are two sides of the same coin. Therefore, we reformed European regional policy to make our regions better equipped for their response to globalisation and demographic challenge. We introduced more strategic approach to regional development, reference to innovation, multilateral governance and stronger partnership.

Lisbon strategy failed in the first 5 years because we chose the wrong way to implement it. I think it is right to say now that the recent years proved 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 and the commitment of regional and local levels is critical. That is why the Commission decided that the new Cohesion Policy should become a key lever in boosting EU growth potential.

Where we are today? Today European regions are key to find a response to the challenge of globalisation and demography but also to move on other issues such as the enlargement or democracy agenda. Through the cross border co-operation with the countries neighbouring European Union our regions are pioneering the virtual yet real expansion of European space. Regional policy is also a way to address the frustration of our citizens with the centralized decision-making process and their wish to see the solutions to their problems being decided close to them, at local and regional levels. Regional policy gives people a chance to decide.

We are in the moment when the process of European integration became illegible to many citizens. The answer to this should be that we put more trust in their initiative, energy and entrepreneurship which can be found at local and regional levels. Through the regional policy we are finding better ways to let our region and cities speak in order to turn them into the major engine of European integration. This is what I mean by Europe of Regions.

Thank you for your attention.