

**Keynote speech by Prof. Danuta Hübner,
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Ladies and Gentlemen,

I am delighted to be here in Noord Brabant, on my fourth visit to the Netherlands, to see with my own eyes a vibrating region. I am also very happy to participate in today's event which follows up on last year's meeting of the Innovation Society in Stockholm, which created the "Innovation Alliance". "Innovation Alliance" is the sort of regional initiative that embodies the added value of the process of European integration which we are commemorating this year with the Union's 50th anniversary.

For many years regional policy has been raising the awareness of citizens and policy makers of the diverse potential of Europe's regions. The policy has made clear that the regional and local potential is amongst Europe's most valuable assets today as it strives for economic modernisation.

Today, in a global world, it is clearer than ever before that Europe's competitiveness, Europe's economic success requires the close cooperation between partners at the European, national, regional and local levels of governance and - what is even more important – partners without whom the change will not happen – universities and businesses.

Ladies and Gentlemen,

We have entered a new age of the global, knowledge-based economy and we need a policy response which rises to this challenge. We need a new policy for promoting innovation which recognises that we can best promote innovation through the creation and strengthening of systemic relationships in the so-called "triple helix": the public sector, the private sector, universities and technology centres.

By boosting this relationship we can exploit untapped regional potential wherever it exists. Let me underline how and why this new policy approach is so important. That

is why it is a good news for me as Commissioner responsible for regional policy to see that in the region of Noord-Brabant, you concentrate the European Cohesion Policy investments in the further development of an efficient regional innovation system. This will help you to achieve the Lisbon targets which the Union has adopted. Last night discussions clearly showed that what matters is not only focus on R&D infrastructures and basic research, but also on the internal and external networks of relationships which make innovation an open process.

By promoting those networks of relationships we can facilitate the successful exploitation of ideas of increased creativity, the promotion of a "can do" culture and access to new forms of finance which fit better the innovation needs of businesses. Some experts say that to make Europe creative we need three "T's": technology, talent and tolerance as critical assets in this new networked economy. And they are right! We would like nevertheless to add a fourth "T": Territory. Globalization has a territorial agenda – a clear regional dimension.

Successful regions are not passive actors enduring this process of globalisation. They are dynamic players which use the opportunities that globalization opens up? They can and should be proactive in the development of new policies based on innovation that allow them to become competitive in the global market place. European Cohesion Policy is here to help you in this effort.

As Michael Porter rightly says, competitive advantage based on factor costs is rapidly undone. A low wage country is quickly replaced by another one tomorrow. In the past European regional policy focussed more on the opening of new roads. The regional policy we want to develop is about opening minds.

If we agree that globalisation is reinforcing localization, giving more importance to localized productivity advantages, if we agree that this localisation is driven by new factors, then historic factors, such as proximity to inputs and markets or low labour costs are losing importance and economic development is increasingly driven by the availability and concentration of such local resources as academic institutions, innovative businesses and skills – and the way they interact one with another. If we

accept the fact that the proximity to specialized inputs, employees, information, public institutions encourages firms to cluster and encourage innovation within clusters.

And if we take note of the fact that this tendency is matched by the evolution of economic governance leading to devolving an increasing amount of responsibility for public investment to the regional and local level over the past decade then we must agree that the result of these two trends is that the competition for creative people, innovative companies, young researchers – the assets which are key to innovation capacity – is taking place today at the regional and local levels.

In this context, the challenge for policy makers is to make a city or a region attractive to live, to work, to invest. Richard Florida in his book on quality of place and the new economy", said that: "*Quality-of-place – particularly natural, recreational, and lifestyle amenities – is absolutely vital in attracting knowledge workers and in supporting leading-edge high technology firms and industries*". So, my message is that regions should invest in creating unique regional brand, in order to build a sustainable image of a place attractive to live and work.

Clearly, companies and people are looking also for other factors, such as good roads, developed business environment, technological parks, right combination of local skills, research facilities, firms with which they could cluster. The obvious conclusion here would be that fostering regional innovation requires an integrated approach and a right investment mix, based on a critical assessment of our territories. Let me once again emphasize that fostering innovation needs more than just skills and infrastructures; it needs networks of relationships.

That is why also in our policy for 2007-2013 we should not only focus on investment in business or R&D infrastructures, but also on the various internal and external networks of relationships. We all know examples of internal networks which often take a shape of regional clusters.

But regional economies need also to find their place in European and global networks which link them to external world and allow them to measure their strengths and

weaknesses against global challenges and opportunities. As surveys show this is not always understood by the less advanced regions which often think their main competitors are the neighbour regions while the most advanced regions know that there are outside the European Union.

These two types of networks – reinforcing co-operation within the region and linking the region to the external world – are critical to the regional competitiveness.

The impact of increasing economic pressure from global competitors, the ageing of our societies, the developments in the energy market, climate change and social polarisation will be felt, with diverse intensity, in all parts of the Union. All these changes will overlap and create a new, complex map of challenges and opportunities. Managing them will require a lot of co-operation of different activities such as financial engineering, PPP or research consortia. Well developed innovation infrastructures and networks are of key significance in this approach.

I believe that the European Union can be a world leader in innovation. Europe has already produced an impressive crop of world-class companies. Recent analyses show that we have 29% of the world's leading 2 000 companies, broadly in line with our 30% share of world GDP. The European innovation scoreboard for 2006 shows that the innovation gap between Europe and the US has been decreasing consistently since 2002 and is now roughly half what it was then. This is happening because of regions such as Noord Brabant.

But I should also mention that the situation is not so good everywhere. At the end of May we published the 4th Cohesion Report, our most important policy document in this field. The report identifies the innovation deficit as one of the most important challenges we face. As many as 86 regions out of 278 (123 million people) have an innovation performance below the EU average. The great majority of these are in new Member States, and in Spain, Greece, Portugal and southern Italy. The performance is particularly low in 17 regions, half of them in Greece, the rest including Podkarpackie in Poland, Calabria in Italy, Extremadura, Castilla la Mancha and Illes Balears in Spain. This shows that serious efforts are needed across the Union if we want to live up to our ambitions.

This takes me to my second topic – the Regions for Economic Change initiative. Bringing Europe's regions together, promoting the exchange of experience and good practices and building on them are key to unlocking the potential for future development. There is much that regions can learn from each other. In Europe we need both to strengthen our existing poles of excellence and to allow new ones to emerge. If we do not do this, we will reinforce disparities and neglect the innovation capacity building that the EU – the whole EU – needs to achieve a sustainable future as a knowledge economy. These are the ideas behind the of Regions for Economic Change initiative.

This initiative capitalizes on the experiences of 2000-2006 with INTERREG IIIC initiative on interregional cooperation, and the URBACT network for exchange of best practice among European cities. These two programmes created numerous networks linking regional and local actors throughout Europe. This know-how is a precious asset that regional policy can bring to economic development in Europe – under the form of "relationship capital".

Relationship capital – meaning horizontal business webs bringing together experts, partners and customers – is as important for the knowledge economy as physical assets. Relationships allow, at the same moment, to share and give access to many users to knowledge and innovation.

It is clear that regional policy can go further in developing networking and co-operation. Our objective in the Commission is to find a way to mainstream this richness of know-how, ideas and project ideas in a coordinated manner. That is why the initiative of Regions for Economic Change was born.

In promoting, best practice and exchange of experience we need support from innovative regions such as Noord Brabant which is the best performing Dutch province on innovation. It ranks 20th among European regions. Noord Brabant is also the only Dutch province which meets the Lisbon target of 3% of GDP for private R&D expenditure, and employment rates are increasing, specifically through the increased participation of women. There are other positive factors such as your strategic location and the good critical mass of business to build on. But Noord Brabant has

learned to play to its strengths. The High Tech Campus in Eindhoven which I visited earlier today is an excellent example of what can be done.

It is a good news that the Dutch authorities are committed to using at least half of the European Regional Development Fund (ERDF) accorded to the Netherlands to strengthening the innovative capacity of the Dutch regions. I have often said that innovation is not dependent only or mainly on money but instead on mind sets. This is the clear case here.

Thank you for your attention.