

## **European Forum for Manufacturing**

### ***Roundtable discussion "Is European manufacturing adequately considered in the Commission Horizon 2020 proposal?"***

Intervention by Prof. Danuta Hübner, Chair of the European Parliament  
Committee on Regional Development

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It is growth, or rather the lack of it, that worries us today. What is even more worrying is that austerity packages, which have so far not been accompanied by any evidence of economic expansion, lead to cuts in investment, education, research and innovation capacity. This weakens foundations for long term growth.

We could overcome this vicious circle of growth deficit if we take innovation seriously. It is difficult, if at all possible to identify a policy field, a sector of economy or an enterprise, a region or a city that would not benefit from innovation. So we must be smart and take innovation seriously as a challenge and opportunity for all. And the poorer you are, the bigger your catching-up distance is, the more innovative you must be.

Innovation is one of those growth drivers that require a well orchestrated joint effort at all levels of European governance: EU, national, regional and local. It is not about going to the garage, having a vision and taking it directly to the market. It is about systems, strategies, policies, policy tools and the best choices of the place for innovation-oriented public intervention. In the EU, a lot has been done to put innovation at the heart of regional policy. In short, this is because we have learned that a crucial role is to be played by actors at the local and regional level of governance in designing and exploiting innovation

systems. We have discovered that innovation-led growth is increasingly place-based with regions and cities taking the lead. Regions and cities are places where universities and talents, entrepreneurial spirit, attractive lifestyles and innovative funding schemes can come together.

There is growing evidence that regions and cities increasingly reach out to innovative solutions to the problems they face, but also to opportunities that they can exploit. And they know that investing in innovation is not a one-time boost; it is a process, as regions and cities will be confronted with a permanent need to restructure, to modernise, to foster knowledge-based innovation, to meet the challenges mentioned previously and to exploit the opportunities that those challenges bring ahead.

We are now beginning to negotiate the new regulatory framework for regional policy where we put innovative regions and cities at the heart of Europe's growth strategy. And this is where the concept of smart specialisation emerges. It aims at encouraging regions to identify and exploit their high value added assets as well as finding innovative methods to utilise local strengths and possibilities.

To embark on smart specialisation, a region has to focus its resources on strategic priorities and identify comparative advantages, which can also be man-made rather, not only inherited. Mix of policies and actions would then be needed to strengthen the innovative potentials of local companies, with a view to enabling smart and inclusive growth. Smart specialisation must be a bottom-up process; based on regional potential. There is a role of public funding and smart specialisation should also ensure effective use of public funds to leverage private investment. Also, there is a role to be played by the cooperation between regions. This, in turn, can enlarge the overall research and innovation potential available to local companies.

The new ERDF regulation makes strengthening research, technological development and innovation one of its main investment priorities. In the field

of innovation, it aims specifically at enhancing research and innovation infrastructure and capacities to develop R&I excellence and promoting centres of competence.

At least 80% of ERDF resources are proposed to be used for innovation, supporting SMEs and low-carbon technologies in rich and intermediate regions. In poorer regions, this investment amounts to 50%, ensuring a critical mass of funding for innovation in all of Europe's regions. Direct aid to large companies is not envisaged - they can be a vehicle for SMEs to plug them into the global supply chain.

So, again large parts of regional policy funding are concentrated on innovation, to continue the good marriage between the policy and innovation. However, there is above mentioned conditionality for regions to receive this innovation funding: a smart specialisation strategy needs to be in place for regions to be eligible. Not only does this stress the importance of having such a strategy in place at all, but moreover the need to ensure the quality of a region's smart specialisation strategy.

It goes without saying that smart specialisation strategies to be effective should reflect a common commitment and effort of all partners - authorities, universities, businesses, and other representatives of civil society.

For European regions, in order to compete successfully in the global market, and to continue to grow at a pace that will allow them to bring their GDP per capita levels to a good and sustainable level, they must strengthen the ability and willingness of their enterprises to innovate, to be internationally competitive, to reach out to knowledge and technology. This will not occur unless regions and cities enhance their research centres and their academic institutions to not only achieve a strong basis and a critical mass of high quality research, but also create an appropriate entrepreneurial climate in a university context. An adequate legal framework with respect to commercialisation and industrialisation of their knowledge production, has to

be in place, as well as incentives and policies to encourage research groups to actively seek knowledge transfer opportunities.

Also, times when only capital cities and world class universities would drive progress and innovation are gone. Across Europe in many small and medium sized towns universities stimulate start-ups, spin-outs, knowledge transfer, innovation and growth. Cities, towns and regions which are smart enough to harness the capabilities of their universities and businesses are today critical to driving the European Union economy toward innovation, toward sustainability and global competitiveness. The most successful cities and regions are those that work hand in hand with their universities and businesses.

But there are regions and cities in Europe that do not generate knowledge themselves. Still they can be innovative in the way they respond to new expectations of citizens, creating jobs in new sectors and making innovation an essential element of their culture. In Europe, growth policy focussing on a limited number of locomotives and on a limited number of growth poles is no longer an option. Europe must expand its innovation basis, mobilize creativity, knowledge generation and use across its territory. The challenge to build stairways to excellence is a challenge for the entire EU. Rethinking growth delivery mechanism, exploiting better the potential of cooperation, of multilevel governance, of integrated approach to policy thinking and making – can make the grand transformation which is awaiting European economy more efficient and effective.

Of course, there are large disparities between regions in the EU regarding their capacity to develop and absorb knowledge and technology. The performance of many of them is below the EU average, but, on the other hand, there are also some regions that perform better than the US or Japan. Fact is that all regions, however competitive they might be today, are confronted with the permanent need to restructure, modernize and foster continuous knowledge-based innovation in order to meet the challenges and

exploit opportunities of globalization, climate change, demographic trends, energy security, and last but not least, to find the way out of this crisis.