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"EU Strategy for the Baltic Sea Region - future, innovation and transfer of
knowledge"

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Over the last two years the European Union has taken many steps to get European economy back on track toward sustained economic growth.

This implies the need to reflect seriously on the new growth model, on new growth drivers, to reflect seriously on the need to amend growth strategies at all levels of governance, to look at possible synergies between different policies and financial instruments, to orchestrate efficiently and effectively growth agendas between all levels of governance, recognising the importance of local and regional levels and encourage more cooperation across territories, across policies and among stakeholders. When designing new growth agenda at all levels of governance, we should move away from thinking in terms of removing barriers approach towards providing incentives approach.

In the months to come, when negotiating new framework for regional policy, we will have to ensure the involvement of local and regional authorities in shaping policy decisions aiming at more growth, more competitive economy and sustained jobs across European territory. But also we will have to ensure well functioning links between regional policy and its building blocks - in particular Common Strategic Framework, Partnership Contracts and Operational Programmes on the one hand, and National Reform Programmes, Europe 2020, European Semester recommendations, on the other. This implies the necessity of smooth functioning of many top-down and bottom-up links within and between member states, regions and cities. This is

a particularly ambitious challenge for all stakeholders of the Baltic Sea Strategy, where the scope for sharing, coordinating and cooperating is very broad indeed.

Across Baltic Sea Area we will need a high degree of harmonisation between strategies, policies, individual policy tools, taking into account European strategic objectives and national, regional and local specificities.

One can assume that during the first years of the implementation of the Baltic Sea Strategy numerous interrelations and complementarities have been developed across the area, nevertheless reforms of economic governance have not been yet internalised, taken on board by multilevel governance.

Baltic Sea Strategy as well as other macroregional strategic frameworks will have to reflect on this novelty in the way Europe will function and will need to develop their approach to and handling of the new links that have been generated by economic governance reforms. The conditionality system, formalized in the new regulatory framework for cohesion policy, should facilitate this shift.

Evaluations of the Baltic Sea Strategy emphasize that it has become a catalyst for cooperation. We will need more of it in the future. Crisis has created a space, both in conceptual and action oriented sense, needed to undertake reforms not so long ago unthinkable. I remember from the early discussions on the Baltic Sea Strategy that we wanted to be in avanguard for structural reforms. There are many of them ahead of us, I am afraid there is no track record of how we are doing on structural reforms around Baltic Sea, but Baltic Sea Strategy could be a platform for sharing experience and cooperate in this field.

This crisis when seen in the global context must be taken as an opportunity for restructuring, for innovation-driven change and expansion of creativity. Those regions and cities that understand these challenges and are able to act with sense of urgency will prosper. There are numerous regions with such potential in the Baltic Sea area. And they can take others forward through the new quality of cooperation that has developed thanks to the Strategy and in the framework of the Strategy. We all agree that Europe needs growth. South of Europe suffers from the lack of growth component in the austerity packages, but here, in the North, there is no excuse for not growing much

faster than today, improving productivity and working as locomotive for the rest of Europe. Let's use fully the potential of the Baltic Sea Strategy also in this context.

I said that the European formula for growth must change, actually it is already changing. New areas of economic activity are emerging. In this part of Europe the existing creative potential is enormous. Through the links strengthened by the Baltic Sea Strategy, the power of regions and cities can be harnessed in a more effective way. There is no reason for this part of Europe not to come out strengthened from the crisis. You have strong cities and regions, you are better connected, though you must invest more in this field, you can build on the wealth of natural environment, you have ambitious young people that want a better life and your history demonstrates that you have capacity to radically break with old structures and systems, including consumptions models.

We are here to look at the Baltic Sea Strategy in the context of the future, post 2013 reform of regional policy, but also directly in the context of Europe's growth agenda, at the backdrop of the changing world and the gradually reinvented Europe. But, we have to look for all available synergies that can create additional value, we have to launch processes of building comparative advantages at regional city levels, to fully exploit the potential of existing assets available at local and regional level in a way that will make territorial specificities work for a better quality of life in the future. We have to reflect from where growth will come, where jobs will be created. It is true that Europe's growth agenda will be build on the crisis experience but with a long term perspective. We should better use the opportunity offered in this context by the Baltic Sea Strategy. It provides a reference framework for policies active across the area in the regions, its cities and it also encourages cooperation within the Baltic region and with its neighbours.

The Strategy brings together, around common objectives and interests, a very differentiated group of stakeholders. We have countries such as Denmark and Sweden with its clusters of excellence located in the Baltic Sea area but we also have regions, especially in the new Member States that are not specialised in the high technology, do not generate knowledge but may profit from experience sharing and from cooperation with the centres of excellence.

This can be a win win situation for everybody. Those who generate knowledge can benefit from sharing it with others.

Now, we emphasize the importance of investing in stairways to excellence across European Union territory. Of course Europe has to upgrade its entire territory as far as its innovative capacity is concerned, however, it is not an easy task. Within the enhanced cooperation offered by the Baltic Sea Strategy the region can be a role model for this stairway challenge.

The regions of excellence should become knowledge and innovation locomotives for other regions and the examples of programmes within the Baltic Sea Strategy demonstrate that this can be done within the framework of a macro-regional strategy.

In the new growth model for Europe emergence of clusters of creative people, increasing potential mobility of talents will play their role. It is this part of Europe where promoting sustainability, entrepreneurship and job creation can be supported not only by growing interactions among authorities and industries but also among societies and individuals.

I am also convinced that here in the Baltic Sea area the concept of smart specialisation that aims to encourage regions to identify and exploit their high value added assets, to find innovative methods to utilise local strengths and possibilities can flourish.

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, not only inherited. Mix of policies would then be needed to strengthen the innovative potentials of local companies, with a view to enabling smart and inclusive growth. It is true that smart specialisation must be a bottom-up process; based on regional potential. But there is a role for public policy and funding. Smart specialisation should therefore ensure effective use of public funds and help to leverage private investment. Also, there is a role to be played by the cooperation between regions. This can enlarge the research and innovation space available to local companies. Baltic Sea region is, indeed, a territory where we can move faster in using smart specialisation strategies as effective vehicles of change.

Smart specialisation strategy should be based on a thorough analysis of the regional strengths and weaknesses. But regions may specialise and position themselves in relation to other regions, European and global areas. According to the new legislative proposal the existence of a national or regional strategies for smart specialisation is among the main *ex ante* conditionalities. But it is not only about the need to have such a strategy in place, but about the need to ensure good quality of a region's smart specialisation strategy.

Again, let me underline that the European Union Strategy for the Baltic Sea Region with its flagship initiatives and many programmes provides a framework for applying the smart specialisation policy across the region.

In the European Union we are facing now an important moment of deciding on the future legislative framework for cohesion policy. It is important that we closely look at the Commission's legislative proposal to make sure that creates conducive conditions for development of macro-regional strategies. The challenge is to see that a real synergy between the rules included in the new regulations concerning macro-regions and the smart growth in Europe. These are real challenges for the strategy in the context of new legislation and new financial framework.

I hope you will agree with me that innovation is not just a "research plus" process. It requires strategy and a system. And both might be found in the macro-regional approach to growth agenda.