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"Strengthening Europe through cohesion policy"

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In preparing for the future it is legitimate to ask from where the growth can come and what should be the priorities for a new European strategy. How should we address ageing of our population, as demographics will continue to work against us; how to address job insecurity and loss of feeling of social belonging; how to address scarcity of natural resources, in particular in the context of skyrocketing growth rates in China and other emerging economies; how to address climate change related risks when there is no certainty about future standards as Copenhagen failed; how to position ourselves against new patterns in globalization. These are all important strategic questions.

But Europe needs a long-term strategy not only to respond to global change or to, indeed, lead the global change. We need a long-term vision and common progress of action also to better exploit our European potentials and opportunities and to better organise ourselves for those common goals and make a step forward on economic union. That is why to have EU2020 strategy on the table for debate is a good news.

Any new strategy must take into account the current situation. This means that the new strategy for Europe must link the crisis exit policies with long-term growth and structural change. Any new strategy should take into account the diversity of European territory which can allow us to better exploit diverse opportunities, comparative advantages and different potentials. A new strategy for Europe must be built on the role of an active European citizen and an involved society. The new EU2020 strategy must not exclude anybody

from the pursuit of common European objectives. As cohesion policy converges with EU2020 on common goals, multilevel governance and partnership, so well known from European cohesion policy experience, should be the core of governance and delivery of this strategy. The new Treaty which extends the principle of subsidiarity to regional and local levels give us a space to do it.

European Commission has presented a first draft of the EU 2020 strategy. We should expect from the European Council an overall guidance for this strategy for Europe. But the ownership of the strategy should go beyond the Commission, the Council, the European Parliament. Regional and local levels of European governance are important co-owners, capable to harness policy tools they have at their disposal, to harness enthusiasm of all partners: business, academia, civil society. And to translate general goals into their own territorial specificities.

Today it is important to identify new engines for growth and focus on them urgently but at the same time work must be done aiming at upgrading the entire European economy with a view to expand growth basis. Europe is too small to afford leaving parts of its territory with growth deficit. We need leading growth centres but their role is also to pull others forward. That is why we must also enhance economic links between those growing faster and those lagging behind.

As we are looking for new engines we must make sure that they work towards strengthening European cohesion: economic, social and territorial. We must finally understand that aiming at cohesion is not a cost; it gives strength, taps unused potential, expands growth basis, and generates European social capital, put at risk by the crisis.

All EU 2020 priorities, knowledge and innovation that can bring productivity gains, sustainable growth that can create new demands and markets, new skills and social inclusion that can reduce job insecurity and loss of feeling of social inclusion, they all require local and regional focus. They also require

public interventions delivered through interconnected and place-based investments working as catalysts and multipliers. A region, a city, a town, a rural area is usually such a place where all partners needed to bring about a solution can be found and all elements of a solution can be brought together.

Europe has already accumulated a lot of experience of place-based integrated development policy through its cohesion policy. This experience demonstrates that combining integrated approach to growth with territorial specificity brings the best results in terms of growth, sustainable jobs, creativity and innovation.

The new Lisbon Treaty makes it clear that cohesion in Europe - social, economic and territorial – is tackled at subnational level. That is why cohesion policy must involve local and regional Europe in the pursuit of common European objectives. It gives a chance for modern, effective, integrated approach to growth policies. It strengthens internal market. It mobilizes untapped growth potential. It mobilizes creativity and innovation.

Cohesion policy is an integrated development policy of the European Union. It can provide the response to a fundamental question Europe faces today – from where can come the energy and enthusiasm Europe needs to face with a success all the challenges. My response is that this energy is already coming through the multilevel governance. The new Treaty is clear – Europe is much more than European institutions and national governments. Its tasks are shared between European, national, regional and local levels.

The challenge is to identify not only growth engines but also the best policy delivery mechanism must be identified, as well as adequate policy tools. Again let me stress that we can do our job only if we really understand that European tasks and responsibilities must be shared in a well orchestrated way between European, national, regional and local levels of European governance. All of them must be of the highest quality and accountability. Real drivers of change are businesses and universities - cohesion policy gives

them a chance to work in partnership with local and regional authorities and civil society.

Public action will play a role in the new growth model. This means that the best place for this action must be chosen. We have sufficient experience in the EU to say with full responsibility that local and regional level interventions are decisive for dynamism and change, for promoting creativity and innovation, for job creation, for energy efficiency, for bringing different actors together. In the current global context, there is clearly a need to seek actively new development opportunities at local and regional level.

Already today political, economic and social powers and responsibilities are increasingly being spread between all different levels of governance. Hierarchical or top down approach is disappearing from good practises of governance. This is a result of growing complexity of development issues that can be tackled effectively only through an integrated approach, combining in a concrete territory - region, rural area, city or town different policies and policy tools. Also, our citizens expect from authorities who are around the corner effective local actions in response to local impacts of global challenges. Sub national levels of governance become increasingly relevant for public interventions. This has been reflected already for quite some time in growing size of public investment at local level. Around 65% of all public investment in the EU is delivered at subnational level.

If we want territorial diversity to become indeed an asset of Europe, if we want to increase chances to make the most of the potential of individual territories, then we need accountable multilevel governance combined with tailor made policies.

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. One of my aims when I took over as European Commissioner for regional policy five years ago, was to move that policy towards building comparative advantages at the regional level. We linked regional policy to the aims of the Lisbon agenda. The introduction of 'earmarking' regional policy measures as conforming to the Lisbon agenda objectives helped to encourage the use of community resources to strengthen the knowledge base of the regions.

Today, technology development does not have to take place in the capitals only and very frequently it doesn't. If we look at the most dynamic technology industries, the common factor is not a location in or near capital cities but one close to the most innovative technological universities. Europe has many exciting examples of technology development in the regions.

As regions develop – and given their growing links to global markets, their ability to innovate becomes an increasingly critical determinant of international competitiveness of the entire European economy. Gradually, as the ability to innovate has become accepted as a crucial prerequisite of enterprise development and entrepreneurship, concepts such as 'innovation policy' and 'innovation systems' are increasingly attracting the attention of policy makers in most EU regions and cities. Today, basically in all regions all partners are involved in designing and implementing regional innovation strategies.

The low growth and economic stagnation experienced in the last decade, and more recently aggravated by the crisis, have made it clear for regions and cities that they cannot simply rely on relative favourable macroeconomic framework conditions to ensure competitiveness and growth. Instead, European regions and cities have understood that they must seek to combine macroeconomic assets with implementing effective microeconomic measures,

work with enterprises, and thus, in fact, putting in place regional innovation policies, truly and concretely enabling 'framework conditions for innovation'.

The most successful regions are those that strengthened the ability and willingness of their enterprises to innovate, to be internationally competitive. 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.

Today, at the regional and local level the role of university goes far beyond its traditional mission. They get engaged with local community, they engage in skills improvement, in raising the quality of education, they generate businesses, and very often are leaders in stimulating innovation and knowledge transfer.

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 are today critical to driving the European Union economy toward innovation, toward sustainability and global competitiveness.

The challenge Europe's regions and cities face today has two faces: they need to foster regional and local development, based on indigenous factors and at the same time to be part of a global knowledge system and be competitive on an international scale. In this respect it is very important that

regions succeed in creating a favourable environment to research and innovation.

Sometimes it is not evident that benefits of education and research can be reaped locally. It can be difficult to capture benefits especially in case of regions where local firms cannot absorb research findings well. That is why we need long-term R&D cooperation between academia, the public sector and industry in order to create the missing bridge between research centres and local companies.

Universities must get ready to foster such long term relations “at home”, and become better anchored in the local economy and society as a hub of knowledge and talent attraction.

The challenge for universities in lagging regions is ever greater. Lagging regions have lower participation in EU framework programs and networks, and it is more difficult for them to retain talent. “Talent” seems to have a tendency to be concentrated in academically better off regions. However complex the challenge might be, I am confident that European regional policy has a key role to play in overcoming these obstacles.

But in my opinion, regions and cities must themselves be actively engaged in the maintenance of research and innovation systems and should create favourable conditions for cooperation at local and regional level. To faster advance successful research and innovation, existing role models can be used as examples, however there is no “one size fits all” solution. Therefore, all parties at local level - local institutions and universities embedded in the regional economy - have a great responsibility in defining a place-based approach and creating a portfolio that can also be linked to the local industry’s profile.

Europe is too small to ignore development potential of any part of its territory. Its share in global population has been decreasing and without smart immigration policy will continue to do so. Its share in the global GDP has been

declining and will continue to do so taking into account growth rates across the globe. Full exploitation of potential that can be mobilized at local and regional level is the path to follow in the time when comparative advantages are man-made and linked to the capabilities and role of universities.

Why can we trust universities in generating innovation-driven growth from below? Because universities, even if strongly involved in contributing to local growth, care for and maintain their connection with global knowledge and its market. They can help local businesses plug into global supply chains and make them indeed globally competitive. That is why an active role of universities in supporting local development is today of such relevance to Europe. Today all European regions and cities have to position themselves against global backdrop, have to measure their competitiveness in the global context. Universities provide this link, so crucial for modernization, for new industries and new markets.

Europe and the world of tomorrow will be very different from those from the pre-crisis time. The new European strategy must build on challenges that are already well known. But climate change, energy security and efficiency, natural resources scarcity, demography – these are also opportunities. These can be business opportunities if we harness knowledge to use them. And these are universities that can convert those challenges into opportunities. In short, Europe will not make it without putting on the top of its agenda a multilevel – European, national, regional, local – enhancement for knowledge, education, research and innovation.

The new European growth model must incorporate all elements of new reality. And we have to move beyond removing barriers to generating incentives. And the feeling of urgency must be introduced into our actions.

There is a lot of work to be done in Europe. The crisis has challenged us all at a time when we have been already in the midst of adapting ourselves to globalization and the need to turn our economies and the way of life away from fossil fuels and towards a more sustainable model. In front of all the challenges entire Europe, including the local and regional one must act swiftly and decisively, and let me emphasize – with a high degree of urgency.

As you know, we are in the middle of the debate on how the future regional policy should be structured and organized, what should its main pillars be, its priorities and its management system. This policy was conceived originally as the third pillar essential for the creation of the European internal market and of economic and monetary union. This role of the policy remains valid today. It allows all European regions to reduce their growth and competitiveness deficits, enabling them to compete fairly in the internal market and to more efficiently face the budgetary constraints of Economic and Monetary Union. But there is a change as well. European integration today takes place in the context of intense globalization, which makes lasting and competitive investment in infrastructure, economic environment, knowledge and innovation and human capital more difficult. The regional policy is therefore not only to help create and adapt economic and social structures to tackle internal market competition and EMU zone constraints, but also to deal with global competition. All European cities, towns and regions measure today their strength and competitiveness against the global background. The effort to adapt is required on a permanent basis across European Union. Challenges, including the crisis, affect in an asymmetric way entire European territory. Sustainable competitiveness is a challenge for every territory. This means that the strenuous effort to adapt is not only required of the most backward regions and Member States but also of all other regions, regardless whether they are already competitive, no longer competitive or not yet competitive. Eliminating barriers to growth, mobilizing development potential of every piece of Europe's space is our duty. Under globalisation, cohesion policy has to address two complementary aims: gradually reducing development disparities between European regions, while also boosting the competitiveness of all European regions to enable them to adapt permanently to the ever more demanding conditions of globalisation. European regional policy has already become the means of delivery for sustainable regional competitiveness and it should continue to do so.

