



Regions, the driving force for development

Editorial



Regional development policy is one of the key factors, if not the key factor, of a successful Europe. Many examples, such as Clusterland in Upper Austria, Medicon Valley in Øresund and AREA Science Park in Friuli Venezia Giulia show that the regions, even those facing structural difficulties, can amend their development strategies and succeed in revitalising their territories.

Many owe their at times spectacular success to their ability to make fresh use of local resources, improve access and create an attractive environment and living conditions. They have proved capable of offering appropriate support to the creation and development of SMEs, the primary source of growth and jobs in Europe. This support has not only been financial, though money of course plays an important role in encouraging small business, but has also involved the skills of a central coordinator, who brings together the right people and organisations with expertise in economic development to work on a project, teaching them to network and cooperate, particularly with research and development centres, so as to better respond to new challenges, create other business opportunities, stimulate the development of high skilled jobs.

The key words in regional competitiveness today are innovation, networking, exchange of skills and experience, and cooperation, whether interregional or transborder. This competitiveness lies within the reach of each territorial community, be it large or small, industrial or agricultural, urban or rural.

The next General Meeting of the Regions of Europe, to be held in Strasbourg on 24 and 25 November, will be devoted to the role of the regions in economic development in Europe. It will offer all regions the opportunity to exchange knowledge and experience in this area, and to set up or relaunch cooperation projects.

I cordially invite all of you to attend. <

Riccardo Ily
President of the AER

Innovation, SME networking and cooperation are key to regional competitiveness

FROM THE NORTH TO THE SOUTH OF EUROPE, REGIONAL EXAMPLES ILLUSTRATE THAT ECONOMIC STAGNATION AND HIGH UNEMPLOYMENT ARE NOT INEVITABLE. BY FOCUSING ON SMEs AND THE CREATION OF CLUSTERS, THESE REGIONS HAVE SHOWN ENVIABLE ECONOMIC INDICATORS AND LOOK FORWARD TO THE FUTURE WITH OPTIMISM.



Photo: TMC-Archiv

Study visit of the Health Cluster in the Land Oberösterreich-A

Invest to win could be the motto of Upper Austria (Oberösterreich-A). The facts speak for themselves. "Every euro of regional or Community funds that we invest, indirectly produces six euros for our economy", is the analysis of Josef Püringer, Minister-President of the Land. In barely six years the regional government's policy has led to the creation of eight clusters, structures which bring together businesses in similar or complementary sectors on a single site, with a view to sharing infrastructure, human resources, services, research and development (R&D) and joining together to face challenges and exploit new business opportunities. The Automobile Cluster was the first, set up in 1998, and was followed by clusters for Automobile Engineering and Plastic Products (1999), Wood Technologies, Eco-energy and Food (2000), Health (2002) and Mechatronics (2003).

Linking SMEs and R&D centres

The network of clusters thus created already includes 1,600 companies, 240,000 employees

and generates an annual turnover of 45 billion euros. The system is targeted mainly at small and medium-sized enterprises (SMEs), which are often isolated and find it hard to develop new products and conquer new markets. By drawing them to a single site via a sectoral platform, the authorities of Upper Austria have succeeded not only in creating a network of skills recognised throughout the world but also in boosting the region, which is currently eligible for Objective 2 funding under the EU's structural policy. The region benefits from an increase in consumption, housing and education. This is because though clusters are based on SMEs, their success depends in large part on the links they have to the worlds of academia and science. These links, mediated by the region, allow the companies concerned to have access to powerful R&D tools, which would normally be beyond their means. Other vital elements are project support from *ad-hoc* private- or public-sector structures and regular high-level training seminars.

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"Training skilled staff is the basis of success. Innovation demands ever more complex expertise," emphasises Johann Kalliauer, President of the Upper Austrian Chamber of Employment. "Staff who acquire this expertise gain in know-how and this has a direct benefit to the companies which employ them."

The presence of clusters makes a region more attractive

Using the same support techniques for enterprise, Styria (Steiermark-A) decided in the 1990s to create a network of 114 companies in the automobile sector to "share skills and allow all participants to benefit from proximity

to customers." This is how the "Automobil Cluster Styria" came into being. The investment, partly from public funds, was considerable: 30 billion schillings, but as in Upper Austria the results were beyond expectation. Unemployment has dropped dramatically in Styria compared to the European average, and growth rate is above the national average. The region has a better business profile and has also upgraded its range of services and introduced new opportunities for cultural and sporting activity. It now attracts 9 million visitors spending at least one night in the region, of whom 3.3 million come from abroad. This would have been unthinkable before the cluster was set up.

Other Austrian regions have also followed the same path, and almost 40 clusters are operating throughout the country. In Europe as a whole more than 400 regional clusters are now in place, putting countries like Italy, Finland, the United Kingdom, Germany, Sweden, Ireland, the Netherlands and Austria in the top fifteen of the world cluster creation rankings. The new Member States have not lagged behind and are applying the concept with the help of European structural funds. In Slovenia, for example, clusters play a key role in overall economic performance and research activity measured as a proportion of GDP is among the highest in Europe.

Working together for a better future

SCANDINAVIAN COUNTRIES WERE AMONG THE FIRST STATES TO MAKE TRANSBORDER, INTERREGIONAL AND TRANSNATIONAL COOPERATION AN ARGUMENT FOR ECONOMIC DEVELOPMENT. A SUCCESS STORY ENVIED ON THE OTHER SIDE OF THE ATLANTIC

With its cold, harsh climate, northern Europe was even recently not exactly regarded as a destination of choice for investors. This was wrong, as Richard Florida, Professor at Carnegie Mellon University, Pittsburgh, pointed out, predicting that Sweden, Finland and Denmark would eventually outstrip the United States in terms of creativity and development. He put this down to the combination of the "three T's: Talent, Technology and Tolerance", the perfect reflection of a strong social and human environment in the service of competitiveness.

A transregional network for innovation

Already known for their social policies, the countries of northern Europe have set up a large number of regional and transnational economic cooperation networks with their neighbours inside and outside the EU. True pioneers in this field, Finland and Sweden have agreed a close-knit cooperation and development structure aimed at innovation and competitiveness. A transregional innovation project (TRIP - Northern EU) was set up to improve the use of scientific and technical resources in northern Europe. "The idea was to create a network covering the north of Sweden and Finland to bring together universities, research centres and high-tech companies," explained Pauliina Pikkujäämsä of Technopolis in Oulu (Pohjois-Pohjanmaa, FIN), which has been involved in a joint venture with the Aurorum science park in Luleå (Norrbotten, S). This venture has been a real success, with the Oulu site alone attracting over 200 companies which employ 5,500 people, offering SMEs the

chance to work closely with electronic giants such as Nokia.

A transborder Medicon Valley

These networking initiatives, particularly strongly developed in northern Europe and enjoying financial support from the regions, are highly beneficial to cooperation between companies either side of the border; examples include the Øresund technology bridge linking the Swedish region of Skåne to the Danish region of Copenhagen across the Baltic Straits. The IT Bridge project, costing € 210,000 in total, was set up with the aim of establishing a transnational database of companies specialising in Internet activities but also encourages com-

mercial cooperation between Danish and Swedish SMEs on either side of the straits. The Øresund is also proud of its Medicon Valley, which has become the third-largest European platform for biomedical research thanks to the development of transborder partnerships between industry, universities, hospitals and public and private investors. This transborder Medicon Valley is now home to 300 businesses and institutes specialising in health and life sciences, with 200 concentrating on R&D. It is particularly active in preclinical and clinical work, and according to its enthusiastic managers produces "as many biologically derived compounds as France and about two-thirds as many as Germany".



Medicon Valley, 3rd European platform in biomedical research

Photo: Medicon Valley

When revitalisation equals growth

WHETHER IN DEVELOPING HIGH-TECH CLUSTERS OR RELAUNCHING SECTORS IN DECLINE, THE REGIONS OF SOUTHERN EUROPE ARE DETERMINED TO REGAIN CONTROL OF THEIR ECONOMIC HERITAGE TO ENJOY A GREATER SHARE OF TOMORROW'S MARKETS.

What do the environment, biotechnology, aerospace, telecommunications, electronics and multimedia design have in common? All these activities are carried out in one place, the AREA Science Park just outside Trieste, capital of the region of Friuli Venezia Giulia (I). Located close to the university campus sites of Padriciano and Basovizza, this cluster occupies 55 ha and hosts 75 companies and institutes working in R&D, which employ 1,600 people.

Strategic vision and regional engagement

Developed with the help of European structural funds (Objective 2), AREA makes an active contribution to the overall economic health of a region which now accounts for 3.5% of Italian GDP and has an unemployment rate of just 6.6%. Launched in 1992 when its first research labs were opened, the AREA Science Park has seen impressive growth. The area occupied by the cluster is set to increase to 91,000 m² in 2005, and the workforce will reach 2,300 people, a rise of almost 50%. Comprising mainly SMEs, it attracts a young, highly qualified population: 70% of the employees are under 40, while 65% have at least a degree or even a doctorate. As for the jobs profile, 75% of those employed work in management and R&D. A true success story, the AREA Science Park could not have existed without the strategic vision and commitment of the regional authorities, who aim to make the region a key high-tech bridge between the EU and the Balkans.



The AREA Science Park site, in the region Friuli Venezia Giulia-I, is in full growth

Development of entrepreneurship

The Basque Country (País Vasco) in Spain was the first region in Europe to have a regional cluster development strategy and has made great strides in development over the past decade. Faced with a crisis in its naval shipyards and steelworks, it devoted all its efforts to setting up strategic infrastructures for the development of entrepreneurship in telecommunications, IT, aeronautics, biotechnology and cutting-edge engineering. Designed with

a view to intermodality, these platforms exploit their proximity to the port of Bilbao (16 km) and Sondica regional airport (3 km). In the opinion of the European Commission, they have become "a benchmark for the creation and location of innovative businesses." To give an example, the technology parks in Zamudio, Alava and San Sebastián, recently set up with € 43.5 million in regional and European funding, are home to 88 businesses employing 3,500 people in SMEs, almost 30% of whom are working on R&D.

Reappropriation of local resources

Further south again, the mountainous province of Beira (Centro region) in Portugal is also finding new sources of employment and income. Long specialised in wool production, it has recently launched a transnational pilot project by the name of Arquetex whose main aim is to set up a European information network on Europe's textile industry heritage. Beira has joined forces with several partners based in traditional textile regions facing a crisis in the sector, such as Catalonia (Catalunya-E), Provence-Alpes-Côte d'Azur (F), Cork (IRL) and the West Midlands (UK). It hopes that this network will lead to a real regional and transnational development plan based on promoting crafts, design, restoration and conservation of textiles. According to the partners who have opted to blend their local know-how with innovation and sustainable development tools, many jobs could be created both directly and indirectly, particularly in tourism.

Cohesion policy is a lever of competitiveness

"Cohesion policy is a pillar of economic progress," as Danuta Hübner recently stated. "Cohesion and competitiveness are the two necessary ingredients vital for the Union's development." More specifically, the European Commissioner for regional policy further emphasises that "cohesion policy contributes directly to attaining the main Lisbon objectives; it can strengthen ownership of the Lisbon agenda within Member States, because it directly involves regional and local actors in the formulation of regional growth strategies".

A real lever of competitiveness, cohesion policy has become an essential instrument in regional development. In the fifteen pre-enlargement Member States, less than 1% of the funds committed in 2002 had not been used by 2004. Among the ten new members, 15,620 applications for *ad-hoc* projects were presented in Hungary alone between May and November last year. In Poland, initiatives are already in place to construct the new motorways, which will be needed for competitive hot spots to survive, as access to intermodal connections is vital.

Backed up by national, regional or local public money, this European support makes a direct contribution to revitalising areas which are cut off or have been hit by recession. As many examples throughout Europe show, several regions have become more attractive and competitive within Europe and internationally thanks to this support.

The Union must fund its ambitions And the wait-and-see approach also has its price

ENLARGEMENT IS AN OPPORTUNITY, BUT IT IS ALSO A CHALLENGE. EUROPE MUST STRIVE TO BECOME A FUTURE-ORIENTED, COMPETITIVE ZONE. BUT THE COST IS REAL AND IT CANNOT BE COUNTER-BALANCED BY CUTTING SPENDING ON THE REGIONS, THE MAIN SOURCE OF EUROPE'S DYNAMISM.

As President of the Friuli Venezia Giulia region, I am fully aware of the role which the regions and the Union have jointly played in encouraging private-sector investment, creation and innovation among our SMEs, and in helping us construct our own research centres. We are today a competitive and innovative region, like many other European regions, which have benefited from structural funds. Europe's competitiveness must be backed by the necessary funding." These are the words of the new President of the AER, Riccardo Illy, who is no doubt more aware than anyone of what regional economic development policies can bring to efforts to achieve the Lisbon objectives.

What of future resources?

However, if this success is to last it needs the guarantee of sufficient funds, estimated by the AER at 0.41% of the Union's budget for 2007-2013. "Falling below this threshold would sound the death knell for any relevant efforts at regional development" argued Onno Hoes, President of the AER's Regional Policy Committee (Noord-Brabant-NL) when he met Commissioner Hübner recently. "There is huge potential for economic development in the regions of Europe, and cohesion policy must support regions in exploring, developing and using this potential" he added.

The Union is currently committed to significant investments to meet these various objectives, but enlargement to twenty-five members does raise certain questions. What about the resources that are currently available and those approved for the future? Danuta Hübner, Commissioner for regional policy, emphasised that "As a result of enlargement we now have thirteen 'cohesion countries' (with gross national

income less than 90% of the Community average) rather than four. The enlargement does therefore involve a marked increase in demand for structural and cohesion funds, but it also gives us the chance to increase the Union's competitiveness and dynamism. Here, the Community's cohesion policy has a key role to play in boosting overall productivity and growth throughout the Union." The Commission intends to take on this role and, as part of the current discussions on future financial arrangements, is to this end asking the Member States to base the Community budget for 2007-2013 on 1.24% of GDP (compared with the current figure of 1.27%); some Member States want to cut it to 1%.

Projects waiting for funding

This approach would allow for the implementation of innovative regional projects, rather than concentrating on strict selection procedures, as seems to be the current tendency. For example, in France alone the number of projects aimed at creating and developing hot spots of competitiveness - around a hundred in total - is currently more than can be financed by regional funds, as the public spending budget for these projects is only € 750 million over three years. In other terms, any cut in the Community budget would mean that only five to ten of them could be funded.

Passing the 2007-2013 budget is a matter of urgency

Despite this observation, and the pressure brought to bear by the European Commission and bodies representing the regions such as the AER, the Member States remain divided on the issue. As a result, they are blocking



Riccardo Illy met Danuta Hübner, Commissioner for Regional policy, January 2005

opportunities to extend the budget, even though this is needed to respond to enlargement. If the impasse persists, many regional projects would at best not come to pass or at worst be forced out of Europe. This would be unfortunate for Europe's economic development and future growth. The regions have realised this. When will all the Member States do the same?

Key factors in regional competitiveness

In its seventh Report on European Competitiveness (2004), the European Commission's DG Enterprise defined the five principal factors in regional competitiveness.

Accessibility was in pole position. Many studies show that regions which are well served by intermodal transport - being close to an international airport or with a regional airport connected to an international hub were judged as key advantages - and a modern telecommunications network were in a prime position.

A strong entrepreneurial culture, with the ability to connect innovative enterprises to academic or research centres in the public or private sector, was just as important as **the presence of high-tech clusters** in attracting fresh investment or business.

Enlightened regional government or an active public authority, able to **create a common vision**, build a strategy and **bring partners together** complete the list of factors for success. Bringing partners together is particularly important in encouraging a multi-disciplinary approach to development, stimulating interaction and creating public/ private partnerships. Cooperation in turn is a vital element in the transfer of skills and exchange of experience, and this helps develop the information society.



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