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"Regions are new actors of economic development"

~~Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort~~

7th Lviv International Economic Forum - 'European Partnership – Open Opportunities'

Lviv, 2 October 2008

Mr President, Mr Governor, Mr Mayor, ladies and gentlemen.

Unfortunately, due to last minute complications, I was unable to come to Lviv in person. I regret it very much because this year's edition of the Economic Forum is dedicated to the topics that are close to my heart – the role of regions and cities in economic development and the opportunities opened to them in the framework of the co-operation linking the European Union and Ukraine. Therefore, I am very grateful to the organizers for this opportunity to address you – at least – in writing.

Today I would like to share with you some reflections on two issues. First, I would like to say some words about why strong regions are of interest for the business people, not only as places offering returns on investment but also as partners in doing business. And, secondly I would like to elaborate on how this partnership can be reflected in the co-operation between the Union and Ukraine in the forthcoming years.

Why balanced regional development should be important to policy makers?

There are two reasons for this. Firstly, growth, especially in periods of catching up, tends to concentrate in capital cities or large urban agglomerations. In the longer run this leads to a concentration of economic wealth and development prospects in some core regions, while leaving the regions outside such centers in the backwaters of economic development.

This risk of permanent exclusion is exacerbated by global changes which – unlike in the past – tend to widen differences at the regional rather than national scale. I mean here the rapidly changing division of labour; demographic changes and migration patterns; climate change; and high energy prices which all influence the structure of our economies. These changes alter the traditional map of economic disparities, resulting in new patterns of winners and losers among nations and regions.

Secondly, globalization reinforces the role of regional and local levels in economic development. Today firms' investment decisions go far beyond looking at national policies and economic indicators. It is the concrete situation of a region or a city which counts most. Of course, business concerns rank high on the agenda but managers also decide whether they would like to live in a place or not. They might ask about the availability of engineers and qualified workers, the transport network or a research centre with which their firm could cooperate. But they will be also looking for a rich cultural offer or a good school for their kids.

Against this background, there are three pieces of policy advice, built on the experience of European regional policy.

Firstly, we need to empower regional and local governments. Accelerated speed of structural change and the need to meet expectations of investors require swift responses and fast decisions. Very often such decisions can be taken more quickly at the regional level. And they are more effective, since local and regional actors identify with such decisions and thus implement them rapidly – on the territory they know best.

Secondly, we need more partnership and co-operation, running across sectoral and administrative divisions. Regional and local authorities need to be innovative, need to follow closely what goes on in the world in order to seize opportunities. Inspiration and impulses can come from social partners and private actors, ranging from multinational firms, which by definition are plugged in the global economy, to small and medium enterprises, which often have original and innovative ideas. This is why events such as today's Economic Forum are so important.

The ultimate lesson is that countries can unlock their full growth potential only if they manage to exploit growth opportunities in all regions, both developed and lagging. Metropolitan area might be driving growth for some time yet, in the long term, to render it sustainable the policy makers need to maximize the capacity of each territory to contribute to national growth, without leaving anybody struggling on the sidelines.

Let me turn now to European Neighbourhood Policy. Four ENP co-operation programmes are intended for 2007-2013. The first, involving Romania-Ukraine-Moldova has already been approved. Three more should soon follow: Poland-Ukraine-Belarus; Hungary-Romania-Slovakia-Ukraine; and the Black Sea programme. Ukraine will be a full partner in all those programmes, with a seat in the monitoring committee.

In addition to these programmes, Ukraine will take part in two trans-national co-operation programmes for which I am responsible in the Commission. They are the Central Europe Programme and the South East Europe programme. Here separate funding for the Ukraine should be soon made available from the ENPI.

The last EU-Ukraine Summit in Paris marked an important development in our relationship. We made considerable progress in negotiations on a new Association Agreement, which will go significantly beyond the previous agreement. The intention is to achieve economic integration and political association: that also implies increased co-operation in areas as diverse as foreign and security policy, justice freedom and security, transport, energy and environment.

An integral part of the Association Agreement is the Free Trade Area which we hope to conclude as soon as possible. The decision to launch a visa dialogue aiming at establishing a mutual visa-free regime in the long term are further evidence of the profound commitment to substantially strengthening the relationship.

On top of this, new opportunities will be available through the Eastern Europe Partnership Initiative. It will offer the prospect of promoting greater economic integration, improved mobility of people and intensified political dialogue. It will promote co-operation between our partners and ourselves in the field of best practice in democracy and human rights, energy, environmental protection and, possibly, security. Our task now is to mobilize the support of the Member States and additional resources.

We are now preparing our proposals for the operational mechanisms for the partnership as requested by the European Council. These proposals will involve stepping up our efforts to stabilise and modernise the EU's Eastern Neighbourhood. This is an urgent investment in our joint future.

I am convinced that the new Association Agreement taken together with the Eastern Partnership will produce practical and tangible results. But for this scenario to fully materialize there is one condition – our cooperation should be bottom-up and focussed on concrete needs. This takes me back to the first part of my presentation and the role that regional co-operation can play within this context.

As the vital part of the ENP is to strengthen regional management structures and promote better governance we are already involved in the preparation of a new Ukrainian strategy and draft law on regional development. But this joint work can be further developed and involve new, regional and local partners. The co-operation which is limited to that between states has its limits. It can establish structures to help boost economic growth, but without regional and local authorities it is impossible to achieve concrete results.

One possible form of doing this would be through signing a Memorandum of Understanding, such as we already have with China, with Russia and with Brazil. The Memorandum would provide a platform for concrete, result oriented co-operation in areas which are of most interest to our Ukrainian friends - such as energy conservation, the transformation of derelict land and sustainable urban renovation programmes. And, last but not least, for building the most important bridges – those linking our people.

Thank you for your attention.