

Is the innovation focus in regional policies reproducing peripheries?

ARL INTERNATIONAL SUMMER SCHOOL PRAGUE, 23-26/08/2015

SEBASTIAN SCHULZ, UNIVERSITY OF TARTU



Outline

1. Context/Point of departure
2. The innovation focus in EU Regional Policy
3. The example of Estonia
4. Discussion

1. Context

(EU) Regional and innovation policy uses a narrow conceptualisation of innovation (HANSEN & WINTHER 2011, SVEIBY et al. 2012), thus allowing for easier measurability/comparability, but tends to neglect innovation activities in peripheral regions

Innovation policies show a strong bias towards large firms in core areas by focusing on R&D, with which the comparatively low-tech industries in the peripheral regions cannot compete (HANSEN & WINTHER 2011, also CAMAGNI & CAPELLO 2013)

Strong privileging of urban centres in policy discourse, thereby devaluing other regions (LANG 2011).

EU Regional Policy as the major spatial policy has been shifting its focus from redistribution to promoting endogenous economic growth through innovation.

Simultaneously, innovation policy as a sectoral policy has been assuming an increasingly spatialized and systemic character, e.g. by supporting 'innovation systems' at the regional level (e.g. COOKE & MORGAN 1998).

1. Context

Innovation-related activities that are taking place in peripheral regions seems to be disconnected from innovation policy. E.g. in Estonia, they receive less grants despite applying.

EU policy is translated and implemented differently in Estonia, Slovakia and Germany: particularities of each national context is crucial

Starting point:

Innovation policies

- are too standardised.
- They do not pay enough attention to modes or stages of innovation which are different from R&D and to capacity-building in the periphery.
- They show an overemphasis on one or several sectors or economic activities which play a differently important role in different regions.

2. The innovation focus in EU Regional Policy

Recent trends in EU Regional Policy comprise objectives that are not coming from the regions themselves, but derived from common EU goals (developing R&D, ICTs, SMEs). Its focus lies more on the overall development of the (national) economy and job creation, and on cities/metropolitan areas.

„Not every town or city will find its new situation as advantageous as the old [...] The European territory is not a level playing field.“ (ESDP draft 1997, p. 21 in DAVOUDI 2003)

Increasingly, EU Regional Policy can be seen as a performing agent of the Europe 2020 agenda: prioritizing competitiveness and efficiency objectives over cohesion. Traits of ‘spatial selectivity’ (BRENNER 2004) where the production of competitive spaces is becoming more important than assisting backward regions.

2. The innovation focus in EU Regional Policy

To this day, EU Regional Policy discourse continues to emphasize “balanced territorial development” as key: promotion of innovation as a spatial development strategy = endogenous growth instead of redistribution of external resources.

→ EU asserts that innovation drives up to 80% of economic growth (EUROPEAN COMMISSION 2014). This growth is supposed to happen endogenously in the region, thereby emphasizing the self-responsibility of every region in the global competition and well-being and prosperity of its population. The focus here is on building capacity within the region, putting the pressure on regional businesses, institutional actors and communities. Outside influences (global and national), social relations and networks shaping regions and their development processes are discussed only marginally.

Implications of transferring Western models/concepts/norms to Central and Eastern Europe?
(PASQUIER & PERRON 2008)

2. The innovation focus in EU Regional Policy

Each regional economy is a distinct mix of relations over which it has a degree of power and control and other relations over which the region is in a subordinated position (MASSEY 2004). “[...] it is the *relations between* regions, and not merely the *characteristics of* regions, which matter” (MASSEY 2001, p.7)

→ less innovative peripheral regions are explained by their relationship with more innovative core regions, instead of just reflecting deficiencies in the innovation performance of their businesses or the environment in which they operate (BRISTOW 2005).

→ in terms of policy, the strengthening of regional innovation capacity in quite narrow ways.

2. The innovation focus in EU Regional Policy

HANSEN & WINTHER (2011) suggest in their study on Denmark and the UK that EU policies supporting innovation keep neglecting the continuous importance of low-tech economic sectors for less favoured, peripheral regions. Instead, policies accentuate the role of research and development (R&D) in innovation, which benefits research-intensive industries that tend to be concentrated in urban regions.

While the Europeanization of policies in Central and Eastern Europe (CEE) has generally contributed positively to economic growth and stabilized structures on national level after the 'shock therapy' of the early 1990s, the shifted focus to the region as the object of innovation has also brought specific problems into CEE: an overemphasis on linear and high-tech innovation and exacerbating a weak administration which lacks policy skills for networking and long-term planning (SUURNA & KATTEL 2010)

2. The innovation focus in EU Regional Policy

The territorial specificities that are underlying each phase of the innovation process, however, are argued to be crucial (CAMAGNI & CAPELLO 2013, COENEN et al. 2015):

- knowledge creation (MACDONALD 1987, STOREY & TETHER 1998)
- knowledge diffusion and the role of proximity (AUDRETSCH & FELDMAN 1996)
- evolutionary paths of knowledge/innovation diffusion (BOSCHMA 2005, FORAY 2009)
- knowledge utilization and receptivity (ACS, AUDRETSCH & FELDMAN 1994)
- and innovation-enhancing elements (CAPELLO 1991).

2. The innovation focus in EU Regional Policy

The simple dichotomy of core = advanced research area and periphery = modest innovators/co-application area reproduces the notion of core regions = 'winners' and peripheral regions = 'losers'. Instead, innovation patterns are much more variegated (CAMAGNI & CAPELLO 2013)

EU documents along the lines of the Europe 2020 agenda aim at identifying sectors and technologies that promise growth. The capacity to pass from knowledge to innovation and from innovation to regional growth differs among regions. The identification of these specific 'innovation patterns' (CAPELLO 2012) is crucial for designing strategies.

'Smart innovation policies' are targeted interventions appropriate for each territorial innovation pattern → differentiation of innovation policy approaches (acknowledges regions whose path to innovation is not based on R&D. Consequently, it goes beyond the current 'smart specialization' agenda (and far beyond any 'one size fits all' policy).

3. The example of Estonia

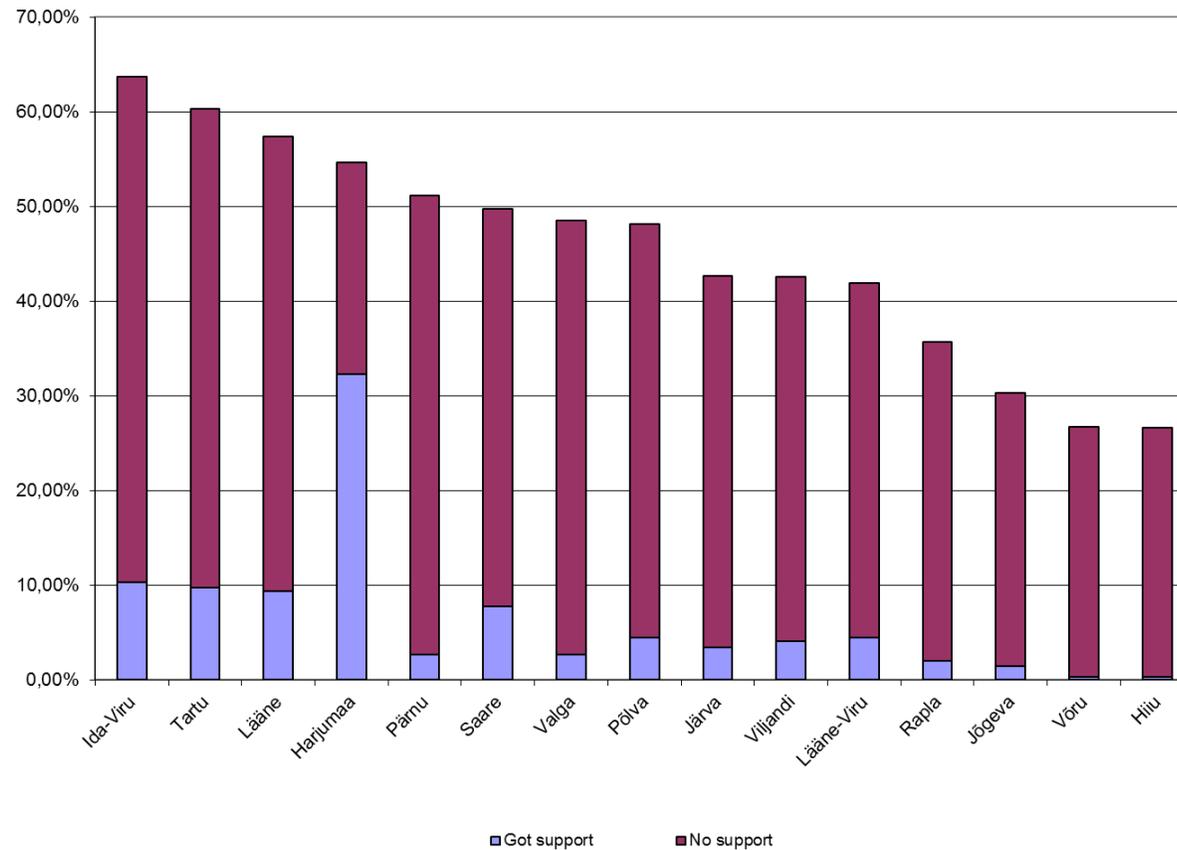
Accession to the EU is the key factor shaping the evolution of innovation policy in CEE countries since the 1990s (SUURNA & KATTEL 2010)

Estonia: single NUTS 2 region under the Convergence objective (2007-2013) and now classified as a “less developed region” (2014-2020)

In 2007-2013 period, there were no regional priorities in R&D and innovation policy, and support measures by innovation policy at the local level were limited (KALVET 2010).

EU structural funds support for business development and innovation is strongly concentrated in Tallinn, while other regions mainly received funds for social infrastructure and tourism facilities (RAAGMAA et al. 2013) → rural businesses hardly benefit at all, even if they show good innovation performance

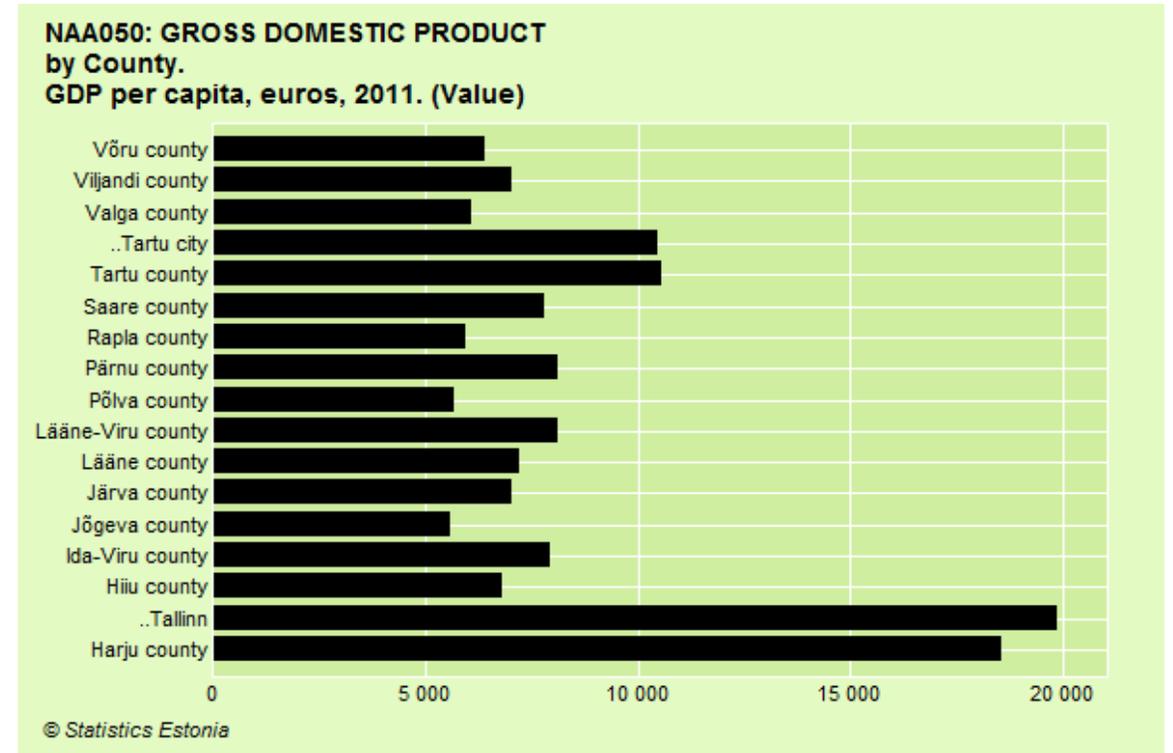
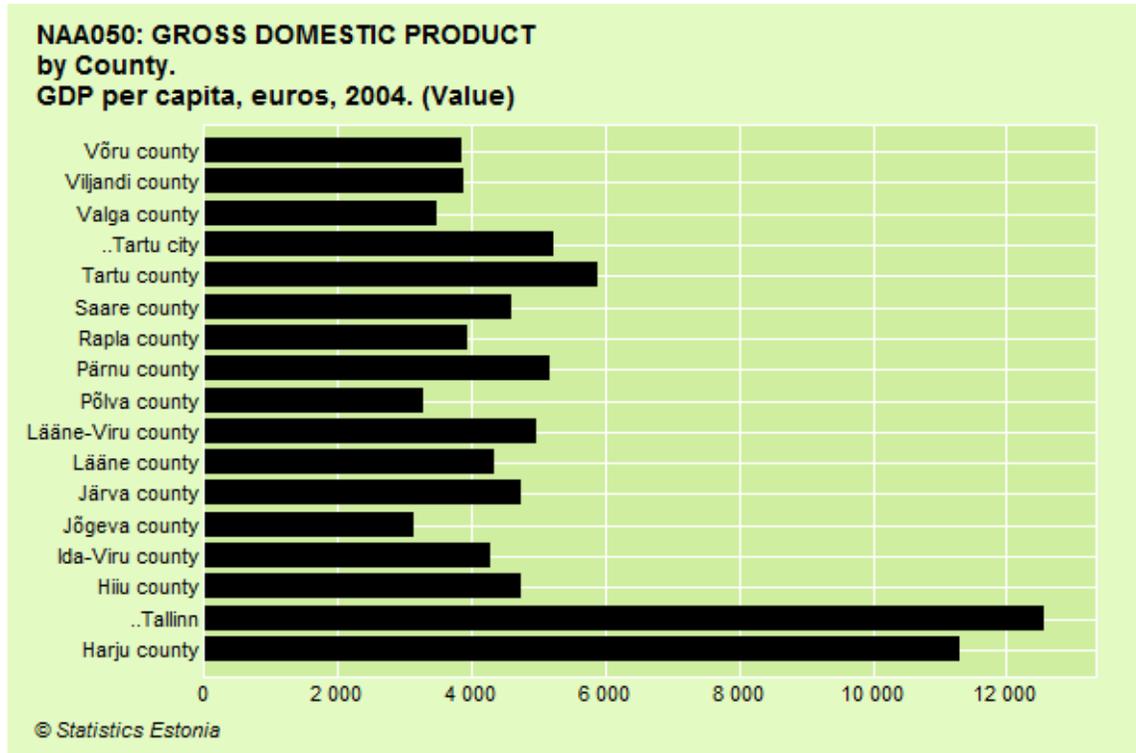
Innovation policy support by region



Source: CIS 2008-2010

Source: Community Innovation Survey
Estonia 2008-2010

Changes in disparities? – GDP per capita by region 2004 vs. 2011



Source: Statistics Estonia

4. Discussion

Innovation activity outside of centres and metropolitan regions tend to be less recognised by supporting policies.

The 'smart specialization' approach with its more 'place-based' focus (BARCA 2009) and increased bottom-up tendency can be regarded as an opportunity for regional policy to become increasingly more capable to identify and the different innovation patterns (more complex and varied than the dichotomy of core and periphery) and to inform policy.

Objective of the PhD project

Examining the link between 1) **regional & innovation policy discourse on innovation and its implementation** and 2) **polarisation** in Estonia, Slovakia and Eastern Germany

The main objectives of the project are:

to understand and clarify the objectives of innovation policy in the discourse on EU and national level and what innovation-related activities get actually funded

to review where and who the recipients of innovation policy are (region, sector etc.) and why particularly those benefit

to analyse whether core and peripheral regions both benefit from innovation policy or if there are factors which impede that

Data collection and analysis

The main data sources are

1) Statistical data:

Where do policy funds go?

What objectives and actions do they support?

Are they being utilised fully by the receiving regions (and if not, why)?

2) A small number of the main relevant policy documents:

EU documents for the periods 2007-2013 and 2014-2020, the National Strategic Framework Programmes and the relevant Operational Programmes in the case study regions.

Data analysis: document analysis on the discursive use of innovation in EU and national regional policy.

3) Semi-structured expert interviews

The research leading to these results was conducted in the frame of the project “Socio-economic and Political Responses to Regional Polarisation in Central and Eastern Europe” (RegPol²), coordinated by the Leibniz Institute for Regional Geography, Leipzig/ Germany. The project received funding from the People Programme (Marie Curie Actions) of the European Union’s Seventh Framework Programme FP7/2007-2013/ under REA grant agreement n° 607022.

e-mail: sebastian.schulz@ut.ee

