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EUROPEAN CLUSTERS POLICY GROUP

BRIEFING NOTE FOR ANDREA MOLTRASIO, VICE-PRESIDENT OF CONFINDUSTRIA

MAIN MESSAGES

The wealth of Member States and regions is increasingly dependent on the development of appropriate framework conditions to promote entrepreneurship, innovation and industrial development. Clusters are at the core of this strategy and can create a powerful stimulus for growth by generating synergies between companies, knowledge infrastructures and skills development. We propose a cluster strategy based on three main axes:

1. First, **cluster development should follow a bottom-up approach**. Clusters should be a market-driven phenomenon and be the key tool to foster entrepreneurship, help start-ups to grow rapidly and contribute to product and process innovation. A sufficiently developed entrepreneurial mindset is a key ingredient.

A re-industrialisation of the European territories and proper support for the development of manufacturing clusters is also a critical aspect, especially in this time of crisis. A vast part of the European territory is still today strongly characterised by manufactory basins. Naturally, the traditional model needs to be re-discussed and oriented towards the adoption of modern techniques and technologies with a strong innovative component. However, the reality of the European territory needs to be taken into account and the potential of the current industrial model analysed.

2. Adequate **policies should support clusters development and promote entrepreneurship**. At the EU level, several programmes are already in place. Still, there is large room for improvement. Most initiatives are generally part of broader strategies for innovation and/or regional development. Consequently, they might fail to meet the needs of a truly integrated cluster strategy.

More generally, better coordination and interaction among the different EU policies which affect directly or indirectly clusters development is necessary. The EU Budget, State Aid and Intellectual Property Rights are particularly important in the design of an adequate framework.



- a. EU Budget: a substantial reallocation of financial resources towards innovation should take place. This should imply more ambitious and consistent financing instruments to support clusters;
 - b. State Aid: recent initiatives to open up new possibilities for Member States to support cluster development are a positive step but the uptake of these possibilities has been low so far;
 - c. Intellectual Property Rights: Different IPR practices discourage transnational clustering. Harmonisation and simplification of systems is crucial to foster the emergence of globally competitive clusters.
3. A third fundamental point to be developed is **inter-clustering and international cooperation**. European clusters are generally small and do not reach the critical mass to compete in a market that goes beyond the region where they are located. To create an adequate framework to support close cooperation and interaction among clusters within the same field of activity is fundamental. Indeed, partnerships can help clusters obtaining the critical mass necessary to access new markets, by sharing research experts and knowledge infrastructures. It also facilitates the exploration of business opportunities, enhances exchange of best practices, and gives access to a wider network.

For this to be possible, further reduction of barriers in the internal market and policies that strengthen the business environment are necessary.

CLUSTERS IN RESPONSE TO FINANCIAL CRISIS

Clusters can contribute to the alleviation of the impact of the financial and economic crisis and in the medium-term stimulate the innovation potential and competitiveness of the European economy. A re-industrialisation of the European territories and proper support for the development of manufacturing clusters is critical for recovery as it may create the necessary motor for employment creation and regional development. The traditional industrial model needs though to be re-discussed to adopt a strong innovative component.

- **Clusters can facilitate restructuring**
 - Creation of new companies and business models, as underlined by successful experiences of clusters that have been created in regions struck by closing of mines and steel mills.
 - Industrial clusters draw on the comparative advantages of regions and thus help to establish a viable manufacturing sector.
- **Clusters are a key ingredient to foster entrepreneurship**
 - Stimulating entrepreneurship, i.e. encouraging citizens to consider the creation of their own company as a way to avoid unemployment, can limit the impact of the crisis on employment.
 - Clusters are incubators for the creation of new companies. Providing the appropriate infrastructures and support for start-up financing (especially as the financial crisis has increased risk aversion and reduced the availability of external capital) clusters can raise the attractiveness of self-employment.



- **Clusters allow to better target support measures**
 - Targeted support measures for clusters will not only increase the survival rate of companies but also allow them to grow more rapidly and hence create more jobs.
 - Clusters are generally characterized by a high concentration of entrepreneurs, skilled employees and research facilities. Focusing public investments on clusters might therefore be more effective than spreading it over a larger territory.

 - **Clusters are a key ingredient for successful innovation and skills development**
 - Partnerships between companies and research institutions support innovation (development of new products and processes, also taking green/low carbon objective into account).
 - Innovative clusters need a specialized workforce, and thus stimulate skills development of employees.
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