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European Union
Regional Policy



EU-CHINA

HIGH LEVEL SEMINAR ON REGIONAL POLICY

Executive Summary and Report

19 October 2010

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Executive Summary

The EU-China Dialogue on Regional Policy, of which the Fifth EU-China High Level Seminar on Regional Policy is a part, was welcomed on both sides as an opportunity for learning and exchange. Chinese and European representatives recognised the cultural differences, but common challenges faced by China and Europe including climate change and uneven development. Fostering economic growth, ensuring the fruits of that growth are equitably distributed and providing social services in a sustainable, environmentally friendly way were key themes.

Four keynote addresses were followed by a session on Regional Governance and Innovation, and a session on Sustainable Urban Development.

The under-development of 'mountain' areas in contrast to the 'sea' areas of Zhejiang, and the success of iFLYTEK, a global leader in language speech synthesis technology emphasised the severity of the development gap between regions in China even in the relatively prosperous Yangtze River Delta. Poverty in London, the Provence-Alpes-Côte d'Azur (France) (PACA) Region and the Ile-de-France, Paris region was a concern raised by the Europeans. The meeting agreed that aid from richer to poorer regions would not rectify the problem. Fostering innovative knowledge using innovative policy mechanisms which allowed for the spread of that innovation to the areas where it is most needed is the answer.

Identifying regional comparative advantages, and developing long-term strategies to maintain that comparative advantage requires a combination of market incentives and targeted policy action. Demonstration areas and pilot projects are often the first step, but encouraging the spread of innovative ideas so that they have large-scale relevance can be a challenge. The Zhejiang Provincial Development and Reform Commission is currently focused on innovative ways to develop a regional management system. URBACT, a European exchange and learning programme promoting sustainable development, has launched a series of projects to 'mainstream' the lessons learned from one-off, inspired urban transformations into large scale programs. The methodology, which involves all stake-holders in a dynamic consultative action plan, aims to overcome the fragmentation exacerbated by bureaucratically-administered sectoral or national policies.



Most of the speakers demonstrated the clear advantages of clusters. These regional hubs of businesses and research institutions with a broad spectrum of expertise and resources allowed for ‘coopetition’ – taking the advantages which accrue from competition without losing those of cooperation. The clear advantages of clusters was demonstrated by reference to medical equipment innovation in North Brabant in southern Netherlands, in telecommunications, alternative energy research and the creative industries in the PACA Region, major industrial belts around Hangzhou Bay in the Yangtze River Delta, agriculture and bio-technology in Finland, genetic research and engineering in Estonia, and in alternative energy and other key technology areas in Hefei, Wuhu, Bengbu and the Wanjiang City Belt in the Yangtze River Delta.

The delegates accepted the inevitability of continued urban concentration or agglomeration, but underlined the imperative for sustainable environmentally friendly and people friendly urban spaces. The inefficient, poorly integrated use of seriously environmentally degraded land in the Yangtze River Delta compounds the problem of land shortage. The Jiangsu Provincial Research Institute of Urban Development’s annual evaluation of the sustainable development level of Jiangsu municipalities is helping to provide targets for new policies. Providing equitably distributed, environmentally friendly, cost-effective housing in urban neighborhoods is a current key focus of the Ile-de-France region. A series of UR-BACT projects work toward better management of transport, brown-field regeneration and social inclusion in Europe’s urban neighborhoods.

Local solutions to challenges shared by cities, regions and nations across the globe require continued cooperation, learning and exchange. The European Commission and the National Development Reform Commission look forward to enriching their dialogue on regional governance, innovation and sustainable development.

OPENING CEREMONY

MC: Zou Yong, Vice Director General of Regional Economy Department

WELCOME

*Leader of the Shanghai
Municipal Development
Reform Commission*

At the first World Expo in a developing country, we can say that investment from restructuring the economy into improving living standards has seen significant gains. The central government places particular importance on regional development in western and central China and the east has a leading role in this process both by continuing to develop itself, and by investment in those regions.

The Yangtze river delta region aims to elevate its industrial competitiveness, maintain its status as an important port, and become a centre for services and manufacturing. Shanghai, the leading city in this region, and four other centres have created a regional development collaborative mechanism, and now worked together on ten successful projects.

The EU and China share a commitment to green development, low carbon cities, and a harmonious existence with nature. Shanghai has a three-year action plan, but better utilising resources to protect the environment is still a significant bottle-neck for Shanghai’s development.

The EU has made an important contribution to Shanghai’s ongoing development by helping to develop a multi-level institutional framework for coordinating regional development.

The dialogue initiated in 2003 is an important way of moving forward on these challenging issues.



KEYNOTE ADDRESS

FAN HENGSHAN,
*Director General
of the Department
of Regional Economy, NDRC*

This is the fifth year of formal EU-China cooperation on regional policy.

China has reached the outstanding achievement of becoming the nation with the second largest GDP in the world. The past five years have seen the rolling out of a complete regional development strategy which focused on:

- The accelerated development of key already-advanced areas in particular in the Wuhan urban belt, and new growth areas like Jiangxi and Wuhan in the hope that some of this development will 'trickle-down'.
- Reform strategies for the development of weaker areas to optimise the regional layout – ie. to reduce the gap between the north, south and east. In 2007, the western region's growth rate surpassed that of the east for the first time.
- Accelerated economic integration based on the market system. This involves identifying the comparative advantage of a region and encouraging that region to develop its own specialty to serve the national interest. Different fiscal policy and environmental protection policies in key functional zones in places like Tibet; Yushu, Qinghai and Xinjiang assist this process.

The new development configuration outlined in the 12th 5-Year Plan will grapple with unprecedented challenges. The gap in the growth rate between different regions needs to be narrowed. The use of resources in the context of severe environmental protection issues is a key focus. Each region is taking the initiative in regional cooperation but fragmentation and fierce competition between the regions is still a problem. A sound legal framework is a key priority. Institutional reform and improved regional policy systems so each region can leverage their competitive advantage is also necessary. Fan Hengshan expressed full confidence that the 12th 5-Year Plan would achieve the right regional balance.

Progress during the 11th 5-Year Plan involved experiments in the China context and learning from EU. Throughout the 12th 5-Year Plan, China will continue to learn best practice from the EU, and so we need to deepen research and exchange. This means:

- Increased regional cooperation and integration in the face of economic globalisation to break the barriers between trade and investment, encourage the free flow of resources, and encourage the development of different specialisations in different global economic zones.
- Division of labour based on the different market-determined comparative advantage of different regions to avoid fierce competition and allow for the emergence of complementary relationships.

KEYNOTE ADDRESS
HUBERT GAMBS,
*Head of Cabinet of Commissioner
Hahn, European Commission*

- Basic fair and equitable service delivery through fiscal transfers in backward areas
- Harmony between the large population and ecological space by reducing traffic congestion in big cities and environmental degradation, while still nurturing economic development.

China still needs to continue to foster accelerated urban development. How can we avoid the West's problems of traffic congestion and environmental degradation in this context?

Europe and China have cultural differences, but face similar challenges. Both regions need a strategy to build regional prosperity to avoid disparities between regions. To ensure the optimal economic development of our regions is both political good sense, and in the interests of social justice. On these matters, there is wisdom on both sides, and Gambs was grateful for the opportunity to deepen the dialogue.

Regional policy is at the heart of the European integration process. €350 billion has been allocated over seven years to develop an economic development policy based on open markets. Strengthening regional economies is a key incentive for greater economic efficiency and growth, and for EU solidarity. Supporting economically weak regions, not only strengthens each regional economy, but European solidarity and European competitiveness.

Supporting economically weak regions to participate fully in the free market is not a matter of aid or financial hand-outs from richer regions to poorer ones. Studies show that support for East Germany reaped rewards for West Germany. For each euro the EU spends in Poland, the effect is that fifteen EU member states collect on average 4-6 euro cents as a return. The EU is investing in infrastructure, research and development, innovation, sustainable development and the development of marketable skills to drive a modern growth policy for the future.

Many benefits have already emerged from the EU-China exchange including a comparative study, an addendum to the memorandum of understanding, a visit by NDRC representatives to the east of England which was a practical opportunity to engage on regional development policies and challenges. This has already increased mutual understanding. Now we need to reflect on a broader and longer term framework for engagement including more research and more visits. One new study has just been launched on regional innovation systems in China.

Today's problems cannot be solved if we continue to think the way we did when we caused them. These must be considered with the following in mind:

- The innovation performance of EU member states differs from region to region. Eighty-six regions with 123 million people have an innovation performance level below the EU average. Four new EU member states produce 33% of the world's grain. These low performance indicators are a risk to social



cohesion so the EU puts a high priority on raising the innovation performance of all regions by investment in infrastructure and human capital.

- Innovation cannot be directed. It must be created. This requires available finance, creative well-located human resources, an innovation friendly market, entrepreneurial spirit, interaction with other innovation players (including competing companies, suppliers and companies in different sectors like designers and service providers), geographic proximity, a legal system that allows new ideas to emerge, a research infrastructure (including new forms of university relationships), and innovation policies conducted in concert with other sectoral policies.

- The EU motto, unity in diversity, is also a strategic imperative. Every region has a natural geographical, historically related value chain which may provide a comparative advantage. The EU aims to develop smart regional specialisation strategies by identifying activities which have the best chance of success and then developing a strategic vision for their growth.

- The EU's cohesion policy reinforces the idea that individual states working alone are significantly less effective than working in cooperation to find new opportunities and avoid fragmentation of knowledge flows.

KEYNOTE ADDRESS LAMBERT VAN NISTELROOIJ, *Member of the EU Parliament*

Van Nistelrooij's work in regional development has kept him elected to the EU Parliament for the past five years. If you have a comprehensive regional policy close to where people, live, work and go to school—then you touch peoples' hearts.

Innovation is crucial to good regional policy. It

- should be for all regions rich and poor.
- has a territorial dimension. Proximity matters. It is not just research. Research creates knowledge which is otherwise free-floating, but it needs to land somewhere in the region to create jobs.
- is fostered by smart specialisation.
- must involve cross-border, cross-regional and intra-regional cooperation in keeping with Europe's unity in diversity motto.

Van Nistelrooij welcomed the EU-China dialogue on regional policy, and underlined its value, but wanted to emphasise, in addition, the need for concerted joint research on how to concentrate and de-localise at the same time.

His expertise comes from observing the development of North Brabant in the southern Netherlands, 150-200km north of Brussels. It was quite a backward region compared to the prosperous north until the 1940s following the growth of companies like Philips in Eindhoven. This trajectory demonstrates a successful shift from a primarily agricultural and industrial economy towards innovation and a knowledge economy. The city's political and geographic location is in the Netherlands, but functionally it is integrated with Germany and Belgium via Leuven in Belgium and Aachen in Germany to form the Eindhoven-Leuven-Aachen triangle which is the more relevant designation for the region's future.

In the 1990s, Philips and the automobile industry faced an unemployment crisis. The EU and EU member-states injection of funds through co-financing and their assistance with reconstructing the economy was crucial - and touched peoples' hearts. After the 1990s crisis, Philips turned their closed laboratories into an open-innovation campus in Eindhoven where they have developed new medical equipment for hospitals. In the last ten years, some one hundred other companies have established themselves there to share and develop new ways of thinking. The consequence is the transformation of the Netherlands. The main port is still at Rotterdam, but now the brain port is in the south and shared with parts of Germany and Belgium.

The cohesion policy seeks to replicate these kind of success stories across Europe. Nistelrooij, as elected by 264 representatives, takes the lead in debates on cohesion policy. He advocates that 80% of funds go to poorer regions, a special fund be established to help poorer regions innovate, and that there is a budget to foster cross-border, inter-regional cooperation.

An example of successful innovation under the cohesion policy is the western Netherlands' horticulture industry. It was very successful in the 1970s because of their greenhouses, but horticulturalists were frightened of competition when Spain, Greece and the eastern countries entered the market because their climate was more conducive to horticulture and they wouldn't need green-houses. But when those countries did enter the market, the Netherlands retained their position by innovating. They maintained high-quality production, and by taking energy from the soil found a supplementary income. Now a lot of farmers earn more from exporting energy than from their crops. What's more, they make a contribution to protecting the environment, but injecting pure CO2 into the green-houses to assist growth. This is a perfect example of the value of an integrated system. Competition has helped the Netherlands to innovate, to become the best.

Forward-looking remarks:

- Note Nistelrooij's two published reports (distributed) which address relevant matters for the EU's next seven year plan (2014-2020). How to use the research money distributed by Brussels to advance regional policy? The report offers suggestions for how to develop research campuses and invest in intelligent transport systems in the cities.

- The new territorial concept of cohesion - added to that of social and economic cohesion - in the new Lisbon Treaty means that we no longer accept that Europe just concentrates in the cities, in the metropolitan areas - London, Paris, Frankfurt. Territorial cohesion means that we accept urban concentration, but with regions connected by roads and broadband, and cooperation. These are the three 'C's we use for the future in Europe.

- Debate in the European parliament is totally open. Some of my European colleagues suggest that regional policy is an old policy, but in my opinion it is a policy for the future. Some say we should make separate funds for energy, water, transport and social policies, but I reject this approach because I am from the school of integrated regional approaches. Regional policy means a smarter, greener, sustainable, inclusive Europe.



SESSION 1: REGIONAL GOVERNANCE AND INNOVATION

MC: Tang Zhiping, Deputy Director of the Shanghai Development and Reform Commission

THIERRY FELLMANN,
Deputy Director-General,
Innovation and Employment
Cluster for the Provence-Alpes-Cote
d'Azur (France) (PACA) Region

The Cluster for the Provence-Alpes-Cote d'Azur (France) Region is a young institution. It was established as part of the decentralisation process set in motion by the 1982 laws. It is made up of a series of regional operational departments. Fellmann is responsible for innovation policy, employment, training and business incentives for higher education and research.

This paper will demonstrate drawing on the example of PACA how the Cluster system is a lever for growth through innovation and international openness. Original policy based on the widespread development of clusters can enable small and medium enterprises to capitalise on favourable environments. This means focusing on the one hand on the development of innovation and, on the other, on openness to marketisation.

How to work towards this?

Economic globalisation obliges us to rethink our development models. To this end we take a wide approach to cooperation. A delegation of CEOs and Heads of Clusters is currently working to strengthen their partnership with a team of experts and establish long-term cooperation with their Chinese counterparts.

The EU 2020 Strategy is about intelligent growth based on knowledge and innovation, sustainable growth for greener and more resource-efficient competitive growth, healthy employment and social and territorial cohesion.

The development model covers all aspects of economic activity including trade, technology, environment, design; incorporates innovation for major enterprises, and to benefit all companies; fosters general popularisation of training research technology centres and venture capital banks and companies; improves regions capacity to develop an approach relevant to current circumstances emphasising global and local linkages; is in-line with European national and regional policies set out in the regional innovation strategy for 2010 and 2030.

PACA is a region with a tradition of international openness and innovation. It is a region world famous for its tourist sites: Provence, Avignon and Nice; beauty and inspiration to artists: Van Gogh, Matisse, Picasso, Cezanne; and a region traditionally open to global trends through the port of Marseille. But it is also a place of innovation, a region experiencing remarkable growth in research and innovation as part of global projects, for example the International Experimental Reactor (ITER) which is systematically developing a growth eco-system built on a drive toward a cluster economy, investing in human resources, training and business skills.

The region is currently facing a global crisis which threatens to undermine its economic basis: including financial stability, investment in the medium-term, social fabric issues, and sustainable development in general. In response, PACA launched PRIDES in 2006. PRIDES are clusters of businesses and research laboratories which set up permanent projects for regional innovation and economic development. Clusters increase economies of scale, the skill pool, improve product quality, access to new markets, and allow businesses to work in competition or side by side. The cluster system is an excellent way of facing the twin challenges of competition and cooperation - or of cooptation.

There are currently twenty-nine PRIDES with 4200 members made up of 3600 businesses. There are three kinds. Clusters which focus on:

- ICT maritime technology, new energies, water technologies, aeronautics and space
- special technology niches, including energy efficient building, bio-technology, eco-technology
- disseminating information

PRIDES foster a joint-approach to project development, bring together key quality individuals (human resources) and follow an inter-cluster integrated approach. Prides are not confined to their specific sectors, but to green energy, e-tourism, e-health, and energy efficient buildings. Inter-regional cooperation also leads to international openness which helps prepare access to major markets. For example ITER act as ambassadors for the regional economy eg via partnerships in Brazil, Mexico and China.

The following are example of successful PRIDES:

- The telecommunication solutions cluster brings together actors from microwave firms, software, electronics, telecommunications firms, software around ICT services and uses. The cluster functions as an R&D factory with I&D technology platforms and innovation centers. It represents 40% of ICT output has 500 members and supports 41 000 jobs.
- The International Thermological Experimental Reactor (ITER) was born out of the dream of creating or re-creating solar energy through nuclear fusion. It is developing a small scale prototype to test the technical possibility of atomic fusion at 100 million degrees. It is a €10 billion global project involving several partners including the European Union and China.
- The Creative Economy PRIDE is a strategic area based on cooperation between eleven cluster prides in cinema, digital technologies, creative industries and fashion. The idea is to mobilise skills around key events such as Marseille Provence 2013, major exhibitions such as those devoted to Cezanne and Van Gogh, and major festivals, relating for example to digital innovation.



LIU TING,
*Zhejiang Provincial Development
and Reform Commission*

Zhejiang province is committed to sustainable and rapid economic development through a strategic regional policy which involves developing a regional management system.

The central government has elevated Zhejiang's regional development to national strategic significance. Regional leaders met in 2008 to establish a mechanism for cooperation between different levels of government. Deputy provincial governors and deputy mayors coordinate the major regional cooperation projects. A subordinate office has been established to take charge of implementation. Project areas currently extend to transportation, energy, information technology, environmental protection, credit, social security, finance, foreign affairs and business management.

The three major strategic goals to establish the Yangtze River Delta are to make it:

- an international gateway to the Asia-Pacific region
- a global centre for modern service provision and advanced manufacturing
- an internationally competitive urban centre.

To achieve these goals, Zhejiang will focus on the region's areas of comparative advantage including shipping and port logistics, accelerated development of the Zhoushan Islands and surrounding islands, improving the three metropolitan areas of Hangzhou, Ningbo and Wenzhou and central Zhejiang.

Specific projects include:

- The establishment of major industrial belts around Hangzhou Bay according to a 'cluster-belt-network' structure, that is, advanced manufacturing clusters linked by an urban belt, and encompassed by an ecologically green network. These cluster-belt-networks will be
 - the Wenzhou-Taizhou coastal industrial belt which will include an advanced manufacturing belt along the Ningbo-Taizhou-Wenzhou Railway, the Taizhou-Wenzhou Expressway and the coast.
 - a marine industrial belt on the harbor which will focus on processing marine products, marine fishery and eco-tourism.
 - A belt along the Jinhua-Quzhou-Lishui Expressway.
- A concerted focus on the marine economy and making the coastal and island area strategically important. Located in the central area of the 'T'-shaped economic belt of China, the coastal and island area of Zhejiang is rich in marine resources. The area is divided into 'one centre, four areas' which includes an international logistics centre, and four demonstration areas relating to reform, harmonious development, clean energy and modern marine industry.
- The development of under-developed areas through the Mountain-Sea Program. The 'mountain' areas are in the south-west of Zhejiang, and Zhoushan city and the coastal areas are the 'sea' areas. In 2005 twenty-six counties were identified as under-developed and targeted preferential policies were established in
 - finance, construction and social support.
 - infrastructure, construction of transport, power facilities, water conservancy, education on hygienic practice and environmental protection.
 - education and training in particular universal compulsory education.
 - to encourage people to concentrate in urban developed areas.
 - to develop an ecological economy including green agriculture, ecological industry and eco-tourism.

Zhejiang is developing an innovative regional management system by

- Strengthening the capacity of counties to operate with more autonomy from the larger administrative system. Zhejiang has more counties than any other province, and together produce 60% of GDP all administered by the provincial government so more autonomy should allow counties to maximise their comparative advantage. Two hundred central towns with different comparative advantages have also been selected for particular innovative policies to allow them to make the most of their role in the economic and social development of the province.

- Developing the 'massive economy' into industrial clusters with a specific focus on the division of labour in the clusters and attracting professional skills.

- Identifying new sites for industrial clusters.

Zhejiang has achieved remarkable growth results through a series of regional policies, but the gap between developed and under-developed regions is still a significant problem. Liu Ting welcomed learning more about the EU approach and experience to these kinds of problems.

JAN-HENRIK JOHANSSON,
*Project Manager,
BASAAR (Baltic Sea - Asia Agenda
for Regions in a Globalizing World)
Project*

The BASAAR Project asks the question how will economic expansion in Asia affect the Central Baltic Sea region? The Central Baltic Sea is a geographical region, not a political or administrative region, and includes parts of Finland, Estonia and Latvia. It is 180 000km². There are four European capitals in the area. The fairly small population of 9.7m is sparsely distributed. The region is an innovation leader in Europe.

The long-term view for the region: Europe emerged from WWII with an immense task of reconstruction including infrastructure, institutions and homes. Policy innovation was about meeting this demand. The EU in itself is a kind of innovation. Policy makers realised that economic interests could be arranged in a way which reduced the incentive to attack each other. This has brought peace to Europe, and so the cohesion solidarity policy has really worked. We are very satisfied with that.

In 2010 the economic crisis has reiterated our need for the welfare state. Our relatively quick recovery suggests that we have the requisite tools to deal with the situation.

Over the next fifty years, Europe will face new challenges and opportunities. China, Europe and other countries have to face the challenges of climate change, how to use resources more carefully, to manage our ageing populations and strengthen our understanding of the planet's physical condition. The challenges can be divided into two basic categories:

- the knowledge society which relates to investigations into new ways to improve the quality of life
 - the mobility and networking society
- These are the core concerns of the BASAAR Project.



BASAAR is a cooperative project between eleven regional corporations and authorities around the Central Baltic Sea including Helsinki, Turku, Stockholm, Tallinn, Riga that together try to analyse and understand what is the impact, of Asian development for the region. There is no question that the impact is going to be enormous. The question is what should we do? How should we respond? How should we prepare?

The Knowledge Society:

A study by the EU Joint Research Centre & Institute for the Protection and Security of the Citizen shows that Stockholm and Southern-Finland (Helsinki) score highly on their EU Regional Competitiveness Index 2010. The Central Baltic Sea does not have enormous reserves of natural resources such as mines and forests - but relying on human capacity for skill and innovation has made it possible for it to become competitive in Europe.

How do we maintain the comparative advantage this knowledge society gives us?

China's academic research output has increased dramatically since 1999. It is so outstanding that China is going to become the world's leading researcher in the next twenty years. We take this as a challenge and opportunity to work with Chinese research organisations. If this development continues, cooperation with China must be among one of the highest priorities.

What do we have to offer?

Kista Science City, just north of Stockholm, Sweden is an international hub for the research facilities of competitors Sony, IBM, Intel, Oracle and others. Kista was chosen for the Science City site over St Petersburg because of the strong university presence there.

Vikki University, Helsinki Finland is a research hub on agriculture and bio-tech research. It has a strong international program including large research projects with Canada and Russia. The university is interested in further cooperative projects following the Helix model which encourages cooperation between a university partner, business and the public sector.

Aalto Innovation University recently established in Helsinki through a merger of three universities: Helsinki School of Economics, School of Art and Design, Helsinki University of Technology. Combining three universities which specialise in such different disciplines into one makes it possible for students to study a wide-ranging curricula from which they can develop a completely new profile of expertise. This is a very important way to nurture innovation and entrepreneurship. Aalto University also has a branch in Shanghai. Students in Shanghai, Finland and other parts of the world can take the same class whether it is held in Shanghai or in the Baltic Sea and can work together on the same research papers. This sponsor and nurtures a strong international cooperative approach from the beginning.

Estonia is one of the smallest countries in Europe, but that does not mean it is unimportant. In fact, Estonia has an ambitious genetic research and engineering program. It is working toward becoming a leader in the field by developing a genetic database of its population that could push drug development to a new level. Individuals can register and scan their genes into a databank of human genomes which is then used for academic research, and for pharmaceutical companies to test their new drugs. This is an aggressive and unique approach, but is also at the cutting edge in biotechnology.

A mobile society:

Nurturing mobile cross-continental citizens is critical for the success of the Central Baltic Sea region. This is a challenge for regional authorities. These 'flying individuals' need to be able to take their family, educate their children, find food and friends in new environments.

Relevant projects in the region include:

Finland-China Technology Cooperation Centre

When China orders facilities and technology from abroad it normally sources equipment and knowledge from Germany and the United States because the orders are so big. Small countries like Finland and Estonia are too small to be considered, so the Centre's role is to prepare local company's to produce competitive offers to supply these services.

Social innovation and services to accommodate mobile workers, for example, the Jolly Dragon Association offers ways to find friends and colleagues and meet employers through events.

The Latvian Audiovisual Cluster Development holds Asian film festivals and organises exchange programs, and master classes for film professionals.

In the long-term, the EU and China have more common challenges than in the past so there are more opportunities to work together than ever before. Partnership is a strategy. The Europeans speak of sustainability; the Chinese of harmonious development, but there's not a lot of difference in meaning between the two concepts. As was suggested by Chinese experts at a recent BASAAR workshop, the best way of working out any differences in the details is simply to 'sit down and talk'.

LIU QINGFENG,
*Chairman of Anhui USTC iFLYTEK
CO. LTD, cutting-edge speech
technology company*

The EU has become China's largest trading partner and largest export market. In the first half of 2010, trade volume went beyond USD210 billion, a year on year increase of 37%. The EU is China's largest provider of high technology. In 2009 China imported 2772 technologies from the European Union for USD6.43billion consisting of 30% of total imported technologies. There were high-level visits at which a series of documents indicating cooperation were signed.

The EU is also the largest export market for Anhui. EU-Anhui cooperative exchanges have helped to shift Anhui's exports from simple raw materials and semi-finished products toward export of technology and research. For example, Chery Automobile and JAC have set up their respective R&D institutions in Turin, Italy, and their products have been launched in the European market. iFLYTEK worked with Fachhochschule (German University of Applied Sciences) to develop the Sino-German academic exchange program for speech communication.

The following policies and plans specific to Anhui are in motion:

An experimental zone for comprehensive reform of independent innovation in Hefei, Wuhu and Bengbu. To this end, key support has been given to R&D projects in key technology areas, investment in scientific and technology for



example, in the household appliance industry and solar power sector. Since 2008 the Anhui provincial government has allocated 100m per year to cover new venture capital projects and incentives to encourage innovation by attracting creative, entrepreneurial talent.

A plan for a demonstration area which will facilitate relocation of industries into the Wanjiang City Belt and allow them to make full use of the city belt's advantages in location, technology and personnel.

A good example of a company taking advantage of these opportunities is iFLYTEK. iFLYTEK is building a global base for the voice technology industry in Anhui. It is an international leader in speech synthesis, speech recognition and oral evaluation technologies. Amongst other developments, they are currently using intelligent speech technology to develop self-study Chinese learning software. Chinese speech synthesis technology synthesises any Chinese language text into audio, and oral evaluation technology guide the pronunciation of Chinese learners. iFLYTEK's English language speech synthesis technology is also world class.

SESSION 2: SUSTAINABLE URBAN DEVELOPMENT

MC: Ronald Hall, Director, Directorate-General for Regional Policy, European Commission

YU HONGSHENG,
Director, Urbanisation
Research and Development Centre,
Shanghai Academy
of Social Sciences

Key issues for sustainable development in the Yangtze River Delta region relate to land use and environmental degradation:

- The area has limited land resources.
- The rate of conversion of land-use toward industry is three times that of the national average. It is particularly fast because of the focus on growth in the economic development model.
- Land use is not well integrated.
 - Compared to the rest of the nation, the Yangtze River Delta region has less land per capita. Nearly 700 people per km² is nearly six times the national average. Arable land per capita is lower than that stipulated as a basic minimum by the UN Food and Agriculture Organisation (UNFAO); less than half that of the national average, and a fifth less than that of the world average.
- The area lacks land reserves.
- Land productivity is very low.
- Serious environmental degradation includes

- receding wetlands
- soil pollution - common pesticides, persistent organic pollutants, toxic heavy metals
- exotic species invasion for example, water hyacinth
- land subsidence
- water quality and acid rain
- crowded, noisy, dirty urban living spaces
- all of which are bad for both people and the environment

The basis for development as will be outlined in the 12th 5-Year Plan is to promote the transition from a traditional resource-based economy to a knowledge-based, network-based, efficient and ecologically sustainable economy. To this end, regional policy in the Yangtze River delta needs to work toward: Controlling industrial pollution. This involves increasing efficient land utilisation and improving land allocation to balance urban, rural, residential, industrial uses in harmony with the ecological system. Developing recycling systems to improve the quality of the environment by improving urban wastewater treatment facilities, constructing living garbage disposal facilities, constructing industrial solid waste collection and disposal systems, improving environmentally-friendly measures in industrial zones, water quality protection measures

Yu Hongsheng's policy advice is to:

- work toward energy consumption reduction targets
- raise economic output of industrial land per unit by 30%, confine residential urban land use to 100m² per person, and rural residential land use to 150m² per person
- establish a pricing mechanism, compensation measures, financial subsidies, emission trading for land and water use to encourage more efficient water use. This requires coordination between nine different government authorities which are currently responsible for water.
- coordinate regulations and standards between provincial and municipal governments
- facilitate cooperation between the two provinces and one municipality

GUILLAUME VUILLETET,
Regional Counsellor,
Region Ile-de-France

The Ile-de-France, Paris region, twelve million inhabitants represents ninety percent of the French population. Eighty per cent of the inhabitants live in a very dense region around Paris. Eighty per cent is forest and farmland. The region is renowned for its dynamism in culture, sport and innovation. The main challenge for the region is to maintain its international rank and competitiveness as the leading region in terms of GDP (€50 000) in Europe and the first tourist destination in the world; and maintain social and geographical cohesion by attending to the distribution of social welfare, especially north of Paris where unemployment is high, and to the problems of traffic congestion and air/noise pollution.



To face these challenges the region developed a master plan called the Ile-de-France Regional Development Strategy (SDRIF) in 2008. This was formulated following a rich and ongoing debate with its citizens including citizen participation in 2004 and a survey at a Citizens Conference in 2006. The main priorities are in transportation (reduce the ratio of car use and develop public transport), employment, housing, environmental protection and quality of life.

The region allocates €200m/year to housing. This is a particularly difficult area because housing is so expensive. This means that ensuring that all Ile-de-France citizens have housing is not just about social equality, but also about economic competitiveness. The region encourages innovation to produce low-cost affordable housing.

A regional partnership has developed between the metropolitan development scheme and our Ile de France Operational Programme, 2007-2013. The program is designed by SDRIF, and implemented by the Ile de France Operational Programme. The regional council is also a key player. A total of €724million has been allocated over seven years with co-financing at a maximum of 50%. This sum includes €151 million allocated to Regional Development, €535 million for the Social Fund and €38 million for the Agricultural Fund for Rural Development.

Since funds were limited, zoning was replaced by a new system which identified and gave priority to key deprived urban neighbourhoods. In July 2008, ten territories were identified for urban integrated projects which involved energy projects with small to medium enterprises and thematic research and innovation. The region is now conducting a mid-term evaluation. The program, designed by SDRIF and implemented by Ile de France, is proving to be a good example of an effective integrated approach to urban development.

The Ile de France region will continue to work towards increasing the number of regional partnerships which will maintain links with outlying areas. The region's focus is to harness new technologies keep food on peoples' plates, and make sure social services are reaching them.

ZHANG FENG,
President, Jiangsu Provincial Society of Urban Economy; President, Jiangsu Provincial Research Institute of Urban Development; Executive Director, China Society of Urban Economy; Director, Research Centre of Urban Development in the Yangtze River Delta

Zhang Feng, as a member of the above institutes recommends the urban agglomeration model as the best way forward for sustainable development.

The Jiangsu Provincial Research Institute of Urban Development has conducted an annual evaluation on the sustainable development level of thirteen provincially-administered municipalities in Jiangsu over the past seven years, and of twenty-seven county-level cities in Jiangsu for four consecutive years. Jiangsu province and the Yangtze River Delta has a large, densely settled, mobile population which makes creating an eco-friendly and people-friendly comfortable living environment a challenge.

The evaluation system uses the following measures:

- The top tier measures are the overall degree of sustainable development, and the current level of sustainable development and capacity for sustainable development.
- The second tier measures ranks regions (provinces and municipalities) according to fifteen separate measures including economic scale, economic benefit, population quality and urban development.
- Third tier measures ranks regions according to thirty-five measures including per capita GDP, annual average growth of GDPO, industrial per capita productivity, profit-tax rate of capital

On the basis these evaluations Shanghai ranks highest, and Suzhou, Nanjing, Wuxi, Hangzhou, Changzhou, Ningbo, Yangzhou, Nantong, Zhenjiang, Shaoxing, Huzhou also have a high potential for development because of their leading position, social development, good investment and innovation.

In 2006, the China Society of Urban Economy published Sustainable Development of Cities: Objective • Approach • Innovation and founded the Research Centre for Urban Development in the Yangtze River Delta.

The Yangtze River Delta is the heartland of economic development in China. The pace of change has been extremely rapid, economic output is of a high standard, and is at a high level of innovation capacity. At the same time, and partly as a consequence, the River Delta region also faces an intense shortage of energy, raw materials, land and other resources, and severe pollution problems. To face these challenges, Shanghai early developed a sustainable strategy committed to striking a balance between economic growth and sustainable development. We have reached the 'mountains of gold and silver', but are yet to reach the 'green mountains and clean water'. The centre is committed to building a low-carbon city using clean industries and alternative energy sources. The Shanghai Expo has been important for facilitating new collaborative mechanisms between cities in the Yangtze River Delta including improving the drainage systems around, and the water quality of Taihu Lake. Across the region, figures show that air pollution has improved and the proportion of treated urban sewage and domestic garbage has increased.

A number of 'national experimental plots of sustainable development' have been established. Changzhou social services delivery pilot project and Jianying's pilot project on changing the structure of communities have been particularly successful.

The region's focus for the future is on cooperating to build digitally networked, eco-friendly, harmonious, innovative cities in the region. This includes building information management systems, digitally linking people and institutions for the optimal production, storage, and exchange of knowledge, setting up safety monitoring mechanisms, reducing greenhouse gas emissions, using low-carbon energy systems, building clean, comfortable compact urban spaces, encouraging institutional and system innovation, and the expansion of creative, flexible, high-tech industries.

PETER RAMSDEN,
URBACT Thematic Pole Manager

URBACT is a European exchange and learning programme promoting sustainable development. The program works on how to develop innovative approaches to urban development within the EU Cohesion Policy. Core beliefs are that it is important to address a range of policy actions through one single approach, and that imagination is more important than money.

The urban situation in Europe is different to that of China because industrialisation happened earlier and finished earlier in Europe. The urban challenge in Europe is very much the problem of facing de-industrialisation. 72% of Europeans currently live in cities. They are the main centres of production, services and dominant knowledge centres, but they also have most of the problems. They produce most of the carbon emissions; they are the point where migrants are taken in, and have vast concentrations of poverty.

A searing illustration is that the nine to ten boroughs of inner London have 300% the average GDP of Europe, but half our children grow up in families officially described as at risk of poverty. This is a stunning and shameful statistic. We need to reinvent the city to make it more relevant to the modern age.

In Shanghai, the urban growth development model is focussed both on developing more services and more manufacturing, but the manufacturing industry in European cities has almost entirely disappeared. In the 1980s European cities suffered following the collapse of manufacturing. 100 000s of jobs were lost in Sheffield - over four years 50 000 jobs in the steel industry were lost, and the same story characterised rural areas of Germany and France. These cities struggled to regain competitiveness. They were chiefly classic single company towns heavily reliant on one or two industries such as steel, coal, ship-building, aluminium, paper. New jobs tended to emerge outside these cities in logistic centres and business parks on the junctions of motorways. Not only did this have a negative impact on the old-manufacturing cities, but this intra-urban development caused a far from sustainable urban sprawl. The consequence was urban discontent. In London, Liverpool, and parts of France there were major riots. In response, 1980s urban policy tried the 'trickle-down' model, but we found that we could not have less poor people by having more rich people.

Another difference between Europe and China is our urban morphology (the structure of our urban landscape). Our urbanisation is more pervasive than yours but is smaller. Europe doesn't have as many cities over 1 million as

China. We have only two mega-cities - Paris and London - but we do have a high urban density.

After the failure of the 'trickle-down' approach, European policy makers responded with the launch of EU and national level programs. These and the work of sociologist Manuel Castells' work was important to developing a new way of thinking about these urban questions. The EU Urban Pilot Program operational from 1994-1999, and extended as Urban 2 focused not on cities or large-scale regions but on neighbourhoods.

A key lesson learned from these pilots was that new ideas are often invented, but people don't learn from them because there is no mechanism for spreading the ideas, for the free movement of knowledge. URBACT was founded to respond to this challenge. For China, Europe, the UK, it is very important that we create learning networks for practitioners to keep each of us from creating our own version of the wheel.

Urban Mainstreaming takes the good practices of the urban pilot programs into the much larger European cohesion programs. This allows small programs to have big results. It has only cost €10 million to launch seventy highly successful mainstreaming projects. They are implemented in a range of ways, but one remaining consistent problem is that much of the real integration that was achieved under URBAN has been lost because of the sectoral nature of departments and of most national delivery. Sectoral programs lead to fragmentation. In the Yangtze Delta this has resulted in too much focus on economy, and not enough on environment. In our European cities, there has been too much focus on economy, and not enough on social development (and not enough on environment). Only through integrated programs using a single program structure can integrated results be achieved on the ground. This also means including the Social Fund alongside the Regional Fund.

Another set of programs manage the research dimension of urban policy. The European Spatial Planning Observation Network (ESPON) is one example. In the centre of the network is an organisation called NORDREGIO, a leading research centre. The accompanying slide showed a vast network across Europe.

URBAN Audit is a statistical exercise to try to better identify and understand the key issues in urban regions, and produces the State of European Cities Report.

The next section of Ramsden's presentation was a photographic illustration of the ways that three key cities reinvented themselves following the collapse of their respective manufacturing industries. Liverpool, once the world's largest port, used their position as home of The Beatles to launch a cultural renaissance. Funds were poured into Paul McCartney's old school, the Liverpool Institute of Performing Art (LIPA) and to build the Tate Gallery, Liverpool. Bilbao, in northern Spain, riven by civil war, floods and de-industrialisation, reinvented itself using the Guggenheim Museum, built by Frank Gehry. It was also the first city to have a social innovation park which leases electric cars put together by disabled people. Malmo, in South Sweden, after the collapse of its major ship building industry, converted the brown land into modern high quality low-carbon living space. These instances illustrate the success of good urban policy. It is also worth noting, however, that even though ways of innovating can be replicated to produce similar results, simply copying other cities' approaches - for example like Bilbao's construction of an iconic museum - is unlikely to be so successful.

URBACT is about how to make these kinds of developments which are a random set of events created by heroic individuals - doing good things in odd



places - to being an organised process that every city in the world can engage with to improve its policies.

A major challenge is that most of our welfare state was created in the late 1940s and 1950s some of those policies have not been significantly re-invented in the intervening sixty years. This is not the case in most other modern organisational systems. Companies which make mobile phones know that they would need to do better than other market leaders in the telecommunications industry such as Nokia etc in order to remain competitive. But there is no market for public policy in the same way. So we have to create other incentives to make bureaucrats innovate and transfer ideas more quickly.

This is URBACT's mission. It is a tiny program, just €70million for learning exchange and action. A typical project has ten city partners working together on a particular program, for example, how to make a modern heritage city, how to bring electric cars into the city, how to integrate migrants in the city. URBACT action planning methodology is very dynamic. Urban stakeholders are part of the formulation process, all the actors engaged in the problem are included in decision-making, that is the people who use the policy as well as the providers. Projects start by looking at the evidence base, go back to the indicators and the problems and try to understand those problems with stake-holders and other actors at each juncture. These projects are happening at scale - there is not just one or two of them. In 2011 there will be 400 Action Plans.

A major issue for URBACT is also integrating territory. Michael Parkinson says that in Europe we live in a 21st century economy, a 20th century government, with 19th century boundaries. This is applicable to China too. As Shanghai, for example, grows and outgrows its old space, the commuting district becomes larger, how do we organise to work within the real boundaries to develop one or two or three level governance that works in an agile efficient way?

Three projects currently address new ways of looking at management:

URBACT JOINING FORCES - managing transport, innovation, social inclusion, urban planning at a city and regional level

URBACT EGTC - managing European cities across national boundaries

URBACT LUMASEC - managing brown field regeneration through a four level approach. Making a city as compact as possible - reducing the urban sprawl - makes a city more carbon efficient. For example, Emscher Park, one of the most polluted areas of the former Ruhr steel coalfield, is a good example of how old land can find new uses.

JESSICA - new ways of integrating finance. It is a European approach to public private partnership using the regional fund as the meat in the sandwich.

Horizontal and vertical integration is one of the greatest challenges. URBACT is working to help to develop a new concept of diagonal integration to mix the two.

CONET - how to make departments work together in an effective ways to manage neighbourhoods in crisis

URBACT REGGOV involves vertical collaboration particularly between the managing authorities and the cities

NODUS - organises regeneration at the city regional scale

The lesson from URBACT's experience is that innovating in urban areas is a process that you can organise but can't be top down. The 'top' can inspire

the innovation, but the creativity has to come from the local level. Shanghai is the first city in China to have free education for children of migrant workers. This is an essential development for the future, but how do we get other cities to follow suit? These developments need to be encouraged and fostered at higher levels. It requires new capacities and new skills, and it requires practice. Departmentalism and institutional arrogance are a strong inhibitor to the spread of good new approaches. No problem can be solved at the same level as that at which it was created. This is certainly true of environmental pollution.

URBACT is a good example of the way that relatively small investments can dramatically add value to the project approach. Agile fast moving governance at a variety of levels is necessary in order to create genuinely innovative regions

Social innovation of governance and technological innovation is very important to remember when talking about how to develop smart inclusive sustainable growth.

CLOSING CEREMONY

RONALD HALL, Director DG Regional Policy, European Commission

Hall used four key priorities expected to be raised in the 12th 5-Year Plan to reflect on future EU-China cooperation. He said there are a clearly numerous things in common, not just in the recent past but also looking forward.

- The percentage of GDP devoted to wages compared to investment in China should move in favour of wages to continue to encourage the shift toward a consumer economy. This is an interesting point of convergence with the EU. The EU economy suffers from an over-emphasis on consumption, and not enough on investment, but this is not something the EU can address immediately because of the current severe financial crisis.

- A moderate growth strategy (compared to the high growth of the recent past). The CCP's definition of moderate growth (7% p.a.) is still at the dizzy heights of the unattainable for Europe, but growth is also a key priority for the EU. The Europe 2020 strategy emphasises the need for more growth centres of the style of Provence and Cote d'Azur, and more and more emphasis on education, particularly at the higher end.

- Political and taxation reform. Both are also relevant to Europe. Political reform is concerned with how we interpret territorial cohesion as has been demonstrated by presentations today on the Baltic Sea, the Yangtze River Delta, Paris, and across the EU. If taxation reform was raised at the EU level, the EU would say yes we would like some. This would release the EU budget from relying on contributions from members. This is one of the most remarkable differences between EU and China - the EU does not tax its citizens.



- Climate change. There is no more obvious example of the convergence of priorities between EU and China. The current EU strategy is to achieve 20-20-20 by 2020, that is that 20% of our energy is to be renewable, we will see a 20% improvement in energy efficiency and a 20% reduction in CO2 emissions by the year 2020.

In conclusion, Hall suggested that the EU and China have a growing field for cooperation. A number of priorities require action at the regional level, and are not the kind of priorities that can be achieved at the national level. Climate change, for example, has to be addressed at a multi-regional and multi-national level since problems are spatially differentiated - that is, that the degree of energy efficiency, or degree of emissions varies widely in different regions. Managing these problems requires a different form of organisation than characterises traditional national policies, and is an interesting and important field for cooperation.

ZOU YONG,
*Vice Director General of Regional
Economy Department*

This dialogue has been a very successful event full of rich content. This year is a critical year because it is the last year of the 11th 5-Year Plan, and the financial crisis and environmental challenges the world faces makes it a turning point year in world terms as well. Innovation is not new and sustainable development is not new, but there are new implications. The focus for China is to work on a regional focus for developing an effective public service delivery system, and on closing the development gap between different regions. He agreed wholeheartedly with an earlier speaker's comment that today's problems cannot be solved by using the same strategies as the past. We need to work towards new solutions.

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