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Highlights & Resources from the OED120 Policy Deep-Dive

*Regions of the Future:
Leveraging Digital and Green Technologies to Drive Innovation*

7 November 2023

HIGHLIGHTS OF THE CONVERSATION

On 7 November, **13 members** of the Open European Dialogue from Belgium, Cyprus, Estonia, Greece, Hungary, Ireland, Italy, Luxembourg, Malta, Serbia and the United Kingdom met to discuss the untapped potential of accelerating technological innovation by improving collaborating structures and opportunities among different regions in Europe.

With the rapid development of digital technologies, such as artificial intelligence, 5G, high-performance computing, and semiconductors, and green technologies, including wind and solar energies, hydrogen, heating pumps, recycling and waste management, the transition of Europe's economy is already underway.

What is still unclear, however, is whether these structural changes will only take place in already highly developed regions of the European continent. Policymakers are faced with the question: How can the need for technological innovation come to terms with the desire for increased regional cohesion and more equitable economic development across different regions?

Could more collaboration among regions with highly related technologies be the answer? And how could opportunities for more regional collaboration be explored?

Below, you will find the highlights of our conversation and some carefully selected resources on the subject.

The debate on the future of EU cohesion is now.

At the European Union, 392 billion euros were allocated to Cohesion Policy between 2021 and 2027. With the current review of the Multiannual Financial Framework (MFF), the debate on the future of this policy is happening right now.

Initiatives such as the [Strategic Technologies for Europe Platform \(STEP\)](#), for example, are aimed at steering EU funds into developing critical technologies and people who can implement those technologies into the economy.

Still, the risk of increased inequality between EU regions in the era of the twin transition remains. Right now, the innovation landscape is highly concentrated in specific areas in Europe, with a high number of patents being developed in just a few regions, such as Stockholm, Upper Bavaria, and Île-de-France.

To keep up with the transition of the economy, the rate of innovation in a region is a crucial determinant of its economic competitiveness and growth.

During the review period, policymakers can ask: How efficient is the current cohesion policy? Is the money going where it is most needed? Which other obstacles must be removed so regions can capitalise on their strengths in different technologies to innovate?

The policy window of opportunity is open and will set the scene for the upcoming years.

The best innovation partners are not necessarily within the same country.

Following the [EU's Smart Specialization Strategy \(S3\)](#), regions have been developing local innovation policy concepts to prioritise the sectors, fields and technologies they have the best conditions to develop and specialise in. However, the full potential of such specialisations has not been exhausted yet, leaving more room for the role of regions in innovation and growth.

Across Europe, there is a heterogeneity of different digital and green transition technologies, with no clear pattern or regional spreads into one specific field. Not all regions are situated to develop the same technologies at the same level. This shows that there is also no one-size-fits-all policy to address the development needs of different regions.

This regional heterogeneity of technological capabilities can be seen as an asset, especially when they are complementary to each other. Different regions can work together to access the technical capabilities they individually lack but that are key to developing green and digital technologies.

So far, most collaborations happen within national borders. Regions prefer to cooperate with other innovators from the same country, even though this does not match the complementarity potential across Europe. Reasons for this are manifold, from language barriers to different regulatory frameworks. How can policies enable collaboration across borders in the field of technological innovation?

“We need a smarter way to collaborate, but also to have more and better communication around this. It would be important to start communicating this to citizens as well.” – Member of the U.K. Parliament

“Coming from a country that always had to look outside, we try to encourage our research institutions to look across the borders. Nonetheless, from a policy perspective, it's often made quite difficult. I don't speak about operational issues like the attribution of patents. [...] We as politicians make it very often quite difficult to do cross-country collaboration. Be it because of different contract types, different public procurement systems, or different systems of how we finance research. In the end, it's very often much easier for a company or researchers to collaborate intra-country than to look outside.” – Member of the Luxembourg Parliament

“We have to find smart and better ways to overcome national biases and promote interregional cooperation. Only by targeting this untapped potential can we address EU cohesion and leadership.” – Guest Expert

For regions with highly related technologies, collaboration can be the fastest way to innovate.

Collaboration often proves to be the quickest route to innovation for regions that share closely related technologies. While countries tend to invest significant effort into creating new and groundbreaking technologies, there are instances where the best approach may involve seeking foreign partners with complementary technologies.

The story of the iPhone | In 2008, during the peak of the first highly advanced iPod, which encompassed nearly all the features of a smartphone minus the ability to make phone calls, the release of the iPhone marked a combination of the iPod touch with a smartphone. This confluence of products highlights the importance of relatedness in innovation. It emphasises the significance of identifying the missing components necessary to create 'the next big thing.' Whether this involves developing the missing element independently or seeking strategic partnerships, connecting existing knowledge and capabilities is crucial.

When dealing with complex technological endeavours, it becomes imperative to ask the right questions: What specific technology do we aim to develop? What existing technologies do we possess, and what components are lacking? This approach prioritises the integration of missing elements over inventing entirely new technologies. Furthermore, it underscores the potential efficiency and efficacy of pursuing partnerships rather than solely focusing on independent development, particularly when venturing into areas with high potential returns but limited prior experience.

“The EU single market is underperforming when it comes to actually fulfilling its collaboration potential. Regulatory sandboxes or free ports could be of interest to that.” – Guest Expert

“The issue is policy, in my opinion. That is the first thing. We need to find ways to have neutral cross-border settings, especially if it is not in the greater regions but really across Europe. Where we create those ‘free ports’ for research, innovation or collaboration. To get something where we have a common legal framework for researchers and people to collaborate without having different legal systems to take care of. The second part is to ease mutual comprehension in settings where language might still be an issue. How can we reskill or upskill the population that should be collaborating?” – Member of the Luxembourg Parliament

Collaboration does not come easy.

As the current status quo shows, there are still many hurdles to inter-regional collaboration across borders. Beyond the national bias of especially larger countries, the different regulatory frameworks, lack of information and high complexity of the technologies that are to be developed prevent regions from reaching out to potential new partners.

Overcoming these obstacles would require a proactive approach, as collaboration will not spontaneously materialise. Competition issues, playing a significant role in this domain, highlight the need for policy interventions.

Efforts to promote collaboration require a combination of piloting and experimentation, along with developing long-term strategies—a fundamental aspect often lacking in regional cooperation.

Emphasising collaboration as a cornerstone for growth and innovation, the challenge lies in operationalising this concept, especially in the face of competition. How can we imagine

cooperation across Europe to look like, and what steps do we have to take as policymakers and other stakeholders to get there?

“You will always find a willing other region or member state to actually work and collaborate with you. I don’t think that’s the difficulty. I think it’s more not having sufficient information as politicians to see where these opportunities lie.” – Member of the U.K. Parliament

“The Baltic Sea regions, for example, historically had closer and more strategic collaboration structures, yet currently, they have very limited opportunities to tap into the wider EU networks. We cannot work on the same 2-3 projects. We need a new eco-system of partnerships.” – Guest Expert

FURTHER RESOURCES

Read More | [Technological capabilities and the twin transition in Europe: Opportunities for regional collaboration and economic cohesion](#)

Europe is currently undergoing a digital and green transition that is changing the way its economy works. How well prepared are regions to capitalise on the twin transition? And what impact will it have on regional cohesion in Europe? This study from the Bertelsmann Stiftung investigates which economic, social and territorial imbalances are relevant for the European Union. They develop proposals on how to improve the EU’s internal market and how the EU can make better use of its policies and resources to strengthen cohesion in Europe.

- **Explore Data on your Region** | [Technological capabilities and the twin transition in Europe – scrollable version](#)

In this interactive version of the study, you can find overviews of tech portfolios across Europe, currently realised linkages between regions and explore potential complementary connections between regions.

Call for Evidence for an EU legal tool to solve cross-border obstacles | [EU cross-border regions – solutions to overcome legal and administrative obstacles](#) - open until 16 November!

The European Parliament has recently adopted a resolution with recommendations to the Commission on amending the proposed mechanism to resolve legal and administrative obstacles in a cross-border context. The European legislative procedure includes a “[call for evidence](#),” which is now open and aims to gather information from relevant stakeholders on the need for a European legal tool to resolve cross-border obstacles.

The call is seen as an opportunity for regional and local administrations, civil society and cross-border legal structures to provide information on the obstacles they face in their cross-border activities and existence.

Shared by your Colleagues | [The OED Centre for Entrepreneurship, SMEs, Regions and Cities \(CFE\)](#)

The Centre for Entrepreneurship, SMEs, Regions and Cities (CFE) helps national, regional and local governments unleash the potential of entrepreneurs and small and medium-sized

enterprises (SMEs), promote inclusive and sustainable growth in regions and cities, boost local job creation and implement sound tourism policies.

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