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- New economic growth & economic geography
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..... to what extent can distinct regional clusters be identified in the region, which sectors or functions they belong to, and how they may contribute to future development and economic growth

1. Introduction



The economic position of the Nordic countries and the Baltic Region has altered in the last two decades.

This is partly due to economics of transition and partly due revitalized growth performance and political initiative, i.e. VASAB & EU programs

- The EU Strategy for the Baltic Sea Region (BSR) aims at to contribute to more intensive cooperation between the Baltic Rim States, and is to some extent complementary to the first mentioned frameworks, also including non EU countries, and nations not directly located adjacent to the Baltic Sea.
- The EU strategy focuses on four areas: environment, economy, accessibility and security. Since the implementation of the strategy is financed from different EU funds in the area including the Baltic Sea Region Program, the strategy in many ways seems to be complementary and coordinating.

Topics and RQ's

- The purpose of this analysis is to focus on the economic development aspects embedded in these programs with special attention on innovation and knowledge development in a regional perspective.
- Innovation and cluster stimulation policies are widely used in regional business development policy, national as well as international – what are the international perspectives?
- The aim is to discuss the concepts in a theoretical perspective, and to investigate to what extent the concepts are visible in the BSR cooperation network for regional development and cooperation.

Strategies: 2000 =>2010 and beyond

The recently launched new version of the Lisbon Strategy under the heading 'The Europe 2020 Strategy' of the EU Commission formally sketched a vision for 'Europe's social market economy' using a well-known expression from the economic history of Germany after the second world. Despite the good intentions seems there to be a risk [that the implementation – also on the national level - will strengthen rather than softening the diversity between center and periphery in Europe.](#) In the next 10 years focus should be on three related and mutually reinforcing areas of priority (Commission of the European Communities 2010):

- **Smart growth, developing an economy based on knowledge and innovation;**
- **Sustainable growth, promoting a low-carbon, resource-efficient and competitive economy;**
- **Inclusive growth, fostering a high-employment economy delivering social and territorial cohesion.**

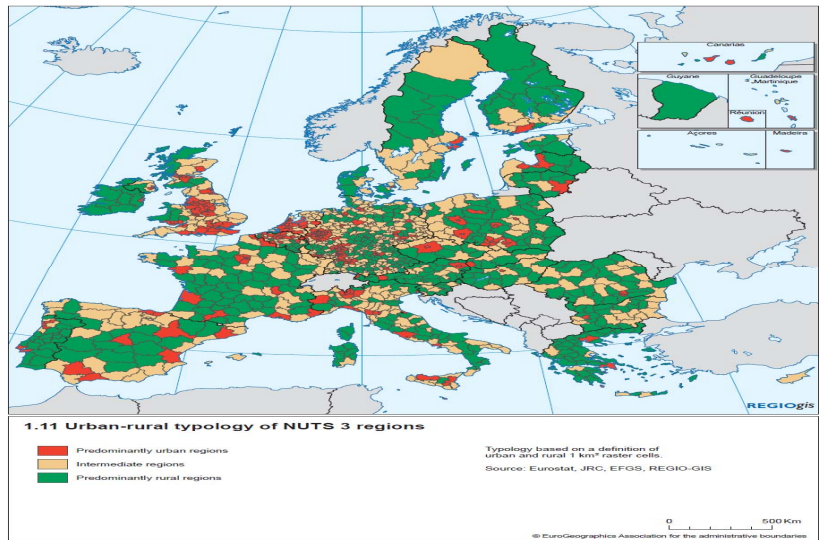


Table Ranked Innovation Performances by Indicators for the Baltic Rim

Indicators:	SW	FI	DK	GE	NO	PO	EE	LT	LV
Innovation drivers	2	1	3	19	6	25	14	15	22
Knowledge creation	1	2	11	5	18	24	31	25	28
Innovation & entrepreneurship	1	3	2	8	21	25	4	15	11
Applications	5	3	12	2	25	24	21	29	31
Intellectual property	5	4	6	2	18	26	25	30	28

Urban-rural typology NUTS 3

Source: European Union (2010): "Fifth report on economic, social and territorial cohesion"



Innovation and agglomeration:

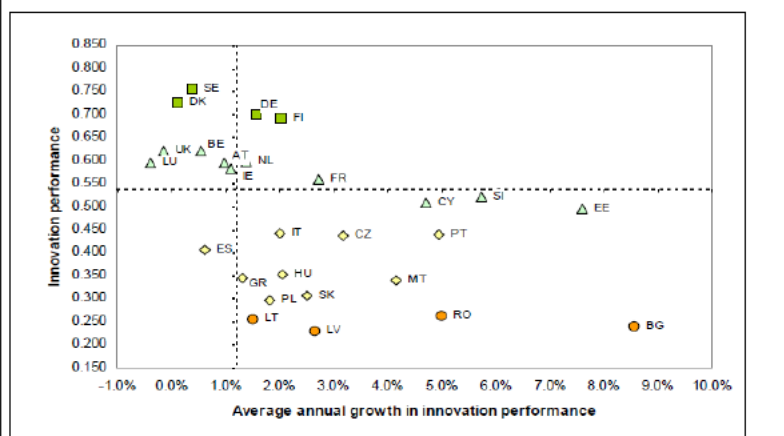


Table 5: Regional innovation potentials 2008 according to size of urban centers in the EU.

Variable:	Urban Rank Size selection :		Non-Urban Regions
	cities	regions	
Strong generators	32	29	39
Good performers	17	17	91
Weak absorbers	6	6	22
Weak diffusers	10	8	20
Weak absorbers and diffusers	6	5	34
N	71	65	206

Note: city classification according to rank size rule, regions with cities with at least 1/4 of the largest city in country included. Classification based on NUTS 2 or NUTS 1 if no regional division available. No data available for Cyprus. Population data latest available, usual 2003-2006.
Source: Inforegio database & European Union 2010

FIGURE 5: CONVERGENCE IN INNOVATION PERFORMANCE



Colour coding matches the groups of countries identified in Section 3.1. Average annual growth rates as calculated over a five-year period. Total growth can be derived by multiplying the average annual growth rate by 4. The dotted lines show EU27 performance and growth.



Scoreboard variables & Economic Performance I

- Turning first to the model in levels, ie. the model in the left panel, the negative coefficients means that performance will *lower* the level of GDP per capita.
- Interestingly, R&D in the public sector does not have significant impact on GDP in both models.
- Besides from the dummy for Baltic East, the only significant variables are knowledge workers and patents with the latter having the largest effect.
- It is likely that the significance - if knowledge works - especially is visible for the countries in Baltic East.



Scoreboard variables & Economic Performance II

- All together, our finding suggests a division or specialization in the Baltic where development in the Baltic West is devoted to patents, and in the Baltic East to knowledge skills of the labor force.

The investigated periode proofs a catch up of BSR-East: it was observed that the growth rates in Baltic East far exceed the growth rates in the Baltic West.

Conclusion and Discussion I



- With regard to innovation drivers four of the five Western Baltic nations are innovations leaders, and three of the four former command economies are in the catch up category.
- Only Norway and Estonia are in the group of moderate innovators
- The four innovation leaders actually have very high weight with regard to the most important new growth drivers, innovation, knowledge entrepreneurship and application
- In a policy perspective, only the private sector do have significant impact on GDP

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Conclusion and Discussion II



- The dichotomy of the overall innovation performance is quite heterogeneous and therefore it is not possible to provide a specific answer for the aim of the study
- Our data indicate that the issue is general and not specifically linked to the Northern part of Europe or the division between old and new market economies
- Rather it is an issue of rural vs. metropolitan dichotomy

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Figure From innovation & entrepreneurship to growth



Level /Measures	Innovation/ Entrepreneur- ship	Transfer of knowledge dissemination	Adaptation/im plementation	External growth environment
EU/supranational	x	↓ →	↘	↓
National	x	↓ →	↘	↓
Regional/local	x	→	→	<i>Regional growth</i>

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