



**THE LISBON STRATEGY AND THE  
NEIGHBOURHOOD POLICY FOR THE  
INTERNATIONALISATION OF THE  
INNOVATION SYSTEMS IN THE  
MEDITERRANEAN**

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## INTRODUCTION

This paper is a product of the work conducted as part of the project entitled “Towards a convergence of regional innovation and internationalisation policies and actions in the Mediterranean Basin”, implemented within the framework of RIM (the Réseau des Instituts de la Méditerranée).

The starting point for this project is the assumption that an integrated approach to internationalisation and innovation should be pursued in order to increase competitiveness in the Mediterranean Basin.

This paper has two objectives. First, it aims to gauge the extent to which and on the basis of what methods the link between innovation and internationalisation has been taken into account by EU policies, programmes and financial instruments.

Secondly, this paper explores the role played, if any, by the Mediterranean area in the implementation of EU policies on innovation.

In order to address these questions, the paper has been divided into two parts.

The first part of this paper deals with the first question above, analysing the role of innovation within the Lisbon Strategy and the definition of and approach to innovation adopted by the Strategy. At the same time, this section also looks at the concrete initiatives and programmes put in place in pursuit of the Lisbon objectives vis-à-vis innovation, focusing on their implications in terms of internationalisation.

The second part examines the role of innovation within the Euro-Mediterranean Partnership (EMP) and the European Neighbourhood policy (ENP), as well as the programmes and instruments instituted in the field of innovation. The observations made in this section of the paper will contribute to highlighting the differences and links between the EU's internal and external innovation strategies.

Finally, on the basis of the analysis conducted, conclusions are drawn and several recommendations are made.

### 1. Innovation and internationalisation in the Lisbon strategy

The Lisbon Strategy had its origins in the EU's increasing loss of competitiveness, due principally to fiercer international competition from Asia and the USA with serious repercussions for the EU in terms of reduced economic growth and productivity and with alarming consequences on employment and the sustainability of the European social model.

Essentially, while the emergence of new markets in Asia (China and India) opens up new opportunities, the low level of competitiveness of the EU and the intensification of international competition have, at the same time, had negative consequences with the loss of markets for EU's exports and the takeover of significant segments of the domestic market by international competitors.

Yet despite the poor results achieved thus far, the target fixed in Lisbon in 2000 of making the EU the most competitive knowledge-driven economy in the world by 2010 remains of great relevance. The Kok Group Report, which is at the heart of the revamped Lisbon Strategy, reiterates the link between internationalisation and the commitment to develop the knowledge economy: “In a global economy, Europe has no option but radically to improve its knowledge economy and underlying economic performance if it is to respond to the challenges of Asia and the US”<sup>1</sup>.

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<sup>1</sup> “Facing the challenge. The Lisbon strategy for growth and employment”, Report for the high level group chaired by Wim Kok”, November 2004, pp. 12 ([http://ec.europa.eu/growthandjobs/pdf/kok\\_report\\_en.pdf](http://ec.europa.eu/growthandjobs/pdf/kok_report_en.pdf))

Hence, underpinning the European strategy is the conviction that the future economic development of Europe will depend on its “ability to create and grow high-value, innovative and research-based sectors capable of competing with the best in the world”<sup>2</sup>.

The notion of the knowledge society hinges particularly on innovation, understood in its widest sense as “the renewal and enlargement of the range of products and services and the associated markets [technological innovation]; the establishment of new methods of production, supply and distribution; the introduction of changes in management, work organisation and the working conditions and skills of the workforce [organisational innovation]”<sup>3</sup>. In essence, the importance of organisational (or non-technological) innovation is highlighted alongside that of technological innovation. “It is eminently conceivable that weaknesses in organisational, presentational, value-added and business model innovation are as relevant to the slow pace of progress towards the Lisbon goals as is the evidently low level of R&D spending”<sup>4</sup>.

There is a tendency to consider research as the main driver of innovation, including in the Lisbon Strategy as conceived in 2000<sup>5</sup>. In its 2003 Communication<sup>6</sup>, the European Commission makes reference to the need to revisit the approach of the EU in relation to innovation, underlining the need for innovation policies not to concentrate solely on the relationship between innovation and research.

By contrast, the European strategy is a multisectoral one in which the relationship with research represents only one innovation driver, alongside education, technology transfer, entrepreneurship and finance. Thus, it is assumed that there is a multi-level framework for innovation policy, or that “innovation policy must often be implemented via other policies, to take account of the diversity of factors influencing innovation by enterprises”<sup>7</sup>.

More precisely, the Commission aims to create the necessary conditions for an “Innovation-friendly Europe” (see, in particular, the Aho Report<sup>8</sup>) “where innovation is not feared by the public but welcomed, is not hindered but encouraged, and where it is part of the core societal values and understood to work for the benefit of all its citizens”<sup>9</sup>.

“The shortcomings of the EU’s innovation system can be summarised as deficiencies in innovative resources and capabilities, in the incentives for innovation and in the interaction between innovation actors”<sup>10</sup>. In essence, the notion is that the creation of an “Innovation-friendly Europe” also presupposes interventions in the fields of education, entrepreneurship, technology transfer and finance<sup>11</sup>.

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<sup>2</sup> Ibidem, p. 19

<sup>3</sup> European Commission, “Green Paper on Innovation”, December 1995 COM (95) 688, pp. 2 ([http://europa.eu/documents/comm/green\\_papers/index\\_en.htm](http://europa.eu/documents/comm/green_papers/index_en.htm))

<sup>4</sup> European Commission, Communication “Innovation policy: updating the Union’s approach in the context of the Lisbon strategy”, Brussels, 11.03.2003, COM(2003) 112 def, pp. 7 ([http://eurlex.europa.eu/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!DocNumber&lg=it&type\\_doc=COMfinal&an\\_doc=2003&nu\\_doc=112](http://eurlex.europa.eu/smartapi/cgi/sga_doc?smartapi!celexplus!prod!DocNumber&lg=it&type_doc=COMfinal&an_doc=2003&nu_doc=112))

<sup>5</sup> European Commission, “The Lisbon European Council – An agenda of economic and social renewal for Europe. Contribution of the European Commission to the special European Council in Lisbon, 23-24<sup>th</sup> March 2000”, 28 February 2000, DOC/00/07

<sup>6</sup> European Commission, Communication “Innovation policy: updating the Union’s approach in the context of the Lisbon strategy”, 2003, cit.

<sup>7</sup> Ibidem, pp.9

<sup>8</sup> “Creating an innovative Europe”, Report of the Independent Expert Group on R&D and Innovation appointed following the Hampton Court Summit and chaired by Mr. Esko Aho, Gennaio 2006 ([http://ec.europa.eu/invest-in-research/pdf/download\\_en/aho\\_report.pdf](http://ec.europa.eu/invest-in-research/pdf/download_en/aho_report.pdf))

<sup>9</sup> European Commission, Communication “Putting knowledge into practice: A broad-based innovation strategy for EU”, Brussels, 13.09.2006 COM (2006) 502 final, pp. 3 ([http://eurlex.europa.eu/LexUriServ/site/en/com/2006/com2006\\_0502en01.pdf](http://eurlex.europa.eu/LexUriServ/site/en/com/2006/com2006_0502en01.pdf))

<sup>10</sup> Ibidem, pp. 16

<sup>11</sup> “Creating an innovative Europe”, Report of the Independent Expert Group on R&D and Innovation, 2006, cit.

Education (Education and Training) as a precondition means, on one hand, reform of the education system in order “to ensure that there is sufficient availability of key skills to support innovation”<sup>12</sup> but also means more targeted interventions. An earlier Communication of the Commission in 2005 concerned the need to focus on “Key competences for living and working in a modern innovation-oriented society. These include entrepreneurial skills in the wider sense, as well as literacy, scientific and mathematical competence, languages, learning-to-learn skills and social and cultural competences [as well as] digital literacy”<sup>13</sup>. Improvement in employee skills (lifelong learning) should also be added to the above.

Education must foster an entrepreneurial spirit, or a *forma mentis* capable of recognising opportunities which present themselves and of responding in an innovative way to market demand. Indeed, “while research is a major contributor to innovation, if there is no entrepreneurial action there is no value creation”<sup>14</sup>.

Support for entrepreneurship includes facilitating the start-up of new businesses. In particular, as well as competition, the creation of new businesses is also considered to be a stimulus for innovation: “In... fast-moving sectors it is the new enterprises with growth potential that are often the most innovative, forcing established enterprises to respond to the challenge by themselves becoming more innovative”<sup>15</sup>.

In this regard, the Commission once again considers internationalisation as an important stimulus for the creation of innovative enterprises and the use of innovation: “Open markets around the world are therefore important for encouraging innovation in the EU”<sup>16</sup>.

In encouraging innovation, the EU particularly takes into account the importance of interaction and collaboration between innovation actors<sup>17</sup> (stakeholders): “Today innovation is built around knowledge networks, which, by sharing, developing and accumulating knowledge, facilitate a rapid development of products and services out of new ideas”<sup>18</sup>.

In particular, in promoting these networks, the EU adopts the approach contained in the literature on innovation which since the beginning of the 1990s has focussed attention on the systemic aspect, with specific reference to national innovation systems<sup>19</sup>, highlighting at the same time the importance of local networks (clusters and industrial districts) as crucial areas for competition and as a laboratory for innovation<sup>20</sup>.

Thus, innovation depends above all on the environment/context in which interactions between innovation actors take place: “an innovation system is a social system, which means that innovations are the result of social interaction between economic actors”<sup>21</sup>. In this regard, the Innobarometer 2006

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<sup>12</sup> European Commission, Communication “Putting knowledge into practice: A broad-based innovation strategy for EU” (2006) cit. pp. 5

<sup>13</sup> Ibidem, pp.4

<sup>14</sup> European Commission, Communication “Innovation policy: updating the Union’s approach in the context of the Lisbon strategy”, 2003, cit., pp. 6

<sup>15</sup> Ibidem, pp. 6

<sup>16</sup> European Commission, Communication “Putting knowledge into practice: A broad-based innovation strategy for EU”, 2006, cit., pp. 6

<sup>17</sup> “It takes multiple actors to innovate and produce knowledge. Innovation does not depend solely on how individual enterprises, universities and research institutions perform, but also on how they interact with one another, and with the public sector” (“Arab Human Development Report”, UNDP, 2003, pp.97).

<sup>18</sup> European Commission, Communication “An innovation-friendly, modern Europe”, Brussels, 12.10.2006, COM(2006) 589 final, pp. 4-5

<sup>19</sup> Lundvall B.A., “National Systems of Innovation; Toward a Theory of innovation and Interactive Learning”, Pinter, London, 1992

<sup>20</sup> Porter M., “The Competitive Advantage of Nations”, The Free Press, New York, 1990

<sup>21</sup> Philip Cook, “Strategy for regional innovation systems: Learning transfer and applications”, United Nations Industrial Development Cooperation, Vienna, 2003, pp. 5

opinion poll stressed that companies which cooperate within clusters are among the most competitive in Europe.

Within the multi-actor framework of innovation, a pivotal role is played by policy governance, that is, the role of the institutions called on to act and the public policies adopted. It is a multi-level governance in which “policy influencing the innovation capabilities and behaviour of enterprises may be set at local, regional, national, EU or even global level. Coherence and complementarity between the different levels is clearly essential”<sup>22</sup>.

“EU institutions and Member States must together ensure that mechanisms are in place for “vertical” coordination, so that policies interlock at EU, national and regional levels”<sup>23</sup>.

In a multilevel governance of innovation policies, the EU is called on to act as a forum for discussion and for the exchange of best practices (even at the regional level, as in the case of the “Regions for Economic Change” initiative or Pro Inno Europe), but also to coordinate and oversee the process and, at the same time, to contribute to increasing finance for research and innovation. The Member States and the EU must join forces to stimulate the transnational dimension of technology transfer, very often lacking in the national and regional initiatives implemented.

The transnational dimension assumes importance particularly as it enables the speed and effectiveness of the spread of innovation through the economy to be increased and hence for there to be a greater impact on productivity and economic growth.

In addition to this, the Member States are called on to reinforce the national innovation system, taking into account the entire set of innovation drivers and to contribute equally with the EU to increasing funding for research and innovation (the so-called “Financial boost to research and innovation”). To this end, they “must build and strengthen their national innovation strategies, adopting an approach that is well-coordinated across all government departments with areas of responsibility having a bearing on the conditions for innovation”<sup>24</sup>.

Nevertheless, there is an acknowledgement that “it is at the regional level that the synergies between the various EU policies can be best exploited to strengthen the capacity for innovation.” The theoretical reference here is to the RIS (*Regional Innovation System*) approach<sup>25</sup>, which represents the application on a regional scale of the systemic concept of innovation introduced by Lundvall. Within the local context, the systemic dimension of innovation is emphasised, which springs from the presence of a multiplicity of actors within the system (in this case, the regional innovation system), namely businesses, associations of businesses, chambers of commerce, public research institutes, private R & D laboratories, training institutes, technology transfer agencies, professional training organisations, government agencies, regional and local public administrations and so on. The various actors in the territory cooperate with each other through networks which generate a process of continuous learning and local authorities play a fundamental role in nurturing these links. The Commission’s website contains the following statement: “Regions can be key players in the global economy: they are the first to be affected by economic changes and they represent the right “critical mass” to manage them(...)”<sup>26</sup>.

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<sup>22</sup> Commissione Europea, Comunicazione su “Politica dell’innovazione: aggiornare l’approccio all’Unione europea nel contesto della strategia di Lisbona”, 2003, cit, pp.9

<sup>23</sup> Ibidem, pp. 14

<sup>24</sup> European Commission, Communication “Innovation policy: updating the Union’s approach in the context of the Lisbon strategy”, 2003, cit., pp. 14

<sup>25</sup> Cooke P., Morgan K, “The associational economy. Firms, Regions and Innovation”, 1998, Oxford University Press, Oxford

<sup>26</sup> [http://ec.europa.eu/regional\\_policy/innovation/intro\\_en.htm](http://ec.europa.eu/regional_policy/innovation/intro_en.htm)

## 1.2. Which EU instruments are at the disposal of innovation policy?

On the basis of the recommendations in the Aho Report entitled “Creating an innovative Europe”<sup>27</sup>, the new programming of Structural Funds (the ERDF, the ESF and the Cohesion Fund) will represent one of the principal instruments for the implementation of research and innovation policy, acting on the various innovation drivers identified by the strategy itself.

The ESF, in particular, aims to intervene in the area of education, defined by the European strategy as one of the principal drivers of innovation, through interventions geared towards professional training and continuous education, but also through the introduction of reforms to innovation and education systems, especially in the least-developed regions covered by the Convergence Objective.

In general, the interventions financed by the ERDF will, on the other hand, be aimed at supporting the creation of effective regional innovation systems through, among other things, the reinforcement of regional capacity with respect to R & D innovation; support to R & D, particularly in SMEs, and to technology transfer; the creation of business clusters and networks; promotion of entrepreneurship and the financing of innovation by SMEs through new financial engineering instruments.

Alongside the Structural Funds measures, there are more specific instruments such as the 7<sup>th</sup> Framework Programme for Research (FP7) and the Competitiveness and Innovation Framework Programme (CIP).

The FP7, with its four specific programmes (Cooperation – 32.4 billion euro, Ideas – 7.5 billion euro, People – 4.7 billion euro and Capacities – 4 billion euro), encapsulates more than any other programme the basic approaches to promoting innovation under the Lisbon Strategy, placing particular emphasis on technology transfer by encouraging SMEs and associations of SMEs to outsource research activities to universities, research centres or other businesses with a higher degree of specialisation (the Capacities programme) or to create partnerships between businesses and universities (the People programme), and encouraging the development of research-oriented business clusters which involve various actors within the territory (such as universities, research centres, businesses and regional authorities).

Complementary to the FP7 is the Competitiveness and Innovation Framework Programme (CIP) which aims to foster the competitiveness of businesses (particularly SMEs) and all forms of innovation, accelerate the development of the information society, promote energy efficiency and the use of renewable energy. In particular, as regards SMEs, the programme for innovation and entrepreneurship, which facilitates access to credit and aims at creating an environment conducive to (especially cross-border) cooperation between businesses, is of special importance. It also supports all forms of innovation between businesses, eco-innovation, a culture of entrepreneurship and innovation, economic and administrative reforms which benefit businesses and innovation and the strengthening of services and networks of services centres for businesses.

The EU instruments also deal with the issue of poor access of businesses to finance, especially young and innovative enterprises, which constitutes one of the main obstacles to research and innovation identified in the revamped Lisbon Agenda<sup>28</sup>.

It was in order to deal with this hurdle that the European Commission and the European Investment Bank (EIB) joined forces to set up the Risk Sharing Finance Facility (RSFF). The RSFF is an innovative scheme which aims to improve access to debt financing for private companies or public institutions promoting activities in the fields of research, technological development demonstration and innovation investments.

In addition, the EIB has also participated in the implementation of the Lisbon Strategy through the Innovation 2010 initiative (i2i) via interventions in the following sectors: research, development and

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<sup>27</sup> “Creating an innovative Europe”, Report of the Independent Expert Group on R&D and Innovation, 2006, cit.

<sup>28</sup> European Commission, “Communication to the Spring European Council. Working together for growth and jobs. A new start for the Lisbon Strategy”, cit.

innovation; development of innovative SMEs and entrepreneurship; human capital formation; and information and communications technology and networks. Within this context, around two thirds of the EIB's financing is allocated to projects located in the least-developed regions of the European Union, in order to provide citizens with equal access to technologies and to counterbalance the tendency to concentrate investments in the wealthier regions of the EU, as a contribution towards achieving greater socio-economic cohesion. The European Investment Fund also finances i2i through equity interests in capital-venture funds.

In addition to the above, the EU initiative JEREMIE (Joint European Resources for Micro to Medium Enterprises) should be mentioned. The initiative was jointly launched within the ambit of cohesion policy by the European Commission, the European Investment Bank (EIB) and the European Investment Fund (EIF) for the purpose of facilitating access to credit for small to medium-sized European enterprises.

### **1.3. What are the implications of the European instruments in terms of the interaction between innovation and internationalisation?**

So what are the implications of the EU instruments in terms of internationalisation and, in particular, for SMEs? From an analysis of the EU instruments that may be called on in working towards achieving the goals set by the Lisbon Agenda, a clear link emerges between innovation and internationalisation, which manifests itself in different ways.

As a first step, this link emerges from the activities of specific European business support networks (such as the Business and Innovation centres – BICs; the Innovation Relay Centres – IRCs; B2 Europe), set up to provide services in order to favour the creation of new innovative businesses and help existing ones to innovate in a context of internationalisation. In addition, they are also called to provide businesses information on Commission programmes and in encouraging business relationships and co-operation between companies. This is especially the case of the Euroinfo centres (EICs), but also of the Gate2Growth<sup>29</sup> initiative, an online portal aiming at supporting innovative entrepreneurs in Europe as well as at assisting Innovation Professionals to improve their capacity to assist entrepreneurs by fostering networking and the exchange of experience and good practice at European level.

Beyond these instruments specifically dedicated to business, and SME's in particular, the EU instruments facilitate internationalisation, especially through trans-national cooperation between European innovation actors.

The EU instruments promote cooperation between economic actors (businesses) and research actors (universities and research centres) for the purpose of enabling technology transfer and bridging the cultural gap which so often divides the business and research spheres. As well as the actions under the FP7, the creation of a European Institute of Technology (EIT) should also be considered as coming under this umbrella.

Another similar example is provided by the European Technology Platforms (ETPs). To date there are around thirty<sup>30</sup> in existence. The objective is that of facilitating cooperation between actors in the academic and research world on the one hand and industry on the other, and to tailor it to a common "Strategic Research Agenda" (SRA), which sets out R & D goals, timeframes and action plans for technological advances that are relevant to industry and society. In 2005, the EU reiterated its commitment to developing Technology Platforms. These platforms are a vital part of the FP7 as the achievement of ETP objectives will significantly improve the daily lives of European citizens in many areas.

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<sup>29</sup> <http://www.gate2growth.com/>

<sup>30</sup> [http://cordis.europa.eu/technology-platforms/individual\\_en.html](http://cordis.europa.eu/technology-platforms/individual_en.html)



Alongside transnational cooperation aimed at technology transfer, the EU also encourages cooperation and the creation of partnerships between all innovation actors, in support of a systemic concept of innovation.

An example of this is the Pro Inno Europe and Europe Innova initiatives, through which it is hoped to improve transnational cooperation and the exchange of experience and best practices between the various types of actors (first and foremost the regions, universities, businesses and research centres) with respect to innovation policy in Europe.

Launched in 2005, PRO INNO Europe<sup>31</sup> (“Promoting Innovation in Europe”) is an initiative of Directorate General Enterprise and Industry, aims at becoming “focal point for innovation policy analysis, learning and development in Europe, with the view to learning from the best and contributing to the development of new and better innovation policies in Europe”. Moreover, it provides a learning platform for trans-national co-operation; facilitating dialogue between public authorities, industry and academia on innovation policy (through the INNO-Views building block) and preparing authorities for trans-national cooperation through the INNO Learning Platform.

Europe Innova aspires to be the focal point for innovation networking in Europe, through informing, assisting, mobilising and networking the key stakeholders in the field of entrepreneurial innovation, including firm managers, policy makers, cluster managers, investors and relevant associations. At this aim, it has adopted a sector-based approach in order to lead to sound and targeted policy measures; and to activate cooperation between business clusters in Europe through the establishment of networks between clusters that operate in the same or different domains. Through such cooperation it is envisaged that existing clusters will adopt "outward looking" approaches by establishing learning platforms for exchanging experiences, information, good practice and knowledge.

The EU instruments enable connections to be made also between the specific categories of innovation actors. The European Cluster Alliance - an umbrella initiative that brings together a number of cluster initiatives supported under the PRO INNO Europe and Europe INNOVA initiatives – represents an open platform for cooperation in the area of cluster policy, such as exchanges of good practices, the organisation of thematic workshops, and the development of new policy instruments.

Nevertheless, many instruments have been reserved to the regional and local authorities (ex. Innovating Regions in Europe - IRE, ERIK and PAXIS). The IRE<sup>32</sup> is of particular interest. Based on the Regional Innovation System approach, its aim is to support innovation policy makers and other relevant regional stakeholders in identifying interesting ideas capable of helping them in launching new actions or improving existing ones in the field of regional innovation.

Moreover, the creation of European business contacts is possible through European programmes such as CIP, but also through the FP7. The latter aims, among other things, to encourage transnational staff exchanges for businesses operating in the least-advanced regions, transnational cooperation between SMEs in the field of research (the Cooperation programme<sup>33</sup>) and competition on the basis of areas of excellence (Ideas), and cooperation between regional clusters of businesses (the Capacity programme<sup>34</sup>), especially under the “Regions of Knowledge” initiative. Initially launched under the IRE, the latter initiative supports the analysis, development and implementation of research strategies for clusters of industries at a regional or cross-border level, assistance from more advanced regions to regions with a lower research profile, initiatives to increase regional integration and information dissemination activities such as conferences, seminars and publications.

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<sup>31</sup> <http://www.proinno-europe.eu/>

<sup>32</sup> [http://www.innovating-regions.org/network/presentation/ire\\_regions.cfm](http://www.innovating-regions.org/network/presentation/ire_regions.cfm)

<sup>33</sup> The programme is structured along the lines of 9 complementary thematic areas: health: food products, agriculture and biotechnology; information and communications technology; nanoscience, nanotechnology, materials and new production technologies; energy; the environment; transport; socio-economic sciences and the humanities; and security and space.

<sup>34</sup> In particular, for these purposes the ERA-NET Scheme was established which supports cooperation and coordination of research activities conducted at the national and regional levels through the creation of transnational research networks and programmes.

As far as regional authorities are concerned, the “economic and administrative reforms favouring businesses and innovation” component under CIP also encourages the exchange of experience between national, regional and local administrations in order to achieve areas of excellence. The participation of the regions in the CIP is particularly envisaged in relation to the development of policies, studies and the exchange of best practices, with the aim of improving the regulatory and administrative context for businesses. Twinning activities between national and regional authorities may also be undertaken in order to follow up on recommendations relating to policy development activities.

Yet once again, it is particularly in relation to economic and social cohesion policy that interaction between the regions is encouraged, with the provision of an interregional component under the “Convergence” and “Competitiveness” objectives, but above all under the “Territorial Cooperation” objective and especially in transnational cooperation programmes and interregional cooperation programmes (INTERREG IV C).

In the framework of the European Regional policy, it is worth mentioning that for the period 2007-2013 a total budget of € 375 million has been dedicated to “Region for economic change”, to be implemented in the framework of the “Interregional Co-operation” (Interreg IV C) and of the Urban development network programmes, on specific thematic areas among which the “encouragement of innovation, entrepreneurship and the growth of the knowledge economy by research and innovation capacities, including eco-innovation, new information and communication technologies”.

Considering the numerous European instruments dedicated to the realisation of Lisbon objectives and, among them, the encouragement of innovation, the European Commission has recently manifested the need that the various sources of funding (the cohesion policy instruments; FP7 and CIP) be used in a coherent way. At this aim, the responsibility relies on Member States and, in particular, on regions. In this respect, European Regional Policy Commissioner Danuta Hubner claimed that “the capacity of those making decisions about their regions to turn knowledge into growth will have a decisive impact on the future. So we need to use all means that we have to make this positive relationship between regions and research flourish”<sup>35</sup>. This statement follows a recent Communication<sup>36</sup> where the Commission, showing the synergies of the said funding instruments, stressed how these “synergies should now be translated into synergies of action by national and regional authorities as well as regional actors”. Furthermore, although recognising existing difficulties in coordinating the European policies concerned (EU’s Research policy, Innovation policy and Cohesion policy) due to different legal basis and implementation methods, the Commission goes as far as to affirm the need to go beyond complementarity toward coordination and the use “of funding from two different Community sources for the same set of eligible costs”<sup>37</sup>. At this aim, the Commission is preparing “a practical guide looking at the funding opportunities through the eyes of a research institution or a company wishing to use EU funding to undertake research and innovation activities”<sup>38</sup>.

## **2. Transnational cooperation for innovation and internationalisation in the Mediterranean**

From the analysis undertaken, the link between innovation and internationalisation would seem to have Eurocentric overtones, aimed at creating a European research and innovation system. Reference to other geographic areas is made almost entirely for the purposes of comparison with the United States

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<sup>35</sup> “European Commission demands better use of European research, innovation and cohesion funding”, Press Release, Brussels, 10 September 2007

(<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/1291&format=HTML&age>)

<sup>36</sup> European Commission, Communication “Competitive European regions through research and innovation. A contribution to more growth and more better jobs”, Brussels, 16.08.2007, COM(2007) 474 final (<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52007DC0474:EN:NOT>)

<sup>37</sup> Ibidem, pp.6

<sup>38</sup> Ibidem, pp. 6

and Asia, highlighting a lag in the EU and hence the risks that this entails within the globalisation process.

The absence of any mention of the Mediterranean area in the Commission's official documents regarding the Lisbon Strategy would seem to exclude the existence of a European plan intended to create a Euro-Mediterranean innovation system, or which even considers the Mediterranean area as strategic in the creation of a European innovation system.

Nevertheless, innovation does feature among the priorities of the Euro-Mediterranean Partnership and the European Neighbourhood Policy (ENP).

Association Agreements attribute a significant role to research and development within the economic cooperation underlying the Euro-Mediterranean Partnership. In this case, the objectives also pursued within the EU's borders, such as the promotion of synergies between training and research, the reinforcement of research capacity, the stimulation of technological innovation and the transfer of new technologies and know-how, resurface here - dedicating an area for cooperation and for the promotion of exchanges of know-how and best practices between European partners and other partners from the southern shores of the Mediterranean.

The importance of the link between innovation and the development of SMEs, however, was only expressly acknowledged during the 5<sup>th</sup> Euro-Mediterranean Conference of Industry Ministers (Caserta, 2004)<sup>39</sup>, which adopted the "Euro-Mediterranean Charter for Enterprise"<sup>40</sup> (hereinafter referred to as the "Charter"). To this end, the Charter pursues the objective of reinforcing the capacity of businesses to innovate, also by encouraging the use of new technologies and the fostering of a culture of innovation (education as a driver) and the establishment of appropriate financial and tax mechanisms and of knowledge-based services for enterprises.

In the ENP Action Plans, implementation of the Charter has been included under the section dedicated to "Enterprise Policy", together with actions of a more general nature aimed at the development of the private sector (including institution-building and improvement of the business climate by eliminating obstacles of an institutional and regulatory nature). While the Action Plans have a similar structure for nearly all the partner countries on the southern shores of the Mediterranean, the link between innovation and businesses is dealt with in a more detailed and heterogeneous way in the Actions Plans of Morocco and Tunisia. Indeed, in the latter cases, the list of actions is extended to the creation of services for businesses to stimulate business opportunities and innovation, but also to interaction with European partners through the development of partnerships with European businesses (Tunisia), the establishment of SME networks and investment support structures, and the fostering of dialogue between those operating in the research sphere and end-users.

The reinforcement of Euro-Mediterranean networks and partnerships with respect to innovation is pursued with other partners from the southern shores of the Mediterranean by offering them the ability to participate in European programmes such as CIP and the 7<sup>th</sup> Framework Programme. The latter especially encourages international cooperation in all its specific programmes. In particular, the Capacity programme provides the framework for the International Cooperation (INCO) programme for scientific and technological cooperation with third countries, with the aim of setting up cooperation projects between regions, services centres or, SMEs, universities and others active in the field of scientific and technological research.

Interaction between innovation actors also features in the regional cooperation strand of the European Neighbourhood and Partnership Instrument (ENPI), a financing instrument of the ENP, particularly through the refinancing of the EUMEDIS programme.

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<sup>39</sup> For further information see: [http://ec.europa.eu/enterprise/enterprise\\_policy/ind\\_coop\\_programmes/med/charter.htm](http://ec.europa.eu/enterprise/enterprise_policy/ind_coop_programmes/med/charter.htm)

<sup>40</sup> Available at: [http://ec.europa.eu/enterprise/enterprise\\_policy/charter/docs/charter\\_en.pdf](http://ec.europa.eu/enterprise/enterprise_policy/charter/docs/charter_en.pdf)

Launched in 1998, the **EUMEDIS**<sup>41</sup> programme is aimed at responding to the objective set by the Barcelona Declaration of contributing to the expansion and improvement in quality of the Euro-Mediterranean information society, by pursuing: the harmonious development of information technology in the MEDA region, improvement in the interrelationship between Euro-Mediterranean actors through the use of information technology, and the creation of new professional skills and electronic platforms to expand the application of ICT in the MEDA countries. To this end, the programme has funded the creation of a network of Mediterranean focal points for the development of the information society and online interconnectivity between the European research network and Mediterranean research networks (EUMEDconnect), as well pilot projects in various sectors in favour of SMEs, including the **industry, research and innovation** sector<sup>42</sup> which is of particular interest from the point of view of the promotion of innovation. In this sector, EUMEDIS projects have pursued the objective of encouraging the establishment of businesses based on new technology and facilitating their spread even in traditional industrial sectors (for instance, 'MEDPRIDE - Mediterranean Project for Innovation Development'), but also of facilitating the access of Euro-Mediterranean-region SMEs to the information society through a greater and improved use of new technology (for instance, the 'ICT Solutions in the Mediterranean SMEs' project). In addition, EUMEDIS has contributed to ensuring that new technology is placed at the service of SMEs, with a view to improving competitiveness. The 'SMITE - Improving Competitiveness of SMEs through IT-based Environmental Business Planning' project was aimed at increasing the competitiveness of businesses operating in the environmental field, through the creation of a website targeting operators in the sector to be used as a vehicle for spreading and exchanging information, and to improve the expertise of businesses in the field of environmental management by establishing an *ad hoc* database.

Innovation is also at the heart of the Innovation, Technology and Quality Programme – Medibtikar<sup>43</sup> (derived from MEDiterranean and Ibtikar, Arabic for innovation)<sup>44</sup>.

Financed by MEDA resources (7.3 million euro) and operational until 2009, MEDIBTIKAR aims to provide businesses from the Mediterranean partner countries with the means for improving competitiveness and innovation, in order to promote a culture of innovation and to open the way for the reinforcement and - in many cases - the establishment of the relevant legal framework. The MEDIBTIKAR programme could be seen in a way like an interface, fostering the transfer of knowledge and helping competencies meet.

In particular MEDIBTIKAR aims at:

- Encouraging good practice in technology and knowledge transfer by administrations, enterprises, industry federations, chambers of commerce, etc.
- Supporting the creation and/or improvement of intermediary organisations in charge of implementing support policies for SMEs (Innovation and Technology Centers- ITCs, TechnoParks, Incubators).
- Supporting innovation management, from the development of a national innovation strategy to the identification of services to provide to SMEs.

To achieve its objectives, the Programme has a number of regional tools at its disposal:

- Organisation of awareness events
- Delivery of training sessions
- Workshops and Networks

<sup>41</sup> For further information see: <http://www.eumedis.net/en/>

<sup>42</sup> For further information see: <http://www.eumedis.net/en/projects/sector/>

<sup>43</sup> For further information see: <http://www.medibtikar.eu/>

<sup>44</sup> Medibtikar's operational base is Cairo, Egypt. The Programme is supervised by European Commission Delegation in Cairo and run by Intrasoft International, a Luxembourg based consultancy firm.

- Production of reports, studies and guidebooks
- Meetings between Euro-Mediterranean innovation players

Also the Facility for Euro-Mediterranean Investment and Partnership (FEMIP)<sup>45</sup> contributes to the promotion of innovation in the region by using a diversified range of products including loans, private equity and technical assistance. Through its long-term loans, it supports investments in Research and Development (R&D) promoted by public and private entities. The “Technopoles” project, which consists in the construction of five technology parks in Tunisia, serves as a good example. The project forms part of the Tunisian Government’s “Futurist Programme” launched in October 1999, under which it is intended to establish a series of twelve regional technology parks in the vicinity of major universities and industrial areas. The objective is to contribute to the creation of a scientific and technological research network designed to speed up the development of high value-added activities in the country.

FEMIP also encourages the improvement of access to education and training by financing learning interventions throughout the education life cycle. It is funding, for example, the creation and extension of some 30 professional training centres in the tourism, textile, and communication sectors in Morocco. Besides, FEMIP encourages a transfer of knowledge and know-how through its technical assistance operations, which contribute to the reinforcement of the private sector and local administration capacities.

FEMIP also promotes innovation and entrepreneurship through its private equity operations. By providing direct, unguaranteed financing, private equity operations improve the access of SMEs to finance. It should be noted that some operations are specifically designed to provide financing to SMEs and start-ups in innovative sectors. FEMIP has now developed its private equity activity to the point where it has become the most active risk capital investor in the region, with a portfolio of over EUR 380 million involving more than 750 operations, including 22 investment funds and the acquisition of numerous holdings in local companies.

Lastly, FEMIP supports the development of knowledge networks and the circulation of ideas by providing a platform for dialogue that operates at three levels: the Ministerial Council, the Advisory Committee and the FEMIP Conferences. Issues considered in the meetings/conferences include: privatisations, modernisation of the banking and financial markets, innovative financing instruments, water and sanitation, transport, energy, worker’s remittances, tourism and microfinance.

In summary, then, even under the ENP the link between innovation and internationalisation particularly takes the form of transnational cooperation with European partners. It is worth noting, however, that the objective pursued is especially that of increasing the exchange of experience and contacts between innovation actors, with the aim of increasing the competitiveness of businesses from the southern shores of the Mediterranean in cooperation with those from the northern shore.

On the other hand, it should be noted that the regions of the Mediterranean basin have given more attention to the issue under the cross-border cooperation component of ENPI. In particular, the ENPI/CBC Mediterranean Sea Basin programme will promote trans-national cooperation in the field of research and innovation with the aim of encouraging the introduction of innovative practices within local production systems. To this end, the programme will favour activities that are aimed at creating transnational networks between production clusters and at promoting cooperation activities between partner regions as well as encouraging the involvement of other categories of actors within the territory, including: businesses, research institutes, technology parks and services centres.

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<sup>45</sup> With almost EUR 6 billion of financing provided between October 2002 and December 2006, FEMIP is now the key player in the economic and financial partnership between Europe and the Mediterranean. Over the period 2007-2013, FEMIP will have at its disposal EUR 10.7 billion to support projects in the region. These resources will be augmented with EU budget resources for technical assistance and private equity activities.

Nevertheless, the fact that the Commission considered “global promotion of EU norms and standards and innovative initiatives” to be a fundamental element for ensuring “a decisive first mover advantage to European companies”<sup>46</sup> raises a new link between the ENP, innovation and internationalisation. In fact, the ENP makes the integration of partner countries to the internal market conditional on the transfer of the *acquis communautaire* and the attainment of EU standards.

In essence, through the ENP and the instruments made available by ENPI, it will be possible to transfer the European culture of innovation to the partner countries and to bring the innovation policies and systems of the partner countries closer to those of the EU. One possible avenue is participation in the Twinning<sup>47</sup> or TAIEX<sup>48</sup> programmes, through the organisation of twinning and technical assistance activities respectively.

At the same time, innovation culture is also passed on through training and awareness-raising activities, underlining the importance of the university sphere and its connection with the production system. The ERASMUS MUNDUS programme and the TEMPUS programme, financed under the interregional component of ENPI, seem in part to be instrumental in achieving this objective, enabling the transfer of students and academics respectively from partner countries to the EU, even if for a limited period, while also fostering cooperation between universities (TEMPUS).

## CONCLUSIONS

Based on the premise that “internationalisation and innovation are interdependent”, this paper aims to contribute to the work of the RIM project by analysing the extent to which internationalisation and innovation are linked within EU policies and the role played by Mediterranean partners in the implementation of the EU’s innovation strategy.

As regards the first issue, the analysis in this paper shows that the Lisbon Strategy recognises the existence of a link between internationalisation and innovation, with innovation being seen as fundamentally important in order to increase the competitiveness of an EU facing intensified international competition, especially from Asia (China and India) and the US. At the same time, the Commission considers internationalisation as an important stimulus for the creation of innovative enterprises and the use of innovation.

At EU level, the emphasis is put on the interaction between innovation actors and, above all, on the context in which these interactions take place (national innovation systems), stressing at the same time the importance of the local context (regional innovation systems) in strengthening the capacity for innovation. The various actors within the territory cooperate with each other through networks which generate a process of continuous learning. Local authorities play a fundamental role in nurturing these links.

It is recognised, however, that interactions through transnational cooperation have spillover effects on innovation. The transnational dimension of cooperation assumes importance particularly as it enables the speed and effectiveness with which innovation spreads through the economy to be increased and, hence, for there to be a greater impact on productivity and economic growth.

Considering the multisectoral character of the EU’s innovation strategy, internal policies promote interactions both at national and regional level (particularly within programmes financed by the Structural Funds) and at transnational level, developing knowledge networks and the circulation of ideas as well as cooperation between the different innovation actors (e.g. European platforms and initiatives; Territorial Cooperation under the Structural Funds; FP7 and the CIP).

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<sup>46</sup> European Commission, Communication “Putting knowledge into practice: A broad-based innovation strategy for EU”, cit. pp 6

<sup>47</sup> For further information see: [http://www.esteri.it/Ita/5\\_34\\_170.asp](http://www.esteri.it/Ita/5_34_170.asp)

<sup>48</sup> For further information see: [http://www.center.gov.ua/data/upload/news/main/ua/232/Oct2006-Leaflet\\_ENP-Front\\_and\\_Rear-FINAL.pdf](http://www.center.gov.ua/data/upload/news/main/ua/232/Oct2006-Leaflet_ENP-Front_and_Rear-FINAL.pdf)

The second aim of this paper is to explore the role of the Mediterranean partners in the implementation of EU innovation strategy and, in particular, to determine whether the creation of a “Euro-Mediterranean innovation system” has actually been envisaged.

The fact that the Commission considered “global promotion of EU norms and standards and innovative initiatives” to be a fundamental element for ensuring “a decisive first mover advantage to European companies” raises a new link between the ENP, innovation and internationalisation. Indeed, the ENP makes the integration of partner countries to the internal market conditional on the transfer of the *acquis communautaire* and the attainment of EU standards.

Nevertheless, from the analysis conducted, EU innovation strategy would seem to have Eurocentric overtones aimed at creating a European research and innovation system. Reference to other geographic areas is made almost entirely for the purposes of comparison with the United States and Asia, highlighting a lag in the EU and hence the risks that this entails within the globalisation process.

It is worth noting that despite its multisectoral character, the Lisbon Strategy official documents do not establish a clear link with EU external policies and do not clarify their role in achieving the Lisbon objectives.

By contrast, innovation does feature among the priorities of the Euro-Mediterranean Partnership (EMP) and the European Neighbourhood Policy (ENP), and instruments have been put in place to promote innovation in southern partner countries.

Innovation is particularly pursued through regional programmes (e.g. EUMEDIS and MEDIBTIKAR, but also TEMPUS and ERASMUS MUNDUS), which promote experience exchanges and provide opportunities for cooperation between EU and southern partners. Good opportunities are also offered by other European programmes such as FP7 and, most recently, the CIP.

It is worth noting, however, that in these cases the objective pursued is especially that of increasing the exchange of experience and contacts between innovation actors, with the aim of increasing the competitiveness of businesses from the southern shores of the Mediterranean in cooperation with those from the northern shore.

Consequently, it is possible to conclude that no specific role has been accorded the Mediterranean vis-à-vis the implementation of EU innovation strategy; nor have the foundations for the creation of a Euro-Mediterranean innovation system been laid yet.

In a sense, the regions of the Mediterranean basin have been more adventurous in this regard. The cross-border cooperation component of ENPI and, in particular, the ENPI/CBC Mediterranean Sea Basin programme, will promote transnational cooperation in the field of research and innovation with the aim of encouraging the introduction of innovative practices within local production systems. To this end, the programme will favour activities that are aimed at creating transnational networks between production clusters and at promoting cooperation activities between partner regions as well as encouraging the involvement of other categories of actors within the territory, including businesses, research institutes, technology parks and services centres.

By way of conclusion, in light of the results of the analysis and the interviews conducted, it is suggested that the following areas concerning EU policy need to be addressed:

- A clear link needs to be established between the Lisbon Strategy and EU external cooperation policies. This could strengthen the role of innovation within the context of EMP and ENP priorities, and consequently improve the instruments and programmes in this field geared towards SMCs (South Mediterranean Countries);
- A study needs to be carried out exploring the possibilities for achieving greater complementarity, and possibly coordination, between funds and programmes dedicated to

innovation in the SMCs, following the example of the work already undertaken in this regard at the EU's internal level;

- The MEDIBTIKAR programme represents a first good experience much welcomed by southern Mediterranean partners. It has contributed, among other things, to spreading information and a better understanding of innovation practices in the southern partner countries, as well as promoting networking and institution building of key southern Mediterranean innovation actors. Notwithstanding this, in the future major efforts will be needed to support the ongoing initiatives of many SMCs in creating and reinforcing their national innovation systems;
- To this end, activities aimed at institutional building, providing technical assistance and exchanging best practices with European counterparts should be reinforced. At EU level, there are various practices which could be replicated in the southern Mediterranean area with respect to the various aspects of innovation (e.g. technology transfer, education, research and financing) and the different categories of innovation actors;
- This process could be carried out through existing programmes, such as the Twinning or TAIEX programmes;
- Another option is to create an *ad hoc* programme, or to add the exchange of innovation experiences to the activities of a possible second phase of the MEDIBTIKAR programme;
- It is important that the peculiarities of the SMCs be taken into account, ensuring that all activities are strictly pertinent to SMC local needs. In this regard, the results and outputs of the MEDIBTIKAR programmes could provide donor organisations with valuable feedback on the real needs of beneficiary organisations;
- Although national contacts points have been established, there is still a need to strengthen the capacity of SMCs to participate in FP7, especially as far as the preparation of proposals is concerned. Moreover, further efforts need to be made to raise awareness regarding the opportunities that this programme affords;
- At the same time, the “entry ticket”<sup>49</sup> clause of the CIP programme needs to be modified as it is likely to considerably limit the participation of SMCs. Indeed, it is not surprising that, up till now, Israel is the only SMC to have applied to participate in the programme;
- Efforts should also be undertaken to promote a regional approach to innovation. ENPI CBC programmes could represent a first step in that direction. However, despite the innovative content of CBC programmes, questions persist regarding the efficacy of this kind of cooperation, considering the difficulties in finalising operational programmes and the likely reticence of southern partners to adopting a more decentralised approach with respect to innovation policies; and
- Finally, there needs to be greater coordination between ENPI CBC programmes involving Mediterranean partners and other programmes financed under the Territorial Cooperation objective of the Structural Funds - as is the case, for example, with the MED programme and the INTERREG IVC programme.

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<sup>49</sup> The financial contribution (“entry ticket”) for participation is based on a multiplier which is applied to the annual budget for the relevant specific programme. For example, with respect to the EIP and ICT specific programmes, this multiplier is calculated according to the ratio of the relevant country's GDP to the GDP of EU Member States.