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## Ústí Region Case Study - Enhancing International Competitiveness based on Smart Specialisation

### The Challenge:

For many years the Ústí Region was the centre of heavy industry, coal mining, steel and chemicals in the Czech Republic. Since the nineties, the region has entered a period of economic transition and it has been essential to limit the impacts of the decline of heavy industry (and its environmental impact) as well enhancing quality of life in the region.

With support from the Czech government, the Region has focused on establishing industrial zones, attracting foreign investment and improving transport infrastructure. Part of the transformation was the strengthening of the secondary and higher education sector. As a result, there are many new companies in the region especially from the automotive industry, machining, plastics and glass production. However, some of the current economic advantages of the region are weakening i.e. a low-cost but well-qualified workforce and a strong industrial tradition. It is therefore important for the region to work on boosting international trade for new and existing companies in Ústí if the local economy is to be fully transformed.

### The Solution:

The second phase of transformation in the region will need to focus on boosting support for innovation and technology transfer from research institutions to the private sector. The internationalisation of companies and their products is a key part of this, assisted by export support services and international networking for technology transfer and knowledge.

The Ústí Region established a Regional Innovation Centre which focusses on supporting start-ups and encouraging SME innovation in SMEs as well as a new innovation ecosystem.

The Ústí Region put in place new financial tools (innovation and start-up vouchers) and is developing a coordination and information point (one-stop shop) for business support. To boost future economic transformation the region is building on S3 smart specialisation principles especially in machining, applied chemistry, the glass industry and digitalisation.

Within this context, a good practice example of supporting a large group of companies (hop producers) to trade internationally has been developed in the Ústí region. Hops have been grown in the region for a long time and received the first certificate for quality and origin back in the 18<sup>th</sup> Century. Žatec Hops are currently registered in the European Commission's Protected Designation of Origin and protected geographical indications EC 503/2007. Approximately 100 companies co-operate in the growing and sale of hops in an informal "cluster".





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The non-profit part of the cluster, the growers' association, is involved in lobbying, research and developing strategic long-term goals for the development of the hops industry in the regional. The cluster owns the Hops Research Institute, based in Žatec. The second, commercial part is organised as a trading and processing company which is established legally as a cooperative (96% owned by the hop growers). The commercial part of the cluster owns the storage and processing facilities (forming pellets) and is highly active in all major markets including internationally.

Both parts of the hop cluster are located in a relatively small town called Žatec (a district with around 50,000 inhabitants). The cluster has broad knowledge in agronomy, cultivation and preserving hops as well as expertise hop growing equipment, harvesting, processing and logistics. The result of bringing together the production and knowledge side of the hop value chain is a highly competitive advantage in international markets. The combined knowledge of the trading part of the cooperative and the growers has been developed since the 19th Century. Czech hops from the Ústí Region are exported to not only Europe but also directly to Japan, China, the USA, Canada and South America.

Such an approach, could be used for developing other specialist areas of industry internationally and this is that the Innovation centre in Ústí is seeking to develop.

**Resources:**

The Ústí Region combines its own development resources with those from central government through its local transformation program called "Restart" which supports the three most socially and economically deprived regions in the Czech Republic with transformation. Additional resources have been available to the region thanks to European funds, including the Operational Programme for Business and Innovation, managed by the Ministry of Industry and Trade.

**Transferability:**

Something similar to the Hops Cooperative from Ústí could be developed in other regions according to their own historic regional strengths and emerging sector specialisms.

**Durability:**

Internationalisation will remain an important part of the regional business support system in Ústí and will require financial resources from regional budgets, along with additional resource from national and European funds. New support systems will be worked up with assistance from other local partners who will provide the staff resource for the implementation of new business support activities.