



“Cross-border territories: Day-to-day Europe”



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Workshop 2 “Economic development”

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- ❖ **Presentation of the framing memorandum**
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- ❖ **Project 4:** eBIRD, Knowledge about economic flows in the “Grande Région” (FR/BE/LU/DE)
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- ❖ **Presentation of the recommendations**
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- ❖ **Discussion with the floor**
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The context and the issues

❖ Bringing actors together to work towards the Lisbon objectives

European (2007-2013 cohesion policy) and national public policies on territorial development place emphasis on the necessary territorialisation of the Lisbon objectives. This requires strengthening of cooperation between territorial, business, training and research actors. As the Lisbon strategy aims to match the other major world markets, such as that of the United States, a large market without borders, cross-border territories naturally occupy a key place in the Lisbon issues.

❖ Advantages and potential of cross-border territories

Tax, salary and price differentials and linguistic, administrative and cultural diversity are constraints or opportunities, depending on the angle from which they are considered. With regard to economic development, the public institutions, economic forces and universities on either side of the border are taking part in a complex play between competition and cooperation. It is time to make optimum use of the common territorial capital of the cross-border territories. For example, mastery by the labour force and businesses of two languages, cultures, administrative environments, etc., is an advantage, opening up their economic horizon not only to the cross-border territory itself, but also more broadly to the whole of the two or three countries concerned, and even beyond to European or global level.

A clarification is necessary before taking the discussion further. As the largest businesses are spontaneously more prepared to take account of the international, and thus cross-border, dimension, these considerations primarily, but not exclusively, concern SMEs since the major companies also have a social responsibility with regard to regional, and particularly cross-border, development.

Cross-border cooperation: difficulties and keys to success

a) From competition to cooperation

The principal issue is the need to move from a logic of pure competition between territories to a logic of "coopetition" combining cooperation and competition. A transition based on the act of coming closer to a neighbour because it can provide what is lacking for development. This is true both for public-sector actors and for the economic actors themselves.

The main focus of the public authorities in their economic development programmes is still often the nation-state framework. Competition between territories is still the rule in many cross-border regions. There is a lack of awareness of the fact that cross-border economic development can generate added value for the whole territory. The provision of suitable instruments for the economic actors is dependent on raising this awareness.

The mutual mistrust of economic actors at local level is one of the major obstacles to cooperation in a predominantly competitive context. It is necessary to demonstrate the added value of cooperation across borders in order to increase the potential of cross-border territories. The border can be used in a way that optimises collective advantages. Neither public- nor private-sector actors maximise their potential by each developing their own strategy.

b) The added value of cooperation

It is important not to have too naive an approach: businesses, like territories, are in competition within national spaces and all the more so in a cross-border context. By participating in the European Union, the states have chosen to cooperate; the construction of Europe is undisputedly a “win-win” game, but one in which some territories may suffer in the short term. The challenge of this workshop is to examine the conditions of a “win-win” game for the cross-border territories and their inhabitants. In the specific context of cross-border economic development, two arguments may lead to cooperation, the argument of complementarity and the argument of economy of scale.

❖ The argument of complementarity

Disparity of economic forces on either side of a border is a crucial contextual factor for cooperation. The economic or industrial fabric often differs significantly between the two sides of the border. This is closely linked with differences in salaries, unemployment rates, prices, etc. The paradox is that such a context can be both an advantage for private actors (households and businesses), which profit from these differences in their choice of location and use of the labour market, and for certain public-sector actors (fewer unemployed and lower burdens on social protection systems), and a handicap for other public-sector actors.

This is the case on the Northern Lorraine-Luxembourg border, for example, where the Luxembourg part of the territory attracts productive jobs and the French part shops and housing, with a negative impact on the finances of the French local authorities which are deprived of the resource of the business tax. A similar situation arises in the Øresund region, where Swedish municipalities have to fund schools for the children of employees working and paying their taxes in Copenhagen.

At the same time, if two or three states with different systems have a common border it may be possible for businesses to choose from several options and “take the best from each system” (*Zapfhahnmodell*: legal, administrative, etc., system). What at first seem to be difficulties can paradoxically become opportunities, when businesses profit from the differences by choosing the system best matching their need (for example, a business might locate its service functions on one side of the border and its logistics functions on the other side) or by exploiting the multicultural or multilingual potential of the territory.

The example of the cooperation between Limburg province (Netherlands) and the various authorities on the German side shows that an incubator with 120 businesses on the border between Germany and the Netherlands has enabled the companies to choose to locate on one side of the border or the other within the same development territory.

It is also possible for local public authorities to publicise the differences positively, as shown by the example of Øresund, where the bodies promoting the cross-border territory present the differences as an advantage for businesses.

Nevertheless, this does not solve the problem of the expenses incurred by the municipalities; in some cases there are tax agreements between states (for example the mechanisms for refunds from the Canton of Geneva to the neighbouring French departments), but not in others. Moreover, the issue does not concern only border territories, as shown by labour from the Baltic countries working in the United Kingdom and commuting weekly from their home countries. The question of greater fiscal coordination between states at European level is thus raised here, but goes well beyond the scope of this workshop.

❖ The argument of economy of scale

In an approach based on economy of scale, “the bigger, the greater the impact”, cross-border cooperation “enlarges” the territory, perhaps enabling it to reach critical mass in terms of facilities and public services. The same applies to SMEs, which have a higher international profile, etc.

One of the most important consequences is the splitting of the costs of investment in innovative sectors for facilities, laboratories, etc., often very expensive in such fields, between the partners. In many cases this investment would not have been considered by each partner on its own. This can generate joint capability-building for winning local, European and global markets.

Joint marketing of businesses can provide a higher profile at European and international levels. A joint presence at international shows can raise profiles while sharing costs.

An example of economy of scale is the Biovalley trinational life sciences cluster (CH/DE/FR), where cooperation has enabled attainment of a critical mass and integration of all levels of the production chain.

By looking beyond the local context it is possible to reach a win-win situation at the international level. To achieve this it is necessary to think "European", even "global".

c) Knowledge of the cross-border territory, knowledge of each other within the territory

The first step in initiating cross-border economic development is to identify and get to know the cross-border territory.

What territory are we talking about? Territories concerned by cross-border economic development can range from relatively small areas in sparsely-populated or relatively inaccessible spaces (rural areas, mountain ranges) to larger spaces (urban areas). It is also important to link the scales, for example that of a cross-border employment area or conurbation, day-to-day living space of households, with that of the region, more appropriate for businesses. In the context of globalisation, the concept of the functional region (possibly metropolitan) seems to be the most relevant.

For the public authorities, a shared diagnosis of the strengths, weaknesses and complementarities of the different sides of the cross-border territory and of the economic flows that characterise it can demonstrate the interest of developing cooperation, for example around cross-border research or competitiveness clusters or centres, or other forms of cooperation in common and/or complementary areas. Such a diagnosis necessitates the collection of harmonised and comparable economic data at cross-border level, an extremely complicated process because of national structuring of statistics systems.

In this area, an interesting example of cooperation is provided by the e-BIRD project, backed by Interreg, consisting in gradually forming an economic monitoring system for the *Grande Région* (BE/DE/FR/LU) by networking universities, public authorities, trade associations and chambers of commerce.

Inadequate knowledge of how the systems work on the other side of the border is a major hindrance to cooperation. Systems are often very different (administrative, legal and scientific cultures, business support structures, market access, the actors concerned, the competences of the different territorial levels). In order to achieve mutual understanding, any cooperation must start by acquisition of knowledge of the areas mentioned above, to which should be added intercultural, linguistic, etc., skills.

Constant discussion between actors and extensive communication seem to be the best response to the issues in order to overcome the obstacles encountered. The first step, alongside joint knowledge of the territory, is to learn to get to know each other.

The association of economic institutions (chambers of commerce and industry, development agencies, etc.) on both sides of the border can facilitate sharing of information and understanding of how things work in the neighbouring country by the businesses concerned. Support from competent trade associations can also contribute to mobilising businesses to cooperate.

The first action to take is to organise communication between all bodies involved in the economic development of the territories concerned (420 for the BE/DE/NL cooperation space), starting by drawing up a list and encouraging informal meetings.

d) Organising the governance of cross-border economic development

The aim is to involve all the territorial business, training and research actors, along with any other entity involved (chambers of commerce and industry, development agencies, etc.), on the scale of the cross-border territory. Because of the heterogeneity of cooperation actors and the differences between systems and levels of competences on either side of the border, it is important to involve the various levels of local, regional, national and even Community authorities. The concept of the functional region again seems the most relevant for networking of all the economic development actors concerned.

A good example of such practice based on a functional region is the Øresund science region, where the cooperation encompasses local authorities (in particular the cross-border metropolis formed by Copenhagen and Malmö), regional authorities and 12 universities, and has given very good results in a territory with 3.5 million inhabitants.

In the context of the Lisbon objectives, innovation is of course a priority area of cooperation. Cooperation between SMEs in fast-developing sectors (new technologies, logistics, etc.) would be of interest. A cross-border cluster bringing together joint and/or complementary skills can facilitate this approach.

The university and research sector must be associated with such an approach, both for work on the content and for training the necessary competent personnel. It is important to facilitate exchanges between universities and research centres and strengthen innovation and technological development and their dissemination in a cross-border context. For this it is necessary to favour synergies between innovation sources and identify cross-border centres of excellence in the required sectors.

Good examples of such approaches include:

- the Øresund science region (DK/SE),
- the cooperation between Limburg and the Aachen region ("International clause" project, DE/NL),
- the Biovalley trinational life sciences cluster (CH/DE/FR),
- the ERALAN cross-border laboratory project (ES/FR).

In a different type of space, (Pyrenean mountains, ES/FR border), the PYRED project initiated by the Chamber of Commerce Gers is also of interest.

e) Meeting the needs of businesses in their cross-border development: the role of the public authorities

In general, the public authorities on either side of the border have joint responsibility for providing the right framework and the right instruments for cooperation and for minimising the obstacles hampering cross-border economic development.

At present businesses encounter a number of difficulties when they want to undertake cross-border cooperation or when they look beyond their "natural" territory, bounded by the national border. This makes it difficult to mobilise businesses for cross-border projects. A whole series of difficulties arises: funding; distortions of competition (public-sector contracts closed to businesses from the other side of the border); lack of interoperability in terms of standards, insurance, certifications, labour market, etc.

➤ Informing businesses and facilitating their procedures

There must be cross-border coordination between public-sector actors to facilitate procedures for businesses: circulation of information (legal and administrative systems, fiscal and land legislations, access to public-sector contracts, etc.), role as intermediary and facilitator of contact and exchanges between public- and private-sector actors on the different sides of the border.

An interesting example is that of the CTDIC (Cross-border centre for industrial and commercial development) (BE/FR).

❖ Helping businesses find competent personnel

Businesses often encounter the problem of not finding personnel competent in cross-border situations (intercultural, linguistic, etc., skills) and possessing specific competencies (engineers, etc.). Choosing to focus activities on a sector in a common territory also enables competent personnel to be retained. One of the challenges of cooperation is to form a common employment area, in association with the universities.

Another issue often arising with regard to personnel is that of recognition of qualifications either side of the border (refer to the “employment/training” workshop).

❖ Funding the cross-border development of businesses

For SMEs-SMIs that want to develop in a cross-border context, the question of funding arises. What instruments are available to them for securing the funds necessary for their projects? It is important that the cross-border territory be taken into account effectively by the banking system, in principle well equipped to do this since banks are increasingly multinational. Market forces may be inadequate, however, justifying public funding (risk capital, etc.).

The EUREFI fund (FR/LU) is an example.

❖ Coordinating public-sector actors on either side of the border

Asymmetry of legal and administrative systems and of fiscal and land legislations, along with difficulties of access to public-sector contracts, continue to be a substantial hindrance to cross-border economic development. This makes it all the more important to improve coordination of public-sector actors on either side of the border in order to identify joint solutions.

❖ Adequate infrastructure

A typical case is the establishment of cross-border business parks, providing suitable services for businesses involved in cross-border development. Nevertheless, the difficulty of building such a facility on the common territory should not be underestimated. Once opened, parks of this type might be places of experimentation on the coordination of legislations.

In logistics the Saarbrücken Eurozone and the park developed by the MAHHL (Maastricht, Aachen, Hasselt, Heerlen and Liège) network are interesting examples.

f) Contributing jointly to the competitiveness and attractiveness of the cross-border territory

It is also important to incorporate the cross-border programme into a long-term territorial plan. Economic development measures are implemented in organised spaces. The organisation of cross-border spaces depends on an agreed bi- or tri-national vision and a genuine territorial project. In other terms, spatial planning and development are at the service of economic development.

All local urban planning documents must be adapted to a broader context and form part of an overall plan covering land availability, higher-level urban functions (major university, hospital, etc., facilities), public services (transport in particular), broadband communication provision (infrastructure, rates), postal service and services to businesses.

Economic sectors demanding particular attention in the cross-border situation include logistics (infrastructure, services, networking of hubs, etc.), tourism, etc. (for the different types of territory, refer to other workshops at the conference, such as “conurbations”, “rural and natural territories” and “maritime cooperation”).

Obtaining a joint vision in order to optimise the location of a major facility (airport, etc.) for the benefit of all is even more difficult than in a purely national context, and requires strong political backing and a long-term vision.

An example of such a forward-looking approach is given by the “Blueprints for regional foresight” project developed in parallel in the *Grande Région* and on the HU/RO/RS border.

For harmonious and effective cooperation, account must also be taken of the need for the private and public sectors to have a common agenda.

Branding and joint territorial marketing of the cross-border space add to the attractiveness of the territory. Joint promotion of the cross-border economic space, for example through local initiatives (media, etc.) and international promotion of products, services and know-how, can generate substantial added value. Once acquired, mastery of several languages and intercultural skills becomes an advantage in an international context.

g) How to use the programmes of the territorial cooperation objective

Interreg and now the territorial cooperation objective do not seem suitable for funding either the development of businesses themselves or major investments, which are more appropriately covered by Objective 1 or 2 or national funding. Conversely, the funding by objective 3 is particularly suitable for removing barriers between programmes conducted within national frameworks and for helping the establishment of governance of cross-border economic development: knowledge sharing, cross-border development agencies, services to businesses, etc.

An example is the project “Arenberg transformeur d'im@aginaire” (FR/BE) that is about to be developed. It picks up several aspects cited before and may benefit from a European funding in order to launch its cross-border dimension.

h) Capitalisation of experience and acquired know-how

There is a lack of transfer of know-how and capitalisation of experience in cross-border economic development. Acquired skills are too often linked to particular persons and are lost when these persons change jobs. Much work needs to be done to maintain such know-how.

One possibility would be to develop a toolbox for economic actors, based on concrete experience and good examples, etc., for example concerning:

- shared resources
- pooling of calls for partners, proposals, training.

This capitalisation must be accomplished at the level of each cross-border territory, but also by networking these measures at European level.

Proposal for recommendations

RECOMMENDATIONS AT LOCAL LEVEL

- ❖ **Recommendation 1: Develop the governance of cross-border economic development**
 - encourage dialogue between the different actors concerned: economic actors, local authorities, universities and others concerned (e.g. chambers of commerce and industry, development agencies) on either side of the border for the design and implementation of cross-border projects,
 - set up cross-border development agencies,
 - develop cross-border competitiveness clusters and centres,
 - coordinate the cross-border development of research and universities.

- ❖ **Recommendation 2: Introduce specific instruments and tools/services for use by businesses**
 - set up business platforms (network for cooperation, sharing of experience and good practices, business guidance) and provide online collaborative working tools,
 - promote the development of financial instruments and facilitators for businesses, such as cross-border risk capital funds,
 - promote the establishment of business parks such as cross-border economic zones with common facilities and services.

- ❖ **Recommendation 3: Incorporate economic development into balanced territorial development along borders**
 - Incorporate an economic development project:
 - into a politically-backed territorial project,
 - into a joint medium-term strategy backed by the actors concerned.

RECOMMENDATIONS AT REGIONAL / NATIONAL LEVEL

- ❖ **Recommendation 4: Organise the coordination of legislations (taxes, training (equivalence of qualifications), etc.) between states, border by border and, if appropriate, set up experiments.**

RECOMMENDATIONS AT EUROPEAN LEVEL

- ❖ **Recommendation 5: Promote networking and capitalisation of experience of cross-border economic development at European level**
 - Develop technical assistance networks for cross-border economic development,
 - Make the work conducted in this area accessible in order to spread the acquired experience to other cross-border territories,
 - Make public- and private-sector actors aware of the added value of cooperation in economic development.

RECOMMENDATIONS COMMON TO ALL LEVELS

- ❖ **Recommendation 6: Develop knowledge of and research on the economy of cross-border territories**
 - At local/regional levels, develop knowledge-sharing tools,
 - At national/European levels, develop research (e.g. typology of territories).