“Border syndrome”: Development Pattern in the EU Border Regions and EU policy making

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The abolition of the artificial impediments of cross border interaction within the EU, has not only reduced barriers but also brought to the fore a new mix of threats and opportunities that has put the EU border regions in a state of flux.

Since the role of boundaries as obstacles to interaction institutionally, at least fades out, the potential of border regions has to be analyzed not only in relation to their national centers but also in relation to their neighbors and the enlarged EU space as well.
Interdisciplinary approach

- Traditional studies on border areas are often enclaved in a “sole-disciplinary approach” or in a “unitary case syndrome” without providing a substantial added value on border theory (Paasi, 2005).

- Recently, “access” to foreign markets is examined in a broader framework, taking into consideration transport and telecommunication networks, institutional factors, and a series of political and cultural parameters (Topaloglou et al. 2005).

- Perceptions and images of people occupy a fundamental position to interpret cross-border economic interaction and growth (Van Houtum, 1999, Barjak, 1999).

- Economic potential of border regions is determined among others, by culture, language, nationality and other socioeconomic and geopolitical characteristics of border regions (Reitel, et al., 2002; Arbaret-Schulz et al., 2004).
The theoretical discussion of the 1950’s (Solow, 1956; Swan, 1956; Myrdal, 1957; Hirschman, 1958; Rostow, 1959) sets the ground of modern economic development theory and policy making at the national and subnational level.

Later on, the endogenous growth revolution (Romer, 1986; Lucas, 1988), the new economic geography (Krugman, 1991; Fujita et al., 1999) and the institutional turn in economics (Rodrick et al., 2004; Acemoglu and Johnson, 2006) represents the recent dominant thinking on economic growth and development.

The fact that both place and context matter for development and growth, has been well understood by geographers and sociologists for well over a century. In contrast, for most economists, an awareness of this has only slowly started to emerge since the seminal work of Paul Krugman in the early 1990s.

However, little attention has been paid, only until recently, towards the development intervention side (Barca, McCann and Rodriguez Pose, 2012).
Market potential and proximity to markets of each border region in the broader European space matters \((Harris, 1954; Melchior, 2008)\).

Low trade costs and increasing return of scale drive firms closer to large markets \((Weber, 1909)\).

In open economies, some places offer cheaper access to foreign markets due to locational advantage \((Villar, 1999)\).

Foreign demand drives domestic firms to relocate closer to the borders. However, foreign supply drives domestic firms to relocate to the interior, away from the foreign competitors \((Brülhart et al. (2004))\).

Trade opening is associated with spatial divergence or convergence in border space. Previously less developed regions with better access to foreign markets favor convergence and vice versa \((Hanson, 1997, 1998)\).
Firms, tend to move towards the large markets due to reduction in trade cost and nominal wages (Krugman, 1991, Fujita, 1993).

Workers are attracted by higher real wages and the wider product variety found in agglomerations, making the location of firms in the actual place more profitable (Krugman, 1991, Fujita, 1993).

Centripetal forces (market size effects, thick labor markets, informational spillovers) increase the variety of goods, decrease prices and raise profits if trade costs fall below a critical level (Krugman, 1998).

However, centrifugal forces (immobile factors, land rents, pure external diseconomies) come to the fore mainly due to congestions costs and intensive competition (Tabuchi and Thisse (2002).

...the question what are the spatial impacts on border regions when barriers are removed due to economic integration is still open
INTERREG

- **1989-1993**: Exclusively dedicated to CBC.
- **2000-2006**: Trans-national co-operation is further developed as INTERREG IIIB.
- **2007-2013**: INTERREG became a component of the “mainstream” of the EU Cohesion Policy, renamed “European Territorial Co-operation” under Objective 3.

1991: EUROPE 2000

- A first attempt from the European Commission to address a territorial view

1994: EUROPE 2000+

- A following document aimed to pave the way for territorial policies

1994: LEIPZIG Principles

- An informal agreement among EU Member States on the principles of ESDP.
The origin of the EU territorial Policy-making (b)

1999: European Spatial Development Perspective (ESDP)

- Adopted by the ministers responsible for spatial planning in Potsdam.

2001: 2nd Cohesion Report

- “Unity, solidarity, diversity for Europe, its people and its territory”

2001: White Paper on European Governance

- The territorial dimension of EU decision making was considered as a major issue.

2002: ESPON

- Established to provide territorial evidence for European policy-making

2004: 3rd Cohesion Report

- A new partnership for cohesion, convergence, competitiveness and cooperation.

2005: The Lisbon Treaty

- Introduced territorial cohesion as a fundamental policy aim of the EU.
- Territorial dimension alongside the economic and social dimension.
The origin of the EU territorial Policy-making (c)

2007: 4th Cohesion Report
- “Growing regions, growing Europe”

2007: Territorial Agenda and Territorial State and Perspectives
- An informal agreement among the ministers responsible for spatial planning in Leipzig.

2008: Green Paper on Territorial Cohesion
- Territorial cohesion is associated with an integrated approach to development.
- Four dimensions of territorial cohesion:
  - (1) concentration - overcoming differences in density
  - (2) connecting territories - overcoming distance
  - (3) co-operation, or overcoming division
  - (4) tackling problems in regions with specific geographical features

2009: White Paper on Multilevel Governance
- Multilevel governance has been defined as a process of translating European or national objectives into local or regional actions.
Economic growth will always be spatially unbalanced, but development can still be inclusive.

Regional development policies should integrate lagging regions with those doing better.

Emphasis on connective “infrastructure” such as highways, railways, airports, and telecommunication networks.

Change from “space of places” to “space of flows” (Castells, 2007)

The crucial role of spatially blind “institutions” such as general administration and social services

Targeted “interventions” such as special incentives for enterprises to locate in lagging regions, should be used sparingly.

Seeing “Development in 3-D” (Density, Distance, and Division) and accordingly, “Policies in 3-I’s” to overcome each dimension (Institutions, Infrastructure, and Interventions).

Development model based on “spatially-blind” strategies, in which “policies are designed without explicit consideration to space”.
**Current State of the art (2)**

**Key-reference Documents**

- **Place**: is not identified by administrative boundaries, nor by ex-ante “functional” criteria. Place is endogenous to the policy process.
- **Aims**: reducing underutilization of resources and social exclusion.
- **Policy means**: tailor-made policy making, mix of endogenous and exogenous components, multilevel governance.
- **Ten “Pillars”:**
  - (1) Concentration of resources both spatially and thematically.
  - (2) A new strategic framework for cohesion policy focused on performance.
  - (3) A new contractual relationship, implementation and reporting aimed at results.
  - (4) A strengthened governance for core priorities.
  - (5) Promoting additional, innovative and flexible spending.
  - (6) Promoting experimentalism and mobilising local actors.
  - (7) Promoting a learning process in policy impact evaluation.
  - (8) Refocusing and strengthening the role of the Commission as a centre of competence.
  - (9) Addressing financial management and control.
  - (10) Reinforcing the high-level political system of checks and balances.

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**BARCA Report (March 2009):**

Place Based Development Strategy.
three mutually reinforcing priorities & headline targets

- **Smart growth**: developing an economy based on knowledge and innovation.
  - 3% of the EU’s GDP should be invested in R&D;
  - 75% of the population aged 20-64 should be employed;

- **Sustainable growth**: promoting a more resource efficient, greener and more competitive economy.
  - The “20/20/20” climate/energy targets should be met (including an increase of 30% of emissions reduction if the conditions are right);

- **Inclusive growth**: fostering a high-employment economy delivering social and territorial Cohesion
  - The share of early school leavers should be under 10% while at least 40% of the younger generation should have a tertiary degree.
  - 20 million less people should be at risk of poverty.

- **The territorial perspective in EUROPE 2020 Strategy is at best marginal or blurred**
Europe 2020 Strategy for smart, sustainable and inclusive growth “…can only be achieved if the territorial dimension of the strategy is taken into account”

Priorities
- (1) Promoting polycentric and balanced territorial development
- (2) Encouraging integrated development in cities, rural and specific regions
- (3) Territorial integration in cross-border and transnational functional regions
- (4) Ensuring global competitiveness of the regions based on strong local economies
- (5) Improving territorial connectivity for individuals, communities and enterprises
- (6) Managing and connecting ecological, landscape and cultural values of regions

The implementation of this political agenda depends on the goodwill of different EU bodies and national actors due the lack of EU competencies on spatial planning

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According to Spatially-blind Approach Development interventions should...

- Promote space-neutral intervention, with a primary emphasis on institutional reform (WDB, 2009)
- Encourage peoples’ mobility regardless of where they live (WDB, 2009)
- Focus on people rather than places (WDB, 2009)
- Promote economic integration of lagging areas with leading places (WDB, 2009)
- Provide equal opportunities to enterprises (Gill, 2011)
- Encourage factors to move to where they are most productive - primarily in cities - and foster overall economic growth (Gill, 2011)
- Consider the Irish example of using the funds for international convergence and not – until later stages – for spatially balanced economic growth within their borders (Gill, 2011)
- Take into account the dominant role in peripheral investment of the new private actors (apart from the State) such as TNCs (Gorzelak, 2011)
- Move from “place-based” policies to “inter-place based policies” focusing on “corridors” of knowledge, innovation, people and goods (Gorzelak, 2011)
According to Place-based Approach Development interventions should...

- be tailor-made adjusted in spatial localities
- focus on people within places
- ensure interactions between institutions and geography
- promote knowledge through interaction between exogenous (top-down) and endogenous (bottom-up) policies
- be designed and applied through a multi-level governance approach
- not simply “follow” the decisions of large corporations towards agglomerations located in the leading areas.
- Take into account geographical context in its broader social, cultural, historical, legal, political and economy, sense
Spatially oriented policies are considered as “old wine (regional policies) in new bottles” (Gill, 2011).

The spatially-blind approach presupposes that the “state knows best” and has both the information and knowledge to design, implement, and monitor the most adequate development strategies (Streeck, 1991; Bolton, 1992; Rodriguez-Pose and Storper, 2006; Tabellini, 2010).

The growing importance of learning, innovation and other qualitative factors such as culture and stereotypes, are by nature spatially tied (Camagni, 2006, Maillatge, 2006).

Evidence shows that the impacts of institutional reforms on development are limited (Barca and MacCann, 2010; Venables, 2010; Rodriguez-Pose, 2010).

Spatially blind policies are very place-based when they are put into practice, since usually they favor core places compared to peripheral ones (Rodriguez-Pose, 2011).
The contesting debate reflects a false dichotomy. People can only live and act within places. At the same time, large scale policies should be designed and applied on the basis of places (Drabenstott, 2011).

Development policies are not a zero-sum game between equity and efficiency or between endogenous and exogenous agents. Reducing agglomeration dynamics in one city will not bring growth to other cities (MacCann, 2011).

Given the restricted EU funding, public interventions seem to have little power to achieve balance and territorial harmonization within the EU monetary union, without possessing an efficient adjustment mechanism (Capello, 2007).

Even though institutions at a macroscopic level play a crucial role in the efficiency of development policies, usually in practice, this efficiency is influenced by spatial characteristics and localities (Armstrong and Taylor, 2000).
The main goal of TERCO was to assess the relationship between territorial co-operation (TC) and the socio-economic development of EU and neighbouring regions.

TERCO’s key hypothesis (similarly to the one of TA 2020) to be tested was: “Territorial co-operation is one of the factors underpinning the socio-economic development of territorial units”.

Among others subordinate objectives the project aimed to:
- estimate the impact that various types of TC have on socio-economic development;
- identify key determinants of successful TC
Impact of TC on socio-economic development

- Territorial co-operation contributes to socio-economic development, as its impact on growth, jobs, and quality of life is statistically significant and positive.
- The impact of TC on socio-economic development is, however, evaluated as only minimal to moderate.
- The most noticeable influence of TC on development relates to quality of life, followed by the quality of natural environment and service provision.

Main determinants of successful TC

- The success of territorial co-operation depends primarily on factors related to institutions such as:
  - the scope of co-operation (i.e. exchange of experience, sharing tools, advising each other)
  - current domains of TC projects (i.e. natural environment, tourism, culture, economy)
  - resources engaged in TC in terms of staff and funds
  - longer experience in TC and stability of partners (i.e. NGOs, local or regional governments)
The two approaches represent a different reading of the relationships between economic history and economic geography, giving rise to fundamentally different analytical approaches.

A systematic discussion on the issues related to the ‘border territory’ and ‘border syndrome’ is required in the context of the Europe 2020 Strategy at the scientific and policy making level.

One of the tasks ahead should be that of translating the TA2020 into the language and interventions of EU policies in order to improve their effectiveness.

There is a need to incorporate territorial diagnosis of the ‘border phenomenon’ into the processes of formulation and review new programming documents.

Local development must no longer be considered as an isolated and only an endogenous process but as a process that requires a balanced top-down and bottom-up strategy within a EU context.
Thanks for your attention!