

CROSS-BORDER ECONOMIC DEVELOPMENT

INTRODUCTION

PROJECT
FACTSHEETS



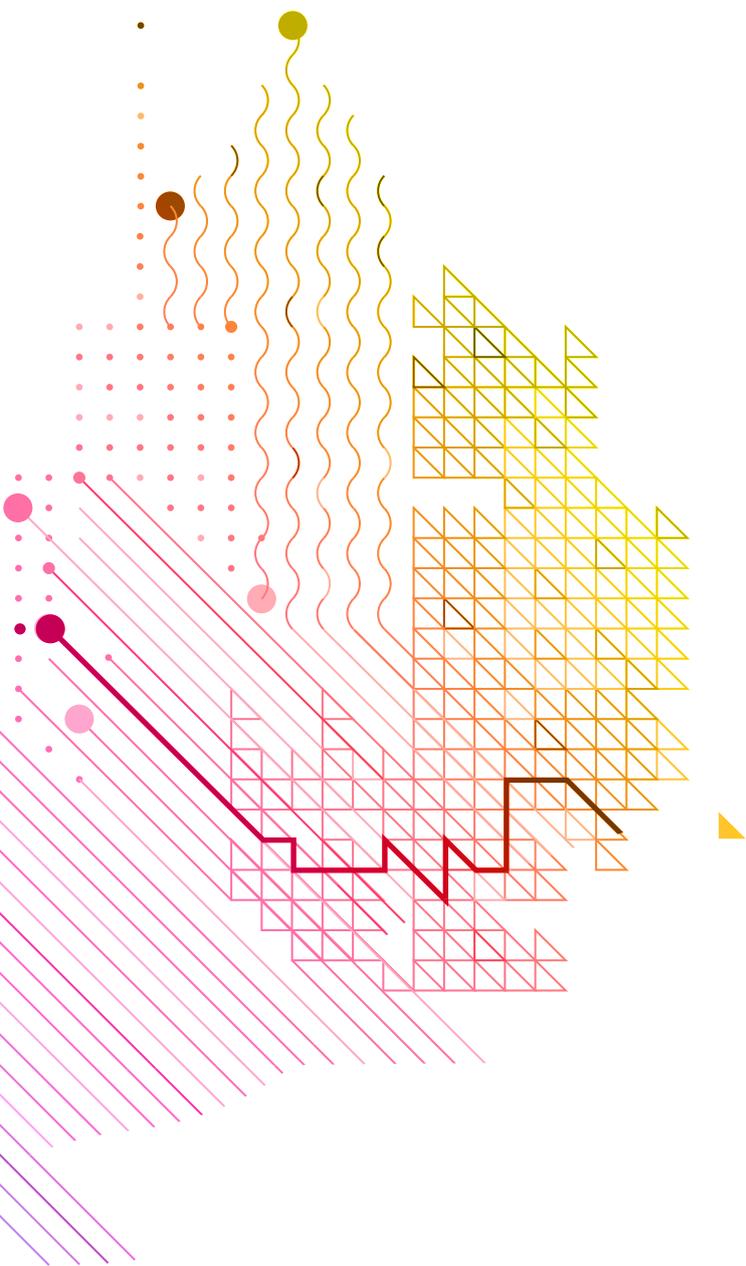
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Editorial



Marc Abadie,
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The Caisse des Dépôts was, along with France's General Commission for Territorial Equality (the CGET), a founder member of the Mission Opérationnelle Transfrontalière (MOT). In a country like France which has 11 land borders, living in a border region is a reality for nearly a quarter of the population. More than 380,000 cross-border workers commute to the neighbouring country every day, a number that is continually growing. The economic, ecological and also social issues involved in cross-border cooperation are thus far from being peripheral.

The Caisse des Dépôts group is therefore involved in actions on a daily basis to facilitate the emergence and implementation of cross-border projects. For example, our subsidiary Transdev, through Thello (33% Transdev, 66% Trenitalia), is the first private French company to operate within the framework of the opening-up of the market in cross-border transport. We also finance core infrastructures in these territories, such as the tramline between Strasbourg and Kehl which links the two sides of the Rhine.

We will also participate in the Juncker Plan by providing financial engineering, loans, capital and sometimes collateral. To accelerate its implementation, we have formed a partnership with the EIB in order to jointly support project developers, notably in the areas of energy and environmental transition, transport infrastructures, digital technology, tourism and housing.

The work carried out by the MOT during the past year-and-a-half on the economic development of cross-border territories, which our teams have been involved with, have made it possible to draw up an initial assessment and some initial recommendations that you will find in this document.

But it is vital to continue these reflections in order to respond to the needs of cross-border territories, which by nature are complex. I am therefore delighted that one of the objectives set by Luxembourg's presidency of the EU in the second half of 2015 is to put the removal of the obstacles to cross-border cooperation at the heart of its priorities.



Foreword

Between January 2014 and September 2015, the Mission Opérationnelle Transfrontalière (MOT – Cross-Border Operational Mission), with the support of the national technical assistance programme Europ'Act, carried out a study of economic development in the cross-border territories along France's borders. This work aims to present the current situation with respect to cross-border economic development, both from the point of view of cooperation between private-sector players and public action.

The preamble sets out the key elements of this topic, notably the importance of joint exploitation of the territorial capital in regions impacted by the presence of a border around which there is movement of people, capital, services and goods, which can be a source of prosperity if it is managed in a coordinated manner by the countries on either side of it.

The first part presents **six portraits of cross-border territories** along the land borders between France and its European neighbours, as well as three examples of other European cross-border territories.

The second part deals with **cross-cutting themes in cross-border economic development**. In the context of far-reaching reform of territorial public action in France, the document sets forth some recommendations that are specific to the French context.

Project factsheets then illustrate the concrete components of cross-border economic development.

A practical guide, published in the form of a second booklet, completes this introductory work. It consists of two parts:

- the first part aims to give impetus to partnerships between public-sector and private-sector players in order to help projects to be developed;
- the second part is aimed at facilitating the emergence of cross-border economic development projects.

The results of this work are intended for all of the stakeholders concerned with the economic development of cross-border territories: territorial authorities, government departments, businesses, chambers of commerce and industry, employers' and trade organisations, development agencies, public employment services, financial institutions such as the Caisse des Dépôts and Bpifrance, the authorities in charge of European programmes, and European institutions and networks.

DISCLAIMER

All the maps set out in this document are only aimed at geographically illustrating the territories described in the text. They by no means comprehensively present all existing cooperation structures. Moreover, French regions are shown as existing before the reform becoming effective on 1st January 2016.

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Preamble

A LITTLE-EXPLORED TOPIC REGARDING FRANCE'S BORDERS

The topic of cross-border economic development along France's borders was first addressed by the MOT in November 2001 in its first thematic guide, then in 2007 at the symposium celebrating the MOT's 10th birthday and, more recently, in a study on business takeovers in the cross-border setting. Moreover, in 2010, the report of the parliamentary taskforce on cross-border policy by the MPs Etienne Blanc, an MP from the Ain Department, Fabienne Keller, a senator from the Bas-Rhin Department, and Marie-Thérèse Sanchez-Schmid, an MEP, proposed experimenting with border region economic development clusters – economic areas with special status and a strong leveraging effect.

Apart from this work, the economic development of cross-border territories along France's borders remains an uncharted area of study; some institutions have dealt with this topic with respect to other territories: the OECD's study in 2011 on innovation in cross-border regions,¹ and the study by the Centre for Cross-border Studies in 2014 on the potentialities for economic development along the Irish border.²

The MOT's overall assessment is that the situation on either side of France's borders is unbalanced³ and that the potential for cross-border economic development is insufficiently exploited.⁴

Also noting the rapid changes made to national public policies, but separately and without coordination regarding border regions, the MOT decided to produce a summary of the issues and possibilities for action with respect to this topic. Moreover, this work has been carried out in the context of the launch of the 2014-2020 European programmes, which makes it necessary to design new tools for European programme managers and project developers, notably regarding areas highlighted by the European Union (economic development, innovation, SMEs, jobs and training, financial engineering and tools for integrated territorial development, etc.).

¹ *Regions and Innovation: Collaborating across borders*, <http://www.oecd.org/fr/regional/regions-and-innovation-collaborating-across-borders.htm>

² *Towards a Cross-border Development Zone*, <http://crossborder.ie/?p=3639>

³ Even if this assessment needs to be qualified depending on the different parts of the border.

⁴ SMEs' lack of openness to the cross-border dimension, for example.

The present document aims to give the players involved in cross-border cooperation a better understanding of the issues involved in the economic development of cross-border territories and the links between economy and employment. It is designed to facilitate the economic development of cross-border territories by contributing to the removal of obstacles, to the search for and dissemination of tools and good practices, while also helping to strengthen exchanges and partnerships between cooperation players.

This project is also aimed at contributing to changes in the framework conditions in place in cross-border territories with respect to economic development and employment. However, it does not aim to produce detailed analysis or recommendations, which can only be formulated for each border individually.

THE PLACE-BASED APPROACH TO CROSS-BORDER ECONOMIC DEVELOPMENT

This research is located firmly within the “place-based approach”,⁵ which, in contrast to a sectoral approach, aims to address simultaneously the issues of employment, economic development and regional planning, by focusing on the territories in which policies are implemented. Based on certain options with respect to territorial economic development that are the subject of a degree of consensus among the experts and will not be rehearsed here, we are proposing to bring out the constraints and opportunities that are specific to cross-border territories, which these experts do not generally look at.

PRODUCTIVE AND “PRESENTIAL” ECONOMIES

Another hypothesis underpinning our work is that of the distinction between productive and “presential” economies. Traditionally, territorial economic development is looked at from the point of view of the productive economy, i.e. places of production (for the primary, secondary and tertiary sectors across the board). In general, public action consists in fostering the development of productive activities within a territory. More recently, economists such as Laurent Davezies have developed an analysis of the territorial economy based on the population present in a territory, which fluctuates over the course of the day: residents, including the non-working population (pensioners, unemployed people, etc.), working people who do not work in this territory (commuters) and people passing through the territory (tourists, etc.), who consume private and public services in this territory and sustain a “presential” economy

⁵ See in particular: OECD, *Territorial Outlook*, 2001; Barca Report, *An Agenda for a Reformed Cohesion Policy: A Place-based Approach to Meeting European Union Challenges and Expectations* (an independent report prepared at the request of Danuta Hübner, Commissioner for Regional Policy), 2009. http://ec.europa.eu/regional_policy/archive/policy/future/barca_en.htm
P Veltz, *La grande transition*, Seuil, 2008; Paris, France, *Monde. Repenser l'économie par le territoire*, L'Aube, 2013.



Sales day, rue du vieux marché aux poissons in Strasbourg

that is just as real as the productive economy. This approach takes account of a part of the population whose income does not necessarily come from the territory in question (public-sector employment, financial transfers linked to pensions and other welfare benefits, tourists, residents whose work is located in another territory, etc.). From a statistical point of view, INSEE now refers to two economic spheres: the “presential” and the “non-presential”. The first comprises the goods and services produced locally in order to be consumed locally, while the second consists of other production of goods and services that are produced locally and mainly consumed outside of the area concerned.

THE “PRESENTIAL” ECONOMY

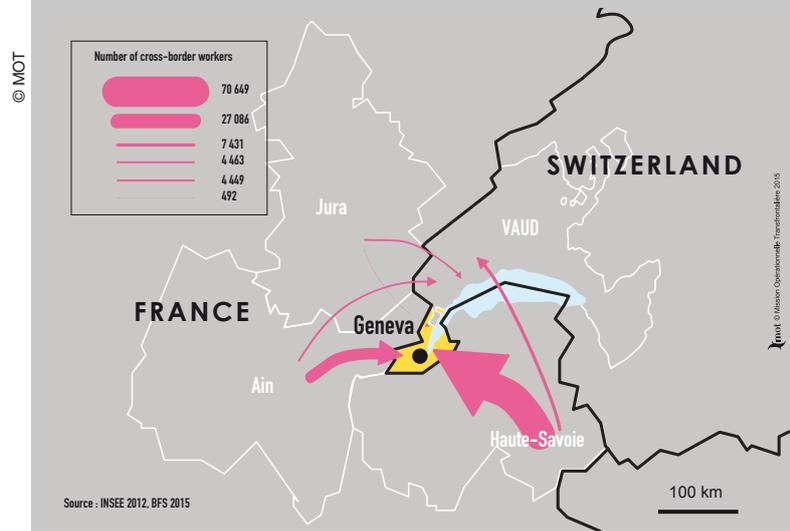
This view leads to a different way of envisaging public action with respect to the economic development of a territory, which is no longer focused solely on developing existing firms and attracting new ones. An economic analysis of a territory must take into account the links between the different spaces that people operate in (home, production, consumption and leisure), connected by an efficient transport system, and incorporate the potential constituted by capturing the wealth available within the population present in the territory: the development of service activities (retail and leisure, and business and leisure tourism). The aim is then to develop a welcoming strategy with regard to new residents, commuters and tourists that helps to develop service activities⁶ for the population, thereby creating jobs that, by definition, cannot be relocated.

Each territory has a specific balance between productive and presential economies that results from its particular geography and history (productive and social capital, accessibility, amenities, etc.). Some territories can “get along well” without a productive economy. Of course, the viability of a territory’s economy depends on exchanges with the world outside: in an open economy, the goods and services produced need to find external markets; and the flows that support the presential economy need to be fuelled by revenue produced elsewhere (work of commuters and tourists, social security benefits of the unemployed and pensioners, and the funding of public services).

The territories based more or less on a productive or presential economy support one another, with this solidarity being the result both of the market itself and of public policies that redistribute revenue between territories, whether explicitly (territorial development) or implicitly (network of public services and social security provision).

The regulation of this redistribution is primarily carried out by national governments; it is currently the subject of intense debate and far-reaching reforms in France and the neighbouring countries. This not only raises the issue of social cohesion (level of social security contributions and taxes, the trade-off between efficiency and equality) but also that of territorial cohesion (the optimum administrative level for public action, territorial equality, an approach based on population or territory depending on the extent to which residential mobility is encouraged).

In a context in which governments’ ability to ensure cohesion is being curtailed by the crisis in public financing, L. Davezies recently proposed the idea of “dual production-based and residential systems”,⁷ large territories that combine the two spheres, giving them greater viability. It is the fact that some of these systems are cross-border in character, whereas, so far, regulations remain national, that makes cross-border territories laboratories for European territorial cohesion.



Home-work commuting - Greater Geneva

PRESENTIAL AND NON-PRESENTIAL SPHERES: THE PARTICULAR CASE OF CROSS-BORDER TERRITORIES

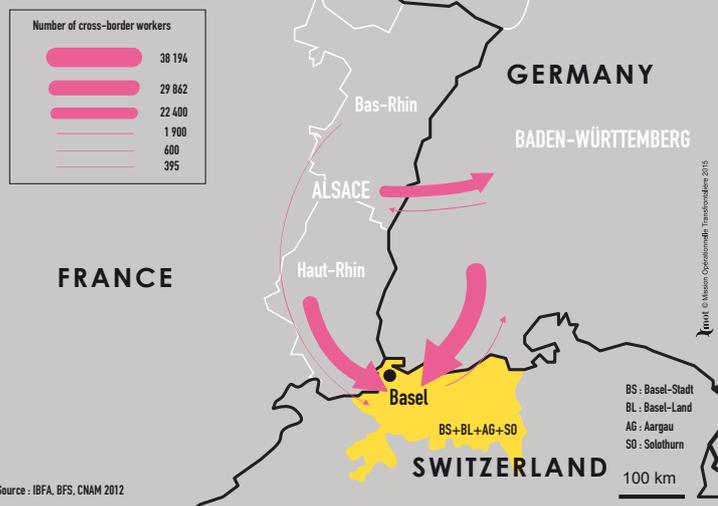
As in any territory, the two aspects (productive and presential) are present in a border or cross-border territory. But sometimes the border serves to separate a more “productive” area, with industries producing goods and services that are not necessarily intended for the territory, from a more “presential” area, in which the retail sector, tourism and services to the population are more developed. Some French border territories are emblematic in this regard due to the intensity of the home-work flows of people crossing the border (to Luxembourg and the Basel and Geneva conurbations from the surrounding territories).

The dichotomy between a predominantly productive territory and a predominantly presential territory would, within a single State, be the subject of various public means of regulation (spatial planning aimed at rebalancing flows, financial solidarity, reorganisation of local government, etc.), but such public policies are highly problematic in this case owing to the fact that a national border divides the predominantly presential territory from the predominantly productive territory.

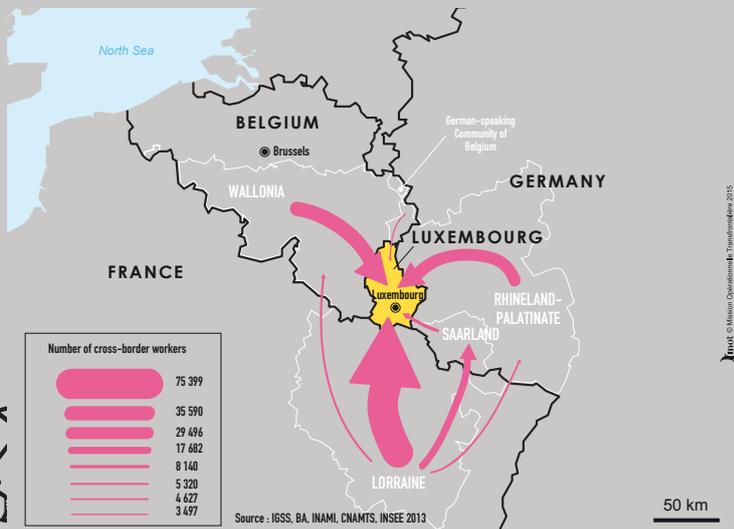
A cross-border analysis is therefore important for this type of area, particularly regarding the distribution of living spaces and of the provision of services. This dimension of territorial planning is not always shared in cross-border settings: this is where there is sometimes a divergence in the role of public intervention to promote economic development.

Even if not all borders display such a polarisation, the movement of people, goods, services and capital, and as a result, the integration of territories, no longer takes place just within each country, but within the European area as a whole (the European Union and third countries such as Switzerland). The hypothesis of this research is that this mobility plays or can play a more significant role in the context of cross-border regions, where it is a potential source of prosperity, if it is regulated in a coordinated manner by the countries on either side of the border.

⁶ <http://www.insee.fr/en/methodes/default.asp?page=definitions/sphere.htm>
⁷ L. DAVEZIES and M. TALANDIER, *L'Emergence de systèmes productivo-résidentiels. Territoires productifs – Territoires résidentiels: quelles interactions ?*, CGET (General Commission for Territorial Equality), La Documentation française, 2014.



Home-work commuting - Trinational Eurodistrict Basel



Home-work commuting - Luxemburg borders

According to this hypothesis, territorial economic development should be addressed using a cross-border approach:

- ↳ to put it simply, this means looking at economic development across the whole of a territory shared between two countries, requiring coordination of public- and private-sector players involved in economic development in two different legal, administrative and tax systems.

CROSS-BORDER ECONOMIC OPPORTUNITIES

In a cross-border setting, the differentials in terms of taxes, wages, the unemployment rate and prices, and linguistic, administrative and cultural differences, etc. can be regarded as opportunities or constraints depending on one's point of view.

Households and businesses take advantage of these differentials in their choice of where to settle and which markets to participate in (consumption, property, work, etc.). The ability of inhabitants and businesses to operate in two languages, two cultures and two administrative environments is an asset that opens up their horizon not only to the cross-border territory, but also to all of the countries involved, and potentially to Europe and the world.

Businesses, like territories, are in competition with one another, in a national context and even more so in a cross-border setting. For their part, the public authorities mostly act within a national context in their promotion of economic development.

But by participating in the European area (European Union and third countries that have agreements with it), countries have chosen to cooperate.

In cross-border territories, the challenge is to jointly exploit the shared territorial capital.

Public-sector and private-sector players therefore find themselves in a complex interplay between competition and cooperation on either side of the border. Regarding a territory as a cross-border one provides an opportunity to benefit from the advantages present on both sides of the border in order to facilitate the territory's economic development; often perceived as peripheral in the national context, a border region that becomes an integral part of a cross-border territory can promote the advantages of the areas in both of the countries. Within the territory, a dynamic develops of "co-opetition" – a term combining cooperation and competition used to indicate that competition still exists, but that new synergies can be found through cooperation which can benefit the development of the cross-border territory as a whole.

TWO RATIONALES FOR COOPERATING: COMPLEMENTARITY AND ECONOMIES OF SCALE⁸

When two or three systems corresponding to different countries encounter one another at a border, businesses have the possibility of making the most of the complementarities and of "taking what is best" from each country's system.

What at first sight seems to be a difficulty also constitutes an opportunity: businesses can take advantage of the differences by choosing the system best-suited to their needs (e.g. a business locates its tertiary functions on one side of the border and its logistical functions on the other), or by exploiting the territory's multicultural and multilingual potential; the same is true for households, which as consumers can have the best of both worlds in terms of where they live, work and consume.

⁸ Or, to use the geographer Jacques Levy's expression: urban life as a combination of diversity and density; see J.Levy et M.Lussault, *Dictionnaire de la géographie et de l'espace des sociétés*, Belin, 2003.

In addition, cross-border cooperation “enlarges” the territory for its inhabitants and businesses, which can take advantage of economies of scale and agglomeration in terms of market size, equipment and public services.

One of the most important effects concerns the sharing of investment costs related to public and private infrastructures (for example in terms of research, which is often very expensive in innovative sectors). Joint promotion of businesses and a joint presence at international trade fairs make it possible to be more visible and to share costs.

For an SME, cross-border development constitutes a particular means of opening up to the international arena, enabling it to expand so as to break into local, European and global markets while remaining rooted in a specific territory. By reaching out beyond the local context, the cross-border approach can result in a “win-win” situation for territories and their businesses and inhabitants.

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PROMOTING CROSS-BORDER ECONOMIC DEVELOPMENT

Highlighting the economic advantages specific to cross-border territories constitutes both internal promotion (for the economic agents present in the territory) and external promotion (aimed at foreign investors) that are necessary for their economic development. This is the responsibility of territorial authorities, chambers of commerce and industry and economic development agencies, which have competence in the areas of territorial strategy and promotion and support for businesses. However, it appears that they are fairly ill-equipped to carry out actions to raise awareness about the benefits of designing the future of a business, economic sector or territory in the neighbouring country.

The first obstacle stems from the difficulty in objectively evaluating the concrete effects of cross-border economic cooperation. There are very few territorial studies or analyses that make it possible to identify the existence or potential of a cross-border market, notably because of the above-mentioned divergences in national statistical systems that hamper the use of common indicators that would allow the quantification and description of cross-border economic flows. In addition, the exploitation and media coverage of good experiences of economic cooperation remain very limited.

At a time when the evaluation of public policies is occupying a predominant place in their implementation and/or continuation, the scarcity of information is tending to reduce the efforts devoted to joint promotion actions aimed at domestic and foreign economic agents.

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THE OBSTACLES TO CROSS-BORDER INTEGRATION AND PUBLIC ACTION

Crossing the border is from the outset a source of additional difficulties: the border is an administrative, cultural and often linguistic barrier, and is even a source of mistrust.

In addition, while within the European Union capital, goods and people move freely across borders, Member States make unilateral changes to their policy in the area of taxation: border territories are the first to feel the effects of the divergences that this can result in, and which for businesses constitute both constraints (competition, instability, etc.) and opportunities (for those that take advantage of the differentials).

AS A RESULT, THE ECONOMIC DEVELOPMENT POTENTIAL OF CROSS-BORDER TERRITORIES IS INSUFFICIENTLY EXPLOITED:

- Unemployed people in border regions do not take advantage of job vacancies that are available on the other side of the border;
- SMEs which do not succeed in forming cross-border partnerships in spite of numerous potential synergies and opportunities for international development;
- Businesses which experience strong competition, without partnerships that would be beneficial for everyone being set up (R&D, creation of networks with universities and research laboratories, etc.).

An initial investment is needed to get to know one's neighbours and their mode of functioning before **working with them, on their soil or for them** – three of the main types of relationship between economic players that the border can give rise to.

Beyond that, public-sector players can take action in two (potentially complementary) ways:

- First, they can decide to support their businesses or nationals on the other side of the border, and encourage them to access the neighbouring market (commercial opportunities, labour market, etc.). In this case, it is the market that is the engine for cross-border integration. Here, the public action is more “border region” than cross-border in nature.
- Second, they can put a system of cross-border governance in place, regarding the cross-border territory as a whole, where in particular joint economic action can be encouraged for the benefit of both sides. This requires the ability to know the territory (difficulties linked to the absence of appropriate statistics in cross-border settings) and also to jointly decide on actions to implement. Here, cross-border integration is not only economic but also political in nature. This type of set-up is not common, but we can see the beginnings of it in territories such as the Euregio Meuse-Rhine.

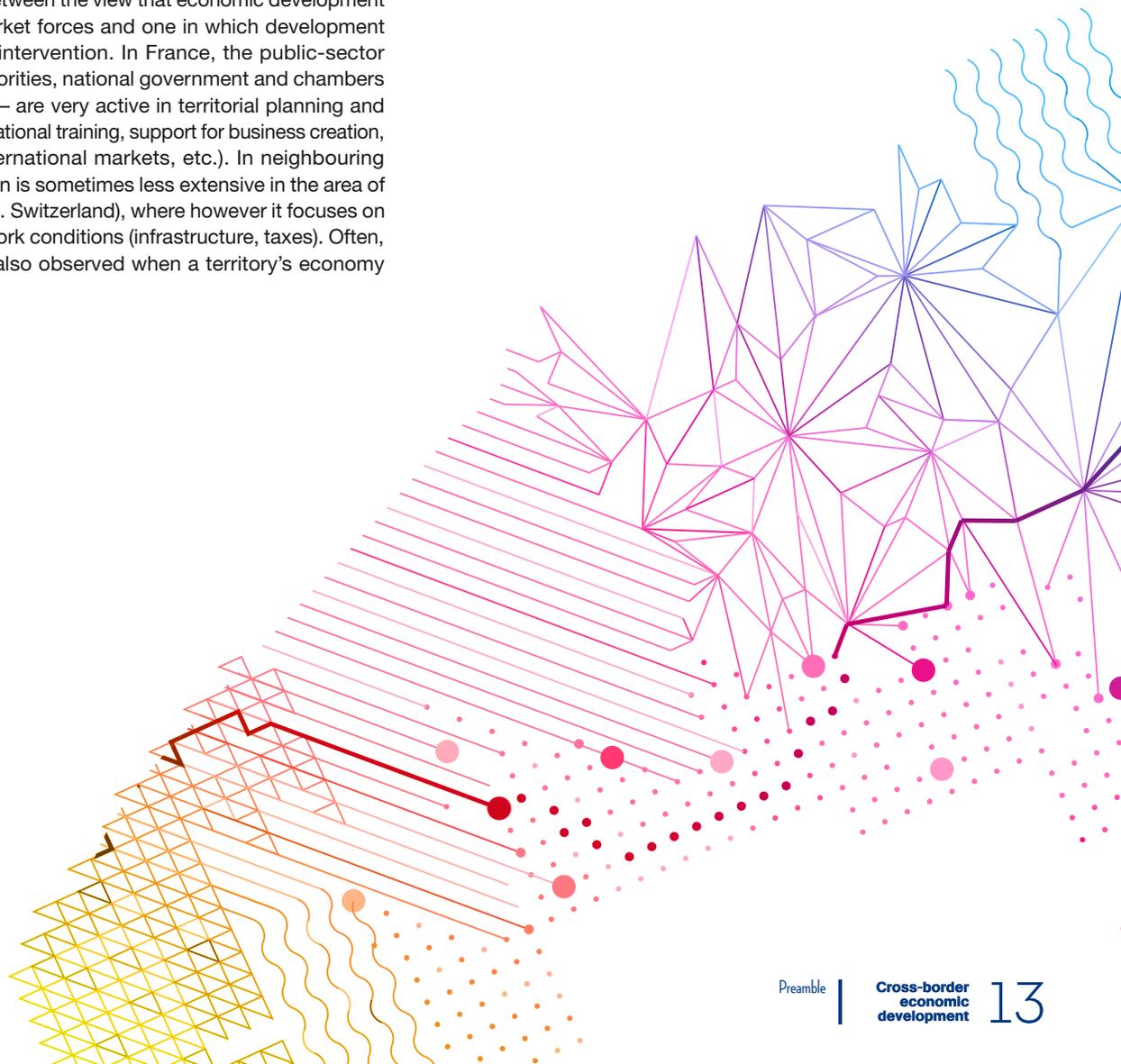
Cross-border cooperation sometimes comes up against differing conceptions of its nature, between the view that economic development should be left solely to market forces and one in which development is also fostered by public intervention. In France, the public-sector players – the territorial authorities, national government and chambers of commerce and industry – are very active in territorial planning and economic development (vocational training, support for business creation, development aimed at international markets, etc.). In neighbouring countries, public intervention is sometimes less extensive in the area of economic development (e.g. Switzerland), where however it focuses on creating favourable framework conditions (infrastructure, taxes). Often, less public intervention is also observed when a territory's economy is flourishing.

STRUCTURE OF THE DOCUMENT

This introduction to economic development in cross-border territories starts by presenting nine portraits of different territories, mainly based on interviews conducted by the Mission Opérationnelle Transfrontalière during the course of this project and that briefly set out the cross-border economic relationships, the framework conditions, the labour market and the players involved in economic development.

The second section comprises a cross-cutting analysis of the different aspects of cross-border economic development, which draws general conclusions from the comparison of the territories studied; in particular, it discusses public action in the French context at a time when it is the subject of far-reaching reforms affecting the areas of economic development and employment.

In order to illustrate cross-border economic realities in greater detail, ten good practices factsheets are appended to this introduction. They present exemplary or innovative projects and partnership initiatives that may serve as inspiration for other cross-border territories.





Territory portraits: economic development on different borders

This first part aims to cover nine cross-border areas, through territory portraits, mainly based on interviews conducted by the Mission Opérationnelle Transfrontalière during the course of this project and that briefly set out the cross-border economic relationships, the framework conditions, the labour market and the players involved in economic development. A broad description of the French borders and three European comparisons (Denmark - Germany, Vienna - Bratislava and neighboring regions, Euregio Meuse-Rhine) are proposed.

© Thierry Verbeke



The French and Belgian flags gathered by Thierry Verbeke, an artist based in Northern France, during his residence at the former border post of Rekkem-Ferrain, from April to October 2014, as part of the INTERREG project “300 years of border”



Imot © Mission Opérationnelle Transfrontalière 2015

PORTRAIT OF A TERRITORY

Belgium - France

COMPARISON OF FRAMEWORK CONDITIONS

The differences between framework conditions in France and Belgium are not very pronounced, and each side of the border has its advantages. In terms of taxation, the situations are not fundamentally different. In Belgium, income tax is higher than in France (notably for those with an average income). On the other hand, labour costs are lower in Belgium, both in terms of employee contributions (13% of gross pay, compared with 22% in France) and in terms of employers' contributions (25%, compared with 25%-42% in France). Lastly, corporation tax rates in both countries stand at around 33%. Property prices are lower in France, except in the Lille conurbation, where we see higher prices than in urban centres on the other side of the border.

ECONOMIC FABRIC

The economy in the Walloon region has already embarked on a widespread expansion of the tertiary sector, while the Flemish region has retained a dynamic industrial sector. West Flanders is characterised by a high density of small and medium-sized businesses and industries and the presence of only a few large companies. Some of the sectors

most represented in the Flemish border regions are textiles, new materials (plastics processing) and agri-food (particularly frozen products).

On the French side of the border, the proportion of large companies is greater due to the larger role played by the industrial sector (agri-food, healthcare). The main competitive clusters are in the sectors of innovative materials (MAUD), textiles (Up-Tex), agri-nutrition-healthcare (NSL) and ICT.

SECTORS OF ECONOMIC COOPERATION

Historically, the most integrated sector from the cross-border perspective was the textile industry. Even today, the players in this sector know and interact with each other.

- **Centexbel** (the Belgian centre for research into textiles) and **Up-tex** (a French competitiveness centre for the textile industry) have representatives on one another's executive boards. There are other sectors where cross-border synergies are developing: ICT and the imaging sector, food and healthcare, new materials, transport and logistics, as well as clean technologies.



The Lille-Kortrijk-Tournai Eurometropolis Jobs Forum

© Le Forem

There are very high levels of cross-border commercial transactions but they are difficult to quantify given that retail frequentation data is confidential as it is property of retailers. Lille is the preferred destination for luxury goods and the Belgian side of the border is more attractive for other types of retailers (although the hypermarkets in France still attract many Belgian customers). Along the coast, cooperation has developed particularly in the areas of port logistics⁹ and tourism.

With respect to innovation, cooperation is growing apace, supported by public and semi-public players.

- ↘ **The French-Flemish project TANDEM**¹⁰ was tasked with creating links between clusters and research and innovation centres on both sides of the border and making knowledge available to the world of business.
- ↘ Another example of cooperation in the area of innovation is **Innov'Eurometropolis**,¹¹ an innovation platform bringing together partners from the Lille-Kortrijk-Tournai Eurometropolis (networking, identification of players).

Promotion of the territory remains a competitive field in which the advantages of cross-border cooperation appear limited for the local players.

⁹ For examples, see the following projects: C2C -Connect to Compete (2007-2011), PATCH - Ports Adapting to Change (2008-2012) and CAST - Coastal Actions on Sustainable Tourism (2010-2013), co-financed by the 2 Seas programme. For more information: www.interreg4a-2mers.eu

¹⁰ Implemented between 2011 and 2014, co-financed by the INTERREG France-Wallonia-Flanders programme.

¹¹ Implemented between 2011 and 2014, co-financed by the INTERREG FWL programme. For more information: <http://fr.eurometropolis.eu/nos-actions/developpement-economique/innovation.html>

However, a joint initiative to promote the territory has been launched in the **Lille-Kortrijk-Tournai Eurometropolis**, with the aim of communicating about its common assets and attracting businesses (the Invest in Eurometropolis project¹²).

- ↘ The **Centre Transfrontalier des Entreprises**¹³ (Cross-Border Business Centre) network has been created for SMEs wishing to establish themselves on either side of the French-Belgian border and offers support services. This network is composed of several public and private economic bodies (Greater Lille CCI, VOKA (Flanders Chamber of Commerce and Industry), UNIZO (Unie van Zelfstandige Ondernemers - Union of Independent Entrepreneurs), CCI Wallonie-Picarde, POM, and the intermunicipal agencies IDETA and IEG).

¹² Implemented between 2011 and 2014, co-financed by the FWL programme. For more information: <http://fr.eurometropolis.eu/nos-actions/developpement-economique/investineurometropolis.html>

¹³ Implemented between 2008 and 2014, co-financed by the FWL programme. For more information: www.centre-transfrontalier.org

Networking events have been organised, bringing together French and Belgian businesses, research centres and technical hubs.

- ↳ The main event is **Innov'embre**,¹⁴ an event which, since 2013, has included a cross-border element.

LABOUR MARKET

The employment situation is quite varied along the border, with high levels of unemployment on the French side (ranging from 12.9% in Nord-Pas de Calais to 9.4% in Picardie) and Wallonia (11.7% in Hainaut Province and 8% in Namur Province), but very low levels on the Flemish side (3.2% in West Flanders).¹⁵

Along the French-Belgian border, flows of cross-border workers are smaller than along other borders; Belgium receives 12% of all French cross-border workers. In 2013, about 39,000 French residents worked in Belgium.¹⁶ Crossing in the other direction, 10,000 Belgian residents worked in France. The French cross-border workers are in general low-skilled (manual workers for the most part) and work in industry and the agri-food business. In West Flanders, they tend to work in sectors which do not require them to have knowledge of Dutch.

The labour market is not, however, completely fluid. For example, there is a lack of engineers in West Flanders but the positions are not filled by French employees due to their lack of language skills (Dutch and English).

Along this border, there are a number of initiatives designed to encourage cross-border work with respect to the recognition of the other country's qualifications and advertising job vacancies.

- ↳ **The Forum de l'Emploi de l'Eurométropole**¹⁷ (Eurometropolis Job Forum) has been organised each year since 2007 by Pôle Emploi (the French public employment agency), VDAB (the Flemish public employment agency), UNIZO, FOREM (Wallonia's public employment agency).

PLAYERS IN CROSS-BORDER ECONOMIC GOVERNANCE

In terms of economic development, public actions are being stepped up at the regional level (and to a lesser extent at the local level) following reforms made on both sides of the border. For example, for the period 2014-2020, the objective of the Nord-Pas de Calais Region is to develop more systematic cooperation with Flanders and Wallonia, based on common interests identified through a comparison of regional Smart Specialisation Strategies.



© Réseau J'innove en Nord - Pas de Calais

TANDEM project

¹⁴ For more information: www.innovembre.fr

¹⁵ Source: EUROSTAT Statistical Atlas (2011 data) <http://ec.europa.eu/eurostat/statistical-atlas/gis/viewer/>

¹⁶ Source: "Pages de profils", INSEE Nord Pas-de-Calais, February 2014 http://www.eureschannel.org/images/brochuresFR/Pages_de_profil_F_02_2014.pdf

¹⁷ This is a forum where job-seekers and recruiters can meet and discuss career opportunities in the Lille-Kortrijk-Tournai region. Since 2007, the Forum has brought together 35,435 visitors, 669 companies and 3,599 job vacancies. For more information: www.job-eurometropole.com

Cooperation between chambers of commerce across the French-Belgian border goes back a long way.

- ✎ In 1991, EURO 3, a **European Economic Interest Group (EEIG)**, was created by the Greater Lille CCI, VOKA and the CCI Wallonie-Picarde, three chambers of commerce which are very active in the area of cross-border cooperation along the Franco-Belgian border. This provides a forum for discussion, position-taking and the development of concrete proposals with regard to the economic issues faced in the cross-border area. EURO 3 intends to create a cross-border investment fund.

In terms of employment:

- ✎ **The EuresChannel network**,¹⁸ founded in 1993 by the three public employment agencies concerned (Le Forem – for Wallonia, VDAB – for Flanders, and Pôle Emploi – for France) and the social partners (businesses and employees), aims at facilitating labour mobility across the border.

The configurations of partnership between players concerned with cross-border economic development on either side of the border are not entirely symmetrical. For example, in West Flanders, there is a circuit between representatives of businesses, such as VOKA and UNIZO, and the Province, either directly or through POM and OCK. There is no equivalent link between consular chambers and territorial authorities concerning cross-border issues on the French side of the border, for example, between the Greater Lille CCI and the Nord-Pas de Calais Region. The situation is similar in the area of innovation: while, on the French side, Nord France Innovation Développement, the Region's operator, does not communicate with the consular chambers, on the Flemish side, the business-research connection is pursued by OCK, which works to bring together businesses, via VOKA and the Greater Lille CCI, and technology centres, in the framework of the TANDEM project.

As regards the two EGCTs, the Lille-Kortrijk-Tournai Eurometropolis and West-Vlaanderen/Flanders–Dunkerque–Côte d'Opale, which are tasked with creating links and coordination, the partners regularly make choices as to which initiatives should be carried out jointly by the cross-border body, and which should be implemented directly by their own departments.

In terms of funding frameworks, the France-Wallonia-Flanders and 2 Seas programmes have supported numerous projects in the field of economic development. The FWVL programme for 2014-2020 proposes the development of project portfolios by theme or territory. In this vein, several of the players mentioned above plan to develop portfolios of projects in the economic field.



Alzette-Belval, new town site at the Franco-Luxembourg border

¹⁸ For more information: <http://pro.guidesocial.be/sat/redirect.php?s=256>



PORTRAIT OF A TERRITORY

Greater Region

(Belgium - Luxembourg - France - Germany)

COMPARISON OF FRAMEWORK CONDITIONS

The Greater Region – an area made up of Luxembourg, Lorraine, Wallonia, the German-Speaking Community of Belgium, Saarland and Rhineland-Palatinate – displays very variable framework conditions due to the fact that four countries participate in it. It is in the Belgian part that labour costs are the highest (€38 an hour in Belgium, compared with €35.7 in Luxembourg, €34.3 in France and €31.2 in Germany in 2013¹⁹), with the differential with the other regions of the cooperation area being more marked in the production sector than in the services sector.

In general terms, Luxembourg is more attractive than the other regions from the point of view of business taxes (lower employers' contributions, absence of an equivalent to the territorial economic contribution, overall lower compulsory contributions) and labour market regulation, which is much more flexible. Moreover, public investment, notably with respect to equipment and infrastructure, is more sustained in the Grand Duchy, which enhances its competitiveness from the point of view of investors.²⁰

Luxembourg's attractiveness means that property prices are extremely high on its territory as well as in the bordering areas. The conurbations of Thionville, Arlon and Trier, as well as the Moselle corridor along the A31 motorway, have seen a sustained rise in house prices over the past few years.

¹⁹ Source: Eurostat, 2013.

²⁰ Source: Lemaire Report, *Le transfrontalier, une opportunité pour les agglomérations et les territoires: assumer la concurrence et développer la cohésion*, 2008.



Tram-Train SaarMoselle

© Eurodistrict SaarMoselle

ECONOMIC FABRIC

The shared past of the mining and steel industry has given way to a new generation of economic activities, principally the automotive sector and tertiary activities, but also the agri-food and timber industries. Nevertheless, each region has its specificities.

Handicraft activities are highly developed in Rhineland-Palatinate, which has a dense network of SMEs and is also seeing growth in the tertiary sector, with tourism and financial and management services. Wallonia has been greatly affected by the decline in the mining, metalworking and textile industries. The agri-food and chemical industry, along with business services are contributing to the region's economic regeneration. Lorraine is drawing on its industrial past to develop growth and jobs in key sectors such as transport, construction and healthcare. The metalworking industry and the timber/paper/cardboard/textile/composites industries occupy an important place in the local economy. Moreover, these industries are among the 12 strategic sectors identified by the Lorraine Region. Services constitute the most representative sector of Saarland's economy, while automobile construction and its suppliers still account for a quarter of jobs. Luxembourg, which is the economic heart of the Greater Region is, for its part, very much dominated by the services sector, above all financial services.²¹

German-owned firms, mainly SMEs with fewer than 50 employees, have a strong presence in Lorraine, with a greater concentration in the east of the Moselle Department. Regarding services, the companies Lidl and Aldi, the call centres of Bertelsmann/Arvato and the car dealerships of Volkswagen and Schaeffler are the main employers. As for the industrial sector, the manufacture of rubber and plastic products, transport equipment, machinery and electrical equipment provide the bulk of jobs. In total, 4.7% of employees in the non-farm market sectors in Lorraine and 11.2% of employees in the region's industrial sector are employed by German firms.²² With respect to the provision of services, the Luxembourg market is particularly attractive for firms in Lorraine, Wallonia and Saarland, especially those in the construction industry.

Although it occupies a central position to some degree, not all of the Greater Region's economic functions are concentrated in the Grand Duchy, which is also dependent on the regions beyond its borders. Luxembourg and the other regional hubs (Namur, Metz, Trier, Saarbrücken, etc.) are therefore in a complementary relationship economically speaking, which requires the strengthening of internal cohesion and better links between the cross-border area and its hinterland.

²¹ Source: Operational programme of the INTERREG IV A Greater Region programme (2007-2013).

²² Source: DIRECCTE Lorraine.

SECTORS OF ECONOMIC COOPERATION

The common activities linked to the automotive industry and more generally to the Greater Region's industrial past have generated several interregional cooperation projects, with support from the INTERREG programme.

- **The IntermatGR project** (2013-2014) aims at creating a cross-border cluster in the materials and processes sector, and plans in a first stage to map each region's skills and to identify potential areas of cooperation in order to foster technology transfer. However, such a project requires overcoming a recurrent difficulty in the Greater Region – that of the asymmetry of competences. The cluster policy is thus shared between national government, the regions and municipalities in France and Germany, while it is overseen by the Wallonia Region and the Luxembourg Government.

The issue of access to financing and support for business innovation at the interregional level are also the subject of growing coordination in the Greater Region.

- Led by the Luxembourg Chamber of Commerce and Luxinnovation, the National Agency for Innovation and Research, the **project Seed4Start**²³ (2011-2015) puts in touch businesses that are seeking venture capital and investors, while the innovation pathways 1,2,3 GO (created in 2000) support young entrepreneurs in the drawing-up and implementation of business plans.

In spite of the "Luxembourg-centrism" of these initiatives, which are aimed primarily at facilitating the access of businesses to the Luxembourg market, we can highlight the prior existence, since the end of the 1990s, of a trinational (FR-BE-LUX) venture capital fund, EUREFI, designed to provide financial support and fiscal engineering to businesses wishing to set up in the territory of the European Development Pole (EDP) and/or extend their activity to the cross-border area.

LABOUR MARKET

Unemployment rates vary greatly across the Greater Region. While Luxembourg, Rhineland-Palatinate and Saarland posted a relatively low annual rate in 2012 (5.1%, 4% and 6.4% respectively), the situation is much more worrying in Lorraine (12.2%) and Wallonia (10%),²⁴ with these two regions being the worst affected in France and Belgium. Cross-border employment, primarily in Luxembourg, is therefore a lifeline for the populations of Lorraine and Wallonia. In 2012, the Grand Duchy received nearly 143,000 cross-border workers, a number which, in spite of a temporary slowdown due to the economic crisis, is steadily increasing. Financial and business services, the retail sector, the medical sector and industry, principally, employ around 76,000 people from Lorraine, 32,000 from Wallonia, 27,000 from Rhineland-Palatinate and 8,000 from Saarland.²⁵ Cross-border workers also commute from Lorraine to Saarland. The Greater Region is thus one of the European regions where labour mobility is the highest.

- With respect to education, the **University of the Greater Region**, which has been co-financed by the INTERREG IV Greater Region programme, brings together the universities in the interregional territory and enables young people to follow cross-border courses. However, command of German is in decline in Lorraine and understanding Luxembourgish has become a precious asset with the growth of support services to individuals in the Grand Duchy. Following the signature of the framework agreement on cross-border apprenticeships in the Upper Rhine, the Greater Region stakeholders have also committed to ensuring greater mobility for apprentices, with the signature on 20 June 2014 of an agreement between Saarland and Lorraine, which is due to be progressively extended to include the other greater-regional entities.



²³ For more information, see the Project Factsheet.

²⁴ Source: Eurostat, 2012.

²⁵ Source: *Statistiques en bref 2013*, published by the Greater Region's statistical offices, January 2013.

PLAYERS IN CROSS-BORDER ECONOMIC GOVERNANCE

The economic dimension is one of the components of institutional cross-border cooperation:

- at the level of the Greater Region as a whole (via the Summit of the Executives, the Interregional Parliamentary Council and the Economic and Social Council of the Greater Region),

- and at more local level (e.g. the SaarMoselle Eurodistrict).

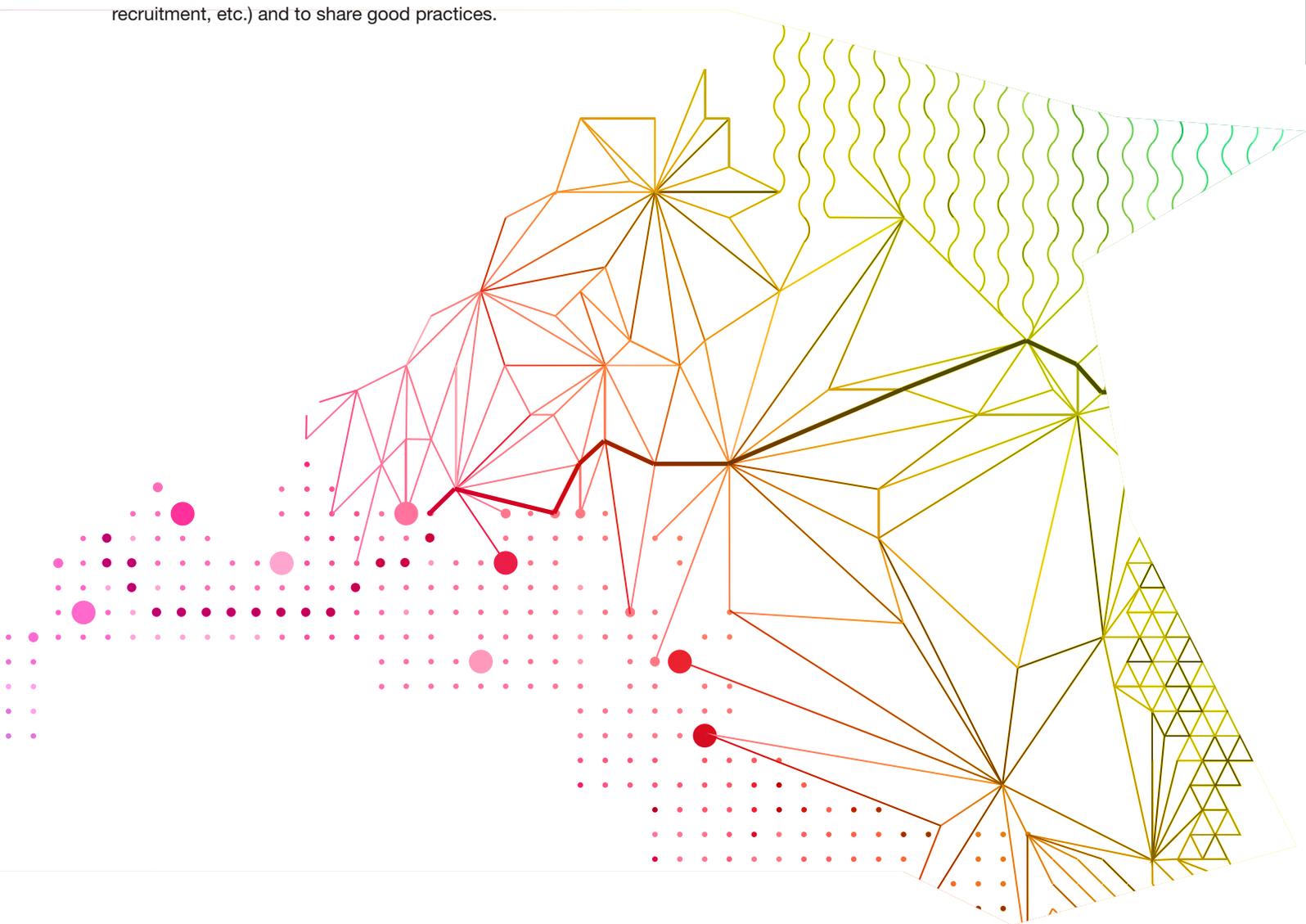
The territory's consular chambers have also forged links in order to give better support to businesses.

- The chambers of crafts and trade have notably set up a cross-border body, the **Interregional Council of Chambers of Crafts and Trade**, in order to present common positions vis-à-vis other players, to work to resolve the problems faced by businesses (exporting, providing services on the other side of the border, recruitment, etc.) and to share good practices.

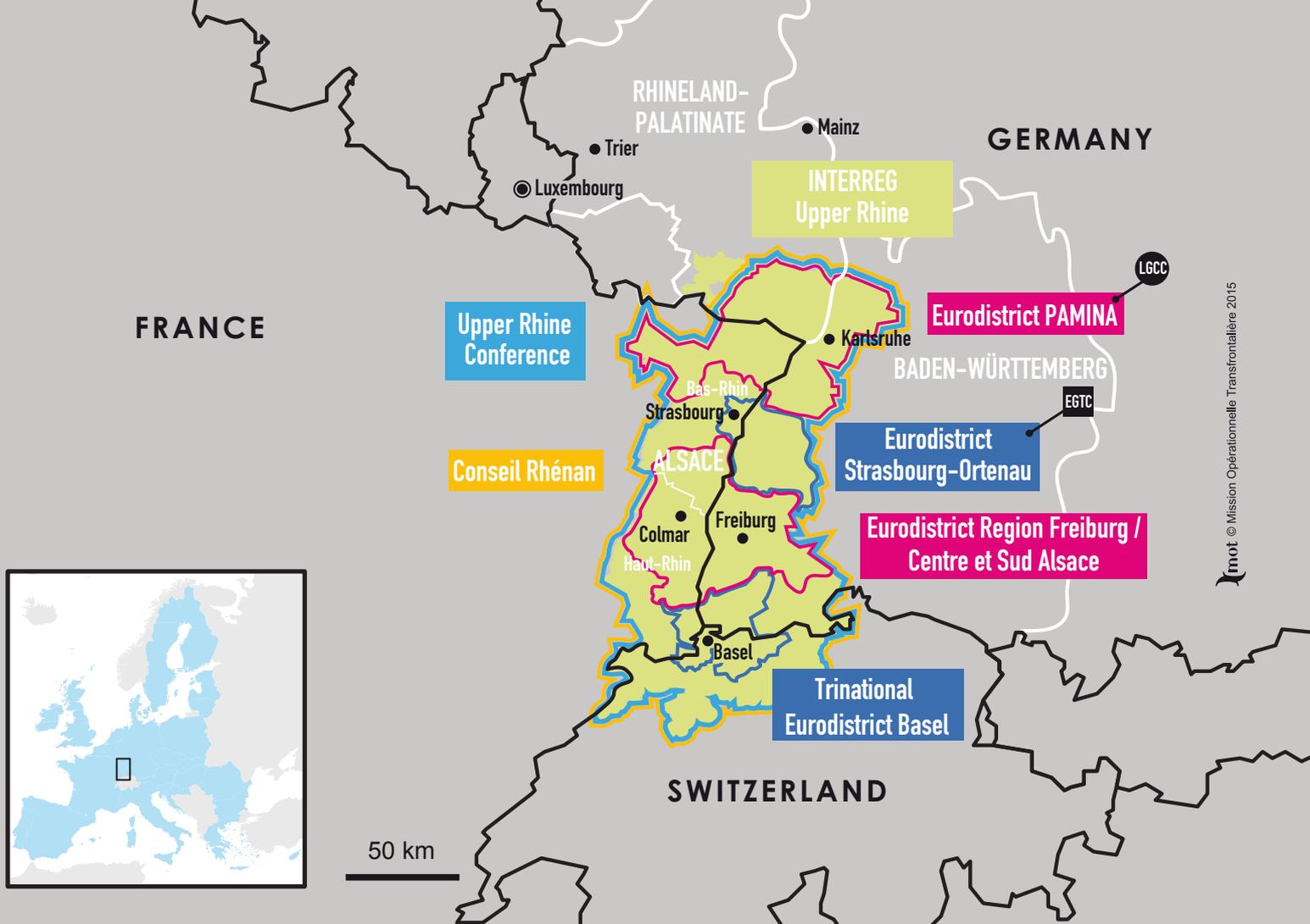
Many interregional initiatives are carried out by partnerships launched by the Luxembourg Chamber of Commerce and Luxinnovation, the National Agency for Innovation and Research, and involving the equivalent bodies in the neighbouring countries in the area of support for businesses and innovation.

In a general way, it is sometimes difficult to coordinate all of the partners owing to their number and the large territory covered by the Greater Region (projects, including those financed by the Greater Region INTERREG programme, are mainly bi- or trinational) and also to the institutional asymmetries (a State vs. a French region, a Belgian federal entity and two German Länder).

The French Government also plays a role in governance via DIRECCTE Lorraine,²⁶ which notably monitors cross-border economic exchanges and employment, as well as having a supervisory role regarding procedures (competition, fraud and worker secondments).



²⁶ Direction régionale des entreprises, de la concurrence, de la consommation, du travail et de l'emploi - Lorraine: the Lorraine Region's Directorate for Businesses, Competition, Consumers and Employment.



PORTRAIT OF A TERRITORY

Upper Rhine

(France - Germany - Switzerland)

COMPARISON OF FRAMEWORK CONDITIONS

There is a noticeable difference in framework conditions between France and Germany in the Upper Rhine region, mainly in terms of business taxes. Employers' contributions are roughly twice as high on the French side of the border and are generally considered by entrepreneurs in Baden to be a barrier to setting up in Alsace.²⁷ Corporation tax stands at 33% in France, compared with 15% in Germany since 2008, following

a series of measures to substantially reduce and simplify the rate of tax and social security contributions initiated in 2000. However, these differences with the situation in France need to be put in perspective since the German Gewerbesteuer, a tax on industrial and commercial activities, which stands at close to 15%, is payable in addition to corporation tax. Even if it remains four percentage points higher in France, the actual level of taxation of company profits is thus relatively similar in the two countries. As for wage costs, these remain comparable on both sides of the Rhine.²⁸ On the other hand, differences are much more marked in comparison with Switzerland.²⁹

²⁷ Source: Study by Ernst & Young, *Dynamique entrepreneuriale dans le Rhin Supérieur (Entrepreneurial dynamics in the Upper Rhine region)*, November 2012.

²⁸ Source: Report by France's Court of Auditors, *Les prélèvements fiscaux et sociaux en France et en Allemagne (Taxes and social security contributions in France and Germany)*, March 2011.

²⁹ See Portrait of a territory – France-Switzerland.

Property prices are lower in France, despite a trend in the direction of a catch-up. Planning permissions particular to German municipalities favour the concentration of commercial activities with large catchment areas on German territory, where prices of consumer goods are generally lower. To set up business in the Haut-Rhin Department or the southern Baden region is more costly due to the proximity of the Basel conurbation.

As regards households, despite the different tax and social security structures, overall the tax burden is equivalent in France, Germany and Switzerland.



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Campus Novartis, Basel



© Rhein & Schwarz

Cross-border Project Café, Strasbourg-Ortenau Eurodistrict

ECONOMIC FABRIC

A quarter of the Upper Rhine's GDP comes from processing industries, the main sectors of which are the chemical industry and pharmaceuticals (major international companies such as Novartis and Roche are present in the Basel conurbation), mechanical engineering (highly developed in the Baden region), electronics/electrical engineering (in the Baden region and Switzerland) and car manufacturing (Daimler Chrysler in Wörth in the Palatinate, Peugeot in Mulhouse, and Daimler Chrysler in Rastatt in the Baden region). Building on a strong reputation in the field of life sciences, the region has signalled its desire to specialise in biotechnologies. Other sectors are also emerging, such as nanotechnology, photonics and renewable energies.

Financial and business services, the hotel and restaurant trade and particularly the real estate and transport sectors are relatively underdeveloped. The potential for growth in these sectors is therefore not negligible.³⁰ In this respect, the river corridor formed by the Rhine has been the subject of new reflections regarding the development and diversification of industrial services (logistics, etc.) as well as intermodal connections. The territorial authorities and economic players are at present exploring the functioning and potential of port areas. The same is true of the bi-national airport platform at Basel-Mulhouse, with its concentration of 130 businesses, which as a result constitutes a prime hub of activity for the south of the Upper Rhine region.

In the Upper Rhine region there are a little over 153,000 SMEs, the great majority of which (84%) employ fewer than ten people.³¹ Many companies in the Baden region and Switzerland sub-contract part of their production to SMEs in Alsace. The recent economic crisis has encouraged an increase in the number of self-employed on the French side of the border – as a consequence, the economic fabric of Alsace is characterised by many very small businesses (fewer than 4 out of 10 businesses have any employees).³² The slowdown in the pharmaceuticals-chemical industry around Basel, which is highly international and was directly impacted by the global economic crisis, had a knock-on effect on many of the sub-contractors and on the general economic dynamics of the region in 2011-2012. This unfavourable situation is, however, in the process of improving.

³⁰ Source: Operational programme of the INTERREG IV A Upper Rhine programme (2007-2013).

³¹ Source: *Rhin Supérieur – Faits et chiffres 2012 (Upper Rhine – Facts and Figures 2012)*, published by the offices of statistics for the "Economic Policy" working group of the French-German-Swiss Upper Rhine Conference.

³² Source: *Le tissu économique en Alsace et dans la CUS: évolution 2008-2013 (The economic fabric of Alsace and the Urban Community of Strasbourg: developments in 2008-2013)*, Les indicateurs de l'ADEUS, issue 66, March 2014.



The Kiosk Office, Strasbourg-Ortenau

© Start Hop

SECTORS OF ECONOMIC COOPERATION

The life sciences and energy sectors are at the heart of the Upper Rhine's regional economy.

- **The BioValley and TRION networks**, which bring together French, German and Swiss clusters in the sectors, facilitate the exchange of knowledge across borders not only through the organisation of joint events (conferences, seminars, etc.) but also by encouraging partnerships and joint projects between companies. Interclustering by sectoral grouping should involve other clusters within the Upper Rhine region in future.

Forms of cooperation are also developing at more local levels:

- **The Strasbourg-Ortenau Eurodistrict** is home to a number of concrete initiatives to help entrepreneurs on both sides of the Rhine and foster their networking. The cross-border "Project Cafés"³³, a project implemented by the Urban Community of Strasbourg and the Eurodistrict and launched in 2013, consists of thematic workshops aimed at supporting people with business projects in their administrative procedures on the other side of the border and orienting them according to their specific needs (financing tools, premises, etc.). These meetings continued in 2014 and should ultimately make possible the establishment of a permanent support structure. As regards premises for businesses, two business incubators have been set up (in Hautepierre, an area of Strasbourg, and in Offenburg) and the Urban Community of Strasbourg is working on setting up a French-German structure which will enable the availability of property on the French side of the border to be linked with the attractiveness of the market on the German side.

³³ For more information, see the Project Factsheet.

LABOUR MARKET

The rate of unemployment on either side of the Rhine differs substantially. On the French side, in the first quarter of 2013, unemployment in Alsace stood at 9.5%. Looking at the detail by employment area reveals a more contrasting situation, with 60% of the region's job-seekers concentrated in Strasbourg (10.6%) and Mulhouse (11.6%), while the employment area around Saint-Louis (6%) benefits from its proximity to the Basel economy. On the Swiss and German sides, the figures point to a much more favourable economic climate, with unemployment at 4% in the Land of Baden-Württemberg and the Canton of Basel-City.³⁴

Historically, the Upper Rhine region has been characterised by substantial cross-border flows due to the close cultural and linguistic ties between the different sides of the border. North-West Switzerland is the main destination of these workers, with 31,000 of them being French and 27,500 German. Another 28,000 French people travel daily to work in Germany. Very few workers appear to leave the Swiss cantons, and France only hosts a few hundred cross-border workers.³⁵ The recent economic crisis has led to a temporary slowdown in flows of cross-border workers, which have however picked up again in recent months. Nonetheless, public and private players are in agreement that the Alsatians' lack of qualifications and the decline of their German language skills restrict their mobility to employment areas where qualified workers are very much needed.

- ↘ **The cross-border placement of job-seekers service** was reinforced since 2013 by the setting up of three cross-border placement services along the French-German border.³⁶ In terms of vocational training and apprenticeships, efforts also led to the signing, on 12 September 2013, of a framework agreement regarding cross-border apprenticeships in the Upper Rhine, which settles, among other things, the question of apprenticeship tax, which is covered entirely by the Alsace Region. However, it remains to motivate potential French candidates who appear reluctant to take up this opportunity.

PLAYERS IN CROSS-BORDER ECONOMIC GOVERNANCE

Public action in this area is more extensive in France, where the Region of Alsace has traditionally been a leading player. Currently in the process of developing its Alsace 2030 strategy, the regional authority has identified cross-border action as an area for development and are involving Swiss and German partners in their planning workshops.

The Urban Community of Strasbourg, which has recently expanded its Economic Development Directorate, has become increasingly aware of the advantage of an economic strategy at the cross-border level and in 2009 drew up its strategic road map Strasbourg 2020, which includes a cross-border section and several cross-border projects, some of which are mentioned above.

It should also be noted – and this is much more unusual on account of the distribution of public-sector competences in France – that the Haut-Rhin Department, faced with a considerable competitiveness differential due to the proximity of Basel, has mobilised its resources to support cross-border initiatives, in particular for territorial infrastructure and development projects (IBA Basel 2020 and 3Land projects).

Another important point is that the three chambers of commerce and industry (CCI) in Alsace have merged their departments dedicated to cross-border action into the Cross-Border Cooperation Directorate at the CCI Alsace, providing a single point of contact for the Swiss and German consular chambers.

- ↘ In the area of employment, the Strasbourg Jobs and Training Centre (Maison de l'emploi et de la formation de Strasbourg), which includes Pôle Emploi (France's public employment agency), the Bundesagentur für Arbeit and German business representatives on its executive board, leads a **cross-border GPEC (forward-looking management of jobs and skills) for port-related professions**.

Central government departments participate actively in the EURES partnership via the DIRECCTE (Regional Directorate for Business, Competition, Consumers and Employment).

On the French side, therefore, there is multi-layered public involvement, which is not however coordinated, for political reasons.

At the cross-border level, there are cooperation bodies such as the Upper Rhine Conference and the Upper Rhine Trinational Metropolitan Region, the economic component of which brings together the chambers of commerce and industry (CCIs) of the three countries.

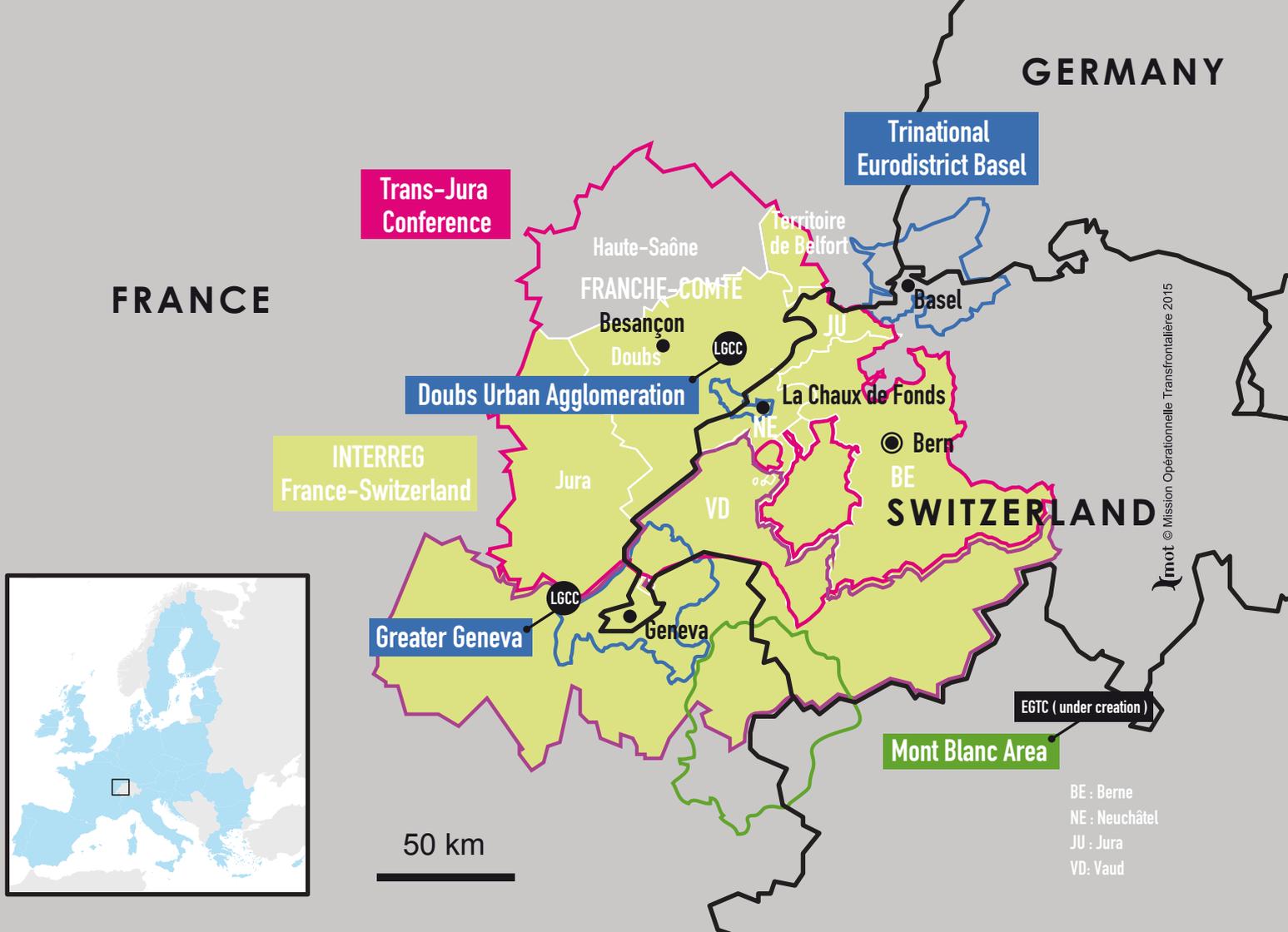
It remains difficult to establish coordination with the German and Swiss systems, however. Dialogue is easier with Germany, where CCIs have a similar status to the French counterparts and where economic competence is shared between municipalities and the Länder. Such cooperation has been much more difficult with Switzerland, with its economically liberal and pragmatic traditions, where the CCIs are private and independent organisations.

- ↘ **The TransInfoNet network**, which since 1996 has brought together the five Chambers of Trades of the cross-border region in order to offer both legal and administrative support for cross-border service provision, constitutes a more consolidated partnership structure. Last February's vote, the implications of which remain unclear in terms of the region's economic stability, has cooled relations with Switzerland. The development of economic cooperation is therefore on hold for the time being.

³⁴ Source: *Le tissu économique en Alsace et dans la CUS: évolution 2008-2013 (The economic fabric of Alsace and the Urban Community of Strasbourg: developments in 2008-2013)*, Les indicateurs de l'ADEUS, issue 66, March 2014.

³⁵ Source: www.eures-t-rhinsuperieur.eu

³⁶ For more information, see the Project Factsheet.



PORTRAIT OF A TERRITORY

France - Switzerland

COMPARISON OF FRAMEWORK CONDITIONS

Framework conditions in France and Switzerland are significantly different, both from a financial and administrative point of view. Companies in Switzerland are taxed less (taxes vary depending on the canton and the municipality, corporation tax is lower by about ten percentage points, there is no equivalent tax to France's territorial economic contribution (CET), salaries are higher but social security contributions are lower).³⁷ In addition, they are less complex administratively (calculation of salaries, accounting practices, tax returns). Rents for business property are similar, or sometimes lower, in Switzerland for small businesses that do not need much space, especially in Greater Geneva (many premises are available for rent in the Canton of Geneva).

Swiss households pay higher income tax than those in France and employees pay directly for a large proportion of their social security cover (sick pay, pension). Given the higher salaries, but also a higher cost of living and private social security insurance in Switzerland, for an equivalent job, the standard of living is comparable for a French and Swiss household. Cross-border working, when it makes it possible to benefit from a Swiss salary and the French cost of living, is extremely advantageous for employees and also benefits Swiss companies, which are able to attract qualified workers, of which there is a shortage in Switzerland. The difference in cost of living also explains the widespread practice by Swiss residents of making purchases in France (development of retailers on the border, establishment of Swiss retailers on the French side of the border).

³⁷ The "standard" corporation tax rate is around 33% in France (though numerous tax credits can reduce this rate, or a reduced tax rate can be applied in certain circumstances, in particular for SMEs). In Switzerland, the federal tax rate is 8.5% for capital companies; by adding a variable rate for the canton and municipality, the overall tax rate can fluctuate between about 21% and 24%. See the EUREX study on this subject: "Avantages comparés pour l'implantation d'activités économiques en France et en Suisse (Genève/Vaud)" (Comparative advantages for the establishment of economic activities in France and Switzerland (Geneva/Vaud)), carried out in 2010 for the Projet d'agglo franco-valdo-genevois (France-Vaud-Geneva conurbation project), and available in French at: www.med74.fr/filemanager/download/397



Geneva area seen from Mount Salève in France

© GLCT du Grand Genève

It may be noted that for territorial authorities, different provisions apply to the tax on the income of cross-border workers in the Jura Arc region (Cantons of Bern, Neuchâtel, Jura and Vaud; as well as the Cantons of Basel-City, Basel-Country, Solothurn and Valais) and the Canton of Geneva. In the first case, employees are taxed in France and the French authorities then pay 4.5% of the cross-border workers' gross salaries back to the Swiss tax authorities.³⁸ In the second case, the cross-border workers are taxed at source and the Swiss authorities pay back 3.5% of the total wage bill to France (these amounts are then transferred from the State to the relevant territorial authorities where the cross-border workers are resident – the Ain and Haute-Savoie Departments and the relevant municipalities).³⁹

ECONOMIC FABRIC

The economic fabric is very varied along the whole of the border. In the Jura Arc region, on both sides of the border, we see firms (SMEs) that specialise mainly in microtechnology and watchmaking (with an automotive hub around Belfort-Montbéliard). This predominantly industrial

fabric is dependent on clients from outside the region. Greater Geneva, which is a major economic centre, has a more diverse and more tertiary economy, as is typical of large European metropolises. The border between France and the Valais region, a mainly mountainous, rural area, is characterised by an economy that is based both on tourism (particularly in the winter) and industry, which is very varied in the valleys: pharmaceuticals, micromechanics, electronics, etc.

- ↳ **In the Jura Arc region**, many French SMEs are subcontractors for Swiss watchmakers. This is not the case the other way around: large French car companies do not subcontract to the Swiss side (Swiss subcontractors work with German car manufacturers). The potential complementarities, especially in the area of

³⁸ 11 April 1983 Agreement between the Swiss Federal Council and the French Republic concerning the taxing of salaries of border workers, applicable in the Cantons of Bern, Solothurn, Basel-City, Basel-Country, Vaud, Valais, Neuchâtel and Jura.

³⁹ 29 January 1973 Agreement between the Swiss Federal Council acting on behalf of the Republic and Canton of Geneva and the government of the French Republic concerning financial compensation with respect to cross-border workers working in Geneva.



© Communauté de communes du Pays de Gex

Back plan, Mall of the Swiss banner "Migros" installed on the Pays de Gex - Val Thoiry territory, on the French side

microtechnology, are both great and underexploited. Projects to encourage cross-border networking do however exist, particularly in the area of innovation by SMEs (INNOVARC). Thus, between companies, the border remains quite clearly marked.⁴⁰

- ✎ **In Greater Geneva**, cross-border exchanges are more longstanding and diverse, in particular due to the presence of an interdependent metropolitan economy (as a city whose centre is separated from the surrounding area by an international border). These exchanges are, however, hard to quantify, as no precise study has been carried out to record them. Despite this, the border remains strongly present in the people's minds, as observed by the public authorities and consular chambers. This is due to the customs and administrative difficulties involved in crossing the border (payment of VAT, customs duty formalities, a general feeling of administrative complexity on crossing the border).

That said, economic exchanges do take place, often with the decision-making centre in Geneva (internationally, Switzerland has a positive image, it is the centre of the metropolis, etc.) and the place of production located in the French hinterland (more space available for activities requiring larger premises). "Bi-location" (being located in both countries) does exist, but remains marginal.

Going from Switzerland to France, services and construction firms often cross the border in order to accompany their Swiss clients who move to France (where property is more affordable), or to offer identical retail services to those in Switzerland but at lower cost.

- ✎ For example, Migros, the Swiss retailer is established in France with a clientele of French residents as well as Swiss residents who cross the border to shop in France (in 2012 "consumer tourism" represented 1.5 billion Swiss francs for the Cantons of Geneva, Neuchâtel, Jura and Vaud⁴¹), or to benefit from access to the EU market (bi-location), or specific facilities (research, university partnerships – often benefiting from French research tax credits).

Going from France to Switzerland, crossing the border is often motivated (particularly in the case of SMEs) by the simplicity and stability of administrative, social and tax rules in Switzerland (simplicity comes far before social security costs as the main motivation⁴²), as opposed to the shifting rules (frequently changing) in France. The smallest businesses are more likely to set up completely in Switzerland, while larger ones retain a degree of bi-location. Finally, the image of Switzerland is more favourable internationally than that of France for a company which, by setting up in Geneva, is still only an hour away from Lyon.



Le Locle, Swiss town of 1422 inhabitants in the Jura Arc region (Canton of Neuchâtel, Switzerland)

⁴⁰ For more on this subject, see the study for the Trans-Jura Conference carried out by the MOT in 2013, in particular the territorial assessment section: "Stratégie transfrontalière de développement de l'Arc jurassien franco-suisse" (Cross-border development strategy for the French-Swiss Jura Arc region).

⁴¹ GfK study from 2013, commissioned by the Communauté d'intérêt du commerce de détail suisse (Community of Interests of the Swiss Retail Trade). In 2012, "consumer tourism" (purchases made by the Swiss abroad) represented 5% of the total turnover of the Swiss retail trade (96.8 billion francs in 2012).

⁴² 600 business managers were surveyed as part of the EUREX study "Avantages comparés pour l'implantation d'activités économiques en France et en Suisse (Genève/Vaud)" (Comparative advantages for the establishment of economic activities France and Switzerland), op.cit.

LABOUR MARKET

At the end of 2013, on the French side of the border, the rate of unemployment ranged between 6.9% (Ain) and 11.3% (Territoire de Belfort). On the Swiss side of the border, the unemployment rate was between 3.3% (Valais) and 5.5% (Geneva).⁴³ The border region on the French side has an unemployment rate that is lower than the national, and even regional, average.⁴⁴ On the Swiss side, the unemployment rate is often regarded as a cause for concern, compared with the national average (2.9% in June 2014), especially in the Cantons of Geneva and Neuchâtel (which have the highest rates of unemployment in Switzerland). There are therefore political tensions surrounding cross-border workers (almost 150,000 commuted from France to Switzerland in 2014⁴⁵) who can sometimes accept lower wages.⁴⁶ However, French workers make up for the lack of skilled labour in Switzerland, which is why businesses fear the decisions that are due to be adopted following the vote of 9 February 2014, which are expected to impose limits on freedom of movement.

In terms of training, there is little cross-border cooperation (there are a few cooperation initiatives in higher education) despite numerous projects, especially in the Jura Arc region. There is sometimes a feeling within companies that they are “training workers for Switzerland”, which makes any more extensive cooperation difficult. Cross-border apprenticeships do not exist – in the Geneva area administrative barriers were removed, but there were no candidates to take them up. The focus has therefore been on facilitating the professional mobility of cross-border workers by working jointly on the mutual recognition of professional experience and the other country’s qualifications.

PLAYERS IN CROSS-BORDER ECONOMIC GOVERNANCE

Public action in the economic sphere marked by greater involvement on the French side of the border, where the economic situation is also worse. On the Swiss side, the strength of the economy and a tradition of a more *laissez-faire* approach means the public players are more hands-off. Cross-border cooperation in the area of economic development must therefore accommodate two different modes of intervention, which makes working together difficult.

In the Jura Arc region and Greater Geneva, cross-border cooperation bodies (the Trans-Jura Conference⁴⁷ and the Greater Geneva LGCC⁴⁸) carry out consultations among economic stakeholders via working groups or units.

- ✚ **In Greater Geneva**, joint promotion activities have ended (joint promotion at MIPIM – an annual international property event in Cannes) as the results were not commensurate with the efforts made. But the bodies still seek a more effective form of cooperation, which is proving difficult given the competition between the two national territories (a joint consultation working unit on economic development exists in the LGCC, but meetings are rare and it has proved difficult to find common interests).
- ✚ **In the Jura Arc region**, the greater specialism in the form of microtechnology specialism leads to hopes of developing partnerships between businesses, also including universities, thanks to greater coordination and networking between companies. The INNOVARC project is interesting in this regard.

The consular players whose structures are not comparable (no mandatory funding or public service on the Swiss side), are not accustomed to working together, with the exception of the ULAM (Lemanic Union of Crafts and Trades), which brings together the CMAs (Chambers of Trades and Crafts) of the two French Departments and their Swiss counterparts in the Cantons of Geneva, Vaud and Valais⁴⁹ and offers comprehensive information about work and training on both sides of the border.

The INTERREG Euregio Meuse-Rhine programme financed numerous economic development projects between 2007 and 2013 and will continue its support in the area during the period 2014-2020 (with special focus on innovation, energy and the labour market).

⁴³ Switzerland’s State Secretariat for Economic Affairs, June 2014.

⁴⁴ For more on this subject, see the study for the Trans-Jura Conference carried out by the MOT: “Diagnostic territorial – Stratégie transfrontalière de développement de l’Arc jurassien franco-suisse” (Territorial assessment – cross-border development strategy for the French-Swiss Jura Arc region), op. cit.

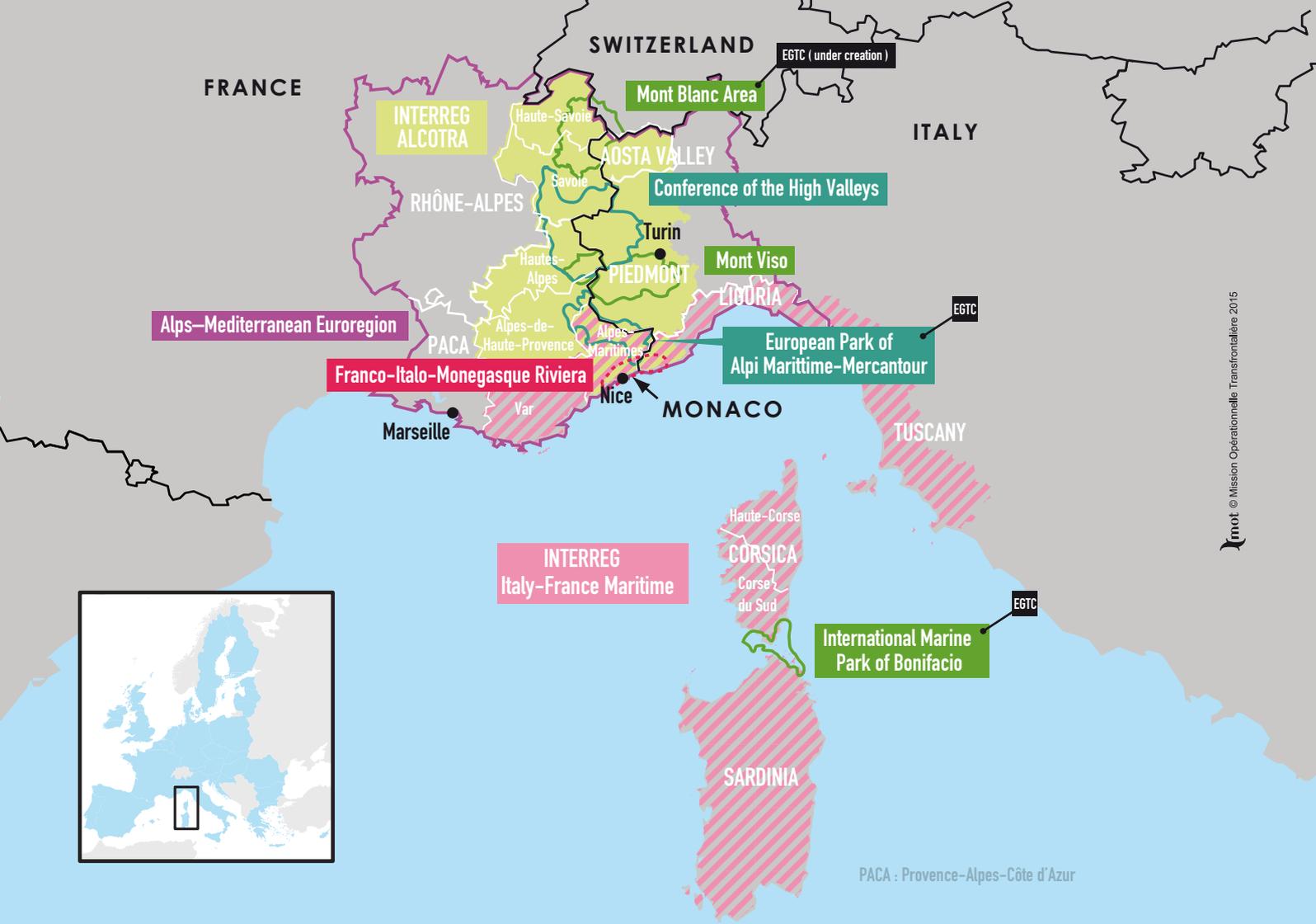
⁴⁵ Source: OFS, first quarter 2014, 148,207 cross-border workers resident in France.

⁴⁶ For more on this subject, see the study for the Trans-Jura Conference carried out by the MOT: “Diagnostic territorial – Stratégie transfrontalière de développement de l’Arc jurassien franco-suisse” (Territorial assessment – cross-border development strategy for the French-Swiss Jura Arc region), op. cit.: the fear of wage dumping is a theme that plays regularly in the Swiss media, fuelled by contradictory studies: a Geneva study (by the Geneva School of Business Administration, presented in September 2013) showed that the depression of wages was not generally a risk in the Canton, except for women on short-term contracts in hotel and catering jobs. On the other hand, the problem is more significant in the Jura: according to a study carried out by the State Secretariat for Economic Affairs, which surveyed employees in the Jura, 31% were underpaid in 2013 (wages below the minimum for the relevant sectors), whereas the Swiss average is 6%.

⁴⁷ Bringing together the Region of Franche-Comté, the Prefecture of the Franche-Comté Region and of the Swiss Jura Arc group arcjurassien.ch, an association bringing together the four Cantons of Bern, Jura, Neuchâtel and Vaud.

⁴⁸ Bringing together the Canton and the City of Geneva, the Canton of Vaud, the Nyon District, and the Departments of Ain and Haute-Savoie, the Rhône-Alpes Region and the Arc Syndicat mixte (French Geneva area regional assembly for cooperation).

⁴⁹ Fédération Patronale Vaudoise (Vaud Employers Federation), Union des Associations Patronales Genevoises (Geneva Union of Employers Associations) and Union Valaisanne des Arts et Métiers (Valais Union of Crafts and Trades).



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PORTRAIT OF A TERRITORY

France - Italy - Monaco

COMPARISON OF FRAMEWORK CONDITIONS

Framework conditions are fairly similar between France and Italy: GDP per capita in terms of purchasing power, with the European average (27 countries) giving the base of 100, stood at 98 for Italy in 2013 and 108 for France.⁵⁰ Businesses are taxed at one third of their profits in France⁵¹ and at 27.5% in Italy. After Germany and France, Italy is the third-largest economy in the euro area. The two countries are one another's second trading partner.

The Principality of Monaco only taxes companies which generate more than 25% of their profits outside the principality,⁵² at a rate of 33.3%. Apart from this, no tax is applied, neither on companies nor on natural persons. Monaco has signed just one bilateral tax agreement, which is

with France. This allows the taxation of French residents in Monaco as though they were within French territory. In addition, the same level of VAT is charged in France and Monaco. This agreement therefore serves to limit the tax differences between France and Monaco.

Territories close to the border face particular constraints with respect to land: from the coast up along the Roya Valley, on both the French and Italian sides, available land is very scarce as, in addition to the limitations of the physical geography, a large part of the territory is a protected natural area.⁵³ With urbanisation having reached its limit (no more land available), there are strong tensions between demand for housing for working people, houses bought by retired people wanting to settle in the area and tourism (rented accommodation and second homes).

⁵⁰ Source: Eurostat.

⁵¹ Up to €38,120 profit, a reduced rate of 15% is applied.

⁵² As well as companies whose activity in Monaco consists in collecting revenue from patents or royalties on literary or artistic property.

⁵³ Available land is particularly scarce in the coastal area (32% of artificially-constructed land as compared to less than 4% in the middle and upper parts of the region), as well as in the whole of the Menton-Roya Valley employment area, 93% of which consists of natural spaces that are difficult to build on (geography and protection of the countryside).

ECONOMIC FABRIC

Along the coast, apart from Monaco, economic activity mainly centres on the “presential economy”, which alone provides 90% of jobs on the French side of the border.⁵⁴ This is due to the particularly marked focus of the region on tourism, and also to the number of retired people settling in the area, who represent 30% of the population aged 15 or over. This is 2 percentage points above the regional average and 6 percentage points higher than in comparable border areas.⁵⁵ On the Italian side, the coastal area is home to an even higher percentage of retired people (almost 32% of the whole Ligurian population⁵⁶). The Ligurian economy is however slightly more industrialised than that of the Alpes-Maritimes Department (19% of jobs compared with 12.5%). The economy is characterised by a strong prevalence of companies specialising in horticulture-floriculture and permanent crops, particularly in the province of Imperia (nearly 7,500 businesses in 2010⁵⁷). Lastly, many Italian craft enterprises operate on the French side of the border

(notably the building and landscaping sectors), in competition with their French counterparts, but meeting deadlines more reliably and offering more competitive rates.

The Principality of Monaco constitutes a very important services centre (with only 6.6% of jobs in industry, representing 6.2% of GDP), including the scientific and technological activities, administrative and support services sector, which employs the largest number of people (21.8%).⁵⁸ As a percentage of GDP, this sector is also the largest (16.7%), along with the financial and insurance sector (also 16.7%); real estate activities come in third position (8.4%), followed by wholesale trade (8.3%).⁵⁹

The remainder of the border is characterised by economic activities typical of a rural mountainous area: tourism (mainly in winter), but also a network of SMEs (agri-food, cosmetics etc.). The maritime border (Corsica and Sardinia) presents economic issues linked to tourism.

⁵⁴ Source: INSEE, “Zone d’emploi Menton-Vallée de la Roya” (“Menton-Roya Valley Employment Area”), No. 40, February 2014.

⁵⁵ Source: INSEE, “Zone d’emploi Menton-Vallée de la Roya”, op. cit.

⁵⁶ Source: ISTAT, 2013.

⁵⁷ Source: ISTAT, 2010.

⁵⁸ Source: IMSEE, 2013

⁵⁹ Source: IMSEE, GDP 2013.



The Mont Blanc area

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SECTORS OF ECONOMIC COOPERATION

In terms of economic cooperation, the French-Italian border is home to many projects linked to the development of tourism, often with the aim of promoting natural resources. Cooperation initiatives across natural spaces (both mountainous and marine) are thus among some of the most advanced in Europe. Low-impact tourism that respects the environment forms part of these development projects.

As for the productive economy, projects are aimed at creating networks among SMEs, particularly in order to encourage innovation (projects focusing on the territory's specialisms, such as perfumery).

- ↘ The concept of a “living laboratory” has been adopted, which constitutes a new form of innovation: tested within the framework of the INTERREG ALCOTRA⁶⁰ programme, this method places users at the heart of the design and decision-making process, by testing and optimising solutions on the ground rather than in a laboratory, hence the name. This method also allows for the creation of a network linking all of the socio-economic players involved in innovation, in a cross-border setting: pilot actions have been carried out within the framework of cross-border public procurement (Aosta Valley) and intelligent mobility (Piedmont and Liguria).

Promotion of the timber industry has also formed part of cross-border cooperation projects.

⁶⁰ As part of the “Innovation” project, which took place from 2010 to 2013, financed by ALCOTRA 2007-2013.



The Bouches de Bonifacio International Marine Park between Corsica and Sardinia

LABOUR MARKET

Due to its tax regime which is highly favourable to businesses, and despite the pressures on real estate, the Principality of Monaco constitutes an attractive employment hub for the whole of the coastal area, with 50,792 salaried jobs in 2013⁶¹ compared with 37,800 inhabitants (of which one third are of working age), which represents 4 jobs per working-age person. The number of cross-border workers from France is thus particularly high (about 34,600 in 2012, i.e. representing 75% of the salaried jobs in Monaco), with workers also coming from Italy (about 3,700 cross-border workers). Today, transport routes are saturated (roads and trains) and the only option open to Monaco is therefore to attempt to improve rail links in order to attract more cross-border workers and further develop economic activity.

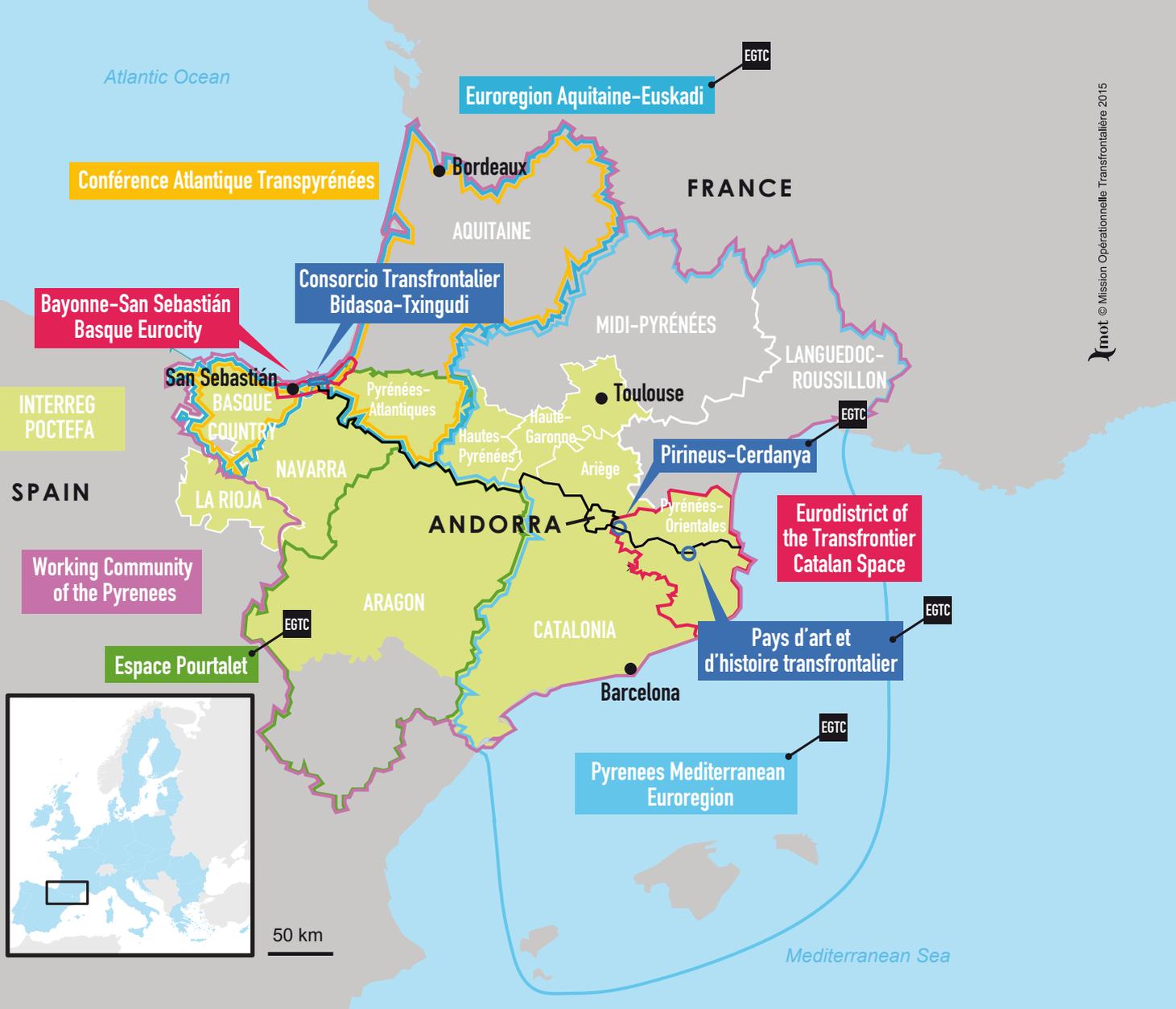
As the interactions in terms of labour are less on other parts of the border (in comparison to other French borders), the importance of offering specifically cross-border training is not so great.

PLAYERS IN CROSS-BORDER ECONOMIC GOVERNANCE

- ↘ **In the tourism industry and in terms of promotion of the environment, the nature parks constitute important entities in cross-border cooperation.** This has given rise to the creation of the Mercantour-Alpi Maritime European Park EGTC between the Mercantour National Park (FR) and the Maritime Alps Nature Park (IT) and the PMIBB⁶² EGTC between the Corsican Office of the Environment (FR) and the National Park of the Maddalena Archipelago (IT).
- ↘ **In the North, with the Swiss canton of Valais, there is also a plan for a “Mont Blanc Area” EGTC** concerned both with environmental and economic development issues (including tourism) and bringing together the Aosta Valley autonomous region in Italy and two groupings of districts in France, (Chamonix Valley-Mont-Blanc and Pays du Mont-Blanc), as well as two Departments (Ain and Haute-Savoie).

⁶¹ Source: IMSEE, 2013. These figures correspond to a concept of “worker weighting”, which is a representation of employees in terms of a weight corresponding to the hours spent working for their different employers on a pro rata basis.

⁶² PMIBB: Parc Marin International des Bouches de Bonifacio (International Marine Park of Bonifacio).



PORTRAIT OF A TERRITORY

France - Spain - Andorra

COMPARISON OF FRAMEWORK CONDITIONS

While a comparison of France and Spain enables us to identify some differences in framework conditions, overall the systems are not fundamentally different. In terms of taxes, the level of corporation tax is similar (around 30%), as is the level of VAT, following increases in both countries (20% in France and 21% in Spain). Labour costs are higher in France, however: employers' contributions are higher (45% of gross pay in France, compared with 30% in Spain), as is the minimum wage (€1,430 gross per month, compared with €753⁶³ – equivalent to a 35-hour week in France, but a 40-hour week in Spain, with no obligation to pay a higher rate for overtime).

The situation in Andorra, which borders both France and Spain, is fundamentally different. Before 2011, Andorra stood out for having a tax system which did not directly tax the income of natural persons, commercial profits or inheritance. Andorra introduced a direct taxation from 2012 (taxing corporate profits, revenue from economic activities and all income for non-residents), VAT at 4.5% from 2013 and income tax at 10% (single fixed rate) during 2014.⁶⁴

⁶³ Source: Eurostat, 2013.

⁶⁴ Source: <http://www.diplomatie.gouv.fr/fr/dossiers-pays/andorre/presentation-d-andorre/>



The Basque Eurocity

ECONOMIC FABRIC

The physical geography of this border, marked as it is by the Pyrenees and two coastal corridors, the Atlantic and Mediterranean, has a strong impact on the economic fabric of the border region. Thus, the coastlines play an important logistical role. 85% of goods and 70% of travellers pass through these two heavily-congested corridors and there are plans to modernise the transport infrastructures here. The majority of the mountain territory has a residential economy, mainly based on tourism and handicrafts.

In terms of the main economic sectors, the service sector is very dominant in the economies of Andorra and the departments of Pyrénées-Orientales and Haute-Garonne, while there is much more industry in the provinces of Guipuzkoa, Navarra and Girona. Lastly, the areas where the agricultural sector is most dominant are the provinces of Huesca and Lérida and the department of Pyrénées-Atlantiques. A number of sectors are represented along the whole of the border: agri-business, biotechnologies-healthcare, renewable energies and logistics-transport. In addition, in certain territories, we can note relative specialisms, such as aerospace (Aerospace Valley competitiveness cluster in Midi-Pyrénées and Aquitaine).

Along most of this border, there is a predominance of SMEs and even very small enterprises (in mountainous areas, mainly handicraft businesses), despite the specificity of territories such as Guipuzkoa where there are more medium-sized companies.

SECTORS OF ECONOMIC COOPERATION

Companies here tend to be involved more in international rather than local transactions, especially along the coastal parts of the border, which serve as important transport corridors. Here we can note a strengthening of economic links over the past few years, in particular in those areas where a shared identity, Basque or Catalan, plays an important role (agri-business, tourism). In the Pyrenees, despite the lack of transport connections, which is a major obstacle to economic exchanges, cross-border economic relations are very strong as the economies are focused more on tourism and agri-business, sectors in which local transactions are more frequent. In general terms, a change has taken place since the recent economic crisis as more and more Spanish firms have turned to local transactions with the French border territories.

- ▾ **Andorra is a very particular case.** As the Principality is highly specialised in the services sector, foreign trade is predominant. Trade with Spain is at present three times higher than that with France, a reversal of the trend in the 1990s.

Initiatives to encourage inter-clustering and the creation of networks by sector have developed over the last few years:

- for example in the sustainable energy, nautical, agri-business and liquid silicone sectors on the Basque coast; the healthcare sector (South Europe Biocluster) in the Pyrenees-Mediterranean Euroregion
- and the timber sector (the Forespyr EEIG along the whole of the Pyrenees mountain chain).

A number of sectors have been identified as having potential for cross-border synergies:

- transport and sustainable energy for the Aquitaine-Euskadi region.⁶⁵
- Water, e-health and agri-business for the Pyrenees-Mediterranean region.⁶⁶

Actions have been carried out along the border to improve mutual knowledge of the respective business sectors and opportunities for collaboration have been initiated:

- such as the **Innov'mugabe project**⁶⁷ in the area of Bidasoa - Southern Basque Country.

Business incubators have also been identified as a potential driver of cross-border integration, as shown by the Creamed project,⁶⁸ and of fostering networks of business incubators in the Pyrenees-Mediterranean Euroregion.

One sector where certain frictions can be observed is that of construction and public works. The competition of Spanish companies, especially in public calls for tender in France, is seen to be unfair by some observers, who point out that these companies maximise their advantage linked to labour costs and regulations in an excessive, and even illegal, manner.

LABOUR MARKET

The Spanish side of this border has been hit hard by the recent financial crisis, as shown by the rate of unemployment (ranging from 19% in Catalonia to 12% in the Basque Country, compared with a range from 8.6% in the Midi-Pyrénées to 12.7% in Languedoc-Roussillon⁶⁹).

The flows in of cross-border workers across the French-Spanish border are very small. The number of workers living in France but working in Spain is estimated at 3,000⁷⁰ (coming mainly from the Pyrénées-Atlantiques Department and to a lesser extent from the Pyrénées-Orientales Department). They mainly work in services, retail and transport. In the other direction, it is estimated that around 700 cross-border workers commute to France from Spain, and 1,600 to Andorra.⁷¹

⁶⁵ Source: Contributions of the CESER Aquitaine project and CES Vasco to the 2014-2020 Strategic Plan of the Aquitaine-Euskadi Euroregion.

⁶⁶ Source: Pyrenees-Mediterranean Euroregion Innovation Strategy.

⁶⁷ Implemented between 2009 and 2013, co-financed by the POCTEFA programme. For more information: www.bidasoa-sudpaysbasque.com

⁶⁸ Implemented between 2010 and 2013, co-financed by the SUDOE programme. For more information: <http://www.eurocreamed.eu>

⁶⁹ Source: Eurostat Statistical Atlas, 2011 data.

⁷⁰ Source: INSEE, 2010.

⁷¹ Source: Department d'Estadística d'Andorra.



Cross-border meeting "Entrepreneurs without borders" in November 2010, Bihartean project

PLAYERS IN CROSS-BORDER ECONOMIC GOVERNANCE

The regions and autonomous communities, some with decision-making centres located far from the border, carry out their cross-border economic actions through the two Euroregions.

- **The Aquitaine-Euskadi Euroregion** (created in 2011) started work on its 2014-2020 Strategic Plan in 2014 and each year finances cross-border economic initiatives through its annual call for projects.
- **The Pyrenees-Mediterranean Euroregion** developed its innovation strategy in 2013⁷².

At the departmental/provincial level, it is important to note the case of the **Pyrénées-Atlantiques Department**, which is very active in the field of cross-border cooperation, including economic cooperation. However, in the current context of changes to territorial authorities' competences, the Department's intervention in this area may well diminish.

⁷² For more information, see the Project Factsheet.

➤ **The Southern Basque Country Conurbation** (Agglo Sud-Pays Basque) supports shared knowledge in the cross-border area and the siting of French and Spanish businesses on its territory in specially built business areas. The Conurbation also has a policy of teaching the Basque language, which is considered an asset for businesses (especially in the hotel and retail sectors) and a factor of economic integration. Bidosa Activa, the local development agency of the Bidasoa-Txingudi district, is an important partner of the Southern Basque Country Conurbation.

➤ **A number of French and Spanish chambers of commerce and industry (CCIs)** have established partnerships and carry out cross-border actions. However, it is important to recognise the major differences between the chambers of commerce on either side of the border, especially since the reform introduced in Spain two years ago. Thus, while in France CCIs have remained public bodies, in Spain, they have private status and membership is optional, which has had an impact on their budgets and the services they offer. The most developed cross-border partnership is between the Bayonne Pays Basque CCI and the Camara de Comercio in Guipuzkoa. In 2010, they created Bihartean⁷³, an EEIG, with the objective of supporting businesses in their cross-border projects and developing cross-border economic projects. At the other end of the border, the Perpignan and Pyrénées-Orientales CCI has partnerships with the Catalanian and Andorran chambers of commerce.

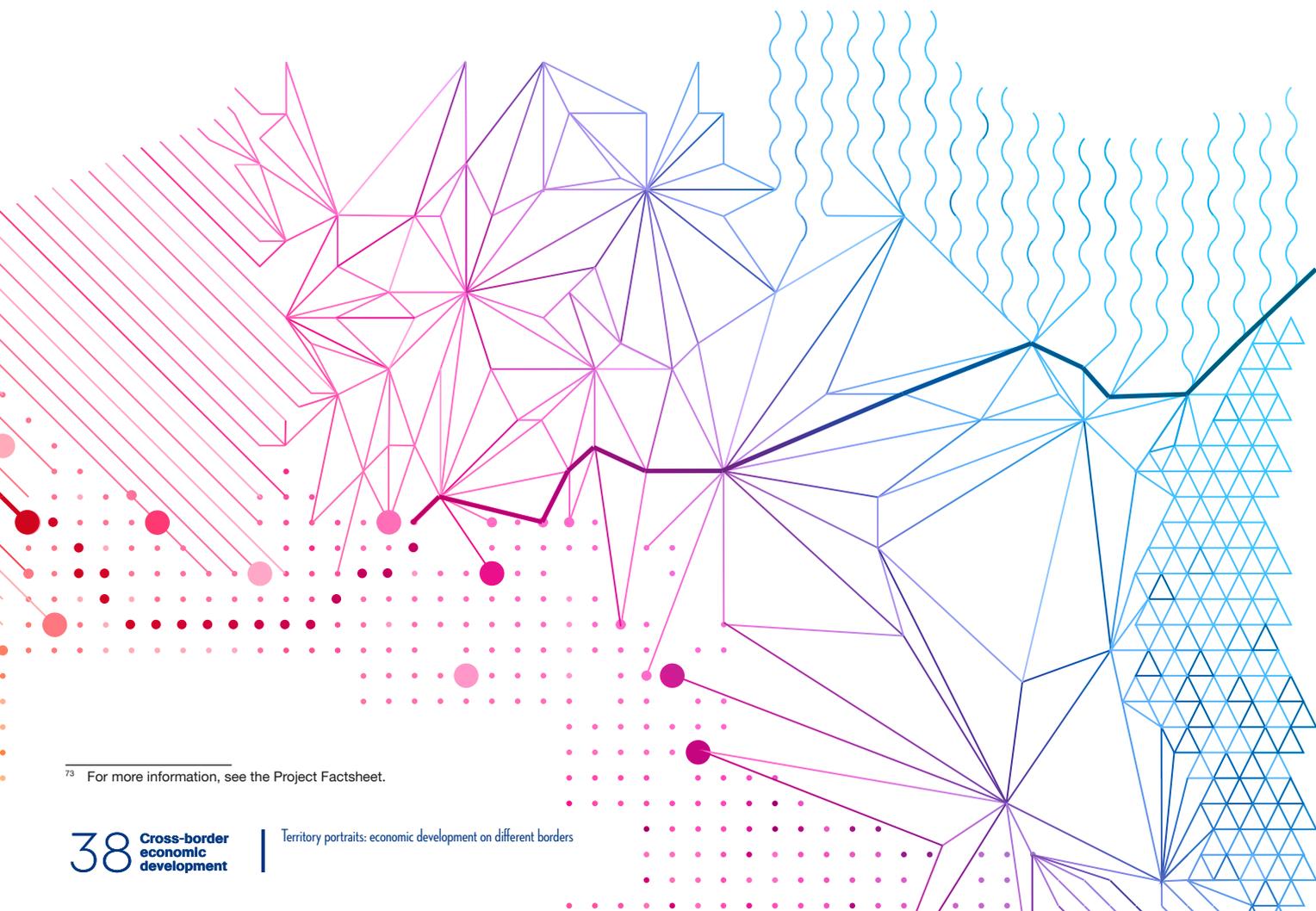
It should be noted that the Euroregions work with the consular chambers, on the one hand Aquitaine-Euskadi with Bihartean, and on the other, the Pyrenees-Mediterranean Euroregion with several chambers of commerce (notably on inter-clustering). The chambers of commerce are also linked to local authorities; for example, on the French side, they manage the business incubators built by the conurbations.

Some CMAs (chambres de métiers et de l'artisanat – chambers of trades and crafts) are also active at the cross-border level, despite the fact that they have no equivalent in Spain. For example, the Pyrénées-Atlantiques CMA has partnerships with Ikaslan Guipuzkoa (the association of public training centres) and since 2008 has worked particularly on developing joint training programmes.

Finally, it should be noted that the coordination of economic activities at the Euroregional level and those at the local level is yet to be developed. The western part of the border is marked by a multiplicity of cooperative structures at different levels or covering different, overlapping areas, with greater clarity needed regarding their respective roles.

The 2007-2013 POCTEFA programme for cross-border cooperation has co-financed numerous projects in the fields of economic development and professional training.

Some local authorities have chosen to support the cross-border dimension of economic development.



⁷³ For more information, see the Project Factsheet.



PORTRAIT OF A TERRITORY

Denmark - Germany

COMPARISON OF FRAMEWORK CONDITIONS

Framework conditions do not differ significantly between Germany and Denmark. Corporation tax amounts to 25% in Denmark compared with 15% in Germany, but the tax on industrial and commercial activities (*Gewerbsteuer*) also of around 15% must be added to this, which rebalances tax burden levels for businesses. However, hourly labour costs are nearly twice as high on the Danish side, where wages are generally around 20% higher (or even more depending on the sector). On the other hand, labour legislation is more flexible.

With respect to the price of property, this is higher in Denmark because there is less land available for building. The German towns situated near to the border, such as Flensburg, have therefore proved particularly advantageous as locations for businesses wishing to develop their activities across both markets. Moreover, many Danish firms choose to locate on the German side in order to be closer to the Hamburg conurbation.

As regards the general context for doing business, investors tend to consider the German system too bureaucratic, with many procedures having to be validated by regulatory acts with the involvement of a notary. Denmark is much less demanding in this respect, which makes transactions easier.



German countryside in Schleswig-Holstein, Northern Germany, border Land with Denmark

© numismarty

ECONOMIC FABRIC

The Syddanmark Region and the Land of Schleswig-Holstein have quite similar economic specialisations. Renewable energies and logistics are the dominant sectors in these regional economies, making this border one of the most technologically advanced in these fields.

With the North Sea on one side and the Baltic on the other, the German-Danish border region benefits from climatic conditions that are very favourable for onshore and offshore wind farms. Biomass exploitation is also present, with the border territories, particularly on the Danish side, being primarily agricultural. The region is also working on the building of storage capacities for renewable energies.

Because of the cross-border territory's particular geographical situation, on the route between Hamburg and Copenhagen, close to the Scandinavian markets and on the threshold of continental Europe, logistics is an important sector for the regional economy. Moreover, the largest area for refrigerated storage in northern Europe is located in Padborg, a Danish border town. In addition, 75% of Danish exports and 60% of German imports transit via the Jutland road. The logistics industries employ a total of 47,000 people, which represents 5% of the active population in the two regions. Unlike Syddanmark, Schleswig-Holstein has developed maritime activity around port logistics (particularly in Kiel).⁷⁴

Coastal tourism is also expanding. Lastly, we can note a medical industry centred around d'Odense University Hospital, associated with the activities linked to medical technology and biotechnologies in Schleswig-Holstein.⁷⁵

⁷⁴ Source: *Stärkenpositionanalyse für die deutsch-dänische Region*, published by the secretariat of the Wachstumszentrum project, April 2011.

⁷⁵ Source: Report by the consultancy firm Capacent, *Region Syddanmark & Schleswig-Holstein „Kartierung der regionalen Stärken“*, 26 March 2009.

SECTORS OF ECONOMIC COOPERATION

Denmark is Schleswig-Holstein's first economic partner (14.3% of its imports, 7.6% of its exports) and carries out the bulk of its trade with Germany. However, German entrepreneurs' poor command of Danish and their lack of knowledge about their neighbour restricts cross-border economic relations. Recent disputes with the Danish trade unions, which were protesting against common practices in the domestic construction industry aimed at paying German employees lower wages have gradually given rise to a form of protectionism in Danish markets that keep their neighbours at a distance.⁷⁶ On the other hand, Danish economic players are more oriented towards Germany, which represents a prime economic outlet, and regard their development strategies in the border region as a first step to breaking into the Hamburg market.

This atypical situation notably led the INTERREG IV Syddanmark-Schleswig-K.E.R.N. programme to co-finance projects aimed at bringing businesses on either side of the border closer together in order to strengthen coordination and develop synergies in the region's two cutting-edge fields: renewable energies and logistics.

- **The FURGY project (2008-2013)**, led by the Flensburg Chamber of Commerce and Industry, thus sought to identify SMEs, research centres and development organisations involved in the energy sector on either side of the border and to create networks to connect them. The objective is to coordinate the activities of the German and Danish clusters, step up technological transfer and stimulate joint promotion of the sector internationally. In parallel, fostering research relating to the storage and energy efficiency of wind power was considered necessary to make the region a centre of excellence in this area.
- With regard to logistics, **the CB-Log (Cross-border Logistics – 2009-2012) project** helped to set up a platform that brings together representatives of the transport and logistics industry, as well as researchers/academics, with the aim of formulating an overall marketing strategy around the Jutland corridor. The multimodal transport hub in Padborg (through which 1.5 million heavy goods vehicles transit each year) has been reinforced, a rail company and combined rail-road terminal have been created in Neumünster, and actions to promote the sector among young people in their process of deciding their career direction have been carried out.

There is a second INTERREG IV programme concerning the German-Danish border – that of the Fehmarnbelt Strait, along the eastern part of the border. As it is a rural area, economic exchanges are poorly developed there. A tunnel to link the two sides of the strait, financed by Denmark (there will be a toll on this section), will be opened by 2020.

LABOUR MARKET

Unemployment rates over the past few years have remained at around 6% in the Syddanmark Region and around 10% in the Land of Schleswig-Holstein.⁷⁷ These figures reflect the need for German labour on the Danish side, with the latter mainly occupying posts in the hospital, services and construction sectors. Flows of cross-border workers are greater from the south to the north of the border. Around 3,000 Germans are recorded as working on the Danish side, coming particularly from border municipalities and often on short-term contracts. The Germans' poor command of Danish probably explains these relatively low figures.

Opportunities for university students to complete part of their course on the other side of the border are few. However, a number of initiatives, notably that of the Lübeck Chamber of Commerce and Industry along the eastern part of the border, aim to expand cross-border apprenticeships above all for the German population.



⁷⁶ Source: Interview with WiREG – Wirtschaftsförderung Flensburg.

⁷⁷ Source: Operational programme of the INTERREG IV A Syddanmark-Schleswig-K.E.R.N. programme (2007-2013).



The German-Danish border, Flensburg Harbour

FotoFrank

PLAYERS IN CROSS-BORDER ECONOMIC GOVERNANCE

It has proved difficult to establish lasting economic cooperation between the two countries on account of the differences between Germany's federal and Denmark's centralist structures. The Land of Schleswig-Holstein has competence in the economic domain, whereas this is divided between national and municipal levels in Denmark. Greater involvement is therefore seen by paragonmental organisations (universities, research centres, etc.) and consular bodies at the cross-border level, notably via INTERREG. The development bank of the Land of Schleswig-Holstein is thus the managing authority for the forthcoming German-Danish INTERREG programme and has historically played a role as a cross-border inter-sectoral intermediary for businesses.

In terms of economic cooperation, it should however be noted that macro-regional strategies predominate over strictly local cross-border relations. These are structured more around the metropolitan areas of Copenhagen-Malmö and Hamburg-Lübeck, as well as the Jutland corridor in the continental part of the territory.



PORTRAIT OF A TERRITORY

Vienna - Bratislava and neighboring regions

COMPARISON OF FRAMEWORK CONDITIONS

Framework conditions are fairly different between Austria and its neighbours which joined the European Union in 2004: GDP per capita in terms of purchasing power standards, with the European average (27 countries) giving the base of 100, stood at 129 for Austria in 2013, 76 for Slovakia and 80 for the Czech Republic.⁷⁸ There is a big differential

in terms of wages, with a ratio of around 1:3 with respect to the average national wage. Regarding taxation, companies are also taxed less in Slovakia,⁷⁹ which has led Austrian firms to set up subsidiaries in, or even relocate to, Slovakia (with the same phenomenon occurring from Slovakia to Hungary). Cross-border work is expanding quite strongly in the area of support services to individuals, in Austria: the ageing population has led to an increase in elderly people's need for care and the wage differential has encouraged many people (around 60,000 Czechs and Slovaks) to cross the Austrian border to take up these jobs.

⁷⁸ Source: Eurostat. Hungary stands at 67. As a comparison, France is at 108.

⁷⁹ The corporate income tax rate is 19% in the Czech Republic and Hungary (with a reduced rate of 10% in Hungary if turnover is not above 500 million forints), 23% in Slovakia and 25% in Austria. However, Austria has higher payroll taxes, while Slovakia grants tax credits that encourage business creation with foreign financing.



Vienna

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These differences in framework conditions are however constantly evolving: an economic catch-up is underway, with common market conditions in place (identical European standards for everyone, convergence of social standards). If there is competition, therefore, it is less about wage or tax dumping than a race for innovation within a territory whose economies are increasingly interdependent. However, the merging of economic and employment areas needs to address the linguistic barriers as knowledge of the neighbouring country's language is extremely important in developing cross-border relations. Finally, the growth of the Slovak, Czech and Hungarian economies also makes it possible to focus the region around Vienna, which is perceived as being a model in terms of its way of life, urban planning and level of environmental protection.

ECONOMIC FABRIC

The region is characterised by the important place occupied by industry and technical activities. An automotive industry cluster is developing, particularly in Slovakia⁸⁰ (with Volkswagen in Bratislava, PSA in Trnava and Kia in Žilina), as well as in Hungary (Audi in Győr, Suzuki in Esztergom). Many manufacturers of car parts have set up nearby.⁸¹ More generally, it is the technical trades that are the common feature of the regions surrounding Vienna, with importance attached to “dual training” (learning combined with work experience), which helps to strengthen the links between colleges and companies and also fosters innovation.

⁸⁰ In 2012, the automotive sector accounted for 41% of Slovak industry (which in turn accounted for 34.6% of the country's GDP), with 926,555 vehicles produced.

⁸¹ Major suppliers of the automotive industry have set up in Slovakia: Faurecia, Valeo, Delphi, Plastic Omnium, Johnson Controls, Magna, etc.

The strategy of public players is focused on supporting businesses to expand internationally:

- ✚ **Through the Enterprise Europe Network (EEN)**, which helps European firms to find R&D partners, businesses have received free support in this initiative with Slovak partners.⁸²
- ✚ For Austrian firms, the **“Go International” programme** – an important international development tool of the Federal Chamber of Commerce and the Federal Ministry of the Economy – has also helped to develop cross-border exchanges between businesses, notably by sending staff on immersion programmes with firms on the other side of the border, with the aim of increasing knowledge of the system in the neighbouring country and developing interpersonal relations, thus fostering cooperation and innovation.

⁸² A bilateral partnership with Austria that also exists with Belgium and the Netherlands.

SECTORS OF ECONOMIC COOPERATION

After a period of fears in Austria about the opening-up of its borders (free movement of workers, capital and goods), the public players have focused on the development of cross-border synergies that would benefit the cross-border territory as a whole. First, information projects aimed at cross-border workers have made it possible to limit the risks of downward wage competition in Austria, since they have been informed about their rights and the working of the Austrian social security system. A specific information initiative has also been carried out regarding service-sector jobs that cannot be moved abroad. Second, Austrian businesses are encouraged to take advantage of their neighbours' economic development to find export opportunities, notably by offering innovative products with high value added (mainly supplies to the automotive industry).

On the Slovak side, the participation of SMEs still appears a little more difficult than on the Austrian side, but some have got involved in cross-border R&D projects.

- ↘ **Projects to promote networking among businesses** have been financed by INTERREG, such as a directory of firms categorised by sector across the region of Trnavá (SK) and South Moravia (CZ).

The linguistic proximity facilitates cooperation between Czechs and Slovaks, whose languages are mutually comprehensible. Language remains a barrier to cooperation with the other countries.

The Vienna-Bratislava axis is important for the public players in these capital city regions, with notably reflections about public transport

provision (network of Viennese suburban trains crossing over the border, study of Vienna airport's rail connection and corresponding links with Bratislava airport). Nonetheless, there is still a lot of room for strengthening cooperation.

- ↘ In parallel with this axis, the regions of Lower Austria and Trnavá have developed with their chambers of commerce **a project called "DUO**STARS"**, which makes it possible to better organise joint public action around economic development and links between businesses, research and innovation in networks that enable the sharing of expertise in activities with high value added. Joint promotion of these territories internationally is also a declared objective of this cooperation.
- ↘ On the larger scale of the four countries of this area, **the Centrope Region has developed cooperation projects around universities, research centres and companies** in the fields of biotechnologies, nanotechnologies, environmental technologies and renewable energies, in order to facilitate technology transfer and R&D (the "Centrope_tt" project).

The "dual training" that exists in the four countries does not yet have a cross-border dimension (issue of language and competition in the recruitment of young people in training), but the question is being looked at, with Austrian players in particular providing the impetus. Partnerships between universities are gradually emerging, mainly linked to the needs of businesses (training, R&D, innovation and technology transfer), as mentioned above.



The Danube in Bratislava



Learning the languages of neighbouring countries in schools, cross-border programme initiated by the Land of Lower Austria

Language training is a crucial issue for the territory's economic development and the expansion of the potential labour pool.

- That is why **the Land of Lower Austria developed an original project** that was adopted by the neighbouring Länder and then took on a cross-border dimension, with the setting-up of equivalent programmes on the other side of Austria's borders. The project consists in introducing the languages of the neighbouring countries to children in kindergarten. This strategy gives children an awareness of the cross-border character of the region and of the culture of the neighbouring countries from the youngest age. At the end of a young person's school career, knowledge of the neighbouring country's language increases the potential for cooperation in all areas.

PLAYERS IN CROSS-BORDER ECONOMIC GOVERNANCE

The public stakeholders involved in the economic development and planning aspect of cross-border cooperation are the authorities of the regions concerned (regarding the Vienna-Bratislava axis, the two capital city regions and the region of Lower Austria, which surrounds the Vienna region). Given that Austria is a federal State, these two regions are in fact Länder and have broader powers than in the neighbouring countries, which are all centralised and where decentralisation processes are even difficult to put in place. The federal level makes it possible to share the objectives linked to European funds intended for Austria and the good practices of the Länder, which perform an important coordination role. In Slovakia, the Czech Republic and Hungary, the regions have very limited autonomy and cross-border issues require decisions taken by central government, which makes cross-border cooperation with Austria more complex.

The consular chambers, particularly the chambers of commerce, also cooperate with one another, mainly via informal contacts and regular meetings (involving the sharing of experiences and assistance and recommendations from Austria in particular). Cross-border projects have been carried out, like the DUO**STARS project mentioned above.

The Centrope Region, which was created by INTERREG III A and straddles the four countries, is now seeking to strengthen institutional cooperation between the different public stakeholders concerned by the territory's cross-border development. While this project's importance is undeniable, with obvious potential synergies, structuring this cooperation is more complicated owing to the different modes of organisation and priorities other than the cross-border dimension.

In terms of European programmes, those devoted to cross-border territories do not include aid to SMEs as it is too complex to implement (involvement of businesses and de minimis aid). Only interregional and transnational programmes address it by including the cross-border dimension (development opportunities for businesses). In a general way, the objective of ETC is formulated less in terms of integration (increase of flows, joint strategies) than in terms of encouragement to businesses and workers to exploit the cross-border potential (R&D resources on the other side of the border, markets for SMEs, linguistic knowledge, etc.).



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PORTRAIT OF A TERRITORY

Euregio Meuse - Rhine

(Belgium - Netherlands - Germany)

COMPARISON OF FRAMEWORK CONDITIONS

At the border between Germany (the Aachen region), Belgium (provinces of Limburg and Liège, and the German-Speaking Community) and the Netherlands (provinces of Limburg and North Brabant), this cross-border

territory displays very few differences in terms of framework conditions. Nevertheless, in terms of corporation tax for example, the level in the Netherlands (25%) is lower than in Germany (15%, to which is added another 15% from the tax on industrial and commercial activities) and Belgium (34%).



Maastricht

ECONOMIC FABRIC

With a history of heavy industry (coal and steel), the majority of the regions which make up this cross-border territory have succeeded in their transition to high-value-added and knowledge-based industries and services and are among Europe's "leaders of innovation".⁸³ This territory is marked by the presence of major multinationals in cutting-edge technologies such as Philips, and research centres such as the IMEC (Inter-University Microelectronics Centre) in Leuven. The dominant sectors are: the chemical industry and new materials, electronics and pharmaceuticals.

SECTORS OF ECONOMIC COOPERATION

Cross-border economic exchanges are highly developed. Moreover, the public and semi-public authorities encourage and support these initiatives through numerous projects.

- **The Top Technology Cluster (TTC) project**⁸⁴ was developed to create cross-border consortia of SMEs in the region's three leading fields. This initiative introduced many tools such as: networking events, assistance from 'business development support' advisors and vouchers for innovation, which the consortia could use to benefit from initial advice on how to structure their partnership.
- As a continuation of the TTC came the **Cross-Border Cluster Stimulation (GCS) project**.⁸⁵ This project offered grants of between €100,000 and €250,000 to cross-border SME consortia for industrial research and to initiate the development of new products.

⁸³ 65 "The Case of the Top Technology Region/ Eindhoven-Leuven-Aachen triangle (TTR-ELAt) – Regions and Innovation: Collaborating Across Borders", OECD (Claire Nauwelaers, Karen Maguire, Guilia Ajmone Marsan), 2013.

⁸⁴ Project implemented between 2011 and 2013 and co-financed by the Euregio Meuse-Rhine programme. For more information: www.ttc-innovation.eu.

⁸⁵ Project implemented between 2011 and 2014 and co-financed by the Euregio Meuse-Rhine programme. For more information, see the Project Factsheet.



TACNA

LABOUR MARKET

In the territory of the Euregio Meuse-Rhine, there are about 33,000⁸⁶ cross-border workers. The largest flows are between Belgian Limburg and Dutch Limburg. There are also high flows between the German-Speaking Community of Belgium and Germany (this is because many Germans live in the German-Speaking Community and work in Germany, but also because many German-speaking Belgians work on the other side of the border).

PLAYERS IN CROSS-BORDER ECONOMIC GOVERNANCE

The Euregio Meuse-Rhine, one of the oldest cross-border cooperation initiatives in Europe (set up in 1976), formulated its EMR2020 Strategy between 2012 and 2013, one of the main strategic focuses of which is economic development. The TTR-ELAt (Top Technology Region – Eindhoven-Leuven-Aachen triangle), an informal body dedicated to the support of cross-border economic relations has, since the late 2000s, partially overlapped with this structure of cross-border cooperation. The specificity of the TTR-ELAt region is its focus on the content rather than the governance of cooperation. As such, cross-border relations in this region vary according to the issues upon which they focus.

There is very active cooperation between the Belgian, German and Dutch chambers of commerce, despite differences in their nature (public in Germany and the Netherlands and private in Belgium), their budgets (companies are only obliged to belong to the chamber in Germany) and their objectives.

⁸⁶ Source: Grenzfopunkt.



Aachen

Davis

A number of development agencies are active across the borders, such as the AGIT (company for innovation and technology transfer which supports the international expansion of businesses in the Aachen region), SPI (territorial development agency in the province of Liège, particularly covering business parks) and WFG (economic promotion organisation for Belgium's German-Speaking Community).

- ↘ In the field of employment, Grenzinfopunkt (GIP) is a key player. Created by territorial authorities and consular chambers in 2012, the organisation offers advice to both employees and businesses, regarding the regulatory aspects of cross-border work. The GIP works in close partnership with the consular chambers as well as the EURES and EURES-T Meuse-Rhine networks. At present, there is one GIP on the German-Dutch border but the partners are considering the creation of another on the Belgian-Dutch border.

The INTERREG Euregio Meuse-Rhine programme financed many economic development projects between 2007 and 2013 and will continue its support in this area during the 2014-2020 period (with focus on innovation, energy and the labour market).



Cross-cutting themes in cross-border economic development

This second section provides a cross-cutting thematic analysis of cross-border economic development, which draws general conclusions from the comparison of the territories studied in this document. In particular, it discusses public action in the French context at a time when it is the subject of far-reaching reforms affecting the areas of economic development and employment.

It starts by examining the issues of attractiveness and competition relating to borders, before analysing various facets of cross-border economic development. It then looks at the job market, vocational training and apprenticeships, as well as the financing of cross-border economic development. The last part of this section considers the issue of cross-border economic governance and that of strategies.



The Greater Geneva area

Attractiveness and competition

France suffers from a clearly established lack of competitiveness vis-à-vis its neighbours along its northern and eastern borders, from Dunkirk to Geneva, where daily cross-border flows are highest. The French territories are disadvantaged in terms of per capita GDP and the employment rate. Outflows of cross-border workers are a visible consequence of this situation. Compared to their neighbouring counterparts, French SMEs are less competitive and less open to international markets.⁸⁷

- The Euler Hermes **“Export Barometer”** shows that the number of exporting French SMEs dropped from 120,000 to 95,000 from 2002 to 2012, i.e. a 20% fall in ten years, while Germany had 350,000 exporting SMEs in 2012, i.e. 3.7 times more than France.

SMEs, which represented 75% of exporting French firms in 2010, accounted for only 61% of the latter in 2012. The stickiness of the production system is unfavourable in a context of heightened global competition; the lack of competitiveness is particularly evident at France's borders. While this points to the need for reforms, such reforms are not the focus of this paper, but rather a guiding contextual element that should be borne in mind.

The issue of the competitiveness of the French economy, which has galvanised academic, economic and political debate since France entered into a cycle of weak/zero growth and rapidly rising unemployment at the end of the 2000s, has been analysed in many reports⁸⁸ identifying the strengths and weaknesses of France's production system and recommending short- and medium-term government policies to restore economic growth and boost employment. In these reports, the French economy's lack of competitiveness is mainly apprehended through the deterioration of the industrial sector: in terms of the share of industry – excluding construction – in total value added, France ranks 15th out of the 17 euro area economies.⁸⁹ This industrial decline is due both to price (wage rises that outpace increases in productivity, a strong euro) and non-price factors (production in the mid-range segment, output that is little differentiated from competitors). Comparisons with neighbouring Germany regularly highlight this lack of competitiveness.

⁸⁷ P Veltz, *La grande transition*, Seuil, 2008.

⁸⁸ <http://www.coe-rexencode.fr/public/Rencontres-et-debats/Competitivite-de-la-France-le-debat/Competitivite-de-la-France-le-rapport-Gallois-et-les-autres-rapports-parus-en-2011-et-2012>

⁸⁹ *Pacte pour la compétitivité de l'industrie française* (The “Gallois Report”), 5 November 2012, p.9.



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Socio-economic players unanimously recognise that legislative, regulatory and political reforms are urgently needed to reverse the slowdown of the French economy. The main issues at stake in increasing national competitiveness are deemed to be further opening the French economy to the international market (attracting foreign capital, reversing the trade deficit) and restoring confidence.

ON THE FRENCH SIDE, NOTWITHSTANDING STRUCTURAL DIFFICULTIES, THERE ARE ADVANTAGES AND REFORMS THAT FAVOUR INCREASED COMPETITIVENESS

- ✎ The 2014 “France Attractiveness Scoreboard” compiled by the AFII (Invest in France Agency)⁹⁰, DG Trésor (France’s Treasury Directorate) and the CGET (General Commission for Territorial Equality) analyses France’s competitiveness and highlights several strengths of the French economy:
- ✎ a highly-skilled workforce (which results in very high hourly labour productivity),
- ✎ high-quality infrastructure (road, rail and sea transport networks; airport hubs; high-speed internet coverage; reliable electricity network and competitive cost of energy),
- ✎ geographical position (at the centre of Europe and close to Africa)
- ✎ size of the domestic market.

⁹⁰ AFII merged with Ubifrance on 1 January 2015 to become “Business France”.



These are some of the comparative advantages that are very favourable for France, which appeal to foreign investors and explain the international presence and openness of the French economy, which in Europe, ranks just after the UK economy in this respect. France is a prime destination for foreign investment in chemicals, pharmaceuticals, certain food products, nuclear and aeronautics – sectors that are mostly highly R&D intensive. French research is internationally renowned and a significant reservoir for skills in industrial and tertiary innovation.

However, this research is deemed to be ill-suited to the real needs of French industry and the economy as a whole. The links between public research and businesses, and therefore technology transfers, appear to be weak (researchers with little incentive to find economic applications for their work⁹¹), while French companies' R&D and innovation expenditure remains limited to enable industrialisation and the export of new products and services.

France, unlike Germany, Italy and the United Kingdom, lacks medium-sized SMEs, which have a higher capacity to innovate because they enjoy easier access to financing (own funds and external funding) and are flexible enough to take risks. In the latter three countries, medium-sized SMEs play a greater role in the production system and have a more significant impact on the trade balance.

↳ **The Gallois Report** also underscores the tightening of profit margins in French industry, which French industry has been forced into to maintain price-competitiveness in the face of competition from Germany and the emerging economies. Lower profit margins have resulted in a decrease in innovation investment, and affected non-price competitiveness. A series of reforms have therefore been implemented to provide fiscal, political and financial tools to strengthen research and innovation, investment, as well as French firms' capacity to export and attract foreign capital.

⁹¹ OECD, OECD Reviews of Innovation Policy: France 2014, <http://www.oecd.org/sti/inno/oecd-reviews-of-innovation-policy-france-2014-9789264214026-en.htm>

In the area of innovation, there is the “**credit d’impôt recherche**” (CIR – research tax credit) up to an amount of €400,000 at a rate of 20%, which was extended to cover innovation expenditure in 2013. The CIR allows businesses to deduct their investments in R&D, design of prototypes or pilot installations of new products from their corporate taxes. The CIR is one of the most powerful tax incentive mechanisms for R&D and innovation in the OECD. In addition, there is the “Jeune Entreprise Innovante” (JEI – Young Innovative Enterprise) status, which offers tax advantages to SMEs that are less than eight years old and whose R&D expenditure constitutes at least 15% of their total investment.

In addition to fiscal leverage, the **policies of competitiveness clusters** aimed at structuring sectoral and territorial collaboration between universities, research centres and businesses, and by doing so promoting the exchange of knowledge and expertise, participate fully in initiatives for innovation, territorialisation of activities and promoting attractiveness of territories. This is with a view to making these economic, scientific and technological connections factors of competitiveness for the national economy. The French Tech initiative launched in November 2013 also aims to federate digital players around metropolitan growth projects, increase their development potential within dedicated structures (accelerators, incubators, etc.) and give them international visibility.

The merger on 1 January 2015 between Ubifrance, the **French government agency for international business development** and the AFII (Invest in France Agency), charged with attracting foreign capital, aims to better structure and coordinate policies for attractiveness, notably by drawing on France’s diplomatic network. Ubifrance and the AFII were two public institutions that had common tasks (analysing France’s economic fabric, promoting France internationally) and partners (regional directorates for foreign trade, chambers of commerce and industry, development agencies, etc.). The new structure born of the merger is known as “Business France”.

The above-mentioned measures are not an exhaustive list of all the reforms implemented, but rather reflect the wide range of initiatives undertaken since the second half of the 2000s to promote the growth, competitiveness and attractiveness of the French economy.

These initiatives are generally deemed positive by foreign investors,⁹² but insufficient to remedy the main structural difficulties of France’s production system, which directly affect France’s attractiveness: the instability and complexity of the regulatory environment, the cost and rigidity of labour, and the tax burden.

Businesses have strongly called for, and the French government has committed to, the streamlining of France’s administrative framework, which lacks transparency (notably because it is constantly changing) and which generates long and costly procedures. The government aims to relieve the French economy of a burden estimated by the OECD at €60 billion per year, i.e. 3% to 4% of national GDP.⁹³

The “**simplification shock**” was announced in March 2013. It is a multi-year programme (50 new simplification measures announced every six months) spearheaded by the Conseil de la simplification, which brings together heads of businesses, top-level civil servants and elected representatives. The “simplification shock” should facilitate administrative procedures that affect businesses, i.e. procedures relating to business start-ups and takeovers, support, access to government subsidies and public procurement, accounting and tax requirements, labour law, import/export, etc.⁹⁴ Emblematic reforms such as simplifying pay slips, providing online access to administrative procedures, clarifying procedures for registering intellectual property rights, making access to public procurement more flexible for SMEs and mid-tier companies, publishing tax instructions at a fixed date, removing certain filing requirements, and introduction of the principle excluding retroactive application of corporate taxes are on the agenda.

The **New Territorial Organisation of the Republic Act** (the “NOTRe Act”) is also part of this move towards simplification. It redefines and rationalises some of territorial authorities’ competences in the area of economic development (increasing the role played by the regions).

⁹² AFII, DG Trésor and CGET, *Tableau de bord de l’attractivité de la France*, Edition 2014, p.67-68.

⁹³ <http://www.gouvernement.fr/action/le-choc-de-simplification>

⁹⁴ http://www.modernisation.gouv.fr/sites/default/files/fichiers-attaches/programme_de_simplification.pdf

Among the main recommendations addressed to France:

- Developing apprenticeship and work-study programmes to support youth employability, and containing labour costs (particularly wage increases based on seniority) enjoy a consensus.
- Making work contracts more flexible to reduce the dichotomy between temporary and permanent contracts is more controversial,

Given the markedly negative impact that employer social security contributions in France have on employment, and particularly the least-skilled jobs, **reform of labour taxation** must go hand-in-hand with measures to reduce labour costs. The OECD recommends reducing the overall burden of taxation on companies by transferring a significant share of social security contributions to consumer and income taxes, closing off tax loopholes that favour certain sectors and large companies and striving for a more substantial reduction in public spending.⁹⁵ The competitiveness and employment tax credit (CICE) that came into force in January 2013 aims to reduce taxation of labour by one GDP percentage point by simultaneously lowering public spending and raising VAT.

THE COMPLEX INTERPLAY BETWEEN COOPERATION AND COMPETITION AT THE CROSS-BORDER TERRITORY LEVEL

This rapid overview of the main aspects of France's competitiveness may be supplemented by a closer look at the factors of attractiveness of territories.

The competitiveness of a territory – and consequently the factors that determine decisions about the location of business activities – may only be measured by comparing it to that of the adjacent territory.

The territory portraits help to explain how companies' decisions (with respect to taxes, labour costs, real estate, market size, etc.) lead them to prefer one side of the border to the other, and also why one sector or type of activity may be more present on one side than the other.

- ↳ **In the Greater Region**, while in general Luxembourg is more attractive than its partner territories due to a more advantageous tax system and more flexible labour laws, the partner territories may have a comparative advantage (real estate prices for example).
- ↳ **At the French-Swiss border**, framework conditions are significantly more favourable for firms in the Swiss Confederation due to lower corporate taxes, the absence of an equivalent tax to the territorial economic tax (CET), lower social contributions and less complex administrative procedures. It may however be advantageous for a Swiss company to open a subsidiary in France in order to gain access to the EU market and benefit from exemption from customs duties, to serve Swiss customers ("shopping tourism", construction), or to enjoy advantages available only in France such as the research tax credit or certain facilities.

On all these borders, players surveyed point out that the instability of tax systems and social legislation in France (constant reforms) is a factor in decisions to set-up operations outside France.

The competitiveness and attractiveness of France's border territories may therefore be assessed depending on the framework conditions of the neighbouring territory, the business sector (level of regulation, competitiveness, globalisation, etc.), the target market (residents, cross-border workers), systems of aid (often offered at a given point in time and not continued), but also, ultimately, on the development strategies implemented by firms, which, at each phase of their growth, target a specific category of business facility.

⁹⁵ OECD, *France – Redresser la compétitivité*, Série "Politiques meilleures", November 2013, p. 49.

It is therefore important to bear in mind that competitiveness and attractiveness are relative and changing concepts which must be gauged against the overall territorial, demographic, administrative, tax and regulatory characteristics of the cross-border territory.

This is therefore a very complex task. And all the more so because to speak of competitiveness is to speak of attractiveness, a concept that combines “objective economic indicators and foreign investors’ perceptions of the competitiveness of the economy”.⁹⁶ This is to be considered when we analyse French border areas. It would be misguided to take a purely economic view that disregards geographical proximity and historical, cultural and linguistic factors.

- German firms have a strong presence in **East-Moselle and Alsace**, as do Belgian companies in **Nord-Pas de Calais**.
- The establishment of companies from neighbouring countries in the French border territories is however not very visible in the **regions bordering of Spain and Italy**.

Proximity is therefore not a decisive factor and the border effect continues to be a barrier for SMEs, despite existing or potential opportunities (suppliers, sub-contractors, customers, etc.) and complementarities.

Is it therefore necessary to put in place “**free zone**” or experimental systems at the borders in order to harmonise framework conditions within a limited area and promote balanced development for cross-border territories? There is no consensus on this question. In 2010, the Blanc Keller Sanchez Schmid⁹⁷ taskforce recommended setting up economic areas with specific status. However, it would be difficult to implement such systems due both to the principle of territorial equality and the strict supervision by the European Commission (regional aid schemes areas).

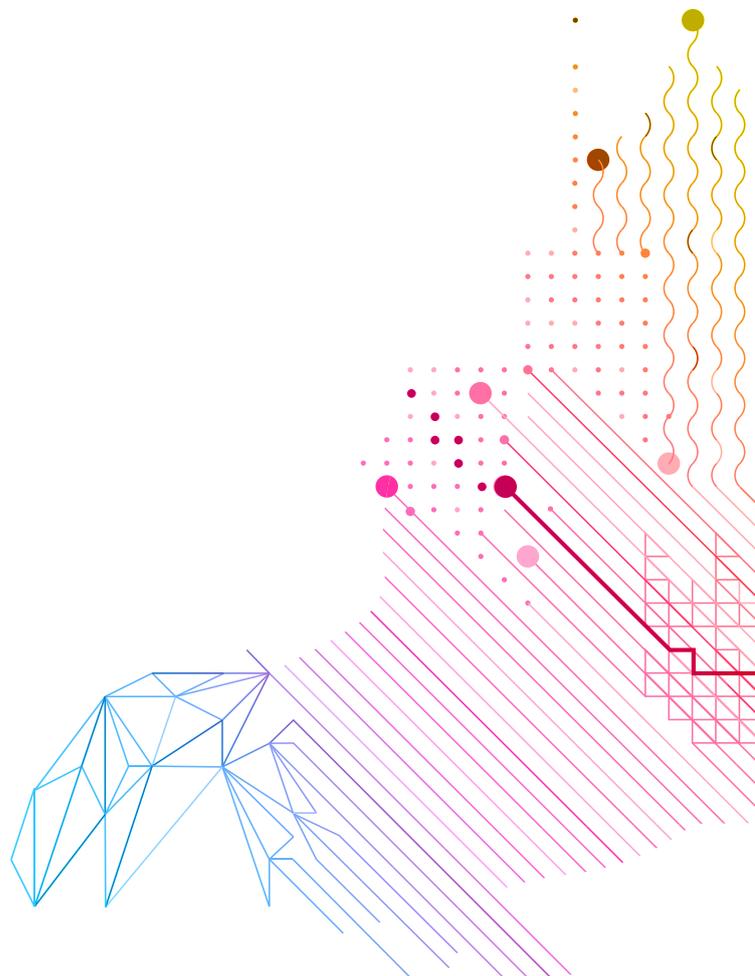
One solution would however be to consider the differences on either side of the border as inducements for movement and flows between these territories, opportunities for exchange between local firms and guarantees of the cross-border territory’s attractiveness for foreign capital flows, which may enjoy the advantages available on both sides.

- In its “**Alsace 2030**” strategy, **Alsace** thus imagines the possibility of experimenting with an “*area of regulatory convergence*” to promote the integration of the Upper Rhine region by reducing regulatory barriers.
- This proposal ties in with the idea of **integrated cross-border economic areas**: businesses that set up in these areas (and the workers that choose them) may choose between the law of either side of the border.

IN A NUTSHELL...

France’s cross-border territories are clearly less competitive than their neighbours, mainly on the northern and eastern borders of France (from Dunkirk to Geneva). This is reflected in per capita GDP, the unemployment rate and the ability to attract foreign direct investment (FDI). Besides differences in tax and social legislation (cost of labour), businesses mainly highlight the instability of regulations in these areas. The lack of competitiveness is however mitigated by mechanisms that benefit the French territories, including the research tax credit and the Young Innovative Enterprise status. In addition, while the ongoing reforms do contribute to regulatory instability, they are nonetheless a step toward simplification. Lastly, in cross-border areas, it is extremely difficult to assess the real competitiveness of French territories as compared to their neighbours, as this competitiveness should be weighed against neighbouring territories’ framework conditions, the business sector (level of regulation, competition, globalisation, etc.) and the firm’s own development strategy.

⁹⁶ AFII, DG Trésor and CGET, *Tableau de bord de l’attractivité de la France*, 2014 Edition, p.7
⁹⁷ http://www.diplomatie.gouv.fr/fr/IMG/pdf/Rapport_transfrontalier_synthese.pdf





Tandem project

© Réseau J'innove en Nord – Pas de Calais - MatthiasVanOost

Different facets of cross-border economic development

Cross-border territories along France's borders have highly diverse economic structures. The territory portraits highlight framework conditions, sectoral specialisation and economic structures that are particular to each side of the border, which therefore interact in a specific manner with the territory on the other side. For all economic players, be they private, public or semi-public, participation in a partnership or project is dependent on structural and cyclical factors particular to each border, or even each portion of the border.

While this diversity makes all cross-border economic dynamics unique, there are nonetheless a number of elements common to the different facets of cross-border economic development. The practical recommendations provided in the guide are based on these common elements.

As this analysis focuses on France's borders, each sub-section of this part goes into more specific detail on the elements concerning France in a context of reform of public action.

WORKING ON THE KNOWLEDGE AND INNOVATION ECONOMY

The Lisbon Strategy and Europe 2020 have made the **knowledge and innovation economy** one of the objectives in the economic development of European territories. This approach can and should be applied to cross-border territories. In a study on cross-border innovation,⁹⁸ the OECD explores a few European cross-border territories and highlights the main reasons why the regions should cooperate across borders to encourage innovation. These include economies of scale, complementarities of resources and the economic fabric and the different positive externalities resulting from the cross-border flows created. One of the main shortcomings in the identification and justification of public policies in this area remains the lack of cross-border statistical data.

⁹⁸ *Regions and Innovation: Collaborating Across Borders*, <http://www.oecd.org/fr/innovation/regions-and-innovation-collaborating-across-borders.htm>

Innovation, in the broad sense, may be broken down into business innovation and social innovation:

- **Business innovation** relates to businesses and focuses on financing, production processes, products and delivery.
- **Social innovation** responds to different types of social needs (working conditions, apprenticeships, healthcare, civil society, etc.) and relates to the functioning of territorial administrations.

Social innovation is difficult to identify and quantify, which makes it even more complicated to ascertain good cross-border practices. Cross-border exchanges of intercultural and interpersonal knowledge is nonetheless an important way of learning about good practices in the neighbouring territory and therefore a potential means of innovation in administration and various areas that come within the competence of territorial authorities (vocational training, apprenticeship support programmes, healthcare and social practices, etc.).

Business innovation is much simpler to identify because it is easier to quantify its immediate economic results (sales turnover, etc.). At the cross-border level, this type of innovation may be reflected in the creation (with or without public assistance) of cross-border innovation systems. These systems bring together different types of cooperation in the area of research and development, competitiveness clusters (or groupings of businesses). Business innovation may stem from fundamental research as long as the conditions are in place for technology transfer to occur, which is the only way of transferring knowledge acquired from fundamental research to innovation via production and marketing.

Research and innovation are therefore the central focus of a large number of cross-border economic cooperation projects, with two priorities:

- federate genuine cross-border circuits of knowledge and innovation
- further integrate companies into these circuits.

In other words, high value is placed on cross-border collaboration between groupings of businesses (“interclustering”) and technology transfer, with the aim of securing direct economic benefits for the territories concerned.

The approach consists in identifying the economic sectors or segments common to both sides of the border and locating the players involved in these sectors at the strategic and scientific levels (universities, research centres), support level (chambers of commerce and industry, development agencies) and operational level (business fabric). The aim is also to ascertain the players’ cross-border cooperation wishes and needs in order to implement the operational and exchange tools to jointly develop innovation in the areas of financing, processes, product and delivery for businesses (possibly resulting from joint research leading to technology transfer).





Seed4Start project, in the Greater Region

© Projet Seed4Start

- ADIRA (Lower Rhine Development Agency) **mapped out the main players in innovation in the Upper Rhine** in 2012, categorising them into six families and nine sectors.
- **The French-Belgian project “Tandem”⁹⁹** has encouraged the creation of “tandems” between French and Flemish groupings of businesses or clusters to create sustainable bridges between the academic/scientific world and businesses.
- These two projects highlight the exploratory nature of the cross-border cooperation approach in the area of innovation, and the differences between innovation ecosystems across borders.

There is therefore clear-cut potential to strengthen cross-border interclustering and technology transfer. The priority is currently to identify possible synergies between players to structure cross-border partnerships and projects, with the ultimate aim of promoting regional excellence on a larger scale.

DEVELOPING CROSS-BORDER EXPORTS

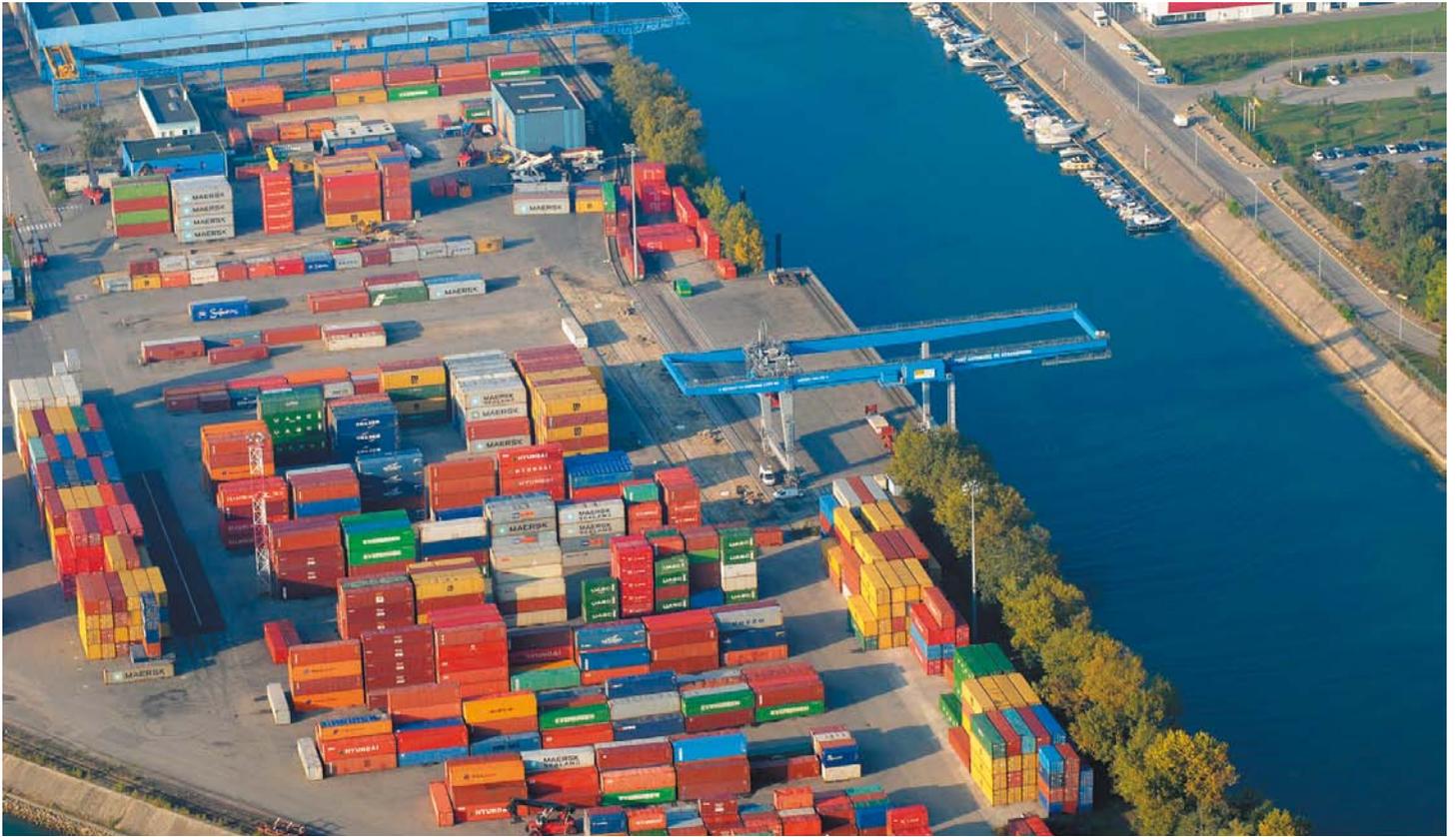
The desire to capitalise on the strengths of the cross-border economic fabric to promote territories’ value and visibility within the global economy is what stimulates public, semi-public and private players to facilitate cross-border cooperation between businesses and productive systems. Several chambers of commerce and industry at France’s borders have adopted this approach.

- **For example, EURO 3 and Bihartean¹⁰⁰** are two EEIGs (European Economic Interest Groupings) set up by chambers of commerce on both sides of the border to support businesses in their **cross-border export** activities and facilitate cross-border integration of shared economic sectors.

This cross-border cooperation should enable businesses to develop their catchment areas in the neighbouring market, strengthen their ability to meet the needs of a larger market, and develop their exports in Europe and the rest of the world.

⁹⁹ The Project Factsheet page 93.

¹⁰⁰ The Project Factsheet page 117.



Container terminal South, Port du Rhin, Strasbourg-Ortenau

© Jean Isenmann, ADEUS

Cross-border territories are therefore learning areas for businesses, like “local international markets” that are springboards for international trade.



ENCOURAGING CROSS-BORDER BUSINESS TAKEOVERS

Cross-border economic development may also occur through business transfers. Along several of France’s borders (particularly the borders with Germany and Switzerland), SMEs on both sides are wound up when their owners retire due to the lack of new entrepreneurs to take over the firm. **However, a potential successor may often be available on the other side of the border.**

Besides the importance of having cross-border data on available businesses, a crucial issue is the availability of technical and legal support to assist successors with the legal and financial procedures that are required in a different legal system.

- ▾ **There is significant potential along the French-German border,** where the demographic situation in the bordering German Länder leads to business owners often retiring without successors and, therefore, to the risk of mass closure of healthy businesses and large-scale loss of jobs. This underscores the importance of cross-border business takeovers.



Supporting business owners to manage their succession and search for replacements in the neighbouring country, and also identifying future entrepreneurs to take over and advising them on negotiating the transfer of the business are important challenges.

Business transfers require careful planning and in general, candidates, whether they are the owners or future buyers, are ill-prepared. In addition, there is an informal aspect of trust inherent to the sharing of competitive information. An alternative to traditional business transfer marketplaces, which does a better job of preserving confidentiality, must be found.

Several initiatives such as platforms, forums, seminars, B2B meetings, etc. have been launched along France’s borders aimed at identifying legal and administrative obstacles to these procedures and bringing together the relevant players and existing services for supporting business transfers on both sides of the border.

- **The three seminars organised by the SaarMoselle Euro district, the Caisse des Dépôts and the MOT between 2011 and 2013** attest to the recognition of the potential of cross-border business takeovers and to the start of discussions on the support tools that may be implemented.¹⁰¹

TAKING ACCOUNT OF THE CROSS-BORDER PROVISION OF SERVICES

Another aspect of cross-border economic development that has grown in importance in recent years is the cross-border provision of services, facilitated since the adoption of the “Services” Directive 2006/123/EC.

This opening-up of the cross-border services market enables SMEs and microenterprises in particular to gain access to neighbouring markets for personal and business services. But this openness is most apparent in the construction sector, where it has led to sharp tensions between domestic and foreign businesses. Fuelled mostly by public procurement, the construction market is increasingly dominated by SMEs from neighbouring countries, mainly on the French-Spanish and French-Italian borders, and in the Greater Region.

There are two types of scenarios:

- **In the Greater Region**, the Luxembourg market attracts a large number of Belgian, French and German craft SMEs due to insufficient local capacity. There is therefore a common interest in facilitating these SMEs’ establishment of activities in Luxembourg. The Conseil Interrégional des Chambres des Métiers (CICM – Interregional Council of Chamber of Trades),¹⁰² which groups 12 Greater Region chambers of trades and crafts, works to establish networks for craft support-advisory services and to remove obstacles to the provision of cross-border services.
- **The situation is however very different in the south of France.** Spanish firms take their business across the border because of a slow domestic market and are more price competitive than their French counterparts. On the Riviera, Italian SMEs often have special expertise in certain traditional building/renovation techniques. This gives them a competitive edge vis-à-vis French firms. French businesses deplore what they see as unfair competition (the companies work on French building sites, but are domiciled in neighbouring countries where social legislation is generally less burdensome), and have called for contracting authorities to be accountable to local business communities through a kind of “pact of good conduct”.



Business Centre and Co-Working, Strasbourg

Territorial authorities and chambers of commerce and industry are therefore faced with the major challenge of aligning their management of cross-border service provision with that of their counterparts on the other side of the border in order to guarantee a free market with no distortion of competition.

This aspect is particularly significant in view of the forthcoming European directive on public procurement, which will introduce new cross-border possibilities.

¹⁰¹ Further details may be found on the MOT’s website: <http://www.espaces-transfrontaliers.org/la-mot/evenements-et-groupes-de-travail-de-la-mot/evenements-de-la-mot/deux-seminaires-sur-la-reprise-transfrontaliere-dentreprises/>

¹⁰² The Project Factsheet page 99.

TOURISM

Tourism is one of the areas where cross-border territories find substantial synergies, notwithstanding persisting patterns of competition. The objective is above all to design joint tourism services and promotion tools in regions with complementary tourist features.

- **The Upper Rhine** for example, has a shared website, www.upperrhinevalley.com, that advertises the Upper Rhine to tour operators and the press, as well as a single “Michelin” guidebook (just as the French-Swiss Jura Arc has a single “Routard” guidebook).
- Cross-border marketing of tourism makes it possible to promote cultural, architectural and heritage facilities in **highly urbanised cross-border areas**, such as the Lille-Kortrijk-Tournai Eurometropolis, the Greater Region and the Upper Rhine.
- In **rural and mountain regions** (French-Swiss, French-Italian and French-Spanish borders) marketing of tourism is combined with the promotion of natural resources, local products and the development of cross-border areas.



Cross-border ski resort “Les Portes du Soleil”, at the French-Swiss border

RETAIL ACTIVITIES

Retail activities aimed at border populations are another form that the present economy takes in cross-border territories. Several factors may explain the development on one side of the border of retail offers aimed at this specific group of customers who cross the border for commuting purposes or simply to make everyday purchases. For example:

- **Price differentials:** cigarettes, alcohol and petrol for Luxembourg and Andorra; general food products for Germany; meat, alcohol and cosmetics, etc., for Swiss residents shopping in France.
- **Differentiated product offers:** furniture in Belgium.
- **Special town-planning provisions:** e.g. in Kehl where there is a concentration of retail businesses with an extended catchment area.

SUPPORTING BUSINESSES

Cross-border public action to support businesses may focus mainly on microenterprises and small and medium-sized enterprises (SMEs), with larger companies conducting their own development strategies.

Microenterprises and SMEs that receive cross-border business support may, through this experience, develop on a second unexplored market that is local, but international. This first experience of international diversification should ultimately enable them to export beyond the cross-border territory. SMEs interact more with the territory in which they are established due to their size and structure. In France, close to 75%¹⁰³ of SMEs are independent or single-establishment companies that do not depend on a head office and therefore have autonomy in decision-making, which enables them to define a business strategy focused on the territory.¹⁰⁴

In general, mid-tier companies and large groups already have the capacity to do business internationally. The size of their international or global market means that they do not consider the local cross-border market as a special opportunity. The cross-border territory may however be exploited for its potentialities.

- **In the Øresund:** large Danish pharmaceutical groups use Swedish logistics companies.
- **In the French-Swiss Jura Arc:** watch-making companies are located near the border in Switzerland in order to benefit from the French workforce.

¹⁰³ http://www.insee.fr/fr/themes/document.asp?ref_id=ip1438

¹⁰⁴ Gilles Crague, *Entreprise, management et territoire*, Presses de l'Université Laval, collection Sciences de l'administration, 2014.

These companies develop their own strategies to integrate the cross-border potential, as illustrated by the example of Basel. They do not require the public authorities to implement special policies to encourage them to do so, or are capable of contacting governments should they need to do so (e.g. collaboration between the Territory of Belfort employment service and the Swatch group when the latter established a factory in Boncourt, Switzerland, close to the border with France).

Given the potential that cross-border development represents for SMEs, support systems have been set up to guide them in the steps they take.

CROSSING THE BORDER MEANS MANAGING A SERIES OF FACTORS THAT ARE CRUCIAL TO A FIRM'S ESTABLISHMENT:

accurate knowledge of the competitive environment, available infrastructure, equipment and land, familiarity with regulations (social, tax legislation, etc.), accounting expertise, tax optimisation strategies, etc.

These administrative and forward-looking procedures, which are extremely time-consuming and costly, are prerequisite steps for SMEs as they draw up and implement their business plans. However, very often SMEs do not have the necessary internal resources to carry them out. It is therefore crucial for them to benefit from appropriate support that reduces the cost and time devoted to these procedures as much as possible.

Numerous players provide support and are part of an ecosystem where each one brings its specific expertise.

- **Regulatory, tax and accounting developments are usually monitored by private consultants**, who increasingly specialise in these cutting-edge engineering fields in cross-border areas where the differentials are most significant.
- **On the French-Swiss border:** EUREX Suisse, a fiduciary company based in Geneva, offers personalised services to Greater Geneva companies in the areas of accounting management, tax, auditing, domiciliation and bi-location, etc.

Bi-location allows a business to locate its headquarters in one country and part of its activities in the neighbouring territory in order to enjoy the tax, geographical and cost advantages on both sides. This solution is beneficial for Swiss businesses that wish to gain easier access to the EU market.

➤ **Matters relating to land, competitive data and human resources are the preserve of chambers of commerce and industry (CCIs) and economic development agencies.**

➤ These organisations combine support to businesses in the strict sense (help with financing, support for land and property searches, facilitating access to international markets and European programmes, support for innovation, management of clusters, etc.) with general initiatives promoting territories' attractiveness and competitiveness (advisory services for the implementation of economic policies, construction of territorial projects, territorial marketing, etc.).¹⁰⁵

➤ The involvement of territorial authorities in these organisations' governance explains why they "wear two hats" and play a coordinating role, which enables them to act as an interface between government and businesses, ensuring better feedback of information to policy-makers.

➤ These players interact differently in France than they do in some neighbouring countries, where CCIs and territorial authorities are very separate (the CCIs represent only the interests of businesses and have no public service remit).

The role of intermediary played by economic development agencies and chambers of commerce and industry is crucial both for the public sector and for SMEs.

SMEs gain a better understanding of public policy measures for businesses, while territorial authorities gain access to a world that is unfamiliar to them.

The lack of permeability between these two spheres is one of the main challenges in economic development, especially when it comes to targeting the real needs of businesses. For example, financial aid is not necessarily what SMEs primarily look for from the public authorities. Knowledge of framework conditions and above all the identification of support resources, players and their territorial coverage are what businesses that wish to develop their cross-border activities most often say they need. It is therefore essential that the complementarity of functions of players providing support to businesses be assessed and coordinated over time, given that the allocation of competences is subject to the cycle of institutional reforms in France and the neighbouring countries.

In order to better grasp all of the regulatory and operational aspects of cross-border economic activity, it is in businesses' interest to have staff trained in these specific and evolving issues.

Rather than transferring staff from one country to the other, which masks local specificities, SMEs prefer to mix up nationalities within teams in order to strengthen the intercultural nature of their staff and thus maintain up-to-date knowledge of framework conditions. The new generations of workers are generally receptive to this cross-border openness. However, regarding fields of detailed expertise such as social and tax law, the level of training of the workforce appears to be increasingly crucial for monitoring in these areas to be carried out effectively. The cross-border employment market and the relevant public employment services are therefore advised of these types of requirements and of the high level of technicality expected by recruiters, which requires that greater consideration be given to the specific needs of businesses at the level of cross-border employment areas.

Assistance to businesses, especially SMEs, features in the ongoing reforms in France.

- ↘ The law of 31 December 2012, which set up the Banque Publique d'Investissement, provides for the appointment of specialists in cross-border economic development to regional policy committees in the regions concerned (border regions).
- ↘ The NOTRe law also provides for the economic development strategy document of each region concerned to include a cross-border component.
- ↘ The Ministry of Foreign Affairs and International Development is working to promote France's attractiveness in order to make it a priority for the country's embassies and diplomatic network, through special representatives, "regional ambassadors" and its new agency, Business France.

IN A NUTSHELL...

Cross-border territories along France's borders have highly diverse economic structures. Cross-border economic development is therefore assessed from different perspectives.

The knowledge and innovation economy is one of these perspectives, and has become one of the priority objectives of EU cohesion policy. It is possible to collaborate across borders on innovation and technology transfer through groupings of businesses and the linking up of research laboratories and universities on both sides of the border (competitiveness clusters).

Cross-border exports are also one of the possible areas of work with micro-enterprises and SMEs: this helps to develop expertise to export beyond the cross-border territory and thus promote the growth of these businesses.

Cross-border business transfers ensure that firms (microenterprises, SMEs) continue to operate following the retirement of the business owner.

Cross-border provision of services, facilitated by the "Services" directive, must be taken into account in cross-border economic development, with many craft enterprises working across borders (e.g. the construction sector).

Tourism is an example where competition and cooperation are inseparable, with both numerous synergies and projects (especially in rural and mountain areas) and persisting competition in the promotion and marketing of products.

Retail activities also have their own cross-border rationale, using the advantages in the territories (lower prices, more abundant supply, etc.) to extend catchment areas to the other side of the border.

Lastly, business support reveals a lack of permeability between the public and private spheres. Businesses mainly expect technical, rather than financial, assistance from the public sector, i.e. assistance in understanding (simplified) framework conditions, and especially in identifying support resources and providers, as well as their territorial coverage, which must be cross-border in nature.

Labour market, vocational training, apprenticeships and qualifications

The rise in daily cross-border movement (commuting) coupled with low residential mobility (in Europe as a whole and France in particular due to various cultural and housing rigidities) has increased the need to boost fluidity in job reallocation between sectors within local employment areas, mainly through vocational training.¹⁰⁶

Public action can therefore take cross-border territories into account when this is relevant in terms of available job vacancies and the appropriate fit of the skills of the workforce.

- A recent study by INTERACT¹⁰⁷ analysed issues of long-term development in the integration of the European labour market in two cross-border territories (the Greater Region and the Italy-Slovenia border). Cross-border cooperation programmes have made it possible to develop initiatives facilitating the mobility of workers in these territories. Such initiatives notably improve workers' ability to take advantage of opportunities on the other side of the border, and develop specific cooperation structures that enhance the cross-border integration of the labour market.

While working in a neighbouring country may be the result of a choice forced by high unemployment in the domestic market and a need for labour on the other side of the border, this decision may also stem from other motives such as workers calculating the opportunity offered by cross-border commuting: wage differentials, attractive social benefits, tax optimisation, lower cost of land and property, etc.

Cross-border mobility also gives employers access to workers who are not available on the domestic labour market. Local populations may find jobs without having to move, which helps to lower unemployment rates in the areas concerned.

- **On the French-Swiss and French-Luxembourg borders**, workers move from other French regions to find a job without having to leave the country.

Movements between home and work play a crucial role in local economies due to the business and income they generate, as well as a more or less efficient cross-border public transport network between the different residential, productive, consumer and leisure areas (presential economy).

OCCUPATIONAL FLOWS AND MOVEMENTS

French cross-border territories are characterised by large-scale flows of outgoing commuters, estimated at over 380,000 workers, i.e. roughly 40% of all European flows of cross-border workers.

Commuters reside mostly along France's northern and eastern borders: 170,000 on the border with Switzerland, 82,000 with Luxembourg, 49,000 with Germany and 39,000 with Belgium.

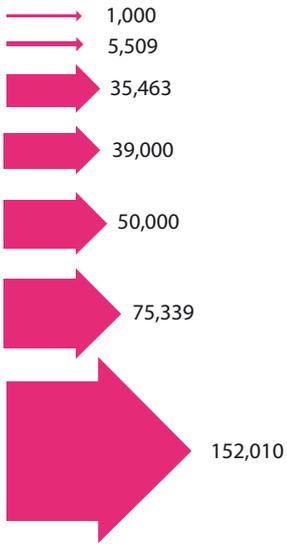
These figures have sharply increased over the last few decades due to the strong demand for labour generated by the economic booms in Luxembourg and Switzerland, coupled with the gradual deterioration in the labour market in France's border territories (decline of industry, especially textiles, in the Nord-Pas de Calais Region, steel in Lorraine, etc.), and the mobility facilitated by the free movement of people within the European Union.

The development of transport infrastructure, adequacy of information and advisory services, and also tax agreements and legal convergence between countries, knowledge of the language of the neighbouring country, etc. are all factors that influence the fluidity of the labour market (professional mobility) and the creation of a genuine cross-border employment area.

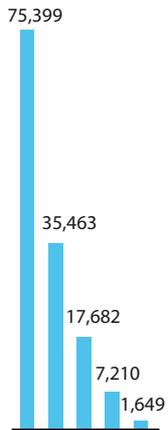
¹⁰⁶ P Veltz, *La grande transition*, Seuil, 2008.

¹⁰⁷ INTERACT, *Study on Labour Market Integration Across Borders*, February 2015, http://www.interact-eu.net/news/study_on_labour_market_integration_across_borders/7/18230

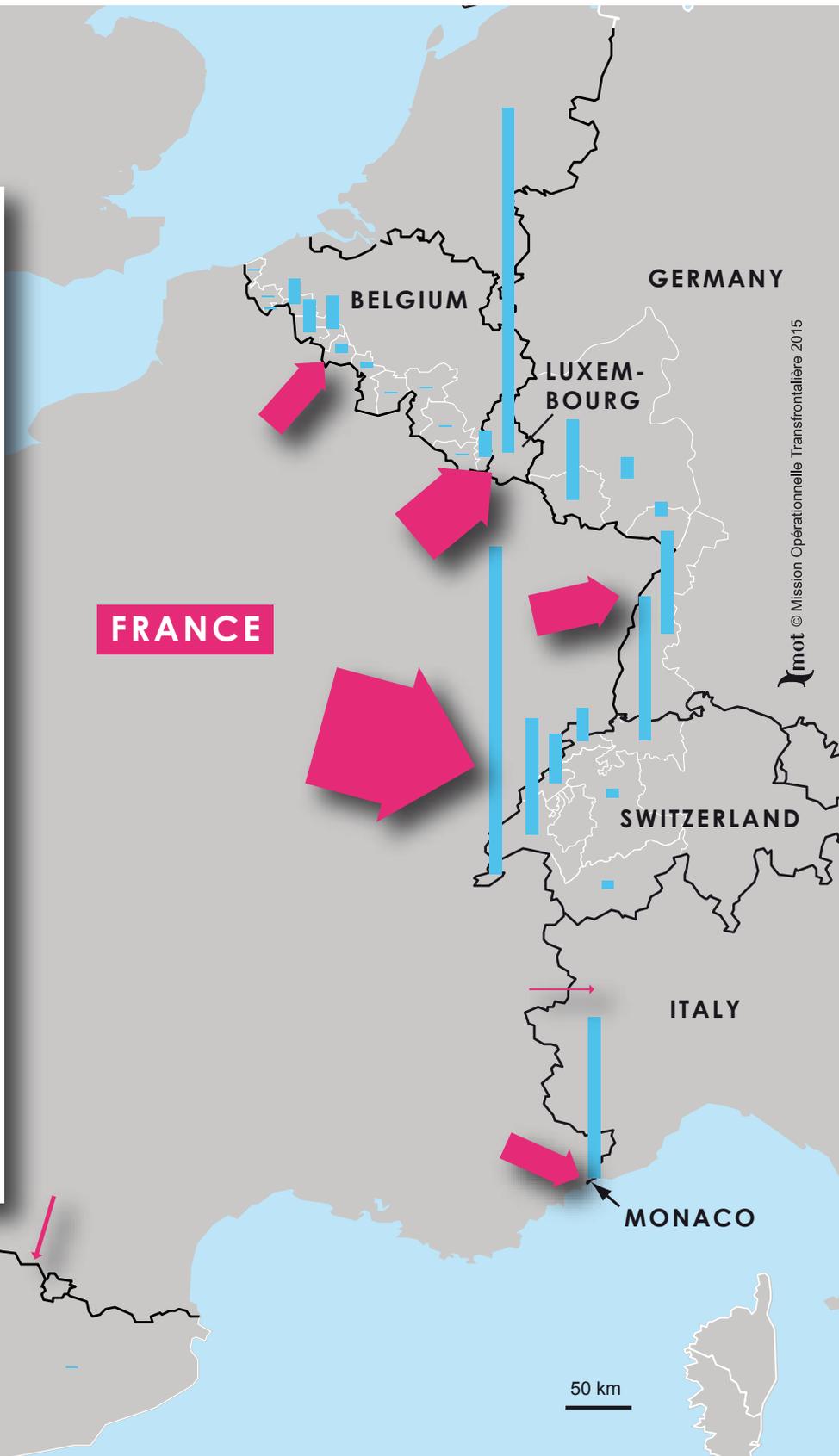
Total number of cross-border workers living in France by country of destination



Number of cross-border workers living in France by territory of destination in the neighboring country



Sources:
 INSEE (France), 2012-2013
 CNAMTS (France), 2013
 INAMI (Belgium), 2012-2013
 IGSS (Luxembourg), 2013
 BA (Germany), 2013
 OFS (Switzerland), 2015 (1er T.)
 IMSEE (Monaco), 2014
 INE, IDESCAT, EUSTAT (Spain)



imot © Mission Opérationnelle Transfrontalière 2015

Workers residing in France and working abroad



© European Union, 2005

EMPLOYMENT AND TRAINING

This is why employment and vocational training are frequently the first issues tackled by cross-border governance on the northern and eastern borders of France. In the territories with the largest differentials (North Lorraine, French Greater Geneva), where in some cases over 50% of workers cross the border to work, improvements in mobility options for households (which sometimes have few professional opportunities in their place of residence) are the first form of cross-border economic development. This objective is also ultimately compatible with that of residence/workplace rebalancing. For example, the CEVA project for the construction of a cross-border train service between Geneva and Annemasse should also lead to the development of a business centre close to Annemasse station.

Removing obstacles to cross-border mobility requires structural and long-term initiatives. It is not merely necessary to support job seekers in their search for employment on the other side of the border, but also to think upstream about the employability of potential cross-border workers.

Cross-border cooperation in the area of employment focuses on addressing issues relating to in-service and vocational training (apprenticeships), instruction in the language spoken in the neighbouring country, equivalence of diplomas and recognition of experience and qualifications.



INFOBEST Kehl/Strasbourg



INFOBEST Pamina

It is important to stress that, unlike in other areas, in the area of employment, the divisions between institutions are tending to disappear due to the substantial involvement of private and public players at all levels: territorial authorities (particularly regions on the French side with regard to vocational training), the DIRECCTE network (pôle 3E) in France, public employment services, employment centres in France, chambers of commerce, employer organisations, training centres, etc. The various ongoing institutional reforms on the French side are tending however to greatly reduce the role played by French departments in the area of economic development: without a general competence clause, departments cannot be involved in issues fall within the region's competence unless the region delegates this responsibility.

•••••

TOWARDS AN INTEGRATED LABOUR MARKET

Partnerships have gradually been established along France's borders to work towards an integrated cross-border labour market.

- The **European network EURES** set up to inform and advise workers on job offers and living and working conditions in Europe is very active along the borders with Belgium, Luxembourg, Germany and Switzerland. It is made up of four structures dedicated to cross-border mobility (EuresChannel – BE/FR/UK, PED – BE/FR/LUX, Saar-Lor-Lux-Rhineland-Palatinate – DE/FR/LUX and Upper Rhine – FR/DE/CH). National employment services (and their regional administrations) and the social partners participate in the governance of these structures.
- This European network is supported by local information and advisory agencies, such as **INFOBEST** on the French-German border, the **Groupement transfrontalier européen** on the French-Swiss border, **Frontaliers Lorraine** and **Grenzinfopunkt** in the Euregio Meuse-Rhine.
- These mechanisms contribute to the transparency of the cross-border labour market and to professional mobility on both sides of the border, but are geared more towards raising awareness about professional opportunities available in the cross-border



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territory than towards follow-up and personalised support to help job-seekers find work.

The French-German framework cooperation agreement for job placement¹⁰⁸ signed on 26 February 2013 develops a cross-border job placement service that focuses on follow-up and personalised support to help job-seekers find work. It is a textbook example of operational cross-border governance.

EQUIVALENCE OF DIPLOMAS AND CERTIFICATES

For workers to have the incentive to cross the border, they have to be able to find jobs with equivalent skill and wage levels in the neighbouring country.

However, the lack of clarity regarding equivalences of diplomas and professional certificates acquired on one side of the border deters members of certain professions from working across the border.

A two-pronged action is required: efforts to achieve legal recognition of diplomas and qualifications and to promote workers' and employers' awareness of these equivalences.

- ✎ **The 2005/36/EC Directive of 7 May 2005** consolidated and updated procedures for the recognition of qualifications for the practice of professions regulated in the EU, but did not establish a system for the automatic recognition of diplomas.
- ✎ **In France, the ENIC-NARIC centre** is charged with recognising foreign diplomas (by establishing certificates of comparability) and informing their holders. It also assists French workers with formalities abroad. If needed, there may be cooperation between the ENIC-NARIC centre and equivalent agencies in the neighbouring countries. Such collaboration exists with the compulsory education services of the General Administration for Scientific Education and Research of the Wallonia-Brussels Federation.

The recognition of diplomas and qualifications is an issue addressed at the European and transnational levels; however, cross-border territories are a focal point for this issue and have become testing grounds for dealing with it.

- ✎ **The EURES-T networks** strive to improve communication on these tools and INTERREG projects help to draw up standard guidelines for vocational training, mostly for professions where there are shortages in the cross-border territory, together with systems for the validation of prior experience ("Multiform" for the France-Wallonia-Flanders programme, "Formation professionnelle sans frontières" for the Upper Rhine programme, "Modularisation de l'offre de formation transfrontalière", "Plateforme transfrontalière de formation professionnelle" and "VAE en zone frontalière" for the France-Switzerland programme, etc.). These systems are also intended for less skilled workers, who are increasingly vulnerable given the rising level of employer requirements.

¹⁰⁸ The Project Factsheet page 101.



Signing of a framework agreement regarding cross-border apprenticeships in the Upper Rhine, September 2013

TAXATION AND DIFFERENCES IN LEGAL STATUS

Another impediment to the implementation of a cross-border vocational training system is **the non-retention of rights to unemployment benefits for job seekers who wish to undertake training in neighbouring countries.**

The territorialisation of benefits is a result of the fact that these rights are contingent upon a status which, theoretically, ceases to be recognised once the border is crossed.

The issue of status is also relevant for cross-border work-study programmes and apprenticeships, interns and apprentices do not necessarily have the same legal statuses on both sides of the border. This leads to problems relating to civil responsibility, social benefits, and funding of the vocational training.

- ↳ **The latter obstacle has been resolved for Upper Rhine** with the signing on 12 September 2013 of a framework agreement on cross-border apprenticeships. The agreement enables apprentices in Alsace, Baden-Württemberg and Rhineland-Palatinate to carry out the practical part of their training in a firm based in the neighbouring country.
- ↳ **A similar agreement was signed on 20 June 2014 between Lorraine and Saarland.**

Cross-border vocational training therefore remains an ambitious objective given the legal and administrative obstacles. It is achievable through ad hoc legal arrangements rather than a generalised standard response.



Language learning in the Land of Lower Austria

LANGUAGES, CULTURES AND ADAPTING TRAINING TO THE NEEDS OF THE MARKET

Notwithstanding the advantages related to cross-border professional mobility and the incentive and information programmes, one other decisive factor still needs to be examined: the linguistic and intercultural aspect.

- **The French territories bordering Flanders, Germany and German-speaking Switzerland** are characterised by declining proficiency in the language of the neighbouring country, which is a major obstacle to the movement of workers and trainees to territories where there is a real need for labour. Finding candidates for cross-border apprenticeships is particularly difficult. Unskilled workers, who filled manufacturing jobs in the industrial areas in Flanders, Baden and the Basel region, have not been able to adapt to the increasing complexity of jobs in recent decades and have become less competitive, despite their geographical proximity, than highly-skilled workers from southern Europe.

Improving the cross-border employability of these populations necessarily requires the strengthening of language skills and a better correlation between training provided and the needs of the cross-border labour market.

- **Regarding languages, the Land of Lower Austria** has implemented a project to enable children to access the languages of neighbouring countries right from nursery school. This initiative was replicated first of all by the neighbouring Länder, then by the bordering countries (Czech Republic, Slovakia and Hungary). Exposure to the language and culture of the neighbouring country at a very young age is considered to be an asset for establishing cross-border economic cooperation and employment areas.

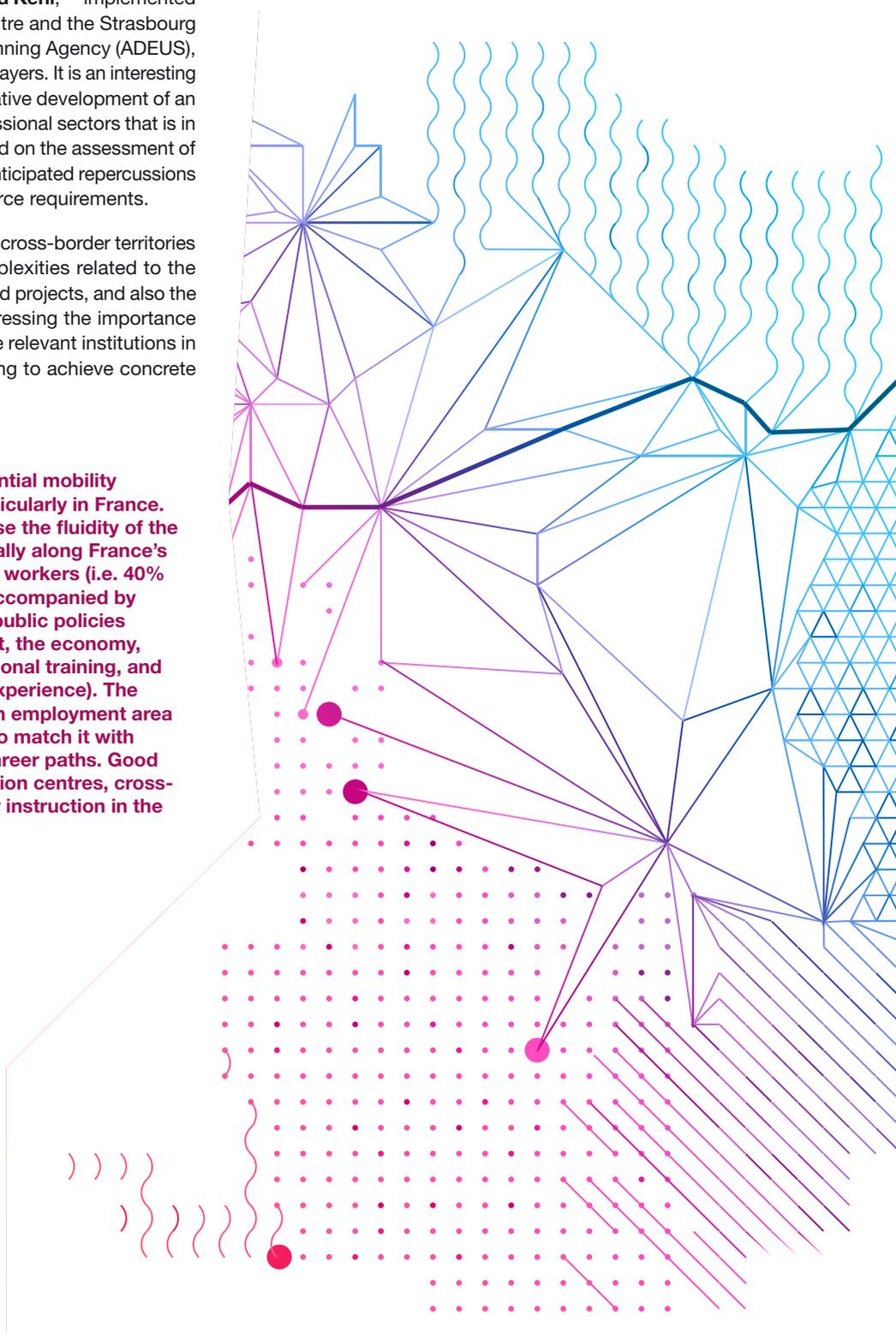
As competence with respect to education and languages is not decentralised in France, the involvement of France's national Ministry of Education is a prerequisite for developing widespread instruction of the language of the neighbouring country in the educational system.

- An example of the adaptation of training content to the needs of the labour market is **the strategic workforce planning (SWP) exercise for the ports of Strasbourg and Kehl**,¹⁰⁹ implemented by the Strasbourg Jobs and Training Centre and the Strasbourg Conurbation Development and Town Planning Agency (ADEUS), with the assistance of German economic players. It is an interesting example of the collaborative and consultative development of an action plan for port businesses and professional sectors that is in line with changes in the territory and based on the assessment of developments in the port sector and the anticipated repercussions on professional trades and human resource requirements.

Issues of employment and vocational training in cross-border territories therefore highlight all the intricacies and complexities related to the implementation of cross-border programmes and projects, and also the progress that needs to be made. It is worth stressing the importance of an effective partnership bringing together the relevant institutions in the areas of employment and vocational training to achieve concrete progress.

IN A NUTSHELL...

Daily commuting is on the rise, while residential mobility remains limited throughout Europe and particularly in France. There is therefore a growing need to increase the fluidity of the cross-border job market. This occurs naturally along France's borders, with close to 400,000 cross-border workers (i.e. 40% of European flows), but is not necessarily accompanied by coordinated and appropriate cross-border public policies (planning and development, public transport, the economy, mobility facilitated through initial and vocational training, and the recognition of qualifications and prior experience). The aim is to take account of the existence of an employment area that is already cross-border in nature, and to match it with public policies that support cross-border career paths. Good practices exist on various borders: information centres, cross-border employment centres and policies for instruction in the neighbouring country's language.



¹⁰⁹ The Project Factsheet page 108.

Funding partnerships and projects

There are as many frameworks for financing cross-border economic partnerships and projects as there are potential financiers and beneficiaries. The adoption of Europe 2020 and the start of the new 2014-2020 programme period have redefined procedures for the use of this funding, especially with regard to the areas targeted (innovation, assistance to SMEs, employment, etc.) and the links between them.

Three major categories of financing may be identified: European funding, national and territorial authority funding, and cross-border venture capital funds.

EUROPEAN FUNDING

The **European Structural and Investment Funds (ESIF)** are the main source of funding at the cross-border territory level, notably through the European territorial cooperation programmes (ETC, formerly INTERREG), which directly co-finance projects.

In the economic field, ETC programmes co-finance initiatives related to entrepreneurship, innovation and competitiveness (business start-up support, cross-border networks and clusters, technology transfer, uptake of ICTs, business incubators, etc.), strategic and financial assistance to SMEs (access to capital in the start-up and growth phases, legal/administrative/tax support, etc.), help with cross-border development (support for internationalisation) and human resources.

Other European programmes may also contribute (e.g. the European Social Fund and the EURES placement services for job seekers).¹¹⁰

The 14 cross-border cooperation programmes for 2014-2020 relating to mainland France and its overseas territories put even greater focus on economic development and employment priorities than the programmes of the previous period did.

Nine programmes, a majority, have assigned funds to strengthening research and innovation (thematic objective 1) and promoting the competitiveness of SMEs (thematic objective 3). In addition, six programmes have devoted a significant portion of funds to supporting employment and mobility (thematic objective 8) and five to promoting social inclusion and combating poverty (thematic objective 9).

In the 2014-2020 period, greater attention will also be paid to measuring the impact of aid on territories. Indicators of performance and results have been designed to do so, notwithstanding the numerous methodological and practical challenges, and will help to provide objective data on the dynamics of cross-border economic development.

In previous programme periods, businesses were only very rarely the direct beneficiaries of these funds, which were mostly used by public and semi-public bodies to implement actions with strong economic leverage for the cross-border territory.

Direct aid to businesses is regulated by the state aid regime, and is authorised only in certain cases (defined in Articles 107-2 and 3 of the Treaty on the functioning of the European Union) where such assistance to businesses affects neither trade between Member states, nor competition, two key principles of the internal market. This is the case when state financial aid remedies market failure or promotes the common interest (innovation, energy performance, employment and training, development of the least-developed regions, etc.), and also when it is deemed appropriate and proportional to the extent that it is the aid instrument that creates the least distortions and is limited strictly to needs.

To these general criteria for compatibility of state aid with the single market may be added highly specific conditions under which it can be granted to businesses: incentive effect of the aid (change in behaviour of the beneficiary), compliance with the list of eligible costs, transparency, compliance with maximum aid intensity, rules for cumulation of aid measures (depending on the purpose and spending base) and the *de minimis* rule, which authorises aid of up to €200,000 per consolidated company over a three-year period.¹¹¹ In addition to its complexity, legislation relating to state aid is constantly evolving, both legally and jurisprudentially.

¹¹⁰ European Commission, *Enabling synergies between European Structural and Investment Funds, Horizon 2020 and other research, innovation and competitiveness-related Union programmes*.
http://ec.europa.eu/regional_policy/sources/docgener/guides/synergy/synergies_en.pdf

¹¹¹ See the CGET's website on regulations applicable to state aid to companies: <http://cget.gouv.fr/reglementation-aides-publiques-aux-entreprises>



Enabling SMEs to benefit more substantially from these programmes, which are currently much more widely used by public bodies, is one of the main challenges of the new programme period.

The Horizon 2020 Programme (for research and innovation) has set the objective of raising the rate of SMEs' participation to 20%. Designed for the public sector, the programmes and their administrative functioning (development of work programmes, project application process, six-year timeframe, etc.) are ill-suited to serving businesses' need to act quickly, and to responding to their concrete and immediate requirements.

Processing times for applications and granting of co-financing, as well as the repayment periods, are deterrents to SMEs, which prefer not to embark on processes with uncertain timeframes. They instead turn to other support mechanisms perceived as being better suited to real business conditions (aid provided by territorial authorities, etc.¹¹²).

Businesses are just as under-represented in the various steering, monitoring and selection committees and working groups that contribute to the programmes: a situation that appears to contradict the increasing economic focus of the new programme period. It therefore appears to be necessary to reorient the general operational rationale of programmes and of businesses' place within their governance in order to make European territorial cooperation accessible to the main players in the economic development of cross-border territories.

To this end, the Commission recommends the increased use of financial instruments as a way of making structural funds available to SMEs.¹¹³

These instruments, which currently make up 5%¹¹⁴ of total resources of the ERDF, should make it possible to move away from the "subsidy culture" and improve the quality of programmes by adding a condition for repayment of investments or limiting co-financing rates. Projects must prove their value (generate income or savings) and strive towards improving their economic and financial performance in order to be of real benefit to their beneficiaries. This change in rationale aims to make the programmes attractive to the private sector and financial intermediaries and thereby enable them to benefit from private financing and expertise as public resources become increasingly scarce. Greater leeway is also given to managing authorities, which, unlike in the 2007-2013 programme period, may use financial instruments linked to all the thematic objectives covered by the OPs.

¹¹² The aides-entreprises.fr website makes it possible for companies to instantly find aid available to businesses, according to their project, its location in the territory and its profile.

¹¹³ European Commission, *Financial instruments in ESIF programmes 2014-2020 – A short reference guide for Managing Authorities*.

¹¹⁴ European Commission, *Financial instruments in Cohesion policy 2014-2020*, http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/financial_instruments_en.pdf

The great majority regional ERDF-ESF 2014-2020 OPs provide for the use of financial instruments, particularly for thematic objectives 1, 3 and 4 and in various forms: direct investment in share capital (equity investment, transfer funding, start-up funding, third-party funding/investment, maturation funds, seed funding, venture capital, development capital), loans (loan funds, zero-interest loans, preferential loans, equity loans, honour loans, micro-credit funds, repayable advances and subsidised loans), guarantees and other sources (crowdfunding platforms, European financial instruments, share acquisition funds, property leases, funds of funds, etc.).¹¹⁵

The need to reach this target group requires synergies between sources of funding that go beyond the framework of structural funds. The objectives of Europe 2020, coupled with those of cohesion policy for 2014-2020, require better coordination between **thematic financing** (research, innovation and development, entrepreneurial capacity building, etc.) and the ESIF to support smart, sustainable and inclusive growth.

The two main European programmes for supporting innovation/research, international development of businesses and industrial cooperation for the 2014-2020 period, Horizon 2020 (formerly the Framework Programme for Research and Technological Development – FPRTD) and COSME (formerly CIP – Framework Programme for Innovation and Competitiveness), already contribute to a complementary approach to sustainable support to businesses:

- **Horizon 2020** specifically targets risks related to research/innovation for innovative SMEs in their start-up and expansion phases (feasibility of the research and innovation project, financing and support for marketing).
- **COSME** has extended its scope of action to include all businesses in their process of development, and even transfer, on the single market, particularly through the Enterprise Europe Network (EEN),¹¹⁶ and has implemented tools such as a guide¹¹⁷ and a portal to support SMEs' internationalisation.¹¹⁸
- In addition to these two major programmes there is a complementary programme to Horizon 2020, **EUREKA**, which takes a more bottom-up and flexible approach, requiring an initiative from at least two businesses rather than more cumbersome cyclical calls for proposals.

¹¹⁵ Europ'Act, Seminar for the launch of the 2014-2020 programme of European funds, Montpellier, 14 November 2014.

¹¹⁶ European Commission, *Enabling synergies between European Structural and Investment Funds, Horizon 2020 and other research, innovation and competitiveness-related Union programmes*. http://ec.europa.eu/regional_policy/sources/docgener/guides/synergy/synergies_en.pdf

¹¹⁷ *Practical guide to doing business in Europe*, http://europa.eu/youreurope/business/index_en.htm

¹¹⁸ The portal can be accessed at: <https://webgate.ec.europa.eu/smeip/>

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Seed4Start project, in the Greater Region

NATIONAL FUNDING BODIES AND FUNDING FROM TERRITORIAL AUTHORITIES

While European programmes are a not insignificant source of funding for SMEs and cross-border economic development initiatives, national and local authorities also contribute to supporting the development and competitiveness of businesses and territories. Reforms have recently been implemented in France to strengthen mechanisms for providing financial support to SMEs.

- **Bpifrance** proposes a “one-stop shop” coordinated response to the financing needs of businesses throughout their lifecycle. Innovation is the priority target of Bpifrance actions. These range from support for R&D and the start-up phases of innovative projects, to increasing businesses' own funds to support exports in close collaboration with Business France. Bpifrance's organisational structure of 24 regional directorates, which are charged with defining action plans at the regional level reflects the desire to provide funding that most closely corresponds to local specificities and strategic sectors.



- Following an amendment to the bill on the creation of Bpifrance introduced by Philip Corderoy, the MP for French citizens resident in the Benelux, the law passed on 31 December 2012 allows people with knowledge and experience in cross-border economic development to sit on Bpifrance’s regional policy committees. This provision was born of the need to increase complementarity and create new links between national, regional and local funding programmes and those in the neighbouring countries.
- **Some territorial authorities mobilise their own funds within common cross-border funds.** This is the case for the **Aquitaine-Euskadi Euroregion**, whose annual calls for project proposals (total budget of €300,000 for 2014) provide for various initiatives.

Economic development is nonetheless just one of the areas eligible for this co-financing.

French territorial authorities are in a rather difficult financial situation compared to their counterparts in neighbouring countries, especially at the regional level. Though regional authorities have seen their economic competence expand (aid to businesses, support for internationalisation, real estate and innovation investment aid) through the adoption of the New Territorial Organisation of the Republic Act (the “NOTRe Act”), they do not at present have leverage comparable to that of the German Länder and the Swiss Cantons.

CROSS-BORDER VENTURE CAPITAL FUNDS

Given the weakness of French territorial authorities compared to their counterparts in neighbouring countries with regard to capacity to finance economic development activities and businesses, institutional and economic players are turning increasingly to cross-border financing that combines national and European public funding as well as private resources.

- **EUREFI is the first cross-border venture capital fund** set up at the joint instigation of the European Union and private French, Belgian and Luxembourg shareholders in the Longwy European Development Pole (EDP), which is undergoing regeneration. EUREFI was established in 1991 but actually launched at the end of the 1990s with an initial capital of €10 million. The fund managed close to €27.7 million in 2013 and generally makes investments within the range of €250,000 to € 1.5 million (a single investment averages around €500,000).¹¹⁹ EUREFI does not target a specific business sector: the criteria determining businesses’ eligibility for this funding are based mainly on the (existing or potential) cross-border nature of their development project and its viability. Currently, recipients are mostly Belgian and French businesses that wish to enter the Luxembourg market. This explains the breakdown by nationality of applications processed by EUREFI: 50% French businesses, 30% Belgian and 20% from Luxembourg.

¹¹⁹ Bpifrance figures.

THE LEGAL, ADMINISTRATIVE AND TAX OBSTACLES TO THE CREATION OF SUCH FUNDS HOWEVER CONSTITUTE STRONG DISINCENTIVES:

- Venture capital funds investing in other Member states are subject to double taxation because their cross-border business is deemed to constitute a taxable presence in the country where the investment has been made.
- Monitoring and transparency rules applicable to venture capital funds vary from country to country. This limits their mutual cross-border recognition and exposes them to the risk of double taxation.

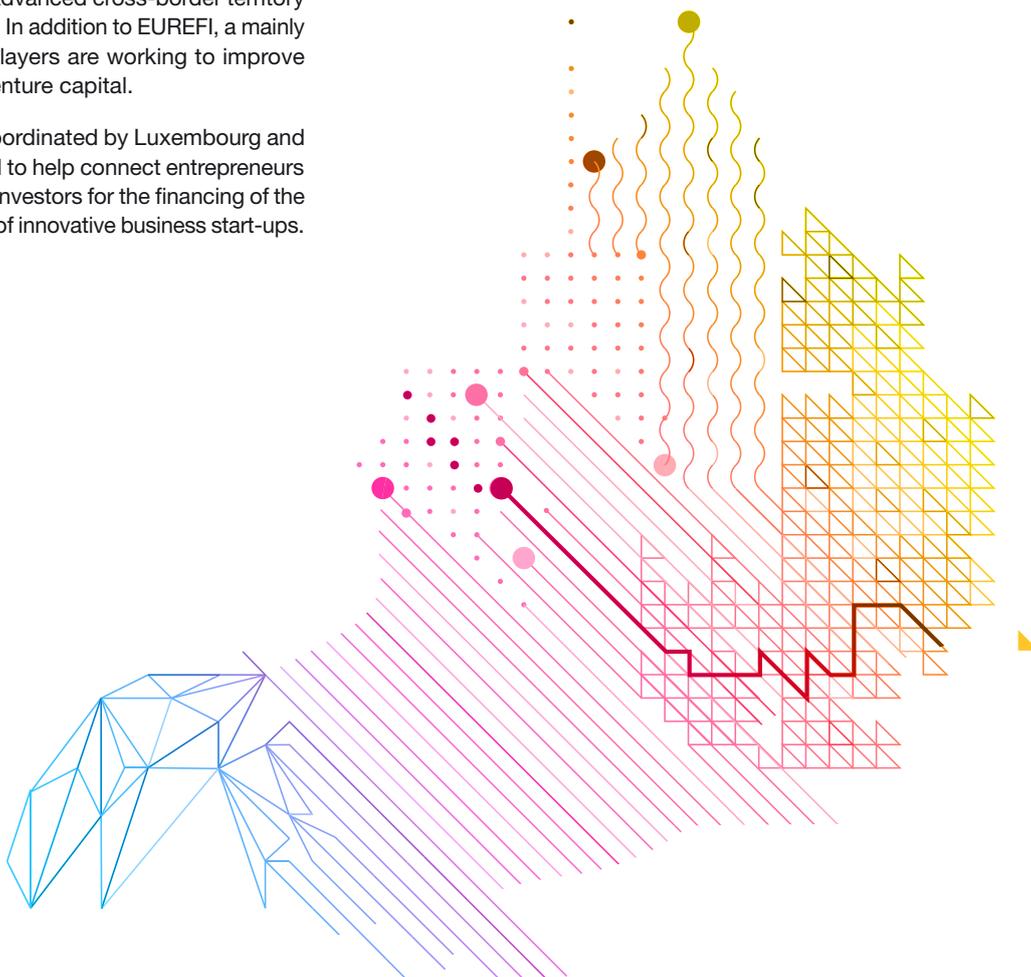
Aware of the adverse impact of these obstacles on business funding and competitiveness, the European Commission appointed an independent working group of tax experts from May 2007 to June 2009, which led to a report¹²⁰ and recommendations. A public consultation was also launched on 3 August 2012 to identify the concrete problems and work to lift the obstacles to cross-border investment by venture capital funds. These two initiatives have nonetheless not yet led to substantial reforms that would significantly improve the framework conditions encouraging cross-border investment in venture capital funds and their mobilisation.

- **The Greater Region** is the most advanced cross-border territory in this area along France's borders. In addition to EUREFI, a mainly private instrument, institutional players are working to improve SMEs' access to cross-border venture capital.
- The **"Seed4Start" platform**,¹²¹ coordinated by Luxembourg and Lorraine economic partners aimed to help connect entrepreneurs of the Greater Region with private investors for the financing of the creation, takeover or development of innovative business start-ups.

However, efforts still need to be made in two areas: better coordination of public and private financing within these funds and developing support to businesses throughout their lifecycle and the innovation cycle (R&D, design, marketing and development).

IN A NUTSHELL...

The frameworks for the funding of partnerships and projects are as diverse as the providers of funding and potential recipients are numerous. European funding may be distinguished from national funding bodies, funding by territorial authorities and cross-border venture capital funds. In cross-border territories, available European funds are mainly the ERDF, along with ETC programmes. In France, Bpifrance is responsible for promoting the financing of activities that may be targeted at cross-border areas. From time to time, territorial authorities launch calls for cross-border project proposals, which are more limited financially, using their own funds.



¹²⁰ European Commission, *Report of Expert Group on removing tax obstacles to cross-border Venture Capital Investments*.

¹²¹ See project factsheet page 95.

Cross-border economic governance

Cross-border economic development spans the actions of a multitude of different public, semi-public and private players – collective and individual entities operating at the national, cross-border and international level. These include businesses, competitiveness clusters, employer organisations, research centres, universities, territorial authorities, chambers of commerce and industry and development agencies and vary widely in terms of their functions, interests, operating methods, etc. The interaction between them also varies, notably on account of the administrative and territorial arrangements of the different countries, which are themselves fluid as a result of reforms (transfers of competences, establishment/merger/disbanding of entities, etc.).

The asymmetry that exists between states that are organised centrally (such as France) and those with federal structures (such as Germany, Belgium and Switzerland) in terms of competences and decision-making – as well as cultural differences more generally (administrative, legal and technical cultures, etc.) – requires players to get to know one another and identify the competent entities that they consider key to the implementation of cross-border economic development actions.

In other words, players need to identify their counterparts in the neighbouring economic system. This initial mapping of players and functions, which is combined with a process of getting to know each other's practices and methods, is thus a precursor to the establishment of any cross-border economic partnership and a continuous learning process in the presence of institutional and territorial reforms. The operational recommendations set out in the guide to economic development partnerships address this issue.

Cooperation is a process; it is a decision that corresponds to an evolving construction, first at national and then at cross-border level.

IDENTIFYING RELEVANT PLAYERS

Cooperation between economic players is not necessarily natural behaviour – especially in the presence of a border. The absence of harmonised cross-border statistics and the lack of understanding of the economic development ecosystems on the other side of the border constitute a major obstacle to cooperation.



InnovARC project, in the French-Swiss Jura Arc



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THE ROLE OF THE HUMAN ELEMENT

Informal interpersonal relations often play a key role in the establishment of partnerships and structured institutional projects.

Certain players are naturally positioned as intermediaries between potential partners, fostering communication and exchanges of information and helping to organise meetings and joint working sessions. Initially, small numbers of partners are brought together in order to foster an understanding of each other's methods and establish priorities for action. Once it has been firmly established, the partnership can potentially be opened up to a wider range of players, including entities on the other side of the border if some operators have specific linguistic and intercultural skills.

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Cross-border cooperation is thus strongly dependent on the human element – i.e. awareness-raising, and even strong determination, on the part of certain key individuals at the outset.

And yet, the increased mobility of staff amplifies the phenomenon of turnover – which, although it provides new competences, causes the loss of knowledge and know-how acquired through cross-border experience.

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## “FUNCTIONAL” GOVERNANCE

Finally, the very nature of the globalised economy, in the European context of the single market, calls for governance with variable geometry that is flexible and evolves over time – “functional” governance (or Type II governance, to use the categorisation employed by Hooghe and Marks),<sup>122</sup> rather than institutional (Type I) governance. It is natural to choose this type of governance in a cross-border context. The need for flexibility necessitates the implementation of exchange platforms and limited-term agreements between players, etc., rather than the use of legal frameworks and the establishment of permanent ad hoc structures.

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The territory portraits show that configurations of economic development partnerships differ greatly from one country to the next, with links between territorial authorities, chambers of commerce and industry and economic development agencies varying in terms of both their strength and the extent to which they are formalised.

¹²² Liesbet Hooghe and Gary Marks, *Types of Multi-Level Governance*, Les Cahiers européens de Sciences Po, No 03/2002 (www.cee.sciences-po.fr/erpa/docs/wp_2002_3.pdf)

Consequently, it is very rare for any two cross-border territories to be alike, hence the need for informal meetings, seminars and other workshops.

Territorial authorities may seek to develop shared tools to promote a cross-border territory to investors, businesses and other private economic players in cooperation with their counterparts on the other side of the border, in a context of increased territorial competition encouraging elected representatives to improve the positioning and specialisation of their territory, if such a partnership is considered to add value and create benefits on both sides of the border.

DIFFERENCES IN TIMESCALE BETWEEN THE PUBLIC SECTOR AND THE ECONOMIC SPHERE

Public action in the area of economic development is highly fragmented and must typically cope with a multitude of different interests, which makes the quest for overall coherence particularly difficult.

The conflict between the long-term thinking of the public sector and businesses' focus on the shorter term creates additional difficulties. This significantly reduces the chances of uniting the two approaches, which – despite the desire for broad and inclusive economic governance that meets the needs of businesses and territories as far as possible – tend to conflict with, rather than complement, each other.

Consequently, it is not surprising to see the emergence of sectoral and thematic forms of economic cross-border cooperation (which are more consistent with the competitiveness approach) aimed at fully fostering complementarities, the exchange of know-how and other positive externalities between businesses, knowledge institutions and centres of expertise in specific specialist technical areas. This is the model of clusters, which are in the process of being established in cross-border areas, as well as of incubators and accelerators, which can be regarded as tools to strengthen the cross-border entrepreneurial fabric. Thus, public action tends to build on pre-existing elements and focus its interventions on supporting the consolidation of industrial clusters and the strengthening of cross-border links.

Should we therefore conclude that cross-border cooperation in the area of economic development cannot be based on the classic institutional framework (i.e. Type I governance)?

This requires a nuanced response. While specific forms of governance may be constructed around economic development, in the interests of greater effectiveness or in order to remove from the general dialogue an issue where competition between the two sides of the border may sometimes be felt to be too prevalent, the classic institutional framework of cross-border cooperation should not be ruled out.

It is important to stress the necessarily heterogeneous nature of cross-border economic governance. In the kind of liberal, regulated environment that is typically found in European countries (even in the most economically liberal of them), public authorities intervene actively in the field of economic development, and this intervention, which is necessarily institutional in nature (i.e. Type I), takes place within a national legislative and regulatory framework, as the European Union has no competence in respect of states' internal organisation.

A country's public-sector players typically develop public policies focusing on the businesses located in their territory, despite the fact that such policies are tightly regulated by the European Union, which encourages the opening up of borders (via limitations on state aid, etc.). Given that policies supporting cross-border economic development focus primarily on SMEs (as large companies naturally operate at transnational level), action at national level may be both pragmatic and legitimate, even from the perspective of cross-border and European integration.

➤ **Indeed, players in Austria** help Austrian businesses, both nationally and at regional level (i.e. at the level of individual Länder), to position themselves relative to the economic areas they are in, which in many cases are cross-border areas. However, along those borders, cross-border cooperation programmes (INTERREG A) are considered too complex for businesses to participate in them directly. Nevertheless, they can help to create an environment conducive to cooperation, for example by encouraging the early learning of the languages of neighbouring countries, etc. The European Commission and a number of Member States (including France) consider that public action, notably in the context of ETC programmes, should go further and encourage businesses to have projects financed through these programmes.

In fact, various configurations are possible, according to the responses given to the following questions:

- Is the market left alone to operate in order to achieve cross-border integration, or is there public intervention in the area of economic development?
- Is such intervention conducted at national level (despite being directed at the cross-border territory), or does it take place at cross-border level?

What is more, those configurations may vary depending on the specific nature of the economic intervention (support for businesses, jobs, etc.), making cross-border governance typical of the multi-level model described by Hooghe and Marks,¹²³ where the functional and institutional approaches (Types I and II) are in fact more complementary than conflicting. Each cross-border territory must choose its own path on the basis of its own partnership configurations and its own interests.

¹²³ Liesbet Hooghe and Gary Marks, *Types of Multi-Level Governance*, Les Cahiers européens de Sciences Po, No 03/2002 (www.cee.sciences-po.fr/erpa/docs/wp_2002_3.pdf)

↘ **The example of the TTR-ELAt region** (Top Technology Region – Eindhoven-Leuven-Aachen triangle), an informal cooperation area coordinated by local private and semi-public economic players, which is dedicated to the development of cross-border economic relations and differs from the Meuse-Rhine Euregio¹²⁴ in terms of its geographical scope, clearly shows the need to adapt cross-border cooperation to the economic realities of the situation. Be that as it may, public action does demonstrate a real awareness of such specificities and the need to rethink its organisational arrangements in relation with the design, implementation and monitoring of its strategic approaches in a given territory.

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BEYOND ECONOMIC GOVERNANCE: TERRITORIAL GOVERNANCE

However, governance of economic development must also be considered from the perspective of the governance of territories and their planning and development, which is an important framework condition for economic development and falls largely to the public sector. Here, too, the framework for this introductory guide is the place-based approach, which it explores in the particular case of cross-border territories.

There is a certain degree of consensus¹²⁵ regarding the relevance of three levels of public action in the area of planning and development:

↘ **The local level – everyday residential and employment areas –** which can be metropolitan areas, conurbations, rural areas, etc. This is the logical level at which to implement urban transport policies, housing policies and everyday public services. **In cross-border terms, this level corresponds to Eurodistricts, Eurometropolises, cross-border natural parks.**



Basel

© Eurodistrict Trinationnel de Bâle

¹²⁴ A Euroregional cross-border cooperation entity comprising parts of Belgium, the Netherlands and Germany.

¹²⁵ See P. Veltz, *La grande transition*, Seuil, 2008, and J. Levy and M. Lussault, *Dictionnaire de la géographie et de l'espace des sociétés*, Belin, 2003.



Strasbourg-Ortenau Eurodistrict, and the “Jardin des Deux Rives” (cross-border garden)

- **The regional level**, which is relevant for scarce services (universities, etc.), regional and inter-regional transport (airports, etc.), coherence between metropolitan areas and the territory as a whole (dual production-based and residential systems), etc. It is at this level that economic and innovation strategies are devised. **In cross-border terms, this level corresponds to Euroregions** (Upper Rhine, Greater Region, etc.).
- **The national and supranational level (EU)**, which is used for legislation, cohesion and redistribution policies, major inter-regional or European infrastructure projects (such as TEN-T and TEN-E), etc. **In cross-border terms, this level corresponds to international entities (intergovernmental committees, coordination of legislation, etc.).**

Within each country, territorial architecture in terms of institutions and solidarity across areas and individuals lies at the heart of the political model (i.e. decisions about social and territorial cohesion).¹²⁶

In border areas, the issue of the development of cross-border territories leads to the coordination of such national systems.

Although these aspects will not be developed further in this introduction, the importance of effective governance for the development of cross-border territories should be noted.¹²⁷

¹²⁶ See L. Davezies, *Le nouvel égoïsme territorial*, Seuil, 2015.
¹²⁷ See MOT, *Methodological Guide*, November 2012 (www.espaces-transfrontaliers.org/en/european-activities/the-mots-european-projects/project-articulate-cohesion-policy-governance-structures-and-cross-border-territorial-approaches/#c1964)



TERRITORIAL AND ECONOMIC GOVERNANCE IN FRANCE AND ITS IMPLICATIONS FOR CROSS-BORDER COOPERATION

The role of the public authorities in this area is changing on account of recent and ongoing reforms that are altering the division of responsibilities among public players. Given that this analysis focuses primarily on France’s borders and France is undergoing major reforms, it is important to consider these changes.



The process of decentralisation in France is gradually increasing the role of the regions in economic affairs.

The latest stages of this process are the Modernisation of Territorial Public Action and the Affirmation of Metropolitan Areas Act (the “MAPTAM Act”; entered into force on 27 January 2014) and the New Territorial Organisation of the Republic Act (the “NOTRe Act”; entered into force on 8 August 2015).

Indeed, the regions are to have sole competence when it comes to deciding on economic intervention (notably via regional economic development, innovation and internationalisation plans (SRDEIs) and a monopoly on direct aids to enterprises, particularly SMEs and mid-tier firms). They will take the lead as regards policies supporting economic development, innovation, the internationalisation of businesses, higher education and research. However, departments, municipalities and groups of municipalities will continue to be able to act, provided that they do so with the agreement of the relevant region. Metropolitan areas in particular will be able to establish business areas, purchase stakes in business accelerators, and support higher education and research.

The reform tends to reaffirm the local/regional pairing:

- The **local level** will increasingly be taken care of by “communities of municipalities”, conurbation communities and “metropolises” (subsuming urban “departments” in some cases), which in cross-border areas will be able to implement the local strategies referred to above (Eurodistricts, etc.).
- The **regional level** will be looked after by the new super-regions, which are equipped with planning documents (regional sustainable planning and development and territorial equality plans; regional economic development, innovation and internationalisation plans) and are now mainly responsible for the application of structural funds, including ETC programmes. These regions will be able to implement the Euroregional strategies referred to above. It should be noted that, in certain cases, the law explicitly refers to competences in respect of cross-border cooperation. For example, the NOTRe Act stipulates: “In border regions, the [economic development] plan may contain a cross-border component drawn up in cooperation with the territorial authorities of neighbouring countries.”

Putting aside the inevitable debate surrounding the appropriateness of the composition of the new regions, there is a degree of consensus regarding the fact that these regions will be able to act with greater coherence when developing strategies^{128,129} within “dual production-based and residential systems”¹³⁰ “that can be implemented and invested in throughout the life cycle and at each of its various stages (training, work, housing, entertainment, holidays, retirement, etc.)”.

The department level is not disappearing (other than in the case of some conurbations), but instead is becoming a link between the regional and local levels: social cohesion spaces, pooling of public services (departmental public service plans, role of the decentralised State), etc. The local roles and mediation functions performed by departments could even increase within the super-regions in order to take account of cross-border aspects, notably along the mountain borders or in new regions with more than one border, such as Alsace-Champagne-Ardenne-Lorraine.



TANDEM project

IN A NUTSHELL...

The economic governance of a territory brings together a multitude of different public, semi-public and private players – both collective and individual, and national and international. A cross-border territory is thus highly complex to manage, all the more so given that the lack of statistical data inevitably discourages the various players from considering cross-border operations. To this end, the costs incurred as a result of the lack of public action at cross-border level need to be looked at. In summary, the process of putting cross-border governance in place is a gradual one, starting with a limited partnership and then expanding it from a national to a cross-border partnership, before moving from a limited cross-border partnership to one bringing together more players. Governance is established using a cooperative approach, but one that takes account of the fact that there is competition between the two or three national territories coexisting along the border (“co-opetition”). Various processes can also alter the composition of that governance and the construction of partnerships (such as the territorial reforms in France).

¹²⁸ B. Lajudie, *Réforme régionale: un enjeu pour la croissance?* (www.strategie.gouv.fr/publications/reforme-regionale-un-enjeu-croissance)

¹²⁹ A. Amabile, C. Bernard and A. Epaulard, *Réforme territoriale et cohérence économique régionale* (www.strategie.gouv.fr/publications/reforme-territoriale-coherence-economique-regionale)

¹³⁰ L. Davezies and M. Taillandier, *L'émergence de systèmes productivo-résidentiels* (www.cget.gouv.fr/ressources)



© Réseau J'innove en Nord-Pas de Calais

The cornerstone of public action in the area of cross-border economic development, a strategy is an opportunity to determine a territory's potentialities and strengths and weaknesses (i.e. conduct a situational analysis) and make policy choices in respect of public support for economic development.

“Strategies” in the plural denotes the potential coexistence of several different strategies relating to cross-border economic development.

- ↘ **These may be “border region strategies”** (economic development strategies drawn up by a territory that take account of the potentialities of territories situated on the other side of the border and adapt public action accordingly) **or “cross-border strategies”** (strategies drawn up jointly by players located on either side of the border, thus involving public action based on synergies between the two sides). Cross-border strategies obviously require a higher degree of political cooperation than purely “border region” strategies.
- ↘ **They may be multi-level strategies** (spanning various territorial levels) **or they may involve just one territorial level.** These strategies may relate to economic development in a narrow sense or they may cover broader aspects – e.g. addressing the conditions governing such development (planning and development strategies).

Strategies

ESTABLISHMENT OF SRDEIIS¹³¹ IN FRANCE UNDER THE “NOTRE ACT”

In border regions, it is essential to establish economic development mechanisms that unilaterally take account of neighbouring border territories (by means of “border region strategies” that help the territory's businesses to take advantage of cross-border opportunities).

The NOTRe Act also provides: “In border regions, the plan may contain a cross-border component drawn up in cooperation with the territorial authorities of neighbouring countries.”

The option to consult with neighbouring authorities allows the development of a genuine cross-border strategy (with the strategy documents drawn up by those foreign authorities being amended accordingly).

Of course, cross-border action does not mean the abandonment of purely unilateral “border region” action aimed at supporting cross-border economic development.

This is linked to the concept of “co-opetition”, a notion developed notably by the OECD which explains crossborder economic development as a combination of cooperation and competition. This concept is relevant in terms of strategies guiding public action, since their main aim is to develop cooperation within a competitive environment.

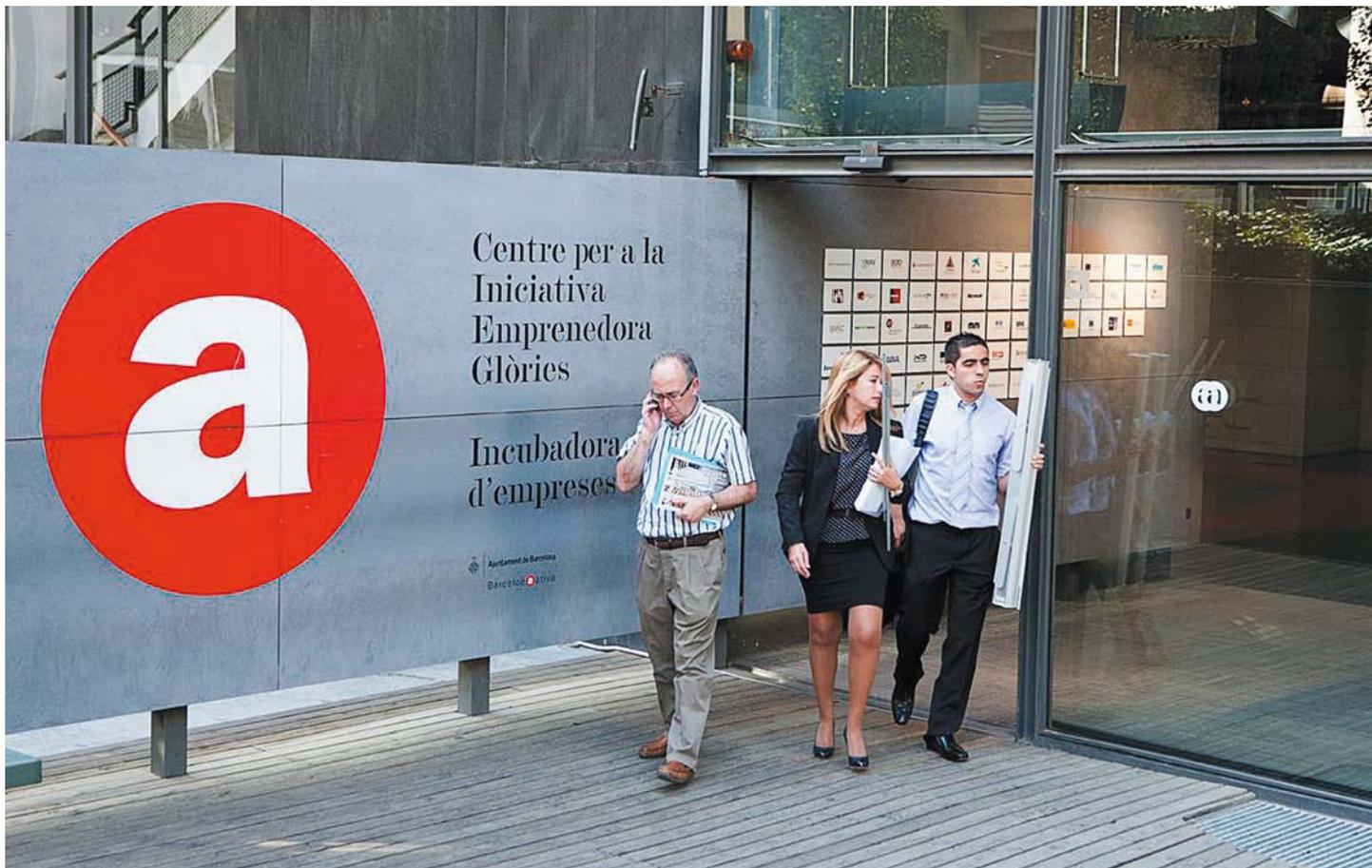
TOWARDS REGIONAL CROSS-BORDER INNOVATION STRATEGIES

The cross-border economic governance structures referred to in the previous chapter only make sense if they operate within the context of strategies – for example, innovation strategies.

Since all European regions have their own regional innovation strategies, as these are required by the EU, this could give rise to joint cross-border initiatives.

Under the cohesion policy for the period 2014-2020, structural funds are primarily used to target 11 thematic objectives derived from the Europe 2020 strategy, which was adopted by the European Commission in 2010 to promote smart, sustainable and inclusive growth.

¹³¹ Regional economic development, innovation and internationalisation plans.



Business incubator “Barcelona Activa”, Creamed project (Pyrenees-Mediterranean Euroregion)

Regional authorities, which have key competences in the area of economic development (regarding innovation, training, research and entrepreneurship) in the majority of Member States, are encouraged to take ownership of this new framework and use it to draw up development strategies that allow them to mobilise and increase the economic potential of their territories.

Regional innovation and smart specialisation strategies (SRI-SIs) identify regions’ assets in terms of research, technological development and innovation, determine the areas that are to be prioritised in terms of investment in the coming years and establish cross-cutting priorities that will foster synergies within the regional economy. These strategies should act as road maps for the regional authorities for the 2014-2020 period in the area of innovation.

However, cross-border economic development is not systematically targeted as a territorial asset and a potential competitive advantage at the level of the global economy by all border regions. In the case of France, such targeting is uneven:

- **The regions of Nord-Pas de Calais, Lorraine, Alsace, Franche-Comté, Rhône-Alpes, Provence-Alpes-Côte d’Azur, Languedoc-Roussillon and Aquitaine** all make reference to the need to pursue cross-border technological partnerships, notably as regards digital and creative industries in Nord-Pas de Calais, smart tooling and eco-efficient processes in Lorraine, new technologies and chemicals in Alsace, etc., but there is little focus on this aspect in Languedoc-Roussillon and Aquitaine. Convergence at inter-regional and European level is generally targeted by those same regions.

However, the identification of cross-border potentialities is based solely on an analysis of the economic fabric of the region, without any regard for the innovation ecosystem of the neighbouring country, which is a player in its own right in any cross-border technological partnership.

Neighbouring territories are very rarely consulted when it comes to the adoption of regional innovation and smart specialisation strategies and are even less likely to be involved in strategic and operational governance systems.

This situation is not unique to France. Other border regions are no better in this regard, even where they too see a benefit in developing innovative sectors and fostering technology transfer and clusters at cross-border level. This finding inevitably raises questions regarding the coherence of regional innovation practices and points to a risk of a lack of synergies between the approaches adopted and the strategic priorities recommended in the context of the innovation component of INTERREG programmes in these territories.

Nevertheless, encouraging initiatives can be observed:

- **The Pyrenees-Mediterranean Euroregion** (Midi-Pyrénées, Languedoc-Roussillon, Catalonia and the Balearic Islands) has drawn up a Euroregional Innovation Strategy¹³² following the establishment of a Euroregional Innovation Partnership in January 2013 and a territorial assessment of the strategic sectors and innovative potential of the four partner regions. The identification of common ground in the four SRI-SIs, in consultation with the relevant institutional and economic players, has enabled the targeting of the three shared development pillars in the Euroregional strategy: e-health, water and agri-food (which are bundled together under the title “Innovation for a healthy life and active ageing”). Thus, this strategy acts as a complement to the SRI-SIs of the member regions.
- It should also be noted that the **Aquitaine-Euskadi Euroregion** initiated a similar process in the context of the drawing-up of its 2014-2020 Strategic Plan.

The example of the Euroregional Innovation Strategy is thus revealing as regards the nature of the strategic reflection process that takes place within cross-border structures. Rather than devising ad hoc approaches, common ground needs to be found in the strategies of the various partner entities, highlighting shared interests in the cross-border territory.

This methodology stems from various constraints. First of all, drawing up an economic strategy is a very costly business, given all the studies required (SWOT analyses, territorial and forward-looking assessments, different scenarios, etc.). And once the strategy has been drawn up, it then needs to be implemented and monitored by means of various bodies and tools (political and technical committees, sets of indicators, observation, communication, etc.). Capitalising on what is already in place is inevitably quicker – and, above all, more desirable in the current context of reductions in budgets for public spending. It can also be regarded as a way of improving coordination between the structures involved, thereby limiting any duplication or competition. Thus, combining the various strategic frameworks can be seen as a means of ensuring that there is no overlapping or inconsistency.

This approach is, however, coloured by the perception that the general interest (i.e. that of the crossborder territory as a whole) is the sum of the interests of the individual parts (i.e. those of the various partner entities). Yet, innovative potential at the level of a territory is generally identified, as indicated above, on the basis of analysis that looks at only half the picture (without truly taking account of the neighbouring economic system), as well as tools and processes that use inconsistent data and analytical frameworks for the two sides of the border. Thus, a change of territorial level when determining strategic orientations involves far more than simply aggregating and combining existing strategies. It requires the repositioning of analysis in order to take full account of the crossborder ecosystem from both an economic and a statistical perspective.

¹³² The Project Factsheet on page 121.

CROSS-BORDER OBSERVATION IN SUPPORT OF ECONOMIC DEVELOPMENT

Indeed, this last point regarding data is one of the major issues for cross-border territories. The observation of economic realities and forecasting procedures for these territories are based on systems that differ from one country to another, both in terms of quantitative data (statistical systems, indicators, collection methods, definitions, data gathering periods, geographical coverage, etc.) and as regards qualitative analysis (cooperation mechanisms, economic sectors of interest, political/administrative/cultural systems, etc.). While Eurostat ensures the harmonisation of statistical principles at EU level (in terms of processes, methodology, standards, procedures, contents, timetables, etc.), the data produced are essentially general and produced at the level of NUTS 2 or 3, which does not allow the degree of precision and comprehensiveness that is required to observe cross-border economic dynamics. As a result, Eurostat (which is a directorate general of the European Commission) would appear to be more of a tool to help define European policies, rather than an instrument that institutional and economic players can use for themselves at regional or local level.

Initiatives focusing on the harmonised gathering and processing of data at cross-border level have been on the increase since the 1990s:

- ↳ The **Greater Region** has its “Statistics” working group bringing together five statistical offices from across the region, as well as its statistical portal and a joint geographical information system (SIGGR).
- ↳ The **Upper Rhine** has its geographical information system SIGRS-GISOR.
- ↳ The **Jura Arc** and **Greater Geneva** have their two cross-border statistical observatories.
- ↳ The **French-Belgian border area** has its Cross-Border Atlas.

The MOT is monitoring the evolution of these initiatives, which are still too few and far between. For its part, it has published two editions of its Cross-Border Cooperation Atlas (in 2001 and 2007) and conducted a succession of studies in close cooperation with the General Commission for Territorial Equality (CGET) and the National Federation of Urban Planning Agencies (FNAU) on the observation of cross-border territories with the aim systematising and coordinating the various processes across all of France’s borders through a Strategic Statistical Observation Committee bringing together the European Commission, territories’ planning and development authorities and the statistical institutes of France and neighbouring countries.

The difficulty in updating these tools (some of which, like the atlases, are in forms that make them hard to adapt) and the fact that there are still problems with economic data, which are often not circulated (or not circulated widely) because of their commercial or competitive nature, significantly restricts institutional and economic players’ access to comparable, relevant and reliable common baselines to support the creation of cross-border strategic frameworks. Moving beyond the combining of different regional strategies and achieving greater coherence at the cross-border level remains a challenge, which is preventing the satisfactory consultation of neighbouring partners in the processes of adopting and monitoring regional strategies. The issue of financing and the provision of the funding required to launch, steer and monitor joint strategic reflections would therefore seem to be the main factor determining whether the current statistical and forecasting activities are continued and whether strategic cross-border approaches are rolled out more widely in the future.

TOWARDS CROSS-BORDER TERRITORIAL DEVELOPMENT STRATEGIES

France’s territorial organisation (including public policy in the area of economic development) prior to the new reforms described in the previous chapter on governance was a collective response to the lack of residential mobility and the inflexible nature of the productive model. Admittedly, national intervention continues to be aimed primarily at supporting the effectiveness of the metropolitan system¹³³ (i.e. Paris and the network of other metropolitan areas) which lies at the heart of the country’s productive system, while ensuring cohesion across the country by ensuring that the weakest territories are treated fairly. However, the balance that has been struck thus far – involving the coupling at national level of the productive economy (based primarily on metropolitan areas) and the “presential economy” – is not sustainable against the backdrop of international competition and the ageing population, and needs to be revisited.

This is not about replacing the national model with a purely local or regional development model; it is about “decentralising the structural reform agenda”.

Given that the territorial reforms that are currently being carried out in France are changing the way in which public players support economic development, we are proposing that the cross-border dimension be taken into account in a more strategic manner.

As we have already seen, regions and metropolitan areas are increasingly working together when it comes to economic intervention. That could, in certain cases, involve cross-border arrangements – notably in northern and eastern France, which are the big losers at present, according to L. Davezies.

The CGET in a note on the new regions¹³⁴, stresses that the enlargement of the regional boundaries should not lead to reducing the importance of interregional relations; We can add that this also applies to the neighbouring regions across the border. For instance, the Competitiveness

¹³³ P. Veltz, *La grande transition*, Seuil, 2008.

¹³⁴ <http://www.cget.gouv.fr/bref-1-nouvelles-regions-soutenir-developpement-equilibre-france>

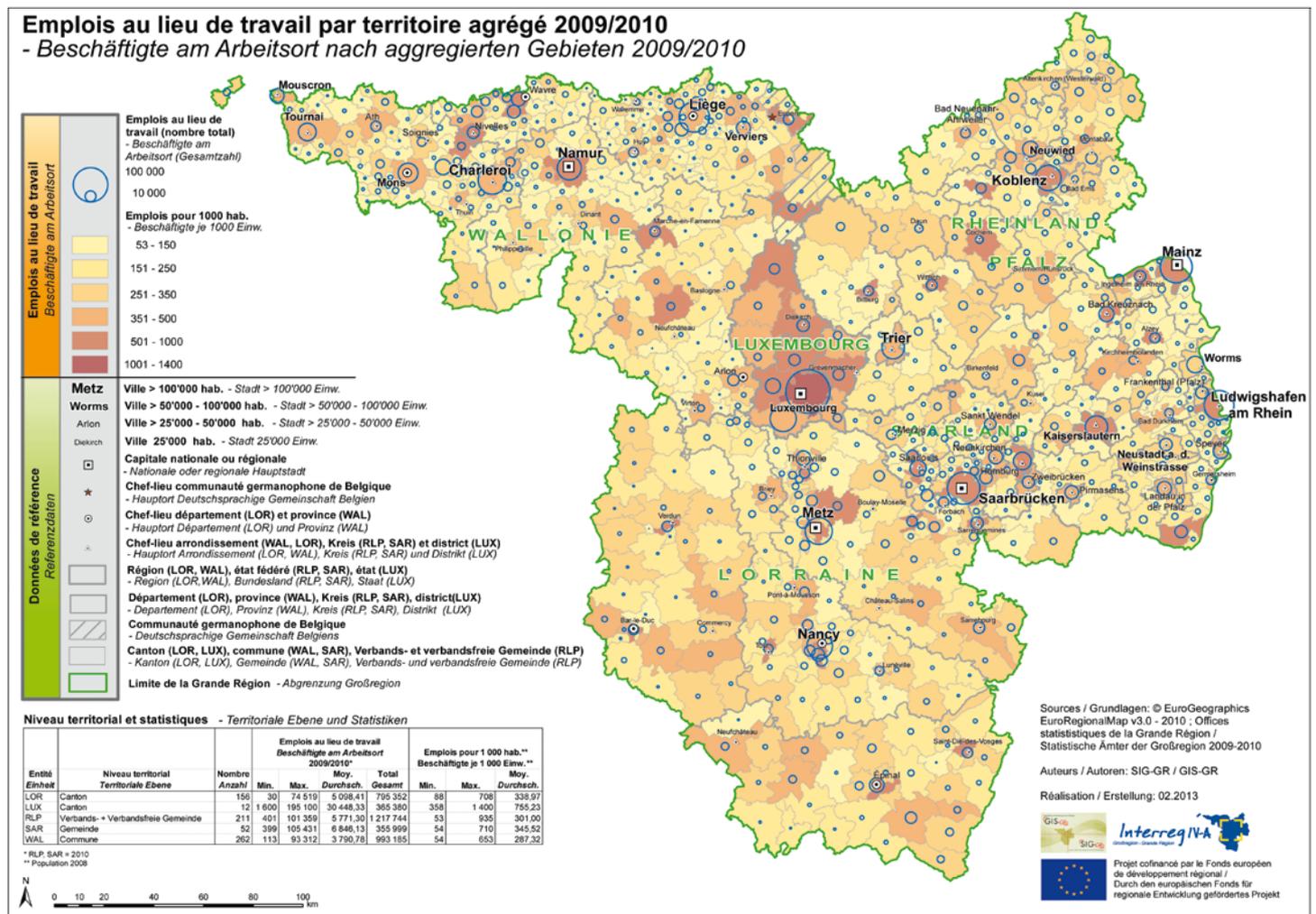
Clusters, emblematic of the structuring character of the inter-territorial links can also be developed on a cross-border dimension. Strengthening the social capital of the new regions, synergies and economies of scale referred to by the note, should also be sought beyond national borders.

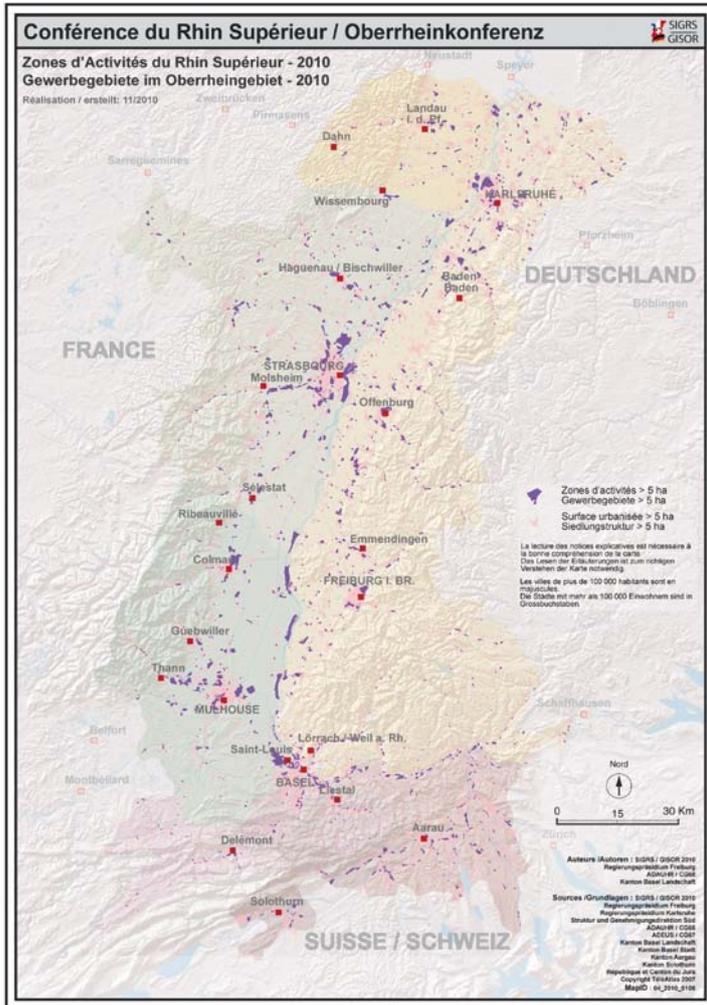
Regions and metropolitan areas need to work together in a more specific manner in border regions, where part of the urban/metropolitan area network may be situated on the other side of the border, so consideration needs to be given to cross-border systems. In a competitive environment, including as regards macroeconomic framework conditions (taxation and social legislation), such systems will not always and immediately give rise to economic strategies that are fully cooperative.

However, they should give rise to cooperative strategies when it comes to territorial development. Such strategies are already in place on some of the borders looked at here.

In Geneva or Basel, the cross-border conurbation implements a coordinated urban planning approach including identifying transport infrastructures co-financed by the partners on both side of the border – the Swiss federal level thus co-finances infrastructure of the German or French side. This illustrates a cooperative approach on economic development conditions.

By encouraging the mobility of workers, apprentices and students, as well as businesses and consumers, by means of cooperative policies in the areas of territorial development and transport, employment and training, and research and innovation, public players can foster more inclusive and sustainable development in cross-border territories.



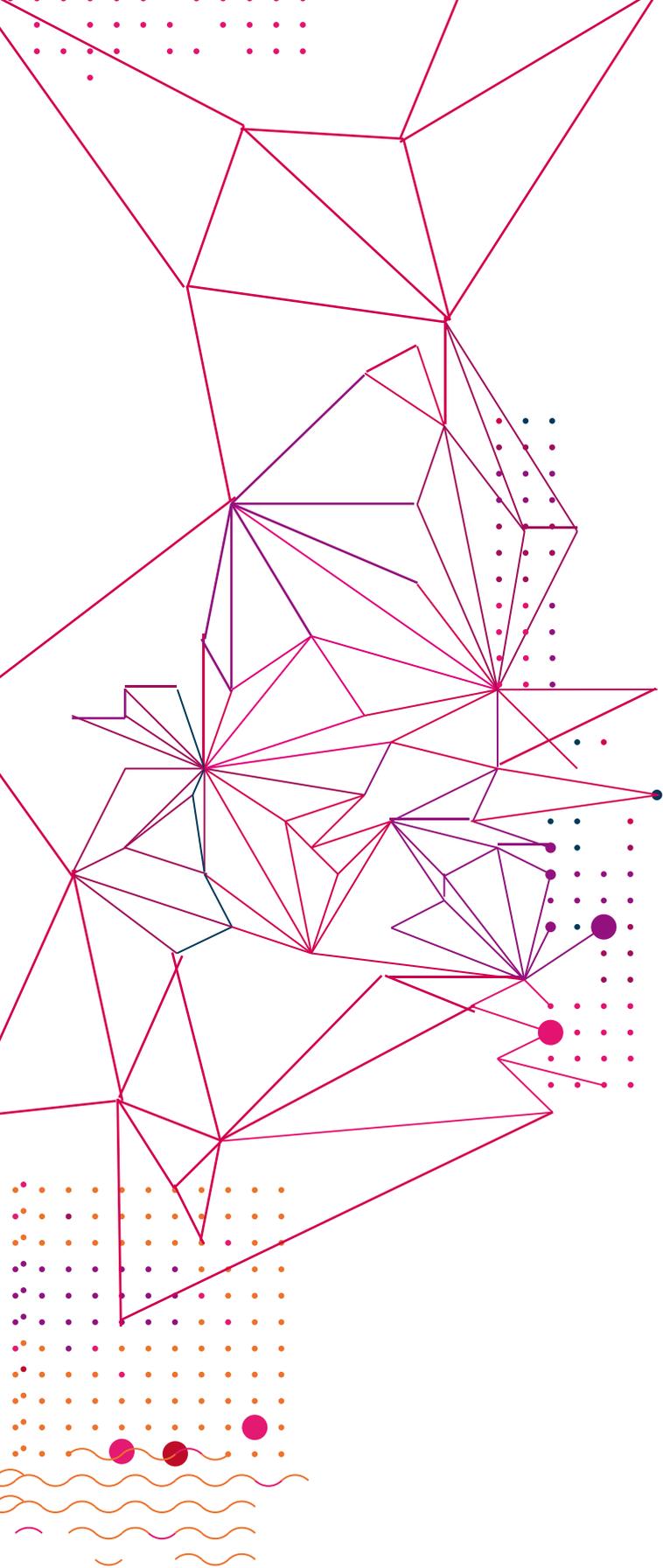


IN A NUTSHELL...

Cross-border strategies must translate the concept of “co-opetition” into action. This can take a variety of different forms – from a unilateral approach aimed at supporting economic development on just one side of the border, potentially involving the identification of opportunities in the neighbouring country (a competitive “border region strategy”), to a co-construction approach (a cooperative “crossborder strategy”). These two approaches are not mutually exclusive, but the second (cooperation) is more complex and takes longer to elaborate and implement, both politically and technically (with a lack of objective data on necessary cross-border cooperation).

Regional innovation strategies, which are a more recent development, are often more conducive to the establishment of cross-border partnerships. Indeed, innovation is a more specialised area, which makes it easier to create networks of research laboratories, universities and businesses which straddle the border, developing such partnerships in order to achieve the transfer of technology. Prior technology transfer, the relative lack of economic competition in terms of production and marketing fosters cooperation.

While a fully cooperative economic development strategy is not necessarily possible, a crossborder territorial development strategy addressing the local conditions governing economic development is both possible and desirable in all of France's border regions. Along France's northern and eastern borders in particular, which are characterised by competitiveness gaps and strong economic competition, which make economic cooperation difficult, such a cooperative territorial development strategy could enable a win-win outcome, at least as regards this aspect of cooperation.



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Tandem

BORDER	France-Belgium
TERRITORY	Nord-Pas de Calais; West Flanders
EUROPEAN PROGRAMME	INTERREG IV A France-Wallonia-Flanders
DATE	2011 – 2014
MAIN PARTNERS	Lead partner: POM West-Vlaanderen (the economic development agency for the Province of West Flanders); operational coordinators: Nord France Innovation Développement (NFID), OCWest – Ondernemerscentra West-Vlaanderen (West Flanders entrepreneurs' centre)
OBJECTIVE	Development of a cross-border knowledge strategy by strengthening the centres of expertise in their role as interfaces between academic institutions and businesses with the potential to innovate
MAIN ACTIVITY	Creation of cross-border "tandems" between centres of expertise and academic institutions in order to support innovative businesses

WHAT DOES THE TANDEM PROJECT CONSIST OF?

The Province of West Flanders and the Nord-Pas de Calais Region boast a dense population of innovative SMEs and an extensive network of higher education institutions and centres of expertise. The latter, whether public or public-private entities, serve as interfaces between SMEs and academia and consequently constitute a crucial link in the chain of development, application and dissemination of knowledge within the regional economy, specifically in the area of supporting businesses in their innovation projects. **Increasing the access of centres of expertise to all of the academic and higher education institutions in the cross-border region seems necessary in order to maximise SMEs' potential for innovation and, more generally, to improve the processes of technology transfer in the cross-border region's economy.**

The Tandem project is led by POM West-Vlaanderen, the economic development agency of West Flanders Province, in partnership with the NFID (Nord France Innovation Développement), a resource centre which supports the implementation of economic development policies (entrepreneurship, innovation and research) in the Nord-Pas de Calais Region.

The project aims at supporting the development of a cross-border knowledge strategy. It does this by fostering exchanges between French and Flemish hubs of competitiveness and excellence, clusters and centres of expertise in important and cutting-edge sectors identified for the two regional economies: ICT and imaging, food and health, textiles and new materials, transport and logistics, and clean technologies.

As a result, the Tandem project has become **the first operational cross-border collaboration between the two regions' knowledge strategies**: the Provincial Economic Impetus Plan in West Flanders and the Research-Innovation Strategy for Intelligent Specialisation (SRI-SI) in Nord-Pas de Calais, which also has a cross-cutting component called "Strengthening Partnerships with Resources of Excellence in Other European Regions".

"2013 strategic projects" award for the Tandem project by Wallonia and the INTERREG IVA France-Wallonie-Vlaanderen Programme

WHAT STEPS AND ACTIONS HAVE BEEN TAKEN?

The Tandem project has proceeded in two stages:

- the development of a model of cross-border cooperation
- the setting-up and development of “tandems” between clusters.

In the first phase, a working group bringing together all of the project’s players sought to develop a model of cross-border cooperation between centres of expertise, academic institutions and businesses that was designed to take account of the existing relationships between these players, their needs and wishes, and specific events or training to be organised in order to promote the creation of cross-border networks. A series of interviews carried out by POM West-Vlaanderen and the NFID with innovation players in the identified fields, as well as a conference halfway through the process on the good French-Flemish and European practices regarding cross-border cooperation in the area of innovation, made it possible to design this model.

On the basis of this model of cooperation, the project partners moved on to set up and develop “tandems” between clusters, taking into account the guidelines and action plans drawn up by the two regional innovation strategies and in liaison with the innovation platforms of the clusters and cross-cutting innovation centres developed by the Lille-Kortrijk-Tournai Eurometropolis.

Thematic working meetings bringing together the French and Flemish players helped the partners to think about how best to set up “tandems” around key questions: What is their concrete role? What is their relationship with businesses? Which players could work together? At what level could they work together? etc.

The signature of cooperation agreements between players in the same sector concretised and brought media attention to these partnerships. Once set up, these “tandems” have been developed through the establishment of joint activities, notably in the area of research and the provision of services.

Thematic training on “cross-border know-how” has been organised by the Tandem coordinators in order to initiate players into the specificities of cross-border partnerships, such as cross-border cooperation and coordination, cross-border promotion and communication, cross-border intellectual property, and the use of databases on players in innovation on either side of the border; this mapping of R&D skills already existed but was little known about by the French and Flemish players. Lastly, the collaborative workspace known as ASTRIDE (Applications et Services de Travail en Réseau pour l’Innovation et le Développement des Entreprises – Networking Applications and Services for Business Innovation and Development), used by players in innovation in Nord-Pas de Calais, has been opened up to partners in West Flanders to enable all of the players concerned to have a secure shared work platform designed for the exchange of cooperation documents.

WHAT “TANDEMS” HAVE BEEN SET UP?

Cooperation agreements have been signed between:

- Inotep (FR) and Howest (BE) for sustainable construction
- UP-tex (FR) and Centexbel (BE) for textiles
- the MEDEE Hub (FR) and Powerlink (BE) for renewable energies.

In addition, close collaboration exists between the following players:

- the Matikem Hub (FR) and Centexbel (BE) for new materials
- Game IN (FR) and Howest (BE) for video games
- Pictanovo (FR) and Howest (BE) for ICT and imaging
- Cd2e (FR) and Vlakwa (BE) for water management.

WHAT ARE THE FIRST REACTIONS REGARDING THE PROJECT’S EFFECTIVENESS?

The Tandem project was awarded one of the three “Strategic Projects 2013” prizes by Wallonia and its partner authorities in the INTERREG IV A France-Wallonia-Flanders programme and became the programme’s ambassador for 2013.

TO WHAT EXTENT CAN THIS GOOD PRACTICE BE ADOPTED IN OTHER CROSS-BORDER TERRITORIES?

The adoption of regional innovation strategies is rarely the subject of consultation with neighbouring territories and even less are they included in systems of strategic and operational governance. The Tandem project highlights the complementarities and synergies that are possible between the approaches and players in innovation on either side of the French-Flemish border. This operational cooperation makes it possible to structure and institutionalise relations between clusters and, as a result, to pave the way for a strategic framework for the development, application and dissemination of knowledge across the whole Nord-Pas de Calais and West Flanders region.

FOR MORE INFORMATION:

<http://project-tandem.eu/fr/>

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Seed4Start



BORDER	France-Germany-Luxembourg-Belgium
TERRITORY	Greater Region
EUROPEAN PROGRAMME	INTERREG IV A Greater Region
DURATION	2011 – 2015
PARTENAIRES	Business Initiative asbl, CCI O2Bilan
OBJECTIVE	Cross-border venture capital platform
MAIN ACTIVITY	Putting entrepreneurs in the Greater Region in contact with private investors for the financing of projects to create, take over or develop innovative start-ups

Seed4Start is a cross-border venture capital platform in the Greater Region.

Launched in September 2012, this project is coordinated by a group of professionals who are strongly rooted in their region and experts in this very specific area (Ader Investissements, BeAngels, LBAN - Luxembourg Business Angels Network), under the aegis of Business Initiative, a non-profit association that brings together the Luxembourg Chamber of Commerce, Luxinnovation (National Agency for Innovation and Research) and the FEDIL (Business Federation Luxembourg) and CCI O2Bilan, a mechanism to help with venture risk financing set up in 2008 by the Lorraine Region chambers of commerce and industry.

The aim of this platform is to help entrepreneurs in the Greater Region to secure the capital they need for their projects to create, take over or develop innovative start-ups, by assisting them in making contact with private investors. The project is co-financed by the INTERREG IV A Greater Region programme.

WHAT ARE THE STEPS IN THIS PROCESS?

To participate in this platform, applicant entrepreneurs must meet the following criteria:

- be the founder, the new owner or the director of a young business
- have an innovative project or one with great growth potential
- have their head office in the Greater Region or intend to set up there
- be seeking equity financing (increase of capital) of between €50,000 and €500,000 (up to €1 million)
- wish to benefit from advice (business plan, investment process, preparation for negotiation, sharing of experiences and good practices, etc.).

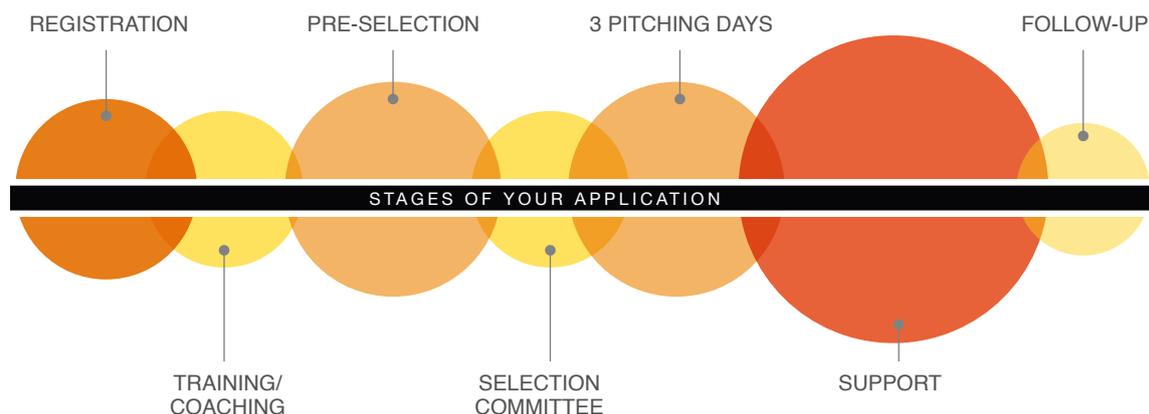
Entrepreneurs can then submit their applications (consisting of a business plan, CV and their latest balance sheets where relevant) to the platform organisers, who make a pre-selection of candidates based on their applications and individual interviews. Successful applicants can then benefit from Seed4Start's training and support services for business creation and obtaining financing from investors.

Taking the form of two days of joint training and individual coaching sessions, the entrepreneurs improve their business plans, prepare for the presentation of their project to investors, work on negotiation and financing techniques and learn about the issues involved in cross-border economic activity.

In a second phase of selection the twenty or so candidates are chosen who will participate in the "Pitching Days", an event where entrepreneurs and investors have direct contact. Candidates are invited to give a pitch lasting a few minutes to present their project. The event also includes individual meetings at a stand, a brochure given to each investor containing the main information about each business present, and thematic networking talks.

The weeks following the Pitching Days are an opportunity for the firm directors to benefit from a follow-up by the Seed4Start team of the contact made with interested investors. **In particular, a platform known as "Gust" is made available to them to design their website dedicated to enhancing their visibility and contacts with investors.**

The latter also have to register to participate in the platform and the Pitching Days and to have access to Seed4Start's services.





© Projet Seed4Start

Training is given and talks organised to acquaint the “business angels” with the principles of investment in an unlisted company in its start-up phase. Here are a few examples:

- Investing in a start-up, the keys to success
- Good practices in co-investment
- The shareholders’ pact
- Tax aspects of cross-border investment



WHAT ARE THE FIRST RESULTS?

The cross-border venture capital forum has taken place twice and has produced two lots of “graduates”. The third forum takes place in 2015 and the Pitching Days took place at the end of 2014 (25 November 2014 in Luxembourg, 28 November 2014 in Nancy and 5 December 2014 in Louvain-la-Neuve, in Belgium), with a new feature: candidates have presented their projects three times in three regions and therefore to three panels of investors.

A FEW FIGURES FOR THE FIRST TWO FORUMS IN 2012 AND 2013:¹³⁵

SELECTION OF PROJECTS

	2012 forum	2013 forum
APPLICATIONS	98	118
CANDIDATES CHOSEN AT THE PRE-SELECTION STAGE	60	49
START-UPS PRE-SELECTED FOR TRAINING	34	29
START-UPS SELECTED FOR "PITCHING DAYS"	20	20

PROFILE OF PROJECTS PRESENTED

	2012 forum	2013 forum	Total
TOTAL AMOUNT SOUGHT	€10.5	€6.2	€16.7
BUSINESSES IN DEVELOPMENT PHASE	12	9	21
BUSINESSES IN COMMERCIALISATION PHASE	8	11	19
JOBS ULTIMATELY CREATED	82	109	191

TO WHAT EXTENT CAN THIS GOOD PRACTICE BE ADOPTED IN OTHER CROSS-BORDER TERRITORIES?

Financial support to SMEs is a problematic area for cross-border cooperation programmes since the extremely strict State aid regulations greatly restrict businesses' abilities to benefit from European funds. However, public stakeholders (territorial authorities, investment banks, consular chambers, etc.) wish to address this issue in their strategic thinking and operational projects. Private equity funds are therefore emerging on all of the EU's borders as a possible solution to support (through financial, tax and legal expertise, etc.) and provide private finance for economic activity in cross-border territories.

It should be noted that a similar initiative has been implemented on the French-Belgian border, with co-financing from the INTERREG IV A France-Wallonia-Flanders programme: the French-Walloon Business Angels Platform.

POUR PLUS D'INFORMATIONS:

<http://www.seed4start.org/>

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+ 352 423 939 272

¹³⁵ Source : <http://www.seed4start.org/fr/entrepreneurs>

Interregional Council of the Chambers of Trades of the Greater Region (CICM)

BORDER	France-Germany, France-Luxembourg, France-Belgium
TERRITORY	Greater Region
DATE OF CREATION	1989
PARTNERS	CMA (Chambre de Métiers et de l'Artisanat – Chamber of Trade and Crafts) Moselle, CMA Meurthe-et-Moselle, CMA Meuse, CMA Vosges, Chambre régionale des Métiers et de l'Artisanat de Lorraine, Union des classes moyennes de Belgique (UCM), Chambre des Métiers du Grand-Duché de Luxembourg, Handwerkskammer des Saarlandes, Handwerkskammer Trier, Handwerkskammer der Pfalz, Handwerkskammer Koblenz, Handwerkskammer Rheinhessen
OBJECTIVE	Joint representation of craft SMEs
MAIN ACTIVITY	Creation of networks of assistance-advice services and development of initiatives to harmonise framework conditions in the Greater Region



WHAT IS ITS REMIT?

The Interregional Council of the Chambers of Trades of the Greater Region (Conseil Interrégional des Chambres des Métiers de la Grande Région, CICM) was set up in 1989 and currently has twelve members (see table).

It provides joint representation for the some 170,000 craft enterprises in the Greater Region, their 700,000 employees and 50,000 apprentices.

Based in Luxembourg, with its general secretariat housed by the Luxembourg Chamber of Trades, the CICM is overseen by a committee made up of its Chairman, five Vice-Chairmen and the Secretary General.

THE CICM ACTS TO:

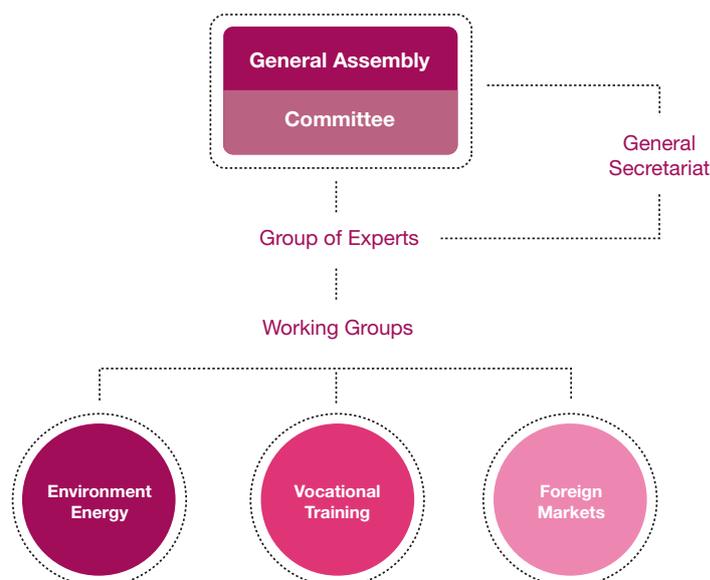
- represent the interests of trades and crafts in the Greater Region in relation to the regional, national and European authorities
- develop initiatives to harmonise framework conditions in the Greater Region
- create networks for assistance-advice services for trades and crafts in order to promote cross-border activities
- jointly work on solutions to existing problems and proposals aimed at improving the economic position of craft enterprises in the Greater Region
- step up exchanges of information and experience.



General Assembly of the CICM (Interregional Council of the Chambers of Trades) in June 2014

Three thematic working groups (environment/energy, vocational training and foreign markets) coordinate deliberations and enable the CICM to take positions on diverse subjects such as:

- policy regarding trades and crafts and SMEs in the Greater Region
- promotion of the image of trades and crafts
- the structural evolution and economic situation of trades and crafts
- relations with Greater Region institutions (Summit of the Greater Region, the Greater Region Economic and Social Council, etc.)
- European policies (internal market, Small Business Act, etc.)
- the integration of regional policies in the Greater Region.



Source: <http://www.cdm.lu/about-us/cicm>

WHAT ARE ITS ACTIVITIES?

Recently, the CICM has been active on three issues:

- **The environment/energy working group** formulated a position statement entitled “Transition énergétique: Pour une politique climatique et énergétique concertée en Grande Région” (“Energy transition: towards a coordinated climate and energy policy in the Greater Region”). This position statement and the CICM’s research into the action plans and policies on energy in the different parts of the Greater Region, including in the areas of energy efficiency and renewable energies, served as a basis for discussion for the Greater Region Economic and Social Committee (CESGR). On 20 May 2014, a joint event was held in Metz entitled “Energy transition and opportunities for SMEs and craft enterprises in the Greater Region”. The outcome of this event, which was taken up in the CICM’s position statement, was incorporated into the CESGR’s recommendations at the Greater Region’s 14th Summit in November 2014.
- **The analysis and monitoring of political and operational initiatives** with a view to instituting exchanges of good practices regarding cross-border apprenticeships in the Greater Region.
- **The removal of obstacles to the cross-border provision of services** has also been the subject of sustained work, notably in collaboration with the Economy and Sustainable Development working group of the Greater Region Economic and Social Council (CESGR), to make an inventory of barriers to the cross-border market and to draw up recommendations.

TO WHAT EXTENT CAN THIS GOOD PRACTICE BE ADOPTED IN OTHER CROSS-BORDER TERRITORIES?

CICM is a formal body that is fairly unique at the cross-border level in Europe. However, similar concerns to those addressed by the CICM can be observed along other borders: the development of cross-border vocational training, the adaptation of trades and crafts to new environmental regulations and the challenges of the transition to different sources of energy, and the possible distortion of competition in calls for tender from the construction sector, etc.

The legal statutes of the chambers of trades in the Greater Region vary from country to country; the same is true of the definition of craft trades (l’artisanat in French). In this regard, Belgium stands out from its neighbours in that there was no official definition of l’artisanat until February 2014 and this sector does not have its own representative chamber, with the UCM also acting for the interests of retailers and self-employed professionals. This has not however prevented the operational implementation of a network and of joint representation.

It should be noted that the Upper Rhine also has a network of chambers of trades (Handwerkskammer der Pfalz, Handwerkskammer Karlsruhe, Handwerkskammer Freiburg, Chambre des Métiers d’Alsace and Wirtschaftskammer Baselland) – TransInfoNet. Set up in 1996, this network carries out activities including advice regarding the provision of services in neighbouring countries, legal information, and assistance with administrative formalities and setting up in a neighbouring country (branch or subsidiary, business creation or acquisition, etc.).

FOR MORE INFORMATION:

<http://www.cdm.lu/about-us/cicm>

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Framework agreement on cooperation regarding French-German job-seeker placement

BORDER	France-Germany
TERRITORY	Upper Rhine
DATE OF SIGNATURE	26 February 2013
PARTNERS	Pôle Emploi Alsace, Agentur für Arbeit Baden-Württemberg; Pôle Emploi Lorraine, Agentur für Arbeit Saarland-Rheinland-Pfalz
OBJECTIVE	Cross-border placement of job-seekers
MAIN ACTIVITY	Increasing personalised monitoring and support to help job-seekers find work via local cooperation agreements between public employment services

WHAT IS THE CONTEXT?

The French-German border in the Upper Rhine separates two labour markets with contrasting characteristics.

While unemployment in Alsace stands at 9.5%, with higher rates in the employment areas of Strasbourg and Mulhouse (10.6% and 11.6% respectively), the Land of Baden-Württemberg enjoys a situation of near full employment, with an unemployment rate of 4%.¹³⁶

Nearly 47,000 French residents¹³⁷ thus cross the French-German border every day to go and work in Germany, where the demand



Franco-German job-seeker placement service, Strasbourg-Ortenau

¹³⁶ Figures for the first quarter of 2013; source: ADEUS.

¹³⁷ Figures for Alsace and Lorraine; source: Framework agreement for cooperation regarding French-German job-seeker placement.

for labour is high and expected to grow further in the coming decades. While the population that is of an age to undergo training or study is expected to remain stable in Alsace, forecasts predict a decline of nearly 20% in the 16-25 age group in Baden-Württemberg by 2025.¹³⁸

In the face of this anticipated labour shortage on the other side of the Rhine, the use of French workers is likely to become a significant aspect in bilateral relations.

WHAT ARE THE DIFFICULTIES?

In spite of these divergent demographic dynamics, **Germany has become less attractive as a destination for the working population in the French border region** (down 20% since 1999,¹³⁹ then a stagnation of flows) and has been overtaken by North-West Switzerland. This can be ascribed to higher wages in Switzerland, but also the destruction of low-skilled jobs and the gradual tertiarisation of the German labour market, which directly affect the population in Alsace, the majority of whom are qualified to the vocational CAP-BEP¹⁴⁰ level. In addition, the decline in the command of German has encouraged German employers to favour the hiring of skilled workers from Southern Europe, in spite of the geographical proximity of French workers.

WHAT RESPONSES HAVE BEEN PROVIDED?

France's public employment agency, **Pôle Emploi**, and Germany's Federal Employment Agency (**Bundesagentur für Arbeit**) have been working together for several years to improve the cross-border placement of job-seekers. This has involved the exchanging of job vacancies and profiles, dissemination by press and radio, the organisation of recruitment-meetings, joint participation in trade fairs, workshops at Pôle Emploi and in vocational lycées, and mailing campaigns to employers, etc. The French and German employment services are also supported in their actions by other bodies that provide information and advice to cross-border workers: the Upper Rhine EURES-T (an information and advice network for workers and employers that brings together public employment services, trade unions, employers organisations and regional authorities), the INFOBEST network (information points for cross-border matters), etc. These schemes contribute to transparency in the cross-border job market and professional mobility on either side of the Rhine but are designed more to raise awareness about professional opportunities in the cross-border area than to provide personalised monitoring and support to help job-seekers find work.

The signature on 26 February 2013 of the framework agreement for cooperation regarding French-German job-seeker placement, covering a three-year period, was intended precisely to develop this latter competence, while at the same time making permanent and increasing partnerships between employment agencies along the whole of the border.

Concluded between Pôle Emploi Alsace and the regional directorate of the Baden-Württemberg Federal Employment Agency on the one hand, and between Pôle Emploi Lorraine and the regional directorate of the Saarland-Rhineland-Palatinate Federal Employment Agency on the other, in operational terms **the framework agreement consists of four local cooperation agreements signed between:**

- the Strasbourg and Offenburg agencies (opening of the first cross-border placement service in Kehl on 26 February 2013)
- the Haguenau and Wissembourg agencies and those of Landau and Karlsruhe-Rastatt (20 September 2013)
- the Haut-Rhin Department agencies and those of Freiburg and Lörrach (26 October 2013)
- the Saarbrücken and Sarreguemines agencies (15 November 2013).

The framework agreement undertakes to ensure:¹⁴¹

- contractual procedures for the effective exchange of information about job vacancies and persons seeking work, in compliance with the rules in force in each country
- greater knowledge of the cross-border economy and labour market within public employment agencies, notably on the part of staff in charge of intermediation
- information and advice to employers on cross-border recruitment
- a range of services for job-seekers
- coordinated measures for an active employment policy, notably in the fields of qualifications and "immersion" work experience.

The job-seeker placement services have a strong cross-border and intercultural approach. Their guidelines are drawn up and results evaluated by the local steering committee (the agreement's signatories) to ensure that better account is taken of territorial realities. The advisers are bilingual and the presence in both countries' employment services of advisers from the other country is already an established practice along the French-German border.

An annual work meeting, organised on an alternating basis and for each territory (Alsace/Baden Württemberg and Lorraine/Saarland-Rhineland-Palatinate) has the purpose of evaluating the achievement of the objectives set and of drawing up new guidelines. It brings together the directors or their representatives as well as other participants appointed

¹³⁸ Source: Statistisches Landesamt Baden-Württemberg.

¹³⁹ Source: Data collection and estimates – INSEE.

¹⁴⁰ Vocational Aptitude Certificate ("certificat d'aptitude professionnelle", CAP) and Vocational Studies Certificate ("brevet d'études professionnelles", BEP)

¹⁴¹ Source: Framework agreement for cooperation regarding French-German job-seeker placement.

ORGANISATION OF THE CROSS-BORDER JOB-SEEKER PLACEMENT SERVICE IN STRASBOURG-ORTENAU



Steering

Drawing up of guidelines and evaluation of results by the local steering committee



Advisers

Offenburg Federal Employment Agency

- 2 FTPs for placement
- 1 FTP to receive job-seekers

Staff remain employed by their respective organisations, while national regulations apply to them.

Job-seekers have the rights and obligations in force in their country of residence.



Location

Premises of the Federal Employment Agency at Bahnhofstr. 3, Kehl

*Bilingual signage
Use of the two information systems AUDE/VerBis*

Source: Pôle Emploi – Agentur für Arbeit

by the regional directorates in the case of the Federal Employment Agency, and the regional directors or their representatives, as well as the international regional contact person or his/her representative in the case of Pôle Emploi.

Seven months after its inauguration, the cross-border placement service in Kehl posts encouraging results:

- **230 job-seekers monitored in France and Germany**
- **123 people returning to work (81 in Germany, 40 in France)**
- **41 targeted job searches resulting in recruitment (40 in Germany).¹⁴²**

It should also be noted that the French-German employment agencies' partnership particularly targets young people, a population that is more inclined to be mobile. A framework agreement regarding cross-border apprenticeships in the Upper Rhine was signed on 12 September 2013 to enable apprentices from Alsace, Baden-Württemberg and Rhineland-Palatinate to complete the practical part of their training in a firm in the neighbouring country.

TO WHAT EXTENT CAN THIS GOOD PRACTICE BE ADOPTED IN OTHER CROSS-BORDER TERRITORIES?

In France's border regions in the North and North-East, there are large flows of commuters who cross the border to work in regions where there is a shortage of labour and where sometimes a different language is spoken (Flanders and North-West Switzerland). The development of services dedicated to the cross-border placement of job-seekers may therefore constitute an effective response to the difficulties often expressed by job-seekers and employers (unfamiliarity with application and recruitment processes in the neighbouring country, the challenge of administrative procedures in a foreign language, etc.) and thereby contribute to reducing unemployment and the filling of vacancies.

From a legal point of view, moreover, there are no major restrictions on the signature of a framework agreement between public employment services along France's other borders.

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¹⁴² Results at 19 September 2013; source: Pôle Emploi Alsace and Agentur für Arbeit

Cross-Border Project Cafés

BORDER	France-Germany
TERRITORY	Strasbourg-Ortenau Eurodistrict
DURATION/DATE	Since November 2012
PARTNERS	Start Hop; Urban Community of Strasbourg, Strasbourg Jobs and Training Centre, Strasbourg-Ortenau Eurodistrict
OBJECTIVE	Business creation
MAIN ACTIVITY	Organisation of thematic “project cafés” bringing together budding entrepreneurs and heads of businesses to discuss setting up a business in the neighbouring country

WHAT DO THESE CROSS-BORDER PROJECT CAFÉS CONSIST OF?

The cross-border Project Cafés (“Cafés à Projets” in French) were initiated in November 2012 by Start Hop, a French cooperative based in Strasbourg and Offenburg that provides advice on business creation and is charged with promoting economic projects, in partnership with the Urban Community of Strasbourg, the Strasbourg Jobs and Training Centre (Maison de l’Emploi et de la Formation de Strasbourg) and the Strasbourg-Ortenau Eurodistrict.

Based on the observation that French and German entrepreneurs only rarely include the other side of the Rhine in their market studies and find it difficult to project themselves into the neighbouring territory, Start Hop’s aim is to promote business creation across the Strasbourg-Ortenau Eurodistrict by organising thematic “project cafés” to which people with business projects, business starters and young entrepreneurs are invited.

Experienced business owners also take part to contribute and exchange ideas about the way business creation works in the neighbouring country. Start Hop provides information to participants about the resources available in the region (networks, advisers, business-clubs, business incubators, etc.).

Since the project was launched, eight thematic Project Cafés have been held in Strasbourg, Kehl and Offenburg on:

- ↳ Financing
- ↳ How to develop one’s clientele
- ↳ Location
- ↳ Web-marketing and social media – differences and similarities between France and Germany
- ↳ Speed meeting: partnerships in the Eurodistrict
- ↳ Creativity and innovation in the Eurodistrict: one entrepreneur – one project
- ↳ Student entrepreneurship in the Eurodistrict
- ↳ Wirtschaftsforum – best practice: the players in innovation.

Each Project Café comprises around 50 participants on average, the majority of whom are French (68%), which is explained by the strong interest in business creation against a backdrop of high unemployment in Alsace, but also of development of tools to support business start-ups (incubators, cooperatives, etc.). People with business projects can have an individual consultation with Start Hop at the end of the meeting to better assess their needs (financing, premises, etc.) and to direct them where necessary to the appropriate players. Additional workshops for smaller groups of participants have also been offered in order to supplement the discussions initiated at the Project Cafés. An account of each thematic session is published on Start Hop’s blogs (novoeco.info, starthop.eu) and on the website of the Strasbourg Jobs and Training Centre.

WHAT ARE THE FIRST RESULTS?

The first meetings confirmed the interest of people with business projects in the initiative and identified some of the participants' wishes, which will probably be addressed by dedicated workshops in the future:

- Differences between France and Germany in terms of tax, the legal framework and the business environment
- Cultural aspects of customer relationships: purchases, Internet
- Networks, being put in contact with future investors/financiers or commercial partners.

The participants also stressed the potential usefulness of a cross-border web platform and a French-German incubator to strengthen the entrepreneurial fabric of the cross-border region.

An initial assessment estimates that around 60 business creations were facilitated by the cross-border Project Cafés scheme, of which 55% were in the services sector, 16% in ITC, 16% in the craft industry and 14% in commerce.¹⁴³

¹⁴³ Source: 2013 report on Project Cafés – Start Hop.



© Rhein & Schwarz



WHAT FOLLOW-UP IS ENVISAGED?

The Urban Community of Strasbourg wishes to make permanent and develop the initiative by reinforcing its budget, which could happen via co-financing from INTERREG in the forthcoming programming period for structural funds.

The cross-border Project Cafés have already been bolstered by the setting-up in July 2014 of a co-working space for the Strasbourg-Ortenau Eurodistrict: known as KiosK Office, it has two sites, one located in the TPO (TechnologiePark d'Offenburg), a partner in the project, and the other in Strasbourg (to be set up by 2015).

Aimed at French and German business starters and entrepreneurs in the Upper Rhine, KiosK Office receives people with business projects in a dedicated space and for an adjustable period of time, provides them

with assistance with their administrative procedures in the neighbouring country and directs them to partner structures where necessary, while at the same time coordinating a cross-border economic network.

The services offered include:

- ✎ breakfast on Monday mornings with the presence of a coach
- ✎ technical workshops facilitated by specialists from both the public and private sectors (covering tax, law, marketing, financing, regional economic activity, etc.)
- ✎ professional language classes in small groups with role-plays
- ✎ meetings with business owners.



TO WHAT EXTENT CAN THIS GOOD PRACTICE BE ADOPTED IN OTHER CROSS-BORDER TERRITORIES?

Unfamiliarity with the “rules of the game” in the neighbouring country is a difficulty encountered by entrepreneurs in all cross-border territories, which highlights the inadequacy of the information and support for cross-border economic activity provided by the systems in place. The issue of technical incubators is becoming more important owing to the appeal of the business creation approach (in view of the economic climate), despite of its administrative complexity (the law, tax, financing, etc.).

The Project Cafés and the cross-border co-working spaces to some extent constitute a means of testing the needs and wishes of people with business projects at the local level – an interesting way of assessing more precisely the potential usefulness of a dedicated support structure such as a French-German business incubator, a project that would inevitably be more onerous in its implementation and management.

It should be noted that there is a similar programme, known as BRYO, on the French-Belgian border, led by the Greater Lille Chamber of Commerce and Industry, VOKA West-Vlaanderen and the Wallonie Picarde Chamber of Commerce and Industry, which particularly targets young entrepreneurs.

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Strategic workforce planning (SWP) for the ports of Strasbourg and Kehl

BORDER	France-Germany
TERRITORY	Strasbourg-Ortenau Eurodistrict
DATE	2012
PARTNERS	Strasbourg Jobs and Training Centre (Maison de l'Emploi et de la Formation de Strasbourg), Strasbourg Conurbation Development and Town Planning Agency (Agence de développement et d'urbanisme de l'agglomération strasbourgeoise, ADEUS)
OBJECTIVE	Assessment of changes in an economic sector and anticipation of their impact on professions, activities and human resources requirements
MAIN ACTIVITY	Drawing up in a partnership-based and coordinated manner an action plan to respond to changes in the territory





Port area on the Rhine and Strasbourg in the background

© Jean Isenmann, ADEUS

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WHAT IS THE CONTEXT?

The port areas of the Upper Rhine are going through changes linked to the Rhine’s position in Europe’s river network, to the river’s interconnections with other transport infrastructures and to changes affecting industrial activities as a whole.

Economic issues relating to attractiveness and regional development are directly impacting them and pose questions about Strasbourg and Kehl’s ports regarding functions, potentialities and complementarities.

This particularly concerns the businesses and sectors present in these port areas. The industrial services sector (including logistics – trade and distribution of goods, but also “urban” logistics) has thus strongly expanded over the past few years, and tertiary activities have grown more owing to a less favourable economic climate and lower investment in industry. Moreover, there has been an overall change in the types and levels of skills demanded by port industries (the skills levels required have risen due to qualitative improvements in know-how and production), as well as an ageing of the labour force, which has highlighted the need for training.

All in all, over 550 firms, with nearly 13,300 employees, are located in the Strasbourg and Kehl port area, mainly in the industrial, transport/logistics, energy and waste management sectors.

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HOW HAS THE CROSS-BORDER TERRITORIAL SWP EXERCISE BEEN IMPLEMENTED?

In order to better assess the repercussions of these changes on the professions, activities and human resources requirements in the ports of Strasbourg and Kehl, and to have long-term visibility in this regard, an SWP exercise was launched by the Strasbourg Jobs and Training Centre (Maison de l’Emploi et de la Formation de Strasbourg) and the Strasbourg Conurbation Development and Town Planning Agency (ADEUS) in 2012.



© Jean Isenmann, ADEUS

“Port du Rhin”, Strasbourg-Kehl port area

Unlike traditional SWP exercises carried out by companies, this SWP is territorial in scope and therefore incorporates the combined issues concerning companies and professional sectors (human resources), employees (career paths) and territories (economic changes). As a result, it constitutes a process carried out in partnership by the territory’s economic and employment players: institutions of local government, consular chambers, social partners, companies, public employment services and training bodies, etc. **But it is also a cross-border process, which is a reflection of the emergence of shared economic issues on both sides of the Rhine and the inclusion of the economic fabric and employment area of the Strasbourg-Ortenau Eurodistrict in the current exercise.**

THE OBJECTIVES OF THE CROSS-BORDER SWP REFLECT THIS MULTIPLICITY OF ISSUES AND STAKEHOLDERS:

- to provide an overview of the cross-border territory in terms of jobs and skills, both at the present time and over the short, medium and long term
- to help companies to have greater awareness of their own development issues
- to pool the jobs and skills of sister companies
- to anticipate skills needs so as to better orient training paths
- to draw up in a partnership-based and coordinated manner an action plan to respond to the changes in the territory.

In order to arrive at this action plan, the exercise's final objective, which will be developed with companies, a process composed of several stages has been carried out, whose deliverables are available on the website of the Strasbourg Jobs and Training Centre:

- benchmarking of experiences of port area/multi-sector/territorial/cross-border SWP exercises in France and Europe
- interviews with around 30 "head of network" players, both institutional and private, in the ports of Strasbourg and Kehl, conducted by the ADEUS around seven key questions condensed into the form of seven factsheet-tools ("What are the main issues for the future of the ports?"; "Changes in the sectors present in the ports"; "How are firms expecting their sectors to change?"; "Medium- and long-term skills needs"; "What will the professions of the future be?"; "Professions under threat?"; "What are the training priorities to meet current and future needs?")
- a presentation of the economic fabric and professions of the port area, including a mapping of the firms, jobs and professions in the port of Strasbourg, as well as a forward-looking presentation of professions up to 2020
- a discussion among institutional players that took place on 25 November 2013 in Kehl in the form of three roundtables on issues relating to jobs in the port areas of Strasbourg and Kehl.

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WHAT ARE THE PRIORITIES FOR ACTION AND OBJECTIVES OVER THE SHORT TERM?

THE INTERVIEWS CONDUCTED WITH THE INSTITUTIONAL PLAYERS HAVE MADE IT POSSIBLE TO DETERMINE FOUR PRIORITY AREAS FOR ACTION IN THE PORTS OF STRASBOURG AND KEHL:

- managing the impact of deindustrialisation in terms of jobs (stepping up support for job-seekers who are unemployed as a result of restructuring)
- optimising the existing training infrastructure (focusing technical training on mastering tools, strengthening linguistic competence, recognition of qualifications, etc.)
- promoting technical career paths (mainly in France, by fostering apprenticeships)
- supporting retraining (through the strengthening of in-service training and short training courses).

In addition, the cross-border SWP exercise is linked to short-term schemes aimed at young people. One of these is the project called REVE (Rapprochement Entre Voisins pour l'Emploi – Bringing Neighbours Closer Together for Jobs) run by the Strasbourg Jobs and Training Centre. In 2013, it organised a series of visits to German firms based in the port of Kehl that needed new staff and were offering apprenticeships in the professions where they had staff shortages.

TO WHAT EXTENT CAN THIS GOOD PRACTICE BE ADOPTED IN OTHER CROSS-BORDER TERRITORIES?

The Strasbourg-Ortenau Eurodistrict is not the only cross-border territory with a shared economic sector on both sides of the border: Saarland and Lorraine both have a specialisation in the automotive sector, the French and Spanish Basque Country in agri-food, the French-Belgian border region in the textile industry, etc. Depending on the degree of complementarity between the economic fabrics on either side of the border and the common outlook for change in the sector, a similar exercise might prove to be beneficial in order to better anticipate future needs and work out a coordinated response.

It is also interesting to note that the territorial SWP exercise combines the issues concerning economic activity (companies) and those concerning jobs/training (employees). As a result, it constitutes a structuring process of economic development that is helping to jointly develop the different sectors, professions and the range of available training.

FOR MORE INFORMATION:

<http://www.maisonemploi-strasbourg.org/la-demarche-de-gpec-des-ports>

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MinnovARC and InnovARC

BORDER	France-Switzerland
TERRITORY	Jura Arc
EUROPEAN PROGRAMME	INTERREG IV A France-Switzerland
DURATION	2010-2013 / 2013-2015
PARTNERS	Chamber of Commerce and Industry of the Doubs Department, arcjurassien.ch / Chamber of Commerce and Industry of the Franche-Comté Region, arcjurassien.ch
OBJECTIVE	To set up innovative project consortia formed of SMEs and French-Swiss laboratories
MAIN ACTIVITY	MinnovARC (2010-2013): drafting of a policy document on the future of microtechnologies by a French-Swiss think-tank and organisation of workshops aimed at networking and promotion of local expertise in microtechnologies. InnovARC (2013-2015): organisation of thematic workshops to lay the foundations for French-Swiss project consortia for growth markets





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WHAT DO THE TWO PROJECTS CONSIST OF?

MINNOVARC (2010-2013):

MinnovARC (Microtechniques INNOVation ARC jurassien) was set up in order to stimulate innovation in the microtechnologies sector in the French-Swiss Jura Arc.

Launched in 2010 for a three-year period and supported by the Interreg IV A France-Switzerland programme, the project was born out of a partnership between the Chamber of Commerce and Industry of the Doubs Department (France) and arcjurassien.ch, an association under Swiss private law bringing together the Cantons of Bern, Jura, Neuchâtel and Vaud that is active in regional development. This initiative was spurred by the awareness realisation of the lack of connection between the cutting-edge expertise and skills in microtechnology on either side of the border, which were underexploited as a result. The aim in particular was to give greater visibility to the Jura Arc's microtechnologies sector internationally.

The project consisted of four main areas for action:

- **A think-tank**, coordinated by a joint presidency and secretariat and bringing together manufacturers from the sector, scientists and institutional players, set about reflecting on the promotion of local technological and entrepreneurial skills and the future of microtechnologies in the region and in the economy in general. Day work sessions were held alternately in France and Switzerland, with the last two opened up to a wider public. Forward-looking and strategic reflections were set out in a policy document aimed at political and economic players (available on the project's website www.minnovarc.fr).

➤ **Six thematic workshops** involving around 60 business directors, managers and heads of laboratories were held in the form of day-and-a-half working sessions (Thursday afternoons and Fridays), also alternating between the two sides of the border. Each workshop enabled the speakers and participants to enlarge their networks, identify potential markets and exchange their experiences and points of view on the topics discussed:

- How to open up one's key skills to new markets
- How to develop networked projects
- Innovative marketing methods to bring subcontractors closer to the final customer
- Cleantechs programmes: the most promising approaches
- International: supporting innovative projects and promoting direct access to distant markets
- The "Blue Oceans" approach and other creative approaches.

➤ **A cartographic and statistical study of microtechnologies**, carried out with the Jura Arc Cross-Border Statistical Observatory (OSTAJ) assisted the participants in the think tank and workshops in identifying and locating expertise and skills in the territory. <

➤ **A meta-portal listing over 200 websites** linked to microtechnologies was also created, with the possibility for visitors to add to it. Research criteria (markets, technologies, services, territories, etc.) make it easier to use.

INNOVARC PHASE 1 (2013-2015):

The interest shown by the participants and MinnovARC's first results (60 potential collaborations and three European projects involving regional players) justified pursuing the initiative with a second project also co-financed by Interreg: InnovARC, led by **arcjurassien.ch** and the Franche-Comté Regional Chamber of Commerce and Industry.

As its name suggests, this project, which was launched in September 2013 and was completed in June 2015, has a broader scope than solely microtechnologies and aims to stimulate innovation networks in the Jura Arc across the board.

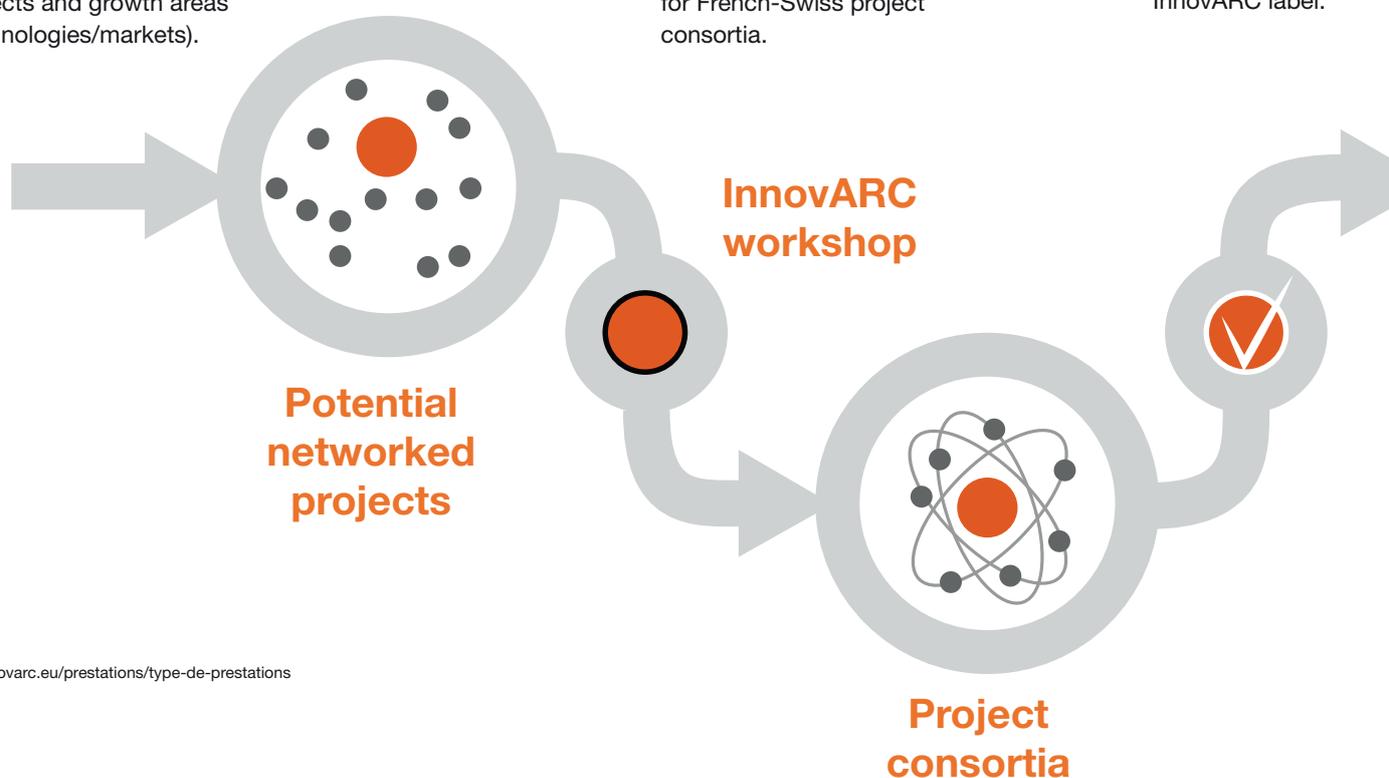
The broader thematic focus encompasses innovation markets for mobility (vehicles, products and services), smart cities, medtechs (e-health, robotics and new materials) and cleantechs (eco-industries, energy, services activities and consultancy linked to cleantechs). The online tools have been made permanent and the thematic workshops repeated, with enhanced stimulation and coordination for the setting-up of innovative project consortia across the French-Swiss Jura Arc.

The InnovARC process: towards the setting-up of French-Swiss consortia

1. Identifying potential projects and growth areas (technologies/markets).

2. Laying the foundations for French-Swiss project consortia.

3. Awarding the InnovARC label.



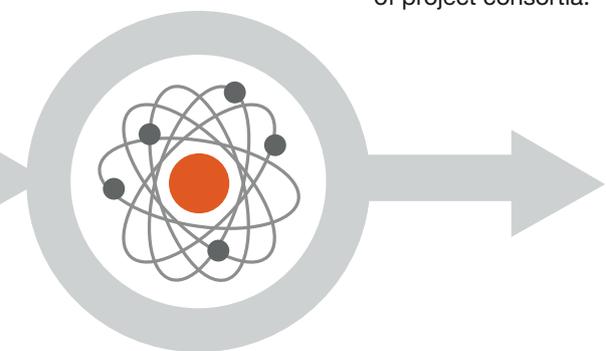
Source: <http://innovarc.eu/prestations/type-de-prestations>

Help in setting up consortia is one of the key objectives of the InnovARC project. These consortia must comprise at least one French-Swiss pairing from the Jura Arc, including at least one business, with a possible opening for external partners. **The projects completed under MinnovARC, innovation areas of the future and trends identified in the workshops, as well as the dissemination of European calls for project proposals constitute a reservoir on which businesses can draw and laboratories facilitating the emergence of new projects.**

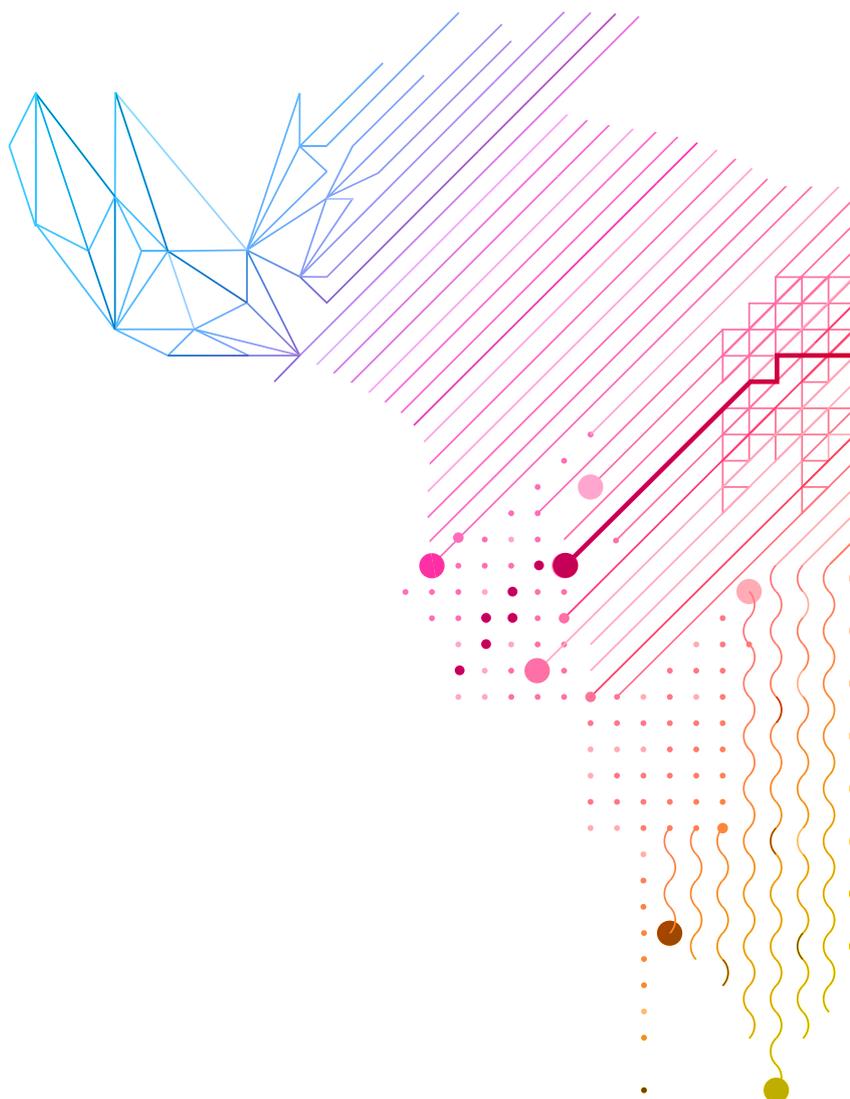
This support comes from the project team, but also in the form of external services (facilitation of creativity sessions, technical feasibility studies, market/risk analyses, business models and help with putting together European projects, etc.) provided by players that support innovation:

FRANCE	SWITZERLAND
Public-sector players: competitiveness hubs, clusters, professional organisations, Franche-Comté Innovation Network, Bpifrance, SATT (Société d'accélération du transfert de technologie), FC'INNOV, etc.	Public-sector players: economic departments of the four cantons involved, universities and other higher education institutions, regional and inter-cantonal players that support innovation, etc.
Private-sector players: nine service providers dedicated to innovation selected by tender procedure	Private-sector players: an evolving network adapting to projects' needs

4. Financing and support of project consortia.



**Consortia
awarded
InnovARC label**



In addition, financial aid for the set-up and support of projects can be provided. InnovARC has a budget of €132,000 for this. Public funding (territorial authorities, Interreg, Horizon 2020, EUREKA, EUROSTARS, etc.) and private financing (investors) can provide additional support for the set-up of these French-Swiss consortia.

INNOVARC PHASE 2 (2015-2018):

InnovARC has already laid the foundations for its continuation (2015-2018) via an Interreg V project.

In this new phase, InnovARC will continue to play the role of incubator for French-Swiss project consortia by making its services more professional thanks to the experience acquired over the past few years.

This work on the ground will be carried out in new innovative areas in close partnership with the different players that support innovation and the regional technology transfer services. The latter will be even more involved thanks to synergies set up with the Communauté du Savoir (Community of Knowledge) that brings together the main universities and other higher education institutions in the French-Swiss Jura Arc. This network is also supported by Interreg France-Switzerland.

TO WHAT EXTENT CAN THIS GOOD PRACTICE BE ADOPTED IN OTHER CROSS-BORDER TERRITORIES?

The particular context of French-Swiss cross-border cooperation (cooperation with a country that is not an EU member) makes it a laboratory for innovative tools aimed at facilitating the coordination of different programmes and mechanisms that support economic cooperation. The highly competitive nature of this border underscores this experimental dimension.

The MinnovARC and InnovARC projects show how it is possible to operate a cross-border platform for the incubation of innovative projects with several successive Interreg projects (broadening the focus in the second project and increasing the involvement of partners that support innovation in the third) and thereby reconcile the life cycles of innovation and European projects, which are not very compatible.

Moreover, over the years, a work methodology has been honed to optimise the development of innovation projects composed of French and Swiss partners. Other cross-border territories could draw on this approach to implement similar initiatives.

These initiatives are also interesting in that they combine Interreg funding, intended primarily for public and semi-public structures and the use of European programmes specifically dedicated to supporting SMEs active in R&D.

FOR MORE INFORMATION:

<http://www.minnovarc.fr>
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Bihartean and Euro 3

	BIHARTEAN	EURO 3
BORDER	France-Spain	France-Belgium
TERRITORY	Aquitaine-Euskadi Euroregion	Lille-Kortrijk-Tournai Eurometropolis
DATE OF CREATION	2010	1991
PARTNERS	CCI Bayonne-Pays Basque, Cámara de Comercio de Gipuzkoa	CCI Grand Lille, VOKA West-Vlaanderen, CCI Wallonie Picarde, French-Belgian Chamber of Commerce of Northern France
OBJECTIVE	Promotion of cross-border economic activities	
MAIN ACTIVITY	Supporting businesses in their cross-border activities and contributing to cross-border integration of economic sectors	



© Bihartean

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WHAT DO BIHARTEAN AND EURO 3 CONSIST OF?

EURO 3 and Bihartean are two EEIGs (European Economic Interest Groupings) created with the aim of promoting cross-border economic activities and the overall development of the cross-border territories.

The **EURO 3 EEIG** was created in 1991 by chambers of commerce in the French-Belgian cross-border region (Armentières-Hazebrouck, Kortrijk (Courtrai), Lille-Roubaix-Tourcoing, Mouscron, Ieper (Ypres) and Tournai) with the name EURO 6. As a result of the various mergers which took place between these chambers, the EEIG took the name of EURO 3 in 2007 and now includes the chambers of commerce of Greater Lille, West Flanders (VOKA), Wallonie Picarde, and the French-Belgian Chamber of Commerce of Northern France.

EURO 3 has the objective of providing a forum for the exchange of ideas, adopting common positions and the development of concrete proposals for cross-border economic issues concerning the development of businesses, and stands alongside the Lille-Kortrijk-Tournai Eurometropolis EGTC to provide services to SMEs.

A similar, but more recent structure, **Bihartean** has brought together the Bayonne-Pays Basque CCI (Chamber of Commerce and Industry) and the Cámara de Comercio de Gipuzkoa since 2010. Bihartean formalises the long-standing cooperation between the Basque chambers of commerce, which had to draw up agreements in order to carry out joint activities (trade fairs, economic promotion, etc.). **This EEIG aims at supporting businesses in their cross-border projects, developing joint economic activities and creating joint training provision.**



French-Belgian cross-border meeting, Euro 3 project

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WHAT ACTIVITIES DO THEY CARRY OUT?

The EURO 3 EEIG represents above all a forum for reflection for the chairmen of the French and Belgian CCIs to enable them to formulate joint positions concerning the development of the territory, businesses, jobs and training.

In addition, EURO 3 is a space in which to experiment and a body that maintains relations with the political world (the Lille-Kortrijk-Tournai Eurometropolis EGTC) regarding major projects. The Cross-Border Business Centre (Centre Transfrontalier des Entreprises, CTE GO-KMO) is EURO 3's operational tool, which specialises in giving concrete support, individually and collectively, to those companies wishing to develop on the other side of the border.

EURO 3 has worked on the transposition of the Flemish BRYO¹⁴⁴ project to the cross-border setting through the BRYO CROSS BORDER project. The objective of this project is to encourage collaboration between young entrepreneurs from Flanders, Wallonia and Northern France through the exchange of good practices, information and networks, as well as coaching from experts and business leaders. The working language is English. Eventually, the aim is to create partnership-based collaborations and even "cross-border businesses". The first group was launched in January 2014 with 19 young entrepreneurs and a second will be launched in January 2015.

EURO 3 also published "Key figures for the Eurometropolis" in October 2012, a document which sets out the main economic characteristics of the territory covered by the Eurometropolis, an up-to-date version of which was scheduled for January 2015.

Among the other projects which are underway are the creation of a cross-border investment fund, the launch of the "Third Industrial Revolution" project in the cross-border setting, the emergence of cross-border business parks at some former border crossing posts, the creation of a Eurometropolitan Mobility Agency (Agence Eurométropolitaine de la Mobilité), the promotion of a modal shift from roads to waterways for the transportation of goods, support for the Canal Seine Nord Europe project, the development of cross-border internship opportunities for young people, and the right to experiment with apprenticeships in the cross-border setting.

Furthermore, EURO 3 has positioned itself at a more strategic level as a constructive partner providing assistance to the territory, businesses, jobs and training, alongside the Lille-Kortrijk-Tournai Eurometropolis EGCT.

On the Basque side, Bihartean draws on diverse competencies, enabling a greater range of services to be offered to businesses in the cross-border region: those of the Bayonne-Pays Basque CCI (very much focused on the development and the acquisition of businesses, employee training, and analyses of the regional economy by sector or as a whole) and those of the Cámara de Comercio de Gipuzkoa (whose main activity is the provision of advice in the international setting).

Bihartean has notably organised meetings between entrepreneurs from the French and Spanish Basque Countries, put companies in contact with suppliers and service providers, and published a catalogue of industrial sub-contractors in the region as well as a study of cross-border purchasing behaviour.

The promotion and strengthening of common economic sectors on either side of the border (notably through interclustering) is also part of the remit of the EEIG, which has supported the creation of a cross-border liquid silicone cluster, bringing together five companies from the French Basque Country and Euskadi, representing the entire value chain for this material. The cross-border integration of this sector is intended to serve as a springboard for these companies to access external markets and to prospect for new clients in Europe.

¹⁴⁴ Also see the factsheet on cross-border project cafés.

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HOW DO THESE TWO EEIGS OPERATE?

Both Chambers of Commerce have hired a full-time member of staff, who is dividing his working time between the two entities. His post is financed equally by Bihartean and the Bayonne-Pays Basque CCI. In order to ensure equal treatment for businesses on both sides of the border – the Cámara de Comercio de Gipuzkoa, unlike the Bayonne-Pays Basque CCI, does not bear the costs of the advice and support services that it provides – Bihartean does not charge for any of its interventions.

EURO 3 does not have an integrated structure comparable to that of Bihartean. The technicians of the chambers of commerce which make up the EEIG work together on common projects. Its activities are funded by calls for contributions, made as the need arises.

TO WHAT EXTENT CAN THIS GOOD PRACTICE BE ADOPTED IN OTHER CROSS-BORDER TERRITORIES?

The creation of an EEIG is open to any legal entity, whether governed by public or private law, as well as to any natural person, which is engaged in economic activities in Member States of the European Union. It must be set up by at least two members belonging to two distinct countries of the European Union. Each of France's borders may therefore see the emergence of this type of structure, with the exception of the territories bordering Switzerland, Monaco and Andorra.

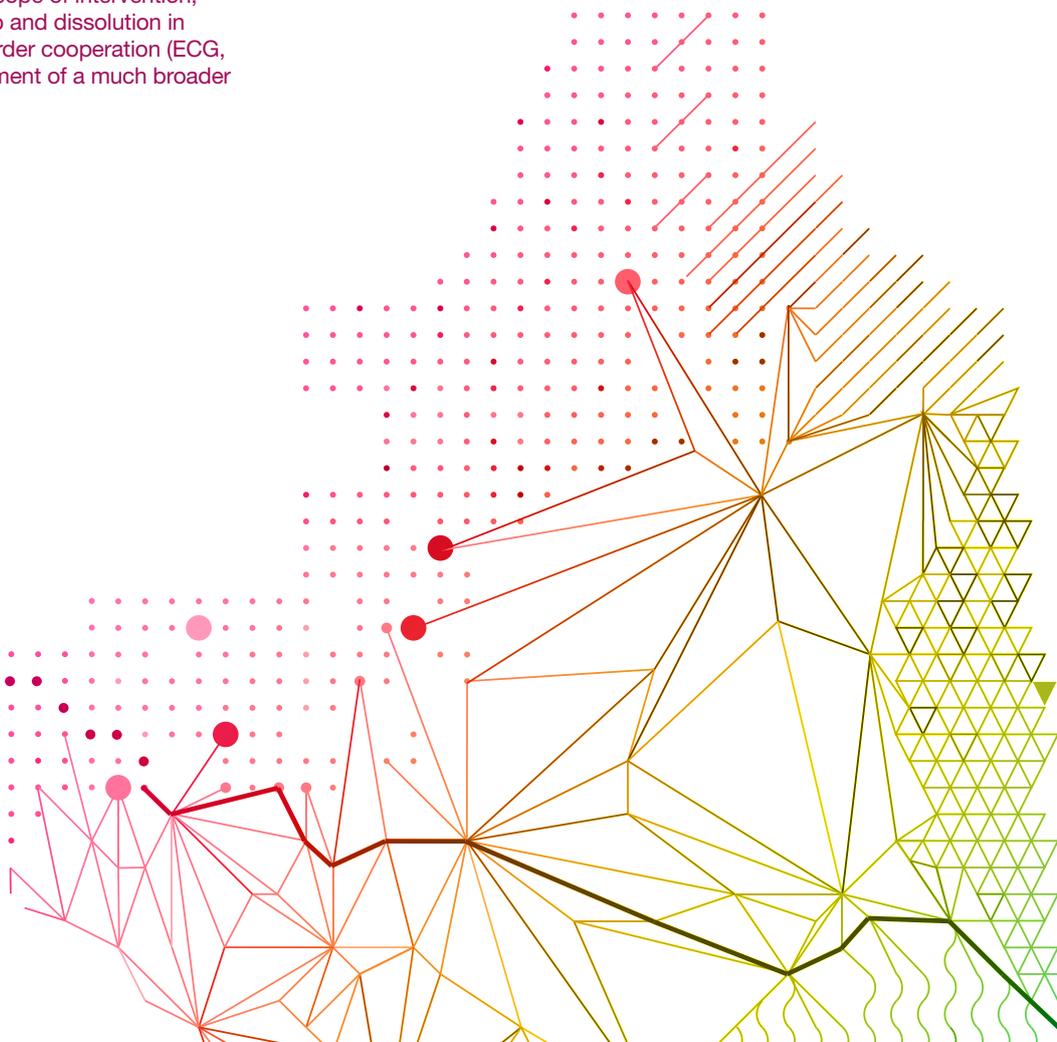
The EEIG, which is aimed at developing the economic activity of its members, also benefits, due to its limited scope of intervention, from relatively simple procedures for setting up and dissolution in comparison with other legal tools for cross-border cooperation (ECG, LGCC, EGTC, etc.), and allows for the involvement of a much broader and more diverse range of partners.

FOR MORE INFORMATION:

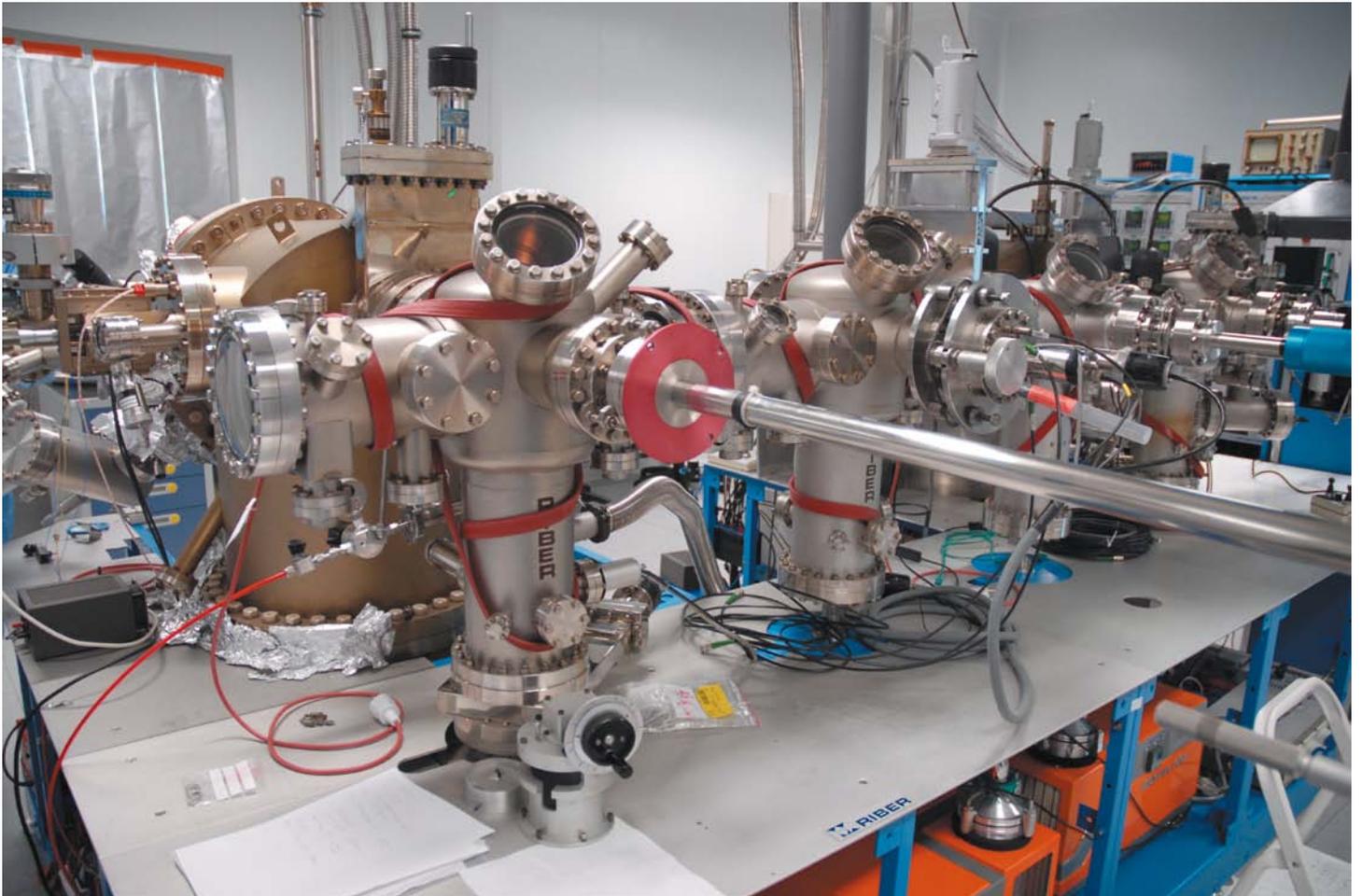
<http://www.bihartean.com/index.php?lang=fr>
<http://euro3-lille-kortrijk-tournai.webnode.com/>

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Cross-border Euroregional strategies for economic development and innovation



Research and innovation in the Pyrenees-Mediterranean Euroregion

BORDER	France / Spain
TERRITORY	Pyrenees-Mediterranean Euroregion; Aquitaine-Euskadi Euroregion
DATE	2013 and 2014
OBJECTIVE	Formulation of Euroregional strategies with a dimension linked to cross-border economic development

WHAT IS THE CONTEXT?

The strategic role of the regions in the area of economic development was strengthened during the 2007-2013 European programme period, with the formulation of regional innovation strategies. This trend will continue in the 2014-2020 period as Smart Specialisation Strategies – S3 – will take over.

The Euroregions are becoming an important level for the formulation of cross-border strategies for economic development.

WHAT DO THE STRATEGIES CONSIST OF?

In 2014, the **Pyrenees-Mediterranean Euroregion**, which is made up of the Midi-Pyrénées and Languedoc-Roussillon Regions and the Autonomous Communities of Catalonia and the Balearic Islands, **put in place a Euroregional Innovation Strategy for three priority sectors** (water, e-health and agri-food) and a cross-cutting area (tourism).

The objective of this strategy is to encourage Euroregional collaboration in the cooperation between public-sector and economic players in the four member regions. The strategy will also contribute to the integrated territorial development of the Euroregion. In the same way as the regional S3S, this strategy aims to focus public resources on a small number of sectors in which the Euroregion has a global comparative advantage. In concrete terms, it will support initiatives that make more sense and have a greater impact at the Euroregional level.

The basis for this strategy is an assessment that has highlighted complementarities in the regional innovation strategies of the four regions that make up the Euroregion. Comparative analyses of the three priority sectors, which notably brought out the four regions' common aspirations and challenges, made it possible to identify sub-topics of common interest (cross-border areas of specialisation). Lastly, for each area of specialisation the Euroregion's assets, the dominant players in the four member regions and existing projects were analysed.

THE EUROREGIONAL INNOVATION STRATEGY SETS OUT TWO STRATEGIC WORK GUIDELINES:

- to reconcile top-down and bottom-up approaches in order to take better account of the aspirations of players on the ground
- to create the conditions necessary for the emergence of a Euroregional ecosystem of innovation

In concrete terms, the Pyrenees-Mediterranean Euroregion EGTC will help to establish contacts between players in order to encourage the formation of partnerships and the set-up of projects. It will also work continuously to enhance the regional players' shared knowledge, as well as focusing its efforts on the priority areas. To do this, the EGTC will collaborate with the departments of the four regions and with the regional innovation agencies.

In 2014, the Aquitaine-Euskadi Euroregion drew up a Strategic Plan for 2014-2020 which identifies the development priorities for the territory. This multi-thematic document also deals with the economy and innovation.

A socio-economic assessment sets out the basis for the strategic guidelines and gives an up-to-date overview of the territory in terms of demography, jobs and training, economic activity, innovation and technologies, transport, communication and tourism. In addition, a review of the Aquitaine-Euskadi cooperation during the 2007-2013 period has made it possible to establish the point of departure for the next European programme period, which the Strategic Plan is designed for.

The strategic guidelines set out by this document focus on four areas: Euroregional citizenship; the knowledge-based economy, innovation and entrepreneurial competitiveness; sustainable territory; and open governance.

In the area of the economy, the long-term objective is to “move towards a knowledge-based economy and improve businesses’ competitiveness and openness to new markets, by stimulating cooperation between them, as well as the education system and all of the research and innovation centres that exist in the Euroregion”.

To do this, the actions carried out as part of the 2014-2020 Strategic Plan aim at improving mutual knowledge and communication between the territory's economic players and those from the world of research. The strategy sets out 13 lines of action which will support educational mobility, common qualifications and vocational training. It will also encourage cross-border entrepreneurship and give impetus to synergies (inter-clustering, Euroregional innovation strategy) that will enable them to work together, develop new activities and gain access to new markets. All of these efforts will be concentrated primarily on the priority sectors identified by the two regions' smart specialisation strategies, in which the potential for synergies is more important, linked to policies for jobs and mobility.



HOW HAVE THE STRATEGIES BEEN FORMULATED?

A key element in the formulation of these two Euroregional strategies was the search for complementarities between the regional innovation strategies and S3S,¹⁴⁵ as well as economic development strategies and other regional programmes.

The formulation of the assessment for the Pyrenees-Mediterranean Euroregion's strategy was entrusted to a consultancy firm in 2013 under the Midi-Pyrénées Region's presidency of the Euroregion. A consultation of the Regions/Autonomous Communities, regional innovation agencies, competitiveness hubs and clusters made it possible to compare the four regional innovation strategies, the means used to support the priority sectors and the systems of governance put in place. This phase also highlighted the existing cooperation initiatives in the Euroregion, as well as potential future developments. The Euroregional strategy drawn up on the basis of this assessment was then validated by the political representatives of the four regions.

The comparison of the regional strategies made it possible to identify priority sub-areas for each sector, chosen on the basis of technical criteria (regional economic and research potential), financing criteria (European, national and regional funding, etc.) and political criteria (players' willingness to cooperate).

The drawing-up of the Aquitaine-Euskadi Euroregion's Strategic Plan was steered by the EGTC (with help from the consultancy firm IKEI). A major exercise of consultation of the main public- and private-sector players in the two regions, as well as of existing cooperation structures in the territory, was carried out.



HOW WILL THE STRATEGIES BE IMPLEMENTED?

Both of the Euroregions identify the European programmes (regional and cooperation programmes) as the first source of funding for the implementation of their strategies.

In the Aquitaine-Euskadi Strategic Plan, for each line of action the most relevant programmes and thematic objectives to support projects have been specified. The Plan also stipulates that there should be annual monitoring and evaluation of implementation in order to help prepare for the post-2020 programme.

¹⁴⁵ Smart Specialisation Strategies.

TO WHAT EXTENT CAN THIS GOOD PRACTICE BE ADOPTED IN OTHER CROSS-BORDER TERRITORIES?

These two strategies are good examples of cross-border transnational and regional cooperation aimed at promoting the economic development of the territory as a whole and encouraging innovation. They can serve as inspiration for other border regions that have not yet formalised their cooperation in a strategic manner.

It is interesting to note the great diversity of economic players and those from the world of research involved in the formulation of the strategic guidelines, the methods used to identify complementarities between the regional strategies and the potential for cross-border synergies, as well as the concrete actions that will be implemented. On this last point, it will be interesting to monitor the actual implementation of actions and in particular the mobilisation of different sources of funding.

FOR MORE INFORMATION:

The Pyrenees-Mediterranean Euroregional Innovation Strategy (in French and Catalan):

<http://www.euroregio.eu/fr/innovation-et-developpement-economique/strategie-euroregionale-de-linnovation>

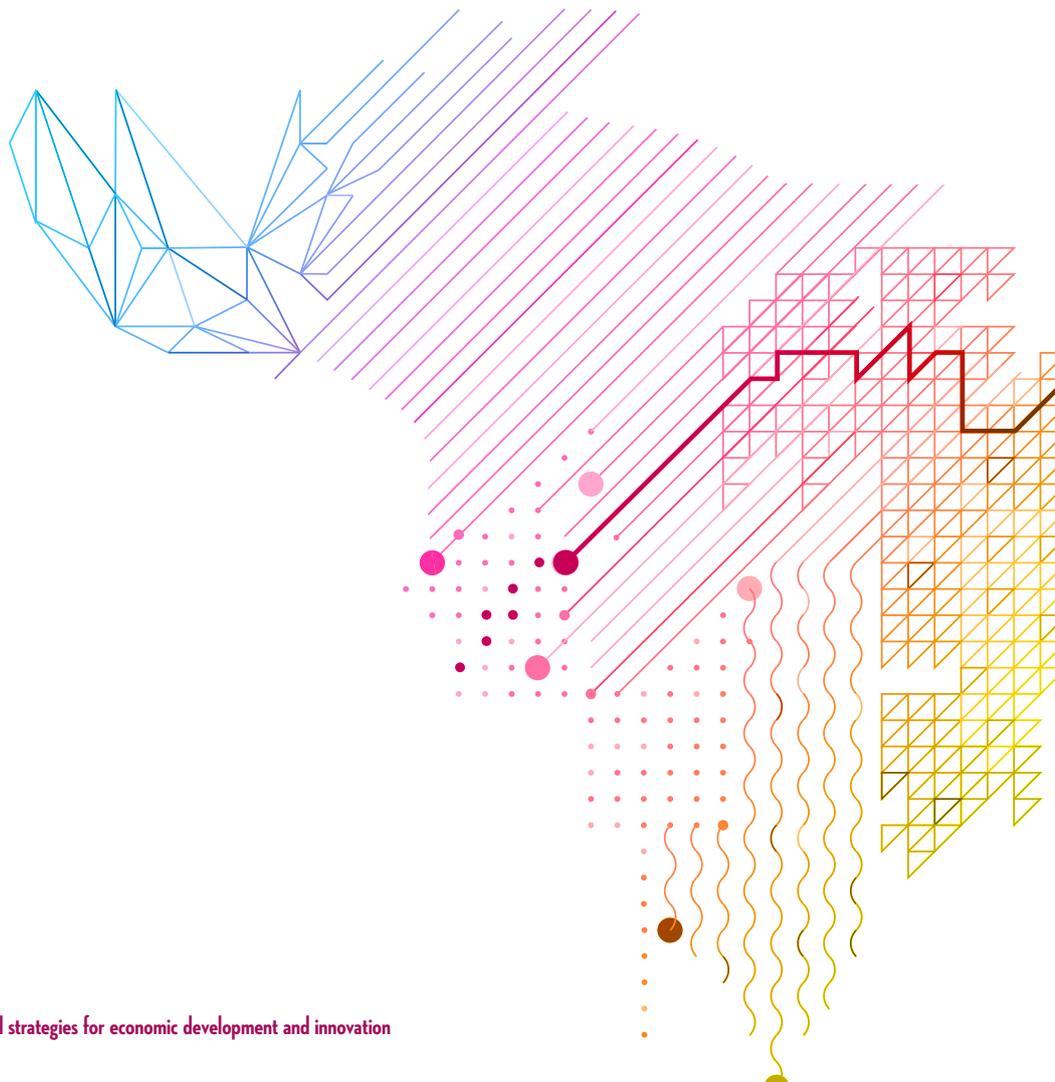
The 2014-2020 Strategic Plan of the Aquitaine-Euskadi Euroregion EGTC:

<http://www.aquitaine-euskadi.eu>

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TTC “Top Technology Cluster” and GCS “Crossborder Cluster Stimulation”

BORDER	Belgium / Netherlands / Germany
TERRITORY	Euregio Meuse-Rhine / TTR-ELAt
EUROPEAN PROGRAMME	INTERREG IV A Euregio Meuse-Rhine
DURATION	2011 – 2014
PARTNERS	Lead partner: Aachener Gesellschaft für Innovation und Technologietransfer mbH (AGIT) 19 partners representing universities, development agencies and business networks
OBJECTIVE	Creation of cross-border consortia of innovative SMEs
MAIN ACTIVITY	Support for the innovation life cycle through the provision of financial assistance for SMEs’ innovative projects tailored to their stage of development



www.ttc-innovation.eu



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WHAT IS THE CONTEXT OF THE PROJECT?

The Euregio Meuse-Rhine programme is one of the longest-running forms of cross-border cooperation in Europe.

Set up in 1976, it brings together the Province of Limburg, the Province of Liège and the German-Speaking Community in Belgium, the southern part of the Province of Limburg in the Netherlands and the Regio Aachen in Germany, an association composed of the local governments in the Aachen conurbation.

Benefiting from significant multi-thematic institutional cooperation, this region of medium-sized, densely populated towns in the middle of Western Europe is also rich in informal cooperation initiatives which are more sector-specific.

TTR-ELAt (Top Technology Region/Eindhoven-Leuven-Aachen Triangle), which covers a different geographical area from the Euregio programme, was created in 2009 out of the merger of the TTR and ELAt projects, both with an economic dimension, in a region regarded by the OECD an “innovation leader” (the headquarters of Philips is in Eindhoven) and which benefits from a dense network of SMEs, innovative start-ups and university R&D centres.

The first initiative corresponded to the strategic realisation by the Dutch government of the predominant role and potential of the Province of Limburg in the area of innovation and new technologies in the national economy.

The second dates back to a project in 2004 by the municipalities of Eindhoven, Leuven and Aachen aimed at reinforcing economic cooperation and cross-border innovation projects between the three cities, an initiative which increasingly benefited from the support of local and regional actors, in particular universities. TTR-ELAt therefore made it possible to concretely develop regional complementarities in the main areas of common expertise: chemistry, innovative materials, high-tech systems and the life sciences.¹⁴⁶

¹⁴⁶ Source: OECD study of regional innovation

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WHAT DO THE PROJECTS CONSIST OF?

TTC “TOP TECHNOLOGY CLUSTER”

It was within the framework of this informal cross-border economic cooperation body that the “Towards Top Technology Cluster” TTC project was implemented (2011-2014), co-financed by the INTERREG IV A Euregio Meuse-Rhine programme.

Aimed at the setting-up of cross-border consortia of SMEs and the development of innovative projects in the life sciences, healthcare, innovative materials, ICT and energy sectors, the TTC brings together professional networks, regional development agencies and universities to create a platform for contact and cooperation.

Networking and stimulation of activity are brought about through a combination of three pillars of action:

↳ Networking events

The networking events, which can be single-sector or interdisciplinary, provide an opportunity for both business leaders and university and research centre staff to meet their counterparts from the partner regions with the aim of establishing professional contacts. These networking tools take different forms: public forums (socialising events), meetings between businesses (B2B matchmaking) or workshops designed to seek out partnerships (brokerage workshops). Around fifty events have taken place, with about 3,500 participants.

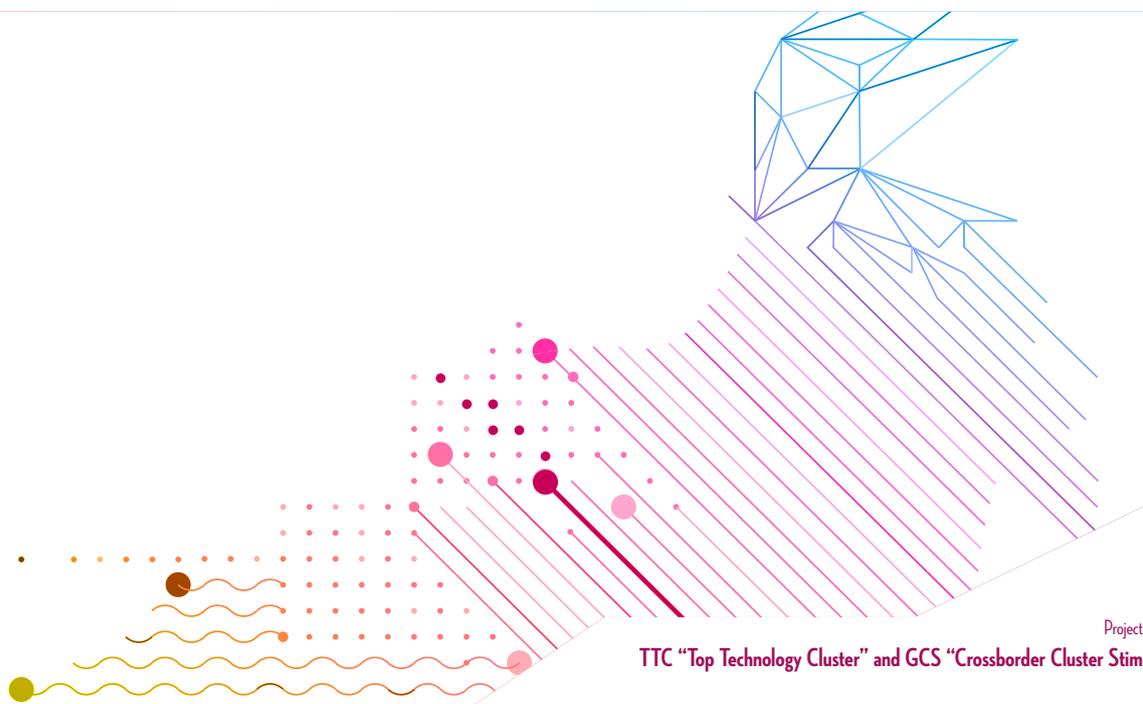
↳ Business development support (BDS)

Personalised support is then offered to businesses wishing to progress their projects, find partners or establish cooperation partnerships. Interested entrepreneurs are invited in the course of interviews to set out their ideas for development and their ambitions, as well as their assessment of the technical issues and market opportunities. A network of BDS managers that covers the whole of the territory of the TTR-ETAT region and available to entrepreneurs. These meetings enable the project team to assess the cross-border potential of candidates. More than 200 companies have benefited from this type of support since the start of the project.

In this second phase, the BDS managers also developed “technology and market roadmaps” in the cross-border region for several economic sectors in order to identify trends and assess the evolution of the regional economy for the next two, five and ten years. These roadmaps were discussed in roundtable sessions with businesses. This enabled the businesses to develop new ideas and to translate these into concrete project proposals, particularly with a view to the GCS initiative.

↳ Financing tools

Lastly, financial assistance supports the development of projects and the implementation of the SME consortia. Innovation vouchers, with a maximum value equivalent to €5000, are designed to offer rapid assistance to SMEs/universities/research centres in the initial stage of their cross-border activities. The objective is to provide rapid and concrete assistance in accordance with the needs of the cross-border partnerships being set up. In concrete terms, a voucher gives the right to support from a BDS manager or from another structure within the Euregio Meuse-Rhine programme. It can be used to undertake feasibility studies, to search for patents, or for the use of laboratories or testing facilities for prototypes, etc. In total, out of the 31 candidates, 21 were awarded vouchers (eight for high-tech systems, seven for life sciences, five for energy and one for innovative materials), representing an investment of €105,000.



GCS “CROSSBORDER CLUSTER STIMULATION”

The second project, GCS “Cross-border Cluster Stimulation”, is a continuation of the work of the TTC, being also co-financed by the INTERREG programme.

This project consists of an innovation fund, amounting to €4.7 million, which is aimed at cross-border innovation projects between technology sector SMEs.

Grants range from €100,000 to €250,000 per project and are likewise not repayable, provided the beneficiaries have own funds equal to the amount of the grant. Three calls for proposals have been issued and 22 cross-border R&D projects selected, with a total of €13.2 million invested. Selection of the consortia has been made by a group of experts, based on a number of criteria: sector (cutting edge technologies), the innovative nature of the proposal, the market outlook, the international dimension of the businesses’ activities and the proportion of self-financing of the project. Some 80% of the projects co-financed by the GCS innovation fund had been initiated by the TTC project. In addition, many more ideas for innovative cooperation have been generated and launched without European financing.

WHAT PLANS FOR THE FUTURE?

For the 2014-2020 programme period, the partners are working on drawing up a Sustainable Innovation Programme. This programme will focus both on making links between players from research and business (S2B – Science to Business) and on relationships between economic players themselves (B2B – Business to Business). The S2B component aims to develop the transfer of technologies to businesses through a voucher system, a fund inspired by the Sciences Offensive project (Offensive Sciences, financed by the 2007-2013 Upper Rhine programme) and capitalisation activities. The B2B component, for its part, is focused solely on the pre-competitive phase, in order to comply with the regime governing state aid. It will include the creation of an Open Innovation Cluster similar to the TTC project, an Open Innovation Fund similar to the GCS project, and an Open Innovation Loan.

TO WHAT EXTENT CAN THIS GOOD PRACTICE BE ADOPTED IN OTHER CROSS-BORDER TERRITORIES?

Financial support to SMEs is a highly problematic issue for cross-border cooperation programmes, with the extremely strict regulation of state aid (de minimis) greatly reducing the scope for businesses to receive European funds. The TTC and GCS projects nevertheless make it possible to comply with the rules concerning state aid.

These two initiatives also make it possible to better coordinate the sometimes divergent life cycles of businesses and European programmes. Initially intended as a sole project, the partners in the end opted for two projects in order to adapt to the timeframe of innovative projects. The TTC gets involved at the initial research stage, while the GCS supports the realisation and development of new products.

FOR MORE INFORMATION:

<http://www.ttc-innovation.eu/>
<http://www.gcs-innovation.eu/fr-be/gcs-homepage-2.aspx>

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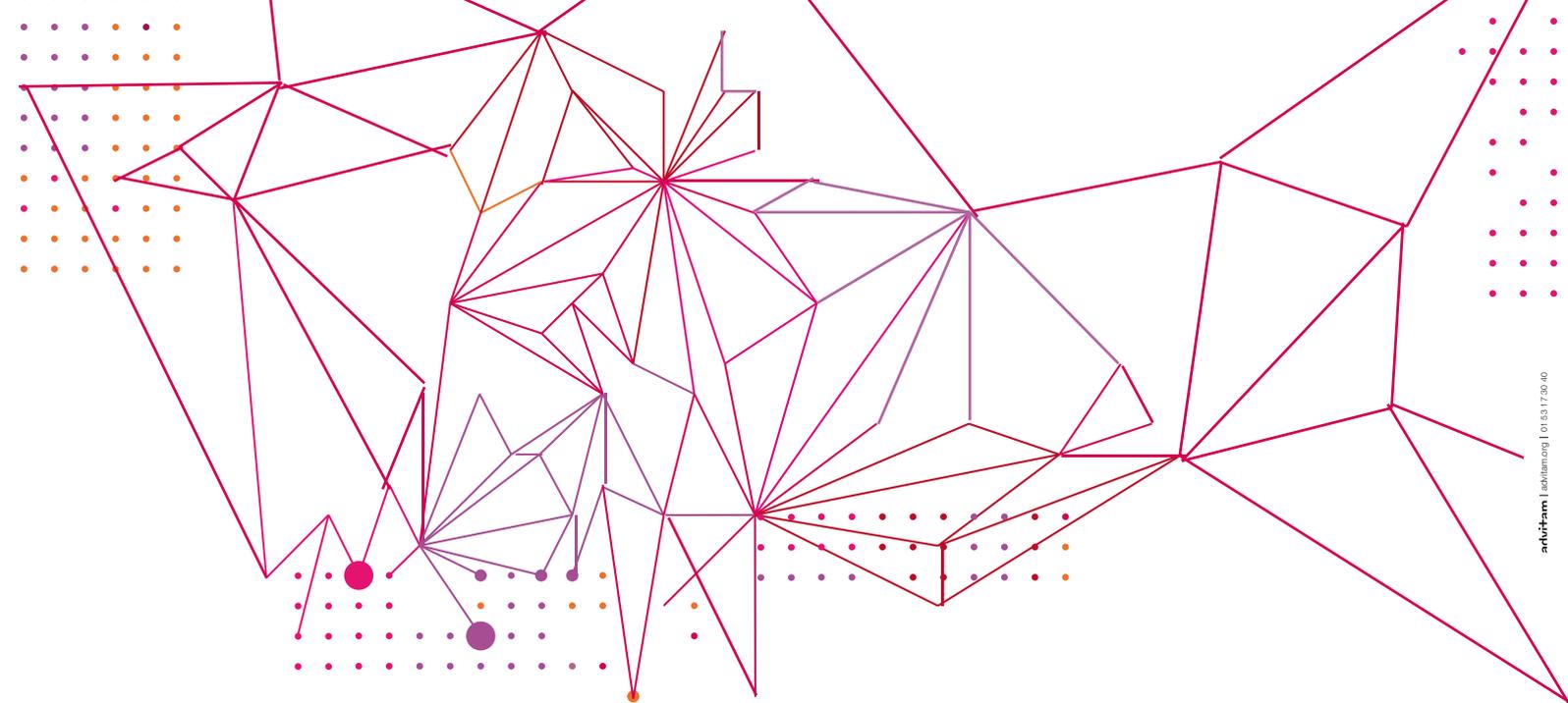
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