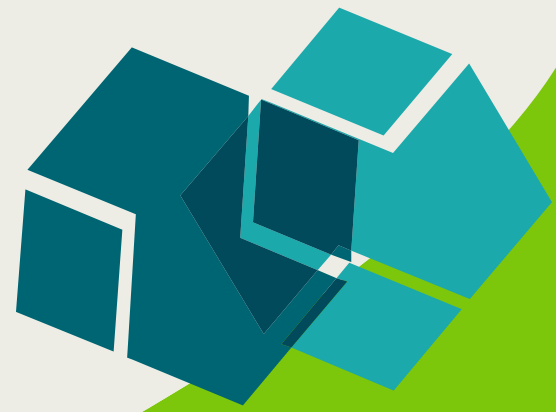




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## **Selected development problems in CEE regions – peripherality of the border regions**

**Maciej Smętkowski\*, Marek W. Kozak\*, Daniela Constantin†,  
Zizi Goschin†**

\*Centre for European Regional and Local Studies (EUROREG), University of Warsaw; †Bucharest University of Economic Studies

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Maciej Smętkowski, [msmetkowski@uw.edu.pl](mailto:msmetkowski@uw.edu.pl)  
Marek W. Kozak, [m.kozak@uw.edu.pl](mailto:m.kozak@uw.edu.pl)  
Centre for European Regional and Local Studies (EUROREG), University of Warsaw  
[www.euroreg.uw.edu.pl](http://www.euroreg.uw.edu.pl)

Daniela Constantin, [dconstan@hotmail.com](mailto:dconstan@hotmail.com)  
Zizi Goschin, [zizi.goschin@csie.ase.ro](mailto:zizi.goschin@csie.ase.ro)  
Bucharest University of Economic Studies  
<http://www.ase.ro/>

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## ***Selected development problems in CEE regions – peripherality of the border regions***

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## Introduction

One of the problems facing CEE regions is that the negative consequences of their peripherality in the economic dimension are compounded by their spatial/geographical peripherality arising from poor transport accessibility. This is particularly acutely felt in the border regions; as a result, they are not active or notable manufacturers or creators of new products, technologies or organisation methods; in addition, they are often underdeveloped as regards the adaptation of innovations developed in the core regions. Furthermore, their location far from the main development centres of their respective countries does not facilitate the diffusion of growth in the form of capital expenditures. In this respect, they have to compete against the developing countries which can offer lower costs of production factors. Instead, they are experiencing a loss of human capital, or brain drain, due to their inability to create jobs that satisfy the expectations of the local graduates. This is an effect of a growing inter-regional competition for the creative class, the pillar of contemporary information economy.

In most border regions, development opportunities are sought in cross-border cooperation, which by definition strives to reduce the negative effects of both economic and geographic peripherality. These opportunities however are strongly determined by the historically embedded position of the neighbouring region, which can be viewed in two dimensions. The first is the cross-border relation, expressed by per capita GDP to the development level of the analysed region, and the second – the position of the neighbouring region relative to the national average. As a result, four situations may be identified, each of which potentially carries dissimilar consequences for the border region under analysis (**Table 1**).

**Table 1. Characteristics of region neighbouring border region under analysis:**

b) Relation to domestic economy	Higher development level	Lower development level
Cross-border relation		
Higher development level	Highly developed region in a wealthier country (e.g. Vienna)	Less developed region in a wealthier country (e.g. Saxony)
Lower development level	Highly developed region in a poorer country (e.g. Sankt Petersburg)	Less developed region in a poorer country (e.g. Lviv Oblast)

*Source: prepared by the authors.*

In the first case, the analysed regions borders on a highly-developed core region in an affluent neighbouring country, a situation which can produce many benefits such as FDI influx or opportunities to find work abroad in different segments of the market. One example here is Vienna in Austria and the neighbouring regions of the Czech Republic and Slovakia. On the other hand, if the neighbouring region is poorly developed relative to the national average owing to the tunnelling effect, a process whereby entities establish cooperation while bypassing the border areas, the benefits may be smaller (cf. e.g. **Raczyk and in. 2012**). In consequence, the neighbouring region is less attractive for the development of economic ties compared to other, better-developed regions in the neighbouring country. Saxony, a federal state in Germany, can serve as an example in comparison to the neighbouring Polish and Czech regions. In turn, being a neighbour of an less developed region in a poorer country may provide an incentive for investing in such a region, especially if the analysed region has a considerable potential capital for such investments, or for acting as an intermediary in trade contacts. The Lviv Oblast in Ukraine and the neighbouring

Podkarpackie Voivodship in Poland are a good example in this case. On the other hand, if the neighbouring region is a core one, this creates opportunities for broader cooperation and development of such activities as e.g. high-end shopping tourism or investments. Examples here include Sankt Petersburg in Russia and Karelia in Finland.

In addition to the two dimensions identified above, CDC development opportunities also depend on the extent to which a given border is permeable. In this regard, the borders of the Central and Eastern European countries which are Member States of the European Union (CEECs) can be divided into three sections (**Figure 1**). The first is the western border with the ‘old’ Member States; it does not pose a barrier to economic interactions and is also fully permeable as part of the Schengen Area. The eastern, external border of the EU is its opposite, and provides a distinct barrier to all kinds of interactions, also due to the current border regime, compounded by the customs barriers. The southern border is a mixed type, due to the differing degrees of integration with the EU, ranging from the neighbourhood between the EU countries of which at least one is not a member of the Schengen Area (Bulgaria, Croatia) to the candidate countries (Macedonia) to countries at an early stage of association (Serbia). It should also be observed that, with Croatia’s EU accession in 2013, the situation at the southern external border has been changed considerably. For this reason, our analyses focused above all on the comparison of the western and eastern borders.

**Table 2. Basic characteristics of border regions by type of border**

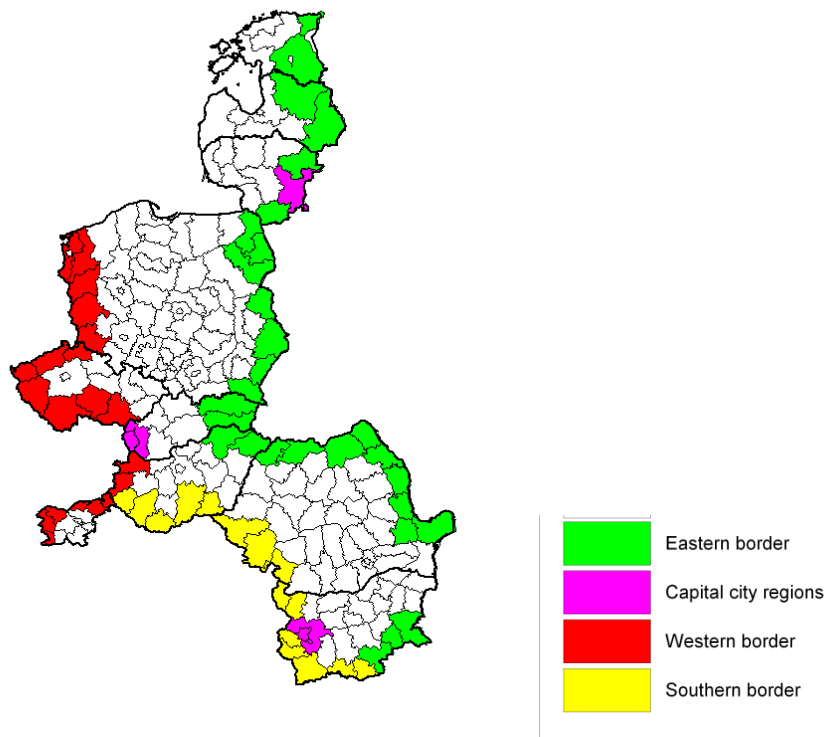
Indicator	‘Western’ border	‘Southern’ border	‘Eastern’ border
Number of NUTS3 units	21	15	29
Surface area (thousand km2)	91.6	81.0	201.0
Population (million) (2010)	8.8	4.4	12.6
GDP in EUR billion (2010)	96.8	25.0	66.2
GDP per capita (EUR)	11,000	5,690	5,240

*Source: prepared by the authors.*

In addition to the above, the capital city regions situated in the direct proximity of the border were excluded from the analysis. These include Bratislava at the western border, Vilnius at the eastern border and Sofia at the southern border. This is due to the fact that, in the case of these regions, metropolisation processes play a more important role in their development, and they are only slightly dependent on their border location. Furthermore, Poland’s and Lithuania’s borders with the Kaliningrad Oblast were not included in the study, due to the specific nature of the latter, a region which is in fact a relatively small Russian exclave.

Such ‘belts’ of the border regions which are made up by the NUTS3 regions situated along the state borders have a clearly different demographic and economic potential (**Table 2**). Demographically, the regions situated at the eastern border are inhabited by 12.6 million residents, as compared to a population of 8.8 million residents in western border regions. On the other hand, the western border is much shorter, and therefore the population density in these border areas is higher - 95 compared to 60 persons per km<sup>2</sup> at the eastern border. By contrast, in terms of GDP per capita the development level of the western regions was more than twice as high as that of the eastern regions.

**Figure 1. Analysed border regions in Central and Eastern Europe**



*Source: prepared by the authors.*

## **1. Development of border regions in three border types**

The regions located along the western border of the macroregion were characterised by a much higher development level than those situated at the eastern and southern borders (**Figure 2a**). By contrast, no considerable differences could be observed in the case of the two latter regions, although the regions lying along the southern border were slightly better off.

However, there was an observable convergence arising from a faster development of the regions located along the eastern border of the macroregion in the period post 2004; earlier they had per capita GDP at a level of 40% GDP of their 'opposite numbers' at the western border (**Figure 2b**). In consequence, they reached a level of 50% in as little as three years, but the 2008 economic crisis put an end to this. The possible reasons for this phenomenon include:

a) In the eastern regions:

- Opportunities for deriving benefits from the EU's Cohesion policy funds, as such funds were primarily earmarked for the poorer eastern regions;
- Greater migratory outflow to the EU-15 countries and, consequently, bigger capital transfers from the emigrants;
- Increased interest in the EU-15 markets on the part of local enterprises following their EU accession,

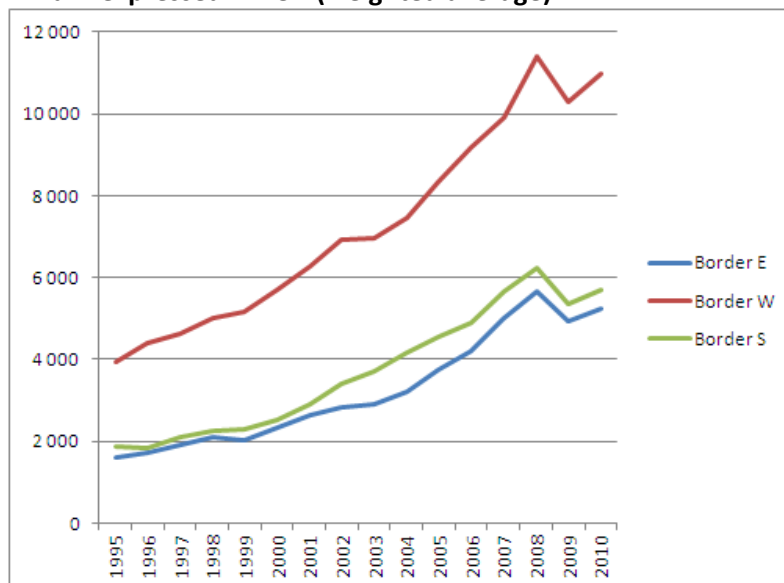
- Better opportunities for promoting cross-border cooperation with the rapidly developing neighbouring countries (including intermediation in trade),

a) In the western regions:

- No significant impact of EU membership due to the earlier-developed linkages with the European Union both in the enterprise sector and as a result of migration of individuals,
- Expanded interest in other regions of the new Member States of enterprises from the EU-15 countries,
- Relatively lesser impact of the EU funds which were available earlier on a greater scale than was the case at the eastern border, also through CBC programmes.

On the other hand, the situation of the border regions regardless of the border section was deteriorating steadily if relativised with the national average (**Figure 2c**). In such an approach, the years 1995-2010 saw the deepest slump in the regions situated along the southern border, from approximately 90% to a level of 70% (unweighted average). Secondly, there was an observable weakness of the eastern regions which recorded a decrease from 80% to 65% of the national average, with the western regions closing the list with a smallest decrease, from 95% to 85%. This proves that the improved situation of the eastern regions in comparison to the western ones, visible in the first approach, was produced by a faster rate of growth of the respective countries, measured in EUR (especially in the Baltic countries, but also Romania and Bulgaria which were closing the gap to the better-developed CEECs) rather than by a particularly high dynamics of growth associated with regional or cross-border factors.

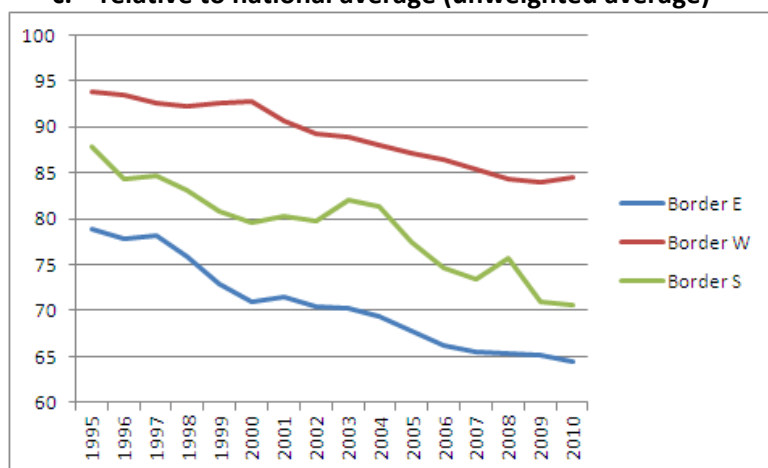
**Figure 2. Dynamics of GDP per capita in the CEE border regions**  
**a. expressed in EUR (weighted average)**



**b. ratio of the development level of regions situated near the eastern border to that in the regions situated near the western and eastern borders**



**c. relative to national average (unweighted average)**



Source: prepared by the authors based on Eurostat data.

## 2. Development of border regions depending on type of neighbourhood

### Quantitative research

In quantitative terms, we set out to determine the role played by the context offered by the border location and resulting from the development level of the neighbouring border region. The analysis was conducted using the two approaches described above, i.e. relating to the development level of the neighbouring region in comparison to the analysed region of the CEE country and relating to the position of the neighbouring region relative to the national average (**Table 3**).

Of the analysed relationships, the correlation between the pace of real GDP growth in 2000-2008 (in %) and per capita GDP in comparison to the regions of the neighbouring country proved statistically significant for the western regions. The positive correlation suggests that the smaller the difference in the development level between the border regions, the faster the growth dynamics of the CEE regions. Nevertheless, this correlation is weak and therefore the interpretation provided above should be treated with caution. Moreover, it is difficult to elucidate the mechanism underlying this phenomenon simply on this basis.

In the case of the eastern regions, the correlation between the rate of economic development in the CEE regions, both in the nominal terms measured in EUR and compared to the national average, and the relative development level of the neighbouring region in comparison to the country at large, proved statistically significant. The problem with interpretation is that these correlations show opposite processes. Whilst the former could indicate that regions which border on the relatively affluent regions of the neighbouring countries develop faster, the latter suggests that the rate of such growth may be nevertheless weaker than that of the whole country. In other words, this means that there can be other, more important factors than a specific type of neighbourhood which have an impact on the development processes of the border regions.

To sum up the attempt to offer a quantitative approach to the development of the border regions, it should be assumed that the situation of the neighbouring region is strongly depends on the local context and does not yield easily to generalisation. This demonstrates that there is a need for qualitative research to show in detail the progress of economic processes and the existing cause-and-effect relationships which are difficult to capture on the basis of statistical analyses.

**Table 3. Development dynamics of the border region in 2000-2008 and the characteristics of the neighbouring region**

Western border (N = 21)			
Dynamics of the CEE border regions	Characteristics of the border region of EU-15		
	GDP per capita in EUR (2008)	GDP per capita (country = 100) (2000)	Change of GDP 2000-2008 in EUR (%)
A) Change of GDP per capita in EUR	0.13	0.02	0.02
B) Real GDP per capita change (%)	<b>0.45</b>	0.25	0.03
C) Relativised change of GDP per capita (country = 100)	<b>0.39</b>	0.26	0.02
Eastern border (N = 29)			
Dynamics of the CEE border regions	Characteristics of the border region in the neighbouring country		
	GDP per capita in EUR (2008)	GDP per capita (country = 100)	Change of GDP 2000-2008 in EUR (%)
A) GDP per capita change (EUR)	-0.04	<b>0.41</b>	no data
B) Real change of GDP per capita (%)	0.02	0.06	no data
C) Relativised change of GDP per capita (country = 100)	0.20	<b>-0.42</b>	no data

\* correlations which are statistically significant at a level of 0.05 are marked in bold

Source: prepared by the authors based on Eurostat data.

### Case studies

The qualitative research, which was mostly based on in-depth interviews with development stakeholders at the subregional level<sup>1</sup>, were conducted in four selected NUTS3 subregions. The selection criteria included low development dynamics of a given region compared to a given country and a different type of border regime (two regions on both the eastern and western borders). This means that we analysed those regions whose economic peripherality increased quickly regardless of

<sup>1</sup> Surveys involving in-depth interviews (IDI) altogether comprised 40 respondents. Field trips, analyses of statistics and other source documents provided additional sources of information.



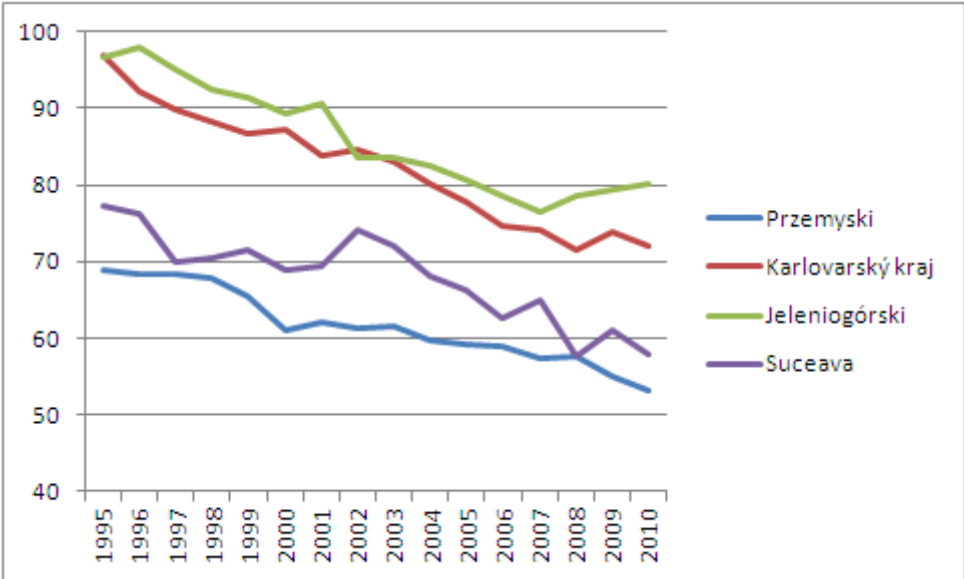
the type of the border. As a result, the regions selected at the western border were the Jeleniogórski (Jelenia Góra) subregion in Poland and Karlovarský kraj (Karlovy Vary subregion) in the Czech Republic, and the Przemyski (Przemyśl) subregion in Poland and the Suceava region in Romania. The regions population ranging from 310,000 in Karlovy Vary, to 397,000 in Przemyśl, 579,000 in Jelenia Góra and 709,000 in the most populous Suceava region. The Polish subregions are not administrative entities, while Karlovy Vary and Suceava regions are administrative units, but with relatively low level of competences and finance. All these as a rule formed parts of larger administrative units at the NUTS2 level. However, these units were established for planning purposes and implementation of EU funded programmes in Czech Republic and Romania.

**Development trajectories**

In the period 1995-2010, the economic development in the analysed regions was distinctly slower than the national average, which was visible in the regions at both western and eastern borders and resulted from a purposeful choice of the regions for our analysis.

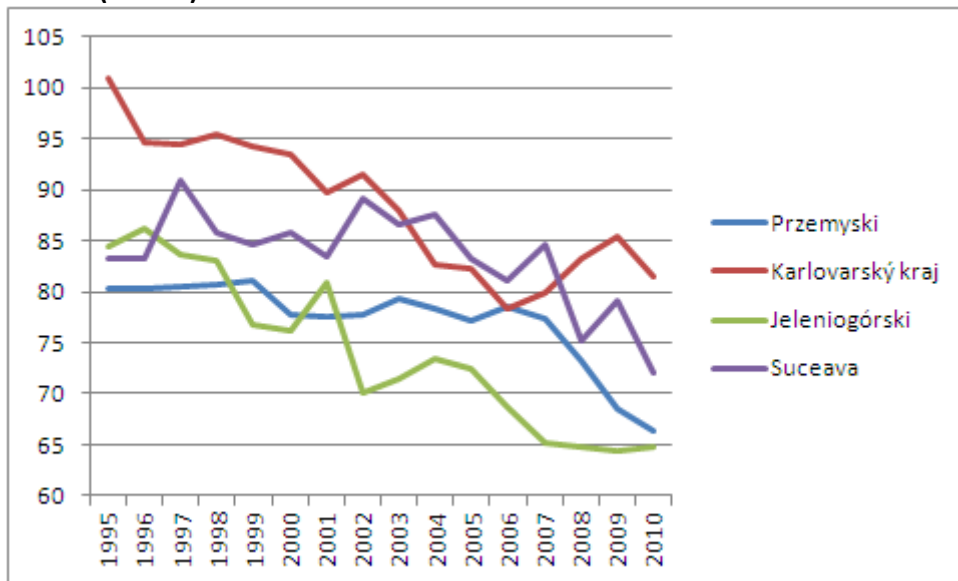
Interestingly however, the study found that the decline in the region’s comparative position was rather poorly correlated with a specific phase of the business cycle, which could signify that this process has been caused by structural factors (**Figure 3**). The situation of the western regions was deteriorating steadily since the mid-1990s, when their per capita GDP was at the national average level, until the recent economic slowdown in Poland and the crisis in the Czech Republic. In the recent period, the Jelenia Góra region has slightly improved its position, whereas the situation of the Karlovy Vary region remained rather stable. No such deceleration in the pace at which they their position was worsening could be observed in the analysed eastern regions. One of the underlying reasons could be the economic slump in Ukraine in the recent years. Nevertheless, before 2008 the pace of this deterioration was slower in the Przemyśl subregion in Poland and quite volatile in the case of Suceava in Romania; as the region temporarily managed to improve its position relative to the national average.

**Figure 3. GDP per capita dynamics in comparison to the national average in 1995-2010**



Source: prepared by the authors based on Eurostat data.

**Figure 4. GDP per capita in the analysed regions as % of GDP per capita of the main regional centres (NUTS2)**



*\* for Przemysł – Rzeszowski NUTS3; for Suceava – Iași NUTS3; for Karlovy Vary – Plzeň NUTS3; for Jelenia Góra – Wrocław MA (NUTS3 the city of Wrocław and the subregion surrounding Wrocław [Wrocławski] NUTS3).*

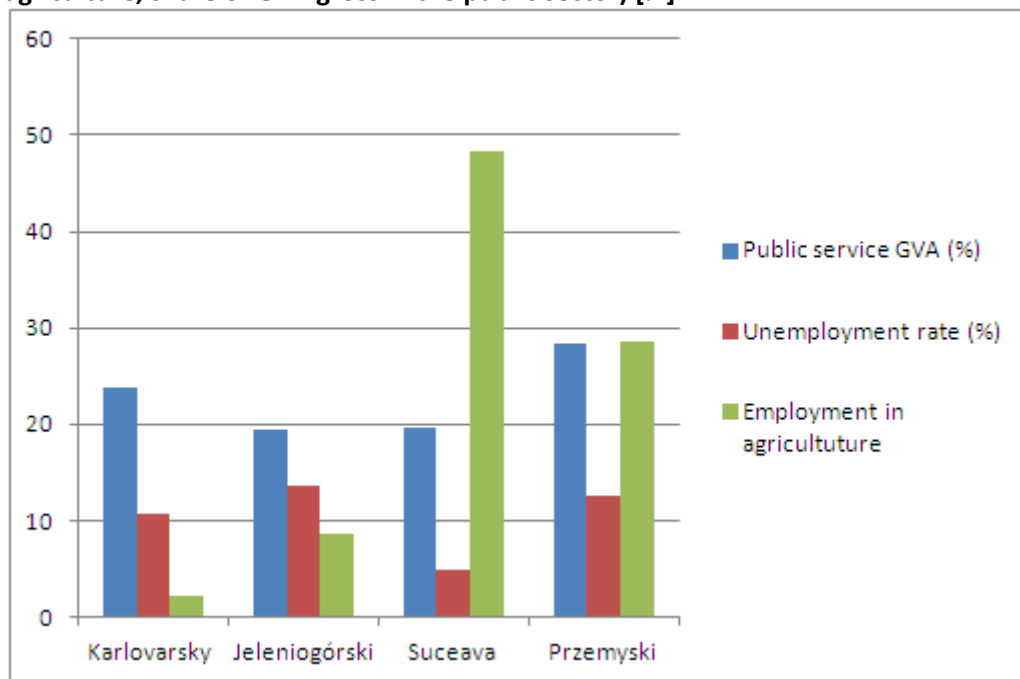
The scale of the decline compared to the main urban centres of the NUTS2 regions (Poland, Romania) or the nearest neighbouring large cities (Czech Republic) was similar to the pace at which the position of the analysed had deteriorated in relation to the country at large (**Figure 4**). This means that while the main regional centres situated in the close proximity to the border have maintained their position relative to the national average, the subregional centres have clearly been losing in significance, although with some observable fluctuations in the process. For instance, whilst this process had been curbed in the western subregions during the recent economic crisis, the eastern regions saw a marked slump, preceded by a period of growth the pace of which was on a par with the national average.

### **Economic restructuring**

An **ineffective use of the labour force** was the basic structural problem of the analysed border regions. This was manifested, first, by high employment in low-productivity sectors, i.e. agriculture (Przemysł and Suceava) and in simple services (including trade and tourism) (Jelenia Góra, Karlovy Vary). Second, it was accompanied by a relatively high unemployment rate with a generally low level of economic activity, despite the observable migratory outflow of working-age residents (**Figure 5**).

The economy in these regions was in effect much more dependent on transfers from the central budget, as demonstrated e.g. by a high **share of public services** (administration, education, health, border services, etc.) in the regional gross value added (GVA). At the same time, the share of public services in the GVA increased moderately, especially in the regions situated along the eastern border (which could partly be a consequence of the more stringent border controls at the eastern border and elimination of border checks at the western border). This could be viewed as proof of an increased role of transfers in the economies of the regions under analysis. These transfers are mainly for social purposes and aim to reduce the disparities in access to public services, and have no visible impact on the dynamics of economic development.

**Figure 5. Selected economic restructuring indicators (unemployment rate, share of employment in agriculture, share of GVA gross in the public sector) [%]**



Source: prepared by the authors based on Eurostat data.

These structural characteristics of the border regions significantly softened the impact of external factors on their growth. Nevertheless, such factors still influenced the situation in the border regions, especially in the areas along the external border, due to the following considerations:

- The business cycle which determined trade across the border, which was particularly well visible at the eastern border (especially in the Przemysł subregion),
- The mode of operation of the external border in the eastern regions, including e.g. the presence of a local border traffic agreement, border regulations, customs tariffs, etc.,
- The scale of public transfers (European and national funds).

This does not mean that no economic restructuring took place in the analysed regions, necessitated by the region's need to adapt to the external conditions and determinants, but that such adaptation was rather slow. In particular, the process involved:

- Development of simple services, also related to the handling of cross-border interactions (wholesale and retail trade, transport and logistics, hotels and restaurants),
- A decreasing share of agriculture in the regional GVA; although the number of subsistence farms was still significant, especially in the eastern regions, which was coupled with a poorly-developed agri-food industry,
- Deindustrialisation (except the Jelenia Góra NUTS in the recent years), associated with pending reorganisation processes of traditional industries.

## Factors of economic development

The role of the **border** location was distinctly different in the eastern than in the western regions. This was largely due to the presence of dissimilar border regimes and the varying levels of affluence of the neighbouring regions at the eastern and western borders (which nevertheless in both cases were less developed compared to the neighbouring countries).

Cross-border trade was particularly significant for the development of the **eastern regions** – Przemysł in particular, but also Suceava, although to a somewhat lesser extent. Above all, this was a consequence of: a) intermediation in cross-border trade flows; b) well-developed market and non-market services associated with handling the border traffic and border crossings operation; c) small-scale border trade, which over the recent years had evolved from spontaneous outdoor market trade, to the construction of supermarkets and expansion of shopping tourism. Nonetheless, other forms of cross-border tourism were rather poorly developed. In parallel, the position of those regions as intermediaries in foreign trade had recently considerably eroded, and their significance vis-à-vis the neighbouring large cities had been weakened. Among other things, this was a consequence of the weakness of local SMEs, which were oriented on earning short term profits (dependent on the circumstances created by customs tariffs and border regulations), rather than on long term cooperation and investments. Moreover, such cooperation was strongly dependent on the economic situation in Ukraine. Labour market problems, manifested by considerable employment in the ‘grey’ economy (including border trade interactions) posed another barrier to development in the eastern regions. In addition, these regions were not attractive for foreign investors owing to their poor transport accessibility and shortage of qualified workforce. The low level of the human capital, coupled with practically non-existent R&D potential, was another, endogenous, barrier to growth. For this reason, only few of the enterprises operating in these regions had a high level of innovation and could compete in supraregional markets.

In the case of the **western regions**, cross-border trade did play a noticeable role but was not as significant as in the eastern regions. Moreover, due to the weakness of the neighbouring East German regions, trade was of greater significance on a supraregional scale because the overall share of exports to Germany was very high in the analysed regions, testifying to the tunnelling effect. In this case, the role of FDIs was greater than in the eastern regions, their impact however was limited to selected local systems, particularly those which were able to offer conducive conditions for their inflow. However, the main sources of capital in this case were as a rule enterprises not from the neighbouring regions but from better-developed regions of Germany. Furthermore, following a period of rapid expansion of outdoor trade and services offered to German visitors in the 1990s, which was particularly well visible in the Jelenia Góra subregion, this type trade was considerably marginalised. In addition, the growing price convergence led to a reversal of these relations, manifested by an increased volume of purchases made in Germany by the citizens of Poland and the Czech Republic. However, cross-border tourism plays a certain role in the development of these regions, although also in this case the number of travels by German visitors has decreased recently. To some extent, they were replaced by Russian tourists (before the sanctions upon the Russia as a result of Ukrainian crisis), a change especially perceptible in Karlovy Vary. Industry still plays an important development role in the western regions, particularly lignite mining and power industry, both representing significant development factors in the Jelenia Góra subregion, while in the Karlovy Vary region the restructuring of these sectors, although under way, has not been completed yet.

Similarly to the eastern regions, the low quality of human capital and brain drain to the main national academic centres or abroad posed a development barrier in the western regions, and this, accompanied by low R&D potential, makes endogenous growth difficult. That said, it can be concluded that the investment activity of some local SMEs and their capacity to establish economic ties with stronger enterprises, also outside of the region, provides the foundation of endogenous growth.

### **Efficiency of local authorities**

In all the analysed border regions, the so-called 'triple helix' connecting the public authorities, the enterprise sector and academia did not operate properly, due to a number of reasons. Firstly, the investigated territorial systems were poorly integrated internally, a consequence of the lack of supra-local authorities at the subregional level, and, on the other hand, in the regional (NUTS2) dimension, the subregions under analysis were characterised by meagre potential compared to the major cities of the administrative/planning regions, and in effect were not prominently included in the regional development and innovation strategies. The strategies at the local level were predominantly concentrated on social goals (social infrastructure and local transport), environmental protection and tourism. It should be noted, however, that in some cases their competencies did not include enterprise development (e.g. Czech Republic). The effectiveness of the local authorities in raising funds for such investments from external sources should be rather highly evaluated, even though greater external funds were expended by the regional centres. This was largely an effect not of the low efficacy of the local authorities but of the better-developed enterprise sector which secured more EU funds to improve its competitiveness, and of the existence of institutions performing regional functions and located in the major cities. On the other hand, the analysed subregions frequently lacked a development vision and adopted strategies aimed to fulfil the needs of the local communities. This coincided with the lack or scarcity of investment sites and no spectacular successes in attracting inwards investors, who looked for both the economic potential but also well-developed sales markets.

### **Role of external intervention**

There can be little doubt that external intervention has played an important part in the development of the local systems. Typically, NUTS2 regions comprising the analysed subregions received relatively more funding for the financing of regional operational programmes (ROP) than was their country's average. In Poland, this was particularly true for the Podkarpackie Voivodship, covered by a special macroregional programme targeted at Eastern Poland. On the other hand, these funds were mostly allocated to the main development centres, especially in the Polish subregions. The investigated regions were also significant beneficiaries of the transport policy pursued at the national level. In all of these regions, the construction of transport routes connecting them with the neighbouring countries was commenced. However, it did not mean the improved accessibility of the region's major cities since this infrastructure was built for transit purposes and not meant to satisfy the local needs, such as e.g. functional integration at the subregional level. In the respondents' opinion, external funds tangibly enhanced the quality of life and improved the condition of the natural environment (mainly through projects regulating water and sewage management and environment-friendly investments in industrial plants). However, the significance of such funds for economic development was not viewed as favourably. If such impact was indicated, it was usually considered as demand-driven, associated with the implementation of investment projects (which was visible especially in

the Przemysł subregion), whereas such initiatives as investment site development or increasing the competitiveness of the local companies were not as successful owing to a considerable dispersion of the funds, usually allocated to low-innovative projects. On the other hand, the funds were expended on activities aimed to enhance the attractiveness of the analysed regions for tourism, either directly or indirectly. It should be noted, however, that the actual potential for tourism seems to be overestimated in the eastern regions, whereas the western regions seem to have a better potential for the development of quality tourism, with an offer addressed to Western European markets, including visitors from Germany (but also from Russia, who make up the bulk of visitors in the case of Karlovy Vary)<sup>2</sup>.

Although the role of external support is considerable, as described above, its relatively smaller impact for the border areas can be explained not only by a more favourable competitive position of the core centres lying far away from the border; it is largely due to a greater propensity of the stakeholders of border region development to rely on the old, industrial paradigm, in which it was the development of the basic technical infrastructure that determined growth, while neglecting 'soft' factors such as knowledge or information society, let alone innovation. It can be inferred, therefore, that each region tries to gain funds for projects considered as those which will foster development, which however can be a fallacious premise in an era of global competition.

## Conclusions

The main conclusion that can be drawn from the case studies of the border regions is that their peripherality – whether spatial, economic or social – has increased even further. This peripherality combines structural backwardness (with a high share of agriculture or other low-productivity sectors in the labour market), resulting in the prevalence of low-paying jobs for people with low qualifications, with poor agglomeration effects due to the absence of larger cities and considerable dispersion of the regional population. In consequence, the position of such regions vis-à-vis major development centres of their respective countries has deteriorated visibly. In addition, the local ideas about development and factors promoting development seem to be less up-to-date, which is coupled by lesser acceptance for innovative approaches to development problems.

At the same time, some tangible differences can be observed between the regions situated at the eastern (external) and western (internal) borders of the CEE macroregion. In the eastern regions, we can notice in particular:

- The key role of the border in socio-economic processes: border trade, with outdoor market trade being replaced by modern shopping centres; market services (transport, logistics, hotels and restaurants) and public services associated with servicing border crossings and servicing border interactions, which creates opportunities for earning additional income by the local residents, but at the same time 'corrupts' the local labour market by the expansion of the grey economy),

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<sup>2</sup> The selection of the market (target recipient) can seriously affect the state of affairs in tourist destinations. Choosing the Russian market visibly reduced the inflow of West European tourists, which apparently has now a negative impact on the situation of the tourist sector in Karlovy Vary. The problem is not only being dependent from one market only, but above all – becoming independent on a market with relatively low expectations concerning quality. And only this can breed progress, enhance the service standards and improve competitive advantages but, regretfully, can hardly be seen in Karlovy Vary, as opposed to resorts elsewhere in Europe.

- The emphasis of the local businesses on gaining short-term profits dependent on the trade with the neighbouring country, coupled with little propensity to pursue long term investment strategies, leading in effect to the relatively low competitiveness of these regions,
- Very low attractiveness for FDIs due to the low quality of the human capital, which also stifles endogenous growth in the conditions of an ineffective educational system (including either weak higher education institutions or lack of any major universities) and very poorly developed R&D sector. The feeble consumer market only aggravates the situation in the investment market.

On the other hand, the characteristic features of the regions along the western border include:

- Smaller role of the border proximity for development processes in comparison to the eastern regions, but with a broader scope of cooperation, which includes cross-border trade, FDIs and market services associated with tourism (incl. shopping tourism), but with a reversed direction of flows (shopping trips from CEECs to Germany even to purchase daily consumer goods (e.g. Russian tourists in Karlovy Vary),
- Varied directions of structural changes, with a greater potential associated with reindustrialisation (Jelenia Góra NUTS 3) rather than tertiarisation (Karlovy Vary NUTS 3),
- Limited yet noticeable attractiveness for foreign investment, usually modest in scale, however involving similar problems associated with endogenous growth as in the eastern regions.

The feature that these regions had in common was the orientation of the local strategies on fulfilling social needs (public services, transport infrastructure), with an emphasis placed on the role of tourism for local development processes (which seems to be overestimated in the eastern regions, whereas the western regions have a bigger potential in that regard). On the other hand, there is no broader vision of development, also in terms of the entire subregions which as a rule are poorly integrated functionally. The same can be said about linkages between various actors involved in development processes, especially the public authorities, enterprises, R&D sector (which is in most cases very poorly developed) and education. All this has an impact on the quality of the local elites and on how strategies and development factors are conceptualised.

The position of the analysed regions in the context of their regional policies varies from region to region and to some extent depends on how independent the border regions are within the national administrative structures. In particular, this is associated with the risk of being marginalised in the regional policies pursued by higher-level administrative units with larger cities (which are more dynamic and competitive, and have better-quality human capital resources). What is a graver problem however, is that the successes of external intervention in the border regions (including the Cohesion policy) are largely limited to an improved quality of life of the local residents, whereas its economic results are modest at best. In addition, the scale of the available funding for the development of CBC is rather small, which is usually reflected in its effects, hardly commensurate with the Cohesion policy.

## Recommendations

The key recommendations addressed to the border regions include making more spirited attempts to become incorporated into globalisation processes, which would require creating favourable conditions for attracting inward investment on the one hand, and on the other – for encouraging the internationalisation of the local enterprises. To this end, it is necessary to upgrade the quality of human capital through increased expenditure and enhanced standards at all levels of the education system. Education and training should also place a greater emphasis on pro-market and strategic behaviours in the conditions of a global economy.

If the above goals are to be attained, the Cohesion policy should undoubtedly become more economy-oriented. Its current, traditional orientation may in the long term produce negative effects such as the need to maintain costly infrastructure while becoming dependent on external aids and the demand effects it creates in the local economy. Worse still, such an orientation reinforces the traditional approaches to how development policy is understood.

As regards CBC programmes, their financial side should be expanded, especially at the external border of the EU; both the budget of the European Neighbourhood Instrument and the national funds engaged in attaining evidence-based development goals set for the border regions. In particular, attempts should be made to integrate and fully coordinate CBC programmes with other public policies, especially the Cohesion policy in the case of the Member States. In addition, similarly to the Cohesion policy, the spectrum of thematic objectives should be limited and the selection of projects should be based on more stringent qualitative criteria. In this context, it is particularly necessary to streamline the operation of the EU's external border, which still poses a serious barrier to the development of cross-border interactions.

## Appendices

1. Report on the Jelenia Góra subregion (Marek Kozak)
2. Report on the Karlovy Vary subregion (Marek Kozak)
3. Report on the Przemyśl subregion (Maciej Smętkowski)
4. Report on the Suceava subregion (Daniela Constantin)

## References

Raczyk A., Dołzbłasz S., Leśniak-Johann M., 2012, *Relacje współpracy i konkurencji na pograniczu polsko-niemieckim*, Wyd. Gaskor, Wrocław