

Developing Sustainable Trans-border Regions: The need for Business Diplomats, Entrepreneurial Politicians and Cultural Ambassadors

Dr Raymond Saner & Dr Lichia Yiu--

Centre for Socio-Eco-Nomic Development, Geneva



*Published in "Social Strategies", (October 2000), Kraus, W. & Trappe, P. (Eds),
Peter Lang Publ.; Berne, Berlin, Bruxelles, Frankfurt, New York, Oxford, Vienna,
Vol. 32, pp 411-428*



ABSTRACT:

The objective of this paper is to focus on one aspect of European regional integration which has been given insufficient attention so far by scholars and policy analysts alike. In particular, the question which this article attempts to answer is how to nurture the development of sustainable trans-border regional cooperation and trans-border integration. The large majority of existing regional studies focus on competitiveness of intra-national regions like Baden-Württemberg (South-Western Germany) or Lombardy (Northern Italy). A few studies focus on trans-border regions like the Upper Rhine Valley or Lake of Constance region but in general little information is available on cross-border investment patterns, cross-border firm ownership and migration flows of people across common borders. Equally absent are suggestions for proactive social roles which could help integration of a cross-border region over time and increase the competitiveness of a transborder region. This paper aims at addressing this missing link in regional studies and proposes social roles which could facilitate deepening of trans-border integration. The social roles proposed are Business Diplomat, Entrepreneurial Politician and Cultural Ambassador. These social roles are proposed as complementary social competencies for businessmen, government official and representatives of social society who play an leading role in trans-border cooperation. The tri-national region of the Upper Rhine Valley region is used to illustrate the potential usefulness of these new concepts. The area in question encompasses neighbouring provinces of Switzerland (Basle), France (Alsace) and Germany (Baden).

1) REGIONAL DEVELOPMENT, SPATIAL ECONOMICS AND COMPETITIVENESS STUDIES

Studying regions requires an interdisciplinary approach consisting of among others micro-economics (competitive firm behaviour, local labour markets), spatial economics (rural and urban planning and architecture), policy analysis (regulatory function of government), urban geography (migration patterns), institutional sociology (administrative culture), social psychology (social cohesion) and cultural anthropology (comparative religion and values).

Regional economics, the precursor of today's spatial economics or economic geography, goes back to the 19th century with major contributions from continental European theorists like

Thünen, Weber, Christaller, Lösch (Richard Arnott, 1996). Some of their studies focused on the causes for variance in regional development in the newly unified Germany at the time of the creation of the German Zollverein (customs union). The main impact of the Zollverein was the creation of new market boundaries offering economies of scale, which previously did not exist in the previous era of multiple German kingdoms and city-states. Some of the German regions thrived with the creation of a larger internal market, others stagnated or decreased in importance. The cause for growth and decline of these German regions was one of the research interests of the above-cited continental spatial economist.

In a similar way, a growing number of today's researchers in the field of regional development focus on the impact of enlarged market boundaries, this time however not within a national context but rather at the level of the global economy. Liberalisation of Trade through continuous tariff reductions has resulted in a broadening of market scope from national to global levels. Within this enlarged context of a liberalising and globalising world economy, some countries have been more successful than others in making use of the new opportunities. However, successful competition in globalised markets is not evenly spread across a nation but is rather concentrated in some of its regions, which have prospered more while others, stagnated or even declined. The quest for understanding why some regions succeed while others fail to meet the challenges of globalisation has led to a renewed interest in regional development theory, spatial economics and economic geography particularly in North-America and Western Europe.

2) PORTER'S NATIONAL COMPETITIVENESS CLUSTER

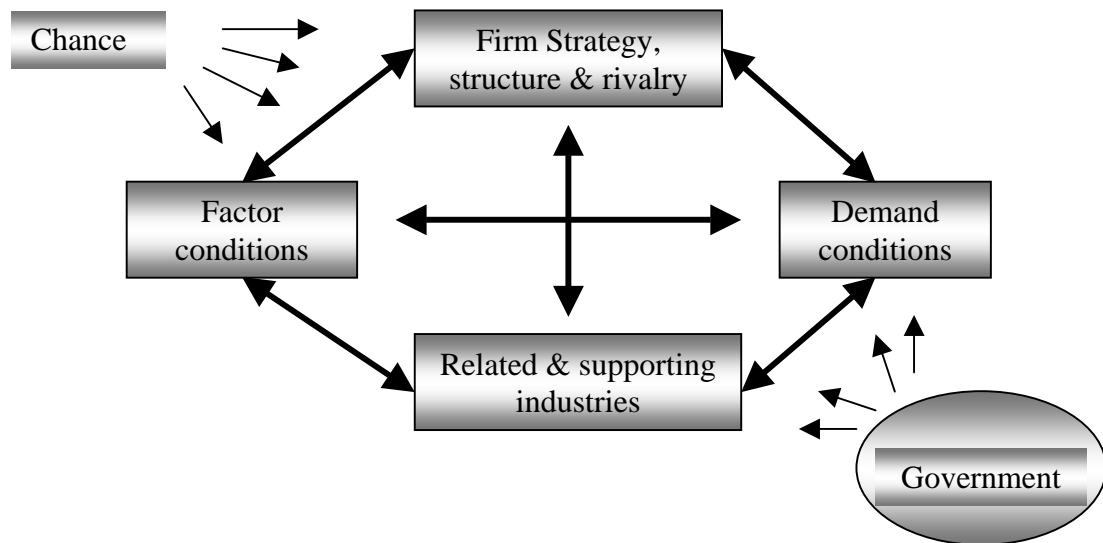
Porter (1990)¹ has conducted an extensive comparative research of ten countries and came up with reasons why some nations succeed in some industries but fail in others. According to Porter, the home base plays a critical role in that firms tend to build up competitive advantage in industries for which the local environment is the most dynamic and challenging. He has conceptualised his findings in his analytical "diamond" frame which consists of a) factor conditions (e.g. labour, capital, land), b) demand conditions, c) dynamism of related and supporting industries and d) firm strategy, structure and rivalry. In addition to the four factors, chance (e.g. inventions, war, etc.) and government also plays an important role in supporting a nation's aim of achieving economic success (see Figure 1 below).

Concretely, a successful region according to Porter's Diamond would show the following features namely:

- a) several competing companies belonging to the same regional key industry or industries,
- b) a large dynamic and sophisticated internal market (Demand conditions)
- c) suppliers specialised in the activities of the regional key industry/industries
- d) qualified and highly qualified manpower specialised in the activities of the regional key industry/industries; educational and research institutes (Factor conditions). (Borner, Porter, Weder, Enright, 1991)

Figure 1: Successful Factors of National Competitiveness (Michael Porter, 1990)





Porter's original concept consisted only of the four diamond conditions. In later publications, Porter added more factors to his diamond model namely 1) chance and 2) government. Concerning the role of government and chance in Porter's model, Oez (1999)² interprets Porter's findings as follows:

"The proper role of the government should be reinforcing the underlying determinants of national advantage rather than trying to create the advantage itself. It is necessary to note that Porter anticipates a more direct but still partial role for the government in the early stage of development of a country since "the tools at its disposal, such as capital, subsidies and temporary protection are most powerful at these stages in a nation's competitive development" (Porter, 1990, p.671).

The role of government, and by extension the mandate and discretionary power of its civil servants, might hence vary according to the level of economic development of each country. Role adjustments are necessary to help a country move up the developmental ladder as for instance has been the case in Singapore since independence in 1985. This in return would imply that a country needs to know how to shift gear so to speak and to change policy and governmental behaviour according to levels of economic development. The question might hence be asked what is the right policy mix for what kind of stage of economic development?

Commenting on the differences between general macro-economic principles pertaining to e.g. the competent application of inflation or monetary policy instruments, Frey (1998) points out that

"Regionale Cluster und funktionsfähige Zentren als Voraussetzung für internationale Wettbewerbsfähigkeit, Umwelt-Natur-und Landschaftsschutz, Verkehr und Energie, Landwirtschaft und Tourismus, Abbau regionaler Disparitäten zwischen Berggebieten und Städten, zwischen Peripherien und Zentren, Raumplanung und Nutzungszonen alle diese Fragestellungen sind mit einem Wirtschaftsverständnis als "wonderland of no dimension" nicht vereinbar" (pp. 177).

² Oezlem Oez, "The Competitive Advantage of Nations: The Case of Turkey", Ashgate, Aldershot-UK, 1999.

There is more to regional competitiveness than the assumed rational economic behaviour of firms and the equally assumed efficient allocation of resources through assumed perfect and transparent market mechanisms as postulated by neo-classical and neo-liberal economic theory. These unsubstantiated claims have been refuted by institutional economics some time ago like Beat Bürgenmeier (1992) whose economic models offer a more interdisciplinary and holistic picture of human behaviour. Regional development consists of different, at times contradictory and conflictual factors of human behaviour which together create a mix which makes regions so uniquely different from each other.

In recent publications, Porter (1998) offers a more holistic explanation of regional competitiveness. Discussing innovation and sustainable competitive advantage of firms, he states:

"... While some knowledge is embedded in materials, components, products and machinery, other knowledge is embedded in human capital, part of which is tacit (pp 447).

Expanding on some aspects of his previous work Porter (1990) further suggests that,

"(Furthermore), clusters are characterised by a specific set of tangible (firms, infrastructure), intangible (knowledge, know-how) and institutional (authorities, legal framework) elements. These elements make up a complex web of relations that tie firms, customers, research institutions, schools and local authorities to each other. The interaction between economic, sociocultural, political and institutional actors in a given location triggers learning and enhances the ability of actors to modify their behavior and find new solutions in response to competitive changes". (pp 443).

With this more complete multifactor and multidisciplinary point of view, Porter joins the existing school of institutional economists and sociologists and political scientists who have been studying the non-economic factors of regional competitiveness for quite some time and who see e.g. the emergence of new industries from the framework of a social system (Van de Ven, 1989), and from the perspective of social capital theory (Hollingsworth, 1997).

3) APPLICATION OF PORTER'S MODEL TO REGIONAL COMPETITIVENESS

Summarising the results of a cross-regional survey covering 20 regions in Europe and North America, Koellreuter (1997)³ identified 50 factors, which have an influence on a region's economic advantage. The most decisive factors are listed below (table 1):

³ Christoph Koellreuter, "Increasing Globalisation: Challenge for the European Regions", BAK International Benchmark Report, 1997, Basle.

Table 1: Factors with the most decisive influence on comparative advantages of a region with a future

| Ranking | Factors |
|----------------|--|
| 1 | Availability of highly skilled labour |
| 2 | Price/performance of highly skilled labour |
| 3 | Permits (legislation, processing) |
| 4 | Corporate tax system |
| 5 | Price/performance of skilled labour |
| 6 | Availability of skilled labour |
| 7 | Work permits of transnational labour |
| 8 | Telecommunication |
| 9 | Quality of life |
| 10 | Access to EEA (EU) market |
| 10 | Working Hours |
| 11 | Predictability of the politico-legal environment |
| . | |
| 24 | Energy supply |
| 25 | Price/performance of unskilled labour |

Many of the factors listed in Koellreuter's chart fall into the sphere of responsibility of the respective regional government (development of highly skilled labour force, efficient tax system and issuing of permits etc.). Creating the right mix of efficient economic factor conditions, effective (consistent and predictable) regulatory framework, transparent and efficient administrative services, and high quality social and cultural institutions and services all combined obviously constitutes the right ingredients for a truly competitive region.

The chart is even more significant in light of globalisation. Foreign companies investing in other regions of the world make investment decisions based on most of the factors listed in table 2. In other words, the ability of the respective government to design and sustain an appropriate policy environment is crucial. Equally crucial is the ability of the respective civil servants to apply the rules in a transparent, non-discriminatory manner to local as well as foreign investors. All this results in an increase of challenges to a region's government and civil servants who have to honour the by now increasingly global requirements of good government meaning transparency, accessibility, non-discrimination, customer orientation and predictability. Without these requirements, foreign direct investment will go to more promising pastures and local investors might "vote with their feet" and invest elsewhere

4) APPLYING THE ANALYSIS OF COMPETITIVENESS TO TRANSBORDER REGIONAL DEVELOPMENT.

From a perspective of European integration, it would be useful to add to the existing literature on competitiveness of national regions a new focus on the specificities of trans-border regional competitiveness. Since existing insights on competitiveness of national regions are mostly nation specific, they are not directly transferable to the complexities of trans-border cooperation and integration in the larger EU context. Hence, the discussion on competitiveness needs to be broadened in order to tackle the inter-cultural aspects of trans-border regional integration.

However, an analysis on transborder competitiveness can at best be based on a descriptive and theoretical discussion of specific case examples since data covering trans-border regional cooperation are either scarce, incomplete or not existent at all. The most useful comparative source of information on regional comparative data covering most of Europe and North America is the International Benchmark Report (1998) published by the BAK research group in Basle⁴.

However, the majority of BAK's very useful and detailed data concerns national regions. The few available sources of information concerning trans-border regions (e.g. Upper Rhine Valley) are not yet complete due to difficulties in aggregating different national statistical data. In addition, an application of Porter's diamond concept as a means to assess competitiveness of a given European trans-border region is not possible at present due to the fact that key data are not yet available such as trans-border investment flows, cross-border joint ventures and ownership patterns or comparative cross-border migration flows.

5) CASE EXAMPLE OF A TRANS-BORDER REGION: UPPER RHINE VALLEY

In the absence of satisfactory data, a descriptive analysis of a concrete example of a trans-border region will be used to describe and discuss some of the challenges which local businessmen, government officials and social society representatives have to face when they attempt to create trans-border competitiveness. The case in point is the Upper Rhine Valley region consisting of adjacent sub-regions from Switzerland (Province of Basle), France (Province of Alsace) and Germany (Province of Baden).

Transborder cooperation in the Upper Rhine Valley has been in existence for centuries and movement of goods and people across the three borders were very common practice dating back to the late middle Ages. In addition, parts of this transborder region have been politically connected in the past and economic exchanges have only been restricted during the last two World Wars when the German and French provinces were drawn into war which opposed France and Germany and left Switzerland in an isolated position of neutrality. . Today, the transborder cooperation has been formalised within the framework of a tri-national convention and organisation called Conférence du Rhin Supérieur (CRS) which was established in 1975 by the respective three country governments (France, Germany, Switzerland).

The territorial dimension of the CRS is 18,951 Km² whereby 49% are French (Alsace), 48% German (Baden) and 3% Swiss (Basle). The total population in 1997 amounted to 4,848,000 million people who live and work in one of Europe's most densely populated territorial regions. The estimated per capita GNP was 23,000 ECU in 1994 (17,000 ECU for Alsace province, 39,000 ECU for Basle province, and 22,000 ECU for province of Baden)⁵. The CRS trans-

⁴ International Benchmark Report, Nr. 1/1998, BAK Basel Economics Ltd, Basle, Switzerland; info@ibc-bak.com

⁵ Lire et construire l'espace du Rhin supérieur, Atlas transfrontalier pour aménager un territoire commun, 9/pub/IAfEF2.doc

border region has three main universities (Basle, Freiburg, Strasbourg), several world-known multinational companies (like Novartis, Hofmann-LaRoche, UBS Bank, Schlumberger SA) and houses the seat of the Council of Europe and the EU Parliament (Strasbourg). Many inhabitants of the transborder region speak or understand Allemanisch, a German dialect spoken around the Upper Rhine Valley region. However, due to mandatory and exclusive use of French in the Alsatian province, French has become the preferred language of many Alsacians living in larger urban agglomerations like Strasbourg, Mulhouse or Colmar. Also, in regard to the official language to be used for legal, political and contractual transactions, French and German are the two official and mandatory languages.

5) COMPLEXITY OF CROSS BORDER COOPERATION : EXAMPLE OF TRANSBORDER COOPERATION OF ENTERPRISES IN THE UPPER RHINE VALLEY

Cross-border regional cooperation between companies, governments and social society requires the management of more interfaces than is the case within national regions. To take the example of small enterprises one country conducting business across the two borders, would imply managing multiple interfaces namely dealing with three national administrations (e.g. concerning business licences), three national labour markets (e.g. recruitment of employees) and three national markets (e.g. potential buyers-sellers) (see figure 2).

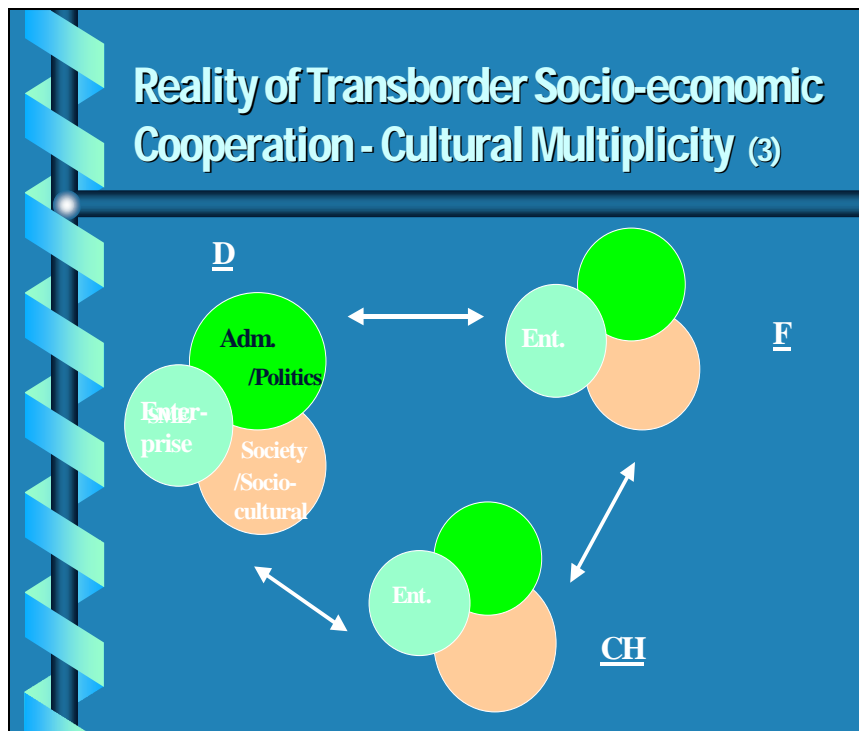


Figure 1: Reality of Trans-Border Cooperation for local enterprises

Taking this example further and imagining a Basle based enterprise conducting business in Alsace/France and Baden/Germany, the complexity of interfaces would include dealing with German and French national and provincial administrations (e.g. in order to obtain business

licenses), German and French national and provincial labour organisations (e.g. in order to employ people), French and German local and sometimes national associations (e.g. in order to become member of a professional organisation, religious group or neighbourhood organisations etc.). This complexity of multiple interfaces would further increase with a change of personal residence or the opening of companies on the other side of the national borders.

In addition, the hypothetical Swiss entrepreneur domiciled in Basle would also have to interface with Swiss administration officials (e.g. concerning customs declarations for goods exported or imported into Swiss territory), provincial and national authorities (e.g. federal, cantonal and municipal tax declarations and payments). The interfaces are multiple and to each cross-border interface one has to add the inevitable difficulties which would arise due to difference in national laws, administrative practices, local values and customs including the mandatory use of the French language if business or administrative transactions involve official exchanges between Alsace and Basle. Figure 2 below visualises some of these interfaces mentioned above.

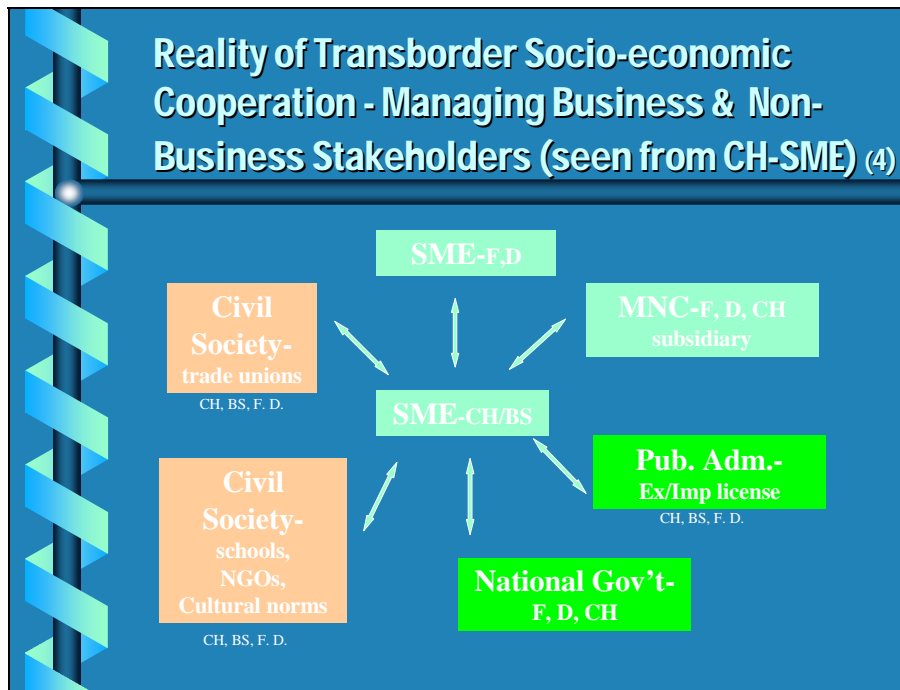


Figure 2: Reality of Trans-Border Socio-Economic Cooperation - Managing Business and Non-Business Stakeholders

The difficulties encountered by this hypothetical Basle entrepreneur illustrate the current limitations to the creation of competitiveness within the CRS transborder region. Transaction costs remain high, administrative obstacles substantial and the influence of the respective three national governments cannot be ignored despite all the official pronouncements of pan-European integration.

Realising the limits of existing cooperation mechanisms, different think tanks have come up with suggestions how the CRS transborder region could deepen cooperation mechanisms by creating

common physical and social infrastructures and by further increasing the existing, albeit still light weight, cooperation in areas such as education, joint marketing, joint-venturing etc. :⁶

Taking into account the existing competitiveness in all three sub-regions in regard to financial resources, highly educated and skilled work force and established cultural affinities, such efforts should succeed provided the people involved in these cross-border development actions are cultural and professional boundary spanners who can be at home in different professional and cultural milieus.

The need for cultural boundary spanners becomes clear when one considers the actions which have been proposed to create a CRS Technology Valley. What follows are excerpts of the economic initiatives, which have been proposed by CRS planners. In specific, six of the 22 proposal are listed below. The six initiatives have been grouped into three categories according to the assumed competencies required of the experts who might be selected to implement some of them in the near futures.

6) LEADERSHIP REQUIREMENTS TO DEVELOP TRANS-BORDER REGIONAL COMPETITIVENESS.

As long as the three borders with their separate legal and administrative realities exist it will be difficult to see full economic integration. However, the CRS region offers one of the best qualified pool of well-trained and educated human resources, world class research institutes and successful SMEs and large companies. In order to achieve such a goal, detailed proposals have been tabled to strengthen economic integration across the three national borders in order to create a Technology Valley within the CRS trans-border region.

A sample of proposed actions are listed below and assumed competencies for the implementation of these projects are listed next to the cited initiatives. The competencies are further grouped according to social roles which best characterise the necessary abilities which are required in order to bring these projects to successful fruition namely a) Business Diplomat, b) Entrepreneurial Politician and c) Cultural Ambassador.

| Proposed Trans-border Initiatives | Assumed competencies required of experts |
|---|--|
| A. | Business diplomats ⁷ |
| 1) Promouvoir des circuits économiques régionaux 2) Développer des réseaux intercommunaux d'alimentation en énergie et de services de télécommunication (groupements de communes en tant que "partenaires de marché" 3) Mettre l'accent sur des formation trinationales | Ability to develop and discuss business plans with business partners and non-business stakeholders (e.g. communes, schools, associations), understanding different national laws and practices governing employment, creation of companies and foundations, being familiar with different national management and leadership styles dominant in French, German and Swiss businesses. |
| B. | Entrepreneurial Politicians ⁸ |

⁶ Citation Nr. 6, pp149-150.

⁷ For more information on the role of business diplomat and its implication for regional and global business, please consult the following article: R. Saner, L. Yiu, M.Sondegaard; "Business Diplomacy management: A core competency for global companies", Academy of Mangement Executive, Vol. 14, Nr.1, Feb. 2000.

⁸ For more information on Entrepreneurial Politician and Administrator, please consult the following article: R. Saner, "Globalisation and its impact on Leadership Qualifications in Public Administration"; Asian Journal of
9/pub/1A1EF2.doc

| | |
|---|--|
| <p>4) Mettre en place des structures et associations juridiques et financières intercommunales pour mieux répondre aux attentes des entreprises</p> <p>5) Instaurer la coordination et/ou spécialisation de sites lors de la localisations et l’attribution des fontions métropolitaines dans le Rhin supérieur. (Une métropole trinatioonale décentralisée).</p> <p>6) Instaurer une collaboration entre les organismes de formation, de recherche et les entreprises.</p> | <p>Ability to initiate projects spanning German,Swiss and French legal and administrative laws, creating efficient cross-border administrative procedures, involving private and public sector actors to create new ventures, knowing how to mobilise financing for cross-border physical and social infrastructure projects</p> |
| <p>C.</p> | <p>Cultural Ambassadors⁹</p> |
| <p>7) Développer le projet des “itinéraires culturels”</p> <p>8) Créer une offre commune du secteur tourisme</p> <p>9) Développer une formation administrative adaptées à la gestion de territoires transfrontaliers</p> | <p>Ability to appreciate German, French and Swiss contemporary and classical art and culture, creating cultural events offering participation and benefits to existing cultural institutions of all three sub-regions, understanding processes of budgeting and approval of new initiatives in the domain of culture and tourism in all three sub-regions and respective national governments.</p> |

The three roles suggested above should be seen as competencies which would complement the expertise of the three traditional actors who are needed in order to create trans-border competitiveness namely entrepreneurs, government officials and politicians and representatives of civil society and cultural institutions. Together, they can form the necessary team which could ensure the development of tans-border competitiveness in the CRS region.

Figure 3 highlights the complementary social roles as discussed above:

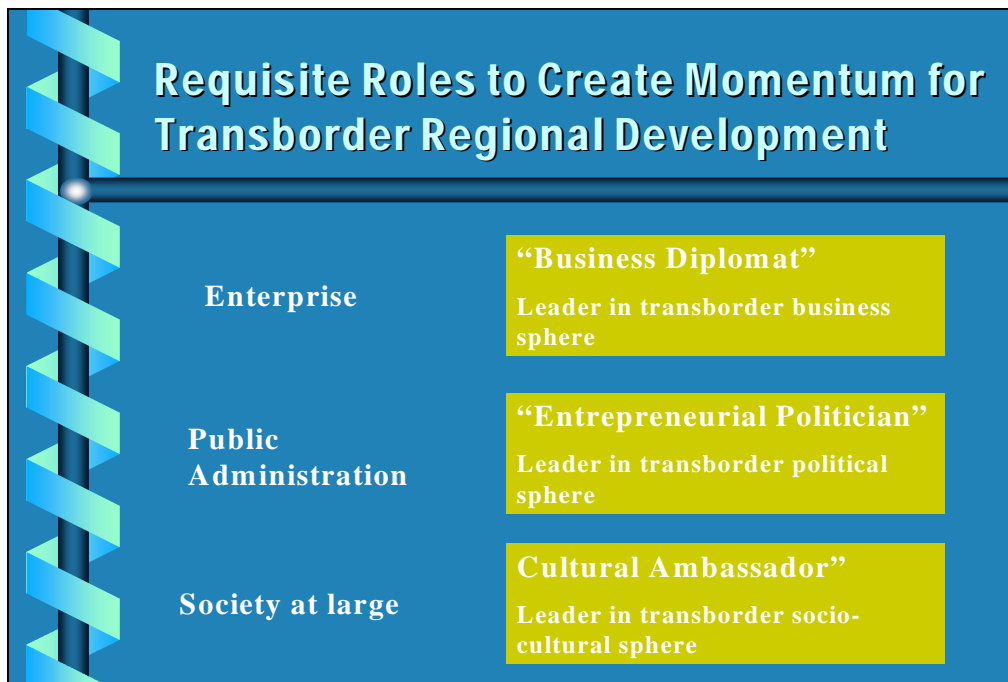


Figure 3: The Trans-border social roles and corresponding linkages to main domain of activities and constituencies

6) CONCLUSION

Creating competitiveness for trans-border regions requires different inputs and personal competencies than is the case for regional development at national level. This is partially due to the fact that the number of cross-border interfaces is greater and partially because specific competencies are needed to manage these inter-cultural (administrative, entrepreneurial, individual) interfaces¹⁰. It would include for instance:

- ◆ foreign language proficiency (e.g. French & German for CRS region)
- ◆ "global-regional" mindset and a natural curiosity which enables the trans-border actor to remain open for continuous learning
- ◆ basic knowledge regarding administrative law and regulations of all three member countries
- ◆ basic knowledge regarding policy making procedures and framework in all three member countries
- ◆ cross-culturally effective negotiation and communication skills

¹⁰ For more information regarding differences between French and German organisational practices, please consult: Markus Gmür, Aina Rakotobarison, "Organisationslehre in Deutschland und Frankreich", Organisations Wissen Nr. 5, Schweiz. Gesellschaft für Organisation, Glattbrugg, 1997.

- ◆ skills in leading and working with temporary and project task teams from one, two or all three member countries
- ◆ networking skills suitable for different cultural context.

The goal of this article was to highlight the difference in creating competitiveness for trans-border regions in comparison to national regions. Successful trans-border competitiveness requires an expanding role repertoire of the entrepreneurs, politicians and community leaders who play a leading role in the respective trans-border region. Future research will help identify differences in achieving competitiveness in different trans-border regions of Europe. It is further assumed that knowing more about how to create trans-border competitiveness will further strengthen European competitiveness and strengthen the process of European integration.



Bibliography,

Arnott, Richard; (ed.), Part I, "Regional and Urban Economics", pp xii-xiv, Harwood Academic Publ. Amsterdam, 1996.

Borner, S; Porter, M.; Weder, B.; Enright, M.; Internationale Wettbewerbsvorteile: Ein strategisches Konzept für die Schweiz. Frankfurt, Zürich, Campus Verlag, S. 62. Cited in Koellreuter, Ch. (1997)

Bürgenmeier, Beat; "Socio-Economics: An Interdisciplinary Approach, Ethics, Institutions and Markets", Kluwer Academic Publishers, Dordrecht, 1992.

Frey, René L. ; "Räumliche Ökonomie", pp. 171-102. in Brunetti, A; Kugler, P; Schaltegger, St.; Hollingsworth, J.Rogers, Boyer, Robert; "Contemporary Capitalism: The Embeddeness of Institutions", NY, Cambridge University Press. 1997.

Koellreuter, Christophe; Increasing Globalisation: Challenge for the European Regions., Basler Schriften zur Europäischen Integration, Nr. 26, pp 16-27, Europa Institut, Universität Basel. 1997.

Porter, M.; Sölvell, O., "The Role of Geography in the Process of Innovation and the Sustainable Competitive Advantage of Firms", pp.440-457, in Chandler, A.; Hagström, Sölvell,O, (editors), The Dynamic Firm: The Role of Technology, Strategy, Organization and Regions", Oxford University Press, Oxford, 1998.

Van de Ven, A.; Garud, R.; "A Framework for Understanding the Emergence of new Industries", Research on Technological Innovation, Management and Policy, Vol. 4, pp 195-225, JAI Press, Michigan, 1989.

Weder, B.; Economics today, Verlag Neue Zürcher Zeitung, Zürich, 1998.