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**"LIVING AT THE BORDER - OPPORTUNITY OR OBSTACLE
FOR ECONOMIC DEVELOPMENT?"**

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**Transborder Cooperation: How to Bridge Across
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Living at the border: Opportunity or obstacle for economic development?

Dr. R. Füeg

History

The city of Basel was founded on the banks of the Rhine River, at the boundaries of the Roman Empire. From the beginning, it has been a city situated at both the border of a political entity and the crossroads of European traffic. One of the main reasons for Basel's development in ancient times was its bridge, the only bridge over the Rhine for hundreds of kilometres.

Because of its location, and the fact that at the end of the Roman empire the Germanic tribe of the Alemanni settled on both sides of the Rhine, Basel developed as any other city without the hindrance of close borders. Economic relations with neighbouring Freiburg and Strasbourg, at that time, were much closer than with countries south of the Jura mountains, which were harder to reach. From the fifteenth century on, the University of Basel attracted scholars and scientists from throughout Germany, France and Holland. Up to the 14th century, Basel's soldiers often fought on the "wrong side" in conflicts between the Swiss and the German Empire, dominated as it was then by the Habsburgs.

In 1501 a crucial decision was made: Basel joined the Swiss Confederation as one of its last members. The growing importance of Gotthard traffic as well as the military prowess of the Swiss, witnessed by Basel's population during the 1544 battle of St. James against overwhelming French forces, were important factors for this decision. Other considerations included the unwillingness to be integrated in the more centralized empires of the French or the Habsburgs.

The decision to join the Swiss Confederation by no means meant that economic links with other cities on the Rhine were severed or even loosened. It is remarkable that when Basel became part of the Swiss Confederation, it was at the same time a member of the

„Rappenmünzbund“, a working example of a Monetary Union of cities on the Rhine, which was established with much fewer problems than today's version, and it lasted nearly 200 years.

Growing nationalistic tendencies in Europe led to slow development of Basel's relations with the rest of Switzerland. Up to World War One, the borders between Basel, Alsace and southern Germany were fairly open. The city owed much of its population growth in the 19th century to immigrants from southern Germany; a significant part of the domestic help and of the agricultural products sold in Basel came from neighbouring Alsace. The first Basel railway station was the terminus for the line Basel-Strasbourg, and up to the 1970's you could still find - in the middle of Basel - a street sign indicating "Switzerland".

The "Wiesental", a valley belonging to Baden-Württemberg just across the border, was mainly developed by Swiss firms establishing subsidiaries. Even today, the saying goes that when the Chamber of Commerce of the neighbouring German region of "Hochrhein-Bodensee" meets, it is about 80 % Swiss capital sitting around the table.

World War One and the following decades, and especially World War II, changed things radically. Suddenly, Basel was cut off from its "Hinterland" for years and had to rely more and more on its relations with the rest of Switzerland. In those years the migration to Basel mainly was from other Swiss cantons. Later, immigrants came from Italy and Spain, and today they come from all over the world, with heavy emphasis on former Yugoslavia and Turkey as well as other regions of central Europe.

In the sixties several people from the Basel Area felt it necessary to revive connections with their neighbours in Germany and Alsace. The dream of a "Regio Basiliensis" was at the same time nostalgic and forward-reaching, narrow-minded and cosmopolitan. For almost twenty years, the Regio Basiliensis was one of the few associations in Europe fighting for better cross-border relations and advocating projects that later were to be implemented on a much larger scale in the Single Market and in the concept of the Europe of Regions. Much of that energy

was stimulated by the "No" to a reunion with the canton of Basel-Country, which seceded from Basel in 1833 after a short civil war, an event that even today has not fully disappeared from people's minds and attitudes in the Basel area.

It was therefore not surprising that the two cantons of Basel-Town and Basel-Country voted for the integration of Switzerland in the Common Market in 1992, together with the French speaking part, and against the majority of the rest of Switzerland. For Basel the EEA would have restored economic conditions it enjoyed for centuries when dealing with its neighbours in the North and West.

Economic transborder Relations in the Basel Area

How did these political influences affect economic development of the Basel Area? How is the situation today?

First, the Basel area's economic development has always had transborder elements. The textile industry, forming the core of economic development in the last century, and the chemical industry, which led to the pharmaceutical industry and the more than average position of Basel in Switzerland's economy, both came from French sources. The base of the forwarding business has always been Basel's geographic situation and its easy access to markets in Germany and France. The banking industry in Basel still relies heavily on customers from the other side of the border.

Northwestern Switzerland's economy is highly export-oriented. More than 25 % of the regional income is generated by exports, the main markets being the EC (particularly Germany). More than 15 % of the labour force daily crosses the border between Germany or France and Switzerland to work in the Basel area. But the flow of workers in the other direction is virtually nonexistent due to the different structure of the economy and the

discriminating rules of the EC against Swiss workers. Interestingly, the exchange of workers between the Basel area and the rest of Switzerland is eight times smaller than with Germany or Alsace!

But cross-border cooperation between firms, and penetration of markets take place on a much smaller scale. For years local markets in all three parts of the Upper Rhine Valley have been successfully barred not only against foreigners, but in the case of Basel-City, even against its neighbours in Basel-Country. Changes in Europe brought by the Single Market have -- despite Switzerland's NO to economic integration -- led to a process of gradual improvement in relations among the cantons of Basel, Baden-Württemberg and other Swiss cantons. Treaties have been concluded to open up the local markets on the basis of reciprocity. Due to differences in the cost structure and different norms, the degree of market penetration is still small, but it is growing.

The location of subsidiaries and certain operations of firms across the border is a different story. In the Basel area we mainly have a one-way-road, with many and sometimes large Swiss firms establishing subsidiaries in Alsace or Southern Germany, but virtually no firms from Alsace or Southern Germany investing in Basel, with the exception of wholesalers. The large chemical-pharmaceutical companies of Basel established production sites and subsidiaries in Germany and Alsace early in the century, and many medium sized firms have followed their lead in the last ten to twenty years.

The third economic link between Northwestern Switzerland, Alsace and Southern Germany is rather one-way as well. Up to ten percent of the income generated in Northwestern Switzerland is spent on the other side of the border. The main reason is the difference in price, largely for agricultural products, meat and certain services (e.g. car repairs). Because Basel is a regional centre for the whole Upper Rhine Valley, a certain amount of spending for high quality goods (clothes, electronics, etc.) occurs in the other direction, but the overall effect is rather lopsided.

Transborder cooperation between representatives of the economy is fairly advanced. The six Chambers of Commerce of the Upper Rhine Valley are joined in a tri-national association which meets regularly to discuss specific issues and to improve transborder relations. Annually, they organize a "Tri-national Industry Cooperation Meeting" where up to 200 companies of the three regions exchange offers and requests for cooperation or subcontracting. In 1995 a prize endowed with 3000 ECUs was established to encourage students to deal with transborder subjects in their theses. The tri-national association lobbies in Bern, Bonn and Paris for common infrastructure projects, like the interconnection of high speed trains in Basel or improvement of inland waterways.

One of the most peculiar infrastructure projects of the region should not be forgotten: Basel and the neighbouring French city of Mulhouse share Europe's only truly international airport, the EuroAirport Basel-Mulhouse-Freiburg, home-base of Crossair. The airport, developed through a treaty between Switzerland and France, is jointly operated. And a proposal to include Baden-Württemberg as a third partner is being discussed.

Cultural and political transborder relations

"The economy is not everything, but everything comes to nothing without the economy": cross-border relationships in the Basel area are, of course, much wider than economic links. Nearly 10% of students at the University of Basel are German. Treaties between Baden-Württemberg and Basel-Country regulate access to hospitals. The Basel Fasnacht draws thousands of participants from Alsace and Southern Germany, and residents of Northwest Switzerland enjoy meals in Alsace as well as the natives.

The University of Basel has formed a close cooperation with the other universities in the Upper Rhine Valley. A program called EUCOR guarantees free access for students of member universities to courses in other universities; and several courses have been jointly held.

Political cooperation between partners was organized in the seventies by the "Upper Rhine Council". Executive bodies of different parties are incorporated, and common projects are discussed and decided. But projects are implemented at the discretion of individual partners, as the Council has neither authority nor its own finances. Cooperation is often cumbersome due to the different political and administrative systems in Germany, Switzerland and France. But despite the problems, cooperation is proceeding. The recently-established Regional-Council for the area between Basel, Mulhouse and Freiburg operates on a voluntary basis as well and also has no financial resources.

The « Treaty of of Karlsruhe » grew out of the cooperation and cooperative difficulties among communities in Germany, France, Switzerland and Luxembourg. It deals with issues encountered by the communities and various institutions. The treaty, for example, enables French and German cities to establish joint-ventures across the border. On the Swiss side, cantons already had the constitutional right to conclude treaties with their neighbours on regional affairs.

The most important impact on today's transborder cooperation came from the EC in 1994 when the Interreg-Program was established. Up to then, a lot of the work of agencies like the Regio Basiliensis and others was rather rhetorical, and many speeches and papers were made dealing in visions. The advent of Interreg forced the partners on all three sides of the borders to establish actual projects, to look for local money to finance 50 % of the cost (the rest was paid by the EC) and to establish working-groups and systems to manage the projects. This had a tremendous impact on cooperation, but proved to be much harder and led to more disagreement on goals, allocation of means and responsibilities than before. Transborderism

was slowly transformed from a high-spirited ideal to reality: normal relationships between neighbours!

Effects of the borders on economic development

What effects have the borders had on the economic development of Northwestern Switzerland? Are they obstacles to growth? Are they opportunities?

No simple answer can be given. The borders in the Basel area are obstacles to growth but offer opportunities as well. All in all, during the last twenty years, the effects seem to me to be more negative than positive: That's why the Basel area could still profit a lot more from joining the EEA than it could lose.

Positive effects could be felt during the eighties, when Switzerland restricted the immigration of foreign workers and the Basel area had the opportunity of recruiting cross-border workers not restricted by the law. Positive effects could and can still be felt by small local firms which are protected from competition on the other side of the border. The economy as a whole may profit from the "competition of systems" in the area, which helps reduce costs, because if the difference of costs gets too high, people and companies start voting with their feet.

The negative effects are much larger: the different standards e.g. in environmental protection, different costs of products provided by state-run monopolies (e.g. electricity, telephone, taxes) distort competition. The local markets are artificially amputated; from a Swiss point of view a company located in Basel has to surmount high obstacles to get access to two thirds of its "natural" geographic market (tariffs, regulations, administrative obstacles). For French and German companies, this true for only a third of their market, but it is the most interesting third.

Quite another story are the losses due to uncoordinated planning of infrastructure facilities. Roads end at the border, industrial sites on one side of the border, sometimes lie directly

opposite recreational zones on the other side. Telephone networks are planned nationally and end at the border; facilities for waste-disposal are planned with too much capacity from a regional point of view. The same is true for hospitals. All these examples show lost opportunities for a region situated at a border, where cross-border cooperation has, for too long, been made impossible by national laws and standards.

In the eyes of Basel's economic experts adherence of Switzerland to the EEA could have opened up some of those opportunities. The treaty of Karlsruhe is helping a little, but it is still a far cry from the genuine article.

One of the best examples is the different development of the airports (and through this of the economies) in Basel and Zurich. The first Swiss Airport was located outside Basel, but the growing needs of expansion could not be met there, which ultimately led to building the airport in Zurich-Kloten. Economic development of the Zurich area since then has vastly overtaken that of Basel, which for ages had been the more vibrant.

Summary

Living at the border forces the local economy and the citizens to deal with other cultures, other ways of doing business and therefore to build bridges. It is no wonder that cities like Basel and Geneva are relatively open minded and internationally oriented. In our time of rapid globalization of markets and growing world trade, this is undoubtedly an advantage.

By and large Northwestern Switzerland has again relatively intense connections with neighbouring Alsace and Baden-Württemberg. Although the external border of the EC cuts right through the agglomeration of Basel, the region tries very hard to overcome them and to build transborder cooperation.

The fact that the Basel area is part of Switzerland has undeniably been very beneficial, not only in times of war, but thanks to modest taxes and a stable political climate. But while certain specific areas have profited from their location at the border, the main effect of the borders in the last twenty years has been one of lost opportunities.

Regional activities like the cooperation between the partners in the economy, the possibilities offered by the treaty of Karlsruhe and the long-standing work of transborder associations are necessary and beneficial to development. As they do not touch the most important conditions for economic development -- the domain of the Swiss Confederation or the EC -- their impact is necessarily much smaller than the participation of Switzerland in the Common Market would be. In the Basel area we are therefore looking forward with interest (and doubt) to the conclusion of bilateral negotiations between Switzerland and the EC, because only the elimination of obstacles at the border will have a measurably, positive impact on our future development.

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