

Euroregions

Emerging New Forms of Cross-Border Cooperation

Barbara A. Despiney Zochowska

“When an industry has chosen a locality for itself it is likely to stay there long: so great are the advantages which people following the same skilled trade get from near neighborhood to one another.” Alfred Marshall, *Principles of Economics*, London, Macmillan, 1920.

INTRODUCTION

One motivating factor driving the accession of Central European countries to the EU in 2004 and 2007 was the intention of preventing these countries from becoming economic backwaters in a “multi-speed Europe” (DATAR 1996). In this new context, economic clusters, which are thought to be more readily adaptable to unique or changing circumstances, may prove to be able to foster new and maintain established market actors and jobs in central Europe. Many examples from around the world demonstrate that clusters are more stable than market sectors. Even when sectors are in decline, clusters are at times able to adapt and avoid crisis. Clusters may, then, emerge as even more important for less affluent regions in the future.

In the context of eastward EU expansion, it was necessary to integrate new member countries into the European Spatial Development Perspective (ESDP) with its polycentric model of development. The three objectives of the ESDP are: (1) social and economic cohesion, (2) sustainable development, (3) improved competitiveness of European regions (SDEC

2000). Regional production systems grouped together on the spatial level and integrated company networks at the regional level could become a basis for local hubs of competition. The problem lies in identifying assets held by central Europe for future endogenous development. This contribution concentrates on identifying these assets, looking for the possible emergence of local competitive productive systems in Central European countries. The paper concentrates on instances of positive development in “industrial districts,” built around networks of small and medium-sized firms that survived the decline of industrial mass production in the transition countries after 1989.

Before the transition to market economies, communist economic strategy favored a concentration of industry in highly specialized industrial districts with priority given to heavy industry over consumer goods (Despiney-Zochowska 1982; Andreff 1986). After the dissolution of the COMECON in 1989-1990, the globalization of previously protected markets obliged national economic actors to adapt to new competition. The rationalization strategies of multinational firms, which include among other things the international outsourcing of production processes, entails the loss of autonomy of national productive systems and their eventual dissolution (Andreff 1994). However, the contribution of new flexible methods of production to local development and to the dynamics of regional integration is not as negligible as has been suggested (Pellegrin 1999). The traditions and production experience of any given local economy may fit well to global needs, yielding products that are well-accepted in the marketplace or new ideas regarding production that can be used elsewhere, such as in processes of standardization, in the organization of production lines, in the reorganization of work, or through subcontracting. If local knowledge of productive techniques, material usage etc. fails to find a place in the global organization of production, it falls into the realm of folklore (Becattini/Rullani 1995).

To place the recent changes in regional and local economies into global perspective, we must look at multinational firms. They still constitute the main creative economic force (Amin and Robins 1992). Localized productive systems (LPS) should be studied empirically, from a multidisciplinary perspective, with field studies and a qualitative adaptation of statistical measurements. Studies should investigate local players with the goal of anticipating future developments. On the macro-economic front, the problem is to decide whether or not localized productive systems consti-

tute a new form of industrialization in which small and medium-sized companies can flourish. This is the goal of the study discussed below, which considers local characteristics in the context of macro-economic factors tied to the transition in the 1990s.

THEORETICAL FRAMEWORK

Today, we can look back on a “geographical turn” in economics that encouraged three areas of research: (1) the spatial agglomeration of economic activity; (2) the dynamics of regional growth convergence; and (3) neo-Marshallian district economics (Martin 2001). This contribution briefly explains the Marshallian district concept and offers some reflection on its relevance for the analysis of regional development in Central Europe, looking specifically at cross-border cooperation.

At its initial conception, the industrial district was presented as a productive complex created by market behavior and the rules of civil society (Azais 1997). The notion of localized productive systems emerged at the same time as the term “flexible production” (Piore/Sabel 1984). Piore and Sabel argue that a new logic of production, “flexible specialization,” emerged to challenge mass production after markets for standardized goods became saturated and higher quality and more specialized goods attracted more consumers. This flexibility is based on small-sized production units, on the density of links between them and on the rapid reaction time of companies when faced with new internal and external conditions (Courlet 2000). This flexibility also implies the capacity to adapt to new technologies.

One of many problems linked to the notion of flexibility is that the debate has centered on the organization and spatial dynamics of the economic system in its role as a productive system. If in the world of capitalist production, production is nothing more than a broader means of accumulating capital, then the district phenomenon should be understood from within a broad political economy framework concerned with the nature of development and the ongoing transformation of capitalism. According to the American geographers Scott and Storper, there has been an “evolutionary tendency” towards flexible specialization as a form of industrial organization, but also towards “flexible accumulation,” which they see as harkening a new historic social era (Scott/Storper 1989). Flex-

ible specialization and flexible localization find their significance in the broader socio-historic context, they write. The competitive advantage of flexible specialization strategies and networks of small-sized companies is based on very specific historical and social conditions. The advantage depends on irregular and differentiated demand and on low start-up costs (Dunford 1992). Various other factors may encourage a certain degree of regional concentration, such as, for example, certain sectors' dependence on economies of agglomeration and the need for a faster and more flexible adaptation of the productive system in all stages, from conception to final manufacturing. Geographic proximity may help companies meet these challenges. Spatial concentration may also be made more likely by job insecurity in a traditional industrial zone, making it less necessary for companies to search for more flexible, less costly labor abroad (Martinelle/Schoenberger 1992). Flexible specialization also brings about more flexible spatial relationships and competition between regions for industrial development, as the regions themselves face the problematic development of underprivileged regions and the gap between the center and the periphery. The emergence of industrial districts is an answer to this new problem; it is a type of industrialization that is particularly well adapted to the need for flexibility, and it may serve the needs of industrial companies both in emerging countries and in transition countries (Courlet 2000).

Another perspective on these issues is presented by the French regulation school, which argues that the previous paradigm of mass production is not dead yet. Its research program has been informed by contributions from history, sociology, and political science. It focuses on how economic logic, social ties, and political power are combined to resolve conflicts that inevitably arise in socio-economic systems (Boyer/Saillard 1995). One of its founding principles is the hypothesis of the historicity of the development process of capitalist economies. Special attention is paid to the territorial dimension of the regulatory processes (Benko/Lipietz 1992). The economic geography of the era of "post-Fordism" presents the territory as a mosaic (or "leopard skin") of different types of regional economies (Krätke 1997b). This is particularly applicable to the economies of central and eastern Europe. As in the industrial district debate, doubt has arisen in this school, too, about whether it is possible to explain all geographical clusters in terms of any single, universal theory (Martin 2001).

THE MARSHALLIAN DISTRICT: A TOOLBOX

The notion of the localized productive system (LPS) is based on the industrial district model proposed by Alfred Marshall (Marshall 1920). His insistence that the location of companies is important brought the notion of “territory” into the economic discourse (Azais 1997). He was the first to propose a new interpretation of the market, leaving the perfect competition framework in favor of an analysis of companies gathered together in “industrial districts.” He described the specific socio-historic trajectories of territories and the territoriality of industrialization. Alfred Marshall’s work forms a starting point, or a toolbox, but it needs to be adapted in order to study company behavior, market structures, and industrial performance. The revival of the industrial district concept was initiated by Beccatini in 1979 following the renewal of this type of local system in Italy in the form of a high geographic concentration of small companies active in the same sector.¹ Another typical case is that of Silicon Valley in Santa Clara, California, although growth in this case was linked to the first stages of the life cycle of computers. The Marshallian district of Greater Los Angeles and the flexible industrial systems of Hong Kong are also noteworthy (Scott 1992).

The industrial district is based on the external economies of agglomerations and the economics of urbanization. Those agglomeration economies can be intra-industrial or inter-industrial. Urban economies are external to the firm and to the branch, but they are internal to the urban region.

A Marshallian district designates a collective way of living, thinking, and producing that is characteristic of a given society, space, and milieu. It is a socio-territorial entity characterized by the presence of an active community of people and a population of companies in a given geographical space. In his arguments, Alfred Marshall strongly emphasized the part played by human factors, pointing out “mental and moral” qualities such as integrity, self-confidence, patience temperance, honesty, loyalty, et cetera (Arena 2000). The local productive system creates an “industrial atmosphere,” in which an osmosis of know-how is made possible.

1 | Early Italian research dates to the 1960s, so a great number of theoretical, historical, and socio-economic studies on this subject have been undertaken there.

Its most noticeable characteristic is its relatively homogeneous system of values and thought, which may be seen as the expression of a certain system of ethics concerning work, activity, family, and reciprocity (Becattini 1992; Becattini et al. 2009). The industrial district is governed by a set of community and religious values or corporatist practices. It has its own specific forms of know-how that are inimitable and deeply anchored in the territory, being the know-how of local artisans. Yet, economically relevant knowledge and customs are not unchangeable. Cultural change due to economic change was postulated by Alfred Marshall more than a century ago. Marshall understood that customs, making up a part of what economists today call “informal rules,” are not immutable but “have been imperceptibly growing and dwindling again, to meet the changing exigencies of successive generations” (quoted in Winiecki 1998).

THE EMERGENCE OF NEW FORMS OF GOVERNANCE AND REGULATION

It seems that it takes a long time to establish a Marshallian “atmosphere” in central European enterprises (Duche 2001). We may, however, see the rise of a culture of capitalism in central Europe sooner than in other former socialist countries, especially Russia. In central European countries, economic history and the capitalist culture that make up the national heritage have encouraged a new commercial and entrepreneurial spirit, especially in those countries in the German neighborhood. Poland, Hungary, and Slovakia are located between the richest and the poorest countries of Europe and suffer from considerable asymmetries and distortions of regional markets. The emergence of small and medium-sized companies acts as a motor for growth and job creation, whereby their presence is stronger near the German, Czech, and Baltic borders (Despiney/Baczkó 2001). Although the majority of small and medium-sized industries and firms were created in the commercial sector, new entrepreneurs are now beginning to redirect capital accumulated there into manufacturing enterprises. This is true especially in the Polish case. During the years of communist rule, Poland had large private agricultural, retail, and private crafts sectors. Furthermore, in the 1980s, the government introduced several pro-market reform measures (economic self-government, relative autonomy for enterprises, and partial price liberalization) as well as a basic

law in 1988 that allowed the creation of private commercial firms and remained in force until late 1989. In the 1980s, social approval increased for entrepreneurship and of the role of financial incentives in the regulation of economic behavior – important social preconditions of a private market economy. By the end of 1989, there were approximately 500,000 private enterprises outside agriculture, most of them created in the late 1980s (Surdej 2000). But the emergence of small and medium-sized industries and firms has been particularly visible since the beginning of the transition (Chmiel 1997; Grudzewski/Hejduk 1998; Duchêne/Rusin 2002). Small, private, and locally grown activities are the foundation stones of the Polish economic revival and the motor behind the relatively good performance of the Polish economy. As an outcome of pro-market reform measures of the 1980s, relations between the central state and business enterprises had already begun to be shaped by indirect control mechanisms like market price-setting and the taxation of revenue. Thus, in Poland, the decentralization process did not start with the transition, but some years before (Rogulska 1985; Despiney-Zochowska 1988, 2001).

In Russia, the situation is different. Small companies reappeared after becoming legalized in 1988, but they now play no role in the various plans of economic modernization. In fact, they were never an official priority. In the 1990s, the Russian state preferred to give priority to the resolution of macroeconomic problems. After 2000, it paid attention almost exclusively to heavy industry (Kisline 2009).

NEW FORMS OF GOVERNANCE: EUROREGIONS

The three necessary preconditions of healthy localized productive systems in post-socialist Europe are decentralization, the resolution of disputes over property ownership, and personal mobility. Although the first condition has been touched upon by administrative reforms, the recent admission to the EU seems increasingly vital in order to meet the second and third conditions.

The regions need autonomy and the capability to carry out their own policies, all of which depend on territorial decentralization. In central Europe, state territorial structures are now decentralized. Can decentralized territories help spur an evolution toward improved productive organization (Despiney 2001)? Will the two processes of decentralization and the

possible revival of localized production systems reinforce each other, or will they follow separate paths? To answer these questions, we turn in the analysis below to two examples of LPS emergence: one on the Polish-Czech-German border and one on the new eastern border of the EU. With their appearance, we can trace the development of a new system of dialogue between the respective central states, now also members of the EU, and local communities (Courlet 2000).

Legal and tax frameworks, research institutions, and social relationships are areas for innovation and entrepreneurship. The incompleteness of market and institutional reforms in the three countries studied heightened the risk of trans-border economic relationships (Krätke 1997a). However, the greatest barrier to the proliferation of clusters in our studied regions is the lack of a tradition of cooperation among companies, especially among competitors. These businesses avoid sharing information, and they do not communicate about dividing the market by specialization. This is closely related to the infancy of capitalism in this region and the heritage of the communist regime. Businessmen are more focused on competition and rivalry, not on partnership cooperation.² Another serious barrier to cluster formation in the Polish regions is the lack of financial resources to establish and support such clusters. Most measures to support local economic initiatives aim to improve local entrepreneurs' access to credit (Lewitas/Gesicka 1994). However, local entrepreneurs are few and the distance between these regions and their country's financial centers discourages those who would like to create a family business. The Polish experience of the 1990s confirms the weak role played by local institutions in the fostering of entrepreneurship.

Although individual entrepreneurs can best move technology, industry, and regions forward, local government policy also plays a role in promoting entrepreneurship and clustering in central and eastern Europe. In fact, localized production systems will only emerge with the active support of regional authorities aiming to develop a network of diffuse industries. This was the case of the former East Germany, where the transition process was not spontaneous and new economic development depended on massive financial transfers from the central state (Samson/Goutin-Bourlat 1995; Nivet 2002).

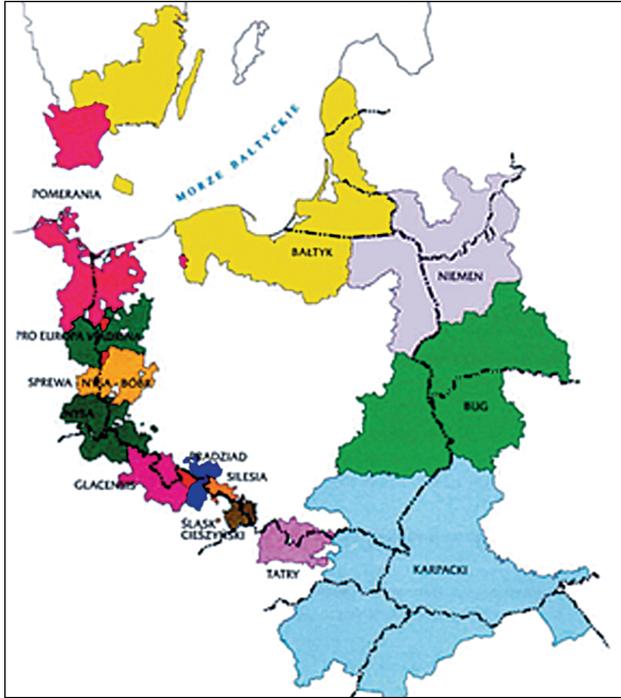
2 | Other studies on localized productive systems in Polish industry confirm the same phenomenon. See Duche (2000).

Local authorities and the legal framework for cross-border cooperation (CBC) along Poland's borders have been particularly important since the 1990s, when former communist countries signed the Convention of Madrid and the European Charter of Territorial Self-Management. This clarified the legal status of foreign activity for local and regional authorities, including those located near the borders, by unambiguously authorizing foreign contacts and establishing EU standards of cooperation. CBC is a specific form of international regional cooperation. Its territorial scope and content are shaped in large part by political factors, but their development is also determined by socio-economic, technological, institutional, and geographic conditions on both sides of the border, as well as by more general factors like European integration. Regional CBC was regarded as a transitional phase for Poland, the Czech Republic, Slovakia, and Hungary. These countries were thought to be on their way to incorporation into the uniform economic system of the Europe Union, a development that would obviate traditional borders. However, previously established CBC will remain an issue, particularly in the form of Euroregions, because political decisions to remove borders do not automatically liquidate longstanding differences in social and economic life (Starzyk 1996).

As of 2012, sixteen Euroregions had been established along Poland's borders³ (see figure 1). Two of them, the "Neisse" and the "Carpathian" Euroregions, serve as our laboratories of local governance.

3 | These are: "Neisse - Nisa - Nysa" (December 1991), "Carpathian" (February 1993), "Spree - Neisse - Bober/Sprewa - Nysa - Bóbr" (September 1993), "Pro Europa Viadrina" (December 1993), "Tatras" (August 1994), "Bug" (September 1995), "Pomerania" (December 1995), "Glacensis" (December 1996), "Neman" (June 1997), "Praděd" (July 1997), "Cieszyn Silesia" (March 1998), "Baltic" (February 1998), "Silesia" (September 1998), "Beskydy Mountains" (February 2000), "Białowieża Forest" (May 2002), "Lyna-Lawa" (March 2003).

Figure 1: Euroregions localized on Polish borders



Source: *Euroregiony na granicach Polski 2007*, WUS, Wrocław, 2008.

For studying our two Euroregions, we employ the GREMI approach pioneered in 1984 by Philippe Aydalot and associated with French economic thought. Within the GREMI approach,⁴ post-Fordism is seen to have opened the way to the new “territorial” type of development based on a capacity for innovation better adapted to the task of encouraging local social and industrial networks (Aydalot 1985; Maillat 1988; Perrin 1989). The new spatial dynamics appear to be associated with innovation as expressed by the concept of “milieu innovateur.” The local *milieu* or *the local*

4 | The GREMI (Groupe de Recherche Européen sur les Milieux Innovateurs – European Research Group on Innovative Areas) has been based at University Paris 1 Pantheon-Sorbonne since 1984 with the support of the Ministry of Urbanization and Housing and *the Caisse de Dépôts et de Consignation*.

environment of the firm may perhaps be considered to be one of the most important sources of innovation on the local level. The approach emphasizes that a region's development does not depend only on its capacity to attract external firms but also on its capacity to promote local initiatives and to activate a territorial dynamic of innovation. GREMI's research methods approach, used throughout its empirical enquiries (GREMI I, II, III, IV and V), is divided into three phases (Ratti/Bramanti/Gordon 1997): (1) elaboration of the objectives and articulation of a common framework for territorial teams; (2) fieldwork; (3) analysis of the results with theoretical synthesis and policy recommendations.

The most recent GREMI phase, the GREMI VI inquiry, is dedicated to a new empirical phenomenon: *milieux* and local production systems operating around natural and cultural resources (Camagni et al. 2004). This approach is used in urban studies, but it could also be useful for studying areas like the Carpathian region, which is rich in natural resources and in cultural heritage (Despiney/Tabaries 2008; Despiney 2011).

CASE STUDY 1: THE NEISSE EUROREGION

In order to study the emergence of local productive systems under the conditions of globalization, we take up the case of the *Neisse* Euro region, situated along the Oder and Neisse rivers on the Polish-German-Czech border. This region is useful for studying both historical continuity and regional dynamics. In our work carried out for DATAR⁵ in 1996, the border is, in fact, presented as having a strong growth potential (Samson et al. 1996). This work revealed the emergence of a dynamic peripheral crown in the western and southern part of the country along the German and Czech borders. This growth may be similar to European Alpine growth, based not only on economies of agglomeration but also on industrial and tertiary activities linked to tourism in the Sudety Mountains.

Situated between the *Spree-Neisse-Bober* and the *Glacensis* Euroregions, the *Neisse* Euroregion was created in December 1991 and encompasses six districts of the German federal state of Saxony (Bautzen, Kamenz, Löbau-Zittau, Oberlausitz, Görlitz and Hoyerswerda), 44 communities (*gminas*) of the Lower Silesia Voivodship, four *gminas* of the Lubuskie Voivod-

5 | DATAR: French regional planning authority.

ship, and the Czech administrative units of Liberec, Jablonec, Semily, and Ceska Lipa as well as the Sluknov region. Initially a flourishing economic region, the area unites Lower Silesia, Northern Bohemia, and Upper Lusatia and includes nearly 725,800 residents in Germany 1.5 million altogether. The *Neisse* Euroregion, one of four created along the Oder-Neisse border, is considered a model for other initiatives of this type. It is sometimes used, for example, for purposes of statistical inference. The Polish part of the Euroregion is part of a data collection project, entitled "PL-14 Euroregions," conducted by the Jelenia Gora Statistics Office.

Regional Trajectory

Territorial dynamics, judged in terms of individual social interactions and institutional ties, can only be observed over the long-term. In the context of our hypothesis concerning the possible revival of LPS in the *Neisse* Euroregion, we find ourselves faced with the heritage of historic and regional continuity (Despieny 1995). Silesia's economic development made it a remarkably advanced region in spite of its feudal structures. Central Europe's integration with the international economic system was achieved mainly through German channels. The economic and cultural links between Saxony, Polish Silesia, and Czech Bohemia are the legacy of the shared history of these neighboring countries. This history was influenced by the longstanding, strong German presence (Jeannin 1991). The textile industry experienced a period of development in the 16th century that was initiated by German merchants. Silesia, Saxony, and Bohemia sold inexpensive wool fabrics until the middle of the 17th century. From the beginning of the 17th century, villages began textile production and by the 18th century entire families were involved in the work of weaving and spinning. The impetus came from urban centers such as Hirschberg (Jelenia Gora), which were unusual because of their wealthy entrepreneurs. The positive effects created by rural industry – job creation, the stimulation of demographic growth, the activation of the domestic food market – were reinforced by the fact that the manufacturing of fabrics took place within a region rich in a variety of industries. Economic development in Silesia made this province remarkably advanced in spite of its feudal social infrastructure (Henderson 1954). These fabric producers even reached international importance, rivaling the French on Spanish and American markets. The structural crisis in the old mining economy

that took place in the 16th century encouraged the appearance of dye producers in Silesia, who brought the seeds of the future chemical industry. The existence of advanced industrial settlement here, with a long history of linkages between science and technology, had a huge influence on the economic development of central European countries. At this time, European industrial geography was characterized by the dispersion of its industries, with pockets of industry sunk into the rural landscape (Veltz 1996).

The Socialist Period 1945-1989

Silesia was an industrial district in the Marshallian sense before the second world war. A large proportion of the industrial workforce was employed east of the Oder and Neisse, which, at that time, was part of Germany. This included 43 percent of the hemp industry workforce, 49 percent of the spinning workforce, and 48 percent of the linen industry (Lepesant 1997). Border changes in 1945 and the expulsion of German residents put an end to the homogeneity of the local productive system in Saxony, Lower Silesia, and Bohemia. During the communist period, the Oder-Neisse line was “split” or “cut,” as Claude Courlet wrote, cutting also the industrial district’s developmental trajectory (Courlet 1988). On both sides of the Oder-Neisse border, the massive population migrations that took place after the Second World War meant that many people had difficulty identifying with these border regions. It was to this area that a number of ethnic German communities from Central Europe were transplanted (Bafoil 1995). Indeed, the surge of refugees from the East and the migrations following the war modified the population structure on both sides of the Oder-Neisse, blocking the growth of a common economic culture and squelching the practice of regional traditions. These German regions were made up of the lands of the former Junkers, expropriated following the agrarian reform of 1945 and joined into large collective holdings (Lacquement 1993). On the Polish side, too, these lands were confiscated and collectivized (Despinye-Zochowska 1995). The workers who came from Polish lands in the East had no industrial tradition and their integration created a number of problems for the authorities throughout the communist period. Between 1945 and 1989, the East German, Polish, and Czechoslovak authorities pursued a common development policy in the border lands only briefly in the 1970s. In industry, few new industries were created, although coal mining

increased in both Lusatia in East Germany and in the Turoszow region in Poland. During the Communist period, there was a strong development in the textile industry, but this took place in isolation in each of the three bordering countries (Bafoil 1995). These border regions are fragile in large part due to an all-too similar industrial structure on either side of the Oder-Neisse border. In Germany, the old administrative districts soon disappeared, replaced by smaller ones that could do nothing but implement decisions made at the central level. In Poland, the party leadership under Edward Gierek carried did the opposite in 1975, liquidating the *powiat* – the intermediate administrative level – and introducing 49 Voivodships.

Transition and Globalization

The Euroregion is a legacy of the logic of communist economics. In Poland, textiles are among the branches of the Polish economy that suffered most from the shock therapy introduced by Leszek Balcerowicz in 1990 (Lipowski/Despiney 1991). In eastern Germany, the European RETEX program was supposed to bring massive aid to the textile industry beginning in 1994. The restructuring of textiles and clothing was part of a program of the complete overhaul of Saxony's economic structure (ATLAS), but it never sought to rethink the region's industrial identity. The economic development strategy for the Polish border, called "The chain of pearls along the Neisse," was a concerted development policy scheme planned for Upper Lusatia. Yet, the transition process depended on massive financial transfers from the German central state. This example of industrial restructuring is highly instructive. It enabled the regions to preserve their industrial centers as German textile firms subcontracted to improve international competitiveness. German enterprises have adopted a strategy based on outward-processing trade (OPT) with Polish and Czech partners. A star-shaped relationship links firms who work with each other on a paired basis (Courlet/Pecqueur 1991). This type of relationship can often create a form of dependence for small and medium-sized companies. This brings a danger for the local productive system: the increasing dependence of smaller companies as they become transformed into subcontracting entities for larger firms needing technical know-how, cheap labor, and a pre-existing client network. Nonetheless, subcontracting reinforced the competitive nature of the Polish and Czech textile industry, particularly in the clothing sector. Not only did made-to-order contracts help a num-

ber a producers exploit their production capacities, but Polish companies also benefited from technology transfers from German companies (DREE 1998). Nevertheless, subcontracting did have some disadvantages. For instance, it further closed German markets for Polish and Czech products. To cope with the competition of central European countries, this sector has been protected by significant trade barriers. Poland, the Czech Republic, and Hungary were the firsts German partners in Central Europe in the field of subcontracting from 1990 to 1995, but since 1996 re-exports produced in the OPT is decreasing. The situation began changing in 1995, when growth in subcontracting fell considerably. In 1997, for the first time since 1993, OPT is being redirected to countries with even lower wages, including Rumania and Ukraine (Boudier-Bensebaa 2002).

Euro Textile Region

To help small and medium-sized enterprises in the three parts of the Euroregion, the “Euro Textile Region” initiative was launched on the Polish-German-Czech border in late 2000. The Euro Textile Region unites textile and apparel manufacturers in the German federal states of Brandenburg and Saxony and in border areas within Poland and the Czech Republic. It is thus larger than the *Neisse* Euroregion and extends across Plauen-Guben in the west and Liberec-Zielona Gora and Wroclaw in the east (Figure 2). The Euro Textile Region includes 1,460 companies with 71,000 employees (448 companies in Saxony, 54 in Brandenburg, 344 in Lower Silesia, 150 in Lubuskie, and 473 in the Czech Republic). Its first common decision was to organize three associations of producers in the textile and clothing industries to counter Asian competition. The region will specialize in intelligent textiles and automobile components. Today, some manufacturers are expanding into markets in the former Soviet Union.

It might be hoped that cross-border cooperation could make economies of scale possible, cutting production costs, and perhaps compensating for the disintegration of eastern markets (Andreff 1994). Indeed, according to Krugman, regional export hubs whose cohesion is based on external Marshallian economies are more likely to form in areas where the economy is well integrated (Krugman 1993). One thing is certain – the joint territorialization of private and public sectors helps encourage institutional cooperation and stabilizes conditions of production, both of which should help companies accumulate know-how in technology. The major accom-

plishments of the Eurozone were the creation of a common strategy for light industry, common initiatives in making credit more available, and the provision of more accurate market information.

This Euro Textile Region is a regional knowledge cluster rooted in partnerships between universities and business. It shows that local productive systems can also facilitate the kinds of connections between small business and educational institutions that are vital for improving marketing and technology transfer.

CASE STUDY 2: THE “CARPATHIAN” EUROREGION

Many contemporary authors argue that the emergence of innovative clusters is to be expected primarily in urban economies because clusters depend on diverse, high-quality infrastructure. However, the agricultural zones of the traditionally underdeveloped “eastern belt” of Europe have been the target of public sector economic development efforts motivated by the hope of encouraging such clusters in rural areas. How might the experience of the *Neisse* Euroregion help us understand regional development in the EU periphery? Could growth here follow the European Alpine model and become based not only in economies of agglomeration but also on industrial and tertiary activities linked to tourism in the Carpathian mountains? To answer these questions, we turn now to an observation of the evolution of cross border cooperation in the Carpathian Euroregion (Despiney 2011).

As the second Euroregion established in central Europe, the Carpathian Euroregion is situated on the southeastern part of the new eastern border of the EU (Figure 1). This Euroregion is composed of regions in Poland, Slovakia, Ukraine, Hungary, and Romania. It encompasses nearly 10 million inhabitants. Not all of the countries have common borders, making this region a special case of regional cooperation (Slim 1998). Created in 1993, the Euroregion includes one Polish voivodship (Lower Carpathians), five Hungarian regions (Borsod-Abaúj-Zemplén, Hajdú-Bihar, Heves, Jász-Nagykun-Szolnok, Szabolc-Szatmar-Bereg), four Ukrainian regions (Lviv, Uzhorod, Ivano-Frankivsk, Cernevici), two Slovakian regions (Preszow and Koszice), and seven Romanian regions (Bihor, Botosani, Maramures, Suceava, Satu Mare, Zilah, and Harghita). All of them are underdeveloped regions, depressed by transition, dominated by agriculture, with no

important urban centers except for a few medium-sized cities that have just started to emerge (Despiney 2012). Considering the rural character of those regions, the experience of agro-food, agro-tourist, and cultural clusters could be applied here. The concept of “local agro-food systems” (Système Agroalimentaire Local – SYAL) focuses attention on the emergence of agro-food development models based on local resources including regional products, knowledge, specialized skills, businesses, and institutions. SYAL stands for the organization of a local development process based on a concentration of agro-food businesses (farms, input suppliers, processing outlets, marketing units, service, catering businesses etc.) in relative proximity, structured around common activities (Despiney/Szymoniuk 2001; Szymoniuk/Walukiewicz 2004; Despiney 2005).

Agro-tourist clusters have common objectives that justify common action such as joint marketing projects, supervision of the quality of services, joint lobbying, and applications for subsidies. Their interests include the design of tourism products with a specifically local character based around folk art, rituals, local cuisine, and cultural and natural monuments. They also include the development of local infrastructure, regional promotion, and the provision of tourist services such as sports equipment rental, camping sites, ski-lifts, bicycle paths, scenic views, pharmacies, post offices, and internet access.

The move to tourism and agriculture-tourism would appear to be a good solution for some eastern European regions. It may be their only chance to prevent further economic deterioration. If this does not happen, the national economy risks a fall in wealth creation particularly at the regional level. This is all the more urgent now that tourism is becoming a more important strategic means of territorial development (Bensahel/Donsimoni 1997). In certain regions, tourism can be seen as a means of financing regional development because of its stimulating effects on the overall economy and its interaction with other sectors, especially agriculture. A vital territorial potential still exists in these regions within the agriculture-tourism combination, shown by the rate of employment in the service sector, especially in tourism (Samson et al. 1996). On the EU's eastern border there are several examples, including the lakes of Mazuria, the forests of Bialowieza and Bieszczady, and the Pusztas in Hajdu-Bihar, which are part of UNESCO's World Humanity Heritage. The prospects for establishing the Bilateral Biosphere Reserve of Bialowieza Wilderness are being studied by Polish and Belarus authorities.

In the case of the Carpathian Euroregion, the biodiversity of the Carpathian Mountains is recognized through its inclusion in the UNESCO biodiversity reserves network *Transboundary Biosphere Reserve "East Carpathian"* (UNESCO 2009). More than classic tourism regions, those rural voivodships are dependent on the agriculture-tourism combination. Agro-tourism has a long tradition in the region, especially in Poland. Colloquially, they were called "vacations under the pear tree." In Poland, as in other Eastern European countries, agro-tourism will continue to grow. There is a trend now for vacationers to turn away from large tourist centers and resorts. Short weekend trips to the country are becoming popular because of the natural, quiet environment and low prices that agro-tourism farms offer. There about 5,000 agro-tourist farms in Poland alone, approximately 2,000 of which are members of the Polish Federation of Agro-Tourism "Hospitable Farms." The federation is made up of local associations that represent cores of agro-tourism clusters. Member farms, although in competition with each other, are willing to cooperate in coordinating forms of specialization, investment, and mutual assistance. The cluster is also connected, informally, with other bodies such as neighboring farms that provide local produce and additional services, museums, the Regional Center for Agricultural Consultancy, and church organizations. The essential feature of agro-tourist farms and associations is their potential for providing income opportunities for rural women of all ages and educational levels. The traditional skills of the region's women, including household management, cooking traditional dishes, handicrafts, and knowledge of folklore, are in demand.

Important is the establishment of clear ownership and local identity. The local agricultural system needs to be closely identified with the locality's geography, history, and knowledge. Of importance, too, are producer-consumer relationships in the process of establishing this identity, notions of quality and safety, links with tourism, and cultural dynamics. In the "Carpathian" Euro region, we can imagine in the near future the emergence of a cultural cluster based on the common historical heritage of all these countries. There are, for example, religious monuments that could be utilized for culture-driven development processes (Despiney 2011). This region has its own specific forms of know-how that are inimitable and deeply anchored in the territory, such as specific artisan know-how in wood working. This cultural heritage could be utilized to develop local tourism and sport activities like bicycle races, marathons etc.

The role of associations is important in the Carpathian Euroregion for promoting the activities around the wooden churches and natural resources belonging to UNESCO World Heritage. One of them, the French association “Bois debut en Pologne” initiated some cultural activities in Poland and the Ukraine. The first successful Polish-Ukrainian initiative was an exhibition at UNESCO’s headquarters in Paris in 2008, dedicated to wood churches from both countries. Two of the region’s countries prepared the common bid to put some of these structures in UNESCO’s World Heritage Program.

The emergence of a cultural cluster could be added to other economic activities important for the emergence of a localized productive system in the Carpathian Euroregion (Garafoli 1996). In fact, new growth in craft industries is taking place in “Aviation Valley” created in 2003 by 18 enterprises and research and development institutions (Despiney 2012). The Aviation Valley Association currently represents 30 companies and institutions, among them Snecma Poland, Goodrich, Pratt & Whitney, and AvioPolska. The two major objectives of the association are organization and development of a low-cost supply chain and creation of favorable conditions for the development of the aerospace industry in the region. This industry started in the 1920s with the construction of the first Polish aircraft company, which was further developed during the communist period for Soviet aviation and is now continuing in the form of a cluster. The Special Economic Zone (SEZ) created in 1995 in the city of Mielec is a partner of “Aviation Valley.” This has improved Mielec’s ranking among medium-sized cities in terms of investment attractiveness. Together with the city of Puławy, Mielec is performing better than other medium-sized cities in the Lower Carpathians voivodship. In this region, the connections between trade schools and universities with corporate businesses are weak, causing barriers to the establishment of clusters. In the case of “Aviation Valley,” the situation seems better. Six technical universities cooperate with the association. EU support is given to this new economic activity through INTERREG III C ADEP, a project executed with partners from northern Finland and northwestern Ireland. The goal of the project is to share best practice within the field of industrial cluster development as well as to tighten cooperation between partner regions.

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