

# Euroregion's "mission" and the success of the Lisbon strategy

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The article presents how Euroregions contribute to the execution of Lisbon Strategy's objectives to ensure its positive outcomes. As „special” regions, Euroregion are the embodiment of entrepreneurship and they strive to be competitive. Because the Lisbon Strategy emphasised entrepreneurship-based competitiveness, especially the competitiveness of the SME sector, Euroregions, representing “natural entrepreneurship” and a basis for SME development, carried out their “mission” in line with the Lisbon Strategy.

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## Introduction

With the expanding and consolidating integration, the problems within broadly understood regional development have become a very important aspect of EU policy. The spreading integration has induced distinct regional differences and inequalities that appear between the integrating units. Integration going down to the level of economic policy harmonisation discovered regions that are unquestionably engines of growth, as well regions representing depression areas. The latter, incapable of catching up with the growth leaders, decelerate integration. So it seems quite natural that in Maastricht special attention was paid to the role regions could play in the integration process. Regions were recognised as the basis of the three-tier structure of integration: the region - the state - the integration grouping. Regions determine the overall success of integration, as local ties are formed and local business and entrepreneurship are activated there, according to the following sequence: from regional entrepreneurship to entrepreneurship in the national state and in the integration grouping. The region and its competitiveness determine the development of its territorial sub-units and then the regional development of the state is a function of development of its regions. It is therefore reasonable to conclude that the development of entrepreneurship in the country and the condition of the SME sector (small and medium-sized enterprises) that constitutes the “backbone” of market economies result from broadly understood, i.e. economic and socio-cultural, entrepreneurial activity in the region. Therefore, the next step in our analysis naturally leads to the region and its special forms, such as the cross-border region and the Euroregion, and to the Lisbon Strategy that appreciated regions as the engines of entrepreneurship.

The article addresses the following issues: factors of development and the functions performed by regions and Euroregions; the overall objectives of the Lisbon Strategy; and the role of the Euroregion as an “instrument” for the Lisbon Strategy's objectives.

The region: Theoretical discussion, factors of development and functions

The variety of typologies applied to regions and the practical demands have resulted in many definitions emphasising regions' elements or functions. The most universal approach to the region understands it as a functional unit defined in terms of both “inherent” characteristics (i.e. geographical, psychological, social and cultural) and “acquired” characteristics (the administrative and economic features that develop there), which are interrelated and interdetermining. Finding two identical regions is not possible. There is a whole range of aspects that make them different, for instance:

- varying economic potentials that the regions initially have, affecting the levels of regional development;
- processes within the division of labour in the industrialised society;
- increasingly shorter innovation and industry development cycles;

- globalization and its consequences;
- new standards applying to qualifications and skills.

The inter-regional differences, their impacts and the necessity to classify regions have been emphasised since the establishment of the European Communities (EC) in the 1950s. Two types of problem regions were suggested already in the Thomson's report, which was drawn up after the EC had been enlarged for the first time (Leonardi, 2005):

- regions that had been the economic growth leaders but lost their position following structural changes and modifications to manufacturing processes;
- agricultural regions with weakly developed industry and services.

In the literature of the subject, regions are frequently divided into major groups, i.e. the developed and developing regions and the underdeveloped regions. The first group gives some hopes for the development of entrepreneurship, as it contains dynamically and harmoniously growing units, where the regional factors facilitate accelerated growth, and units requiring harmonisation of the growth process. The other group is the undeveloped regions that need to be activated and the depression regions. The border regions belong to the first subgroup. Notwithstanding, the border regions represent a good "element" of development, when they evolve towards the cross-border region and even the Euroregion.

The European Commission's official reports also distinguish between the transborder regions and the Euroregions, using the following categories of regions (European Commission, 2007a):

- the peripheral regions, where very stagnant agriculture predominates (most regions in Spain, Portugal, Greece, the northern part of Finland, Austrian Burgenland, the outermost super- or ultra peripheral regions such as the French overseas departments, the Azores, the Madeira, the Canary Islands),
- the non-peripheral, densely populated agricultural regions (Schleswig-Holstein, northern Holland),
- scarcely populated regions (the northern parts of Sweden and Finland),
- new Länder (the territory of the former German Democratic Republic),
- the so-called "orphan" regions, where the mining, textile or shipbuilding industries were the most common (North Wales, North England),
- the border regions sitting on both sides of the border, geographically homogenous, having common cultural traditions and local communities eager to cooperate, that become cross-border regions and Euroregions with the deepening cooperation.

Regardless of how regions are classified and arranged on the basis of rational reasoning, each region always has attributes that determine its:

- attractiveness to the potential investors,
- level of innovation and growth of competitiveness,
- functions (European Commission, 2007).

The investor-perceived attractiveness of a region, its innovativeness and competitiveness depend on factors and determinants that, although inherent, can be shaped and modified.

The so-called hard factors, connected with basic (or heavy) infrastructure, still drive regional development, because the availability of transportation systems and power grids, water supply systems and water treatment plants, waste recycling, disposal and utilisation facilities are considered as a prerequisite for regional development. However, the soft factors represented by cultural circumstances, moral norms, religion, business culture, the psycho-social traits of individuals, the readiness to take risk and invest in one's own future seem to be more and more important for regional development. The factors shape region's competitiveness that the EC reports describe in terms of a relatively high level of revenues and employment maintained in the internationally competitive environment. The OECD's definition is broader and connects region's competitiveness with its capability of coping with international competitors, relatively high rates of return on the utilised inputs and a comparatively high level of employment founded on a solid basis.

The primary functions of a region concentrate on:

- identifying and programming its economic development;
- identifying and promoting the development of culture and civilisation;

- taking action to provide the region with a fair share in the domestic and international division of labour.

The above functions are defined by the character of the region, which is a territorial unit responsible for organizing the socio-economic life in its area.

In the next sections of the article, the above review will be used as part of the discussion about cross-border regions and Euroregions.

### **The cross-border region and the Euroregion: Theoretical discussion, factors of development and functions**

The cross-border regions and the Euroregions have the same "roots" and "origin", as they result from development processes utilising neighbourly bonds inherent in cross-border cooperation and have their permanent place in EU's regional policy as units stimulating endogenous growth and thereby local entrepreneurship.

Cross-border cooperation is known all over the world and an integration grouping is not necessary for this type of cooperation. It is every joint project that the neighbouring parties launch to further cross-border cooperation pursuant to a jointly worked out agreement.

Prioritised by the Council of Europe, cross-border cooperation structures neighbourly relations and cross-border ties, thus leading to the formation of a cross-border region that becomes a Euroregion following the consolidation of cross-border ties and the establishment of relevant institutions.

As a formal expression of cross-border cooperation, Euroregions establish joint coordination bodies; draw up or reconcile their spatial development plans on a cooperative basis. The main responsibility that every Euroregion has is ensuring good neighbourly relations between the communities separated by the state borders, improving their quality of life and fostering European unity as well international cooperation.

Because of their peripheral location, the remote borderlands are classified as problem areas, but they change their status after becoming Euroregions; then, instead of being growth poles, they become growth engines. This transformation takes place because they have strong growth potential based on the "soft" factors that determine regional competitiveness and because they are supported as the stepping stones in the development and strengthening of integration. These characteristics favour them as the beneficiaries of the EU structural aid. This type of aid can be obtained from the structural funds and from the special INTERREG Initiative, which was used for a long time to finance cross-border cooperation. Even though the Initiatives will not be available in the years 2007-2013, their role has been acknowledged by the present goals set for EU's regional policy. Before Poland became a EU member, the Initiative's tool that the Polish borderlands could use was the PHARE CBC programme, together with its PHARE CBC Small Project Fund (SPF) intended for the Polish Euroregions that provided its services until 2003. The SPF helped the Polish Euroregions carry out 4083 projects, estimated at € 34 million in total. The purpose of the initiated and financed undertakings was strengthening the cross-border ties, building positive relations between communities separated by the state borders and stimulating local entrepreneurship.

In the present programming period, the European Territorial Cooperation (ETC) has taken over the responsibility for keeping EU's regional policy focused on the cross-border and Euroregional development. The ETC executes its tasks via the three programmes:

- cross-border cooperation emphasising the development of joint local and regional initiatives;
- transnational cooperation emphasising EU's territorial integration via the sustainable development of urban areas, innovation and environmental protection;
- interregional cooperation enabling the exchange of experiences and practices concerning innovations, environmental protection and a knowledge-based economy (Gorzela, 2007).

Poland takes part in all three components (Table 1).

The EU's commitment to the peripheral areas that decide to set up a Euroregion arises from the fact that such regions are perceived as units having an "integrative" mission as well as a "special" mission under the Lisbon Strategy's objectives.

TABLE 1. POLAND'S INVOLVEMENT IN THE COMPONENTS OF OBJECTIVE 3 OF EU'S REGIONAL POLICY - ETC

Component	Participants
Cross-border co-operation	<ul style="list-style-type: none"> <li>- Poland - (Zachodniopomorskie (Western Pomeranian) voivodeship - Germany (Mecklenburg / East Pomerania / Brandenburg);</li> <li>- Poland (Lubuskie voivodeship) - Germany (Brandenburg);</li> <li>- Poland (Lubuskie and Dolnośląskie voivodeships) - Germany (Saxony);</li> <li>- Poland - the Czech Republic;</li> <li>- Poland - the Slovak Republic;</li> <li>- Poland - Lithuania;</li> <li>- Poland - Sweden - Denmark - Lithuania - Germany (South Baltic)</li> </ul>
Transnational co-operation	<ul style="list-style-type: none"> <li>- The program for the Baltic Sea region (Poland, Denmark, Estonia, Finland, Lithuania, Latvia, Germany (selected regions), Sweden; (three non-EU states, i.e. Belarus - selected regions, Norway and Russia - selected regions);</li> <li>- Central Europe Program (Poland, the Czech Republic, Austria, Germany - Germany, Slovakia, Slovenia, Hungary, Italy - selected regions and outside EU - Ukraine and its selected regions</li> </ul>
Interregional co-operation	- Inter-Regional Co-operation Programme (INTERREG IVC) covering all EU countries and additionally Norway and Switzerland

Source: developed by the authors based on: (European Communities 2007)

## The Lisbon Strategy - the entrepreneurial context of its main objectives

The Lisbon Strategy was a development plan set out by the European Council in Lisbon in March 2000. Its main aim was to make the EU "the most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment by 2010". During the summit in Lisbon, the Heads of State and Government of the EU unanimously endorsed the strategy. The aim seemed uncontroversial. The EU was lagging behind the USA in most technical and scientific fields. As a consequence, the per capita income gap had remained undiminished for a quarter of century. The declaration focused on the knowledge society and supported R&D efforts, both public and private.

As a development agenda designed for the Old Continent, the Lisbon Strategy aimed at providing Europe with global competitiveness based on:

- an integration-friendly climate,
- application of science,
- creation of new jobs, fostering the development of human capital and improvement of its quality.

To fulfil these ambitious aspirations, three pillars, whose contents are presented in the table below, supported the execution the Strategy execution.

TABLE 2. LISBON STRATEGY'S OBJECTIVES

Objective	Contents
Economic	<ul style="list-style-type: none"> <li>- formation of the internal market</li> <li>- integration of financial markets</li> <li>- development of R&amp;D, establishment of the European Research Area</li> <li>- development of state-of-the art IT and competition technologies</li> <li>- improvement of entrepreneurship, prioritization of SMEs</li> </ul>
Social	<ul style="list-style-type: none"> <li>- improvement of the labour market situation within the Community, national and local levels,</li> <li>- counteracting social marginalisation and exclusion</li> <li>- improving the status of schooling and education and using their potential to build a knowledge-based economy</li> </ul>
Ecological	<ul style="list-style-type: none"> <li>- realization of the Göteborg objectives (June, 2001)</li> <li>- harmonisation of the economic and social objectives with environmental protection</li> <li>- prevention of degradation processes</li> <li>- joining in the execution of the relevant international priorities</li> </ul>

Source: developed by the authors based on: (Greta, 2008, p.77)

Using knowledge and the SME sector to stimulate the economy is part of the strategic objectives assumed for the three pillars in table 2 (economic, social and ecological), as well as a way of their practical realisation. Knowledge and the SME sector are crucial for making regions competitive, including the Euroregions.

By 2004, it was clear that Europe was not on its way to meet the Lisbon objectives, as a report under the Chairmanship of Wim Kok, pointed out. The report identified the lack of political will as the main culprit. European countries still support large bureaucracies that stifle risk-taking, their public sectors are often inefficient, and social policies usually protect jobs rather than people (Tabellini and Wyplosz, 2009)

Progress in the implementation of the Strategy in specific sectors was diversified. The most visible improvements were achieved in entrepreneurship, internal market and the information society. The Member States remain determined to create better conditions for the development of entrepreneurship. The transposition of directives concerning the internal market has improved, and the positive tendency with regard to directing state aid to horizontal aims was continued.

The implementation of the Strategy was especially inefficient in the sectors of education and innovation as well as employment and social policy. Research and development expenditures have not gone up. No visible improvement has been noted in combating social exclusion. The current crisis has also become a serious threat to the implementation of the strategy. The states most affected by the crisis and faced at the same time with budget deficit problems considered introduction of cuts in such sectors as social policy or education, which made progress in those spheres difficult (Koczor, 2009).

Although the European Union failed to achieve Lisbon Strategy aims, the structural challenges - aiming to stimulate growth and create more and better jobs, while making economy greener and more innovative become even more pressing. That is why on March 2010 European Commission has launched the Europe 2020 Strategy to go out of the crisis and prepare EU economy for the next decade.

## The "special mission" of Euroregions

Euroregions are organised cross-border regions. The peripheral location of the cross-border regions and the fact that they used to host heavy industries that are harmful to the environment cause that the regions are stumbling blocks in the competitiveness-building processes emphasised by the Lisbon Strategy. However, euroregionalisation removes their peripheral characteristics, while their advantages, for instance, natural attributes, help them compete against the internal regions on equal terms. Social ties stemming from the sense of identity and shared goals are particularly strong in the Euroregions. These are the same factors that the European Council or SERG stresses as important for the growth and improvement of competitiveness. Consequently, the Euroregions become a natural site for implementing flexibility and security blended together to form flexicurity, or for combining the economic and social elements and carrying out the Lisbon Strategy in line with its challenges which ultimately produces a global, innovative effect. Euroregions have a special universal effect on socio-economic development, as they address localness while operating in the sphere of global challenges.

The role of Euroregions as a force driving the development of the borderland areas is determined by the following factors:

- historical - defined by the common heritage and history, as well as cultural, linguistic and citizenship similarities;
- economic - resulting from the necessity to activate the peripheral border regions using the EU aid funds;
- social - determined by the fact that euroregional cooperation has mostly social character and by its focus on people and good neighbourly relations respecting each party's cultural identity.

Regional development also depends on the soft factors that represent the strong points of a Euroregion, unlike the so-called hard factors that make it a disadvantaged area. The combination of these two types of factors and the Euroregion's "privileged" position in EU's regional policy stimulate the growth of the SME sector by influencing business location decisions and strengthening the endogenous factors of SME growth, that is: capital and human resources; their ability to survive in the market; business environment; reputation; and costs, mainly personnel costs.

Both the West European and Polish Euroregions provide positive examples of the fact, that initiatives in the peripheral regions could be the stimulus for the growth of the whole territory. The numerous cross - border initiatives; economic, social, infrastructural or cultural would never happen, if the cooperation in form of Euroregions did not exist.

As one of many examples the list of selected initiatives realized in last decade in Euroregion "Niemen" has been provided. The area belonging to this Euroregion used to be underdeveloped one, and the Euroregion made it more enterprising and more innovative.

It is very difficult to assess the efficiency of these initiatives, but it is very probably that without such support, these regions would remain peripheral for a long time. The Euroregions have a special capacity for growing and improving their competitiveness despite their difficult start, as they enjoy a privileged position in regional policy and meet the requirements for extensive assistance. At the same time, they provided a good basis for SMEs' growth and helped to meet the social and ecological goals of the Lisbon strategy.

TABLE 3. SELECTED INITIATIVES REALIZED IN THE "NIEMEN EUROREGION"

Proposer of a motion	Title of the project	Value of the project (in current zloty)	EFRD contribution (in current zloty)
Higher Economic School in Białystok	Entrepreneurship stimulation and local society organizations in the cross-border region.	220 500.0	165 375.0
Higher School of Management and Entrepreneurship in Łomża	Human Capital Management in selected economy areas in the "Niemen Euroregion".	243 520.4	182 640.3
City of Łomża	Business without barriers - creation of cross - border service point.	224 353.9	168 265.4
Association "Alternative Sailing" in Kukle	Polish - Belarusian cooperation in new tourist product creation in the border area.	264 600.0	198 450.0
Higher School of Public Administration in Białystok	Conference for the local civil servants.	233 891.0	171 067.9
"Uroczysko" Association	Cultural, ecological and tourist cooperation of the area of Knyszyn Primeval Forest and Grodno Region.	181 088.9	135 816.7
Podlasie Regional Tourist Organization	Creation and promotion of the integrated system of tourist routes on the Polish - Belarusian border.	139 014.5	104 260.9
Promotion Centre of the Podlasie Region	Polish - Ukrainian internet platform of cross - border cooperation.	99 272.0	70 029.0
City of Suwałki	Economic meetings on the Czarna Hańcza River.	94 015.0	70 511.3
Promotion Centre of the Podlasie Region	Improvement of the region's competitiveness through cross - border experience exchange in the field of foreign investment attraction.	166 646.3	124 984.7

Source: developed by the authors based on data gathered from the Euroregion Niemen.

## Conclusion

Among all regions, Euroregions developing from cross-border regions in the course of cross-border cooperation have a special position as far as integration processes and mobilisation of local entrepreneurship is concerned. Despite their peripheral, „disadvantaged” location, their natural resource of the soft factors of development determining regional competitiveness and the fact that they favoured by EU's regional policy make them a driving force of local entrepreneurship. The stimulation of the endogenous growth potential required from the Euroregion:

- the presence of effective leadership, able to spur the decision makers and the members of the local community,
- broad participation of the euroregional population in local activities,
- sensitivity to the cultural identity and interpersonal ties, and to the socio-political composition of the region,
- cooperation of entities functioning in the Euroregion and of the flexibility of responses to the changing environment and the occurring structural modifications.

The above factors of endogenous growth allow using the structural funds for laying the foundations for the development of entrepreneurship. Regular regions also use structural funds, but the above endogenous stimuli are not available there. The strong points of Euroregions make them the cornerstones of and allies to entrepreneurship development driven by the SME sector. Considering the fact that the Lisbon Strategy gives priority to SMEs' growth, Euroregions naturally become its priority too.

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