

- specifying the criteria for defining the concept of 'general interest';
2. procedures should be set up for the Commission to approve these exceptions, with the involvement of stakeholders and the general public.
- 5.8 In terms of coordination and cooperation, it is important to consider the non-EU countries bordering EU waters, not just those countries that are parties to international agreements, so as to encourage them to cooperate and achieve good environmental results.

Brussels, 20 April 2006.

5.9 Lastly, the proposal channels stakeholder and public participation through the existing State systems. These are subject to doubt in many countries, sometimes because of a lack of transparency, sometimes due to delays in responding to queries, and sometimes because of the ambiguity surrounding 'stakeholder' organisations. The Commission should therefore establish a practical, effective procedure for collecting and managing complaints from stakeholders and the public, and guaranteeing the public's right to information, consultation and participation. The *mutatis mutandis* criterion should therefore be removed from the approval system, as stated above.

The President
of the European Economic and Social Committee
Anne-Marie SIGMUND

Opinion of the European Economic and Social Committee on The management of industrial change in cross-border regions following EU enlargement

(2006/C 185/05)

On 20 July 2005 the future Austrian Presidency of the Council of the European Union decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on *The management of industrial change in cross-border regions following EU enlargement*

The Consultative Commission on Industrial Change, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 22 March 2006. The rapporteur was Mr Krzaklewski.

At its 426th plenary session, held on 20 and 21 April 2006 (meeting of 21 April), the European Economic and Social Committee adopted the following opinion by 69 votes to two with five abstentions.

Part 1 — Summary of the EESC's conclusions and recommendations

The Austrian Government issued a formal request for the Consultative Commission on Industrial Change (CCMI) to prepare an exploratory opinion on *Industrial change and EU enlargement: Examining the effects in border regions*.

The Committee considers that, in the course of the next Presidency, it is important to establish a precise and distinct definition of what is meant by the term 'REGION' in a cross-border and industrial context. One should distinguish regions bordering non-EU Member States and take into account whether or not a given neighbouring state is a candidate country.

It is important to establish how one can distinguish between the effects of the changes that occurred in these regions in the 1990s and those arising from EU accession, to assess the effec-

tiveness of Community instruments used in these areas before and after accession and to establish the time lag with which EU policies were implemented in these regions as compared with elsewhere.

The Committee notes that a very important and possibly decisive factor which has affected the conduct and development of industrial policy in cross-border regions in the enlarged Europe, both now and in the past, is the ability of stakeholders in these regions to access EU Structural Fund resources. Increasing their role in these regions is absolutely vital. The Proposal for a Regulation of the European Parliament and of the Council establishing a European grouping of cross-border cooperation (EGCC) is a new opportunity in this area. The Committee places particular emphasis on the need to include economic and social interest groups as well as other civil society organisations, particularly training establishments, concerned in the

composition of the EGCC. The establishment of such legal entities could create an incentive for cross-border cooperation and give such regions a greater sense of identity and the desire to harmonise their regulations.

The Committee believes that the development of labour markets in the regions concerned is a factor for industrial change which should not be underestimated. At present, there remain temporary obstacles to the cross-border mobility of workers within the EU. The Committee calls on the Member States to look seriously at whether the transition periods could be ended earlier. This requires appropriate involvement and consultation of the social partners at all relevant levels. As far as other industrial policy instruments are concerned, the Committee stresses the importance of the possible introduction of a Common Consolidated Corporate Tax Base (CCCTB).

In its opinion, the Committee repeatedly stresses the particularly important role that social dialogue and civil society commitment can play in managing industrial policy in the regions in question; both in implementing dynamic industrial policies and in seeking to overcome problems affecting the mutual relations between different nationalities, cultural and ethnic groups.

Part 2 — Arguments to support the opinion

1. Introduction

1.1 Shortly before taking over the EU Presidency, the Austrian Government issued a formal request for the Consultative Commission on Industrial Change (CCMI) to prepare an exploratory opinion on *Industrial change and EU enlargement: Examining the effects in border regions*. By definition, an exploratory opinion is issued prior to the adoption of a proposal or political decision by an EU decision-making body.

1.2 The transition to a market economy and the transposition of EU internal market and competition rules has created a new dynamic in many regions of Central and Eastern Europe. The accession of the new Member States from Central and Eastern Europe has brought border regions closer together, reviving, in many cases, former trade and business ties. However, this new dynamic has also brought problems, especially for labour market policy, and has revealed the infrastructure shortcomings of cooperating border regions.

1.3 In order to take a closer look at the industrial changes underway in the cross-border regions of the enlarged EU and to collect the data required to prepare an opinion, workshops were held by the CCMI and the European Monitoring Centre on Change (EMCC) in Bratislava on 17 and 18 October 2005. Held in the CENTROPE cross-border region, the event was attended by members of the CCMI, representatives of the social partners from Austria, Slovakia and Hungary, and experts.

2. General comments review of the situation in cross-border regions of the enlarged EU

2.1 Presently around 33 % of the EU's population lives in border regions, which currently account for approximately 40 % of Europe's total surface area ⁽¹⁾.

2.2 The EU's borders have been changing continuously since the signing of the ECSC Treaty. This process looks set to continue over the medium term. Given the changes this involves, the EU needs to systematically update its border region policy.

2.2.1 Border regions of candidate countries that border on the EU are already forging relations with more peripheral neighbouring EU regions even before their accession, as part of the harmonisation of their laws and socio-economic systems.

2.2.2 The 'iron curtain' was a rather special type of border. A large part of this frontier now lies within the borders of the EU-25. When the Berlin wall came down in 1989, nine years after the Solidarity revolution of 1980, the regions close to the border that had once divided the countries of the former Soviet Bloc from the rest of Europe, particularly the areas of 'no-man's land', had practically no infrastructure in place. Despite the substantial progress made in dealing with the aftermath of the political decisions that led to this situation, it is still a problem that is far from being resolved.

2.2.3 Another special border for the EU is the Mediterranean Sea. Though a policy of cooperation between the EU and the Mediterranean countries has existed for many years, international developments have meant that it has not recently been one of the EU's priorities.

2.3 A series of cross-border initiatives (e.g. Euroregions) were set up in the border regions of the new Member States prior to their accession as a new form of cross-border cooperation, based on agreements reached between neighbouring border areas. There was no requirement to regulate the functioning of the Euroregions with inter-governmental agreements. Such initiatives were based on the free choice of local government institutions and stakeholders. Cooperation through Euroregions was aimed at resolving problems jointly, regardless of political borders, and establishing economic cooperation in the field of communications and environmental action.

2.4 In practice, EU interregional cooperation has, since the 1990s, primarily taken place within the framework of the successive INTERREG programmes. The EESC has also been involved in certain aspects of this cooperation, and has prepared opinions on inter-regional cooperation, based on the experiences, inter alia, of the Mediterranean region and the Baltic Sea area ⁽²⁾, ⁽³⁾, ⁽⁴⁾.

⁽¹⁾ A. Zölner: Speech at the 216th meeting of the Foreign Affairs Committee of the Polish Parliament; Warsaw, 26 October 2004.

⁽²⁾ OJ C 133, 31.5.1995.

⁽³⁾ OJ C 39, 12.2.1996.

⁽⁴⁾ OJ C 39, 12.2.1996.

2.4.1 The EESC has established that inter-regional cooperation promoted by the Community may be defined according to the:

- a) type of area: region, large towns, local sub-regional districts;
- b) spatial category: adjacent/non-adjacent regions (cross-border or trans-national cooperation);
- c) geographical area: cooperation within the EU or between EU regions and neighbouring regions of non EU Member States;
- d) level of cooperation, such as:
 - the collection of joint experiences, creation of networks for the transfer of know-how,
 - spatial planning,
 - joint projects for obtaining investment in infrastructure and other areas.

2.4.2 In its opinions on INTERREG, the Committee has stated that in the 1990s the links between the various categories of cooperation were somewhat selective. For example, cooperation functioned only on certain levels and was restricted to certain spatial categories and geographical areas.

2.4.3 One significant EU achievement in the cross-border regions of France, Belgium, Germany and Luxembourg, which all went underwent intensive restructuring, was the use of methods combating the depopulation of such areas and preventing their transformation into veritable 'post-industrial' deserts. Resources and action under the ECSC Treaty had a marked influence on the course of these restructuring processes.

2.5 At present, there are around 180 cross-border initiatives in place across Europe. Most of these initiatives are instruments for mitigating the negative effects of borders. Thirty-two Euro-regions are located on the territory of the new Member States; it is thus clear that the new EU Member States have been very active in their support for the principle of cross-border cooperation.

2.6 Most of the 32 cross-border regions encompassing 'new' and 'old' EU Member States have yet to witness any joint initiatives directly concerned with industrial policy, despite the fact that many joint undertakings indirectly relate to this policy area.

2.7 New initiatives in the field of industrial policy have — as a rule — occurred in those cross-border regions that are located near to metropolitan areas (e.g. within the Vienna, Budapest, Bratislava triangle) or which represent an area containing centres of industry or a group of large towns that

do not have metropolitan characteristics (Katowice, Ostrava region along the borders of the Czech Republic and Poland).

2.7.1 An interesting new example of industrial change is the Friuli-Venezia Giulia region on the Italian-Slovenian border, which saw a resurgence in manufacturing activity both prior to and after EU enlargement, particularly in the furniture sector.

3. Specific comments

3.1 Key features of cross-border regions in the enlarged EU

3.1.1 The features of cross-border regions with a developing industrial policy outlined in this opinion have primarily been identified on the basis of observations made in the CENTROPE (5) region.

3.1.1.1 This region includes areas from three new Member States and one of the fifteen old ones (the Austrian provinces of Vienna, Lower Austria and Burgenland, the Southern Moravian district in the Czech Republic, the Bratislava and Trnava districts in Slovakia, and the counties of Győr-Moson-Sopron and Vas in Hungary. The region as a whole combines zones suffering from typical problems of peripheral areas and neighbouring economically dynamic urbanised central areas.

3.1.1.2 The area underwent intense restructuring in the 1990s, with investment in parts of the region following as a direct result. This also led to labour market shifts, with a significant number of older workers in particular exiting the market, subsequently resulting in demand for labour — in parallel with the investments made — although not always at the same location.

3.1.1.3 The enlargement of the EU has brought together diverse labour markets in the region where the borders of Austria, the Czech Republic, Slovakia and Hungary meet; integrating those markets represents a challenge. Company relocation and emigration of the labour force to urban areas, as well as deficient (transport) infrastructure, continue to hamper the structure of the labour market, together with a marked gap between salaries in Austria and the new Member States and a forecast shortage of skilled labour.

3.1.1.4 We are seeing the first signs of the emergence of cross-border manufacturing networks. The development of transport infrastructure, requiring substantial investment, has played a part in this process. This in turn has led to existing gaps being filled and to the re-establishment of old ties.

3.1.2 Foreign and domestic investment provides a key stimulus for industrial change in such regions, also in small and medium-sized enterprises. In those countries where *Special Economic Zones* or *Industrial Zones* were created prior to accession most investment has been 'drawn' to zones that have rarely, coincided with a cross-border region (see EESC opinion CCMI/025). This helps explain the small number of cross-border cooperation regions in which a new industrial policy has been developed.

(5) Joint CCMI/EMCC workshop, Bratislava, 17-18.10.2005; presentations by Roberto Pedersini and Klára Fóti (and others).

3.1.2.1 The main drivers of growth have been investment in brown and green-field developments and company relocation. This investment was motivated, among other things, by identifying new markets, differences in corporate taxation, significant differences in salaries and state aids. These factors have supported the restructuring process and contributed to economic growth.

3.1.2.2 They have helped attract employees with high and medium-level qualifications and brought about a reduction in labour as well as non-employee-related costs. There has been a significant increase in the demand for machine operators, fitters, machining experts, welders, mechanical engineers, IT specialists — and this is becoming ever more noticeable throughout the manufacturing sectors of the EU.

3.1.2.3 As a result, this action has improved management skills, and established a human resources policy and functioning industrial relations. It has also made it possible to obtain funds for investment and has helped forge links with supplier and customer markets.

3.1.2.4 This investment has involved not only large EU firms but also small and medium-sized enterprises and firms from outside the EU. These firms have clustered investment, created multiplier effects, established links with local businesses and formed ties with domestic businesses and foreign branches.

3.1.3 An analysis of the structural industrial changes underway in the cross-border regions under review shows that, in general, the approach used in these areas is the 'step by step' method.

3.1.3.1 In step one, the manufacturing activity undertaken has been labour-intensive, relying on low-skilled workers; step two has seen the use of better qualified workers and more sophisticated services. In cases where step one has been successful, attempts have been made to outsource certain activities outside firms — but still within the region — in the search for lower labour costs.

3.1.3.2 Two-way structural mergers have had a significant impact on the structural issues accompanying these industrial changes. Divided into upward mergers (foreign companies within a region and beyond) and downward mergers (within a local area), the aim has been to gain competitive advantages within a network or region.

3.1.3.3 Higher-risk approaches were also applied (based on the 'snowball' principle), which have led to the forging of stronger ties. The 'enclaves' of an expanding company created

as a result of this process were marked by the ease with which they were transplanted to other new companies.

3.1.3.4 An increasingly common development in cross-border regions, also in the new Member States, is the establishment of new company branches by dynamic investors moving into step two of development in a given region. Industrial policy is also being stimulated in these regions by company networks, often international in nature, engaged, for example, in interactive human resource management across borders.

3.2 Factors for growth and integration accompanying industrial change in cross-border regions

3.2.1 One such challenge for industrial policy is the use of direct incentives and the introduction of asymmetry between companies. Companies integrating small and medium-sized enterprises into their network encounter greater problems in applying such a symmetry.

3.2.1.1 As R. Pedersini states in his presentation (see footnote 5) the shortening of company operations to the medium term may occur in the near future, which will undoubtedly bring social repercussions and should be implemented using appropriate guarantee mechanisms established through social and economic dialogue.

3.2.2 One very important challenge for the development of the whole EU and the future of industrial policy across its whole range, but especially in cross-border regions, is the issue of disparities in the taxation of companies, particularly corporation tax (⁶).

3.2.2.1 It is very important to decide whether corporate tax should be harmonised and to establish how the tax base is to be determined — i.e. according to the location of the registered office (Home State Taxation — HST) or according to the Common Consolidated Corporate Tax Base (CCCTB).

3.2.2.2 The HST system eliminates the application in EU cross-border regions of different laws to establish the tax base. However, this system involves more risks (⁷).

3.2.2.3 Use of the CCCTB option will mean that all businesses operating across borders will apply uniform principles for assessing their tax base (⁸), irrespective of which country their registered office is based in. Furthermore, the CCCTB method will not require any changes to existing national regulations, merely consent for the establishment of new, additional pan-EU regulations for firms doing business in several countries.

(⁶) COM(2005) 532.

(⁷) Rafał Lipniewicz: *Jeden system dla wszystkich przedsiębiorców (One system for all businesses)*, *Rzeczpospolita* newspaper, 27.7.2004, No 174.

(⁸) As above.

3.2.2.4 One drawback of the CCCTB option is the risk that two businesses from a given country with similar prospects and a similar presence on the domestic market will use different methods to assess their tax base.

3.2.3 One of the most important factors affecting the development of industrial policy in these regions is the current state and rate of development of the transport infrastructure in the region and at its entry corridors. For this reason, in addition to heavy investment in the construction and modernisation of the region's transport network, joint transport projects need to be created and managed in a modern way drawing on innovations and scientific research.

4. Conclusions and recommendations

4.1 The concept of a cross-border region with a new, operational industrial policy is highly complex in nature, both in general terms and with regard to specific cases and locations. For this reason, the Committee considers that, in the course of the next Presidency, it is important to establish a precise and distinct definition of what is meant by the term 'REGION' in a cross-border and industrial context. This definition should distinguish regions bordering non-EU Member States and take into account whether or not a given neighbouring state is a candidate country.

4.1.1 With regard to regions within new Member States and those which border on countries of the 'old' EU, it is important to establish how one can distinguish between the effects of the changes that occurred in these regions in the 1990s and those arising from EU accession, and to assess the effectiveness of Community instruments used in these areas before and after accession.

4.1.2 The work of the new Presidency, in cooperation with the EESC, should also provide answers to the following questions:

- Are the Community instruments used in cross-border regions — both directly and indirectly — falling short of the needs of these regions and, as a result, those of the whole EU?
- How can one take maximum advantage of the harmony noted between employers and trade unions that seems to be typical of many business ventures in cross-border regions?

- What can be done to offset the imminent threat of double relocations taking place: from cross-border regions to the countries of Eastern Europe and, ultimately, to Asia?

- Given the action taken in many cross-border regions to counteract the effects of delayed development (with a historic basis or caused by the failure of EU policies to keep up with these regions' needs), would it not be wise to introduce certain EU instruments in these regions in advance, and to treat them as a way of verifying such policies and as pilot projects.

4.2 Given the approach that is typical of the cross-border regions of the enlarged EU, and which is characterised by:

- efforts to minimise labour costs,
- dynamic company relocation,
- efforts to shorten companies' planned periods of operations to the medium term,
- dynamic changes in the employment structure as a result of the use of the 'step-by-step' method,

the EESC considers that it is highly important to ensure social cohesion and to prevent the undercutting of employment law and social standards. It is therefore vital that these processes take place using instruments of modern industrial relations, established in the EU, particularly in the area of social dialogue or stakeholders' dialogue.

4.2.1 Given the difficulties on the labour market typical of cross-border regions caused by past neglect, restructuring and the dynamic changes produced by the implementation of a special industrial policy in such regions, the EESC proposes applying for specific periods employment promotion mechanisms, often used by the EU in the past, which involve subsidising companies creating permanent jobs.

4.2.2 This approach should be backed up by formal safeguards to prevent any misuse of public money and ensure that the jobs created in this manner are genuinely new and permanent. The details of such safeguards were outlined in the revised EU directives on public procurement.

4.2.3 In particular, businesses which have previously received support and then relocated jobs, or which have dismissed workers at their original location following relocation without complying with national and international legislation, should not be eligible for state aid or for support from the Structural Funds.

4.3 The Committee notes that a very important and possibly decisive factor which has affected the conduct and development of industrial policy in cross-border regions in the enlarged Europe, both now and in the past, is the ability of stakeholders in these regions to access EU Structural Fund resources. Increasing the role of Structural Funds in these regions is absolutely vital for both mitigating the effects of intensive transition processes and helping regions adapt to the dynamic nature of the policies used.

4.3.1 On this basis, the Committee, referring to its opinion ⁽⁹⁾ on the *Proposal for a Regulation of the European Parliament and of the Council establishing a European grouping of cross-border cooperation (EGCC)* places particular emphasis on the need to expand on those provisions of the regulation relating to the aim and composition of the EGCC by adding the words 'and economic and social stakeholders, as well as other interested civil society organisations ...'.

4.3.1.1 Legal entities created both under the EGCC and other Structural Funds should be responsible for coordinating the various sources of financing, and for the preparation and realisation of fund projects supporting industrial policy in the given region. This financing would be accessible to the representatives of the various parties involved in the regions. The establishment of such legal entities could create an incentive for cross-border cooperation and give such regions a greater sense of identity and increase their desire to harmonise their regulations.

4.3.2 When creating and implementing projects supported by the Structural Funds, the opportunity should be taken to

combine sources of public funding with funds from private investors without classifying the public share as prohibited aid. The criterion would be the benefit not to the company but to the region — through the creation of jobs, infrastructure development, and the productivity of the economy.

4.4 The Committee believes that the development of labour markets in the regions concerned is a factor for industrial change which should not be underestimated. At present, there remain temporary obstacles to the cross-border mobility of workers within the EU. The Committee calls on the Member States to look seriously at whether the transition periods could be ended earlier. This requires appropriate involvement and consultation of the social partners at all relevant levels.

4.4.1 In encouraging better conditions for worker mobility in cross-border regions, one must not forget about the possible national and ethnic tensions that could arise. The specific situation and experience of regions where various cultures and nationalities have long interacted with one another mean that these difficult issues should be overcome and alleviated more effectively than in other areas. Social dialogue and civil society commitment can also play a particularly important role in overcoming problems of the mutual relations between various nationalities, ethnic and cultural groups ⁽¹⁰⁾.

4.5 Action relating to dynamic structural changes in cross-border regions should be the subject of expert assessment and academic study, undertaken under the auspices of successive EU presidencies, since spontaneous initiatives may turn out to be ineffective or even destabilising.

Brussels, 21 April 2006.

The President
of the European Economic and Social Committee
Anne-Marie SIGMUND

⁽⁹⁾ OJ C 234, 22.9.2005.

⁽¹⁰⁾ The European Foundation for the Improvement of Living and Working Conditions – Report on Regional Social Capital in Europe – 2005.

APPENDIX

to the Opinion of the European Economic and Social Committee

The following amendments, which received at least a quarter of the votes cast, were defeated in the course of the debates:

Point 3.2.2.1

It is very important to decide whether corporate tax should be harmonised and to establish how the tax base is to be determined ~~i.e. according to the location of the registered office (Home State Taxation (HST) or according to the Common Consolidated Corporate Tax Base (CCTB).~~

Point 3.2.2.2

Delete.

Point 3.2.2.3

Delete.

Point 3.2.2.4

Delete.

Reason

The discussion of fiscal policy solutions has no place in this text. It is also not the purpose of the opinion.

Voting

For: 20

Against: 50

Abstentions: 3.
