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**Article**

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# THE ROLE OF ECONOMIC POLICIES FOR EXTERNAL CROSSBORDER AREAS IN SHAPING THE NEW EUROPEAN UNION\*

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**Abstract:** *As history proves, any enlargement of an overstate structure produces disarticulation and an increase of pressure on the borders of it. On the other side the economy produces integrative effects along the border despite of the original significance of separation that a border has. The crossborder policies of the European Union as regional player are meant to contribute to the economic structure building and enhance the stability inside and outside the Union area. Setting up the normative framework for crossborder relations is a very present-day field, being subject of study and research in all Union bodies, in the Member States governments, candidate countries or beneficiaries of the relations with the Union as well. This normative framework is meant to propel the economic increase and the raise of the daily life conditions in the neighbor countries. Alongside the border there are happening complex phenomena, some of them easy to be quantified, such as economic ones, some of them more difficult that cannot be controlled but only sociologically researched, such as cultural-identity-emotional ones. The paper aims to draw the guiding marks of the European Union external crossborder areas and the crossborder cooperation frame for Romania, to identify already visible and potential effects of the enlargement on the external borders and to make an inventory of policies that should integrate the crossborder economy.*

**Keywords:** crossborder, cooperation, enlargement, European neighbourhood

**JEL Classification:** R11, F15

## INTRODUCTION

Crossborder policies can be applied successfully for sustaining and developing specific advantages for the actual framework that target a new world order. From these could be mentioned: extinction of constraints in the international economic exchanges, the interest of economic agents being focused on low cost and high quality production as a condition for balanced markets; extinction of obstacles in economic exchanges that will determine in time a specialization of the production process for certain goods and the increase of labour productivity; the extension of the internal market stimulating the competitiveness and attracting a high number of producers and

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consumers, as well as diversifying the goods and the beneficiaries; extinction of monopoly prices, higher than in a competitive environment; redistribution of invested capital and optimization of capital investment inside the community; free movement of labour force, the rational and efficient use of it.

As long as the countries transformed their economies, the demand for crossborder cooperation increased. The development of market economies especially in East European countries was joined by the increase of private companies and their expansion in these countries. The subsequent effect was the increase of disparities between the levels of economic development especially in the border areas (Building a New Europe, 1996). Having in view the specific aspects, each country confronts certain social, geopolitical, economical, ecological or other kind of problems. The solution for these can be found and practiced by decisions for efficient economic policies. The economic policies from two or more related countries are not always compatible, fact that can lead to conflicts.

Crossborder cooperation is a concept newly adopted for some decades in different European crossborder areas. This practice is based on principles for a successful crossborder cooperation established by the Association of European Border Regions: vertical and horizontal partnership, subsidiarity, common plan for crossborder development, analogical structures at local/regional level and independent financing sources. These principles are widely known and impose the observance of them by all the factors involved in the process. In what concerns the cooperation outside the national borders can be distinguished the following cooperation types: crossborder cooperation, interregional cooperation and transnational cooperation.

The crossborder cooperation, depending on the specific of the relation between the neighbouring countries, can contribute to economic development for each participant part. The motivation consists in the desire for improvement of life standard, in ensuring a sustainable and harmonious framework and in the clearance of frontier barriers, restrictions or other factors. For the improvement of the social-economical position of the regional communities and for reducing or clearance of the effects of the border obstacles, the local communities are involving more and more in the regional collaboration. Accordingly, there were build regional association on both sides of the borders, with the respect of the international law system. Later, the national associations from both parts of the border reunited forming crossborder associations, most of them being constituted in Euroregion structures.

## 1. SHAPES OF A NEW EUROPEAN UNION

Along the time there were many scenarios and shapes proposals for European Union, depending on the stage of development. Some of them explored the limits of extension, some more recent ones explore the possibility of decay of the Union. As concerns the structure, the shapes considered are European Union as post-modern empire (Zielonka, 2007, Diez and Whitman, 2000, in Antonescu, 2008, p.10-11), as a federation or as a republic (Foucher, 2002). From the multitude of approaches we choose the post-modern empire view and the European republic view of Michel Foucher as being two dynamic faces of a union of states with different culture and levels of economic development, but these two shapes could lead to completely different development scenarios.

”European Union may be considered an empire even if it does not fulfill all the elements considered by the political sense about the overstate, because the empire is not a rigid concept but one able to define the most diverse types of structures, from political to organical – tribe, royal family, clan, region.” (Antonescu, 2008)

We cannot consider the European Union a classical empire because the Union is a contemporary, new and innovating suprastructure, based on political logic and with a different evolution than the classical empires. Nevertheless, this structure borrows from the traits of a classical empire.

On the other side, Foucher states that the idea of Republic is opposite to the one of an empire, the European Union being built on common and free consent of national sovereignty exercise (Foucher, 2002). European Republic would be as echo of the Europe that invented the democracy, social progress and human rights principles, and the one that allowed the free circulation of ideas over the continent. More than that, Europe is an area for a free circulation of ideas as a base for a collective assumed destiny.

If we put face to face these two images we can state that the actual shape of the European Union is not following accurately any of both but shows elements of the empire and of the republic. For a future scenario the empire image is too dark considering that the history showed that empires had a limited lifetime and there were a space of continuous conflicts ended with decay. On the other side the image of a republic is too generous considering the difficulty to mix the multitude of different backgrounds and actual frameworks that the member states have.

## 2. CROSSBORDER AREA CONCEPT

The economic development and the functionality of the habitations in the crossborder area have an important role and place in the crossborder policies, due to the local and national need of security. The crossborder area is an international market with a strong competitiveness of the capital, goods, labour and services. Each player on the market is focused on finding favorable solutions to its own economic problems, not carrying any responsibility related to the failure of the other players.

Industrial development could be an option as part of the development strategies, targeting the adjustment of the differences in financial capacities of the regions. These policies can lead to an increase of the incomes in the local or regional budget, having an important role in breaking the labour force migration. The industrial policies can ensure a good level of professionalism of the workers, a certain level of fairness related to the labour force, stability and economical increase, a good rate of productivity and work efficiency. But on the other side, if you are speaking about the Eastern border of European Union, the landscape is made of ex-communist countries that got rid of the most part of the industrial infrastructure and building a new one could be very expensive and it needs foreign investments and a coordinated approach.

The crossborder areas have no constitutional competences, meaning that they cannot decide the agreements in crossborder relationships. There are the states who decide the policies and the agreements, based on their own legal rules and they cannot accept the conditionality of a regional overstate structure linked only to some geographical parts of the countries. That is the reason for failure of the regional associations that are only network structures, without real decisional power or financial capacity. The crossborder areas facilitate the communication and the social-economical activities, but each part remains with the own national purpose and the duty of the own state security. The crossborder areas cannot be considered as an inception of the state disappearance but only areas for national state consolidation by economic competitiveness and not by force.

Another challenge that characterize the crossborder areas is linked to the freedom of movement of the labour force, goods, capital and services, but in a different meaning that the freedom of movement that is inside the European Union, stated in the main Treaty. The existence of borders and differences between the member states and the third countries put more pressure from outside to the inside and make the competitiveness wilder. The winner will be that country, that developed economy based on the research-development results and with a higher level of work

efficiency. From this point of view, sometimes the incumbency of following the European Union rules can be a break for a country that maybe if standing alone would be more competitive toward its third country neighbours.

An useful approach that should be taken in consideration when we are thinking about crossborder areas is the one that Fernand Braudel used to frame the spatial scheme of the economies-universe. He considered three levels or categories: a quite restrained center that concentrates the high level of technologies or markets, a second level regions that have just at a medium level the advantages of the centers and the marginal areas or peripheries, not so well economically developed (Braudel, 1989). If we consider the European Union as an economy-universe seems like obvious that a center could be represented by Bruxelles and France and Germany duo and the peripheries are the areas situated at the external borders of European Union.

If it would be to set up some marks about crossborder areas we should put in the frame three groups of items: facts that are coming from the past and actual environment, virtues of these areas that can raise them and risks that can block or change the dynamic of the areas in a negative one. The facts that are characterizing the crossborder areas are sometimes contradictory, on the one side we have areas belonging to different countries with different rules but most of them are linked by a common history. That led to the existence of minorities on the other side of the border and territorial issues as topic of nationals' foreign negotiations and at the population level led to an individual conflict between national identity and citizenship loyalty. The second group of items, the virtues of the crossborder areas, is containing the sensitivity of the areas, being a barometer for the internal processes and depending on the permeability of the frontiers. Moreover, the communities on the both sides of the border are plural societies with a collective memory and unitary values that can build bridges between the main cultures of the countries involved or between projects with a high coverage. Being subject of differences the crossborder areas are highly competitive societies with a good degree of innovation and dynamic (Popa, 2006). The last group of items, having as much importance as the previous two, is closely linked to the facts and virtues. The differences mentioned above can create not only competitiveness but the not desired face – the rivalries that express in social tensions and conflicts. If these tensions are not well managed they can be transformed into unilateral aggressive practices. Being peripheries, the crossborder areas can be subject of economical unbalances and of incompatibility of different institutional structures (Popa, 2006).

To figure out an image of crossborder areas means to mix all the layers described in a variance of scenarios that imprints the specificity of the economical context towards the internal states' economic development.

### **3. THE STEPS OF THE EUROPEAN NEIGHBOURHOOD POLICY**

Having in mind the age of the European Union from the start as economic community till the today complex union of 27 states, the neighbourhood policy is a new step in the development. The first frame for this policy was the communication from the Commission to the Council and the European Parliament from 2003 "Wider Europe - Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours". This Communication considered how to strengthen the framework for the Union's relations with those neighbouring countries that at that moment hadn't the perspective of membership of the EU. It was not applied to the Union's relations with the remaining candidate countries at that moment - Turkey, Romania and Bulgaria - or the Western Balkans. The Communication argued that enhanced interdependence - both political and economic - can itself be a means to promote stability, security and sustainable development both within and without the EU. The communication proposed that the European Union should aim to develop a zone of prosperity and a friendly neighbourhood - a "ring of friends" - with whom the union enjoys close, peaceful and cooperative relations (Wider Europe, 2003).

The next step was in 2004 with the issuance of another communication from the Commission, the Strategy Paper of the European Neighbourhood Policy. This paper brings in front the Partnership and Cooperation Agreements and the Action Plans as documents negotiated with the neighbourhood countries and as tool for implementing the policy - the European Neighbourhood Partnership Instrument.

Two years later, in 2006, the communication named "On Strengthening the European Neighbourhood Policy" makes an inventory of the strengths and weaknesses of the neighbourhood policy, asks for a more involvement of the Member States and draws attention to some new fields of interest to be stressed: economic and commercial issues, visa-facilitation and migration management, people-to-people contacts and contacts among administrators and regulators, political cooperation and regional cooperation, or financial cooperation. In 2007 a new communication spots the strengthen of the neighbourhood policy, "A Strong European Neighbourhood Policy", drawing attention to some of the main challenges that should be addressed by the European Union'

institutions and governments, asking again for the close cooperation of the Member States to strengthen the European Neighborhood Policy.

Finally, after the conflictual events from Asia in the beginning of 2011 the High Representative of The Union for Foreign Affairs and Security Policy and the European Commission launch a joint communication, namely “A New Response to a Changing Neighbourhood. A review of European Neighbourhood Policy”. The new approach, as described in the communication, aims to:

- Provide greater support to partners engaged in building deep democracy - the kind that lasts because the right to vote is accompanied by rights to exercise free speech, form competing political parties, receive impartial justice from independent judges, security from accountable police and army forces, access to a competent and non-corrupt civil service - and other civil and human rights that many Europeans take for granted, such as the freedom of thought, conscience and religion;

- Support inclusive economic development - so that EU neighbors can trade, invest and grow in a sustainable way, reducing social and regional inequalities, creating jobs for their workers and higher standards of living for their people;

- Strengthen the two regional dimensions of the European Neighbourhood Policy, covering respectively the Eastern Partnership and the Southern Mediterranean, so that we can work out consistent regional initiatives in areas such as trade, energy, transport or migration and mobility complementing and strengthening our bilateral co-operation;

- Provide the mechanisms and instruments fit to deliver the objectives of the European Neighbourhood Policy (A New Response, 2011).

The rapidity in redesigning the neighbourhood policy depending on the external events and the change of the framework shows the importance that the European Union gives to the relation with the neighbour countries and the need to reduce the economic disparities between the areas situated on the both sides of the border – the internal and external ones.

#### **4. ECONOMIC POLICIES AND INSTRUMENTS FOR EXTERNAL CROSSBORDER AREAS**

The first and the main objective of the European Neighbourhood Policy is to promote sustainable economic and social development in the border areas. Closer cooperation between the European Union and its neighbours should help to accelerate economic and social development and



poverty reduction in the border areas by increasing trade and investment flows, enhancing cross-border cooperation on economic and social policy issues, promoting co-operation in the fields of transport and energy, and integrating the neighbouring countries more deeply into wider European cooperation. As a rule, proximity to EU markets would increase the economic attractiveness of external neighbouring areas and create new opportunities for them. These regions often have natural economic advantages such as cheaper labour and lower transport costs (Paving the way, 2003).

The tools of European Neighbourhood Policy include bilateral policy between the European Union and each partner country, enriched with regional and multilateral co-operation initiatives: the Eastern Partnership (launched in Prague in May 2009), the Union for the Mediterranean (the Euro-Mediterranean Partnership, formerly known as the Barcelona Process, and the Black Sea Synergy. To these there are added country, multi-country and cross-border strategy papers and multi-annual indicative programmes covering country or multi-country programmes, which deal with assistance to one partner country or address regional and sub-regional cooperation between two or more partner countries, in which member States may participate, crossborder cooperation programmes, which deal with cooperation between one or more Member States and one or more partner countries, taking place in regions adjacent to their shared part of the external border of the Community and joint operational programmes for cross-border cooperation or annual action programmes.

## CONCLUSIONS

Always it will be a border and there will be neighbours no matter the shape of the New European Union it will be, a future of an empire or a republic. This fact should not stop the efforts of making easier the passing from one side to the other side of the border. The existence of a European Neighborhood Policy, built firstly on economic area, and the quick update of the policy in a dynamic frame of neighbours gives the confidence that the neighbourhood issue is at the same level of importance as other European policies.

The cross border areas are forms of micro-regionalize the economy. Inside these there are reunited administrative units from different countries that keep the competences of the origin countries as defined in the national or European legislation. The crossborder relation is very important, these areas facilitating the communication between countries and the development of

various social-economic activities and in the same time keeping the national aim and the security of the state.

The crossborder areas are under the influence of internal and external factors, social economic, technologic and natural, considered in the elaboration of the crossborder policy. Depending on the evolution of the economic indicators the economic policies become a support and a mechanism for keeping the positive trends while correcting the negative trends.

The European Neighbourhood Policy is a necessity determined by the actual border shape. This policy proved its efficiency through the Action Plans and the financial tools for developing the crossborder areas.

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