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Contents

1. Introduction	1
2. Profile of Görlitz	3
2.1 Economic Development: Characteristics and Key Issues	3
2.2 Entrepreneurship Development	5
2.3 Social, Cultural and Historical Perspectives.....	7
2.4 Policy Environment for Entrepreneurship and CBC	9
2.5 Potential for Future CBC.....	10
3. Institutional Cross Border Co-operation	11
3.1 Nature and Extent of Current Institutional CBC	11
3.2 Enabling Factors for CBC	14
3.3 Constraining Factors for CBC	15
3.4 Examples of Positive Experiences of CBC	16
3.5 Examples of Negative Experiences of CBC.....	18
3.6 Evidence of Cross Border Clusters.....	18
3.7 Enlargement-Related Effects on Institutional CBC.....	19
3.8 Policies for Institutional and Enterprise CBC	19
4. Enterprise Cross Border Co-operation.....	21
4.1 Types of Current CBC Identified	21
4.2 Characteristics of enterprises involved in CBC	22
4.3 Evidence of Change in CBC over time.....	23
4.4 Costs and Benefits of CBC to Enterprises	23
4.5 Positive and Negative Lessons from CBC	26
4.6 The Role of Trust in Enterprise-Based CBC	27
4.7 Enlargement-Related effects	28
4.8 Use of External Assistance and Participation in Public Policy Programmes ..	30
4.9 Policy issues identified.....	31
5. Informal and Household-Based CBC.....	32
6. Conclusions.....	37
6.1 Overall Assessment of CBC in Region	37
6.2 CBC: Enlargement Related Issues Emerging	38
6.3 Co-operation and Clustering Related Issues	38
6.4 Identity and Perception-Related Issues	38
6.5 Trust- and Learning Related Issues Emerging.....	39
6.6 Policy and Governance Related Issues	39
6.7 Future Prospects for CBC.....	41
References	42

1. Introduction

The CBCED project is investigating the challenges and prospects for cross border co-operation (CBC) for entrepreneurs in border areas affected by EU enlargement. The project seeks to identify sources of threat and opportunity for entrepreneurship in a broadly based selection of different types of border region, together with the types of policy response required at the EU, national and regional levels to influence these. Following a review of the existing evidence base and of relevant theoretical literature, the methodology employed involves a combination of secondary data and primary, empirical investigation in the case study border regions listed below.

The document represents Deliverable 11 of the CBCED project. It contains the regional summary report for the Gorlitz case study region, which is one of 12 regions included in the CBCED project for detailed empirical investigation. These case study regions are:

- Imatra and Tornio in Finland
- Gorlitz and Hochfranken in Germany
- Biala Podlaska and Zgorzelec in Poland
- Florina and Serres in Greece
- Kyustendil and Petrich in Bulgaria
- Ida-Viru and the South East region in Estonia

The purpose of the regional summary reports is to present a summary of the main results from each of the case study regions, in which empirical investigation has been undertaken. The regional summary reports are intended to complement the papers (Deliverables 12-16) related to each of the substantive work packages.

The content of each regional summary report follows a broadly harmonised framework. Following this introduction, subsequent sections are:

- Section 2, which provides a profile of the case study region in terms of economic development; entrepreneurship; social, cultural and historical perspectives; the

policy environment for entrepreneurship development and cross border co-operation; and an assessment of the future potential for CBC.

Section 3, which summarises cross border co-operation involving institutions, paying attention to enabling and constraining influences; examples of positive and negative experience of institutional CBC in the region; evidence of cross-border clusters, if any; an assessment of any enlargement related effects on institutional cross-border co-operation; and policies for institutional and enterprise based CBC. This section is based mainly on the findings of interviews with key informants and business support organisations in the region.

Section 4 is concerned with cross-border co-operation, involving enterprises. Specific topics covered include: the types of CBC that enterprises are currently involved in; characteristics of enterprises involved in CBC, including foreign partners; evidence of change in CBC over time; the costs and benefits of CBC to enterprises; positive and negative lessons from CBC; the role of trust in enterprise-based CBC; enlargement-related effects (if any); use of external assistance and participation in public policy programmes; and policy issues identified. This section is based on interviews with entrepreneurs and/or senior managers of enterprises

Section 5 is concerned with informal and household-based cross border co-operation. Specific topics covered include the characteristics and types of informal and household-based CBC identified; the background and characteristics of participants in this type of activity; enabling and constraining forces; evidence of change over time, including current trends and future prospects; the role of trust; any enlargement-related effects; and policy issues.

Section 6 contains a summary of the main conclusions. Following an overall Assessment of CBC in the region, the section summarises findings in the region in relation to each of the main substantive topics featured in the project. These are enlargement-related issues; clustering-related issues; identity and perception-related issues; trust-related issues; and policy issues. The section ends with a summary assessment of future prospects for CBC in the region.

2. Profile of Görlitz

2.1 Economic Development: Characteristics and Key Issues

Görlitz is the easternmost town in Germany, situated at the river Neisse, which since 1945 constitutes the border to Poland. It marks the German 'gate' to the new EU member state Poland. The border is a specific one because Görlitz is a so called 'twin city', which means that it is one part of two cities that are situated side by side, but separated by a river or a border. Zgorzelec in Poland across the river Neisse is the other part of the twin city.

Görlitz is one of the seven district free cities¹ (urban district) in Germany's federal state Saxony and belongs to the administrative district of Dresden. From August 2008 a new regional structure will be introduced, where the city of Görlitz and the districts of Lower-Silesia Upper-Lusatia and Löbau-Zittau will be merged to the new district of Görlitz.

The economic situation is similar on both sides of the river Neisse. Both cities have to deal with the disadvantage of being geographically located right in between the much bigger cities of Dresden (Germany) and Wroclaw (Poland) that attract investors and skilled people and are seen as 'boom towns'.

Görlitz' natural values lie in particular in the region's rich forest stands, many species of fauna and its diverse landscape as well as its proximity to the 'Saxonian Switzerland' (Sächsische Schweiz). All these resources make Görlitz and its surroundings an interesting region for tourism.

After the Second World War the population of Görlitz surmounted the number of 100,000 due to the displaced persons from the former eastern territories of the German Reich. Since then, the population constantly decreased. Alone, after the fall of the Berlin Wall, Görlitz lost approx. 18,000 inhabitants due to migration and a considerable decline in the birth rate. Since 1990 the population constantly

¹ A district free city is a local authority on municipal level. These cities constitute a district in their own right. Görlitz at present has still the status of a district free city, but in the course of the intended district reform in the Free State of Saxony it will have to abandon its status.

decreased to a current approximation of 57,000 inhabitants and a further decline of the population is expected in future.²

The demographic trend is strongly related to the development of the regional labour market in Görlitz where the unemployment rate is more than twice compared to the one of Germany as a whole.³ Two aspects of the demographic trends in particular explain this high regional unemployment rate. First, there are the changes in the age structure towards an aging population which go hand in hand with a decreasing population of employable age.⁴ Secondly one can observe a high migration rate of young people from Görlitz. This constitutes a 'vicious circle': The high unemployment rate causes young and qualified people to leave the region. This in turn aggravates the demographic trend in terms of a decrease of the population of employable age. Though the border region appears to be a less attractive destination for in-commuters and migrants from Poland compared to other parts of Germany, the rate of commuters to Görlitz from the neighbouring regions as well as from Poland might additionally add to the high unemployment rate of Görlitz. The decreasing population has not only a negative impact on the local labour market but also influences the real estate market in Görlitz. Although there is already a strong city deconstruction going on, 6,000 apartments are still vacant.⁵

*'The city struggles with a great oversupply of accommodations and the grotesque phenomenon of Old Town buildings being vacant whereas panel flats in the suburbs are being renovated rapidly.'*⁶

In the meantime the migration of younger people already has a negative impact on the supply of skilled employees in the age of 25 to 40. It is difficult for enterprises to find such employees in the region. Therefore, companies have to engage people 'from the West' or – where and if possible – from Poland.

In the last years, the GDP per capita of Görlitz is constantly substandard to the GDP per capita for Germany as a whole, although from 2002 to 2003 it increased by about 5.5%. In 2003, Görlitz showed the strongest economical development of the

² Cf. Richter 2007.

³ In December 2007 the unemployment rate in Görlitz amounted to 20.0%, while in Germany it added up to only 8.1% (Eastern Germany 13.4%); cf. Federal Employment Office of Germany.

⁴ Cf. Niebuhr, Stiller 2004.

⁵ Cf. Burkhardt 2007; Anliker 27.08.2005.

⁶ Cf. interview Görlitz_E04. All quotations within this report are excerpts from interviews with German entrepreneurs, representatives of institutions or key experts which have been translated by us.

administrative district of Dresden. Over the past years, the administrative district of Dresden constantly showed the strongest increase of GDP of all the administrative districts in Germany. This positive development can be traced back to the above average development of the industry, but the economic policy of Saxony also plays a role, with its concentration on strengthening economic core centres (also cf. section 2.4).⁷

The actual economic environment of Saxonian enterprises is still stamped by the impact of the process of the reunification and the transition to a market economy. Those Saxonian enterprises which continued operation after 1989 not only had to adapt their structures of production and organisation, but also had to build up new relations to co-operation partners, because established co-operation partners did not exist any longer. The transforming process led to a break-up of former contacts, and contacts to suppliers and customers had to be restructured.⁸ As network building is a long-term process, the establishment of the new alliances is still ongoing, although there already are some successful networks to be found in Görlitz.

2.2 Entrepreneurship Development

Historically, Görlitz has been an important location for the textile, optical, electronic and metal industry as well as for vehicle construction and engineering. From the end of the 19th century the 'Görlitzer Waggonbau' (wagon building factory which nowadays belongs to Bombardier Transportation) and the 'Turbinenwerk Görlitz' (factory of turbines which belongs to the Siemens AG) have had a long tradition in the field of engineering. Formerly, mining also constituted a main economic foothold, but in the meantime these activities no longer play any role in the region. Nowadays, Görlitz' main competencies are in the fields of machine construction, logistics and railway engineering. Moreover, enterprises in information and communication technology and biotechnology have settled in the region. The predominant economic sectors therefore are services and industry whose shares in gross value added are also the highest.

⁷ Cf. Statistical Office of the Free State of Saxony 06.07.2005.

⁸ Cf. Albach 1993.

The corporate structure in Görlitz region is mainly characterised by small businesses. Only two world market leaders are settled in the region, namely Siemens and Bombardier who are the biggest employers in the region. On the Polish side of the border the economic situation differs. There are only few manufacturing enterprises, as the region mainly lives on mining and power industry. Zgorzelec constituted by far the smaller and weaker part at the time of the city division in 1945, and until today it does not have a genuine centre. Only retail trade has developed enormously in Zgorzelec during the last years because of investments of well-known German and French wholesale chains (Kaufland, Real, Carrefour).

Overall, the number of enterprises in the region is insufficient, and thereby the concentration of businesses remains low. This situation can be traced back to the lack of a regional economic policy which could encourage the settlement of new firms. Much is done indeed in the cultural area, but markets in Eastern Europe are not deployed as efficiently as possible. Many companies from the region have become insolvent because of the competition pressure on the world market. Additionally, the 'socialistic heritage' still plays an important role in former East Germany as well as in Poland. On both sides of the river Neisse, there has been no tradition of a free market economy since the Second World War, as during socialism only few enterprises (mainly micro crafts enterprises) were allowed to exist. Therefore, both regions have accumulated their experience in the last 18 years since German reunification.⁹

Surprisingly, Görlitz nowadays shows a comparatively high entrepreneurial propensity which might reflect a turning point in entrepreneurship development. The indicator for entrepreneurial propensity is measured as the number of business registrations in relation to the employable population and therefore shows how much enterprises were newly registered per 10,000 inhabitants within one year. In Görlitz, this indicator lies clearly above the national average for all German districts and cities. In 2006, Görlitz was listed on place 8 of 439 places as a whole. The indicator increased enormously from 130.8 in 2003 (place no. 328) to 237.9 in 2006.¹⁰ Partly, this obviously is a statistical phenomenon, reflecting the loss of population. However,

⁹ Cf. Blaneck 2005.

¹⁰ Cf. Institut für Mittelstandsforschung Bonn 2007.

it also might show a genuine increase in entrepreneurship, maybe connected to growing unemployment and generous support measures for business creation of unemployed persons until 2006, although the underlying reasons would ask for further investigation.

2.3 Social, Cultural and Historical Perspectives

The history of cross border co-operation between Germany and Poland is a specific one, because the border regions between these two European countries had manifold, sometimes painful and varied experiences in their long common history.

The 19th century as well as the early 20th century was the start of a great development for the region. The population increased about tenfold. Görlitz became the economical, political and cultural centre of the Prussian Upper Lusatia and the location of industrial large firms as well as of SMEs. The World Wars I and II stopped this favourable development. The treaty of Potsdam in 1945 confirmed the Oder-Neisse Line as the new border between Poland and Germany, dividing all the towns along the river Neisse. Görlitz was divided into a German part on the western side of the Neisse and a Polish part named Zgorzelec.

The impact of the political division was intensified by the displacement of Germans and Poles. The German inhabitants of the town and the region were forced to move behind the newly established border to Görlitz. The eastern part of Görlitz was taken by the Soviet military. The inhabitants of the new Polish town were mostly resettled from pre-war eastern parts of Poland (today Ukraine and Belarus), or settled from Central Poland. From then on, the border did not only form a national border but also a cultural and linguistic one. Both cities were now located at the periphery of their respective countries which constrained their development potential.¹¹

The town was split into two municipalities belonging to two different countries. The infrastructure was divided as well, so for example the public transport lines. Both towns differed enormously in terms of their economies – Görlitz hosted the main

¹¹ Cf. Galasinska, Rollo et al. 2002; Friedrich, Knippschild et al. 2005.

industries while Zgorzelec 'inherited' some municipal utility works and scanty manufacturing workshops.¹²

Until 1990 Görlitz belonged to the GDR (German Democratic Republic). Although the GDR and Poland both were socialistic countries, neither the political nor the social impact of the border vanished after the division; therefore the cities developed rather independently from one another.¹³ The border between these countries was an external, mainly hard one until 1989. The demarcation along the river Neisse in 1945 was a strong symbol of separation. For the first twenty years after the World War II co-operation between Görlitz and Zgorzelec was 'virtually non-existent'.¹⁴

In the early 1970s some beginnings of co-operation between GDR and Poland were noticed. Due to the economic development of the borderlands in the mid-1980s, approx. 1,600-2,000 inhabitants of Zgorzelec and surroundings were employed on the German side of the border. In autumn 1980 the co-operation relationships almost stopped completely because of the Solidarność-movement in Poland. In 1984, when the political situation calmed down, co-operation was resumed again. Co-operation in the fields of culture, science and sports had been tried out – some projects still exist today. In the late 1980s the relationships between both cities developed further, for example with the formation of a common Polish / German municipal bus line as well as taxis providing transport across the border.¹⁵

The political reversal in 1990 raised hopes and offered prospects for a new rise of Görlitz as intermediary between the East and the West of Europe. Since 1989 the border has been opened, with no visa requirements¹⁶ and therefore turned into an internal, soft border. Accordingly, cross border traffic improved. In 1991, the German and Polish governments signed a 'treaty on good neighbourhood relations and friendly co-operation', plus an agreement between the two governments concerning regional and border regions co-operation.¹⁷ On regional level, the installation of a cross border commission for coordination of the city councils of Görlitz and Zgorzelec

¹² Cf. Adamczuk, Rymarczyk 2003a.

¹³ Cf. Friedrich, Knippschild et al. 2005.

¹⁴ Cf. Adamczuk, Rymarczyk 2003a.

¹⁵ Cf. Adamczuk, Rymarczyk 2003a; Friedrich, Knippschild et al. 2005.

¹⁶ Cf. Galasinska, Rollo et al. 2002.

¹⁷ Cf. Adamczuk, Rymarczyk 2003b.

institutionalised the firstly loose and project orientated co-operation since the mid-1990s. In 1998, the co-operation of both cities found a climax for the time being with the proclamation of the 'European City Görlitz / Zgorzelec', which was especially a symbolic highlight.¹⁸ With that, the cities aim at jointly solving problems concerning education, culture, sports, economy and municipal services while, at the same time, respecting the national interests of both cities. Thus, the living standard of the population standard should be enhanced.¹⁹

Regarding the history of the region, there are still retentions to be found on both sides of the Neisse. The activities of the German Organisation for Displaced People are, for instance, regarded critically within the region of Zgorzelec. Polish people were afraid that after the EU accession of Poland Germans will obtain a legal claim to the estates and houses they lost when being resettled on the other side of the river Neisse after the World War II. In this regard, there is a generational aspect, as for younger people, such retentions are of minor importance, 'fading away'.

2.4 Policy Environment for Entrepreneurship and CBC

In general, Görlitz, as overall Germany, is characterised by an elaborated governance system, which has developed over decades and works quite well. The federal state and district divisions are set out clearly (at least in theory). The economic policy of the provincial government of the Free State of Saxony takes priority over the local affairs. Saxony for instance concentrates on a so called policy of fostering 'Centres of Excellence' which means that the main centres such as Dresden, Leipzig, Chemnitz and Zwickau are supported financially and that big enterprises are encouraged to settle there. This type of policy is regarded as a disadvantage for the border region, since it receives less money and government aid from the Free State. Due to this fact the border region regards pro-activeness and an own settlement policy as its only chance for regional development. The region acts autonomously; matters are only presented to the provincial government once all necessary contracts are signed at municipal level. Thus the region of Görlitz can accomplish its own ideas and plans.

¹⁸ Cf. Friedrich, Knippschild et al. 2005.

¹⁹ Cf. Adamczuk, Rymarczyk 2003a.

The main actor involved in fostering economic development and entrepreneurship is the city council of Görlitz. It is responsible for offering services for start-ups, enterprises and investors. Moreover, several representative organisations such as Chambers of Commerce and Crafts are actively involved in lobbying for their members. Overall, the business support infrastructure is well developed, with private and semi-public organisations offering a wide range of business services. Specifically for cross border co-operation the ARGE28 which is a border association of chamber across Europe, is of interest. Chapter 3 reports more details on these organisations, which also are involved in institutional cross border co-operations.

Several treaties set the institutional framework for cross border co-operation. This is complemented by various working groups representing elements of the ongoing policy dialogue between district administrations and enterprise representatives. Institutional profiles show that several of these representative organisations are also concerned with cross border issues, thus contributing not only to developing entrepreneurship within the region, but beyond (cf. section 3.1).

Cross border co-operation at government level has been coordinated since 1991 by the Polish-German Intergovernmental Commission for Regional and Border Cooperation, as well as its four committees: for Regional Cooperation, for Cross-border Cooperation, Interreg II and for Regional Planning.²⁰ On regional level, the relations between Görlitz and Zgorzelec are regulated by three documents: the annually renewed and upgraded 'Partnership Agreement between the Townships of Zgorzelec and Görlitz', the 'Proclamation of the Townships of Zgorzelec and Görlitz on Establishing the European City Zgorzelec / Görlitz' from May 1998 and the 'Statutes of the Neisse Euroregion' dating from 1991.²¹

2.5 Potential for Future CBC

With the extension of the European Union in 2004, the region gained back its central position as an economic area with a tradition of several hundred years. The opening

²⁰ Cf. Lipowicz 2005.

²¹ Cf. Adamczuk, Rymarczyk 2003a.

of the borders and the integration of Poland into the European Union offers the opportunity for Görlitz and Zgorzelec to step out of their peripheral situation and to profile themselves as a facilitator between old member and new member states.²² But, although Poland's accession to the EU facilitates cross border co-operation at enterprise level, premises and regulations for a comprehensive, cross border co-operation at public level are still missing.²³

3. Institutional Cross Border Co-operation

3.1 Nature and Extent of Current Institutional CBC

At the level of (regional) governments, cross border co-operation in the region of Görlitz and Zgorzelec exists in different forms, namely as formal co-operation between the countries Germany and Poland as well as between the city councils. The institutions in Görlitz and its surroundings generally hold a positive attitude towards cross border co-operation and are interested in advancing collaboration between the two cities, which is encouraging. Political aspects often play a role in this context.

Institutional co-operation can be divided into three different categories. One can distinguish between measures to boost local administrative capacities, to foster socio-cultural activities and to support business-related co-operation. In general, actors involved in institutional cross border co-operation include both public and (semi-) private organisations. Public actors are the city council of Görlitz, the district administration and the University of Applied Sciences Zittau / Görlitz and the Neisse University. (Semi-) Private actors refer to business associations, consulting centres, chambers and private companies. The most important of the latter are the Chamber of Commerce and Industry, the County Craftsmanship Görlitz-Lower Silesia, the Contact Centre for Saxon-Poland economic co-operation, the ETB Neisse e.V. (consulting centre for cross border technology transfer in the Euroregion Neisse), and the Euregio Neisse-Nisa-Nysa.

²² Cf. Książek, Kunert 2004.

²³ Cf. Friedrich, Knippschild et al. 2005.

Most of the institutional cross border co-operation with Zgorzelec takes place on the administrative level, thus partly assisting in building the environment in which enterprise-based cross border co-operations can take place. It includes working fields like public transportation services, the municipal department for public order, prestige advertising for the cities, schools, cultural societies, and theatre. Socio-cultural co-operations dominate: For example, because Zgorzelec has no theatre the city cooperates with theatres in Görlitz, Jelena Gora (PL) and Liberec (CZ). Exhibitions take place in galleries both in Germany and in Poland. No co-operation exists concerning financing or museums, as Poland is afraid of losing state property. Many events in the cultural area are organised jointly on both sides of the border.

Another example of municipal co-operation refers to the European City Görlitz – Zgorzelec, which was declared in 1998 (cf. 2.4). The underlying concept is seen as a classical local co-operation concept. Amongst others the following tasks are included: working out a common development concept for the two towns with particular emphasis on economy, infrastructure, culture, sports and environmental issues; working out a common marketing strategy; preparation of pilot projects for information exchange between public administration authorities.²⁴

One interesting example of institutional cross border co-operation of public organisations which assist enterprise development, concerns the employment centres in Germany and Poland albeit limited to project-based co-operation: Polish apprentices cannot be trained in Germany, therefore cross border joint ventures are established. Thus, Polish apprentices receive the same education as they would in a company located in Germany.

Another example of institutional cross border co-operation is the Euroregion Neisse²⁵ which was founded in 1991 as the first Euroregion in Central Europe, aiming to assist the three Neisse regions in Germany, Czech Republic and Poland. In Germany, Euroregion Neisse e.V. is a representative for the districts and the district free cities in the region of Upper Lusatia Lower Silesia and it is located in the city of Zittau (Germany). Moreover, the Euroregion Neisse-Nisa-Nysa has a joint secretariat and is governed by a joint board and chair. The Euroregion is especially responsible for the

²⁴ Cf. Adamczuk, Rymarczyk 2003a.

²⁵ <http://www.neisse-nisa-nysa.com>.

coordination, consultancy and mediation of aid money of and for cross border co-operation, supporting projects from different areas, such as co-operation of administration on communal level, of schools, societies, of the fire brigade or the police. Co-operation plans in tourism are supported by the Euroregion Neisse as well – including, e.g. joint bicycle paths and multilingual tourist guides. The incorporated society is currently financed by 90% by means from Interreg III A and by 10% by money from the participating cities and administrative districts. A 75/25% division is intended for the future.

At business support level, organisations offer services for those enterprises interested in going to Poland. For that, they also cooperate with (similar) institutions on the Polish side. For example, ETB Neisse e.V. (incorporated society) is an incorporated society and a technology transfer institution from the region of Görlitz. ETB was established as an agency especially for cross border co-operation with Poland and the Czech Republic. The ETB considers itself as a consultancy centre. Their actions are partly financed privately by the enterprises or indirectly by public means. In case ETB attends to cross border co-operation concerning technology transfer, it indirectly receives financial support from the (federal) state or the EU. ETB acts as consultant and contact partner for SME, founders of new businesses and craft businesses and communal institutions in border crossing issues. The ETB is a partner of the Innovation Relay Centre Saxony and thereby disposes of several partners which offer consultancy, (further) education and R&D services as well. In addition, ETB collaborates with Regio Info, Tour Info System in Jelena Gora and with MGO. The latter is a marketing institution located in Upper Lusatia and is a syndicate of business and tourism development. It cooperates with a Polish partner, namely an economic society [BTG - Bolesławieckie Towarzystwo Gospodarcze], and a Czech one, namely the business development agency located in Liberec [Okresni hospodarska komora Liberec]. ETB has, in addition, offered business tours and fair visits in Poland in collaboration with the Chamber of Crafts Dresden.

In other cases, the cross border element is merely visible in activities such as 'get-together' events where Polish and German businessmen meet. For example, the Contact Centre for Saxony – Poland Economic Co-operation is responsible for German enterprises going to Poland. It was set up by the Chamber of Commerce

and Industry. Its main aims are to connect business contacts and co-operation, to inform about EU law and the legal system in Poland as well as about markets, to consult about business support and financial programmes, to support enterprises which are willing to start an own business across the border, to organise seminars, workshops and get-together, to support fairs and expositions.

Other examples of institutional co-operation include chambers; in these cases, most co-operations are based on demands of enterprises. For example, the Chamber of Commerce and Industry occasionally cooperates with the International German Chamber of Commerce in Warsaw²⁶, while the Chamber of Crafts supports handicraft enterprises during their search for contacts with Poland and often addresses the chamber in Wroclaw in this context.

Another example in the context of institutional cross border co-operation aimed at improving the business environment is the 'Working Community of Chambers of Economy in the EU regions bordering the Central and Eastern European Candidate Countries (ARGE28)'. It is an interest group consisting of 28 chambers of trade, industry, commerce and economy from Austria, Germany, Greece and Italy. The aim of ARGE 28 is supporting the integration of the regions on either side of the accession border for several years through a wide range of activities, initiatives and cross border projects. From 2002 to 2005, a pilot programme 'Growing Together with Europe' - support for small and medium-sized enterprise (SME) was supported by EU co-financing.²⁷

Overall, where co-operation between institutions exists, those frequently are project-based, indicating scope for extending institutional cross border co-operations in order to foster entrepreneurship development across the border.

3.2 Enabling Factors for CBC

Goodwill and interest on both sides of the border are of importance for institutional cross border co-operations. The picture emerging from interviews with key experts and institutions is one of a large interest in institutional cross border partnerships.

²⁶ <http://www.ihk.pl>.

²⁷ <http://www.arge28.de>.

Cross border co-operation is seen as 'something normal' due to the long, albeit distorted history of the twin cities.

Personal engagement of individuals as well as personal relations and acquaintances play an important role within the process of the growing together of the two cities. In this context the concept of the 'European City Görlitz-Zgorzelec', as well as the application of Görlitz and Zgorzelec as European Capital of Culture 2010 show the efforts of the local administrations of the two cities to develop a common strategy (cf. section 3.4).

3.3 Constraining Factors for CBC

At local level, German institutions face barriers because of differences in administrations. One particular constraint concerns the frequently changing contact persons in Poland, which renders the development of longstanding relations difficult. This is aggravated by a lack of competencies and administrative skills.

Administratively, the main problem concerns the centralistic organisation of Poland. Many decisions are only confirmed after consulting Warsaw. Institutional co-operations are therefore hampered in those cases where contracts and feedback from the Polish government are required. The Polish administrative procedures often result in long time lags. The different political and economic systems also have to be taken into account. For instance, in Poland the government has more influence on regional and local level than in Germany. The regional reform that has not yet finished in Poland is another issue that hinders co-operation.

Another negative experience in co-operation between the two cities resulted from the fact that, according to key experts, many Polish institutions used every opportunity to gain profit on their own – either legally or illegally. Despite goodwill and interest, conflicts arise where both sides put their own interests first.

Challenges for institutional cross border co-operation of business support organisations also exist because of differing support systems for enterprises in Poland and Germany, as became apparent in the case of cross border activities

between a German and Polish chamber. While crafts enterprises are obliged to become members of the Chamber of Crafts in Germany, Poland has voluntary membership. Moreover, the chamber system varies from region to region, with the chambers rather having political than economic functions. Therefore, German institutions have difficulties in identifying potential Polish partners for German enterprises that are interested in cross border co-operation. Additionally, because of the great number of chambers in Poland, institutional partnerships are mainly driven by the initiative of single persons and groups.

As mentioned before, personal contacts are the main basis for cross border co-operation. Therefore, constraints at individual level mainly refer to language difficulties and different mentalities, similar to those constraints enterprises experience (see 4.4 for further details).

3.4 Examples of Positive Experiences of CBC

One interesting example for institutional cross border co-operation, where the outcome of the project was negative, but the process fostered a deeper understanding between Görlitz and Zgorzelec, is a joint project which started in 2003, namely the application of Görlitz-Zgorzelec as European Capital of Culture 2010. This collaboration between the two cities has developed over a long period and has taken place in various areas. The idea of the project was to create a joint model region for a growing and enlarged Europe. After the project was initiated, border crossing initiatives within the project were integrated into already existing traditional events. Euroopera, the society for culture from Zgorzelec, acted as sponsor and thereby as most important project co-operation partner on the Polish side. In addition, nearly all local institutions participated in the project. This included the city administrations of Görlitz and Zgorzelec, authorities from both sides of the border and the assistant mayor of Zgorzelec. The Federal Border Guard and the Polish border security also played an important role during the implementation of several events, while at cultural and education level, libraries and several schools from both sides have contributed. In Germany, Siemens, Bombardier and Vattenfall acted, among others, as main financiers. Turow (a brown-coal-fired power station) from the district Zgorzelec was an important partner on the Polish side. In January 2005, the cities of

Görlitz and Essen (Ruhr Area in Western Germany) were able to convince the jury with their concepts and were suggested to become the European Capital of Culture. In 2006, however, Essen won the competition. Interestingly, although the application failed, both Görlitz as well as Zgorzelec see themselves as 'winners'.

'The European City Görlitz / Zgorzelec has established itself as a trans-cultural, binational community with a real perspective named: 'own town of two nations'.²⁸

Another successful institutional co-operation was the application for the project 'City 2030', advertised and financed by the Federal Ministry of Education and Research (BMBF). The aim was to develop mission statements, integrated future concepts and scenarios for the cities Görlitz and Zgorzelec. The competition was entered by 110 German towns, out of which the best 21 were selected and invited to prepare their projects for implementation. The 'Common Strategy for European City Zgorzelec / Görlitz' was among the distinguished concepts, as winner in the category of 'medium-sized towns'. In co-operation with the Leibniz Institute of Ecological and Regional Development the two cities tried to strategically align their growing together to a binational European city. With the help of a scenario based strategy and mission statement development they prepared for unexpected risks in the course of societal structural change and the EU accession of Poland, and aimed at strengthening cross border trust communities as well as overcoming urban planning and infrastructural disparities.²⁹

The Neisse University is another example for successful cross border co-operation between institutions. It has been founded in 1997 with the vision of a joint virtual educational institution, initiated by the University of Applied Sciences Zittau-Goerlitz (Germany), the Technical University of Liberec (Czech Republic), the Technical University of Wroclaw (Poland) and the branch in the city of Jelena Gora respectively. The directors of the universities were the founders. A contract regulates requirements and degree course schemes etc., equally applying to all three universities. Examination regulations, study programmes as well as leaving certificates have been

²⁸ Cf. statement mayor of Görlitz, <http://www.khs2010.de/>

²⁹ Cf. Książek, Kunert 2004.

determined jointly, and they are accepted by all three universities. Students attend all three universities in parallel and receive three certificates on completion which are valid in all three countries as well as in other universities. Every university is financed by its own government and is independent of the other universities.

On business support level, ETB can be named as interesting example. Its cross border co-operation with partners in Poland and the Czech Republic supports innovative enterprises; and its concept has been recognised by the innovation prize of the Euroregion Neisse.

3.5 Examples of Negative Experiences of CBC

We could not identify any example of negative experiences of cross border co-operation between Görlitz and Zgorzelec. Even if the aim of the co-operation could not be realised as with the application for the European Capital of Culture 2010 the experiences made throughout the process are evaluated positively. For problems in cross border co-operation please refer to section 3.2 on constraining factors.

3.6 Evidence of Cross Border Clusters

According to one of the regional experts, there are some cross border institutional networks in the region Görlitz and its surroundings. For example, the ETB Neiße e.V. has established a cluster with technology agencies from Poland (IRC West Poland) and the Czech Republic (IRC Prague) – the so called Neisse Cluster. The idea is to facilitate and design a close collaboration of the respective business support organisations. When enterprises from the technology sector make use of services from one of the institutions, the latter receives financial support from the EU, but only when the intended co-operation has a technology transfer component. The three cluster partners regularly meet personally in order to exchange information, which is facilitated by their geographical proximity.

For example, a Polish enterprise might start inquiries at the Polish IRC looking for partners from Germany within a specific technology sector. Subsequently, this inquiry is forwarded to our interviewee, who searches potential co-operation partners in his

region. Afterwards, he would organise meetings and also would accompany them together with his Polish colleagues from IRC West Poland.

Another expert mentioned networks in the food production industry as well as some clusters in the polymer processing industries and the synthetic material manufacturing industry, especially in the fields of fibre reinforced-composites. As no further information was available we have to assume that these networks and clusters only exist on an informal basis.

The listed examples of clusters illustrate that there are a lot of (mostly informal) networks and co-operation to be found in the Görlitz border area. However, they might not be called 'clusters' in the classical understanding of dense local relationships along the value chain but rather loose regional networks of institutions and enterprises with similar interests.

3.7 Enlargement-Related Effects on Institutional CBC

Enlargement-related effects on institutional co-operations are not different from those effects to be found on enterprise level (cf. 4.7). Enlargement accelerated border crossing traffic, and this might help direct exchanges and visits. Because of the simplification of border crossing rules it is easier for regional actors to intervene into the mutual development of the region.

3.8 Policies for Institutional and Enterprise CBC

The main regulations for institutional cross border co-operation are written down in the three documents listed in section 2.4. They set the framework for most initiatives by local authorities. Otherwise, no explicit policies to foster institutional CBC exist at state or local level.

Regarding EU programmes for cross border co-operation, Saxony participates in two Interreg III A programmes, with the Republic of Poland.³⁰ The Interreg III A is a community initiative by the European Regional Development Fund covering the

³⁰ <http://www.sab.sachsen.de>.

period from 2000 through to 2006. The initiative provides support for cross border collaboration promoting integrated regional development in neighbouring border regions, including regions adjacent to national frontiers. The objective of the scheme is to develop this collaboration further by drawing up joint strategies and development programs covering economic and social issues.

During the 1990s, cross border co-operation at business support level has been supported by a programme of the BMZ, which fostered institution-building and capacity-building through partnerships between chambers and business associations in Germany and Poland.

Some state policies and programmes fostering entrepreneurship and regional development (e.g., GA 'Improvement of regional economic structure') may also contain elements which could foster cross border co-operation, albeit this is not explicitly stated in policy documents. At enterprise level, most of those organisations involved in fostering entrepreneurship also offer services for cross border partnerships such as business trips and the like, as the examples in section 3.1 illustrate.

A business support organisation from Dresden realises strategic and economic support for public and private clients on all supported markets. The organisation supports medium-sized businesses predominantly of different branches, e.g. engineering companies, exporters and craftsmen, who mainly come from Saxony. It collaborates with the Chamber of Crafts Upper Franconia and also supports the construction of the Aqua Park in Wroclaw. With support from the BMWi (The German Federal Ministry of Economic Affairs and Technology), it supports medium-sized enterprises from Eastern Germany which belong to the building industry or are service providers, closely related to the building industry. This includes entering the market and searching for business partners in Poland. In exchange for a fee, the companies receive professional support and preparation for the market entry and are accompanied by the business development organisation in Poland up to twelve months. The group of participants is limited to 15 enterprises.³¹

³¹ <http://www.dreberis.com>.

4. Enterprise Cross Border Co-operation

4.1 Types of Current CBC Identified

After 1990 several enterprises from Görlitz became active in Zgorzelec. One problem is that the economic structure in Zgorzelec is much weaker compared to Görlitz. For this reason, many German enterprises cooperate with companies from Wroclaw, Warsaw or Krakow and 'over jump' Zgorzelec.

Nevertheless, several co-operations exist, mainly in the fields of sales and operations. On the one hand, Poland is seen as a market with a lot of potential customers. Therefore, the German enterprises are searching for Polish associates or even build up their own branches in Poland in case they do not locate suitable partners. For instance, one German enterprise founded a Polish subsidiary company to be able to carry out orders in the area of plant engineering in Poland. Another example refers to a producer and seller of medical products who opened up a medical supply store in Poland.

On the other hand, Poland is a country where labour costs still are much lower than in Germany. Therefore, German enterprises outsource labour intensive services or production to Polish subcontractors which is illustrated in the following examples. In one case, different components for the German enterprise's products (automotive industry) are manufactured in Poland and subsequently delivered to Görlitz. Another example refers to a German producer of ropes: he sends preliminary products to his Polish partner who processes them into end products, which is cheaper for the German firm instead of manufacturing the ropes in Germany. In yet another case, a company in information technology and software development places suborders to local Polish enterprises (e.g. laying cables or the like) when it receives an order by one of its mostly German clients which has to be carried out in Poland.

With regard to the labour market, cross border activities also happen in terms of Polish people coming across the border to work for German enterprises which thus avail themselves of the specific knowledge of their employees in order to better serve

customers wanting to explore the Polish market. For example, one of our interview partners, a German lawyer, employs a Polish secretary in order to better understand and attend to his Polish clients.

Yet another facet of cross border co-operation concerns Polish entrepreneurs from Zgorzelec who open up their own business in Görlitz, operating both in Germany and in Poland. These entrepreneurs have to deal with special problems: Because of the interim arrangements on the German labour market after EU enlargement, Polish craftsmen have to register a trade in Germany in order to become active there. In this respect, the provision of an office address constitutes a special service of one of the interviewed German enterprises: It offers 'post box companies'. The Polish entrepreneurs register their firms in Görlitz at the address of our interviewee and receive an address, a post box, a telephone extension and somebody who attends to their incoming mail and inquiries. This service is used by many companies because they cannot afford own office space.

4.2 Characteristics of enterprises involved in CBC

The selection of enterprises that were analysed reflects the very heterogeneous enterprise structure as well as the differing types of cross border co-operation that can be found in Görlitz. Therefore, patterns of co-operation, e.g., according to enterprise size, cannot be observed. The enterprises are working in various economic sectors like, for instance, industry (e.g., mechanical engineering, metal and wood working industry, food industry), trade (e.g., construction machines, orthopaedic techniques, retail trade) and services (e.g., real estate agencies, lawyer, consulting firm, IT services). Also they represent all kinds of enterprise structures and sizes: big multinationals as well as small and medium sizes companies owned by the entrepreneur himself. To illustrate the variety of enterprises with cross border co-operations: On the hand there is the solo self-employed craftsman and on the other hand we interviewed the director of a branch of a multinational company that employs 750 people on site.

Most of the foreign partners are independent, private owned enterprises that can be categorised as small and medium sized companies. In the case of loose and

occasional co-operations some of the German entrepreneurs were not able to give further details on their foreign partners.

4.3 Evidence of Change in CBC over time

Our interviews do not show much change in the cross border co-operation of the interviewed enterprises. Cross border co-operations, once they have been set up and are functioning, appear to work rather smoothly, also improving over time, with partners coming to know each other better.

A lawyer residing in Görlitz told about a change in his activities over time, reflecting different interests and problems of his German and Polish clients. In the past, he attended to legal questions by German enterprises concerning company establishment and real estate matters in Poland. Meanwhile, he consults more and more Polish entrepreneurs who do not receive payments from their German clients or have other difficulties with German companies.

4.4 Costs and Benefits of CBC to Enterprises

The main benefit (and therefore also the main reason for starting a co-operation) for German enterprises cooperating with Polish firms is the cost advantage. German enterprises profit from cheaper production and labour costs in Poland compared to Germany. By this, the enterprises are able to offer cheaper products compared to their competitors; they contribute to securing their German site, and they can increase their market shares, turnover and profits. For one of these German entrepreneurs, placing orders in Poland means partly half-price savings or at least savings of one third in comparison to Germany (see also section 4.1 for further examples).

A second main intention for cross border co-operation is the development of new sales markets in Poland in order to increase the enterprise's export shares and turnovers. Moreover, some interviewees stated that the co-operation is necessary to keep business contacts in Poland, e.g., with the intention of using the Polish market to facilitate the market entry further east.

Concerning the costs of cross border co-operation for enterprises, barriers occur at administrative, organisational and individual level. Administratively, according to our interviewee partners, Polish people have a different understanding of the value of contracts than Germans. Therefore, Germans are regarded with suspicion in case they come to an initial partner meeting with a contract, because Polish partners often wonder whether the Germans 'intend to hedge themselves against the Poles or to do business with them'. Interviewees stressed that a promise in Poland is valid more than a written contract, indicating lower institutional trust on the Polish side. As Polish partners have low trust in contracts and overall low institutional trust it may not be useful to bring a respective action against them because this would mean costs and time-consuming procedures for the German partner.

At individual level, barriers are arising because of language difficulties and mentalities. In most of the analysed co-operation conversations are held in German. Obviously, the German language is more popular amongst the Polish people than vice versa. Apparently, one of the main problems of German entrepreneurs concerns the language difference. Difficulties in communication which are due to the language barrier hinder building confidence between the partners. Especially negotiations often depend on very small nuances, which are hard to understand even for interpreters. The Polish language also constitutes a special problem regarding questions of law and tax issues. But the language is also important when German and the Polish partners meet in private contexts outside of business. Of course, the language problem applies also to the Polish side. For example, one big German company from the engineering sector emphasized the language problem that Polish engineers have in workshops as a main challenge.

Also interviewees pointed to differences of the Polish mentality they perceive and experience as resulting in 'non-business-like' behaviour which impedes cross border co-operations. Mostly, Polish people are seen as friendly, helpful, hospitable and correct partners. However, some of the German entrepreneurs state problems with their reliability, which differs from the strict and schedule oriented business behaviour of Germans: Polish firms rely on the attitude 'If we cannot do it today, we will do it tomorrow.' In case of subcontracting such delays result in costs for the German

partner. Furthermore, the quality awareness differs also on both sides of the border as the Poles 'approach things easily'.

*'Delivery reliability and the quality of products from Poland are further problems. It just works there if a German engineer is watching everything. Just-in-time-businesses are very important but it takes too long with Polish deliverers.'*³²

Therefore, our interviewees identified investing money from Germany and transferring know-how as rather heavy risks in cross border collaboration. As one entrepreneur stated this might result in the danger of losing the money and / or the possibility that the Polish partner establishes an independent enterprise with the German know-how.

In this respect, geographic proximity emerges as an implicit benefit for co-operations of German and Polish enterprises, fostering partnerships despite production related problems. Several interviewees emphasized the advantage of being close to their Polish partners, which allows for quick and cheap supervision and control mechanisms.

However, as the Poles are very proud and 'nation conscious', German entrepreneurs have to show their respect and understanding for Polish culture. Co-operations with Polish partners have to take place on business, personal and emotional level. Arrogant and presumptuous behaviour on the German's side would be counterproductive as is vividly illustrated by one of our interviewees:

*'The more the Germans yell, the more does the Polish partner block up.'*³³

Often, cultural differences are a question of perspective: For instance, while in the eyes of German entrepreneurs the Polish people seem unreliable, the Poles perceive the Germans as lacking spontaneity and flexibility. In terms of cultural differences prejudices and ignorance play an important role, too. German entrepreneurs are not always well informed about Poland, its citizens and its economic and social situation. On the Polish side, there are also prejudices towards the Germans, but this problem

³² Cf. interview Görlitz_E17.

³³ Cf. interview Görlitz_E11.

seems to be generation-based. Interviewees perceived the younger Polish generation as 'cosmopolitan and thinking in a European way', knowing foreign languages. The generational differences also apply to the role of the historical background of the region. While it 'fades noticeably with the younger Poles', as they perceive the Polish region Upper Lusatia as their home, the older generation still holds historical retentions – 'though they fade step by step'.

4.5 Positive and Negative Lessons from CBC

Most interviewees hardly made negative experiences throughout their co-operation. Personal background and professional experiences help in this regard, fostering a 'prejudice-free' attitude. One interviewee explicitly stated that he holds no prejudices towards Polish entrepreneurs, because he had been active in Poland previously, collaborating with Polish colleagues and partners. He neither had any problems with the Polish employees and partners, nor has the historical development or incidents concerning the regional population any implications on his attitude towards the Polish partners. The business partners have extended their business relations to the private sphere: they organise parties where their families meet as well. Another interviewee added that people have to be careful as there have also been one or two black sheep, but 'one knows by then with whom one is dealing'.

Still, some of the interviewed entrepreneurs also reported negative experiences with their Polish co-operation partners. For instance, one entrepreneur, working in the real estate market, was deceived frequently: Objects he was in charge of and which were guaranteed to him nevertheless were often brokered by other estate agencies. However, this might also indicate 'normal' business behaviour in his business field, less a 'Polish specificity', but nevertheless it hampers his cross border co-operation.

Another entrepreneur explicitly stated that he does not trust in contracts with Polish businessmen, though he has made friends with his co-operation partners over time. Money is the only thing he trusts in regarding doing business with Polish enterprises. His 'mistrusting' behaviour is explained by previous negative experiences, both from a private and business context. At the closing of a contract, for instance, his former employer had remitted EUR 10,000 from Germany to his Polish partner on a notary

trust account, but never received any kind of service in return. What is more, the Polish company could not be found ever again.

Overall, the negative (and positive) experiences reported by our interviewees do not seem to be exceptional. These are experiences that business people could come across in co-operation every day – no matter if they are local, national or cross border co-operation, and no matter whether they are co-operations between German and Polish businessmen or other nationalities.

4.6 The Role of Trust in Enterprise-Based CBC

The stories entrepreneurs told of their experiences with cross border partnerships already illustrate some facets of trust or mistrust in cross border co-operations. In general, when asked to describe and assess the role of trust our interviewees stated a similar understanding of this on both sides of the border. Trust is seen as an indispensable basis for a successful co-operation, although it takes a lot of time for foreigners to gain the trust of the Polish people.

Interviewees pointed out that trust building is facilitated by language knowledge (at least some words) and intercultural soft skills. For example, German entrepreneurs should show their respect to cultural distinctiveness, i.e., know their rules of etiquette at table as well as the correct behaviour towards women and the positions and rankings of their partners. Moreover, Germans should meet their Polish partners at 'eye level' and treat them as partners. For trust to emerge, partners have to communicate honestly and open with each other, and business relations have to go hand in hand with personal relations. One interviewee phrased all of this in a positive way:

*'Reliability, honesty, loyalty and readiness for action are the most important factors which influence trust building in co-operation. Collaboration works better if people do not behave as being more important than the Polish partners but are honest and correct.'*³⁴

On the other hand, personal relations only emerge over time and themselves are a result of trust-based business relations. However, personal contact is crucial, also

³⁴ Cf. interview Görlitz_E02.

when interacting with Polish authorities. Only where personal relationships work well, businesses can be successful and both partners are able to reach their aims.

A lack of communication constitutes the biggest obstacle for trust building between the partners, which can lead to severe misunderstandings, especially where German entrepreneurs transport their values and business behaviour to the Polish business world. For instance, according to one interviewee, his main mistake has been to believe that his enterprise could offer the same payment regulations for Polish customers as it is the case for German ones. Because the Polish customers did not act accordingly, his enterprise lost a lot of money.

Additionally, institutional factors impede trust building at personal level as well. This includes for example sovereign interventions into business activity, customs regulations, and bureaucracy. Moreover, where communication within the German enterprise is missing, employees might have contradictory interests to their company owner.

4.7 Enlargement-Related effects

Due to the troubled history of the region, especially due to the changes after World War II, there has always been a mix of mentalities and cultures in the region. The Germans who had been banished from their former homeland still host prejudices against the neighbouring Polish regions. Therefore, Poland's entry into the EU was viewed with great suspicion within the region and many people voiced their concern. They assumed criminality to raise, the labour market to be overwhelmed by cheaper competitors from Poland and the latter destroying the German price level. In particular, craftsmen feared the EU enlargement.

One main issue concerned the freedom of movement for workers. A mass influx of workers from the new Member States was expected. Partly in response to these concerns, the Accession Treaty laid down transitional arrangements for the sensitive issue. Accordingly, Germany restricted the accession of its labour market for the inhabitants of the new member states. But this restriction is temporary as it can only be lengthened until 2011 at the latest ('2+3+2 model').

However, such fears have not been verified. On the contrary, many chances have arisen for small businesses in the region of Görlitz. For example, a feeling of security and simplification emerged through EU laws and rules. The opening of borders facilitates direct contacts, which plays an important role in overcoming mutual prejudices and stereotypes.³⁵ The EU enlargement had especially positive effects in terms of accelerating border crossings through, e.g., simplification of customs regulations. In particular, the lorry traffic has been enhanced. Prior to the EU enlargement, trucks sometimes had to stand in line for three days before they could cross the border on their way to Poland.

According to one of the interviewed entrepreneurs the exchange of goods has become less problematic and waiting periods have become noticeably shorter after 2004. The turnover of his co-operation has increased enormously since then. Before, the entrepreneur has transported goods across the border with his private car in order to avoid long waiting lines. Accordingly, the entrepreneur's expectations concerning the EU Eastern enlargement have been fully fulfilled. Today, a single phone call is sufficient to make him go to Poland and deliver goods.

In this regard, the participation of Poland in the Schengen agreement from January 2008 onwards will assist in facilitating border traffic and border crossings even further. However, it is questionable, if changes on the scale and scope of activity of regional SME are merely a result of EU enlargement. Definitely, the simplified border-crossing, accompanied by a floating traffic, boosted entrepreneurial activity, but main changes did take place in the years before, as a consequence of preparations made by Poland for the EU-enlargement. Therefore, the enlargement in 2004 cannot be seen as a point in time that changed co-operation behaviour fundamentally, but as a process of growing orientation towards Poland (and beyond) that has begun decades before and is still continuing.

³⁵ Cf. Lipowicz 2005.

4.8 Use of External Assistance and Participation in Public Policy Programmes

Concerning the use of external assistance and participation in public policy programmes the picture emerging is a non-uniform one. Some entrepreneurs made use of external assistance and were very satisfied with it while others reject these offers or did not call upon any support programmes. The following two selected statements illustrate these contradictory views:

*'The company has always received perfect support from the Federal State of Saxony and from the Department of Trade and Industry.'*³⁶

*'Until recently there has hardly been support but rather resentment, incomprehension and ignorance which lead to doing rather nothing than something wrong. The city administration is crusted and marked by trench warfare, so that it is hardly capable of doing something for enterprises.'*³⁷

Those interviewees that did not make use of external assistance state that their attempt to become active in Poland was an attempt they carried out on their own. Many of them simply did not see the need for any assistance. The entrepreneurs that used external assistance mainly focused on offers from the Chamber of Commerce and Industry, Chamber of Crafts and the ETB Neisse e.V. Some were satisfied with their offers while others did not think that they were helpful.

For instance, one interviewee held the view that the business development organisation of Görlitz does not work efficiently. He assesses the business development of the city of Bautzen (about 50km westward) to be much more efficient, as the latter 'had welcomed him openly' when he was looking for a site and was intending to establish his company within the region. Another interviewee participated in events organised by the CCI dealing with the law in cross border co-operation with Poland, but – at least in his view - these events have rather been adjusted to other target groups. The last example in this respect refers to an entrepreneur who participated in some courses concerning Poland organised by the CCI, which he considered not very useful. According to him, the region simply lacks experts - people who act instead of merely talk.

³⁶ Cf. interview Görlitz_E12.

³⁷ Cf. interview Görlitz_E10.

In general the entrepreneurs take the view that there are a lot of business support organizations offering information and different 'get-together' events in the domestic region and across the border as well. But they also state that it is very difficult to consult and support every enterprise as support needs differ and are specific to an enterprise as well as to a specific situation. However, most interviewees also believe that companies can find ideal co-operation partners better using private contacts than via institutional help.

The overall assessment of public assistance for cross border activities also differs. Some assess the regional offer of consultation as good, especially the opportunity to receive special advice or to get into contact with foreign partners. Others draw a very negative picture as the following statements underline:

*'Apart from some nice words from the municipality I have not received concrete support for the cross border co-operation.'*³⁸

*'The region simply lacks experts; people who act instead of talk.'*³⁹

*'Nothing happens, not even at the mayor's regulars' table. The city does not come up to the people.'*⁴⁰

Some of the enterprises tried to access state support programmes, including a capital investment subsidy (Investitionszulage) through the finance office and / or subsidies from the federal state of Saxony through the SAB (Sächsische Aufbaubank – Saxonian Development bank). Some of them were successful, other applications were denied, although interviewees did not provide further details.

4.9 Policy issues identified

Policy issues emerging from the interviews concern institutional factors in Poland hampering cross border relations and a lack of support in Görlitz. One main issue emerging from several interviews concerns the focus of the city council in general and the economic development agency in particular. Because of the application for the European Capital of Culture 2010 these institutions were concentrating on fostering cultural partnerships of Görlitz and Zgorzelec. Though it was a very positive

³⁸ Cf. interview Görlitz_E15.

³⁹ Cf. interview Görlitz_E09.

⁴⁰ Cf. interview Görlitz_E14.

experience of cross border co-operation on institutional level (cf. section 3.4) the entrepreneurs find fault with the fact that economic topics were neglected. Recently the business development agency in Görlitz started working even more closely with its counterpart across the border, signalling a growing awareness of the importance of cross border business partnerships in developing the region.

Moreover, the legal system in Poland does not promise the same legal certainty as in Germany. The Polish law is adjusted to the EU-regulations indeed, but many people are not fully acquainted with these regulations yet. Furthermore, Polish courts are a problem in so far that they are too small for negotiating all actions promptly. Additionally, in the legal system the socialistic heritage still seems to play a role in Poland. While it is the case in Germany that all lawyers appear for their clients' rights towards the German State, some Polish lawyers still fear their government. One interviewee referred to the Polish judges as functionaries and stated that the bottom ranks of the Polish legal system still think in a centralistic way. He furthermore believed that the legal representatives do not perform their charges neutrally in Poland. It is often the case that contacts determine whether an action is filed or withdrawn. The reason for this might be attitudes which are typical of a socialistic state: people then held two views – a private and a public one – and partly still do so in Poland nowadays.

5. Informal and Household-Based CBC⁴¹

While looking at the informal entrepreneurial activities at the border of Görlitz and Zgorzelec, activities like 'shadow entrepreneurship' or 'petty entrepreneurship' could not be identified for the German side. In fact, informal and household-based cross border activities are not of an entrepreneurial character but they have to be

⁴¹ As informal cross border co-operation on a larger scale could not be identified in the Görlitz border area we have passed on the intended chapter structure and give a condensed overview instead. The information is based on our personal observations and interviews conducted with German customers that we met in and in front of the respective supermarkets in Zgorzelec. The information on criminal activities is mainly based on interviews with representatives of the State Office of Criminal Investigation and the mobile custom group.

categorised as one-sided consumer activities: customers cross the border because of cheaper shopping possibilities in Poland.

German people shopping in Zgorzelec

Today, cross border activities mainly take place in the retail business and sometimes in the service sector. Germans go to Zgorzelec to buy goods and services. People from Görlitz as well as some customers from other parts of East and West Germany buy goods for their own needs like fresh groceries, deposit-free beverages⁴², petrol and cigarettes, using price differentials on the Polish side as well as valuing the better quality they perceive for fresh products. Furthermore, they use services like hairdressers and cosmetic. Although prices in Poland have increased over the past years, in particular since EU enlargement, several products like foodstuffs and bottled water are still cheaper compared to Görlitz. The main reason and benefit for German customers crossing the border therefore is a monetary one.

In the last years, international shopping centres like Real, Carrefour and Lidl settled own branches in Zgorzelec where a lot of Germans do bulk buying with their family on Saturdays, for instance. For the German region, this behaviour results in a decrease in purchasing power of German customers. Shopping centres and markets in Poland respond to the high percentage of German customers by allowing Euro payments or at least offering foreign exchange counters in their entrance areas. Moreover, signs, article categories and other information are written in German. Many Polish employees speak at least some German, thus providing help and information for the German customers in their mother tongue.

EU enlargement and also the Schengen agreement fostered this type of cross border exchange by shortening waiting times and waiving border controls. Shopping trips are also facilitated for those Germans without a car, because in 1991 the Görlitz city

⁴² In Germany container deposit legislation, known in colloquial usage as 'Einwegpfand' (single-use deposit), was passed in 2002, and was implemented on January 1, 2003. The deposit legislation does not cover containers for fruit juice, wine, spirits/liquors and some dietary drinks. The standard deposit for all single-use containers (cans, single-use glass and plastic bottles) adds up to 0.25 Euro. In order to receive the deposit paid when buying the drink, the buyer has to return the empty cans and bottles. In Poland, such regulations do not apply and therefore, it is interesting for Germans to buy the cheaper (i.e., deposit-free) products there.

administration set up a bus line (Linie P), driving every 30 minutes each day except Sundays from the centre of Görlitz to the shopping centres 'Real' and 'Carrefour' in Zgorzelec, without any further stops on the Polish side. Before Schengen, customs officers entered the bus checking on passports – overall, contact to the Polish population during these shopping trips is limited to a minimum.

Some of the interviewees still hold prejudices towards Zgorzelec, but they also are aware of the opportunities of EU enlargement for Poland. One interviewee thinks that Poland 'is already living Europe', while in Görlitz 'Europe has still not reached the city'.

Polish people shopping in Görlitz

Polish people also cross the border to Germany to shop. However, they are rather seen as tourists by the Germans and contact is seldom between the inhabitants of the two cities. Interestingly, the buying behaviour of Germans and Poles across the respective borders is oppositional. *Rada* calls it a 'wrong world': while in Zgorzelec, the Germans still are known as bargain hunters, in Görlitz the Polish people are more often valued as customers for high quality and expensive goods.⁴³ Polish people are considered quality- and brand-conscious.⁴⁴

Typically for the Poles shopping in Görlitz is that especially young people regularly go to the most expensive shops for shoes, clothes and accessories, preferring high quality products with higher prices to be obtained in Görlitz. In this regard, Polish customers are very important for the development of Görlitz, because they constitute about 40-50% of the customers of the shops where we interviewed shop owners and sales persons.

Contrarily to Zgorzelec, the retail market in Görlitz does not pay attention to the foreign costumers from across the border. Efforts to attract Polish customers are few: Signs and advertisements are not in Polish, scarcely anybody of the salesclerk can speak Polish; waiters in cafés are not speaking Polish either. According to one

⁴³ Cf. *Rada* 2004.

⁴⁴ Cf. *Anliker* 27.08.2005.

interviewee, there is a lot to do concerning this matter and there is also a lot of potential for this because of all the Polish people who speak German and are willing to work in Görlitz. Apparently, Görlitz and its population is missing out an opportunity here, lacking the understanding that they can earn money using the Polish purchasing power.

Illegal cross border activities

While we could not find legal cross border entrepreneurial activities of households, illegal (criminal) entrepreneurship activities are apparent at the border of Görlitz – Zgorzelec, although (mainly) not carried out by households living in the Görlitz region. Smuggling of goods is the main field of such criminal activities because the price differential for several goods (especially cigarettes) between Poland and Germany is huge.

In general, there are no limits on what private persons can buy and take with them when they travel between EU countries, as long as the products purchased are for personal use and not for resale, with the exception of new means of transport. However, special rules apply in the case of goods subject to excise duty, such as alcoholic beverages and tobacco products. If a private person purchases such products in one Member State and takes them to another Member State, the principle that no excise duty has to be paid in the Member State of destination only applies if the goods are for the own use of the traveller or his family and are transported by himself. For tobacco there are special rules for travellers returning from one of the Member States that joined the EU on 1 May 2004. For Poland there is a limit of 200 cigarettes per person which can be imported to Germany until the end of 2008.⁴⁵ Because of enormous price differences smugglers benefit when selling smuggled cigarettes in Germany.

However, according to a custom officer we interviewed most of the offenders are not from the region Görlitz; they are just crossing the border there. For inhabitants from

⁴⁵ <http://www.zoll.de>.

Görlitz the risk to be caught is too high⁴⁶, so they instead increase the frequency of going to Poland in order to buy these goods for their personal use.

⁴⁶ There are frequent police / customs controls and checks even after the Schengen agreement. For example, in February 2008 we were on our way to cross the border to Poland with a hired van. Police immediately stopped us as most rental agencies explicitly forbid their customers to go to new member states with larger cars.

6. Conclusions

6.1 Overall Assessment of CBC in Region

Cross border co-operation of German SMEs and larger enterprises within Görlitz mainly are driven by cost motives. Existing cross border co-operation is successful where partners manage to create a win-win situation for both sides. In that regard, cross border co-operations contribute to the development of enterprises as well as regional development on the German and Polish side: they create employment possibilities and contribute to securing the development of the German enterprises. However, the business development of the region of Görlitz could be promoted further; especially the site advantage of the region should be put into the foreground.

Cross border co-operations at enterprise level have to cope with several challenges at local level as well as arising through Poland's EU membership; these include challenges at administrative, economic, organisational and individual level. At administrative level, this refers to time-consuming procedures, a lack of competencies and information in Polish local administrations, and oftentimes changing clerks. Additionally, some entrepreneurs pointed out the lack of specialised organisations offering support for cross border co-operations.

From an economic point of view, Poland's EU membership resulted in increasing costs and prices within the country, partly also because of an increase in bureaucracy, thus challenging the cost motive of Görlitz enterprises entering or planning to enter a cross border partnership. For the time being, this is being offset by the favourable influence of spatial and cultural proximity in Görlitz, although experts also mentioned a lack of knowledge about one's another mentality. At individual level, cross border co-operations are impeded by a lack of respective skills and mentalities (e.g., intercultural skills, stereotypical thinking).

On city / administration level, the main challenge for the region is to avoid the 'phenomenon of marginalisation'. The location of the region is favourable for enterprise cross border co-operations as 'gateway to the East'; however, this is not

promoted externally. Instead, the region is (still too often) perceived as being a peripheral region, overshadowed by Dresden and Wrocław.

6.2 CBC: Enlargement Related Issues Emerging

Its location at the border which so far was rather disadvantageous for Görlitz nowadays is a big advantage. After the EU eastern enlargement, Görlitz is situated in the middle of Europe, in close proximity to the eastern member states. This can be seen as a great chance in the coming years. Poland's EU accession has created new opportunities for the development of cross border co-operation between the two cities and the two countries. It has been fundamental in bringing both societies closer to each other and overcoming mutual prejudices and stereotypes.

6.3 Co-operation and Clustering Related Issues

n/a

6.4 Identity and Perception-Related Issues

Entrepreneurial identities differ across the borders or at least are perceived to differ, as becomes apparent from our interviews with German entrepreneurs. Overall, the 'ideal' entrepreneurial identity is linked to business-like behaviour, connected with characteristics such as reliability and punctuality. Where Polish entrepreneurs model their business behaviour accordingly, they are assessed as worthy business partners. In this, converging entrepreneurial identities overrule national stereotypes of the Polish population as such. However, as (perceived) differences in mentalities are one factor hindering the initiation and development of cross border co-operations, workshops or seminars for entrepreneurs interested in co-operating with Poland could help in this regard.

In terms of regional identity, the region might profit from a joint vision, which could assist in developing a cross border regional identity. So far, regional identity formation has been impeded by a lack of consciousness in perceiving Görlitz-Zorgelec as one region, although awareness has been growing over the past years (cf. section 3). The timing for creating a joint regional identity is good: Historical

prejudices and retentions are fading away with the younger generation on both sides which perceives the region as their genuine home; local administrations are successfully co-operating across the border, offering manifold possibilities for both the German and Polish regional population to learn about each other's culture and history. Barriers lie in the lack of regulations allowing joint institutions across the border.

6.5 Trust- and Learning Related Issues Emerging

Trust plays an important role in cross border co-operations, both trust in institutions as well as trust on personal level. Trust in institutions is facilitated where those institutions are functioning and vice versa, also influencing trust building on personal level. Trust on personal level depends on the willingness and openness of individuals in learning about their partners and their respective culture.

However, a closer look also reveals the complexities of analysing trust: Although most entrepreneurs explicitly state the importance of trust, this often is restricted to being a 'calculated risk' supported by control mechanisms and supervision. In this regard, this form of trust is facilitated by geographical proximity, allowing for frequent meetings and visits across the border. Regarding learning, the question remains when and in which situations individuals (and institutions) 'learn to trust', which needs further analysis.

6.6 Policy and Governance Related Issues

The preceding analysis shows an overall well developed support system although entrepreneurs and institutions also perceive a lack of specific support for developing cross border co-operations.

At enterprise level, the following recommendations emerge from our interviews and the final regional workshop:

- Train German entrepreneurs in soft skills related to successful cross border co-operations. This should not be restricted to language knowledge, but include

information on mentality differences and workshops on how to work with Polish partners.

- Promote good practice examples of cross border co-operations, illustrating how partners overcame difficulties and the benefits for both sides from such a partnership.
- Set up a one-stop-contact point operating in Görlitz and Zgorzelec, which offers information on all aspects of CBC and acts as intermediary between enterprises interested in CBC and adequate business support organisations and firms.
- Promote and propagate the advantages of CBC for enterprises operating or planning to settle in Görlitz (e.g., geographical proximity fostering CBC).
- Encourage the creation of private business support providers with specialised offers facilitating CBC (e.g., legal advice).

At institutional level, actions to be taken by the local administrations include:

- Set up joint institutions in order to facilitate the development of a cross border strategy for the region. The “European City Görlitz-Zgorzelec”, which operates as limited company, responsible for cross border economic development of the region (although both partners set their local interests – settle enterprises in their respective region – first), is an interesting example in this regard.
- Create cross border working groups where policy-makers and administrations meet and discuss policy-related problems hindering CBC at enterprise level.
- Actively promote the region’s manifold advantages (cultural attractions and free time / recreational value, international university of applied science, nature and tourism; ‘gate to the East’) in order to attract enterprises interested in investing in the region.

Both institutions and entrepreneurs also referred to the national and EU level. Entrepreneurs complained about an increase in EU bureaucracy for Polish partners, which lowers their cost advantages, thus most likely forcing German partners further east in the long run. Institutions suggested legal regulations which allow for the creation of cross border administrative regions (*Gebietskörperschaften*). Although Poland’s accession to the EU facilitates cross border co-operation at enterprise level,

premises and regulations for a comprehensive, cross border co-operation at public level are still missing.

6.7 Future Prospects for CBC

'The future lies in Poland'.⁴⁷

EU enlargement in 2004 opened up new perspectives for cross border co-operations in Görlitz. The region moved from periphery back to being a region in the middle of Europe, although perceptions may differ. The integration of Poland into the European Union offers Görlitz and Zgorzelec an opportunity to step out of their perceived peripheral situation, instead acting as gateway to the East and West. Direct contacts at individual level help to overcome mutual prejudices and stereotypes. Overall, many entrepreneurs and institutions in Görlitz perceive cross border co-operations with Poland as a chance to foster the development of their businesses and region; and the assessment in section 6.1 as well as the policy recommendations in 6.6 show several ways of how to improve existing cross border partnerships as well as develop new ones.

⁴⁷ Cf. Rada 2004.

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