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CENTROPE Regional Development Report 2012

Project Summary and Policy Conclusions Executive Summary

Peter Huber (Co-ordinator, WIFO), Karol Frank (EU SAV),
Mihaly Lados (WHRI), Roman Römisch (wiiw),
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Abstract

This report summarises the results of the CENTROPE regional development report project as well as the related literature on regional development in this cross-border region. In particular we propose that cross-border policy initiatives in CENTROPE should focus on fulfilling the following functions: 1. securing and providing information on the activities of and development in other regions, 2. co-ordinating spatial policies at the borders of administrative units, 3. pooling resources and developing own projects in various strands of economic policy to improve competitiveness, and 4. lobbying for common interests of the participating regions. Furthermore, the report also suggests that the focal areas of cross-border co-operation should be structured around 4 priorities: establishing and improving the institutional preconditions for cross-border policy making and cross-border spatial planning, developing CENTROPE into a deeply integrated knowledge region, integrating cross border labour markets, and securing international competitiveness of the CENTROPE region.

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CENTROPE Regional Development Report 2012 – Project Summary and Conclusions – Executive Summary

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This report is the third and last regional development report of the pilot activity **CENTROPE** regional development report. It summarizes the project results and draws final policy conclusions by means of a strengths-weakness-opportunities-threats (SWOT) analysis of the region. This is based both on the existing literature as well as on the project results.

Strengths and opportunities of CENTROPE

The SWOT analysis was conducted in 7 areas analyzed in the project (macro-economic development, demography & location, integration in the international division of labour, economic structure and structural change, human capital and education, research and development, labour markets and service industries – see table A1 in the annex for detailed results and Figure 1 for a summary). It suggests that the CENTROPE in aggregate has important macro-economic and structural strengths and could develop into one of the most highly integrated and developed economic cross-border areas in the EU in the future.

In a European comparison the region is a well developed and rapidly growing economy with a stable institutional environment that – in contrast to the expectations of many analysts - has also proven to be rather resilient to the economic crisis of 2008. Average economic growth was substantially higher than in the EU average throughout the last decade and exceeded the EU average by 0.5 percentage points in the period since the crisis (2009 to 2011). Thus, despite substantially lower growth rates relative to the period 2004 to 2008, the growth performance of the region remained favourable even in times of crisis. This development is also expected to continue in the future. According to current projections GVA is expected to increase by 2.3% in 2012 in the CENTROPE aggregate and by 2.4% in the two subsequent years.

The region also has the preconditions to become a centre of the knowledge economy and is marked by a deep integration in the international division of labour. In particular it has been one of the most attractive locations for FDI in Europe and hosts a large number of universities (58) and research institutions:

- The CENTROPE regions are amongst the most attractive FDI destinations in the European Union. In an EU-wide comparison of 261 NUTS 2-regions Bratislava was the top location for FDI over the period from 2003 to early 2010 and Vienna still ranked 13th. Furthermore Trnava, Győr-Moson-Sopron and South Moravia are in the first quarter of the EU-27 NUTS 3-regions for inward FDI.
- There are more university level students per inhabitant in this region than in the EU-average (almost 5% of the CENTROPE population as opposed to 4% of the EU's population studies at universities) and the region has also increasingly assumed over-regional importance as a centre of university education in the last decade.

Figure 1: Summary of results of a SWOT Analysis of CENTROPE

<p style="text-align: center;"><u>STRENGTHS</u></p> <p>Strong and stable economic and political development</p> <p>Good preconditions as a centre for knowledge society</p> <p>Deep integration into the world economy</p> <p>Specialisation on manufacturing and ancillary industries</p> <p>Varied comparative advantages</p> <p>High quality of life and many natural sights</p>	<p style="text-align: center;"><u>WEAKNESSES</u></p> <p>Weak internal linkages and low mobility in the region</p> <p>Remaining problems with attraction of human capital</p> <p>Remaining structural weaknesses in parts of the region</p> <p>Bottlenecks in infrastructure development</p>
<p style="text-align: center;"><u>OPPORTUNITIES</u></p> <p>Stands to profit disproportionately from European integration</p> <p>Differences in comparative advantages provide the basis for gainful co-operation</p> <p>High potential for resource pooling in many policy areas</p> <p>Ambitious development plans in many parts of the region</p>	<p style="text-align: center;"><u>THREATS</u></p> <p>European disintegration may harm economic development</p> <p>Low level of regional policy co-ordination identity may lead to excessive egoism</p> <p>Low reputation of research institutions impedes on research co-operation in the region</p> <p>Macro-economic challenges remain in parts of the region</p>

Furthermore the region – due to its size – has a rather varied economic structure and the individual sub-territories combine a large number of different comparative advantages (such as those of large urban centres, industrialized regions and also more rural regions) as well as rather varied natural sites for tourism development. This provides for the possibility of mutually beneficial exchange, creates incentives to form enterprise networks and provides chances for clusterisation among manufacturing enterprises, but also for co-operation in different forms of tourism.

While in recent years for the region as a whole – due to a number of large scale FDI's – a specialisation on the automobile industry has emerged, the individual sub-regions offer a number of further specialisations of knowledge intensive and business services in the urban centres (Vienna, Bratislava and Brno) and on electrical equipments, computer electronic, optical products industries in the more industrial regions. Similar observations apply to tourism. Here CENTROPE combines locations that are attractive for classic urban tourism (such as meetings, incentives, conferences and events tourism) and regions where recreational, wellness and spa tourism have rapidly developed in the last decades.

There are also many opportunities related to this situation since – as an assortment of a number of small and very open economies – the individual regions of CENTROPE stand to profit substantially from continued integration in the regional and international division of labour. If these opportunities are seized this will allow regions to specialize in areas of their comparative advantages, create critical masses for regional development through pooling of resources and create a potential for continued economic growth and development. Furthermore, the region also has a high potential for cross-border clusterisation processes along various regionally-differentiated lines both in the manufacturing as well as in the service industries.

Weaknesses and Threats

There are, however, also some weaknesses of CENTROPE, which suggest that at the current point in time the region is not making the maximum out of these opportunities. In particular – despite deep integration into the European division of labour – internal integration (i.e. between the individual parts of the region) is still underdeveloped and is structurally often also quite hierarchical. This finding applies to almost all of the cross-border activities analyzed in this project (foreign direct investment, migration, trade, student mobility and patenting networks) with the exception of foreign trade. Thus for instance:

- Although Austria is the third most important investor in CENTROPE, FDI from the Czech Republic, Hungary or Slovakia to other CENTROPE regions is much rarer. The only significant investments undertaken are those by the Czech Republic, which in total has established 15 FDI projects in CENTROPE, with the majority of these projects in the Bratislava region in the last decade.
- Only around 1.2% of the population residing in one of the NUTS 2-regions of CENTROPE was born in a different CENTROPE -country than they resided in and in total 1.8% of the employed in one of the NUTS 2-regions of CENTROPE

commuted across borders in 2009 and these figures have only marginally increased since - despite the recent May 2011 liberalization of migration.

- Cross-border co-operation in patenting is rather limited. In particular here co-operation between the Austrian and the other parts of CENTROPE is clearly below the levels that could be expected of a deeply integrated cross-border region. In terms of patent co-application Austrian partners never co-operated with a partner located in another CENTROPE -region outside Austria in the eight years from 2000 to 2008.
- Cross-border student exchange seems to be limited by the insufficient reputation of universities of CENTROPE. Only 16.6% of the interviewed students in the Austrian CENTROPE, 15.8% of the students in the Slovak CENTROPE and 10.5% of the students in the Czech CENTROPE can imagine studying in another CENTROPE country although 43% of the students plan to study abroad.

Furthermore, although student numbers are high in CENTROPE, the education structure of its workforce in general is characterized by a stronghold in the secondary and upper secondary education levels, while the share of tertiary educated in the workforce is below EU average. This therefore suggests that many of the regions' students end up working elsewhere after completing their studies and that therefore CENTROPE faces a high risk of brain drain. This is also confirmed by migration data according to which the share of tertiary educated among the emigrants from the CENTROPE countries is almost twice as high as among immigrants.

Finally, both the CENTROPE regional development report project as well as much of the related literature notices that there are still some remaining weaknesses in the region with respect to transport infrastructure development. Here in particular North-South transport routes are still underdeveloped and existing infrastructure development plans are being realized rather slowly. Furthermore with respect to economic structure, some of the more rural CENTROPE regions are burdened by the typical weaknesses of such regions. Thus with respect to the R&D and innovation system there are obvious signs of strong functional disparities between the large cities of the region (Bratislava, Brno and Vienna) and the other CENTROPE regions and also in terms of sector structure modern knowledge intensive and business services are still underdeveloped in many of the more rural parts of CENTROPE.

Given these weaknesses and putting aside the potential risk of disintegration of the Euro zone, which, just as in the rest of Europe, could also negatively impact on the economic development in this region, the major risks that the region is currently facing, however, arise from the fact that both in terms of cross-border exchange as well as in

terms of economic policy the region is still relatively weakly linked and is also characterized by substantial internal heterogeneity.

This could potentially lead to situations of excessive egoism on the side of individual regions, so that the mutual benefits that could be drawn from increased integration and co-operation cannot be realised. Among the examples of such risks one could for instance mention an overly strong competition among regions as locations for FDI or the neglect of possibilities of cross-border co-operation in R&D and innovation in favour of co-operation with more distant partners that are often considered more prestigious.

This risk is all the more relevant given that since economic crisis in 2009, public funds for regional development in general have become more limited and some of the regions of CENTROPE are facing major macro-economic challenges. This may lead regions to overemphasize short-term gains from excessive competition relative to the long-term benefits of co-operation among regions.

Policy Conclusions

Designing cross-border co-operative policies is therefore of major importance in CENTROPE. Based on the results of the CENTROPE regional development report project as well as the case study literature on cross-border co-operation in other regions the current study proposes that cross-border policy initiatives in CENTROPE should focus on fulfilling the following functions a) securing and providing information on the activities of and development in other regions, b) co-ordinating spatial policies at the borders of administrative units, c) pooling resources and developing own projects in various strands of economic policy to improve competitiveness and d) lobbying for common interests of the participating regions. Furthermore, the report also suggests that the focal areas of cross-border co-operation should be where barriers to mobility, lack of mutual information and lack of co-ordination among regional actors may be deemed to impact most severely.

In detail the report suggests that cross-border policies in CENTROPE should inform, co-ordinate, augment and strengthen national strategies summarized under the following priorities which in turn are structured into individual objectives:

Priority 1: Establishing and improving the institutional preconditions for cross-border policy making and cross-border spatial planning

This priority should be explicitly devoted to developing the CENTROPE institutional structure into a permanent organization that has access to own financial resources outside EU funds and providing and developing the necessary infrastructure for

effective and efficient cross-border spatial planning and policy as well as building an awareness for the region. The central objectives of this priority could be:

1. Revising existing strategies and visions guiding cross-border spatial planning and cross-border policy - under this objective an important task would be to evaluate whether the existing strategic planning document “CENTROPE – Vision 2015” still reflects the current strategic objectives of the individual regions participating in the CENTROPE project and to update this strategy by an appropriate foresight document wherever necessary. Such a foresight document could focus on a longer time horizon (i.e. 2020 or 2025) and would ideally also be broadly discussed in the participating regions as well as legitimised by some form of democratic decision taking of regional authorities to secure a maximum commitment of policy makers.

Table 1: Potential Policy Fields and Activities for CENTROPE actors Priority 1

Function	Objective	Examples of concrete policies
Cross-border spatial planning, institution building and awareness building		
Co-ordination & Mediation	Update current vision for CENTROPE Development	- Create foresight document 2025
	Create permanent institution to govern CENTROPE projects	- Establishment of permanent high level working group on cross-border spatial planning
	Co-ordinate activities in infrastructure development	- Create interregional public transport association
Information	Provide information on cross-border spatial planning activities	- Regular work groups, or high level working group
	Improve cross-border monitoring tools	- Further develop existing labour market monitoring tools - Develop similar tools in other areas - Commission studies - Continue and expand existing co-operations as in CENTROPE Map project
	Provide information of cultural or tourist events in CENTROPE	- Use existing infrastructure (such as CENTROPE homepage or newsletter)
	Create information on public transport	- Create web-based information system on time-tables and public transport means
Lobbying	Develop joint positions with respect to important European infrastructure projects	- Create position and arguments with respect to TEN networks
	Lobby for more rapid realization of infrastructure development plans	- Create joint position vis-à-vis national governments
Pooling resources & creating own projects	Create visibility of CENTROPE and increase awareness for cross-border nature of the region at cultural events of regional or local importance	- Create instrument to co-sponsor such events

2. Building a more permanent organisational framework - A perhaps even more pressing need is to move the current CENTROPE co-operation, which is based on a succession of projects, to a more permanent and lasting level of co-operation. One possible solution would be to create a more stable structure for CENTROPE in the form of a central co-ordination institution. Such a high level group could be modelled after the secretariats or councils that have been created in many other cross-border regions. Furthermore - also following the examples of some of the

most advanced cross-border regions – this institution could be financed (e.g. through regular contributions of the member regions) and controlled by the partner regions and could be responsible for a) implementing the shared vision b) co-ordinating the various strands of cross-border policy outlined below, c) generating individual projects financed through EU or other sources and d) mediating between various policy actors through individual workgroups.

3. Improving the institutional situation for cross-border spatial planning - Irrespective of the creation of such an institution, which may take some time, this objective would set itself the goal to create more permanent institutions in the field of spatial planning. In this respect establishing a permanent working group or consultation mechanism or using the current high level group in order to improve the current situation with respect to spatial planning is paramount. This institution could on the one hand serve the goal of mutual information of partners with respect to spatial planning initiatives. It could, however, also serve as a location where joint interests of partner regions (e.g. for infrastructure development or EU initiatives) could be formulated.
4. Improve tools to monitor cross-border economic development as a basis for evidence based policy making - Such an institution would, however, also have to face the serious data constraints existing in cross-border policy formulation and evaluation. Currently, data availability is restricted to rather aggregate indicators that often lack the detail necessary for spatial planning processes, and certain indicators are available only for very few regions and even when available suffer from a lack of comparability. Designing data sources that are both recent and comparable enough to be useful for operative decisions therefore remains to be a major challenge in CENTROPE. Initiatives that are currently attempting to design such data (e.g. labour market monitoring tool used in the current project, or the CENTROPE map project) show that such tools can be developed. Such initiatives should therefore be continued, encouraged and expanded. The objective would be that in 5 years CENTROPE will be in a situation where all policies undertaken can be evaluated at the hands of reliable and comparable data at an appropriate level of disaggregation.
5. Set concrete actions in infrastructure development - Under this objective measures should be designed to a) secure information of regional actors on infrastructure development plans in individual regions, b) provide information on transport infrastructure in the region for the general public, c) co-ordinate and prepare the establishment of a CENTROPE transport association and d) develop a shared position of the CENTROPE regions with respect to and lobby for the development

of TEN networks vis a vis the EU and the more rapid completion of existing infrastructure development projects vis a vis the various national governments.

6. Build awareness for the cross-border region - Finally, hand in hand with institutional development, CENTROPE actors should also invest more resources to build public support for cross-border policies and raise awareness for the cross-border region. Although clearly such issues are currently not at the heart of the CENTROPE project, a cost effective and efficient way to at least partly contribute to this goal is to use existing regional and local events (e.g. exhibitions, conferences and festivals) to build awareness for the cross-border nature of the region.

Priority 2: Developing CENTROPE into a deeply integrated knowledge region

Under this priority aside from the support for research and development activities, the central aim should be to make CENTROPE a deeply integrated, open region in which there are no barriers to student, researcher and labour mobility and which is embedded in the global knowledge economy through a continuous process of brain exchange rather than of brain drain. The central objectives here could be:

1. Developing co-operation activities among universities - CENTROPE actors could aim to increase student mobility within the region by for example providing information for students on available places of education in CENTROPE and sources of financial support for study stays abroad, providing incentives for researcher mobility (through mobility grants or special CENTROPE professorships by which foreign professors with international repute could be asked to teach a course at different universities in CENTROPE), supporting the integration of CENTROPE researchers into international research networks, and coordinating cross-border provision of consultancy for EU research projects, developing own measures for improving the visibility of CENTROPE as a research area (e.g. by organising or financially supporting workshops and conferences devoted to issues of relevance for CENTROPE) and co-ordinating the development of joint curricula in certain fields (e.g. through creation of a virtual "CENTROPE University").
2. Improving research and innovation capacities in the enterprise sphere – This objective could be devoted to supporting cluster policies in CENTROPE by: providing information on potential co-operation partners in the region, creating infrastructure for cluster co-operation, informing about and potentially co-ordinating national and regional cluster support programs and contributing to establishment of a human resource base for clusters. In addition an aim could be to increase not only

Table 2: Potential Policy Fields and Activities for CENTROPE actors Priority 2

Function	Objective	Examples of concrete policies
University System		
Co-ordination & Mediation	Initiate development of modular cross-border curricula for university degrees	- Found virtual CENTROPE university
	Co-ordination of financial resources for national student mobility grants	- Install CENTROPE working group on cross-border student and researcher mobility
	Co-ordinating research grants among CENTROPE regions and countries	- CENTROPE working group on R&D and innovation policy
	Co-ordinate consultancy services for research projects	- Create a set of CENTROPE contact points for European research programs (using existing national contact points)
Information	Provide information for students in CENTROPE	- Compile regular CENTROPE student guide
	Provide information for researchers in CENTROPE	- Compile guide of top research locations in CENTROPE
	Increase attractiveness of CENTROPE for students from abroad	- Generate a CENTROPE student guide - Provide information on English language study programs in CENTROPE
Lobbying	Lobby for European funding of research where CENTROPE has comparative advantage	- In ICT, health, environment, transport related research, social sciences & humanities
Pooling resources & creating own projects	Provide incentives for researcher mobility	- Organize CENTROPE lectures by internationally reputed scientists
	Increase visibility of CENTROPE as research location	- Generate workshop, seminar or conference series on topics of relevance for CENTROPE
	Support integration of CENTROPE researchers	- Generate own funds for research projects conducted by CENTROPE partnerships
Cluster Support		
Co-ordination & Mediation	Co-ordination of national cluster support programs	- Create a CENTROPE cluster observatory - Present a Guide on regional cluster support policies
Information	Providing information on clusters and potential partners for cluster enterprises in CENTROPE	- Organize partner workshops - Provide studies on individual clusters
Lobbying	Lobby for support of cross-border cluster support programs at national and EU level	
Pooling resources & creating own projects	Creating Infrastructure for cross-border cluster co-operation	- Commission studies on topics affine to cross-border cluster creation (e.g. market research)
	Establishment of a human resource base for clusters	- Organize cross-border best practice exchanges - Organize training for cluster management (CENTROPE cluster management academy)
Enterprise research		
Co-ordination & Mediation	Co-ordination and consultancy in developing innovation policy governance	- Exchange best practices - Benchmark innovation policy
	Increasing sustainability of existing co-operations	- Provide best practice guide
Information	Building awareness for cross-border co-operation	- Provide journals, newsletters, internet fora, participation in fairs, organizing own events - Build an own research database
Pooling resources & creating own projects	Providing financial incentives for cross-border R&D co-operation	- Continue existing cross-border research voucher scheme - Provide financial funds for preparation of EU projects
Non-University Education System		
Co-ordination & Mediation	Co-ordinate financial resources for national student mobility grants	- Create working groups
	Improve mutual recognition of degrees	- Create a joint education validation centre
	Develop modular cross-border curricula for adult education	- Virtual CENTROPE adult education university
Information	Provide information for pupils in CENTROPE	- Compile regular CENTROPE student guide
	Provide information on school partnerships in CENTROPE	- Create school partnership exchange tool
Pooling resources & creating own projects	Co-ordinate and initiate a series of cross-border learning region programs	- Generate and support local projects for learning regions

3. the numbers of inventors in the region but also the number of patent applicants through a pooling of resources and increasing co-operation in the region. This could be achieved through providing financial incentives (e.g. by continuing the cross-border research voucher scheme developed and implemented in the CENTROPE -project), awareness building and information generation and consultancy in developing innovation policy governance as well as increasing the sustainability of existing cross-border R&D co-operations. Co-operation in areas of education outside tertiary education – In addition also the mobility of pupils at all levels of education below tertiary education should be supported. Here CENTROPE actors could be helpful in providing ideas for bilingual cross-border curricula in which for example also certain topics of the common territory (e.g. the common history) could be explored. Apart from this support for cross-border excursions and educational trips, cross-border scholarships financially supported by regional and municipality authorities can be used to make such activities more attractive. In addition, the low rates of participation in life-long learning in many of the regions of CENTROPE suggest that also co-operation of providers of training (e.g. schools and adult training institutions), could be a focus in cross-border policy. Here the experiences made by the set of learning region strategies developed and implemented in the framework of the Austrian program for rural development could be used to design similar, local activities in a cross-border context.

Priority 3: Integrating cross border labour markets

This priority could be directly geared to solving the everyday problems of persons working in the region. In particular it could focus on removing barriers to mobility and information deficits for persons willing to work in other countries of the region, helping cross-border commuters and on exchanging experiences in active and passive labour market policies. The central objectives of this priority would be to:

1. Strengthen existing initiatives to ease cross-border labour mobility and improve cross-border placement activities – Here CENTROPE actors could aim to strengthen the role and credibility of public employment services (PES) in cross-border labour market by helping to develop more flexible and less bureaucratic forms of cross-border placement through co-operation of regional public employment services (e.g. as in the EURES Pannonia project), actively improving and developing tools for cross-border placement activities, and contributing to facilitating transfer of skills across borders (e.g. through a joint validation centre for vocational education or skills).

Table 3: Potential Policy Fields and Activities for CENTROPE actors Priority 3

Function	Objective	Examples of concrete policies
Labour market policy		
Co-ordination & Mediation	Provide support for co-ordinating cross-border placement activities	- Organize workshops and initiate individual projects - Develop cross-border employment pacts
	Improve mutual recognition of degrees in CENTROPE	- Create a joint education validation centre
	Provide support for best practice exchanges in active labour market policy and services to enterprises	- Organize workshops - Provide best practice guides - Organize exchange of experts
	Co-ordinate services provided for migrants	- Organize exchange of experience among welcome centres etc.
Information	Provide Information on working conditions in CENTROPE regions	- Through information brochure and training initiatives among PES case officers
	Initiate projects to consult and support cross-border workers	- Through projects like the IGR at the Austrian – Hungarian border
	Provide information on qualifications provided in vocational training in different countries	- Through brochures and projects - Create CENTROPE vocational skills validation centre
	Use emigrants as resources for integrating CENTROPE into international networks	- Form CENTROPE ex-patriots network - Inform potential returnees of labour market conditions
	Inform potential (high-skilled) migrants to the region	- Provide list of English language schools & services for migrants in region
Pooling resources & creating own projects	Initiate selected projects for target groups of common interest	- Focus on target groups of cross-border workers, minorities, migrants from other CENTROPE countries - Develop and extend cross-border apprenticeship programs
	Develop joint supplementary training programs	- Provide cross-border “training on demand” measures by active labour market policy in case of FDIs

2. Encourage and establish systems of temporary and circular migration avoiding brain drain and increasing the attractiveness of the region for high skilled migration – Through for example providing or coordinating cross-border apprenticeship programs or internships as well as encouraging projects that aim to consult cross-border workers on their rights and duties in the receiving countries (as is currently done in the IGR project at the Austrian – Hungarian border) or by resourcing expatriates, by using them as anchor persons for networks abroad.
3. Exchange of best practices and co-ordination of active labour market policies to avoid labour shortages and improve the situation for individual target groups – Labour market integration in the region will, however, also have to be supported by appropriate active labour market policy measures. CENTROPE actors could organize exchange of best practices for combating long-term unemployment, improving the employment perspectives of the less skilled and elder, since problems with these labour market groups are shared by many parts of CENTROPE. In addition efforts could be devoted to design own projects with a focus on active labour market policy in areas where specific target groups are

addressed, for which cross-border actors have a particularly high competence (e.g. cross-border workers, minority groups living in more than one country and emigrants from a particular CENTROPE country living in another CENTROPE country). Finally, also increased co-ordination in the use of existing infrastructure (e.g. training centres) could provide a fruitful area in which co-operation among labour market policy actors.

Priority 4: Securing international competitiveness of the CENTROPE region

Here the focus should on the one hand – due to the specifics of the region - be on securing and developing the regions' position as a location for FDI, since FDIs are of major importance for CENTROPE. On the other hand a central focus should also be put on the support of cross-border SME networks, because a large literature documents the special problems SMEs have in internalization of their activities and in cross-border network establishment; the development of co-operations in tourism, since this a classical field of cross-border co-operation, and the strengthening of the export base in knowledge intensive and tradable services, since most CENTROPE countries have only low exports of such services. The major objectives in this area could thus be:

1. Retaining and enhancing the attractiveness of CENTROPE for FDI and integrating existing FDI into regional economies – Here first of all attempts to create a joint marketing strategy for CENTROPE as a destination for FDI should be continued. In addition on a more concrete level one could also co-ordinate the development of “training on demand” measures in cross-border active labour market policy, in cases where the supply of qualified labour in one region is insufficient to meet demands of new FDIs, or establish early information tools in cases where the settlement of a particular FDI leads to demands on cross-border spatial planning and/or infrastructure development in other CENTROPE regions. Finally one could aim at supporting a deeper integration of the CENTROPE through establishing cross-border industry or firm networks and fostering the co-operation between enterprises (multinational and locals) through cross-border clustering policies, but also by special information events for selected lead firms (in particular when they are new in the region).
2. Generating deeper integration of existing and new SME networks – by contributing to the coordination of national and regional support programs for SMEs, awareness building for the importance of internationalization among SMEs or providing information to SMEs in their internationalization attempts and developing new support and training tools for SME internationalization.

Table 4: Potential Policy Fields and Activities for CENTROPE actors Priority 4

Function	Objective	Examples of concrete policies
FDI Policies		
Co-ordination & Mediation	Generate early information on potential large investments	- Through spatial planning boards
	Contribute to co-ordinating labour market policy in case of large scale FDI's	- Co-ordinate training on demand measures
Information	Inform about potential suppliers and customers in the cross-border region	- Participation at workshops and seminars - Develop focused reports e.g. on automobile suppliers in region - Organize study visits
Lobbying	Establish CENTROPE as a "trade mark" for FDI'S	- Create joint marketing initiatives for the region
Co-ordination & Mediation	Contribute to co-ordination of support programs for SMEs	- Form expert working groups - Exchange best practices
Information	Awareness building for importance of internationalisation among SME's	- Provide success stories and co-ordinating and providing consulting services
	Providing information for SMEs wanting to internationalize	- Create a CENTROPE internationalization support agency for SME's
Pooling resources & creating own projects	Develop new support and training tools for SME internationalisation	- Internationalisation consulter - Provide training to SME managers
Knowledge intensive services		
Co-ordination & Mediation	Contribute to co-ordinating national policies towards knowledge intensive services	- Organize experience exchange and exchange of best practices
Information	Inform on tenders for consultancy projects in the area of knowledge intensive services	- Construct a CENTROPE service tender observatory
	Providing information for service firms wanting to internationalize	- Build a CENTROPE internationalization support agency for service providers
Lobbying	Lobby for creation of knowledge intensive service clusters (in particular in the large cities)	
Pooling resources & creating own projects	Create own cross-border clusters in knowledge intensive industries (in particular in large cities)	- Focus on consultancy enterprises, creative industries or business services.
Tourism Policies		
Co-ordination & Mediation	Contribute to co-ordinating private, public and civil sector actors to develop cross-border offers for MICE and spa tourists to prolong duration of stay	- Create CENTROPE tourism board - Develop a joint tourism strategy
	Co-ordinate and support initiatives to increase quality of tourism offers	- Organize exchange of best practices
Information	Provide information on tourist attractions for short term holiday makers and people making one day excursions from CENTROPE	- Continue initiatives such as CENTROPE tourism portal - Provide a special tool for information on school excursions and summer camps
Lobbying	Establish CENTROPE as a "trade mark" for tourism	- Create joint marketing initiatives for the region
Pooling resources & creating own projects	Generate projects to increase quality of tourism offers	- Tourism quality improvement seminars - Projects to develop regional tourist infrastructure and attractions
	Generate projects to foster local cross-border tourist fora or clusters focusing on particular target groups and regional touristic resources	- Focus on common history, cross-border identity and shared natural resources

- 3 Developing cross-border networks in knowledge intensive service industries – By using the same tools as for cluster development or SME support policies but also by initiating the development of such clusters, providing a CENTROPE service tender observatory, which could collect tenders for services in CENTROPE and other European countries as well as by the European Commission to support the

internationalisation of and networking among knowledge intensive service providers and developing special consultancy services for internationalisation of the knowledge intensive service sector in CENTROPE.

- 4 Contributing to co-ordinating tourism policies – by creating institutions that foster cooperation between local and regional authorities as well as across the private, public and civil sectors within CENTROPE with the aim to create a CENTROPE tourism strategy, that complements the CENTROPE vision and creating joint marketing tools as well as strengthening initiatives in cross-border product development and product improvement and by developing the strategic documents necessary to guide cross-border tourism development (e.g. a CENTROPE tourism marketing strategy, CENTROPE tourism development strategy).
- 5 Improving the quality of tourism services, infrastructure and suprastructure –Here again exchange on best practice methods for support of tourist enterprises or development of specialised consultancy services may be a policy initiative taken by CENTROPE actors. Furthermore in order to create cross-border tourism products and an adequate suprastructure, CENTROPE actors could also actively pursue the creation multilateral thematic tourism fora or clusters (e.g. based on history and culture, wine production, traditional gastronomic specialities, recreation and sports tourism and others) and support the creation of cross-border holiday packages and recreation destinations with common conception and marketing activities.

Table A1: Results of a SWOT analysis of CENTROPE

Strengths	Opportunities	Weaknesses	Threats
Stable institutional environment	Resilience to crisis has strengthened comparative advantage	Divergent macro-economic developments in individual parts of the CENTROPE	Weaker productivity growth in recent years may erode competitive advantage
Stable macro-economic environment	Sound macro-economic policies strengthen attractiveness of region	Large regional disparities in terms of all indicators	Macro-economic challenges in parts of the region
High level of economic growth		Rapidly rising labour shortages in high skilled occupations in times of high growth	Increasing competition from other (cross-border) regions
Low unemployment rates and high employment rates			
High growth region			
Location, Infrastructure and Population			
Close to regions with high market access	Location on important European transport routes	Threat of declining labour force in the absence of appropriate policy measures	Slow realization of existing infrastructure investment plans
Vicinity to fast growing Eastern European markets	Slow predicted population decline and dynamic population growth in urban centres	Remaining weaknesses in the infrastructure network	Expected transport infrastructure problems in particular in north-south connections
Many sites of environmental and potentially also touristic value		Low level of co-ordination in traffic and infrastructure planning and development policy	Many languages and sometimes missing cross-border competence impede on cross-border spatial planning and policies
High level of internationality in population in the urban centres		Capacity problems in transport infrastructure near large urban centres	
Highly developed telecommunication infrastructure and high standards in technical infrastructure		Large differences in laws and institutions governing regional development	
High quality of nature, environment and life		Large disparities in infrastructure and environmental standards	
Spatial Integration and Internationalisation			
One of the most attractive locations for FDI in Europe	Can profit disproportionately from continued European integration	Low and often rather hierarchical degree of internal integration	Disintegration of Europe could negatively impact on growth
Strong integration in the world economy in terms of trade	High accessibility to non-EU Eastern markets	Low cross-border labour mobility	Relocation of individual large FDI
Revealed comparative advantage in medium high and medium low skilled manufactured goods		Low co-ordination of institutional support for cross-border enterprise network formation	Risk of brain drain
Sector Structure			
Emerging specialization in automobile sector and ancillary industries	Some potential for cross border clustering	In general few areas of strong specialization	Rapid structural change may increase labour market problems
Highly diversified (with mostly a focus on manufacturing)	Possibility to allow internationalise on a relatively small territory (for SMEs)	Low share of high level business services (except for capital cities)	Lack of regional specialization may lead to overemphasis of competition among locations
Capital cities provide a location for high level business services		Few signs of functional specialization of regions	
Differences among regions provide potential for specialisation and enterprise networks			
Rapid structural change to service oriented sectors			
Rapid catching up of productivity levels			
Strong industrial base			

Table A1 continued: Results of a SWOT analysis of CENTROPE

Strengths	Opportunities	Weaknesses	Threats
Education System			
Well developed university system	High potential for resource pooling in education	Few tertiary education institutions of world repute	Lack of repute of education institutions impedes on inter regional co-operation
Rapid increases in overall student numbers as well as in international student numbers	High potential in applied research and engineering skills	Low participation rates of lifelong learning	
High mobility intentions among CENTROPE Students		Low reputation of CENTROPE universities among potentially mobile students	
High share of intermediary educated and well-qualified manual workers		Low share of tertiary educated workforce	
Innovation System			
Above EU27 average share of human resources in science and technology and of researchers	High potential for co-operation among universities and in enterprise research	Strong heterogeneity in regional innovation and R&D capacities	Unstable political environment for innovation governance in some countries, may impinge on development of region
High shares of patents invented in the region	Ambitious development projects in individual regions (e.g. Brno)	Low level of co-operation in patenting within the region	Hubs of the innovation systems often located outside CENTROPE
High integration of patenting into international networks		Low level of financing of R&D in most regions	
Location of a large number of research institutions		Weak linkages to the university and education system	
		Large functional distance between regions	
		Few research institutions of international reputation	
		Low number of patent applicants in the region	
Labour market			
Low unemployment and high employment rates	Higher mobility could contribute to a reduction in unemployment	Low participation rates of the elder	High long-term unemployment in some regions and risk of de-qualification of the unemployed
High level of personnel stability		High skill gradients in unemployment and employment	
		High regional mismatch due to lacking cross-border mobility	
Knowledge intensive services and tourism			
Capital cities provide a location for high level business services	development of cross-border tourism products	Low share of high level business services outside large cities	Few financial/personal resources for cross-border tourism and service development
Natural preconditions to provide for a variety of tourism types	Joint marketing activities, information and know-how exchange	Lower quality of current tourism offers in some regions	Increased competition from more distant destinations in tourism
Location close to key markets in terms of both levels as well as growth in tourism demand	Synergy effects from cooperation	Heterogeneity in the provision of infrastructure and suprastructure for tourism	
		Different views on importance of development of various tourism types	