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### Democracy can be a game changer for business development in EU's external border regions

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Being peripheral in their own countries the EU eastern external border regions face particular development challenges and less entrepreneurship than in other parts of the same country. The density of businesses may even be half the national average, as seen in **Latgale region, Latvia** with investments in fixed assets even four times lower.

**ESPON BusDev (Business Development Opportunities at External EU Borders)** study analysed three pilot regions on the EU external border with Russia, Belarus and Moldova and concluded that border realities rather exacerbate than mitigate business disadvantages within these regions. Closeness to the border does not outweigh the shortcomings of periphery, at least not in the territories studied in this research.

Shared identity across the border enhances moderate openings of the economic dimension. However, border effects on the development perspectives of an EU Member State are largely defined by the political situation on the other side of the border.

**Prodemocratic and pro-European neighbours can be a game changer for business development, while the opposite situation has a strong closing effect.** Hence, the socio-cultural dimension is a constant business determinant while the political dimension is a definite variable.

Addressing opportunities and challenges of territories at the EU external land frontier implies that border realities are taken into account. While investments are useful to develop a critical mass of activity in some sectors, they are one of several elements and policies needed to enhance socio-economic development in the stakeholder territories.

**The focus should be on endogenous potential development.** Effectiveness of business support depends largely on whether the interventions succeed in tackling the origins of challenges rather than the symptoms, have a long-term perspective and are linked to territorial needs and structures.

Place-based integrated interventions strengthening local endowments are more relevant and effective than national sectoral policies. Development strategies at EU's external border regions need to be built on the following guiding principles: multi-level governance, place-based approaches, coordinated sector policies and territorial cohesion.

*"ESPON evidence shows that business support policies should aim at mitigating restrictive conditions for endogenous growth, as a makeweight for external investments"* noted **ESPON EGTC director, Wiktor Szydarowski**. *"The regions on external EU land borders are*

*geographically specific areas and need particular policy attention from national governments and the European Commission to sustain socio-economic development” he added.*

*“Regions at the EU external border have strategic importance at the national as well as at the EU level, however, economies at the EU external border are not capable to catch up in terms of growth on their own”, says **Iveta Maļina- Tabūne** Head of **Latgale Planning region administration and Head of Latgale Special Economic Zone** (Latvia).*

*“Thus, there is a need for support at the EU level - a centrally-managed programme ensuring flexible place-based business support interventions to build and strengthen regional potential. A separate financial envelope within the framework of the national ESIF would be paramount to provide territorial tools to support local and regional efforts of economic development and investment attraction”, notes **Ms Maļina- Tabūne**.*



#### Note to the Editors

**ESPON** is the European Territorial Observatory Network that provides scientific analyses and advice for territorial and sectoral policies in a number of contexts including economy and finance, unemployment, foreign direct investment, circular and low-carbon economy, healthcare, migration, etc. **ESPON** supports the discussions on the future of EU policies, notably the Cohesion Policy, as well as the upcoming preparation for the next generation of strategies and programmes at national, regional and local scales. **ESPON** is co-funded by the European Regional Development Fund. More at: [www.ESPON.eu](http://www.ESPON.eu)

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