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## Innovation through Co-operation in the Syrian border Region

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## **Innovation through Co-operation in the Styrian Border Region**

### **Introduction**

The title of this paper is made up by four key words: innovation, co-operation, Styria and border (region). Innovation and co-operation (like networking and clustering) today are seen as a recipe for success, or at least as an important tool on the way to it. In order to increase and even to maintain competitiveness, enterprises have to innovate. To meet market demand, to even anticipate it, is crucial for the survival of today's enterprises. And why should enterprises co-operate? To give only some reasons: Because of resulting synergy effects, a reduction of costs, risk and time and the opening of new markets.

Innovation and co-operation are closely connected to each other. Empirical studies (see Mugler et al.) confirm that enterprises that are winners on the innovation side are often embedded in networks that give them access to the latest research results, where they can profit from new expert knowledge and the latest problem solving techniques.

Styria, the third key word, is an Austrian federal state situated in the south-east of the European Union. It will be analysed in detail later.

Let's take a closer look at border region development: A border can be dividing between different political-institutional systems or connecting between different

societies. The border regions were traditionally retarded in their development, because of their peripheral situation relative to economic centres in the country and the principle of separation, according to which government gives higher priority to sectorial policies than to economic links between regions. Separation and closing factors prevailed. This has been the case in Styria before the opening of the border to Slovenia in 1989/90. The project "Europe without boundaries" now stands for open borders with a characteristic functional dominance of connection and of trans-border co-operation.

Nevertheless the border region has to be reanimated and connected with the trans-border region. This paper tries to describe ways how this process is being done by bringing innovation by means of co-operation.

The paper is structured as follows: First the community initiative Interreg IIa is presented, serving as the most important public instrument for the promotion of cross-border co-operation. Then the Styrian-Slovenian border area is characterised by its strengths and weaknesses. Afterwards an Interreg IIa project entitled "Innovation through co-operation" is presented, focussing on the method used and experiences gained. At the end of the paper some other projects on the subject are cited as well.

### **The community initiative Interreg IIa**

A community initiative is a special financial instrument of EU structural policy which the Commission proposes to the member states on its own initiative. The community initiatives aim to resolve problems which have a particular impact at European level. They have three features which give them their added value as compared with the other measures financed by the structural funds: their trans-national and innovative nature, the "bottom-up" approach to implementation and the high profile given to the measures on the ground.

Interreg Ila is a community initiative co-financing measures encouraging co-operation in economy, culture, education and training in areas that are belonging together because of their locations but have been separated by history. Interreg is divided into three programmes: Interreg Ila (cross-border co-operation), Interreg IIb (formation of energy networks) and Interreg IIc (co-operation in the field of regional planning).

The aims of the initiative are to assist both internal and external border areas of the European Union in overcoming the special development problems arising from their relative isolation within national economies and within the Union as a whole, in the interests of the local population and in a manner compatible with the protection of the environment. The creation and development of networks of co-operation across internal borders shall be promoted. The adjustment of external border areas to their new role as border areas of a single integrated market shall be assisted.

Interreg Ila has been established with 2,400 Mio. ECU (at prices of 1994), to be used for the support of the border regions in adapting to the new European framework. Up to now there are 63 Interreg Ila-programmes, six of them in Austria: Austria-Slovenia (for Styria and Carinthia), Austria-Hungary (for Burgenland and Vienna), Austria-Slovakia (for Burgenland, Lower Austria and Vienna), Austria-Czech Republic (for Lower Austria, Vienna and Upper Austria) and Austria-Italy.

In Styria about 160 Mio. ATS (11.7 Mio. Euro) are available for Interreg Ila projects between 1995 and 1999. This sum is made up to 40 % from federal and state funds, to 40 % from EU and to 20 % from private funds. The joint sum for Styria and Carinthia is derived to 65 % from the ERDF (European Regional Development Fund), to 22 % from the ESF (European Social Fund) and to 12 % from the EAGGF (European Agricultural Guidance and Guarantee Fund).

The Interreg Ila programme Austria-Slovenia is dedicating funds to the following priorities:

- 60 % to priority 2 (“Economic development and co-operation“)  
Main features: organisation of border-crossing co-operation between SMEs, of border-crossing technology clusters, foundation centres as well as development of rural potentials and tourism
- 15 % to priority 5 (“Environment, natural habitat, energy“)  
Main features: co-operation in border-crossing natural habitat, environmental programmes
- 10 % to priority 1 (“Technical support and regional planning“)  
Main features: elaboration of border-crossing planning documents and development concepts
- 10 % to priority 4 (“Human resources“)  
Main features: better utilisation of education and training facilities on both sides of the border
- 5 % to priority 3 (“Technological infrastructure“)  
Main features: improvement of border-crossing traffic connections, most of all in public transport

In Austria Interreg funds are exclusively used for financing projects within the country itself. Corresponding measures in Slovenia are funded through the EU programme Phare Cross Border Co-operation (CBC). The foci in the Slovene Phare programme are mostly equivalent to the Austrian priorities. Almost one third of the funds is spent on economic projects.

## **The Styrian-Slovenian border area**

Let's take a closer look at the Styrian-Slovenian border area itself: A border-crossing development strategy will be elaborated within the Interreg as well as the Phare CBC programme Austria-Slovenia. A strategy paper for 1997-2000 (for Interreg till 1999) and basic information concerning relevant subjects for border-crossing co-operation in both countries has already been completed. In the following, parts of it are presented:

A common strength of the Styrian as well as the Slovenian border regions regarding human resources and labour market is the high percentage of active population. Further strengths in Slovenia are the qualification structure, on the Austrian side the general increase of workforce and more and better job as well as training opportunities in Graz (capital of Styria, within commuting distance to border region). Unemployment rate, lack of job opportunities in the border area itself and a dominantly commuting population are major threats.

Industrial tradition, established market positions in some sectors (textile, food processing, wood processing, machinery), available space and infrastructure are the important strengths of the Slovenian region. Its weaknesses for industrial development are the one-sided structure and high share of staple industries as mining, steel and metal industry, low labour productivity and negative environmental impact. Strengths of the Austria area are a dynamic core area (Graz) with attractive infrastructure and a presence of promising branches, increasing competition and company dislocation in low-wage segments being the most imminent threats. However, the low-wage industries brought into the area in the seventies and eighties (notably textile companies around Radkersburg) could not be retained after the opening of the borders in 1989/90.

Agricultural strengths for Slovenia and Styria are its good natural conditions for a diversified and specialised production as well as traditional skills for production and farm-based processing. Available labour force, high rate of part time farmers and good technical equipment are important additional assets for Slovenian agriculture,

whereas small farm size and the lack of marketing structures and skills are its main weaknesses. The large number of people still depending on agriculture for their living together with small farm size and low productivity are the major disadvantages, with increasing competition and price reductions being the single most important threat.

As far as tourism development is concerned, the whole border area offers a high diversity in attractive scenery, natural resources and rich natural and cultural heritage. Styria has a dynamic health tourism segment. The major weaknesses in Slovenia and also in Styria are the small size of present offer, the dominance of day-trip tourism as well as the lack of adequate facilities and organisational structures.

Lack of services for the demands of local markets is both a weakness and a strength on the Slovenian side, as it holds opportunities for potential service providers. However, educational institutions are not yet adapting to these needs and other support for marketing, technology, skills training, management, financing. In Austria, there are many high-level services to be found in the core areas, and private and business related services are spreading rapidly into the more rural areas as well. The major threat for the service sector in Austria is reduced and more selective demand from Slovenian customers, withdrawing or reorienting their purchasing power.

Basic transport and communication infrastructure is rather well developed throughout the whole border area, but inadequate transport links between Ljubljana and the border regions as well as some bottlenecks at the main border crossings being the most important constraints.

## **“Innovation through co-operation”, an Interreg Ila project**

This study was jointly elaborated by Joanneum Research (Institute for Technology and Regional Policy, U. Mörtlbauer), ARGE Innovationstransfer (J. Scheff), Mind Consult (W. Schrittwieser) and the University of Technology Graz (FTI, Ch. Adametz). It was supported by Interreg Ila, commissioned by the State Government of Styria.

The objective of the project was to initiate concrete co-operation projects in the field of innovation and technology in the Interreg region (in Styria the districts Deutschlandsberg, Leibnitz and Bad Radkersburg). Target groups were technology-oriented SMEs from the producing and service sectors. Co-operations between SMEs themselves as well as between SMEs and public agencies, private organisations and voluntary bodies were to be fostered. Innovation was seen as technological and organisational innovation.

First of all regional economic data were analysed and compared in order to identify fields of co-operation of regional economic importance between Styria and Slovenia. It was difficult to aggregate the data from the Statistical Office of the Republic of Slovenia, as the system used is different from the one used in Austria. As Slovenia does not offer statistical data on a regional level yet, the areas to be compared are Slovenia as a whole and Styria.

In Slovenia around 600,000 people were employed in 1995, in Styria around 400,000. Their distribution on ten branches of industry was compared. In both areas industry was very important (Slovenia: 38 % of employees, Styria: 28 %). Also important were services (Slovenia: 29 %, Styria: 28 %) and commerce (Slovenia: 9 %, Styria: 16 %). Based on this analysis considering Styrian circumstances, the following branches of industry were agreed to be analysed: materials, construction, electronics and environmental technology.

In a second step already existing co-operations on an institutional level were investigated. Interviews with public bodies were held asking about existing co-



operations with Styria, fields of co-operation, criteria for choosing Styrian co-operation partners and potential co-operation partners.

Important agents in the border region were identified. On the one hand in Slovenia the Maribor Development Agency has to be mentioned. It is a non-profit-making professional development institution serving the Maribor region organising and co-ordinating strategies for the economic development of the region. It is co-operating with a big number of Styrian institutions and enterprises. The Styrian Technology Park in Pesnica is a subsidiary company of the Maribor Development Agency. Its task is to promote technology transfer and innovation.

On the other hand in Styria the Technology Partner Styria is an important agent. It is an association of Styrian companies engaged in the transfer of technological know-how. The main target is to answer rapidly and efficiently any technology oriented inquiries. The Styrian Industrial Promotion Agency is the leading company in the network. It has also been the leading consultant for the establishment of the Styrian Technology Park in Pesnica, Slovenia.

There is a huge number of informal co-operations. Public institutions are co-operating with their corresponding institutions in Styria, with regional managers, Styrian consultants as well as by means of the Alps Adriatic Working Community programme. There is an exchange of personnel and information between the Universities Ljubljana and Maribor and the University of Technology in Graz, but also between other kinds of research institutions.

How is innovation fostered in the border regions? In many ways, e.g. successful innovators are honoured by innovation prizes once a year, in Styria by the State of Styria (Forward Award 99), in Slovenia by the Small Business Development Centre. An innovation agency can be found in both areas. Innovative projects are treated as a priority, e.g. in Styria: Foundation campaign, innovation specialist. In Slovenia a "Handbook for Innovators" has been written.

Another part of the study dealt with the enterprises themselves. SMEs from the producing and the service sector were chosen through databases. They had only few contacts to external institutions, but at the same time a technological interesting product or service to offer. In a first visit innovation and co-operation facts were ascertained by using a structured questionnaire. Open technological questions were documented and possible solutions were discussed. In a next step suitable external institutions (like other enterprises, transfer units, research companies) were searched and contacts were installed. The enterprises were guided by the project team as long as a stable co-operation structure had been developed. The project staff tried to find Slovene co-operation partners together with the Styrian enterprises in order to build up a border-crossing network.

As another result an "Innovative materials co-operation" (joint use of technological infrastructure) integrating Slovenia is on the way to be established. Often measurements are done in another country creating cost and delay. An electronic information and co-operation exchange (Who offers what? Who needs what?) and the joint development of measurement processes, joint qualification of staff for these new working steps and the handling of the machines needed are to be developed.

### **Other projects fostering innovation through co-operation**

- KUSS (Co-operation for enterprises from Styria and Slovenia):  
In order to build up business contacts and to support them further, consultation days for enterprises are held in the Styrian Chamber of Commerce in Graz and in Maribor. KUSS is an Interreg IIa project that was already started in autumn 1995. In the years to come another co-operation exchange shall be established in Maribor. A continuous publication of co-operation requests is planned as well.

- Centre for life-long learning:  
A school for automotive technology in Arnfels (Styria, close to the Slovenian border) is to be extended into a centre for life-long learning for Austrian, Slovene and Hungarian employees (Interreg Ila project). An integration into the Styrian automotive cluster is planned as well.
  
- Border-crossing collection system for used oil:  
The plant for the transformation of used oil into Eco-Diesel can be done even more economic through the use of a larger amount of waste products. Therefore a collection and supporting system with Slovenian neighbouring region shall be installed. It is an Interreg Ila project as well.
  
- Alps Adriatic Women's Network:  
Within the Alps Adriatic Working Community a brochure for the Alps Adriatic region including addresses of women's organisations and institutions that deal with equal opportunities shall be elaborated. It is the aim of the brochure to foster interregional co-operation through direct contact. It is to be seen as a first and very important step towards creating a more extensive network of women's initiatives on the Internet for people in decision-making positions occupying themselves with the topic of equal opportunities improving the position of the women in society.
  
- Teleworking for women:  
As it is a well-known problem that it is very hard to enter or get back to business life for women living in border regions, especially young mothers and students that failed to complete their courses of study. For many reasons they have a lack of mobility. Teleworking for women is a new initiative for the Styrian border region in the framework of the EU community initiative Employment now. An information centre for teleworking is planned as well as the establishment of an info database on successful teleworking models in Europe.

## Summary and conclusions

In comparison to other border areas, the border between Slovenia and Austria has been less rigid and allowed the development of considerable contacts on local level, even before the political and economic changes of 1989. This is now a major asset for cross-border co-operation and already presents many opportunities for socio-cultural co-operation. However, there is a lack of information networks, contacts and exchanges between political actors on local and regional level, particularly in the economic sphere.

The community initiative Interreg IIa is a suitable instrument and a big chance to bring innovation through co-operation into the Styrian border region. Looking at the strengths and weaknesses on both sides of the border, common strengths are human potential, traditional skills and knowledge of the people in industry and agriculture, natural conditions for agriculture and tourism development as well as existing basic infrastructure and supportive social environment. Main weaknesses are the prevalent dependencies, in Austria on economic decision centres outside of the border area and in Slovenia on traditional industries yet in need of restructuring.

In general one can state that there is a very limited number of real cross-border projects with 'mirror' projects on the other side of the border. Nevertheless, this is no indication as such for the cross-border nature of the programmes as a whole. The cross-border impact of the economic development projects is relatively high and their number is increasing annually.

Experiences from the Interreg IIa project "Innovation through co-operation" are as follows: To build up cross-border co-operation is a hard and time-consuming task. But in the long run positive effects on internal as well as on regional level have been achieved. Last but not least economic development in the border regions can be promoted further through the demonstration of successful examples of co-operation, delivered in the project.

Future prospects: Agenda 2000 will regulate the future course of the EU till the enlargement for the Eastern states. The community initiatives will be reduced from 13 to three (Interreg, Leader, Equal). 50 % of the funds will be dedicated to the Interreg programme (1,100 Mio. Euro), of which Austria will receive 300 Mio. (from 2000 to 2006). An Euregio is to be founded in order to develop Austrian-Slovenian cross-border co-operation further. On the Styrian side Eastern Styria, South-western Styria and the Graz area shall take part, on the Slovenian side Maribor and Murska Sobotka. Cross-border co-operation then should be as intense as never before.

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