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International Entrepreneurship Development in the Polish-Belarusian Euroregions

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Summary: In border regions cooperation of entrepreneurial structures can be considered as effective development strategy in the conditions of resource limitation peculiar to small and medium business. The need and efficiency of cross-border cooperation for Polish-Belarusian euroregions is obvious. Outsourcing and franchising can be considered as two of the most efficient forms of cooperation. However in the Polish-Belarusian euroregions there is a number of problems interfering cooperation of entrepreneurial structures. Generally these are the problems connected with economic, political and social factors. Such restrictions can be eliminated both at macro-level, and at the level of entrepreneurial structures.

Keywords: cross-border cooperation, euroregions, entrepreneurship, outsourcing, franchising.

Introduction

Development of interregional cross-border cooperation is one of Council of Europe priorities. Owing to geopolitical position of Poland and Belarus there is a necessity of development and harmonization of interrelations of all levels including the sphere of entrepreneurial cooperation. Cross-border cooperation helps in establishment of amiability atmosphere, mutual interest in everyday business cooperation.

The main aim of the article is analysis of cross-border cooperation in the Polish-Belarusian euroregions along with revealing of the most perspective and efficient methods of entrepreneurial sector near-border cooperation. In the work there are used the following methods: synthesis and analysis, colligation, formalization and method of scientific thought experiment.

1. Cross-border cooperation as objective reality of world economy

Level of cross-border activity and economic conditions of near-border regions can be considered as indexes of state integratedness into world economic system. It is noted that near-border regions in countries with closed economy are generally less developed, and those in countries with open economy get significant advantages using their location. At the same time there occurs the following contradiction: impossibility of governmental role extension in development of mutual economic, political, cultural relations along with increase of certain regions initiative in this activity implementation.

One of the paradoxes of the modern world is that the wide differences between countries on the whole (by aggregate and average indexes) combine with significant similarity between certain types of regions in different countries. Hence there are many common features in different countries approaches to solution of internal regional problems. Therefore investigation and regulation of regional development should be carried out in consideration of world experience.

As a general rule, traditional regional questions are smoothed over; they transform, but not disappear. At the same time fundamentally new problems of regional level, concerned with conversion to postindustrial information society and economy globalization, occur.

Considering that the enterprises activity significantly depends on their geographical position, it may be concluded that the closer to border the firm is the lesser is its accessible market. Tariffs and other world trade restrictions increase transport costs, distort markets and supply networks, increase production costs. Therefore companies avoid territories near trade barrier, which reduces their market or impedes raw materials supply, and place in central regions.

One of the forms of cross-border cooperation, that occupies an undiminished place in social relations system is euroregion, which represents reasonably effective mechanism, conducive to achievement of ethno-psychological, political, economic, ethno-confessional, ecological and cultural balance in near-border regions [10].

Euroregion is a geographically limited part of near-border territory, which includes several territorial-administrative units on both sides of the border, which are formed on the basis of mutual interests in the field of economy, nature conservation, culture and sport development.

Euroregion is the form of near-border cooperation formed in founder countries of the European Union at the end of 1950s, supposing integration of near-border settlements into united urban agglomerations and formation of united settling and production systems. At the same time there arises the necessity of cooperative solution of difficult problems associated with, for example, pendulum cross-border migration, development of common infrastructure, environment protection, tax assessment.

During the generation of euroregion idea, this form of cross-border cooperation supposed sluice territories on the border between the European Union and future EU country.

Despite the absence of well-defined conception of euroregion creation, its stages of development and its disestablishment, it is possible to mark out certain typical cooperation conditions:

- Existence of a part of common state border;
- Voluntary intention of both sides to extend mid- and long-term cross-border cooperation through harmonization of subregional plans of territories social-economic development;
- Existence of agreed list of projects, ready for cooperative execution, which realization would bring cross-border effect.

At the moment there are two tendencies in development of cooperation within the euroregions: peripheralization and globalization. At the same time it's important to mention the following contradiction: the ultimate goal of any euroregion creation is its refusal through convergence and definite integration of two parts of near-border community. There is an opinion that if such a form of cooperation development is impossible, the character of cross-border interaction through institution of euroregion can't be constructive and effective in full measure.

Support of cross-border interaction by the European Union is conditioned by its following strategic aims:

- possibility of new markets opening;
- interests of European safety, political stability and economic solidarity;
- possibility to avoid negative consequences of competition between regions;
- development of national and regional economies in countries with emerging economy.

Cross-border cooperation is the mechanism which can use the advantages of international interdependence stimulating at the same time regional and national economic development. Near-border regions owing to their geoeconomic position act as natural "bridges" of neighbor countries economic development. Near-border interregional interaction has important role contributing to strengthening of border transparency, connecting people living in near-border territories, economic relations development. Multiple-vector external activity of near-border regions contributes a lot into bilateral relations of neighbor countries [5]. Cross-border interaction aids in creation of atmosphere of amiability, mutual interest in everyday business cooperation.

Cross-border cooperation can be considered as effective lever of entrepreneurial sector competitiveness development. Exactly small and medium enterprises, as well as entrepreneurs, owing to their flexibility and initiative are the main participators of near-border economic cooperation [7].

Active role of entrepreneurship in development of near-border relations is declared by various international organizations. For example, EU actively stimulates and supports cross-border partnership of small and medium business as one of the ways of EU industrial integration promotion and balanced regional development through programmes like MEDA, the Phareprogramme and TACIS [2], [3].

Thus, there is a demonstrative example of China where economic growth of southern provinces has been in large measure achieved through cross-border interaction of China and Hong-Kong small and medium enterprises.

2. Establishment and development of Polish-Belarusian euroregions

Euroregions with the involvement of Central and Eastern Europe and Baltic countries have been initially created more likely not on the basis of economic, but political motives. These countries perform the consistent policy of entering into structures of the European Union and NATO after the disbanding of the Warsaw Pact. Thus these countries tend to join faster the process of European integration.

Cross-border cooperation between Poland and Belarus has 18 years of history.

Projects of euroregions creation in the Central and Eastern Europe countries has been carried out since the beginning of the 1990s [4].

In September of 1995 in Lutsk, Ukraine, has been created Trans-border Union of Bug-euroregion. Initially this organization included near-border areas of two countries: Poland and Ukraine. On 15th May 1998 in Brest, Belarus, as the result of signification of the addendum to the 1995 agreement new members were admitted: Biala Podlaska Voivodship and Brest Voblast. Hence, this document has united the border-sharing areas of three states – Belarus, Poland and Ukraine, and Bug-euroregion has become one of the largest European entities of this kind. Its area at that time was about 82 000 km: the share of Poland part was about 35.6%, Belarus – 39.9%, Ukraine – 24.5%. The total area of Bug-euroregion has diminished and today it is about 78 000 km, about 4.8 mil people live there.

Initiative of euroregion “Neman” creation was proposed on the 3rd Baltic economic forum on 11th February 1995. On 9th February 1996 in Suwalki was the first meeting of boarder-sharing regions representatives, where the questions of euroregion activity organization were discussed and projects of the Agreement and the Articles were arranged. On 6th of June 1997 in Augustav the three-side Agreement and the Articles were signed. The territory is located along the banks of Neman (Nemunas, Niemen) river. The total area is 89 805 km². Total population: 4 842 300 [9].

Within the framework of this cross-border entity act 6 constant working groups (on economic development, on social questions and medicine, on culture and education, on environment protection, on landscape planning, on tourism). Among the important projects, realized by euroregion, it should be noted the cooperation of six countries within the program of development of territories along Via Baltica route. High level of development is noted on Poland-Lithuania border: 80% of realized projects are polish-lithuanian. Three-side polish-lithuanian-belarusian projects are realized as well. There are only few polish-russian initiatives.

The Agreement on the euroregion “Belovezhskaya Pushcha” establishment was signed on 25th May 2002 in Hajnowka, Poland. From the Belarusian side the members of euroregion are Svisloch, Pruzhany and Kamenets districts, from Poland – Hajnowka district. The main aims of euroregion activity are preservation of the unique natural complex Belovezhskaya Pushcha, promotion of international tourism development, creation of new opportunities for labor activity of near-border population [8].

3. Forms and methods of Polish-Belarusian cross-border cooperation

Cross-border partnership is advantageous for enterprises and develops the economy on both sides of the border, in Belarus and Poland. Cross-border cooperation stimulates creation of new entrepreneurial structures in traditional trade sector, which is more developed, and in service and industry sectors alike.

It is noted that economic cooperation of near-border regions should be considered on two planes:

- formal external economic relations of business structures;
- informal relations and entrepreneurial activity of local population. In the Republic of Belarus shuttle business is especially developed in Brest and Grodno regions owing to vicinity of the most dynamic of neighboring to Belarus market – Poland. These regions are characterized by higher level of population entrepreneurial activity.

Near-border trade is represented by large external economic companies and shuttles.

The advantages of the trade are following:

- access to know-how;
- new trade area;
- investment.

Cooperation of near-border companies can be considered as effective development strategy in conditions of resource limitation, peculiar to small and medium business. Unlike large companies that use size effect, small and medium en-

trepreneurial structures have to use diversification of production strategy through establishment of relations and partnership with other companies. Thus cooperation in general and especially cross-border cooperation enables to use the possibility of flexibility and cost reduction combination and increase competitiveness.

Social effect is reflected by formation stratum of Belarusian entrepreneurs and increase of business culture.

The possibility and variety of forms of cross-border cooperation is sufficiently spacious. These can be both long-term forms of cooperation (joint ventures and other forms of business organization) and short-term cooperation limited by realization of certain project.

Within the framework of this work special attention should be devoted to fairly new forms of integration relations like outsourcing and franchising.

4. Outsourcing and franchising as perspective models of Polish-Belarusian integration

Outsourcing, in the context of cross-border cooperation, can be considered as an effective mechanism of integration processes intensification. Stable demand for the outsourcing services has been an incitement of this sector of international economy intensive development. In conditions of scientific and technological progress and complication of production technologies even the largest structure can't be sustainable and competitive. For small entrepreneurial structures and entrepreneurs starting their business outsourcing is one of the most effective ways to occupy their market niche. Goods and services producers consider outsourcing as purchasing off-site functions and business-processes results that company used to carry out by itself. From the viewpoint of outsourcer, i.e. executor in the framework of an outsourcing project, outsourcing is the area of core competencies, the most important interests, application of forces, market share increase. For small entrepreneurial structures elemental outsourcing can be applied. It is advantageous for polish companies to outsource a number of functions to belarusian entrepreneurial structures, because labor costs in this case would be lower than in Poland. In near-border region IT-outsourcing is incident. This is because Belarusian programmers have sufficiently high qualification level along with more modest requirements for occupation earnings. Brand "belarusian programmers" is already known among foreign IT-companies. The Republic of Belarus has a number of advantages: reasonable price-quality relationship, high professional level of IT-specialists, governmental support, advantageous geographical location, cultural and mentality proximity, system of technical education.

Table 1. Comparison of average costs on launching a team of software engineering in the countries

Country	Germany	Poland	Belarus
Monthly expenses/EURO			
Average salary + bonuses SeniorSoftwareDeveloper	4500	1800	1000
Average salary + bonuses IT project supervisor	5000	2100	1500
Office rent for two programmers	1194	780	774
Sum-total	10694	4680	3224

Source: own research.

Owing to outsourcing business networks and cooperation of large and small companies on both sides of the border are going to be developed. Innovative outsourcing will increase substantially the quality and quantity of innovations in near-border regions.

Another form of cooperation, which is sufficiently promising but is not essentially used by entrepreneurial structures of near-border belarusian-polish regions, is franchising. It is owed to a number of factors including the factors of legal nature: only in 2006 the additions in Belarusian legislation were introduced and it has become possible to register franchising agreements. Polish franchisors are not highly interested in entering belarusian market. They are likely to be spurned by indeterminacy, immaturity and informational closedness of our market. When speaking about the causes of insufficient activity of belarusian entrepreneurs as franchise buyers, it is associated with, firstly, the lack of capital and the absence of franchising bank credit system; secondly, with insufficient economic literacy and information about that form of business; thirdly, the absence of demonstration effect, when positive experience of colleagues can be impetus to franchise buying.

However franchising development in Belarus has a positive dynamics. Furthermore, near-border regions has great potential in development of franchising in the sphere of hotel business, fast-food, car services, recreation, that traditionally is a domain of small and medium business.

5. Problems and perspectives of Polish-Belarusian cross-border cooperation

Despite the encouraging tendencies, common conditions for development of the entrepreneurship in the framework of cross-border cooperation remain insufficiently favorable, that is reflected in a small quality of joint projects and low level of foreign direct investments. When considering problems in the sphere of

polish-belarusian cross-border cooperation, important factors, holding economic cooperation development, are the following:

- Low status of actuality of cross-border cooperation as strategic governmental policy.
- System of tariff and non-tariff barriers (very high custom duty rates on certain kinds of products, quoting and licensing regimes).
- Insufficient development of border and transit infrastructure.
- Complicated passport-custom procedures on existing border terminals, complicated machism of visa receiving.
- Inconformity of quality of Belarusian partners applications to requirements (including the reasons of technical complexities connected to their preparation and execution).
- Different interests of potential partners in neighbor countries.
- Complex, bureaucratic and long-term procedure of projects affirmation from the belarusian side (necessity of conformation to several normative documents).
- The lack of reformation of belarusian economy in the sphere of property. At this point there's no most-favored-nation regime in the near-border territories.
- Informational vacuum. Many entrepreneurs don't know about the presence in near-border regions of organizations, stimulating cross-border cooperation, and if they even know about them, they don't receive their help.
- Weak integration of small and medium business into export-oriented production-technological chain.

Belarusian euroregions don't get all the necessary factors and stimuli which would ensure their effective and dynamic functioning.

However euroregions remain important instrument of "middle class" formation through the projects of small and medium entrepreneurship support.

Obviously, there is the necessity for creation of appropriate conditions for cross-border cooperation and increase of its influence on economy of the regions through integrated approach. The principal share in cross-border cooperation development on the level of entrepreneurial structures is taken by companies' heads, however government of different levels on both sides of the border can influence significantly the intensification of interregional economic relations.

S. Solodovnikov considers difference in institutional matrix and material-technical environment as one of the fundamental reasons of insufficiently developed cross-border cooperation in belarusian-polish euroregions. "While choosing methods and mechanisms of social-economic cooperation of cross-border regions of Belarus and its neighbors it's necessary to take into account communal character of material-technical environment in our country, Russia and Ukraine and non-communal character of this environment in Poland, Latvia and Lithuania" [1]. In order to neutralize these barriers there are essential the following directions of regional policy:

- creation of effective system of population informing on the subject of entrepreneurial activity and possibility of interaction with entrepreneurial structures of neighbor countries;
- carrying of seminars on various forms on entrepreneurial activity along with on the subjects of taxation, registration, credit policy, etc.;
- development of bank credit lines for entrepreneurial projects in the framework of cross-border cooperation.

Implementation of these measures would encourage emergence of new entrepreneurial structures, activation of cross-border cooperation along with taking the near-border economic relations out of the hidden economy.

Conclusion

However euroregions remain important instrument of “middle class” formation through the projects of small and medium entrepreneurship support. Cross-border cooperation contributes to creation of atmosphere in creation of atmosphere of amiability, mutual interest in everyday business cooperation, that guarantees tranquility and security on the boundary, in near-border regions and consequently in contiguous countries.

Literature

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Rozwój przedsiębiorczości w euroregionie polsko-białoruskim

Synopsis: W regionach przygranicznych współpracę podmiotów gospodarczych można uznać za skuteczną strategię rozwoju, są to warunki szczególne dla istnienia małego i średniego biznesu. Potrzeba efektywnej współpracy transgranicznej w euroregionie polsko-białoruskim jest oczywista. Outsourcing i franchising mogą być traktowane jako najbardziej efektywne formy współpracy. Jednak w białorusko-polskim euroregionie istnieje wiele problemów zakłócających współpracę gospodarczą. Generalnie są to problemy związane z czynnikami ekonomicznymi, politycznymi i społecznymi. Ograniczenia te mogą być wyeliminowane zarówno na poziomie współpracy państwowej i regionalnej, jak i na poziomie struktur gospodarczych.

Słowa kluczowe: współpraca transgraniczna, euroregion, przedsiębiorczość, outsourcing, franchising.