Cross-Border Activity in the Kent - Nord-Pas de Calais - Belgium Euroregion: Some Comparative Evidence

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Introduction

Border regions and the implications for their development have become a subject of considerable interest in the ongoing process of European integration (Ratti & Reichman, 1993; Capellin & Batey, 1993; van der Velde & van Houtum, 2000). The removal of national barriers and the development of greater economic and political transborder co-operation has led to a reconsideration of spatial identity and the definition of regional economies or markets. Much of the interest has focussed on the implications for labour mobility, especially within the context of the perceived need for greater mobility to provide the necessary adjustment process within the Eurozone. However, not only has international labour migration remained quite low within the EU, so has the level of cross-border commuting. Such migration or commuting which does take place tends to be between the major metropolitan regions which have more internationally oriented economies than between border regions, which are often peripheral in a national context and tend to have levels of activity below that of more central regions within their respective national economies.

Integration also involves capital mobility. This can be either a substitute or a complement for labour mobility. It is likely to be a substitute where the firm cannot satisfy its demand for labour locally, but a surplus of labour of the right skills exists at another location, but shows reluctance to move to satisfy the demand. However, there may be cases where labour and capital move in the same direction, for example, where there are cost advantages through incentives or less cumbersome regulations (for either labour or capital), but there are specific skill shortages at the destination which lead the firm to take both capital and workers with it. This is common practice in large multi-national firms, especially for senior managerial and highly skilled staff. The labour movement may be temporary, to establish a new plant and then to hand it over to local workers, or permanent (although individuals may move on a temporary basis). The movement can take the form of the physical relocation of a firm, or direct investment into a new plant or the takeover of a local firm.

In this paper we explore the nature of this cross-border movement of firms in the context of the Kent – Nord-Pas de Calais – Belgium Euroregion. This transnational region is a large region of over 15 million people, close to a number of national borders. The original focus was the Transmanche region between Kent and Nord-Pas de Calais, established in relation to the construction of the Channel Tunnel in1987 in order to identify common problems, minimise the competition for the same resources between the regions and emphasise complementarity in their economic structures. The region was later extended to include the three Belgian regions in 1991 when it was renamed the Euroregion, and there have been suggestions that it should extend even more widely to include most or all of the Central Capitals Region of the EU.

This paper brings together some findings from a survey of French firms which have located in Kent (Collier and Vickerman, 2001e) and a parallel survey of Belgian firms which have located in the Dunkerque employment area of Nord-Pas de Calais (Boutillier et al, 2001). In this analysis we seek to discover whether the same general set of principles govern cross-border movements, or whether there are individual circumstances in each region to which specific types of firm respond.

Some Principles of Location

There are both macroeconomic and microeconomic drivers at work in location. At the macroeconomic level we observe the attractiveness of fast growing regions as the growth of local markets, which reduces average costs of transport per unit to the final consumer, and the potential for scale economies, outweigh rising prices of land or congestion costs. At the microeconomic level firms are responding to the changing relative process of factors of production in different locations. Thus firms in different types of markets, expanding, stagnating or contracting, may find pressure to move in different directions. For this reason it is difficult to argue *a priori* that a given configuration of relative prices and trends between two regions will lead to net movement in one direction or the other (and hence whether such circumstances will lead to concentration and divergence of regional incomes or dispersion and convergence of regional incomes).

Economic theory provides no clear indication as to whether continued integration will result in a convergence or divergence of economic performance. Competitive theory built on the Marshallian principles of constant returns to scale and diminishing returns predicts that the removal of restrictions on trade and factor mobility will force rapid economic convergence. Clustering of activities depends on the existence of external economies of agglomeration. New models of economic geography and theories of endogenous growth, in contrast, identify agglomeration synergies that arise from the presence of increasing returns and imperfectly competitive markets within industries, and are uncertain in their prediction of convergence or divergence between European regions.[1] Such disparity ensures that concerns regarding income inequality remain a contentious issue.[2]

Borders naturally affect the economic performance of border regions. They provide breaks in the economic landscape and generate barriers that raise the costs of cross-border movement and restrict flows of communication and information. Legal and physical barriers to cross-border mobility have been removed by the creation of a Single European Market. Many implicit barriers still, however, remain. Most of these barriers may be categorised into what are termed ‘hard’ and ‘soft’ factors. Hard factors consist of transport infrastructure, administrative procedure, and fiscal incentives to firms. Soft factors, in contrast, consist of social, psychological, cultural and/or linguistic differences (van der Velde, 1999; Vickerman, 1998, 2000). The role of transport infrastructure as a facilitator of movement between regions has long been recognised. Social and psychological barrier effects may also, however, be of considerable importance (de Gijsel *et al*, 1999; van Houtem, 1999). The use of language epitomises many of these concerns. Crossing a border in Europe often means crossing a linguistic frontier. Linguistic differences entail additional costs to cross-border movements. Their impact is not, however, solely pecuniary in nature.[3] Language preserves the psychological and sociological perception of borders. It embodies the cultural and historical precedents that define the extent of transcooperation and ensures that the attitudes of border populations remain important.

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[1] See Fujita *et al* (1999) for a summary of this literature.

[2] Empirical measures of convergence indicate per capita GDP of EU members has converged over the post-war period. However, convergence is a long-run process. The full impact of economic union alongside continued globalisation and internationalisation may thus not be observed for another twenty or thirty years.

[3] Shields & Wheatley-Price (1999a,b) report a large reward to language fluency in the UK labour market. They report that English fluency is associated with a 30% increase in employment probability and a 10%-20% wage advantage when one compares similar fluent and non-fluent ethnic minority workers.

Although we can define the conditions for an optimal location of a firm (or of one plant within a multi-plant firm) in terms of market size, cost structure (factor prices and scale economies) and transport costs, plant or firm relocation is a discrete and lumpy decision. Thus minor changes in relative prices, or small differences in inter-regional growth rates, are not likely to induce relocation, given the large fixed transaction costs such a decision may incur. Considerable inertia may need to develop within the system before it becomes worthwhile to relocate. For an expanding firm the decision to invest in a new location may be simpler because the fixed costs of the decision to do something may be much less. Even then there may be strong elements of inertia which make it difficult to develop a new location. These costs are similar to the high level of psychic costs which have a depressing effect on rates of labour mobility. Since we are not observing continuous marginal adjustments it may be possible to observe "waves" of movement where a number of firms in a given sector identify an appropriate time to move simultaneously.

The Regions

Some border regions are well equipped to participate in the integration process. Regions with good accessibility and reputable foreign relations reduce the impact of border frontiers and their associated barriers to trade. Other border regions, in contrast, are not so well suited. Here, implicit barrier effects yield certain disadvantages that constrain the degree of cross-border interaction and ensure that relationships with foreign neighbours remain relatively poor. This is particularly evident where border regions are coastal regions (Rietveld & Boomstra, 1993). Coastal regions yield certain advantages in terms of natural resources and opportunities for sea transport. They also impose a disadvantage in that communication networks across the border are often virtually non-existent.

The Anglo-French border separating Kent from Nord-Pas de Calais is a substantive physical boundary which also provides a major cultural and linguistic barrier. Kent and Nord-Pas de Calais present two very different regions in terms of economic experience, structure and culture but which have certain similarities and dissimilarities. Both regions are well situated within the heartland of the Euro Zone. Both are characterised as regions where GDP per capita falls below the national average, substantially below in the case of Nord-Pas de Calais at just under 80% of the EU15 average, rather less so in the case of Kent at 97% of the EU15 average. Economic growth has been below that of the EU as a whole in Nord-Pas de Calais over the past decade, but slightly above it in Kent, reflecting the relative performance of the UK as a whole (European Commission, 1999, 2001). Both also have pockets of unemployment and deprivation that rank amongst the highest in their respective nation (Kent Economic Report, 1999), but the overall level of unemployment in Nord-Pas de Calais (at nearly 16% in 1999) is well above the EU average. However, Kent has been performing much better than Nord-Pas de Calais in recent years and the gap between the regions has been increasing (Collier and Vickerman, 2001a)

The border between Nord-Pas de Calais and the two Belgian regions of West Vlaanderen and Hainault is much less distinct, both geographically and culturally/linguistically. Over the long period there has been a major reversal of fortunes in the Belgian regions. Hainault has more in common with much of Nord-Pas de Calais, old industries, high unemployment (over 16% in 1999) and a low level of GDP per head, similar to that of Nord-Pas de Calais at just under 80% of the EU15 average. West Vlaanderen on the other hand has been expanding with new industries, has a GDP per head well above that of the EU15 (116% of EU15 average) and unemployment (4.6% in 1999) similar to that of Kent, and second lowest amongst Belgian regions and amongst the highest rates of growth in EU regions over the past decade.

Nord-Pas de Calais is characterised by its range and concentration of older industries, many of which have been in decline for a number of years. The region consists of a major urban conurbation around Lille, an area of smaller industrial centres in the mining basin, and a coastal area centred on the ports of Calais, Boulogne and Dunkerque. Substantial parts of the region are eligible for assistance under the EU Structural Funds, mainly in Objective 2, but also a small area has been eligible for Objective 1 assistance, close to a similarly aided region in Belgium. Parts of the Dunkerque area have been eligible for Enterprise Zone status benefits since the closure of the Normed shipyards in the 1980s. The region therefore presents all the characteristics of an old industrial region[4]. The last two decades have witnessed major industrial restructuring with the final closure of the coal mines, the gradual running down of other core industries such as textiles and the attraction of newer industries based on substantial investment incentives. The Lille area has shown considerable signs of growth based on its effective crossroads location between the major European conurbations of London, Paris, Brussels, the Randstad and the Rhine-Ruhr areas, boosted by its junction position on the still developing North European High Speed Rail Network.

Kent has traditionally been an agricultural region with a range of light and heavy industries concentrated across various parts of the county. The demise of the Kent coalfields and the closure of related heavy industries during the 1980's resulted in significant economic slowdown, particularly across the East and North of the county. Long-term restructuring has resulted, however, in transport and communications now providing the prominent business activity. The completion of the Channel Tunnel alongside the existing array of East and North Kent seaports has borne witness to rapid growth in both tourist and freight cross-channel transport. Growth in local knowledge based sectors such as chemicals and pharmaceuticals and business services is also higher than the UK as a whole. The banking and finance sector remains, however, largely underrepresented. This industrial heritage is reflected in Kent's business structure. Kent economic activity is polarised between a few large firms and a large number of Small to Medium Enterprises (SME's). The largest 1% of firms account for over 28% of employment in the county. In contrast, 80% (40,000) of establishments employ less than ten people. This structure reflects flexible relationships between small and large firms. Unemployment in Kent has tended to mirror that of the South East region and the UK as a whole, with a clear cyclical pattern reflecting the national cycle and little evidence of the sort of re-positioning which had been argued in connection with the completion of the Channel Tunnel and the Single European Market. Considerable variation exists between different districts and travel to work areas in Kent, but there has been little change in the ranking. There is a general perception that skill levels in Kent have remained low relative to other parts of the South East and that occupational change has not shown such a strong movement towards modern industries and skills[5]. It does, however, have wider implications with regard to the European integration process.

[4] For a more detailed analysis of the regional economy see, Holliday et al (1991); Boutillier et al (2001)
[5] See Collier and Vickerman (2001b) for further detail

Cross-Border Activity

There has been a long tradition of cross-border activity between Belgium and Nord-Pas de Calais. Boutillier et al (2001) trace this back to before the creation of Belgium as an independent state in 1830. Large Belgian populations lived in the border areas of Nord-Pas de Calais, 50% or more in some of the towns around Lille. These were associated with the similarity of the industrial structures in the adjacent areas, steel, mining, textiles and construction. At the end of the nineteenth century the rapid industrialisation of northern France and attractive wages led to substantial flows of immigrant Belgian workers, aided by a number of economic crises in Belgian Flanders. Since wages were typically higher in France but living conditions more favourable in Belgium substantial cross frontier commuting flows built up. These reached a peak in the 1920s with some estimates suggesting as many as 100000 workers crossing the frontier daily, leading to attempts to restrict flows both in volume and geographically. In the post Second World War period flows reduced substantially along with the gradual decline of the main industries; by 1989 the estimated number was 6500, and by 1999 under 6000. However, by this time the largest number of daily commuters were actually of French nationals who had moved their residence across the border. Conversely the 1990s saw a growth of French workers finding employment in Belgium, reflecting the change in the relative economic prosperity and higher wages in Belgium; by 1999 these had grown to over 16300.

In addition to the migration flows there was also substantial cross-border investment by Belgian enterprises in France during the nineteenth century, dominated by locations along the Franco-Belgian border. Belgium was an early country to industrialise and this industrial expertise found an outlet in the rather more backward French economy during the first half of the nineteenth century. Again the classic heavy industries, steel, metallurgy, textiles, and glass dominated these flows, but there was also financial investment in banks. During the first half of the twentieth century there was little further development of these flows and this was reinforced by policies which favoured French over foreign investors. From around 1970 both national and regional policies began to favour inward investments, but these were dominated by US investment, although Belgian investors came in second place in the 1970s and 1980s, albeit well behind and had fallen to fourth place by 1999, behind the UK, US and Italy. Such investment continued to be concentrated in the Lille metropolitan area and surrounding regions.

In contrast to the Franco-Belgian border, the much less porous Anglo-French border has obviously not seen the development of cross-border commuting flows. Neither has there been a tradition of more permanent migration between the adjacent regions, although amongst EU member states French nationals are by far the largest stream of migrants into the UK, accounting for about one-third of EU migrants into the UK over the period 1989-99. Although there are considerable variations year on year the balance is on the whole one of net immigration into the UK. Flows are too small to be able to make reliable estimates of the region to region migration flows. In comparison with the Belgian regions both Kent and Nord-Pas de Calais have relatively small stocks of other EU nationals in their population, 1.7% in Kent and 1.2% in Nord-Pas de Calais against 2.3% in Vlaanderen and 8.8% in Wallonie and as high as 1.3% in the special case of Brussels. Both Kent and Nord-Pas de Calais have higher proportions of non-EU nationals in the population than the Belgian regions. Of Nord-Pas de Calais residents only 240 work in the UK as a whole compared with the more than 16000 working in Belgium.[6]

There is some casual evidence that there has been an increase in movement by UK nationals into northern France since the opening of the Channel Tunnel, not for either work or residence for regular commuting, but in order to purchase weekend or holiday homes. We have not been able to determine any accurate estimates of the size of this flow. Most of it originates from London rather than from Kent.

If labour mobility is minimal, UK investment in Nord-Pas de Calais has been substantial. Again most of this is not Kentish in origin, but it reflects a parallel to that identified for Belgian investment, the earlier and more advanced industrialisation in the UK provided the conditions under which UK investors sought new opportunities in the expanding industries of Nord-Pas de Calais when industrialisation began. Whilst Belgian firms concentrated on the development of heavy industry in the Lille area, British firms concentrated more on the more obvious coastal areas. The lace industry in Calais was largely established using British machinery. The large textile and artificial fibres firm Courtaulds established a major base in Calais in 1927 and a number of other firms in the textile and chemical industries also located in the port city which had been the last part of France ruled by Britain. Nevertheless overall foreign investment remained modest until at least the 1960s as a result of national economic policy, as mentioned above. From the 1960s there has been a substantial increase and by 1989 Nord-Pas de Calais had the largest share of inward investment of any French region (just ahead of Alsace, another relatively open, border region). US investors led this increase, followed by Belgian, British and German investors. Nevertheless, by 1990 there were only 40 US companies in Nord-Pas de Calais, which can be compared with 200 in Scotland, a region not much larger in population; similarly there were 20 German companies, compared with 65 such companies in neighbouring Wallonie, a region with a rather smaller population

At the time of the construction of the Channel Tunnel considerable interest was shown in Nord-Pas de Calais by property developers looking to exploit sites with favourable access close to the Tunnel in the Calais area, but also looking to capitalise on the expected regeneration of Lille. An increasing number were occupied in retailing and distribution rather than the traditional industries of the region. In 1988 there were 116 British companies registered in Nord-Pas de Calais, split fairly evenly between Lille and the coastal region (Holliday et al, 1991). This number continued to grow and by 1998 there were an estimated 241 British companies located in the Nord-Pas de Calais region employing 26000 people, compared with 237 Belgian companies employing 16000 (Heddebaut, 2001).

Most French investment in Kent is more recent. Data from Locate in Kent, which has been used as the basis for our survey, identifies 39 firms of French origin based in Kent in 2001. As in Nord-Pas de Calais, foreign investment in Kent has been dominated by US investment. In fact the distribution of the origin of foreign direct investment in Kent is little different from that of the UK as a whole. US firms account for almost 30% of the stock of foreign owned companies and some 46% of the employment in such firms. French and German firms account for about 40 firms each (13.5% of the stock) although French firms are rather larger accounting for just over 3000 employees (around 11%).

[6] Heddebaut (2001) quotes Belgian border control statistics suggesting this figure was as high as 18242 in June 2000.

Reasons for relocation

Given the extremely small numbers of permanent migrants between the regions it is almost impossible to design any worthwhile survey to assess the reasons for such movement, or to get a balanced picture as to why individuals do not consider such movement. Similarly the very limited flows of regular commuters between Kent and Nord-Pas de Calais preclude any such detailed examination of such flows. We have restricted ourselves therefore to an examination of the cross-border movement of firms. Given the greater number of enterprises moving across the Franco-Belgian border between both Vlaanderen and Wallonie and Nord-Pas de Calais, the analysis is restricted to Belgian firms located in the Dunkerque labour market area (basin d'emploi).[7] This area is of interest because most of the Belgian investment is relatively recent and therefore it is easier to assess the reasons for the location decision. In order to be able to compare the reasons for the mobility of capital across the two borders we used the same structure of questionnaire for French investors in Kent (Collier and Vickerman, 2001e).

The basic intention was to identify the extent to which firms making the cross-border move were doing so for broadly structural locational reasons (accessibility) or competitive locational reasons (incentives, factor costs etc). Within the latter we had a particular interest in the extent to which moves were motivated by labour market reasons: skill availability, labour market flexibility, differences in social on-costs of employment. Furthermore, we were interested in the extent to which the capital flows were substitutes or complements to labour flows, principally the extent to which firms bring their own labour with them, the nature of this labour and whether this is a short-term "establishing" move or a permanent feature. In the latter case firms might simply be exploiting differences in prices, incentives, or exchange rates across a border for a limited period with the intention of moving again if such situations change: this is a sort of enclave economy move which might have little or no positive economic impact on the receiving region.

The Dunkerque study identified a total of 30 Belgian-owned enterprises (other than those in agriculture) in the labour market area, employing a total of 1188. Representing 41% of foreign investment and 17.3% of the workforce in foreign-owned companies, this is the largest national group in the area. The final response to the survey included 19 (63%) of the firms, employing 93% of the employment in Belgian-owned enterprises: although less than half of the very small enterprises (those employing less than 10) participated, all of the five enterprises employing 100 or more took part. The largest firm employed 230 workers. This is in contrast to many of the indigenous French firms in the area, including those which relocated into the area around the same period, which are typically rather larger. The firms represent a good cross-section of the sectors, 52% being industrial, 26% service, 11% construction and 11% commerce. Almost all of these enterprises had established in the area in the past 15 years[8] and more than two-thirds were exclusively Belgian-owned in terms of their capital. Almost two-thirds of the enterprises had been created as branches of the Belgian parent, a further 21% were acquisitions.

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[7] This analysis was carried out by our partners in the INTERREG 2 funded project, Laboratoire Redéploiment Industriel et Innovation, Université du Littoral Côte d'Opale (Boutillier et al, 2001).

[8] Prior to 1985 there was little or no Belgian investment in Dunkerque, in contrast to the situation in the Lille area, with one exception, a firm, originally founded by French capital which was taken over by a Belgian firm in 1927.

Turning to the reasons for the location chosen, more than half of the firms gave reasons associated with the competitive situation (more than one-third citing fiscal or financial incentives). Infrastructure and transport factors were also claimed by more than half of the firms, more than a quarter citing port facilities as important. There were also minor reasons including family reasons, the availability of subcontractors or suppliers.

Of the total employment of these firms less than 1.5% of the workforce were Belgians. Of this extremely small number, three quarters were cross-border commuters, mainly professional employees who had moved with the firm to assist in its establishment. However, less than half the professional staff in Belgian firms were Belgian, although the minority of firms had a specific policy to transfer competence to French workers eventually. Most firms did not perceive any major constraints on the employment of Belgian workers.

The picture from this study is therefore of (mainly small and medium-sized) Belgian firms seeking specific geographical or competitive (mainly fiscal or financial incentives) advantages by locating in the Dunkerque area. Labour market considerations appear to play a very small part, both in terms of the availability of staff and the availability of staff or specific skills; although it must be noted that most of these relocations have occurred during a period of relatively high unemployment in both France and Belgium. The evidence would appear to be neutral on the question of complementarity or substitutability of labour and capital movements; firms do not take other than very restricted numbers of senior staff with them and there is little evidence of responding to differential labour market conditions.

The 39 French businesses identified by the inward investment agency (Locate in Kent) at July 2000 were contacted, of which 25 firms responded to a survey questionnaire (64% response rate) (see Collier and Vickerman, 2001e, for details). These were mainly located in Ashford or areas to the west. No French firms were identified in Canterbury or Thanet and only one in Dover, although one firm had multiple sites across the county. Only 3 of the firms surveyed had been established before 1989, the remainder represented a fairly steady inflow during the 1990s. Of the firms 36% were in the manufacturing sector (though predominantly concerned with distribution rather than production), rather higher than the average figure for Kent of just over 25%, 36% in distribution, hotels and catering and 12% in banking, finance etc. Most firms were serving UK markets, about half focussing on the South East, the remainder serving national markets.

These firms employed a total of 3113 employees, larger than the total estimated for all 39 companies. This appears to reflect the strong growth of several of these companies in recent years, the five largest employed 84% of the total employment, about half of the firms had grown in the past 5 years and over one third expected to grow in the next year. We have not been able to establish firmly whether these firms were growing faster than other inward investors, but it is clear that recently established dynamic foreign investors have been able to take advantage of the relatively buoyant performance of the regional economy.

Two-thirds of the firms surveyed were established as branches of a French parent company and a further quarter were acquisitions, but the majority had independence in terms of day to day running of the business. The major factor determining location was cited as transport infrastructure coupled with proximity to continental Europe and to customers, followed by the availability of labour skills. Financial assistance, wage costs and the UK tax and legal system were given much less importance. However, looking at just the single most important factor shows that accessibility to continental Europe and to customers were the most important; as a single factor transport was much less important and land constraints/the availability of land for development was more important. This confirms the view that firms are less influenced than often claimed by the specific transport factor; this is seen as one of the elements which comprise overall accessibility. However, there have also been other specific reasons for French investment, not least the ability of French firms to take advantage of the privatisation, deregulation, and competitive tendering in public services which has been a characteristic of the UK economy over the past decade.

More than two thirds of the firms had experienced recruitment difficulties in the preceding 2 years, and three quarters of these indicated that this was a long-standing issue. The skills and occupations where difficulties had been encountered cover all types of labour, it is difficult to pick out a particular type of labour causing problems. There were complaints about skills availability and the upward pressure on wages felt from proximity to London. Almost half of the firms had recruited outside the Kent labour market, over half of which had recruited specifically from France. Over half of the firms did employ non-UK workers, mostly from France and about 5% of all employees covered by the survey were French nationals. Two-thirds of the firms employing French nationals had such employees accounting for less than 10% of their staff; those few firms employing more than 50% of French staff were all small firms (two of them with less than 10 employees). The majority of French employees are employed in managerial, professional and technical positions. Factors important in the use of French staff were associated with start-up, lack of specific skills locally and language constraints, but none of these factors were of overwhelming importance.

The picture of French investment in Kent is thus rather different from that by Belgian firms in Nord-Pas de Calais. There has been rather more involvement of larger firms, rather less dependence on regional assistance, but equally an exploitation of specific circumstances in the relevant national/regional economy. Most interesting has been the identification of rapid growth of many of the firms since establishing in Kent, and a greater involvement of French personnel in the firms than by Belgian personnel in the Belgian firms locating in Dunkerque, but the continuing problems of skill availability are a common complaint of all firms.

Comparative conclusions

The purpose of this paper has been to establish the extent to which there are common pressures and constraints on development across national border within the EU. We have looked at two relatively close borders, but ones of very different characteristics. What is interesting is that there has been a growth in cross-border investment across both borders, including the greater involvement of small and medium sized enterprises than typically associated with multi-national operations. In some cases this has involved acquisition, but the majority involved establishing branches in the neighbouring country. The cross-border investment is not typically by local regional companies from the neighbouring region, but does seem to value border region locations in the new region because of proximity.

The extent to which cross-border investment brings workers with it varies, both in numerical importance and the reasons given, but in only very few cases does it involve the majority of employees in a firm. In many cases firms are, as might be expected, more dynamic than the average for the regional economy. Transport is seen as an important factor as firms seeks proximity to markets and good links to their traditional home base, but the availability of skills regularly appears as both a motivating factor and a continuing problem. The fear of social dumping, as firms try to take advantage of differences in social provision in different countries or try to exploit differential investment incentives or tax structures, seems much less of a concern than is often claimed.

But it is difficult to conclude that, despite similarities, there is a consistent pattern of cross-border investment activity. As with all investment activity, cross-border investment seeks to exploit differentials which exist and opportunities which arise; these are different in different cases. Belgian activity in the Dunkerque region is responding to clear advantages which are offered through location in an area where incentives are strong and where there are specific skills which can be used to advantage. French investment in Kent seems to be responding to wider national opportunities available in the UK, but using a location which has certain advantages of proximity. It would seem unwise to rely on either of these factors as being likely to persist indefinitely. By definition firms which have been willing to move in will also find it relatively easy to move on to other locations, possibly to other regions within the host country. In this sense border regions continue to act as staging posts for mobile factors and thus have to recognise the need for continuing activity to attract new firms and retain existing ones.

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