It is therefore important to bear in mind that competitiveness and attractiveness are relative and changing concepts which must be gauged against the overall territorial, demographic, administrative, tax and regulatory characteristics of the cross-border territory.

This is therefore a very complex task. And all the more so because to speak of competitiveness is to speak of attractiveness, a concept that combines "objective economic indicators and foreign investors' perceptions of the competitiveness of the economy".[96] This is to be considered when we analyse French border areas. It would be misguided to take a purely economic view that disregards geographical proximity and historical, cultural and linguistic factors.

- German firms have a strong presence in **East-Moselle and Alsace**, as do Belgian companies in **Nord-Pas de Calais**.
- The establishment of companies from neighbouring countries in the French border territories is however not very visible in the **regions bordering of Spain and Italy**.

Proximity is therefore not a decisive factor and the border effect continues to be a barrier for SMEs, despite existing or potential opportunities (suppliers, sub-contractors, customers, etc.) and complementarities.

Is it therefore necessary to put in place **"free zone"** or experimental systems at the borders in order to harmonise framework conditions within a limited area and promote balanced development for cross-border territories? There is no consensus on this question. In 2010, the Blanc Keller Sanchez Schmid[97] taskforce recommended setting up economic areas with specific status. However, it would be difficult to implement such systems due both to the principle of territorial equality and the strict supervision by the European Commission (regional aid schemes areas).

One solution would however be to consider the differences on either side of the border as inducements for movement and flows between these territories, opportunities for exchange between local firms and guarantees of the cross-border territory's attractiveness for foreign capital flows, which may enjoy the advantages available on both sides.

- **In its "Alsace 2030" strategy**, **Alsace** thus imagines the possibility of experimenting with an *"area of regulatory convergence" to promote the integration of the Upper Rhine region by reducing regulatory barriers*.
- **This proposal ties in with the idea of integrated cross-border economic areas:** businesses that set up in these areas (and the workers that choose them) may choose between the law of either side of the border.

IN A NUTSHELL...

France's cross-border territories are clearly less competitive than their neighbours, mainly on the northern and eastern borders of France (from Dunkirk to Geneva). This is reflected in per capita GDP, the unemployment rate and the ability to attract foreign direct investment (FDI). Besides differences in tax and social legislation (cost of labour), businesses mainly highlight the instability of regulations in these areas. The lack of competitiveness is however mitigated by mechanisms that benefit the French territories, including the research tax credit and the Young Innovative Enterprise status. In addition, while the ongoing reforms do contribute to regulatory instability, they are nonetheless a step toward simplification. Lastly, in cross-border areas, it is extremely difficult to assess the real competitiveness of French territories as compared to their neighbours, as this competitiveness should be weighed against neighbouring territories' framework conditions, the business sector (level of regulation, competition, globalisation, etc.) and the firm's own development strategy.

[96] AFII, DG Trésor and CGET, *Tableau de bord de l'attractivité de la France*, 2014 Edition, p.7
[97] http://www.diplomatie.gouv.fr/fr/IMG/pdf/Rapport_transfrontalier_synthese.pdf