ON BORDERS, BORDER REGIONS AND CROSS-BORDER RETAIL-TRADING

András Kovács

Abstract: In my study after introducing some basic border-theories, I will focus on an economic-related issue that has hardly been researched until nowadays: cross-border retail trade. In the theoretical part of this paper I aim to highlight the multiple interpretations and explanations of borders. After determination of some basic concepts about socio-economic borders, I introduce a new model about classification of borderland areas in which I determine 4 types of “border spaces”.

Following the results of latest border research agendas, I draft a new model, where the typology of cross-border factor flows and their influencing factors are introduced. Here I distinguish 3 ranges of cross-border economic flows, and 5 factors that influence these.

In the final part I analyse the most important findings in the field of cross-border retail trade. After distinguishing the terms “shopping tourism” and “cross-border retail trade” (from the point-of-view of the participants, aims, affected area, etc.) I present some empirical evidences about the importance and relevance of cross-border retailing related to the Western part of the Slovakian-Hungarian border area. I focus on the activity of small and medium sized retailers, and on the shopping behaviour of people living in the border area.

Keywords: Border, Cross-border retail trade, Shopping behaviour, Slovakian, Hungarian.

JEL-classification: R23.

Introduction

The socio-economic transition process in Central and Eastern Europe has dramatically changed the cross-border relations between the CEE-countries in the last two decades. The opening of borders resulted a permanent growth in cross-border activities that one still can trace nowadays. Although considerable domestic and international scientific interest focused on this issue, there are still important fields partly unresearched. Among them I want to shed light on the cross-border retail trade and other economic-related issues (cross-border SME-activity, etc.). In this paper I introduce a new model in which I make an attempt to draft the factor environment of cross-border economic (factor) flows, and after this I try to embed my empirical cross-border retail trade-research in the model. In order to prove the special characters of cross-border retail activity, I had to group and range the different kinds of border spaces. Based on the results of my empirical research, I determine the most important differences between “shopping tourism” and “cross-border retail trade”, and highlight the characteristics of cross-border shopping behaviour (spending per shopping, shopping frequency, relations between nationality, place of work, place of living and shopping).

1 Theories about borders

The limitations of this paper do not allow me to outline all of the border-related theories in the field of geography, regional science, economics, sociology, etc. In this way only draft
the most important classical theories can be drafted, which are necessary to understand the complexity of border-problems.

From a socio-economic point-of-view (state) borders have got more functions, among which appear openness, closeness and distraction at the same time. Tab. 1.

**Tab. 1: Interpretation of borders**

<table>
<thead>
<tr>
<th>Interpretation of borders</th>
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<tbody>
<tr>
<td>Border as the tool of separation, barrier</td>
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<tr>
<td>Border as filtering zone with gates</td>
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<tr>
<td>Border as frontier puffer zone (frontier)</td>
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<td>Border as zone of connection</td>
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*Source: Nemes Nagy, J., 2009*

The latest border-related theories outline the multi-dimension [5] and dynamic characteristics [13] of borders. van Houtum highlights that a border can be characterised by more factors simultaneously. In the theory of van Houtum each border (or border narrative) can be placed on a line between two antagonistic counterparts, so we hardly can talk about absolute categories in case of borders, but “mixtures”, e. g. semi-open and semi-closed borders. (Many examples we can mention: the Mexico-U.S. or the Cyprian Greek-Turkish borders are well known.)

David Newman’s theory outlines the dynamic character of borders. In Newman’s model borders have got “time dimension”, they are changing permanently while determine the inclusion and exclusion of different social, ethnical, and economic groups. According to Newman, borders continually transform under the effects of current economic, social and political situation. During this transformation procedure borders are:

1) Established (bordering),
2) institutionalised,
3) sustained (manage),
4) closed,
5) opened,
6) abolished.

After some theoretical considerations, I draft the most important functions of borders. Although in some regions of the world borders become less important (due to globalisation and other regional processes (EU-integration)) [9], state borders still play a considerable role on international level. The “classical” typology of border functions is described by Guichonnet and Raffestin [3]. The authors introduce the different kinds of functions of borders, and explain their most important elements:

- Legal function,
- fiscal function,
- control function,
- military function,
- ideological function.

The above mentioned, wide range of functions well describes why borders play an important role in national, economic and military sovereignty of a country. Borders
determine the “radius of action” for the state and secure some custom incomes. Although nowadays national sovereignty is fading and the total power of the states is diminished by global actors such as international organisations (WTO, IMF) and regional integrations (EU, NAFTA, etc.), borders still have a considerable range of tasks, and many positive characters (besides the negative ones). In this way I want to argue (in conjunction with Walter Leimgruber) for the necessity of borders, not because borders can hinder negative international phenomena (e. g. economic crisis), but because they play an important role in preserving of the cultural, social, environmental heterogeneity of the world [10].

Summarising the above described, I state that borders do not carry purely negative (“bad”), or positive (“good”) characters. The existence of borders and the “goodness” of different kinds of border functions (barrier, gate, puffer and contact zone) depend on their elasticity in adaptation to the challenges of the socio-economic environment. Thus we cannot talk about the “goodness” or “badness” of borders, because they are necessary, but their “goodness” is based on their efficiency to comply with the permanently changing political, economic, social and cultural circumstances.

2 **Spaces alongside and across borders**

Neither in the Hungarian, nor in the international literature are the terms of “border region”, “border zone”, “borderland”, “border area”, “border side region”, etc. clarified. The different authors use these terms as synonyms, although there are considerable differences among them.

That is why I would like to give an exact definition to these terms based on Haggett’s classic region-definition [4]:

**Border region**: a geographical space separated by one or more state borders, where the power, extent and intensity of cross-border socio-economic relations are strong and have existed for a long time.

**Border area**: a geographical space separated by one or more state borders, where the total lack of socio-economic relations can be observed, or their strength and intensity are weak, and the relations are quite new ones or have got a permanently changing character.

**Borderside region**: a region which has got a considerable length of state border compared to its full length borderline. In these regions the intra-regional socio-economic flows have got a determining character, cross-border flows do not exist at all, or are inferiors.

**Borderside area**: a peripheral space alongside a state border, where neither the intra-regional, nor the cross-border socio-economic flows are strong and have got a powerful character. There is no cohesion

3 **Cross-border factor flows**

After determining the basic terms related to borders and borderlands, a new model about cross-border factor flows and about their influencing agents will be introduced.

The effects of borders on economic flows have been researched by several disciplines (geography, economics, regional science) from different points-of-views.
The economic approach describes the changes of goods between point-economies (between two point-regions). The regions have got special factor endowments, and the factor flows are limited on different levels (from the free flows to the prohibition) [1], [8].

The approach of regional sciences (such as geography and regional science) is more heterogeneous, in their theories the geographical, political and economic elements appear together and mix with different weights [2], [10], [14], [15], [16] [18].

Among the newest points-of-view in the research of cross-border economic flows the “border economics approach” can be mentioned. It focuses on borders and cross-border factor flows on micro and/or macro level during the research of cross-border economic processes [5], [6].

By constructing my own border economics model I aimed the followings Fig. 1.:

1. To separate the different cross-border economic flows: I distinguished intraregional economic flows, flows between central and borderline regions, and flows between central regions (here the borderline region appears as a transfer zone).

2. To determine five factor groups that influence the economic flows at different levels and for different periods of time: economic, social, geographical, political, cultural agents.

3. To define which influencing agent has got a considerable effect on which flow-type.

4. To group the agents by their duration (short, medium or long run effects).

With this model I outlined the different types of cross-border economic flows, and their complex and reflexive influencing agents. Nowadays – especially in Central-Europe – different kinds of cross-border economic co-operations are gaining more and more importance, several entrepreneurs build new international and cross-border business relations. [11] That is the reason why the analysis of cross-border economic processes has got great importance.
4 Cross-border retailing – theory and applied research

4.1 Shopping tourism and cross-border retail trade

Among the cross-border economic flows cross-border retail trade can be mentioned. This phenomenon has got decades-long tradition at the borders of the USA, Canada and Western Europe [19], and the beginning of this process goes back to the time of socialism in Hungary. Although it has got a long history, the mainstream of Hungarian cross-border research has never focused on it.

This process can be defined as follows:

Cross-border retail trade: Frequent shopping activity of people living in borderlands towards the other side of the border in order to make profit. At this type of shopping mostly FMCG-products are purchased for the households.

The importance of my cross-border research can be summarised in the followings:

- On both sides of the state borders many retailers and other retail-connected service providers are involved, so it can influence the prosperity of retail traders and has a considerable effect on the level of employment.
- Cross-border retail trade is influenced by several short-, medium- and long-term factors which modify or change its volume and direction.
- The motivation of “cross-border shoppers” is complicated, cannot be explained merely by changes of cross-rates or by different price levels.
I also wanted to clarify the differences between the terms “shopping tourism” and “cross-border retail trade”. These expressions are used as synonyms in everyday life and in scientific discussions too, but I am convinced there is a considerable difference between them. The detailed explanation of these terms exceeds the extent of this article, but in Table 2 I summarise the most important characteristics. Tab. 2.

<table>
<thead>
<tr>
<th>Tab. 2: Cross-border retail trade and shopping tourism</th>
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<tbody>
<tr>
<td><strong>Cross-border retail trade</strong></td>
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<tr>
<td><strong>Participants</strong></td>
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<tr>
<td><strong>Affected region</strong></td>
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<td><strong>Primary aim</strong></td>
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<td><strong>Preferred product groups</strong></td>
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<td><strong>Duration</strong></td>
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*Source: Author*

I can state that cross-border retail trading exists if the conditions, as free movement of people, goods and services are secured, and the participants (potential shoppers) are able to make profit surplus with the help of it. The net value of saving is equal to total saving minus extra costs of cross-border shopping (e. g.: costs of travelling) [17]

4.2 Cross-border retail trading in the Western part of the Slovakian-Hungarian border area

In the empirical part of my study I analysed the characteristics of cross-border retail trade alongside the Slovakian-Hungarian border. The research of this phenomenon met difficulties from more points-of-view. Partly because no previous, comprehensive research was conducted in this topic, partly because a permanently changing process had to be observed during the time of a global financial and economic crisis.

In my analysis I wanted to discuss the relations of supply and demand sides (sellers, buyers) to cross-border retail trade. I focused especially on the share of retailers’ turnover deriving from cross-border shoppers, and on the behaviour of cross-border shoppers (spending, shopping frequency, shopped goods, etc.)

In the research standard questionnaires were used to survey retail shops and the population of the Slovakian-Hungarian borderland. The survey was conducted in November and December 2008, the final sample contained 309 shops (167 on the Hungarian, and 142 on the Slovakian side of the border). The survey concentrated on the market centres (more important towns) of the border area (in Hungary: Győr, Komárom and Esztergom; in Slovakia: Dunajská Streda, Velky Međer, Komárno, Stúrovo). In the interviews shop keepers, managers and (if they were not available) shopping assistants were asked.
The survey of the population in the border area was carried out in April and May 2009. The sample contained 800 questionnaires, among them 784 were processed (16 could not to be processed due to missing data or another reasons). On the Slovakian side 393 persons, on the Hungarian side 391 persons’ answers got into the final dataset. Before the survey I set up a representative sample on sex, age, nationality, place of residence and its closeness to the border, based on the data of the 2001 census in Hungary and Slovakia.

The analysis of all data exploited from my two researches exceeds the extent of this paper, so in the following part. Only the most important results will be focused on.

The period of operation of the surveyed retail shops shows that the majority of retailers have not got long tradition. Fig. 2. This caused some difficulties by some questions in connection with long-term macroeconomic processes (the evaluation of the effect of EU-accession, etc.)

**Fig. 2: Distribution of retail units researched**

By the research of shopping behaviour of people living in the cross-border area I applied a quite new approach. I divided the sample into two parts on both sides of the border. I determined two types of settlements in the border area according to the distance from border crossings. To the so called “next to the border”-settlements I listed those who live not farther than 5-10 minutes from the closest border crossing (by car), and to the “close to the border settlements” I grouped those who live in the border area, but farther than 10 minutes from the closest border crossing (by car). Since the river Danube separates the two sides (the Slovakian-Hungarian border follows the line of the river in the researched area), and there are only 3 bridges over the river in the research field, only some towns (Komárom, Esztergom, Stúrovo, Komárno) and their neighbouring villages belong to the “next to the border” area, the majority of the settlements (including settlements alongside the border but far from the bridges) belong to the “close to the border settlements”. This kind of separation of the sample will be applied in the further part of my study in order to highlight the importance of geographical distance on characteristics of cross-border shopping.

Without the detailed analysis of the different economic development of Slovakia and Hungary, I want to outline some important facts to make the context of our empirical researches easier to understand:

- Slovakia carried out a long-term economic reform process in the first years of this decade making the Slovakian economy more competitive.
• In Hungary several crucial economic and social reforms have delayed for years, so the country lost its previous leading position among the transition countries.

• Due to the deliberate reforms Slovakia managed to introduce the common European currency at the beginning of the economic crisis.

• Both countries suffer from the negative effects of the crisis. While Slovakia tries to smoothen the negative economic and social effects of the depression by issuing government securities, Hungary is forced to keep its expenditures under control (Hungary had to claim the IMF and EU loans to finance its debt in the darkest period of world economic crisis).

These above mentioned economic processes appear in the cross-rate level of Hungarian and Slovakian currency. Fig. 3. The long-term equilibrium tipped out after the appearance of macroeconomic problems in Hungary in 2006. After the breakdown of Lehman Brothers Inc., the currency-value of Hungarian forint collapsed, and reached earlier never-seen values. After the stabilisation package of the Hungarian government (and after the drawing of the IMF-credit) in 2009 the value of Hungarian national currency strengthened, but the cross-rates still did not reach the previous level neither in euro nor in USD. The Slovakian crown (until 01. 01. 2009) and the euro gave Slovakia a solid background in the time of economic crisis, Slovakian people did not have to face the collapse of their currency and economy, while in Hungary this peril was sensible for months in 2008 and 2009.

**Fig. 3: Long-term cross-rate levels of Hungarian forint and Slovakian crown***

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*After the accession of Slovakia to the Euro-zone (01.01.2009) the conversion course of SKK and EURO was used (30,126 SKK/€) to determine the forint and crown cross-rates.  
Source: Hungarian National Bank, www.mnb.hu*

The empirical research [7] was conducted in the above described economic situation, at the time of the deepest economic crisis since the Great Depression. Before I introduce my essential findings, it is important to highlight some more important facts that may contribute to the better understanding of this complex phenomenon. With the following data and facts I want to prove that cross-border retailing is influenced by several factors in accordance with my “cross-border economic flow”-model. Fig. 1.

Without a deep analysis I outline some important facts:

• About 70% of people living in the Slovakian side are of Hungarian nationality, so there are no language difficulties at cross-border activities.
Many of these people still have got relatives in Hungary, so they cross the border regularly in order to visit them (or other friends).

More thousands people living in the Slovakian side have got a job in Hungarian industrial parks (in Komárom, Esztergom, Győr, Tatabánya) and earn their wages in Hungarian currency.

There are only three border crossings (three bridges) alongside the researched area, so people have to “flow” across the most import market centres (towns) when crossing the border.

Examining the shopping behaviour of Hungarian and Slovakian shoppers I found that the spending level per shopping are quite similar in the retail units on both sides of the border. Fig. 4. The similar data can be explained by two factors.

1. The Slovakian and Hungarian incomes stay at the same level, so the discretionary parts on both sides of the border are alike.

2. The supply side (retailers) and the preferences of shoppers are similar to the Hungarian and Slovakian sides.

**Fig. 4: Spendings in the retail units of the surveyed area**

The extremely weak Hungarian currency changed dramatically the direction and volume of cross-border retail trade in the researched area, especially in the first part of 2009. Shoppers coming from Slovakia (from the borderland’s settlements) utilised the price advantages deriving from the cross-rate levels. Fig. 3. Although according the data of Fig. 5, one may say that cross-border retail trade is basically influenced only by the level of cross-rates, I claim that this process cannot be described by only one factor. Fact no 1: the majority (80%) of retailers in the Slovakian borderside area stated that not a negligible part (generally 1-5%) of their turnover originated from Hungarian shoppers in contemp of the extreme cross-rate levels at the end of 2008.
After describing the main results of the retail outlet-questionnaires in this part I will introduce my findings from the research of borderland’s population. During the time of research the cross-rate of Hungarian forint reached its historical nadir to the common European currency (Slovakia introduced euro as official currency on 01. 01. 2009). The highest cross-rate values reached the 317 forint/euro level, while prior to the crisis this level stayed at 230 forint/euro, Hungarian forint weakened 36% in one year.

As Fig. 6 illustrates, the expenditures per shopping are in close connection with the actual cross-rate level, but this figure also proves that cross-border retail flows have got multidimensional influencing factors. Even by extreme weak forint level there were only 10% of the surveyed people who did not shop in Slovakia at all. The majority rarely, but did go to Slovakia and spent some money on different kind of goods and services. This result confirms that besides the prices, supply and quality level can play an important role in cross-border retail trade flows.

The researched border area is not a homogenous one, from the point-of-view of cross-border retailing. People living in “next to border” settlements do their shopping more frequently on the other side of the border than those who are settled in “close to border” towns and villages. Fig. 7.

The geographical distance “forces” a minimum level of spending per shopping, so the advantages coming from price, supply, quality differences can counterbalance the additional costs of crossing the border (time cost of travelling, fuel cost, etc.). In this way people living very close to the border-crossings can make bigger profits from cross-border shopping than those who have got extra travel and time costs in the farther located border area settlements.
There is mixed (Slovakian and Hungarian) population in the northern (Slovakian) part of the research area. In my research I wanted to point out the potential differences between cross-border shoppers belonging to Slovakian and Hungarian nationality in Slovakia. While in “next to border” settlements there is no considerable difference between the cross-border shopping frequency of Slovaksians and Hungarians, in case of “close to border” settlements (which are farther from the border than the previous ones) they differ from each other fairly. This special phenomenon can be explained as follows Fig. 8:

In the shopping frequency of people living next to border, the potential financial profit play the most important role, so there is no difference between the behaviour of the two nationalities.

The cross-border shopping habits of people living in “close to border” settlements are quite different. Because of the higher costs of travelling and time, they usually connect their shopping with other activities. That is why people belonging to Hungarian nationality come to shop to Hungary more regularly than the Slovaks: Hungarian people can join shopping
and other cultural (visiting cinemas, theatres, etc.) and private activities (VFR) while Slovaks have not got this opportunity in the lack of language skills or private relations. Thus Slovaks living in “close to border” settlements have a lower potential utility, so they visit Hungary’s border area shopping centres more rarely.

**Fig. 8: Shopping frequency, nationality and place of residence**

![Shopping Frequency Chart](image)

*Source: Author, shopper survey*

In order to express the complex character of cross-border retailing, I highlight another result where one can see considerable connection between cross-border shopping frequency and place of work. There are numerous Slovakian citizens (belonging to Hungarian minority) who have got a job in Hungary, in the main industrial centres of the border area. These people earn their wages mostly in Hungarian forint, so the best solution for them is to spend the major part of the money in Hungary.

Fig. 9 shows that people with a job in Hungary do their shopping much more regularly in Hungary than those who work in Slovakia.

**Fig. 9: Shopping and the place of work**

![Shopping and Place of Work Chart](image)

*Source: own research, shopper survey*

**Conclusions**

In this study I wanted to publish some new findings in the field of border research. With my theoretical and empirical researches I aimed double purposes. In my typology about borderland areas I made an attempt to classify the different kinds of borderland-related
terms in a simple and transparent system. The model suggests that there may be a way to find a coherent terminology-system to the description of different socio-economic phenomena if researchers apply the related terms in a unified and consequent way.

My model on border economics is an attempt to integrate the most modern flow-theory of border research with a multidisciplinary approach in the field of cross-border socio-economic research. This model distinguishes three ranges of cross-border factor flows and places them into a complex environment, where political, geographical, economic, social and cultural agents play an important role simultaneously. The model implies a new way of approach in the research of cross-border economic flows: besides the economic factors, the extra-economic agents (geographical, lingual, social, mental, political) become more and more important.

Based on theoretical statements I conducted two empirical researches in the Slovakian -Hungarian border area. The most interesting findings of this research can be summarised as follows: the cross-border retail trade should have been considered as an important part of cross-border economic flows, and should have been researched more intensively. This phenomenon cannot be described by one factor only (permanently altering level of cross-rates), but it can be understood only by systematic theoretical and empirical research taking more influencing factors into account (supply-demand relations, competition level of different retail chains, qualities of products and services, infrastructural background, etc.).

References


Contact Address

András Kovács, PhD.
J. Selye University, Faculty of Economics
P.O. BOX 54. Komárno, 945 01, Slovakia
E-mail: kovacs.andras@selyeuni.sk
Phone number: 00-36-70-5039796

Received: 23. 03. 2012
Approved for publication: 13. 08. 2013