

CROSS-BORDER COOPERATION DEVELOPMENT: UKRAINE'S POINT OF VIEW

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1. Introduction

European choice and the integration into European Union is the strategic foreign politic course of Ukraine. When Partnership and Cooperation Agreement between European Union and Ukraine entered into force, it was adopted the Ukraine's integration strategy into the European Union. One of the key areas of the Ukraine's integration into European structures stands cross-border cooperation. Cross-border cooperation is one of the perspective directions of international integration. Areas of cross-border cooperation include development of border infrastructure, tourism and recreation, ecology and environment, fighting crime, cultural exchange and so on. A new milestone in the development of cross-border cooperation of Ukraine became with spread of the European Neighbourhood Policy into the Ukraine's territory, which opens up great prospects for economic integration, because of offering a wider range of mechanisms of interaction.

Aim of the article is to study the influence of mechanisms and instruments for cross-border cooperation development on the formation of competitiveness of Ukrainian regions and to identify possible ways of consideration benefits of cross-border cooperation.

2. Analysis of researches and publications

Problems of regional development and cross-border cooperation were studied by many Ukrainian scientists, among them: O. Amosha [1, p.159–176], Y. Kish [2, p.168–172], N. Mikula [3, p.10–57] and others. However, the impact of mechanisms and instruments of cross-border cooperation on the competitiveness of Ukrainian regions is little research in the context of current European integration processes and the Ukraine's participation in them.

3. Statement of the basic material

The current state of international economic relations makes it necessary to search new forms of cross-border cooperation in order to increase the efficiency of the cooperation and competitiveness of regions, which take part in it. Cross-border cooperation is a joint action aimed at establishing and deepening of economic, social, scientific, technical, environmental, cultural and other relations between local communities and their representative bodies, local executive authorities of Ukraine and local communities, relevant authorities of other states within competence as defined by their national legislation [4]. In addition to the above-stated roles, cross-border cooperation plays a role of a "pulse (potential) of growth", and cross-border regions, in their turn, – "poles of growth". If to illustrate the movement of social and economic development from West to East, from more developed economic environment to less developed (Fig. 1), and note that social and economic development in each i -country occurs from center (S_i) to the periphery (A_i and B_i), then cross-border cooperation creates additional opportunities to mobilize resources of the territory ($A_i A_i'$ and $B_i B_i'$) for accelerating its socio-economic development and improvement of life quality. $i = 1, \dots, n$, where n - number of states considered.

As can be seen from the figure, resource potential of border regions (shaded triangle) can significantly accelerate the development through cooperation by bringing together potentials and usage of more advanced society. Considering that the potential of border areas is different in both states and in neighboring ones, ie $A_i A_i' \neq B_i B_i'$ and $B_i B_i' \neq A_{i+1} A_{i+1}'$, development will be provided by the sum of $A_i A_i' + B_i B_i'$, which will adjusted by a factor λ - active cross-border

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cooperation. A certain analogy can be made with the basic tenets of the theory of boundary processes. On the one hand, cross-border cooperation plays a role of increasing capacity, on the other – eliminates the presence of the border, reducing its barrier function [5, p.684-685].

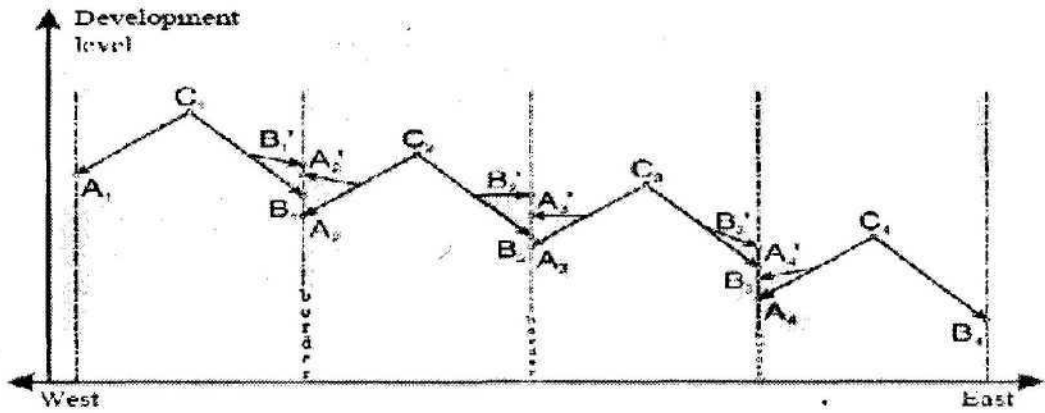


Fig.1. The role of cross-border cooperation in regional development [5, p.684-685]

However, due to cross-border cooperation can be changed the trend of regional development "center – periphery" and eliminate the analogy between the "border", "peripheral" and "backward." In other words, you can agree with J.-P. Lehner, who says "... that cross-border regions allow you to change peripheral to the central situation" [6, p.291-292]. There are several forms of cross-border cooperation, such as: in the euroregion form by agreements on cross-border cooperation in specific areas, by establishing mutually beneficial contacts between business cross-border cooperation and so on [4]. The main objective of new forms of cross-border cooperation is to accelerate growth by combining the efforts of participants, providing competitive advantages of cross-border regions. The classification of new forms of cross-border cooperation you can find on the Fig. 2.

From the most common organizational forms of cross-border cooperation, experience of which is gained in both Europe and Ukraine, in particular, are the "cross-border clusters" and "cross-border industrial zone." Their further development, improvement of operational efficiency will help revive economic activity and stimulate economic growth that positively affects the alignment of indicators of socio-economic development and competitiveness of the region in line with European standards. Implementation actuality of such forms as cross-border cluster and cross-border industrial zone in the Ukrainian regions is caused by a number of trends and characteristics, given below. Firstly, Ukrainian regions use a little the potential of industrial zones and clusters, including cross-border, which is the main component of institutional innovation and investment model of economic development. Their implementation would radically improve the situation of investment and competitiveness in the regions and in country whole.

The policy of cross-border industrial zones and cross-border clusters using was most common in cross-border regions of Europe and, as shown practice, these forms significantly contribute to the economic development of border areas, stimulate innovation and investment in the region, ensuring efficient use of resources, and create jobs in the outlying, remote from central areas. Secondly, the inefficient use of euroregions as the organizational forms of cross-border cooperation, whose tasks is to facilitate obtaining funds for cross-border co-financing projects with European Union structural funds and other international financial institutions. Thus, the activity of cross-border cooperation within the Ukrainian euroregions is defined as low. It suggests significant unused potential of euroregions, which can be the coordinating structures for the development of cross-border industrial zones and cross-border clusters. Thus, mechanisms of implementation of European Union regional policy aimed at supporting the development of border areas provide opportunities for additional funding for cross-border projects with budgets of cross-border programs. Ukrainian regions are involved in following cross-border programs: "Poland-Belarus-Ukraine 2007-2013", "Hungary-Slovakia-Romania-Ukraine 2007-2013", "Romania-Ukraine-Republic of Moldova 2007-2013" and "Black Sea 2007-2013".

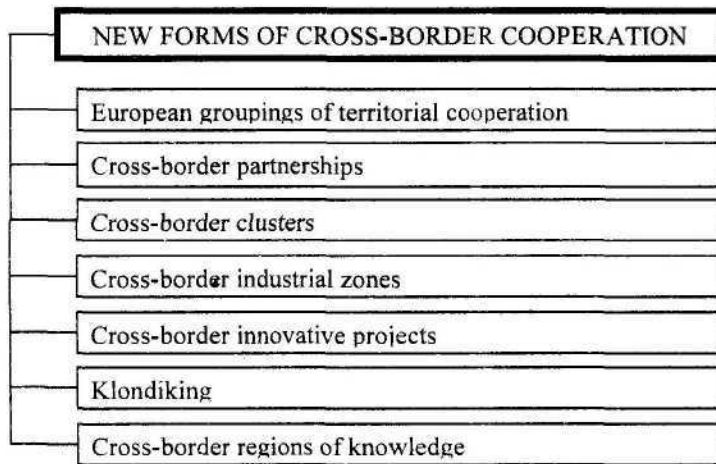


Fig.2. Classification of new forms of cross-border cooperation

Source: developed by author.

There are the institutional cooperation and the promotion of socio-economic development of border regions among the priorities of these programs. In particular, it is supported the projects of formation of cross-border industrial zones and cross-border clusters. However, the low activity of the Ukrainian side has led to a relatively low presence in the lists received grant funding. This situation could provide a further stage of the implementation of the ENPI (European Neighbourhood and Partnership Instrument), which, unlike other countries, Ukraine's interests were not represented properly.

Thirdly, in Ukraine there is no corresponding state support of innovation infrastructure (including cross-border industrial zones and cross-border clusters). Unlike cross-border industrial zones, which operate within a clearly defined territory and require significant investments in infrastructure, cross-border clusters combine voluntary participants who freely placed in a cross-border space. This makes it more affordable to implement, with appropriate government support [7, p.23–26]. We think it should be carried out reform of national legislation regarding cross-border cooperation of Ukraine. Law of Ukraine “Cross-Border Cooperation” defines only the basic foundations of such activities. So should be the Law of Ukraine on such forms of cross-border cooperation as cross-border cluster and industrial zone, which would clearly define and regulate the activity of these forms. Equally important is the transition to creation of the cross-border industrial zones (parks) along with the promotion of regional innovation activities with a view to forming peripheral region of the structure, which would play a role of business incubators and would help investors to start production, creating a financial intermediary in obtaining funds financial assistance from European Union structural funds.

As the coordinating structure of cross-border clusters or industrial zones should use euroregions, which, however, is that institution, which must develop and implement a strategy of the cross-border region. Taking into account that cluster strategy applies to all strategies aimed at creating a favourable environment for cooperation between different stakeholders at local, regional, cross-border, national and supranational levels, euroregion can and should take on the role of “centre” through which information is exchanged and activities of cross-border cooperation between members of the cluster or industrial zone are coordinating. Development and implementation of effective, transparent project management, monitoring and evaluation of cross-border projects on the basis of transparency and accountability will allow public participation at all stages of project implementation. For this purpose, it will be appropriate to involve cooperation with the authorities leading, research institutions, NGOs and experts of European Union in cross-border cooperation (Joint Technical Secretariats). An important role may take the providence of organizational and financial support to participants in international projects implemented within the European Union cooperation programs with neighbouring countries. This will ensure the transfer of powers to local authorities regarding the selection of projects of international cooperation. The introduction of such

a financing is subject to the state budget formation “from below to the top” and the transfer of authority from the forming of local budgets communities that ensure their financial independence in the implementation of joint international projects, including cross-border ones.

Regional authorities and local governments should implement active support of economic interregional and cross-border cooperation and also should consult the economic entities, who look for partners across the border, as support business contributes to the economic development of the region and increase revenues to local budgets. This solves the problem of limited financial resources and allows you to provide the mandatory introduction of funding for cross-border projects. This may contribute to implementation of the mechanism of preferential landing loans (low interest rate) for the Ukrainian beneficiaries of cross-border European Union programs to enable them to finance the required 10% of project budget (principle of co-financing).

4. Conclusions

1. Using the advantages of cross-border cooperation acts an important factor in strengthening the competitiveness of the regions in post-crisis stage of Ukraine's economic development and limited public funding for equalization of regional disparities of socio-economic development.
2. Intensification process of cross-border cooperation are complementary, and therefore experience of inter-regional cooperation can be successfully used to improve cross-border cooperation and strengthening the competitiveness of the Ukrainian regions.

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Summary

The state of cross-border cooperation in Ukraine is determined in the article. Mechanisms and instruments of cross-border cooperation development are proposed by the author to enhance the competitiveness of the Ukrainian regions. Recommendations concerning cross-border cooperation development are highlighted.

Key words: cross-border cooperation development; cross-border cluster; cross-border industrial zone; competitiveness.

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