Cross-border cooperation in Ukraine: the economic aspect

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The article is devoted to the problems of cross-border economic cooperation of Ukraine in the context of solving problems of regional competitiveness and strengthen economic security. It considers potential of new forms and mechanisms of cross-border economic cooperation to strengthen the economic security of the state, in particular cross-border industrial parks. It indicates the need to address the issue of forming methods of monitoring and forecasting results of cross-border industrial parks and other forms of cross-border cooperation.


Current trends in the global economy put forward new requirements for national economies concerning their competitiveness in domestic, regional and global markets. These requirements related to technological, environmental, social, resource challenges and threats. Therefore, successful and balanced international regional cooperation is an important component of sustainable development of national economies which allows jointly to solve problems and to implement the national interests of each country.

Particular importance for Ukraine has a development of a cross-border cooperation, which allows creating of both institutional and economic framework forgetting the aims in social and economic development at the regional and national levels.

The issue of cross-border cooperation is researched rather extensively by experts and is confirmed by the practical results of such cooperation in the EU. Regional and, in particular, cross-border cooperation is an area of scientific interest for Mikula N.¹, Varnaliy Z.², Dolishniy M.³, Artemov I.⁴, Tolkanov V.⁵, Maksymenko S.⁶, etc. Their papers are focused on

institutional and organizational principles and forms of such cooperation. The accumulated theoretical and practical experience shows versatility and multidimensionality of the cross-border cooperation, which economic aspects have a special place and require further research in the context of the impact on the competitiveness of border regions and strengthening the economic security of the country.

The aim of the article is to determine characteristics and prospects of cross-border economic cooperation in the context of the tasks of strengthening regional competitiveness and economic security.

Two aspects of cross-border economic cooperation should be highlighted. The first one relates with the use of the versatile EU aid in the framework of cross-border cooperation. The second one relates with the implementation of business activity in the appropriate forms and methods of cross-border economic cooperation by participants of such cooperation. Taking into account the subordination of the first aspect to the second one, the focus of the article is given to mechanisms and instruments of practical implementation of cross-border cooperation in Ukraine.

Many experts noted a certain one-sidedness of the state domestic regional policy on cross-border cooperation, which is focused on economic cooperation (mostly foreign trade and investment) of regions and territories. This is largely confirmed by the domestic legal framework and the priorities and objectives of regional policy. In particular, the focus in the notion of cross-border cooperation, in accordance with the Ukrainian legislation, is maid on joint actions aimed at establishing and strengthening economic and social relations between territorial communities. The comprehensive economic development is indicted as one of priorities and aims of creation domestic Euroregions, in accordance to their constituent documents.

In 2012 the Messages of the President of Ukraine to the Verkhovna Rada of Ukraine identified directions of regional policy modernization, including the establishment of effective regional cooperation and the development of modern forms of economic integration; reformation of the budget and tax regulation of regional development; improvement of the tools of the realization of regional investment potential; activation of the processes of international cooperation of regions. One of the main results of this policy is ensuring the competitiveness of regions and aligning their socio-economic development.

Experts of the National Institute for Strategic Studies consider the issue of deepening cross-border cooperation, including because of the empowerment of local authorities and the active involvement of SMEs to foreign trade, in the context of solving problems of the export reduction and deterioration in foreign markets for domestic exporters.


Implementation of new mechanisms and instruments of the cross-border cooperation is determined by the necessity to consider changes in external and internal conditions of cross-border regions development, and by extending the range of their needs (including achieving aims and solving local problems with usage of some form of cross-border cooperation). Accordingly, forms of cross-border cooperation have two prospects for their development:

- solution of local problems and decline;
- transformation into new forms, focused on solving new, preferably more important tasks that meet regional and national level.

In particular, innovation character of cross-border cooperation of Ukraine, proclaimed as a priority requires the use of appropriate forms and instruments of state support for such cooperation.

At the same time, due to the practice the economical aspect is one of the weakest links of cross-border cooperation of Ukraine. Today, the most of the initiatives on the formation and implementation of “growth points” and specific investment and innovation projects remain only at “initiative stages” or on “preparation stages” for implementation in the regions that institutionally and administratively involved in cross-border cooperation.

The potential of such forms and techniques of cross-border cooperation as cross-border clusters, special economic zones, technological parks, cross-border industrial parks, science parks, etc. remains unfulfilled.

The need to concentrate efforts of state and local governments, academic and business environment in the practical implementation of investment, scientific-technical and innovative projects within cross-border cooperation for its real effectiveness is repeatedly emphasized by researchers. Today it becomes a priority.

The economic component of the cross-border cooperation mainly determines the providing of appropriate incentives and preferences for entities that implement related (investment) projects and programs. That is a mandatory element is the introduction of special regimes of economic activity for entities that take part in cross-border cooperation projects. The above mentioned causes the close relationship between the mechanisms and forms of cross-border cooperation and other existing forms of special legal regimes of economic activity such as special economic zones, priority development territories, technology parks, industrial parks, etc.

In particular, today the issues of development of cross-border clusters and industrial parks in Ukraine are actual for the implementation of cross-border cooperation. Industrial parks successfully function in such European countries as Austria, Slovakia, the Czech Republic, Hungary and Poland.

At present, some regions of Ukraine (e.g. Transcarpathian, Kharkiv, Odessa etc) make the preparation activity towards the creation of favorable conditions for the operation of industrial parks.

Creation of industrial and cross-border industrial parks in Ukraine is supported by the following economic reasons:

- ability to take advantage of the unique geopolitical and territorial location, including proximity to major markets in Central and Western Europe, presence of Eurasian transport and trade routes;
- need of national and foreign companies in new industrial areas equipped with modern technology for moving production from Western and Central Europe to the East;
- availability of high concentration of labor resources unused in active economic activities, including qualified human resources;
- possibility of raising additional funds from the EU (within cross-border cooperation programs) for the development of infrastructure, etc.

The adoption of a framework law on industrial parks gives new momentum to the process of creation of industrial parks in Ukraine. In accordance with the Law of Ukraine “On Industrial Parks”, the primary purpose of their creation is to provide economic development and competitiveness for areas, to increase investment, to create job and to develop a modern market infrastructure.12

In accordance with aforementioned law, entities of any form of property may become members of such industrial parks in the case if they registered in the administrative-territorial units of Ukraine where the industrial park is located. On the one hand, it requires a creation of joint ventures in the case of attracting partners from other countries and will stimulate increasing of foreign direct investment in the relevant areas. On the other hand, the features of establishing of industrial parks in several neighboring administrative-territorial units of Ukraine and also cross-border industrial parks are not obvious. So, new provisions concerning regulation of principles of arrangement and operation of cross-border industrial parks should included to the adopted law.

In accordance with that law (article 4), the state support for the creation of industrial parks and stimulation investment is one of the main principles of the establishment and operation of industrial parks. In particular, entities can get interest-free loans, targeted funding on irrevocable basis from state and local budgets for the equipment of industrial parks (article 34). In addition, the final and transitional provisions of the law provide an exemption from import duty on equipment and it components, materials that are not produced in Ukraine and are not taxed goods and imported for resettlement and economic activities within the industrial park. Accumulated funds by this way should be directed to the implementation of research activities, the introduction of new technologies and increased production.

However, it will take time to agree tax, customs and other legislation with the abovementioned provisions. It is a very important to provide significant financing from state

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and local budgets for the purpose of creating industrial parks. Unfortunately, this possibility is a very debatable point. Past experience shows that the development of the infrastructure of special economic zones was realized mainly without significant state funding.

At the same time, the establishment and operation of industrial parks in Ukraine will help to:

- activate the involvement of existing potentially attractive industrial areas in economic activities;
- attract inflows of foreign investments and foreign companies to technologically innovative projects in the industrial park;
- create new jobs in the factories and alleviate the problems of unemployment in the regions of location of industrial parks;
- develop export potential of both goods and services;
- create “innovative regional growth points”.

The issue of forming methods for monitoring and predicting performances of member entities of such parks needs a special attention now. In general, the issue of the effectiveness of such forms of cooperation, based on the monitoring of relevant criteria, has a special place among instruments of state regulation of regional and cross-border cooperation. The absence of comprehensive, research-based methodological approaches and solutions concerning the implementation of such a monitoring in Ukraine creates the necessity of their research by experts. This also relates other mechanisms and forms of cross-border cooperation and special modes of economic activity in Ukraine.

It should be noted that national experts highlighted distinct groups among the criteria for evaluating the effectiveness of cross-border cooperation: cross-border trade, foreign trade and investment, effectiveness of specific activities and projects, development of border infrastructure, integral level of certain regions life quality.13

Through the prism of evaluating the effectiveness of cross-border cooperation it is possible to solve problems of determining the relation between – forms of cross-border cooperation – development of the competitiveness of the region – development of the country’s competitiveness – strengthening economic security.

The impact of cross-border cooperation on economic security can be evaluated through the character of dependence of performances of specific forms and mechanisms of cooperation with indicators, which characterized different criteria of economic security of the state. The most effective methodological approach to conducting these evaluation is a working out of integrated performances of cross-border cooperation on the basis of criteria and indicators of its individual forms performances.

Cross-border economic cooperation is aimed at addressing a number of challenges and problems which solution is a priority for economic policy and economic security of the state. This includes alignment differentiations of regional development, employment and labor migration, creation of a favorable investment climate, improvement of trade cooperation, technological modernization on the basis of innovation, etc.

The implementation of cross-border cooperation projects brings the export volumes increasing of a particular region. While usually, it is not the main objective of these projects.

Thus, for example, the implementation of projects in the Ukrainian special economic zones and priority development territories has a high level of export orientation. According to the Ministry of Economic Development of Ukraine during the 2011 members of special economic zones and priority development territories sold abroad 49, 2% of all products (on the sum 44 billion USD). Direct connection of cross-border cooperation projects with foreign economic sphere forms the corresponding impact on the foreign component of economic security. The nature of the impact will depend on such conditions as the scale and specialization of export and import flows within the realization of cross-border cooperation projects, intensity of investment cooperation, the volume of state preferences and comparability with export flows in the medium and long terms, level of the processability of cross-border cooperation projects and etc. Connections to other areas form corresponding impact on strengthening the level of other components of the economic security and economic security of the country in general. The above mention allows to state about a potentially positive impact of various forms and mechanisms of cross-border cooperation on strengthening economic security of the country as a whole and its growth in the future.

Among the factors that can influence on strengthening the relationship between the effectiveness of cross-border cooperation and economic security, should be noted the following:

- expanding sectors of economy and territories, which will be involved to cross-border cooperation;
- increasing the volumes of attracted resources (financial, material, intellectual) and results of projects and programs within the framework of cross-border cooperation;
- gradual growth of cross-border cooperation projects and programs to a higher regional level;
- complicating and increasing risks and threats that affect the success (efficiency) of cross-border cooperation projects and programs;
- increasing the competitiveness of regions on the one hand and competition and contradictions between entities - participants of projects and programs of cross-border cooperation on the other hand;
- increasing the need for closer cooperation and coordination between central and regional authorities of the participating countries in cross-border cooperation.

Regarding the last indicated factor it should be noted that at present one of the important obstacles to efficiency of cross-border cooperation forms in Ukraine is an insufficient decentralization of government (local government authority) that is intensified by the low financial capacity of local budgets in supporting cross-border cooperation projects. Therefore, a justification for the positive impact of such cooperation on the economic security of the state can be a strong argument for giving more powers to local authorities in the implementation of cross-border cooperation.

In general, it should be noted that the prospects for cross-border cooperation depend on effectiveness of the economic potential of cross-border cooperation. It becomes a priority

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14 Preliminary Data of Key Performance of SEZs and PDTs of 01.01.2012. [Electron. resource]. Mode of access: [http://me.gov.ua](http://me.gov.ua)
tasks to create favorable conditions for participants of cross-border cooperation in the format of innovative cross-border industrial parks, special economic zones and clusters through mechanisms of special regimes of economic activity.

The improvement the legal framework of stimulation and development of cross-border cooperation should focus on solving practical problems, including decentralization of government regulation and strengthening the financial capacity of local budgets and local communities in the case of solving issues of development.

The methodological approaches to evaluate the nature and level of impact of cross-border cooperation on the dynamics of economic development and economic security of the state as a whole require further researches.

The passed phase of development and implementation of cross-border cooperation in Ukraine created the fundamental prerequisites for the practical realization of its potential to contribute to strengthening regional competitiveness, economic security and the country’s integration into the EU.

Транскордонне співробітництва в Україні: економічний аспект.

В статті визначені особливості та перспективи розвитку транскордонного економічного співробітництва в контексті вирішення завдань розвитку конкурентоспроможності регіонів та зміцнення економічної безпеки.

Так, однією з особливостей є однобокість вітчизняної державної регіональної політики щодо транскордонного співробітництва, закентованої на економічному співробітництві регіонів та територій. При цьому, на практиці саме економічні аспекти транскордонного співробітництва України є чи не найбільш слабкою його ланкою. На сьогодні на території регіонів, що інституційно та адміністративно залучені до програм транскордонного співробітництва, більшість ініціатив щодо формування та впровадження «точок зростання» і конкретних інвестиційно-інноваційних проектів залишаються на стадії ініціатив та підготовки до початку впровадження. Потенціал таких форм і способів здійснення транскордонного співробітництва як транскордонні кластери, спеціальні економічні зони, технопарки, транскордонні індустріальні парки, наукові парки та ін. залишається нереалізованим.

Зокрема, в Україні процес створення індустріальних парків набуває нових імпульсів з прийняттям відповідного рамкового закону. В низці регіонів України, зокрема Закарпатській, Харківській, Одеській областях, проводяться грунтовна підготовча робота у напрямі створення сприятливих умов для їх функціонування.

Економічним обґрунтуванням створення індустріальних та транскордонних індустріальних парків в Україні є, зокрема, можливість використання переваг від унікального геополітичного та територіального розташування та потреба національних та іноземних компаній у нових промислових площах, обладнаних комунікаціями для перенесення виробництв із Західної та Центральної Європи на Схід та ін. Очікується, що їх функціонування в Україні сприятиме залученню в активну економічну діяльність наявних потенційно привабливих індустріально-промислових територій; притоку іноземних інвестицій та практичній участі іноземних компаній у реалізації виробничих, технологічно-інноваційних проектів в рамках індустріальних парків; створенню нових робочих місць на виробництвах в індустріальних парках та подоланню проблем
безробіття в регіонах розташування індустріальних парків; розвитку експортного потенціалу як товарів так і послуг; створенню «інноваційних точок регіонального зростання».

Нарazі перед науковцями постає необхідність формування методики моніторингу та прогнозування результатів діяльності суб’єктів господарювання індустріальних парків, інших механізмів і форм транскордонного співробітництва. Вплив транскордонного співробітництва на економічну безпеку може бути оцінений через вплив показників результативності окремих форм та механізмів співробітництва на показники, що характеризують різні критерії економічної безпеки держави. Зокрема, реалізація проектів транскордонного співробітництва передбачає нарощення обсягів експорту для конкретного регіону. Наприклад, реалізація проектів в рамках українських спеціальних економічних зон та територій пріоритетного розвитку має високий рівень експортної орієнтованості. Наявність прямої зв’язку проектів транскордонного співробітництва з зовнішньоекономічною сферою формує відповідний вплив на зовнішньоекономічну складову економічної безпеки держави. Зв’язки з іншими сферами відповідно формують впливи на зміцнення рівня інших складових економічної безпеки та економічної безпеки країни в цілому. Найбільш випадковим методичним підходом до проведення таких оцінок є формування інтегральних показників ефективності транскордонного співробітництва на основі критеріїв та показників результативності його окремих форм. Серед чинників, що впливатимуть на посилення взаємозв’язку між ефективністю транскордонного співробітництва та економічної безпеки держави, слід відмітити:

- розширення сфер економіки та територій, які залучатимуться до транскордонного співробітництва;
- зростання обсягів залучення ресурсів (фінансові, матеріальні, інтелектуальні) від реалізації проектів та програм в рамках транскордонного співробітництва;
- поступовий вихід проектів та програм транскордонного співробітництва на більш високий регіональний рівень;
- ускладнення та посилення ризиків і загроз, які впливатимуть та успішність (ефективність) проектів і програм транскордонного співробітництва;
- зростання рівня конкурентоспроможності регіонів з одного боку та посилення конкуренції а, відтак, і протиріч між суб’єктами господарювання – учасниками проектів та програм транскордонного співробітництва, з іншого боку;
- зростання потреби більш тісної взаємодії та координації дій між центральними та регіональними органами влади країн-учасниць транскордонного співробітництва.

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