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## **THE COMPETITIVE POLICY OF BORDER REGIONS**

### ***Summary***

*The article considers competition as an interdisciplinary concept; a special attention is paid to regional competitiveness in relation to the border territories. It is proved that the specificity of the border area is a consequence of differences and, at the same time, intersections of two adjoining economic systems of national scale. The concept of "frontier economic space" as a special kind of territorial*

*organization that involves the concentration of human, productive resources, and infrastructure on the border area in order to enhance the efficiency of its development as the basis for the formation of poles of the economic growth of the national economy should serve as a methodological basis for such a study. The peculiarities of the regional policy of increasing the competitiveness of the border regions are considered, as well as the modernization and enhancement of the competitiveness of the border areas. As a practical use of the methodological directions under consideration, three methodological approaches were proposed to increase competitiveness.*

### **Introduction**

In modern conditions of globalization and regionalization, the basis of economic relations between countries and regions is, on the one hand, competition for promising markets and the involvement of factors of production, on the other hand, mutually beneficial cooperation and partnership in order to ensure competitiveness on a global scale. These seemingly contradictory, but nevertheless mutually complementary trends require a detailed research because they determine the modern reproductive structure of the world, national and, in many respects, regional economies.

The theoretical and methodological reflection of these objective processes is the recent tendency to view competition as an interdisciplinary concept used not only in micro- and macroeconomic theories, but also in such scientific disciplines with a mixed methodological apparatus as the regional economy, management, economic geography, and world economy.

There is no attention paid to scientific and methodological principles, approaches and methods for studying the phenomenon of interregional competition and regional competitiveness in relation to the border areas. Obviously, the specific features of socio-economic, cultural, and innovative processes occurring in the border regions require the development of an appropriate regional economic policy that will be based on other principles than on "internal" regions of the country.

The urgency of developing and implementing a scientifically sound regional economic policy with regard to the border regions and territories of Ukraine is particularly evident in the context of interstate economic integration processes that are actively moving along the entire perimeter of its state border (the European Union, the Eurasian Economic Community, the Customs Union, the Common Economic Space with a perspective creation of the Eurasian Union).

As the experience of countries involved in the processes of interstate integration shows, in these conditions, the status and role of the border regions in the development of the national economy are radically changed. The latter lose their "peripheral" status and their "barrier" functions, now acting not only as transit channels for innovation, goods, and services but also as regional "poles" for integration and interaction of the world and national economic spaces.

Recently, interest in studying the processes of managing the socio-economic development of border regions and territories has increased significantly in

Ukraine. This is primarily due to the European integration aspirations of our country, the practical result of which is Ukraine's participation in the Euroregions and the Ukraine-EU Association Agreement, as well as the raising of the competitiveness of the Ukrainian economy at the state level on the basis of differentiation of regional economic policy. One of the most important tasks is the development of scientific and methodological foundations and tools of the regional policy to enhance the competitiveness of border regions and territories in the context of various scenarios of interstate integration of Ukraine.

### **Part I. Border and frontier economic space**

The specificity of the border area is a consequence of differences and, at the same time, intersections of two adjoining national economies (neighbouring countries). The central category of the analysis of the phenomenon of borders should be the concept of "borderland", which is understood not as two neighbouring regions on both sides of the border but as a single economic space. The borderland is an area where such differences are levelled, forming a zone with specific properties inherent in one and the other side. The border regions occupy a dual position in the economic space of the state, being both the centre of connections and the periphery of their state.

Being the periphery of the country, border territories become the centre of the region, whose life is determined by the rules set by the border. In a sense, one can even talk about the regional economic homogeneity of the borderland as opposed to intra-state economic heterogeneity. Therefore, the creation of conditions for the transformation of the neighbourhood factor into real advantages will allow the border regions to gain momentum for further development. The size of the border region is determined by two main factors: the border as a political and economic boundary, and the size of the territory controlled by the authority adjacent to the border. European practice assumes that the border is the main deterrent to the development of border regions. In this sense, one of the main goals of cross-border cooperation is to neutralize or mitigate the negative impact of the border.

One of the most important priorities of the regional economic policy in Ukraine is the realization of opportunities of each region in overcoming the crisis and ensuring the development of the economy by improving the quality of its economic space. This approach fully applies to the border regions, in which the processes of globalization and European integration put forward foreign economic factors. Under their influence, the transfrontier regional economy is being transformed, associated with structural shifts, the search for new forms of organization of the economic space, and the increasing competitiveness of the region.

World experience demonstrates the wide use of the formation of spatial poles of economic growth, which allow the more efficient use of the resource base of regions. In this regard, the border region can be an outpost of qualitative changes that will penetrate into the rest of the national territory in the future.

It should be noted that there are no universally accepted approaches to the theoretical and methodological aspects of the development of border regions in

Ukraine. In this connection, the solution to the problems of the effectiveness of the border regional economy presupposes the availability of a developed, theoretically reinforced concept, the central element of which should be a systematic definition of the paradigm of the border region as a balance of economic interests of the centre and border regions. So far, studies of the problems of border regions are mostly fragmentary. The methodology of researching such regions through the prism of the neighbourhood remains outside the integral subject of scientific vision, and the development of an innovative strategy of the region based on the capabilities of neighbouring countries turns out to be in the shadow of scientific research. In the scientific and practical research, only some aspects of the development of border regions are considered in cooperation with neighbouring countries.

Therefore, it is necessary to formulate conceptual provisions of the new paradigm of the frontier space, representing a system of views on the goals, tasks and functions of cross-border development that allow us to approach the problems of increasing the efficiency of the border regional economy in a new way on the basis of modernization of its foreign economic activity.

The concept of "frontier economic space" as a special kind of territorial organization that involves the concentration of human, productive resources and infrastructure on the border area in order to enhance the efficiency of its development as the basis for the formation of poles of the economic growth of the national economy should serve as a methodological basis for such a study.

The most important task should be to determine the spatial poles of economic growth, including an analysis of the resource capabilities of the border region, the procedure for determining their compliance with the status of the growth field, the sequence of actions for the formation of growth poles and zones of their influence in the border region.

In conditions of intensification of inter-regional competition, a competitive regional policy becomes the most important instrument of public administration. It goes beyond the traditional framework of an integral part of the antimonopoly policy of the state and acquires a new content, determined by the need to create and develop competitive mechanisms where they provide more efficient use of limited resources (Chernaya I.P., 2006).

As analysis shows, the mechanism of regional policy in a broad sense includes economic, legal, social, and psychological relations between the economic entities of the region that determine features of the development of the regional economy. In modern conditions, the most important component of such a mechanism is to provide opportunities for the development of competitive regions. Such a policy leads to the economic development of the region as a network of interrelated firms and organizations and assumes the specialization of the region to create specific factors of competitive advantages.

The implementation of a competitive regional policy fits perfectly into the framework of the country's offensive geo-economic strategy, called "effective protectionism." Regarding frontier regions, the choice of priorities should be

primarily related to the definition of “growth zones” which, in terms of the theories of the new economic geography, can claim the status of central border regions. The basis for this choice can be an assessment of the dynamics of development of the competitive potential of the region, which allows identifying promising and problem areas for competitive management of sustainable development. The next step is the selection of priority sectors of the economy of the border regions for the creation of clusters of enterprises and the simultaneous restriction of the import of a number of imported goods to stimulate their own production. Certainly, such measures cannot be unequivocally evaluated: the refusal of import, on the one hand, can create a reserve of currency for the purchase of advanced technologies and equipment, on the other, may lead to the production of goods that are not competitive on the foreign market. In addition, such a policy needs a fairly long period of implementation, and its end result should be the rationalization of the structure of exports and imports of goods and services of the border region. The third step should be the definition of instruments and mechanisms of competition policy (Chernaya I.P., 2006).

Bodies of power and management of border regions are forced to solve real-life support problems, including through economic integration resources with foreign partners. The interest of regional authorities in cross-border cooperation contributes to the emergence and implementation of new models of international cooperation. However, the adherence of the regions to the neo-economic strategy does not mean a lack of conflict in its implementation. For example, rather dangerous results can often lead to integration as a “panacea for ills” through various joint projects, free economic zones. Meanwhile, ignoring the opportunities to create or use the competitive advantages of border regions cannot be considered adequate to the conditions for strengthening interregional competition by a measure of effective competitive management.

From this point of view, the actual content of the mechanisms of competitive regional governance for the sustainable development of the border region can be determined by the concept of state regulation of the economic development of regions, called the “adaptation model” by the English researcher G. Cameron. In accordance with this, the state should mitigate the impact of spontaneous market regulators and slightly adjust the development of territories by accelerating natural processes, by stimulating the migration of labour and investment. This model of regional policy presupposes the use of two groups of measures for state regulation of the economic development of the territory in order to increase its investment attractiveness: improving the properties of the territory, i.e., improving the infrastructure and providing a certain set of benefits to investors investing in the region. Experience shows that the implementation of such a policy allows creating favourable conditions for the growth of the region's economy in the long term. However, tax incentives and financial support for investors often only provide a temporary effect (investments continue as long as there are preferences). From the standpoint of sustainable development, “adaptive” (essentially reactive, i.e. emerging as a reaction to the problem) mechanisms must be combined with some

kind of proactive (preventive, outrunning problems) mechanisms that stimulate the process of creating operating and program- strategic competitive advantages of the territory. The basis for their formation can be a system of regional marketing, which is generally described as a specific way of thinking and acting at the regional and/or local level managers and entrepreneurs, a new business philosophy of active entrepreneurship, focused on meeting the identified needs of the population, and beyond.

In connection with the complex and interdisciplinary nature of the concepts of interregional competition and regional competitiveness, the development and implementation of a regional policy to enhance the competitiveness of border regions and territories should be based on the integrated use of scientific principles and methodological apparatus of different economic theories.

In particular, the use of the methodological apparatus of neoclassical economic theory is expedient in the study of the potential of economic development and factors of production in the border region, the development of tools for managing production factors, the evaluation of the regional marginal product and the development of tools for its increase, the study of the competitiveness of the border region, the rationale for micro- and macroeconomic instruments of the regional economic policy in the border area.

The methodological apparatus of regional development theories is useful in studying the features of the spatial organization of the economy of the border region and assessing its effectiveness, researching the forms and methods of interaction of regional markets in the formation of chains of increment in value, substantiating the sources of economic growth, creating conditions and prerequisites for their use.

The use of the methodological apparatus of institutional and neoinstitutional economic theory is expedient in the study and assessment of the initial positions, motives, contradictions and instruments for the implementation of regional economic policy in the border regions, as a part of the national economic space and, simultaneously, global geospace.

It is obvious that the main emphasis should be placed on the methodological apparatus of neoclassical theory and theories of regional development. This is due to both objective reasons (the object and subject of research are in the sphere of competence of these theories) and subjective reasons (neoclassical theories and theories of regional development are based on the use of an interdisciplinary approach and allow reflecting the multifacetedness of the objects and phenomena studied).

## **Part 2. Peculiarities of the regional policy of enhancing the competitiveness of border regions**

The increasing complexity of management processes in an unstable economy and the growing influence of environmental factors make completely new demands for the development and implementation of regional economic policies. Moreover, the influence of these factors on socio-economic processes and the development of

border regions are much more significant since they are in the zone of direct interaction between national and world economies, at the junction of national and world economic spaces. The operation of economic entities and the development processes of each of these spaces are determined by their norms, rules, standards, natural, cultural, social, and other prerequisites and conditions. Diffusion of these norms, rules, and standards across the border, both one way and the other, contributes to their partial adaptation in the regions located on both sides of the border, in a certain way bringing them closer. At the same time, the process of diffusion and adaptation of norms and standards forms specific features of border regions and imputes to them the role of “edge active zones” (Druzhinin P.V., 2003), which play a huge role in bringing together the national and world economies (Druzhinin P.V., 2000).

In such scientific disciplines as the regional economy and economic geography, the role of the border in the socio-economic development of regions, the phenomenon of diffusion and adaptation of norms and standards (both in socio-economic and cultural aspects), market experience and knowledge are densely researched, starting from 60s of the XX century (although earlier developments date back to the 1930s). There are a lot of theoretical and applied-theoretical concepts and models in this field that are actively used today in regional economic science and management practice.

In particular, we should mention such scientific developments, which have a neoclassical methodological basis, such as the doctrine of spatial interaction of markets, the theory of spatial “diffusion of innovations”, the theory of “poles of growth”, the concept of “centre-periphery”, etc. (Gadzhiev Yu.A., 2008). There are also later developments, one way or another, concerning the study of the contact function of the boundary, the processes and patterns of diffusion and the dissemination of standards and norms, experience and knowledge that determine the specifics of socio-economic processes in the territory. These theories and concepts are, as a rule, interdisciplinary in nature – the theory of new economic geography, the concept of the economics of training, the concept of a regional innovation system, the model of innovative regional growth, etc. (Pilipenko I.V., 2005).

As you know, these theoretical and applied developments are partly aimed at studying the spatial aspects of interaction and development of border areas. At the same time, the main subject of their research is, as a rule, the features and patterns of the emergence and spread of innovative processes that arise as a result of the transboundary and spatial interaction of economies and economic agents. Known from the use of these theoretical developments in the economic and management practices in several countries has been the creation of various kinds of peripheral “poles” and points of economic growth, which in practice gave the appropriate legal status of the customs and tax extraterritoriality – free economic zones, special economic zones, offshores and others.

In the second half of the 90s of the XX century in the management practice of the countries of the European Union was introduced the concept of creating a kind of “corridors” and “growth zones” in the border areas – the so-called Euroregions.

Currently, with the participation of Ukraine set up and operate 7 Euroregions: International Association "Carpathian Euroregion", Euroregions "Lower Danube", "Bug", "Upper Prut", "Dnepr", "Sloboda", "Yaroslavna". There is a process of creating 4 more new Euroregions on the borders of Ukraine: "Xiang", "Dniester", "Donbass", "Black Sea". In spite of all the attractiveness of this idea, which seemed to be at the end of the last century, it does not actually work, due to a number of objective and subjective reasons. On the one hand, the enlargement of the EU has affected the increase in the scale of peripheral territories, lagging behind in their socio-economic development, which influenced the corresponding change in priorities in domestic regional policy. On the other hand, the process of creating Euroregions has not been fully completed. It did not entail a review of the priorities and mechanisms of regional economic policy, with the development of appropriate tools and organizational management structures. There were no serious projects in the area of the transformation of the spatial structure of the economy. No conditions were created for the development of cross-border production, innovation, and other clusters that were supposed to provide competitive advantages to the border areas. But, despite this, the experience of creating Euroregions as a variety of "edge active zones", the creation of which allows reducing the level of interregional differentiation in the socio-economic development, is very useful and important for study.

Taking into account the existing deep enough theoretical research and application development, as mentioned above, it should be stated that these focus on the study of patterns and features of socio-economic, cultural, and other innovative processes taking place in the border areas. Almost no attention is paid to the scientific and methodological principles, approaches, tools, and methods of regional economic policy in relation to the border areas. Meanwhile, it is obvious that the specific features of the socio-economic, cultural, and innovative processes occurring in the border regions require the development of an appropriate regional economic policy that will be based on other principles than on the "internal" regions of the country. After all, there are differences between economic policies, for example, in industrial and agrarian regions. Moreover, in many theoretical and applied classifications of regions, there is a type such as "border regions" (in a number of typologies referred to as "contact" or "membrane" type) (Gradirovsky S.N.), (Druzhinin P.V., 2003). For example, a class of regions present in the classifications and typologies of regions by the economic and geographical position of embeddedness in the exchange and accretional type system (Gradirovsky S.N.), as well as in a number of typologies developed specifically for regional policy in the European Union.

Only recently in Ukraine, interest in researching the processes of managing the social and economic development of border regions has become evident. This is connected, in our opinion, with the following processes: 1) European integration aspirations of Ukraine, which presupposes the formation of a special regional economic policy towards regions bordering the countries of the European Union; 2) transformation of the state regional policy with a gradual transfer of competence in the adoption and implementation of strategic decisions at the regional level;



3) the issue of a radical change in the structure and increase of the competitiveness of the Ukrainian economy (where, due to the high differentiation of regions in terms of the level of social and economic development, the issue of differentiation of regional economic policy is actualized) is on the agenda at the highest state level.

At the moment, much attention is paid to improving regional economic policy from a number of scientific institutions of the National Academy of Sciences of Ukraine, leading research in the field of regional economy.

At the same time, the analysis of research goals and objectives, the content of subprograms and projects shows that, on the one hand, the focus is on deepening the study of the features of the spatial organization of the economy of border regions, on the other hand, the development of predominantly unified tools and mechanisms for regional economic policy and system of territorial strategic planning at the regional level. Therefore, it seems necessary to strengthen attention to the issues of the formation of regional economic policy in the conditions of the border region, its scientific, methodical, and methodological support.

Despite the fact that most of the country's territory is, in fact, the border area, while Ukraine lacks a common vision and a unified concept of how and on what scientific principles regional economic policy should be built in the border region, what are the qualitative features of its content, what are the specific tools for its implementation. Today, even in the scientific community, there are diametrically opposed opinions on the role and functions of the state in managing the socio-economic development of the border areas. What should be emphasized in the regional economic policy of the border region? Strengthening the regulatory function of the state (due to the special importance of the border areas in the context of ensuring national security and territorial integrity) or, conversely, on its weakening (in terms of liberalization of foreign economic activity and integration into the international division of labour)? The concentration of powers and instruments for the economic development of border areas in the hands of central government bodies or the delegation of authority in making strategic management decisions at the regional and local levels?

When developing the conceptual bases of regional economic policy for the border regions, it is necessary to understand that the potential, opportunities, and directions of their economic development will depend not only and not so much on the available natural, resource, production and labour potential, as on external factors – the level of socio-economic development of the region, with which there is a common border, strategic, geopolitical, and geoeconomic interests of the neighbouring state (or group of countries), from the national but the cultural peculiarities and social stability of neighbouring regions and countries, etc.

So far, unfortunately, neither in domestic scientific developments devoted to the issues of regional economic policy nor in state strategic documents do we speak about the features, tools and mechanisms that should be inherent in regional economic policy in relation to the border regions.

The urgency of the development and implementation of scientifically-based regional economic policy in the context of the border is also evident in the context

of the processes of globalization and regionalization, economic integration and intensive development of various forms of international economic relations, strengthening the influence of environmental factors on the conditions and opportunities for the socio-economic development of countries and regions. Moreover, border regions are of special importance in these processes, acting not only as transit corridors for innovation, goods and services, but also as “axes” and zones of integration and interaction of the world and national economic spaces, “pilot” territories for adaptation and further broadcasting to other regions of Ukraine of international economic, socio-cultural, technological, and other standards. It is the border regions that currently play a key role in the process of involving the national economy in the global economic system.

Thus, an objectively developing situation requires the development of a whole field of research in the field of regional economy aimed at developing the scientific and methodological foundations and methodological apparatus of regional economic policy for the border areas. At the same time, the following logic of reasoning can serve as a working hypothesis that would allow merging research into a holistic direction.

The border regions, due to their economic-geographical, socio-economic, and structural features, are characterized by the duality of functions. On the one hand, they serve as a kind of platform where the instruments and forms of interaction between the national and world economies are directly worked out. On the other hand, the state and structure of the economy of the border regions, due to their greater exposure to external factors and less inertia, are some indicators of the effectiveness of the use of instruments of state regional policy.

Consequently, for the effective development of the economy of the border region and the management of socio-economic processes, a fundamentally new model of regional economic policy is needed, characterized by high sensitivity to external and internal changes, which makes it possible to identify opportunities for the development of the region and turn them into sources of economic growth.

Another important task of such a regional economic policy is the approbation of management tools, their adaptation and further implementation in other regions of the country, thus providing a self-development function for regional development management systems. In foreign business schools, analogues of this model are models of management cycles PDCA and SDCA (Kolenzo, 2002) and a management model based on “weak signals” (Ansoff I., 2009), (Kolenzo, 2002).

Given the interdisciplinary nature of this research area, the use of an interdisciplinary methodological apparatus based on the use of a synergistic and systemic approach, allowing through its epistemological features (integrativity and interdisciplinarity, multifacetedness, multivariance, dynamism, cyclicality, ambiguity, etc.) seems natural and justified and describes the properties of the border region as an object of investigation. Moreover, when solving specific research problems, it is advisable to use particular varieties of the system approach: – the evolutionary approach (when studying the trajectories of the development of economic processes in the border region, justifying the prospects and choosing the optimal directions for

development); – geosystemic approach (when studying the nature of the interaction of the border region within the national and world economic spaces); – reproductive approach (when decomposing and studying the structure of the regional economy and the relevant elements of regional economic policy, regional chains of value increment, etc.).

In accordance with the proposed hypothesis and its interdisciplinary character, the development of scientific bases for regional economic policy in the border region should be based on the integrated use of scientific principles and methodological apparatus of various economic theories.

In particular, the use of the methodological apparatus of neoclassical economic theory is expedient in the study of the potential of economic development and factors of production in the border region, the development of tools for managing production factors, the evaluation of the regional marginal product and the development of tools for its increase, the study of the competitiveness of the border region, the rationale for micro- and macroeconomic instruments of the regional economic policy in the border area.

The use of the methodical apparatus of regional development theories is justified in studying the features of the spatial organization of the economy of the border region and assessing its effectiveness, exploring the forms and ways of interaction of regional markets in the formation of value chains, substantiating the sources of economic growth, creating conditions and prerequisites for their use.

The use of the methodological apparatus of institutional and neoinstitutional economic theory is expedient in the study and assessment of the initial positions, motives, contradictions and instruments for the implementation of regional economic policy in the border region, as a part of the national economic space and, simultaneously, geospace.

It should be noted that the ever-growing interest in the problems of regional development makes it possible to state that to date there have been several methodological directions of theories of regional development, which indicates their relevance and qualitative development, and undoubtedly they should be used in developing the scientific bases of regional economic policy in the border region:

- the spatial direction represented by such theoretical and applied developments as the theory of spatial interaction of markets, the theory of spatial “diffusion of innovations”, the theory of “poles” of growth, the concept of “centre-periphery”, the theory of new international trade and new economic geography, the concept of territorial production systems, etc.;

- a technological direction represented by such theoretical and applied developments as the concept of a technical and economic paradigm, the concept of a national innovation system, the concept of a learning economy, the concept of a regional innovation system, the model of innovative regional growth, the concept of “quality index” of economic activity, etc.;

- a spatial-technological (complex) direction, represented mainly by cluster theories and concepts, as well as theoretical developments characterizing the spatial and regional features of the organization of production and technological

processes (the theory of the nation's competitiveness, the concept of the company's value chain, the theory of industrial clusters, the concept of the value chain in conditions of globalization, the concept of a regional cluster, the concept of cluster interaction and chains and incremental cost models of regional clusters, model, level of competition, and others).

An analysis of modern regional studies and the practice of applying their results show that today development gets the last direction. This is due to the fact that the methodological apparatus of theories related to the spatial and technological direction allows one to investigate a number of interrelated aspects of the functioning and development of the regional economy and to form on the basis of the results obtained its integral model having both theoretical and applied significance. It is on these complex theories that it is expedient to focus on what will allow to decompose the structural elements of the economy of the border region and to study the features of their interaction at different levels and with different agents and to develop scientifically based principles, methods, structure, and content of regional economic policy.

It is also clear that when solving research problems in the field of development and implementation of regional economic policy in the border region aimed at increasing its competitiveness, it will take a methodical apparatus typical for traditional business schools (organization theory, strategic, innovation and project management, strategic and territorial marketing, etc.). This interdisciplinary approach to studying the influence of various factors on the management and development of the border region allows us to introduce into the research program different criteria for identifying factors that affect its competitiveness, to study their nature, to classify (for example, exogenous, endogenous and factors inherent in the economic system itself). This, in turn, will allow the development of the most effective measures and instruments to counteract (or use) specific factors, achieving the best combination of them in terms of increasing competitiveness, maximizing utility for the region and increasing the limits of parameters that determine the economic growth and living standards of the population. At the applied level, this involves building a model of regional economic policy in a border region, based not on the traditional management of only available resources, but on managing the opportunities provided by the geographic location of the border region and its geoeconomic environment: i.e. management of markets (including external ones) through the mechanisms of including the region and its economic agents in external chains of increment of value, thereby expanding the "scope of management" beyond the administrative boundaries of the region.

This implies the formation of a fundamentally new type of regional economic policy with regard to border regions, oriented, on the one hand, to competitive leadership and, on the other hand, to avoid competition in its traditional understanding, which implies the development of features of the region's uniqueness, the organization of production of new products with the formation of new markets for them, as well as the "tying" of logistical flows to the region through its inclusion in external chains of increment in value.

Precisely on the basis of these prerequisites and features, a model of regional economic policy, adapted for the conditions of the border regions of Ukraine, was developed. Its main goal is to increase the competitiveness of the economy of the border regions by identifying and using endogenous sources of growth and managing the opportunities that the external environment provides for the region.

Within the framework of this model, border regions are proposed to be considered as “reference points” for drawing the national economy into the system of the international division of labour. Such a “special” regional economic policy for the border regions should be complemented by the abovementioned measures to stimulate interregional economic ties. Only in this case, the expansion of Ukraine’s participation in the international division of labour will be accompanied by an intensive development of the interregional division of labour and the concentration of an increasing number of individual links in global chains of increment in the national territory of Ukraine, ensuring its competitiveness on a global scale.

To substantiate the proposed model of enhancing the competitiveness of border regions, its methodological foundations, as well as ways and tools to enhance the competitiveness of the border region of the region, allowing taking into account its features and advantages, are considered below.

The methodological approaches to increasing regional competitiveness discussed in the previous section can be applied to solve various problems, and not only at the level of the border region (region), but also at the local (municipal) level – the level of “border territories”.

As an example of the application of these approaches in the practice of regional and municipal governance, we consider two aspects:

- development of strategies for modernization and enhancement of competitiveness of border territories and settlements;
- development of the brand concept of the border area in territorial marketing.

### **Part 3. Modernization and enhancement of the competitiveness of border areas**

The relevance of this aspect of the practical use of methodological approaches to increase competitiveness is that today in Ukraine it is the frontier territories that actually fulfil the European integration functions at the local (municipal) level within existing and emerging Euroregions. It is for these territories, which are mainly peripheral and depressive, that the phenomenon of competition and competitiveness can become a potential factor in solving the problem of their socio-economic development. At the same time, the property of “borderline” has a hidden potential for the development of these territories. In the context of solving the problem of enhancing the competitiveness of border areas, it is necessary to understand what theories countries, regions, and companies are guided today in order to “fit” into the system of global economic relations.

The majority of modern scientific theories in the field of competitiveness are connected, first, with the study of tools for creating value and, secondly, with the

development of mechanisms for the redistribution of economic resources on a global and local scale.

The first group includes various theories of innovative development and the concept of the value chain of such authors as G. Gereffi, R. Kaplinsky, M. Porter, M. Simaguchi, J. Humphrey, H. Schmitz, and others. The second group includes cluster theory, new theories of international trade and the theory of spatial development by P. Krugman, M. Porter, E. Reinert, M. Storper, M. Enright, and others.

With regard to solving the problem of enhancing the competitiveness of border territories, the tools of the first group of theories provide an opportunity to assess the inclusion of these territories in the global and interregional value increment chains, assess the level of development of supporting sectors, and provide a qualitative assessment of the potential of the border area in terms of concentration of valuable activities on it. Theories of innovative development provide a wide range of tools to stimulate innovation processes, ways of organizing innovation activity, systemic modernization of the economy on the basis of organizational changes. In turn, the toolbox of the second group of theories makes it possible to assess the current situation of the border area from the point of view of its inclusion in the system of international and interregional division of labour.

It is clear that each specific border area has its own specifics. But all of them are united by a common problem of the periphery and inefficiency of the structure of the economy. In any case, the solution of these problems will be associated with structural changes. Consequently, structural modernization should be the basis of a unified methodology. And since the above methodical approaches to increase competitiveness are largely based on the tools and methods offered in the framework of the above theories, they can be used to solve the structural problems of the border areas. Let us consider in more detail, what are the features of the use of these methodological approaches with respect to improving the competitiveness and structural modernization of the economy of the border areas.

1. As mentioned above, the first approach will be aimed at further strengthening the specialization of the economy of the border areas (but with different qualitative characteristics), while increasing the efficiency of production and their inclusion in the external chains of increment in value (in production – through outsourcing, in services – through franchising and development of dealer networks). As with its application at the regional level, the core economic strategy will be a focused strategy of specialization and cooperation aimed at integrating the basic enterprises into interregional and international production chains, financial flows, focusing on increasing their role in these chains. Therefore, the main activities of this strategy will be related to the optimization of the cost structure, the introduction of new production technologies and equipment, the provision of preferences, and the conclusion of production contracts with foreign and foreign partners, the development and implementation of other mechanisms for the development of substantive and technological specialization and cooperation.

In these conditions, it is attractive to create a specialized industrial technopark on the border territory on the basis of a leading city-forming enterprise by including it in a transboundary innovation cluster, in which it is possible to ensure the development of a set of supporting activities. These include sectoral R&D, design activities, training and retraining of personnel, marketing activities, etc.

2. The second approach is aimed at developing the basic infrastructure, as a condition for using external opportunities, attracting investors, enterprises, and labour. The expected result is the creation of prerequisites for diversifying the economy of the border area and increasing its investment attractiveness. The underlying economic strategy will be a diversification strategy, which focuses on developing measures to exploit the opportunities for development that provide the external environment for the border area. These may include opportunities for cooperation and inclusion in existing transport, trade, financial, tourist logistics schemes, the use of the benefits of geographical location, favourable market conditions, etc. For this purpose, the emphasis is placed on the creation and development of basic conditions and infrastructure that ensure the formation and promotion of unique offers to potential customers of the border area. Therefore, an important element here will be the development of a well thought-out and sound marketing plan, both for “promoting” the border area in general and for specific proposals and products.

The implementation of the second approach to the modernization of the economy of the border area involves the creation of investment and technology sites on the basis of former and existing enterprises with the provision of production facilities, the supply of communications, transport routes, etc. As a result, a “set” of compact investment sites with the necessary infrastructure is formed, on the basis of which a “technological village” will be further formed (by analogy with the Finnish experience of location and concentration of enterprises).

3. The third approach is related to the development of measures aimed, on the one hand, at the concentration of the elements of the value chain in the specialized sector in the border area, on the other hand, on the development of supporting sectors, as a basis for further diversification of its economy. As a basic economic strategy, this approach considers the combined strategy of concentrated growth and diversification described above.

The concentration of the value chain can be achieved by extending the production activities of the base enterprises to the neighbouring links of the technological chain or by placing on the border territory other enterprises having similar or similar specialization, including those connected by a single technological chain. For this purpose, it is necessary to create a specialized production and technological zone on the border area, on the basis of which a cluster structure (a certain “microcluster”) will be formed.

However, by adopting this approach, one must understand that it is possible to create attractive conditions only through the development of supportive activities. They can act in the future as a basis for diversifying the economy of the border area.

The logic of choosing a particular methodical approach is based on an assessment of the existing prerequisites and the sufficiency of conditions for their application. Using this set of characteristics, it is possible to assess the adequacy of conditions for choosing a specific methodological approach to modernization and enhancing the competitiveness of the border area.

It is clear that these are only the most common approaches to the structural modernization of the economy of the border areas. Nevertheless, their reasonable use will make it possible to set an extremely understandable strategic goal, concentrate on achieving it and mobilize available resources, see hidden opportunities and growth potential.

As the main criteria for the effectiveness of regional economic policies aimed at enhancing the competitiveness of the border region, first: its ability to offer strategic directions that allow creating strong and sustainable secondary competitive advantages based on primary advantages; secondly, the ability to ensure the self-sufficiency of the border region, both in the short- and long-term perspectives; thirdly, the ability to provide infrastructure development of the border area, attract foreign capital and labour resources (since this greatly affects the ability of the border region to transform primary competitive advantages into secondary ones).

Another mandatory requirement for a regional economic policy with regard to border regions, on the basis of which its effectiveness depends largely, is that its structure should not be built in accordance with the economic structure of the economy of the border region, but based on the structure of generated types of income. In this case, it becomes possible to put into practice the concept of the value chain in planning the social and economic development of the border region, and also create the conditions for the transition from the sectoral approach in management to the project approach, which is characterized by flexibility and adaptability that allows the most efficient identification, different types of potential and resources of the region, orienting them towards achieving the strategic goal.

### **Conclusions**

Based on the characteristics of the starting conditions, in which the border region is located at the time of the decision to develop and subsequently implement structural regional economic policy, three methodological approaches to improving its competitiveness may be proposed:

The approach is based on the identification and deepening of the key competence of the border region, allowing concentrating in the region economically valuable activities (value chain) in the specialization sectors, creating conditions for the development of supportive activities.

The approach is based on the use of external opportunities for the development of the border region, which makes it possible to identify and use external development opportunities and promote the integration of the economy of the border region into a system of interregional and international division of labour. Within the framework of this approach, it is possible to increase the investment attractiveness of the border region through the development of basic infrastructure.



as well as through the increase in the value of regional property complexes through the use of capitalization schemes.

A combined approach combining the elements of the first and second approaches, as a result of which it can be used for depressive border regions where there is a need for a radical change in the existing structure of the economy, as well as for border regions with a mono-sectoral (including raw) specialization economy.

For each of the three proposed methodological approaches, you can provide a step-by-step implementation algorithm. The considered methodological approaches to increase the competitiveness of the border region are applicable to solving a rather wide range of tasks facing regional government bodies. They can be successfully adapted for use at the local (municipal) level to enhance the competitiveness and restructuring of the economy of the border areas, as well as to develop and implement a strategy of territorial branding.

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