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COMPETITIVENESS OF BORDER REGIONS. THE LITHUANIAN CASE

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The formation in the last decade on the European space of two large integrated economic associations of the EU and the Customs Union of the CIS drew lines of economic division between blocks and other states. One of the goals of the European Economic Association – improving the safety of the whole region by aligning the different levels of the development of territories on an integrated economic space. It is typically, that regions of one economic association bordering with the regions of other economic associations have different internal and external constraints that impede the movement of goods, capital and labor force within the sense of of integrated economic space. The most acutely susceptible to the negative effects of such influence are border regions to the EU's eastern frontiers. Unfortunately the presence of economic borders negate the benefits that could be obtained from trade in the border regions in the adjacent territory of the neighboring country. Especially such a situation affects productions of low value added. In Lithuania, such areas include the regions bordering with Russia (Kaliningrad region) and with Belarus. The restriction of economic activity caused by the geographical factor reduces the competitiveness of these regions. So for example, in Lithuania according to the results of 2011, boundary regions with Russia and Belarus had the lowest GDP per capita compared to average in comparison with other regions. (Taurage county 56,3 %, Marijampole county 62,5 % and Alytus county 65,2 %). The purpose of the work to show how it is possible to increase the competitiveness of border regions subject to objective constraints of the economic activities in connection with the geographical position.

Key words: competitiveness, border regions, integrated economic space, Lithuania.

Introduction

The topic of competitiveness of border regions has recently been given more and more importance. The purpose of this study is to explore their competitiveness.

Both in Western Europe and in Eastern Europe there has always existed regions that lag behind in the development of industrial centers. Many of these rather poor regions have historically been in the border area.

In the socialist countries the state was the 100 % customer and purchaser of all production and services. The State Planning Committee (Gosplan) in the USSR, the State Planning Committees in the Union's republics and its analogs in the other CMEA (The Council for Mutual Economic Assistance – Comecon) countries were engaged in the placement of the productive forces of society and thus directly influences of the formation of industry branches both in the country as a whole and in its regions. Depending on the investment into this or that region, speaking the language of the present-day, its competitiveness was created. The concentration of more high-tech industries, which mainly accounted for the military-industrial complex, as a rule was carried out in the country. Because of socialist planning and

distribution of productive forces, aimed not only at strengthening the defense capability of the Warsaw Pact countries, but designed to eradicate unemployment as a factor of the socialist way of development, were created and other industries. These other production in the USSR were formed mainly by the industry as the union ministries, and by the ministries, subordinate to the Union republics.

These two meso-levels of production, on the one hand, were designed to solve problems of all-union sector planning and production, and enterprises of so-called local industry, on the other hand, were built to use local raw materials, skills and traditions for the production of products specific to the area. Since the distribution of productive forces in the Union republics was concentrated in the major cities and regional centers, areas located in the border regions, both in relation to the other Soviet republics, not to mention the border areas with other countries, such as Lithuania with Poland, developed poorly. Providing and giving priority to all-union orders, local production was formed by the residual financial and raw material principle. Thus, with the collapse of the Soviet Union, the formation of independent states and the collapse of the Union market, large enterprises, which worked on the all-union market have been exposed to the recession. Losing high-tech manufacturing, and even the majority of the military-industrial complex, including its human resources, almost the entire base for receiving a surplus value and employment of the population was moved to the enterprise of so-called local industry, the share of which varied in different Soviet republics from 5 to 15 % [14, p. 37]. The enterprises of the local industry as a rule account for a small workshop for the production of handicrafts, toys, articles of linen, ceramics, wood, etc. In these enterprises, a high added value couldn't be created «a priori», and thus the regions in which there were these enterprises were doomed to a lower standard of living.

After independence, the main task of the government was during the first decade to keep the level of living and economic situation, which rolled uncontrollably down, at the end of the 1980-ies. Economic issues have been farmed out to the free market, which on an intention of political elite, itself had to be adjusted to suit the western countries. The whole range of economic relations between the state with business community and civil society was reduced to demonopolization, privatization, and to struggle to attract foreign investment. The role of the state in the economy was reduced to almost zero, no regional policy practically existed [15, p. 103]. Demonopolization was carried out generally on request of the EU, resulting in the loss of the national identity of many lucrative branches of the economy and the service sector. Practically only after joining the EU, where the main spheres of economic influence have been divided, politicians, businessmen and scientists began to talk again about the competitiveness of the country as a whole and its regions. Major investments are generally going to areas where there was a rapid return on investment – these were mostly objects of trade and banking sectors. Eastern border regions of Lithuania, which also were not very spoiled in Soviet times, became even more backward compared with metropolitan and coastal regions.

Definitions and Theories of Competitiveness.

To determine the competitiveness we must first give its definition, which comes from the word compete, and which can be defined in several dimensions. It also follows that the very notion of competition has a non-permanent and time-varying nature.

We offer a definition of competitiveness at four levels – linguistic, theoretical-economic, statistical and political.

On the linguistic level Russian dictionary [26, p. 266] gives the following definition of competition: «rivalry, the struggle to achieve the highest benefits, advantage». Longman dictionary of contemporary English [12, p. 204] defines competition as «the act of competing; the struggle between several people or groups to win something or gain an advantage». That is linguistically, two main parameters of competition – getting an advantage in fighting or, to use a softer word, rivalry between individuals and groups of people are defined.

Therefore the linguistic concept of competition and competitiveness in their spot and spatial dimension is reduced to the answer to the question who should be competitive – some people, for example in sport, scientific and creative activities, or economic entities, territories and regions of the country, which represent more complex definitions.

On the theoretical-economic level of the classical works of A. Smith [22, p. 38 et seq.] and D. Ricardo [19, p. 20 et seq.] it is necessary to note many outstanding works on the topic of competitiveness throughout the 20th century. These basic theories and their derivatives, additions, transformations, modifications, updatings and detailed elaborations basically by efforts of such scientists, like E. Heckscher and B. Ohlin [6, p. 1 et seq.], W. Leontief [8, p. 3 et seq.], M. Porter [18, p. 45 et seq.], T. Rybczynski [20, p. 1 et seq.], P. Samuelson [21, p. 13 et seq.], W. Malenbaum and W. Stolper [13, p. 413 et seq.] and others have been shifted on a modern perception but the criteria specified above remained as the basis alongside with the added integration parameters such as desirable adjacency of territories, accumulation of all kinds of resources, first of all financial ones, creation of highly technological manufactures, i.e. achievement of dynamic gains oriented towards the influence on manufacturing capacities and subsequent growth of income.

Among the later works one mention should the studies of I. Brykova [2, p. 31 et seq.], L. Martin [17, p. 89], M. Viassone [24, p. 55 et seq.], G. Dimian, A. Danciu [4, p. 68] and others, as well as Lithuanian authors S. Vaitiekunas [23, p. 306 et seq.], G. Burbulytė, [3, p. 20], G. Mačys [15, p. 41 et seq.], J. Bruneckienė [1, p. 25 et seq.], A. Kilijonienė, Ž. Simanavičienė [7, p. 93 et seq.] and others.

I. As well as the theoretical and practical work in our particular case, we should mention a global program of the EU Europe's growth strategy «Europe 2020» [5, p. 1 et seq.], a Lithuanian national regional program in the context of Europe's economic strategy «Lithuania's progress strategy» Lithuania 2030» [9, p. 1 et seq.] as well as the development strategies adopted in each region of Lithuania.

Statistically competitiveness can be monitored at the regional level, on many parameters, for example such as the average gross monthly earnings, the number of economic entities in operation, social assistance benefit, labour force, unemployment

and employment, municipal income and expenditure, gross domestic product (GDP) by NACE 2¹, foreign direct investment (FDI), labour productivity of the national economy by statistical indicators, economic activity (NACE 2), exports of goods produced by administrative territory and year and so on.

Finally, the competitiveness in the understanding of European politicians, is set forth in «Lisbon Strategy» [9, p. 1 et seq.] and the strategy «Europe 2020» of economic and structural reforms, which resonate with the economists understanding in the creation of a new economy, where the main role is played by knowledge and the ability to transform this knowledge and information into the final product .

The analysis of the competitiveness of the Lithuanian Eastern border regions

Map of Municipalities in Lithuania [24, p. 1]



Lithuania [24, p. 1] is a small country. Its area is 65 300 square kilometers or 10,8% from the territory of Ukraine.

Lithuania's area is 3 times the area of the Lviv region, but the population exceeds only by 1,2 times. In this study, a priority for us are border regions with Belarus. First, it is the longest border

of Lithuania, which is 502 km or 39,43 % of the Lithuanian borderline. Second, this is the border with a country that is a member of the Customs Union with Russia and Kazakhstan. Thirdly, Belarus is a participant country of the Eastern Partnership and fourth – it is a country which was united with Lithuania in the past. For statistical dynamic comparison 13 year period was chosen – from 2000 to the date of Lithuania's accession to the EU in 2004, 2010 and the data at the beginning of 2013.

9 eastern regions of Lithuania – Zarasai, Ignalina, Švenčionys, Vilnius, Šalčininkai, Varėna, Druskininkai and Lazdijai – are its border regions with Belarus. On the total area they represent 18,6 % (12 132 sq. km) from all territory of Lithuania,

¹ The Statistical Classification of Economic Activities in the European Community (in French: Nomenclature statistique des activités économiques dans la Communauté européenne).

and in terms of population 9,4 % of Lithuania's total population or 279,3 thousand people at the beginning of 2013 [10, p. 1].

Lithuanian statistics in a publicly accessible database by different parameters, depending on the county or municipality gives different dimension. Therefore, this situation makes it difficult for quantitative and qualitative analysis. So in the disaggregated data for the municipalities, which are very important to analyze the competitiveness of the border regions, there are no such data as unemployment rate, employment rate (aged 15–64), GDP per capita compared to average (%), share of GDP created by municipality (%), export of goods produced in municipality compared to Lithuania. However, these data are only for the counties, which of course distorts a pattern for the border regions, as in Utena County only 2 municipalities from 5 are border ones, in Vilnius County 3 of 8, including the city of Vilnius, which as the capital has absolutely another dimensions in all parameters of competitiveness, in Alytus County – 3 of 4.

Reviewing of the statistical data for the three counties leads to the following analysis. As mentioned above the Vilnius region in many ways is to be excluded from this study in the context of counties, since it includes the city of Vilnius. According to other data, which are available for research and that do not include only the Vilnius Municipality – details are similar to other border regions. Therefore, in the county section, we compare only two – Utena and Alytus.

1. The most important factor in the attractiveness of the region is the growth of the population. In both counties its percentage decline for 13 years is observed, both as a percentage compared to Lithuania, and in absolute numbers – in Alytus County for 12.4 %, and 12.9 % for Utena County, while across Lithuania this index decreased by 11.8 % [10, p. 1] (Calculated and composed by author).

2. The unemployment rate, except the year of 2000 for Utena and the year of 2010 for Alytus, permanently exceeds the average unemployment rate in the country.

3. The level of employment over the period studied was consistently below the national average.

4. GDP per capita compared to average fell for the considered period in Utena County by 12.9 and in Alytus County by 15.6 percentage points and amounted to respectively 74.9 % and 65.8 % [10, p.1]. (Calculated and composed by the author).

5. The share of GDP created by county fell in both counties over the considered period by 1 % [10, p. 1] (Calculated and composed by the author).

6. Export of goods produced in Utenos County compared to Lithuania decreased by 1.06 %, and in Alytus County by 2.76 % [10, p. 1] (Calculated and composed by the author), respectively.

Other indicators of regional competitiveness, broken down by municipalities, given by the Lithuanian statistics, can include the following: population compared to Lithuania, the number of economic entities in operation, social assistance benefit compared to Lithuania (number of recipients & expenditure), gross agricultural production by product compared to Lithuania, gross monthly earnings compared to

average, FDI² (LTL, million), FDI compared to the country (%), FDI per capita (LTL), FDI per capita compared to average (%).

1. Since 2000, there is an absolute (by 43.5 thousand) and the percentage decline of the population in all of these border regions, except Vilnius. In Šalčininkai district with an absolute decrease in population its percentage rate stabilization was recorded.

2. The number of economic entities in operation decreased in all border regions, except for the Vilnius Municipality. The largest decrease of 0.27 % was recorded in Švenčionys District Municipality.

3. Social assistance benefit compared to Lithuania (number of recipients & expenditure) has also increased over the considered period in all the border municipalities of Utena County, as well as in Vilnius and Lazdijai District Municipalities. At the same time, social assistance benefit compared to Lithuania also decreased in Švenčionys, Šalčininkai, Varėna and Druskininkai District Municipalities.

3. Gross agricultural production by product compared to Lithuania decreased in percentage in all of the district municipalities, with the exception of Šalčininkai. At the same time, the growth in gross agricultural production by product for the period 2005–2011 was 158.8 % [10, p. 1] (Calculated and composed by author) across Lithuania.

4. Gross monthly earnings compared to average (%):

a) In all the border regions, with the exception of Visaginas Municipality (106,9 %), gross monthly earnings was lower than the national average – from the smallest index on 1.1.2013 at 69.5 % in Šalčininkai District Municipality to the highest 87.5 % [10, p. 1] (Calculated and composed by the author) in Vilnius District Municipality.

b) In Zarasai, Ignalina, Šalčininkai, Varena and Lazdijai Municipalities gross monthly earnings compared to average decreased, and in Visaginas, Švenčionys, Vilnius and Druskininkai increased.

6. An important parameter in recent years, as one of the main indicators of the attractiveness of the region, is in the understanding of the modern state bureaucracy the attraction of foreign direct investment (FDI) per capita compared to average in percentage. In all three Utena Counties was recorded its growth. However, its size made the gap from 2.41% in Zarasai Municipality to 9.52 % in Visaginas Municipality from an average about the country. In Vilnius County the increase was observed only in Švenčionys Municipality. The gap size ranged from 0.89 % in Šalčininkai Municipality to 50.09% in the Vilnius Municipality. In Alytus County there has been the growth in Druskininkai and Lazdijai Municipalities. The gap size ranged from 0.30 % in Lazdijai Municipality to 14.62 % [Stat.gov.lt, 2013] in Druskininkai Municipality.

In these border regions in 2 municipalities FDI per capita compared to average did not exceed 1 %, in 2 did not exceed 3 %, in one – 5 % and in one did not exceed 10 %. In the three remained municipalities only in the Vilnius Municipality FDI per capita compared to average exceeded 50 %, in Švenčionys Municipality 24 % (both belong

² Data available until the year 2012.

to Vilnius County), and in Druskininkai Municipality made only about 15 % of the national average. In absolute terms the smallest FDI per capita on 1.1.2013 was recorded in Lazdijai Municipality – 11.0 Euros, and total investment – 243.3 thousand Euros.

The highest FDI per capita was recorded on 1.1.2013 at the Vilnius Municipality – 1839.1 Euros, with the total amount to 175.9 million Euros. However, even this amount of FDI, made only 1.59 % FDI compared to the country.

At 9.4 % of the population of these regions from all country, the amount of FDI made only 2.05 % [10, p. 1]³.

Conclusion

According to the EU definition, if the basic parameters of this or that region make less than 75 % of the average, then this region is in need of interventions. Based on the statistics, we can conclude that almost all the studied regions need such interventions. The attractiveness of the selected border regions, with the exception of Vilnius and on some parameters Druskininkai, is falling.

This means that

a) in the last 13 years, the local authorities, because of limited opportunities, including financial, on its own have not been able to overcome the negative trend in the dynamics of reducing the competitiveness of these border regions.

b) the inadequate policy of the central authorities during the crisis of 2008–2009 by cutting budgetary expenditures concerning economically feeble territories even more reduced the labour market, private consuming, investments and as a result competitiveness.

c) during the study period in the border regions with Belarus there is no any regional economic policy of the central government, aimed at improving their competitiveness.

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КОНКУРЕНТОСПРОМОЖНІСТЬ ПРИКОРДОННИХ РЕГІОНІВ. ЛИТОВСЬКИЙ ВИПАДОК

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Формування впродовж останніх десятиліть на європейському просторі двох великих інтегрованих економічних об'єднань – ЄС і Митного Союзу СНД провело лінії економічного розділу як між блоками, так і між державами, що до них не приєдналися.

Одна з цілей створення європейського економічного об'єднання – підвищення безпеки цілого регіону шляхом вирівнювання різних рівнів розвитку територій на інтегрованому економічному просторі. Зазвичай, регіони одного економічного об'єднання, що межують з регіонами іншого економічного об'єднання, мають різні внутрішні і зовнішні обмежувачі, які ускладнюють рух товарів, капіталів і робочої сили в розумінні інтегрованого економічного простору. Найгостріше такий негативний вплив відчувають прикордонні регіони Євросоюзу на його східних кордонах.

Насамперед таке положення стосується виробництв з низькою доданою вартістю.

У Литві до таких територій належать регіони, що межують з Росією (Калінінградська область) і з Білоруссю. Обмеженість господарської діяльності, викликана географічним чинником, зменшує конкурентоспроможність регіонів. Наприклад, у Литві, за підсумками 2011 р., прикордонні регіони з Росією і Білорусією мали найнижчі ВВП на душу населення, порівняно з середніми

значеннями в інших регіонах (округ Таураге 56,3 %, округ Маріямполі 62,5 % і округ Алітус 65,2 %).

Подано методи підвищення конкурентоспроможності прикордонних регіонів, схильних до об'єктивного обмеження своєї господарської діяльності у зв'язку з їхнім географічним положенням.

Ключові слова: конкурентоспроможність, прикордонні регіони, інтегрований економічний простір, Литва.

КОНКУРЕНТОСПОСОБНОСТЬ ПРИГРАНИЧНЫХ РЕГИОНОВ. ЛИТОВСКИЙ СЛУЧАЙ

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Формирование в последнее десятилетие на европейском пространстве двух крупных интегрированных экономических объединений ЕС и Таможенного Союза СНГ провело линии экономического раздела как между блоками, так и не присоединившимися к ним государствами.

Одна из целей создания европейского экономического объединения – повышение безопасности целого региона путем выравнивания различных уровней развития территорий на интегрированном экономическом пространстве. Как правило, регионы одного экономического объединения, граничащие с регионами другого экономического объединения, имеют различные внутренние и внешние ограничители, которые затрудняют движение товаров, капиталов и рабочей силы в понимании интегрированного экономического пространства. Наиболее остро такому негативному влиянию подвержены пограничные регионы Евросоюза на его восточных границах.

Особенно такое положение затрагивает производства с низкой добавленной стоимостью.

В Литве к таким территориям относятся граничащие регионы с Россией (Калининградская область) и с Белоруссией. Органиченность хозяйственной деятельности, вызванная географическим фактором, уменьшает конкурентоспособность регионов. Например, в Литве, по итогам 2011 г., пограничные регионы с Россией и Белоруссией, имели самые низкие ВВП на душу населения, по сравнению со средними значениями в других регионах (округ Таураге 56,3 %, округ Маріямполе 62,5 % и округ Алітус 65,2 %).

Показаны методы повышения конкурентоспособности пограничных регионов, подверженных объективному ограничению своей хозяйственной деятельности в связи с их географическим положением.

Ключевые слова: конкурентоспособность, приграничные регионы, интегрированное экономическое пространство, Литва.