

# Транскордонне співробітництво

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## **Development of the border areas in the context of activation of investment-innovation practices in Ukrainian-Polish transborder region**

*The role of border areas in the formation of investment-innovation potential of Ukrainian-Polish cross-border region is demonstrated. The positive impact of near border location of the territory to attract foreign direct investment is investigated. The main attention is focused on the socio-psychological factors, in particular, the quality of human and social capital. Identified that the existing investment-innovation potential of the Ukrainian-Polish cross-border region is not fully used, most of the investment does not have the innovative nature. It is established that the main causes of the existing problems are: inadequate quality of human capital, institutional dysfunctions and high levels of labor migration. To strengthen of investment-innovation practices within the Ukrainian-Polish cross-border region is offered to improve the quality of provision of educational services and to ensure the development of innovation infrastructure in the border areas of Ukraine.*

*Key word: border areas, Ukrainian-Polish cross-border region, investment-innovation practices, socio-psychological factors.*

Due to signing the Association Agreement border areas of our country, which are located within trans-border regions between Ukraine and EU, appear to be an important research object. Having been peripheral regions during the period of 'iron wall' policy, Western regions are going to turn into zones of international collaboration and integration, uniting mental, social, public-psychological, cultural, manufacturing, administrative and other elements of economic structure of Ukraine and neighboring countries-EU members.

Particular status of the border areas of our country, located along the EU border, is provided by the close mentality of the population living there and citizens of neighboring Poland, Slovakia, Hungary and Romania. Notwithstanding some differences in social consciousness provoked by historical and political influences within the process of its development, common features are more dominant on the both sides of the border, rather than antagonisms.

Thus, border areas of our country, which are located within transborder regions between Ukraine and EU, possessing the peculiar political, social and economic status also take particular place in the context of introducing euro-integration processes and adaptation of the national basis to standards and principles of the economic life and political structure of the countries-EU members.

One can follow the most prominent peculiarities during the formation process of elements in regional institutional environment and separate parts of economic structure on the regional level, including quality of human and social assets, development of its infrastructure, specifics of investment climate.

Separately one has to highlight importance of transborder influence on activation of investment-innovation processes on the border areas of Ukraine. Proximity to the border with EU allows to intensify technology transfer, provide relative level of science-educational collaboration, secure constant experience exchange between intellectual and educational centers, involve funds within programs of international technical assistance of EU for modernization of the infrastructure in the border areas, development of innovative entrepreneurship, introduction of modern institutions of innovative economics.

In the current context it is worth highlighting prospective of investment-innovative practices activation in the border areas of Ukraine, located within Ukrainian-Polish

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transborder region. Poland appears to be one of the most consistent and effective strategy partners of our country on the international arena, and the level of cultural closeness, historical connection and mental identity of the citizens of border areas in both countries are ones of the most powerful among all trans-border areas between Ukraine and EU.

Above this, the length of the Ukrainian-Polish land border is the biggest among all transborder regions included in the border areas of Ukraine and neighboring countries-EU members. Particularly, it is 7 times longer than Ukrainian-Hungarian land border, 3.7 times bigger than the length of Ukrainian-Slovak border and 1.23 times than Ukrainian-Romanian land borders [3].

Thus, actuality to research the prospective of the further activation of investment-innovative collaboration within Ukrainian-Polish transborder region, including studying of the possibilities to increase investment-innovative potential of the border areas in Western Ukraine is conditioned by two groups of factors. First of all, by constant growing of the importance part and weight of these territories in the process of deepening the European integration of our country; secondly, objective social-psychological and geo-economic preconditions such as mental closeness and cultural proximity of the population, common resource potential, substantial length of the border.

Taking into account actuality of the researched problem, a lot of national and foreign scientists dedicated to highlighting its different aspects. In particular this corresponds to scientific works of L. Baltserovych, B. Berdukhovska, I. Zhovkva, O. Znakhorenko, G. Kolodko, A. Madera, M. Malskyi, O. Mytrofanova, I. Mikhai, Y. Saveliev, B. Surmach, L. Tokar, S. Chebotar, L. Chekalenko, A. Sheptytskyi, M. Iankiv etc, who concentrated their attention on the strategic partnership between Ukraine and Poland, including considerations of the transborder aspect of this problem.

Publications by V. Borshchevkyi, V. Budkina, I. Vakhovych, V. Goblyk, I. Zhurba, V. Zasadko, I. Loginova, N. Mikula, A. Mishchuk, I. Mykhasiuk, A. Mokiy, N. Pavlikha, M. Perkovkyi, S. Pysarenko, A. Stasiak, I. Studennikov, I. Tymchenko, R. Fedan, Z. Chjnicki, V. Jastrzemska disclose the essence of the transborder collaboration between Ukraine and Poland in the context on European integration of our country. These works also define the role of border areas and transborder regions in establishment of effective relationships between economic subjects and citizens of Ukrainian-Polish border-zone.

Scientific researches of V. Andriychuk, I. Babets, V. Biletskyi, T. Vasylytsiv, A. Goshchynskyi, V. Gryga, M. Datsyshyn, R. Datskiv, O. Dudka, S. Ilyashenko, A. Kozlovska, L. Kolyarska-Bobynska, O. Mokiy, V. Ortyl, I. Polyova, V. Pryadka, I. Pukalskyi, O. Snigyr, O. Chupryna and others are dedicated to investment-innovative collaboration between Ukraine and Poland, including the development context of the border areas.

At the same time researches of different development aspects of border zones of Western Ukraine within the context of reaching priorities of investment-innovative practices within Ukrainian-Polish transborder region still have not gained enough distribution nowadays.

Considering this fact, the aim of the article is to reveal laws and define prospective of the investment-innovative development within border areas of Ukraine, which are included into Ukrainian-Polish transborder region under modern social-economic conditions.

It is worth noting that definition of the transborder region is based on the statement that this is a territory characterized by availability of similar natural-geographic conditions and which embrace border administrative-territorial units of neighboring countries.

Thus, N. Mikula points on the fact that the term transborder region is rather new in regional economy, and started to be used in 90-s of the previous century. Under transborder region one is used to understand a certain territory, which includes border administrative territorial units of the neighboring countries. In this case it is

also stressed that apart from neighborhood it is not worth paying attention to other characteristics, among others – natural-geographical conditions. The main factor which defines transborder region among the number of territorial regions – is the availability of the border. And even though, transborder region can include neighboring territories of several countries, there cannot be a transborder region on the territories that are not closely spaced. Above this, transborder region can be separated on the second level after the state one as well – namely on the district level (for example, for the case of Ukrainian-Polish border this is the district-county level) [6].

I. Studennikov offers under transborder region the meaning of some territory, which is characterized by the availability of the similar natural-geographic conditions and includes border zones of two or several countries that have common border [10, p. 140].

V. Goblyk points that increase of the role and weight of the transborder regions in the modern economics as well as growing scientific interest to the problems of their formation and functioning is connected with manifold activation of transborder collaboration processes, which became rather popular after the collapse of the socialistic block, being reinforced with the establishment of European integration process, including two last waves of EU broadening [2, p. 7].

Thus, availability of the border is the key common indicator, which characterizes zones as transborder regions and border areas in comparison to other analogical research objects. However, it is worth highlighting, that taking into account available theoretical-methodological research principles, it can take place with consideration of different development factors and aspects of economics functioning in the border areas within the corresponding transborder regions, including definition of rather broad range of heterogeneous indicators.

First of all this concerns institutional processes and influence of separate institutions, development of entrepreneurship and character of markets functioning, infrastructural provisioning, systems of regional management and marketing, quality of human and social assets, migration level of population, availability of centers of economic activity and business space localization, mental psychological peculiarities of the population, its values orientation, customs and traditions, moral norms and stereotypes of economic behavior, state of the environment etc.

At this it is worth understanding that geographically defined border is in reality a junction point of two or several spiritual, social, informational, economic systems with different entropy levels, which is the basis for political architecture of the corresponding micro-societies. From the other side, in case of availability of political will, introduction of the corresponding law basis, realization of educational activity etc. defined differences can be substantially lowered. Particularity of such leveling is mutual will to stimulation of the convergent tendencies from the both sides of the border, availability of certain social and political «empathy» in striving to form common institutional architecture of the transborder region.

Such institutional architecture, including combination of formal and informal institution elements, as well as corresponding institutions appears to be the basis for improvement of the investment climate within each transborder region, stimulating both increase of the incoming investments into the development of its economics and technology transfer between the bordering regions of the neighboring countries.

Finally achievement of the high integration level and convergence of the economics in the border territories of different countries, which are included into transborder region, allows achieving their stable development on the strong investment-innovative basis.

Extending the defined generalization onto the research of the investment-innovation processes in Ukrainian-Polish transborder region is worth paying attention to the fact, that general intensity of the investment processes remains to be insufficient, and the part of investments directed to realization of innovations is close to zero.

Thus, as at the end of 2014 the amount of direct foreign investments from Poland into economics of Lviv and Volyn regions made up about 450 mln. US dollars or 25% of the total amount of the involved direct investments [12]. Herewith 80% of

them were investments into financial and insurance activities, and ratio of funds invested into innovative types of economic activity (scientific and technical activities, information and telecommunications) did not reach even 1%. Above this, general amount of Polish investments in Lviv region only during the 9 months in 2014 decreased on 24110,3 million US dollars or on 5,7% [8].

In Volyn region the part of the Polish investments decreased during 2008-2013 on the third part (from 42,6 to 8,6%), and main spheres of money investment from Poland remained finance and food industries, trading activity [7].

Taking into account the structure of the direct foreign investments coming from Poland to border areas of Ukraine, one can state that their majority is concentrated outside of the innovative segments of economy, and comes from outside of the Ukrainian-Polish transborder region (as the main centers of financial and industrial assets of Poland are concentrated in Warsaw and other big industrial cities of the Western part of the country, it is rather difficult to consider Rzeszow, Lublin or other cities of Podkarpackie or Lublin Voivodeships among them).

Thus, the level of the investment-innovative collaboration in Ukrainian-Polish transborder region and its influence on economic development of the border areas of our country remains pretty low. This actualizes the necessity to discover the main barriers on the way of investment-innovative processes activation in Ukrainian-Polish border zone, and also raises the problem of defining the priority directions for removing of such barriers.

Scientific developments of national researchers, who studied the current problem, refer the following items to the factors, preventing effective investment collaboration between Ukraine and Poland: imperfect regime of foreign investment in Ukraine, high transactional expenses connected with institutional problems of market transformation, high level of economic risks in Ukraine, lack of resources in national enterprises for investment into foreign economy, limitations of the transfer assets from Ukraine, underestimation of the economic potential of Poland [5, p. 6].

Separate attention is paid to corruption, unclear law system, ineffective activity of judges and corporate raiding, which endanger rights and interests of the potential investors, which forces them to refuse from work on the national market [11, p. 139-140].

All this leads to the fact that investment in Ukrainian economy, especially into border regions of our country, is performed first of all by those companies, which possess enough economic potential and substantial weight in the world, and thus, in case of need, are able protect their economic rights and interests through corresponding EU institutions or international organizations. As a result, potentially the most active and innovative-oriented participants are thrown out from the investment process in Ukrainian-Polish transborder region – here belong small and medium enterprises of Poland, located within the border areas close to Ukraine [2, p. 168].

Apart of this, it is pointed that there are substantial differences between principles of economic structures of both countries, which influence negatively on mutual activation of investors on both sides of the border. Especially this concerns preservation of the post-socialistic rudiments in functioning of the national markets, resulting into over influence of the administrative bodies onto economy and public or entrepreneur activity of the citizens [1, p. 80-81].

However, in our opinion, this list should be added with a number of social-psychological factors of the destructive influence, namely – absence of motivation to lead effective entrepreneurship and innovative activity for citizens of border zones within the limits of Ukrainian-Polish trans-border region; gaps in educational preparation of the current and potential participants of trans-border collaboration, including labor migrants and representatives of the local authorities; dominating of social stereotypes and psychological rudiments of the soviet era, which make it impossible to effectively develop interaction of the participants of border trading with bodies of local authorities.

As a result primitive forms of economic activity oriented on border trading are prevailing in the economic space of the border zones in Ukrainian-Polish transborder region, namely Western regions of Ukraine. At this point transition to the level of investment-innovation collaboration in transborder space between Ukraine and Poland appeared to be blocked.

Certain political events taking place in Ukraine do not encourage trust of the investors in their striving to place resources and assets into border regions. Political instability and oligarch abuse of power, total monopolization of markets, goods, works and services do not promote the striving of the potential investors to fund assets into economy of Ukraine. One should add also unclear privatization processes, with limited access of the potential investors, which took place in political and historical context of modern Ukraine.

As a result, not enough amount of investment resources from Polish partners get into Western border territories of our country, which lowers their competition capacity, simultaneously slowing the development of innovative entrepreneurship and make it impossible to increase the quality of human assets.

There is such a phenomenon in the border regions as passive investments namely – funds of the labor migrants, which in different ways, mostly unofficial, get in Ukraine. Their accounting requires separate research. However, these resources are rather substantial.

It is worth noting, that large amount of labor migrants funds is directed not into productive consumership, instead of being involved into the sphere of trans-border business, which creates over demand onto real estate, vehicles and increasing the level of non-productive expenses among the citizens of the border zone, above all – rural youth. This results in reinforcement of deviant behavior and deepening of social demoralization, first of all inside the environment of such social groups as children and relatives of labor migrants, and people close to them.

In order to correct such situation and to create motivation for development of innovative entrepreneurship in Ukrainian-Polish transborder region it is worth offering a list of measures of national and local character.

Firstly, it is important to secure necessary institutional preconditions for the development of civilized forms of border and trans-border entrepreneurship. As «geographical proximity of enterprises in peripheral border zone of Western Ukraine with lower economic development to Western business partners and possibility of trans-border collaboration allows to take part in European process of innovation creating and movement through business partners in border zone» [4].

Secondly, it is necessary to develop efficient system for providing educational, informative and consulting services for those citizens of Ukrainian-Polish border areas, including labor migrants, who will be willing to work in the sphere of innovative entrepreneurship, including for costs of international donor organizations, including corresponding programs of technical EU assistance. Creation in the border zone of trust investment funds for joining with further investment into optimal profitable branches of economy, resources of labor migrants.

Thirdly, it is worth introducing obligatory educational programs for employees of local authority bodies of the border zones, which would include studying of the leading experience of the countries-EU members, namely Poland, as to the work with foreign investors, development of investment programs and offers, trans-border innovative strategies, provision of innovative technologies transfer into the region, introduction of fun-raising etc.

Realization of these and other accompanying measures will allow to neutralize a number of social-psychological barriers present in Ukraine, which are limiting innovative-investment activity in Ukrainian-Polish trans-border region. This will allow creating necessary social preconditions for realization of positive economic changes in the border areas of Ukraine, motivating their innovative development and securing growth of the competition capacity. Finally, this will lead to increasing of life quality for citizens of the corresponding border areas and their movement closer towards EU standards.

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**Бабій Г. Я. Розвиток прикордонних територій у контексті активізації інвестиційно-інноваційних процесів в українсько-польському транскордонному регіоні.**

Показано роль прикордонних територій у формуванні інвестиційно-інноваційного потенціалу розвитку українсько-польського транскордонного регіону. Досліджено позитивний вплив прикордонного розташування території на залучення прямих іноземних інвестицій. Основну увагу акцентовано на суспільно-психологічних чинниках, зокрема якості людського та соціального капіталу. Виявлено, що наявний інвестиційно-інноваційний потенціал в українсько-польському транскордонному регіоні використовується неповною мірою, а переважна частина інвестицій не має інноваційного спрямування. Встановлено, що основними причинами наявних проблем є: недостатня якість людського капіталу, інституційні дисфункції, високий рівень трудової міграції. Для активізації інвестиційно-інноваційних процесів у межах українсько-польського транскордонного регіону пропонується: підвищити якість надання навчально-освітніх послуг і забезпечити розвиток інноваційної інфраструктури прикордонних територій України.

Ключові слова: прикордонні території, українсько-польський транскордонний регіон, інвестиційно-інноваційні процеси, суспільно-психологічні чинники.

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