

## Assessment of the Prospects for Cross-Border Cooperation in the Conditions of the Changing Function of the Border

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### ABSTRACT

The relevance of the research topic is determined by the impact of cross-border cooperation projects and cross-border exchanges on the development and diversification of the economies of the neighboring countries' regions located in the immediate vicinity of the border. In addition, it is important to constantly assess the trends and dynamics of cross-border cooperation, reflecting changes in the foreign policy interaction of the Russian Federation and neighboring countries, in order to develop timely measures to enhance the positive effects or to minimize the negative consequences. The purpose of the research, the results of which are presented in the article, was to assess the dynamics of cross-border exchanges between residents of the Kaliningrad region and Poland after the abolition of the regime of small border movement and the strengthening of the barrier function of the border. To obtain author's conclusions, the methods of expert assessments, economic-statistical and factor analysis, economic and mathematical modeling were used. The novelty of the results of the research is that as a result of the carried-out studies, an author's assessment of the positive and negative impact of such movements and exchanges on the development of the economy of the border areas is given. The materials of the article are of scientific and practical value for scientists involved in the study of the development of cross-border links, administrations of the border territories of Russia and European countries, representatives of business, including tourism.

**Keywords:** cross-border cooperation, diversification, regional development, economic cooperation, Russian Federation, tourism

### INTRODUCTION

The border regions are a special type of regions, the specificity of their development is determined both by the periphery and the functional dualism of the border, combining the functions of barrier and contact [1, 2, 3, 4, 5, 6]. These functions are not static, but have a certain dynamic component.

According to N. M. Mezhevich [7], high dynamism is most often characteristic for strengthening the barrier function of the boundary. While the contact function develops gradually, as far as the achievement of certain intergovernmental agreements.

In a study carried out by L. G. Osmolovskaya [8], it is justified that the events of recent years show that, due to changes in foreign policy factors that influence the development of cross-border cooperation, the nature of the relationship between Russia and the border countries has also changed. Due to the high dynamics of these changes, it is necessary to have scientific and methodological tools to quickly monitor the transformation data, in order to reduce possible negative effects in the economic activity of border regions [9].

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Thus, it is obvious that, in modern conditions, the problem of an objective assessment of the prospects for the development of cross-border cooperation and cross-border exchanges in the face of a changing function of the border, is becoming increasingly urgent.

## RESEARCH METHODOLOGY

The methodology of this research is based on the essence of the development of cross-border cooperation and cross-border links, which are an important tool for overcoming the negative consequences of the periphery of border areas. This essence of cross-border cooperation was considered by the authors in previously published works [10, 11] taking into account the peculiarities of tourism development, as well as its influence on the diversification of the economies of the border regions of neighboring countries. In addition, the results of a study conducted by G. M. Fedorov [1, 2] and other authors on the role of local border movement in the development of retail trade using the example of the Kaliningrad region of the Russian Federation and the border regions of the Republic of Poland were used.

To analyze the trends in the development of cross-border exchanges and assess their impact on the diversification of the economy of the transboundary cooperation regions, the authors of the article used methods of expert assessments and statistical analysis, economic statistical and factor analysis, and economic and mathematical modeling. The application of these methods made it possible to justify the assessment of the impact of cross-border movements and exchanges on the diversification of the economy of the regions of cross-border cooperation.

Based on the use of theoretical and empirical research methods, the article substantiates the directions of economic diversification of the border regions taking into account the development of cross-border cooperation in the context of the changing function of the border.

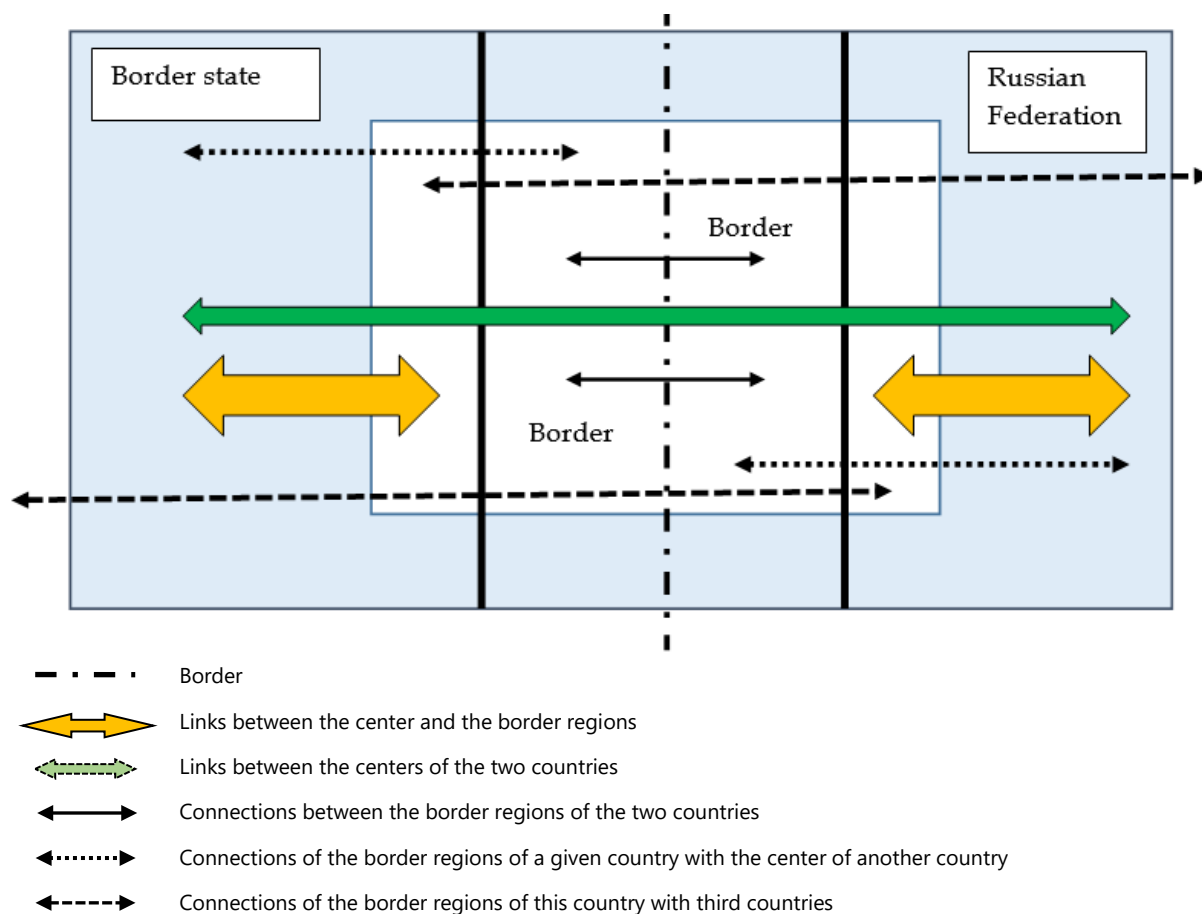
Thus, scientific and theoretical studies allowed the authors of the article to reveal not only the most significant signs of cross-border cooperation, but also to expand the specific variety of possible foreign economic relations of the border regions that affect the diversification of their economies.

## RESULTS

### **Types of External Relations of Border Regions**

External relations of border regions that affect economic development and economic diversification can be divided into the following types (**Figure 1**):

- between the border and central regions of the country;
- between the border regions of the two countries;
- transit links between the central regions of different countries, passing through the border regions;
- cross-border links of border regions with the regions of a neighboring country;
- cross-border links of border regions with regions of third countries.



**Figure 1.** Diagram of external relations of border regions of neighboring countries (developed by the authors)

The most intensive influence on the economic development of the border regions is provided by the links between the border and central regions of the country, and for the coastal regions also the transit links associated with the processing of goods in ports. Most often, the lowest intensity of economic relations is characteristic of the adjacent border regions of the two countries. In this case, the stronger the barrier function of the boundary are, the lower is the intensity of these links.

The interaction of neighboring border regions of different countries cannot be assessed unambiguously, since they often:

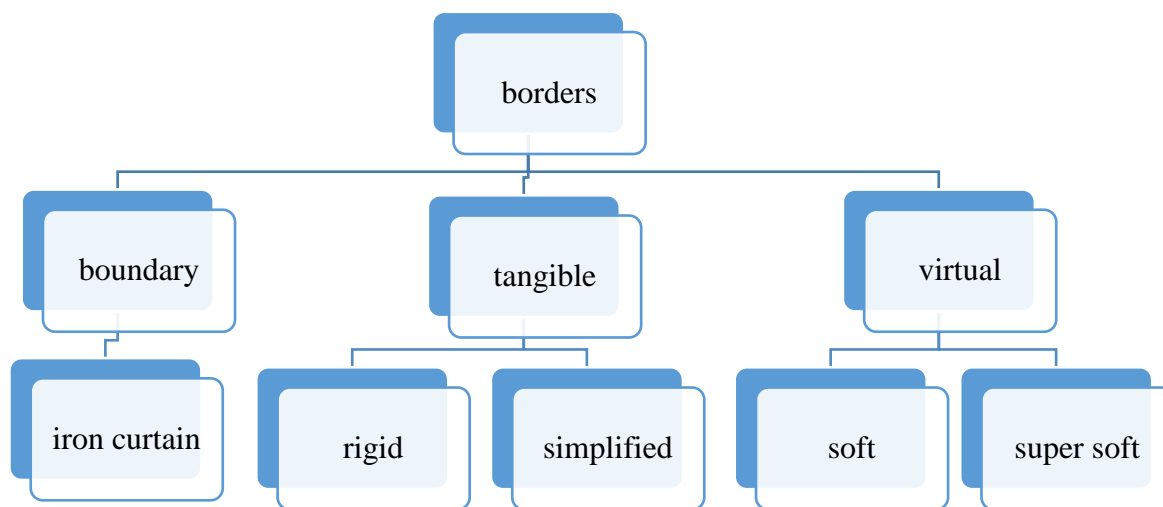
- Significantly differ in the nature of their external relations, depending on the degree of periphery in relation to the center of the state [12];
- act as competitors, since similar resources determine the production of uniform goods and services to the external market [13];
- are hostage to the political unpredictability of the future functionality of the border and the terms of cross-border cooperation [14].

However, cross-border regions have significant cooperation potential, which, on the one hand, can include the multiplicative effect of concentration of production of goods and services on a compact territory, especially in the context of the contact function of the border, and on the other, actively use the existing differences in cultural, historical and economic conditions for the diversification of production.

### Rationale for the Functionality of Borders within the Framework of Cross-border Cooperation Projects

Considering the level of development of external relations of border regions and their impact on the level of economic development and the direction of regional economic diversification, it is necessary to understand the differences in border regions in terms of the functionality of the border that separates them.

In the work of Osmolovskaya L. "Boundary functions as a factor in the development of border regions and the formation of transboundary regions" [6], an analysis of existing scientific approaches to the definition of boundary



**Figure 2.** Typology and functionality of borders (developed by the authors of the article)

functions is presented, and an author's typology of border regions is proposed, proceeding from a combination of barrier and contact functions. In the paper, the approaches of Russian researchers L. B. Vardomsky and N. S. Mironenko are analyzed, which distinguish three basic functions of the boundary: contact (binder), filtering (for example, at the customs border) and barrier (impeding communications). The approaches of foreign researchers B. van der Veld and R. Martin are also analyzed, which, based on the development of O. Martinez, proposed their own typology of border regions, also based on the degree of intensity of border ties and the nature of the border.

Analyzing the functionality of the borders of the Russian Federation with neighboring countries, the authors distinguish the following types of boundaries, depending on the conditions of its intersection:

- border, boundary / iron curtain;
- a tangible border;
- virtual border.

The border as a boundary or an iron curtain is characteristic for neighboring countries in a political or military conflict, as well as for countries with a pronounced autocracy. In our case, this is the border with North Korea.

A tangible border refers to the most common types of boundaries and is characterized by a wide range of controlling, filtering and barrier functions. For citizens (especially for tourists), a tangible border can be hard or soft. The severity of the border is manifested through the conditions of the visa regime (the conditions for obtaining visas) and the conditions for crossing the border. This type of border was formed between Russia and the countries of the European Union. The simplified type of border is typical for the conditions of visa-free regime and the regime of small border traffic, which operated until July 2016 on the border between the Kaliningrad region of the Russian Federation and the Republic of Poland [15].

The mode of crossing the virtual border can be soft and super soft or transparent. In the first case, it is characterized by a visa-free regime using a civil passport (the border between Russia and Kazakhstan), and in the second case can be supplemented by the absence of visual control of the border crossing (part of the border between Russia and the Republic of Belarus, as well as the borders within the European Union) [16].

**Figure 2** is a block diagram of the typology of borders and changes in the contact and barrier functions of the borders, depending on their type.

The functionality of the borders is dynamic and can change both in the direction of increasing the contact function, and in the direction of strengthening the barrier of the border. The entry of a number of countries into the European Union and the Schengen zone led to a change in the type of borders from hard to super soft, which significantly increased their contact function. The reverse example is the change in the type of the border between Russia and Ukraine: from a soft virtual to a practically border-line with a maximum increase in the barrier. The consequence of these changes was the destruction of trade and economic ties between the border regions and the increasing effect of their periphery.

Cross-border relations, emerging and developing in the course of improving the contact function of the border, primarily concern cooperation in the social sphere, in the protection of the environment, in the development of common transport infrastructure and tourism. At the second stage, first-level communications promote the

development of direct economic ties - the development of cross-border trade and international tourism, create a common favorable environment for the creation of joint ventures, cooperation of economic entities in the regions of neighboring countries in the production of goods. At the third stage, with the transition to a virtual type of border, the diversification of the economy of border regions can significantly accelerate due to the development of local forms of cross-border integration. At this stage, the creation of cross-border industrial districts and cross-border clusters is intensifying [17].

At the first stages, tourism can be one of the mechanisms for starting the development of cross-border cooperation with the subsequent transformation into a diversified economic center due to the effect of multiplication and the formation of a favorable investment climate.

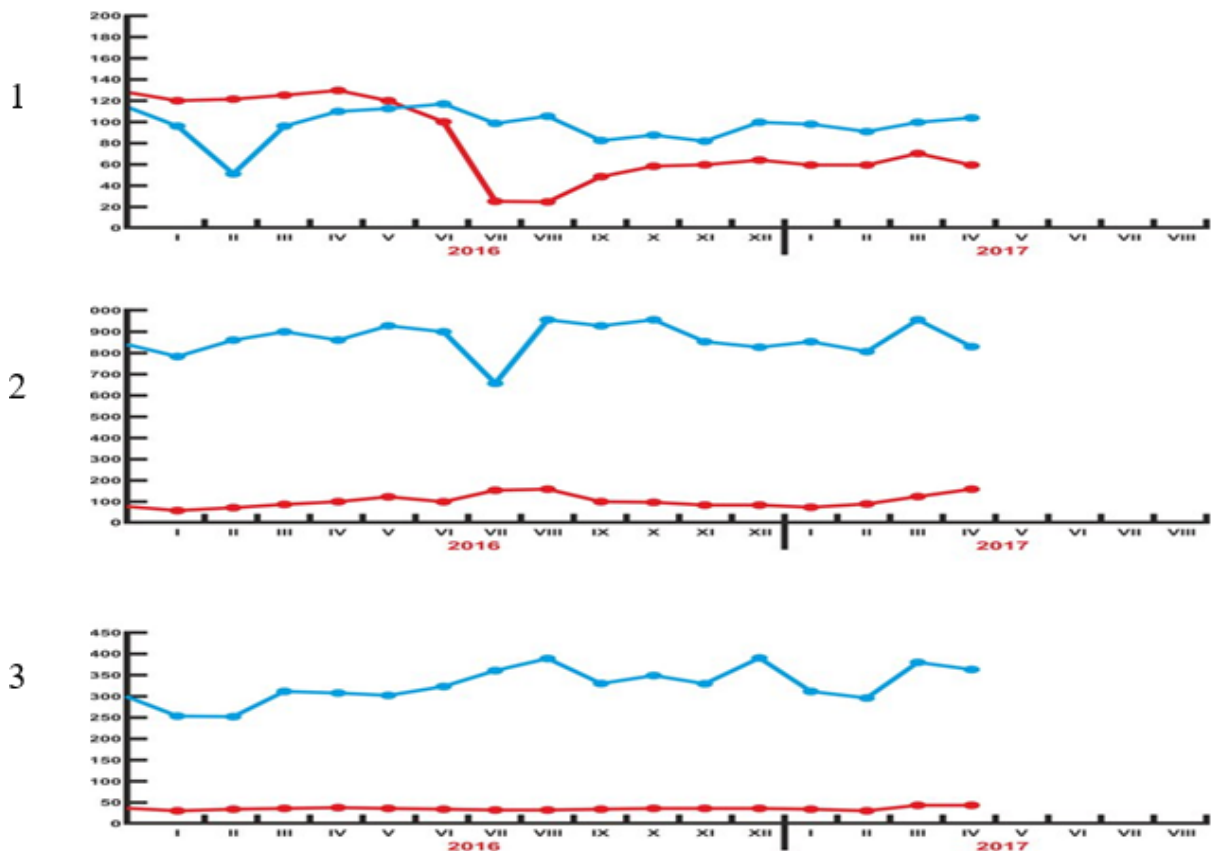
Estimation of the influence of the boundary functions on the structure of cross-border exchanges.

As practice has shown, the active participation of the Kaliningrad region in cross-border cooperation has led to the evolution of the types of border regions from the point of view of their periphery. But these positive changes occur mainly in areas that have border crossings on their territory. This is due to the need to service people crossing the border (gas stations, cafes, shops), as well as transit connections. The growth of tax revenues in the budget of municipal entities allows solving not only various social tasks, but also contributes to the diversification of the economy of these municipalities. In the conditions of the barrier function, the borders of the border municipalities that are not connected with border crossing points remain in the double periphery position with reduced opportunities for economic diversification.

The introduction of the regime of local border movement (LBM) as a tool of cooperation between the EU countries and neighboring countries on the Polish-Russian border in 2012 led to a relaxation of the barrier function of the border. This was confirmed by an increase in the number of crossings of the Russian-Polish border [18]. Compared to 2011 (before the introduction of the LBM regime), the increase in the number of border crossings in Russia in 2011 was 100% or 25% per year on average, while the increase in the number of border crossings with Russia by Polish citizens was 230% or 57.5% in year. In the first years of the LBM regime, the increase in the number of border crossings by the Kaliningrad Region in 2013 was 136%, or on average 68% per year, and from Poland - 190% or 95% per year on average. After 2013, there was a period of stabilization of the number of border crossings in the range of 6.1 - 6.5 million crossings there and back, which is related to the satisfaction of the general need of residents on both sides of the border.

At the same time, as it was noted in the authors' earlier studies [1, 2, 6], the participation of the Kaliningrad region in the EU-Russia Cooperation Program led to the transition from coexisting border regions to interdependent border regions that imply close interaction in the economic, social and cultural spheres, as much as possibly in the still operational boundary, as well as diversification of economic activity to meet the specific needs of the residents of the Kaliningrad region and the border areas of Poland.

In July 2016, there were significant changes in the terms of border crossing related to Poland's suspension of the LBM regime for one month due to the need to ensure the security of the NATO summit. How did the transition from the simplified tangible border function to the hard type of the border affect the transition to the border barrier, by the number of border crossings? In [Figure 3](#) data are given on the change in the number of border crossings due to a change in the function of the border on the example of Poland's borders with Russia and Ukraine. The Belarusian-Polish border is shown as a comparative unit, where the boundary function did not change due to the absence of the LBM regime ([Figure 3](#)).



**Figure 3.** The impact of the abolition of the regime of small border traffic on the entry of foreign citizens to Poland and Polish citizens to Russia, Ukraine and Belarus  
 1 - crossing the border of Russia (Kaliningrad region) / Poland;  
 2 - crossing the border Ukraine / Poland;  
 3 - crossing the border of Belarus / Poland.  
 On the basis of [19, 20, 21, 22]

As it can be seen on the graphs, the current situation on the border in July 2016 is completely different for the three eastern borders with Poland. On the border with Belarus, the situation with the entry of Polish citizens is stable, with the increase in the entry of Belarusian citizens to Poland, which corresponds to the seasonality of entry and in previous years. On the border with Ukraine, there was a sharp drop in the entry of Ukrainian citizens to Poland, who did not have Schengen visas (almost 250,000 or 38% by June). But in August the flow was restored after the expiration of the restrictions on entry into Poland in the LBM regime. Some increase in the entry of Polish citizens to Ukraine (about 20%) is primarily related to the implementation of established trade links between the private sectors of the border regions of Ukraine and Poland due to restrictions on the entry of Ukrainian citizens.

A completely different situation is on the Russian-Polish border. Due to the suspension of the LBM regime on the part of Russia, a sharp decrease in the number of border crossings (by 75%) occurred for Polish citizens, which partially began to recover only in September 2016 to a level of 60% of the June figure. This is due to the fact that most of the consumers were oriented to the LBM regime (for a simplified border function) and did not have a Russian visa. From the Kaliningrad side, there was no significant reduction in the number of border crossings (the decrease was 14% of the level of June), as local consumers mostly had in addition to LBM cards and Schengen visas. The total economic losses from reducing the number of border crossings are estimated at 50 million euros for the Kaliningrad region and 20 million euros for the border regions of Poland.

In connection with the failure to reach a political agreement between Poland and Russia on restoring the LBM regime, the barrier function of the border remains, which to some extent will affect the directions and speed of diversification of the economy of the border regions.

## DISCUSSION

According to the results of the study, it can be concluded that the interaction of neighboring border regions of different countries is a hostage to the political unpredictability of the future functionality of the border and the

terms of cross-border cooperation. In particular, the decrease in the activity of crossing the border between Poland and the Kaliningrad region due to the abolition of the LBM regime led to direct economic losses of 20 million euros for the border regions of Poland to 50 million euros for the Kaliningrad region without taking into account the multiplier effect that affects the diversification of the economy of the regions.

Summing up the role of cross-border cooperation in the sphere of tourism, the authors of the article substantiate that the border regions often act as competitors, since similar resources determine the production of similar tourism products and services [23]. Mutual tourist exchanges depend on the diversity, uniqueness of services, their optimal correlation in price and quality, and also depend on the level of social and economic development on both sides of the border. The Polish regions offer a larger range of tourist goods and services in the Kaliningrad market than the Kaliningrad market in Poland. As a result, of the total number of Russian citizens crossing the border, about 14% of Russian citizens visit Poland for tourism purposes and only about 1% of Polish citizens visit Russia for the same purpose [24]. Therefore, the Kaliningrad region needs diversification of the tourist product, taking into account the interests of Polish consumers of services.

## CONCLUSION

At the end of the article, it can be concluded that in the early 1990s, the cross-border links that emerged during the enhancement of the contact function of the Polish-Russian border primarily concerned cooperation in the social sphere, in the protection of the environment, and in the development of tourism.

At the second stage, since the mid-1990s, first-level ties have facilitated the development of direct economic ties, including the development of cross-border trade and international tourism [25]. During this period, joint ventures are established, co-operation of economic entities of the regions of neighboring countries is being established in the production of goods, primarily in the processing of agricultural products and in the production of furniture.

The third stage, in the joint diversification of the economy of border regions in the transition to a virtual border type, was not achieved as a result of political changes (Poland's accession to the European Union) and economic (revision of the regime of the Special Economic Zone in the Kaliningrad Region) changes on both sides of the border [26].

At present, in connection with the strengthening of the barrier function of the border, there is a transition from the second stage of the development of cross-border links to the first stage, which weakly affects the diversification of the economy of the border regions.

The development and strengthening of the positive dynamics of cross-border movements and exchanges can have a positive impact on the socio-economic development and partial diversification of the economy of the border regions, primarily in tourism and related industries (trade, food, entertainment, hospitality and others). However, only strengthening the contact function of the border will contribute to a wider diversification of the economy of the border regions due to the development of industrial regions and cross-border clusters.

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