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# THE DEVELOPMENT OF BORDER AND TRANSBORDER REGIONS

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## THE CHANGING ROLE OF BORDER REGIONS IN THE REGIONAL POLICIES OF THE EU AND RUSSIA

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*This article analyses how the role of border regions has changed in the regional policies of Russia and European countries since the early 1990s. The study aims to estimate the efficiency of Russia's regional policy with regard to border regions (its completeness, a focus on actual problems, etc.) and to compare it with that of European counterparts. The article relies on publications on the experience of EU countries, earlier contributions from Russian researchers, federal regulations, and statistics on the regional distribution of federal investment in fixed assets. It is shown that the federal border region policy is largely a reflection of the features and problems of Russia's regional policy as a whole. Currently, the development of cross-border cooperation is affected more strongly by national security concerns than by economic growth considerations. Cross-border cooperation is no longer part of the regional policy. Border regions, however, have received an increasing proportion of federal investments in recent years, particularly, amid the reunification with the Crimea. The study calls for better coordination between different areas of the federal socio-economic policy on border regions and closer attention to border regions' foreign economic ties, particularly, within the implementation of the Strategy for the Spatial Development of the Russian Federation.*

**Keywords:**

border regions, coastal regions, regional policy, EU, Russia, Euroregions, cross-border cooperation, spatial development strategy

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## **Introduction. Problem setting**

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The border regions of Russia and other countries are often the focus of academic publications, including monographs [1–3] and collections of papers [4; 5]. The literature pays particular attention to the effect of a border position on the socio-economic development of regions, gives assessments of the contact and barrier functions of borders, and explores cross-border cooperation. A plethora of works consider the features and problems of the socio-economic development of frontier regions (Russia's Far East, the North Caucasus, the Kaliningrad region, Crimea) in a context broader than their border position.

In our opinion, the place of border regions in the regional policies of states is insufficiently studied. One of the few studies into the problem is [6].<sup>1</sup>

National governments can support cross-border cooperation within both regional and foreign economic policies. This dual-policy approach may result in a lack of coordination between different areas of government regulation of the economy in border regions as well as in flawed assessments of the role of these areas in the national policy on regional development. However, only some border regions can develop cross-border cooperation. These are the regions that do not suffer from their position on the periphery and require a different type of national support for socio-economic development. This support may be aimed at compensating for the border position or solving border regions' actual economic and social problems indicated by statistics. In other words, it is important to understand to what degree national authorities use support for the economic component of cross-border-cooperation (which goes beyond the economy and is usually developed by regional and municipal authorities) to create favourable conditions for economic growth in border regions. There is also a need for examining what solution (if any) regional policies have to the problems of border regions.

In this article, we explore how Europe and Russia include border regions into (or exclude them from) their regional policies. We also examine the incentives of authorities (federal in Russia and both national and supranational in the EU) to support border regions and the tools they use to that end. It is necessary to realise whether government support for the development of these territories is well-planned, whether it takes into account regional specifics, and whether border territories receive sufficient attention from national governments.

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<sup>1</sup> The article explores regional policy in its classical interpretation, i.e. understood as the regional policy of national authorities or supranational bodies in the case of the EU, seeking to reduce regional imbalances in socio-economic development (see [7; 8]).

## **EU experience**

The history of Europe created enormous potential for transboundary cooperation. In the many centuries of feudal fragmentation, the borders were almost transparent. When nation-states were emerging, the continuous revision of political borders following endless wars created many divided communities [9]. During the long peaceful development after World War II in 1945, all the above could not but translate into a multitude of economic, social, cultural, and academic initiatives in border areas. In Western Europe, these processes have bolstered successful regional integration since the 1950s. After the Cold War, the integration project, which had grown into the European Union, included the countries of Central and Eastern Europe (CEE).

Euroregion projects are a major element of transboundary cooperation in Europe. The first euroregion, Enschede-Gronau, emerged as early as 1958 at the FRG—the Netherlands border. Today, the number of these cooperation structures, which have very different legal forms, exceeds one hundred. A euroregion, in the broad sense, is an instance of voluntary mid- or long-term transboundary cooperation that brings together municipalities or even districts of neighbouring countries. The legal framework for euroregions is the European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities, which was signed in 1980 [10].

Euroregion structures have long transcended the borders of the EU and its candidate countries. Moreover, euroregions were integrated into the supranational regional policy of the EU as late as the 1980s. Border areas were considered earlier within regional policies of Western European countries. At the time, bordering a third state was viewed as a disadvantage (the border between the countries of the West and the Socialist camp performed the barrier function). The most explicit example was the FRG, which provided support for all the territories bordering on the GDR and Czechoslovakia, regardless of how developed those regions were. In many countries, even such prosperous as the Netherlands, border districts were considered as the most likely candidates for support, because of their position on the periphery, underdeveloped infrastructure, and unbalanced industrial structure. National regional policies, however, did not contain any special programmes [11].

The increased attention to the supranational regional policy of the EU (it was dubbed later ‘cohesion policy’), which was observed in the 1980s, was not random. At the time, Jacques Delors’s reforms prompted the establishment of

a single market and an economic, and later monetary, union within the European Community, which then comprised twelve members. The free movement of goods, services, people, and capital required both the elimination of the barriers created by national borders and the emergence of a single economic organism in the EU. In the 1990s, the process was ideologically supported by the then-popular idea of a Europe of the regions. It turned out, however, that nation-states were not ready to disappear. In the institutional structure of the EU, the smallest member state has a greater influence than such large regions as Bavaria or Catalonia despite the considerable economic potential and pronounced regional identity of the latter.

The 1990s, nevertheless, witnessed a boom in euroregion-based cooperation; cross-border cooperation received at the time particular attention within the supranational regional policy of the EU. In 1989, the Interreg initiative was launched to create new specialisation for the industrial structures of border areas in the face of a single market emerging in the Union. The four years' budget for the programme was 1.1 billion ECU. The programme was extended to 1999 in 1994 and to 2006 in 2000. Despite the continuing reduction in the number of special initiatives within the Union's supranational regional policy (from thirteen to four), the Interreg III programme was launched. Its budget totalled 5.3 billion euros, which comprised 2 % of the total seven-year budget for Cohesion Policy. The first successes of Interreg included infrastructure projects: the bridge across the Guadiana River at the Spanish—Portuguese border and state-of-the-art lorry checkpoint at the junction of the borders of Belgium, France, and Luxembourg.<sup>2</sup>

In the 1990s, Interreg II focused on three aspects: transboundary cooperation (A), power grids (B), and cooperation in regional planning (C). In 2007—2013, these issues were promoted into the major targets of the Union's supranational policy (the number of targets, or key areas, reduced from six to three). The policy received 8.7 billion euros or 2.5 of the total seven-year budget of Cohesion Policy. The resultant European Territorial Cooperation was not transboundary in the narrow sense of the term. It comprised both transboundary projects and sub-regional partnerships in Europe (including Russia) and on other continents where the member states have overseas territories [12]. Non-European transnational cooperation projects were, of course, a product of lobbying from Atlantic and South European countries of the Union. Many experts believed that that

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<sup>2</sup> *EU Cohesion Policy 1988—2008: Investing in Europe's future* (2008) Inforegio Panorama. No. 26. URL: [https://ec.europa.eu/regional\\_policy/sources/docgener/panorama/pdf/mag26/mag26\\_en.pdf](https://ec.europa.eu/regional_policy/sources/docgener/panorama/pdf/mag26/mag26_en.pdf) (access date: 10.09.2019).

was against the spirit of the 1999 European Spatial Development Perspective [13]. The overseas projects, however, accounted for only 21 % of the Interreg III budget. Thus, the Cohesion Policy stayed true to its intent.

A specific feature of EU support for cross-border and other types of trans-boundary cooperation in the 1990s and the 2000s was the hierarchy of areas receiving assistance. The funding relating to the first two goals was granted to NUTS-2 regions, whereas European Territorial Cooperation financed NUTS-3 regions within 150 km border and coastal zones (home to 37.5 % of the population of the Union) as well as within thirteen large areas of transnational cooperation. Moreover, the latter goal was the only one of the three, for attaining which all EU countries received support [12].

In the late 1990s, at least those CEE countries that were preparing for accession to the EU considered Interreg and euroregions as an important tool for regional economic growth in the narrow sense. Interreg made a major contribution to the regional development of candidate states, whose national regional policies were weak. Moreover, the Cohesion Policy did not extend to those states before their official accession to the EU. Moreover, the participation of NUTS-3 regions made it possible to involve municipal authorities of former socialist countries, where political powers had been highly centralised in making decisions on spatial development and thus contribute to the economic efficiency of national (and supranational) regional policies [14].

Although European Territorial Cooperation has increased in importance at the current stage of the development of the Union's supranational regional policy, it will receive only 3 % of the Cohesion Policy budget in 2014–2020. An important trend in the income structure is the growing significance of environmental projects: 41 % of the European Territorial Cooperation budget coming from the European Regional Development Fund (ERDF) will be allocated to sustainable development and only 10 % to transport initiatives.<sup>3</sup> The fact that the ERDF is the only EU structural fund that finances cross-border cooperation gives European Territorial Cooperation an edge in terms of organisation over the other goals of Cohesion Policy.

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<sup>3</sup> *Annex I: European Territorial Cooperation/INTERREG, Communication from the Commission. Investing in jobs and growth — maximising the contribution of European Structural and Investment Funds.* Brussels, 2015.

By the end of the 2010s, the EU had prepared documents outlining the Cohesion Policy for 2022—2027.<sup>4</sup> They contain many red tape reduction measures and upgrade the mechanisms for submitting applications for regional development support. For purposes of this article, the most important is that transboundary cooperation remains on the agenda of the Union's supranational regional policy. The novelties of Interreg include increased attention to cluster initiatives. The programme's proportion in the total Cohesion Policy budget will drop once again, by 2.5 % to 8.43 billion euros.

Although the EU is somewhat disappointed with the overall results of socio-political cross-border cooperation (it has not created a transboundary society with an identity stronger than the consolidation typical of old border area communities), the economic successes are evident. Among the latter are large transboundary infrastructure projects, which were the starting point of Interreg and later became its hallmark. The most successful were euroregions built on large transport projects that would have been unfeasible without transboundary cooperation. These projects completely overhauled economic ties between the border areas. A good example is a combined motorway and railway bridge across the Øresund strait, which was built in 1995—2000. Not only did it connect Sweden's Malmö and Denmark's Copenhagen, but it also turned the two cities into an agglomeration. Even today, when selective passport checks are being conducted at the border as a response to the migrant surge, Copenhagen and its suburbs and Malmö comprise a single transport hub. Many residents of the two cities commute. Nevertheless, thorough economic evaluations of the whole package of the Cohesion Policy measures, including those relating to transboundary cooperation, have caused many experts to criticise current methods and produce recommendations on the improvement of the latter [15].

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<sup>4</sup> *Proposal for a Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, and the European Maritime and Fisheries Fund and financial rules for those and for the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument // COM/2018/375final-2018/0196 (COD). Strasbourg, 29.05.2018.*

## **Russian experience**

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The way border regions are treated in Russia's regional policy is determined by the history and current state of regional policy per se (for a detailed account see [16]). If one were to give a brief description of regional policy in Russia, the following landmarks would identify the following major landmarks or periods:

— in the early to mid-1990s, there were attempts to adopt the best Western practices in regional policy. Although having failed, they led to the signing of presidential decree of June 3, 1996, No. 803 A framework for Regional Policy in the Russian Federation. That period witnessed the creation of short-lived<sup>5</sup> special ministries responsible for regional policy as well as the rise of federal targeted programmes for regional socio-economic development. The latter became the major tool of the country's regional policy;

— in the late 1990s—early 2000s, Russia's federal authorities held liberal views and denied the need for regional policy. There were no ministries for regional affairs; national strategies and programmes for socio-economic development mentioned regional problems only in the context of inter-budget relations. Federal targeted programmes for regional development, however, kept running and they became better organised at the time;

— in the mid-2000s, attention to regional problems was growing. The Ministry of Regional Development of the Russian Federation was established in 2004. Strategy 2020,<sup>6</sup> which was adopted in 2008, contained a large 'Regional development' section; tools for territory-specific investment policy were introduced (special economic zones, the Investment Fund of the Russian Federation). A legal and programme framework for regional policy, however, was not created;

— the current stage of regional policy development (the 2010s) is associated, on the one hand, with the liquidation of the Ministry of the Regional Development (2014) and, on the other, with growing attention to regional problems, particularly, within the emerging strategic planning system. Presidential decree

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<sup>5</sup> The Ministry of Regional Policy of the Russian Federation per se existed less than six months. It was created by presidential decree of September 22, 1998, No. 1142 and liquidated by presidential decree of May 25, 1999, No. 651.

<sup>6</sup> On the Concept of the long-term socio-economic development of the Russian Federation 2020: decree of the Government of the Russian Federation of November 17, 2008 No. 1662-r. Accessed via the ConsultantPlus legal information system.

of January 16, 2017, No. 13 On the Approval of a Framework for State Policy on Regional Development 2025 was signed; Strategy for the Spatial Development of the Russian Federation 2025 (SSD) was adopted. Special federal policies were developed to deal with the Far East, monotowns, and Crimea. New tools were developed to support regional investment.

In line with the best international practices, the presidential decree of 1996 viewed border areas as objects of regional policy. One of the objectives of regional economic policy was ‘the development and adoption of a research-based policy towards regions that have unfavourable conditions for the economy and require special regulation measures (territories in the Arctic, the Extreme North, and the Far East, border regions, and others)’. The document urged to ‘develop economically and technologically feasible industrial ties between the organisations of Russian border regions and the neighbouring countries, which create a single industrial-technological system’. The decree, as is known, turned out to be a mere declaration of intent: it was hardly put into practice. It was not clear what federal body was responsible for the development of cross-border cooperation (the structure of federal ministries was much more complicated in the 1990s than it is today; there were ministries for foreign economic ties and cooperation with the CIS).

Technically, cross-border cooperation became part of regional policy after the establishment of the Ministry of Regional Development of the Russian Federation.<sup>7</sup> The attempts to formulate a thorough policy towards border regions failed similarly to those aimed at creating a comprehensive regional policy. The dedicated department of the Ministry functioned in some isolation from the general ministerial structure. The other departments responsible for regional development did not pay sufficient attention to border areas [17]. It was not surprising that Strategy 2020 mentioned border territories in sections on foreign economic ties rather than in those on regional development.

The current precarious stage in the development of regional policy is a product of the unclear role that border regions play in the latter. On the one hand, the SSD introduced a special type of areas that merited increased governmental attention, that is, the geostrategic border territories of the Russian Federation. These are the Russian border regions that were not classified as ‘priority geo-

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<sup>7</sup> Provisions on the Ministry of Regional Development of the Russian Federation: regulation of the Government of the Russian Federation of January 26, 2005, No. 40. Accessed via the Garant legal information system.

strategic territories of the Russian Federation'. Preference is given to exclaves (the Republic of Crimea and Sevastopol, the Kaliningrad region) and the regions of the North Caucasus, the Far East, and the Russian Arctic, i.e. primarily to border and coastal areas.<sup>8</sup>

On the other hand, as of today, federal support for cross-border cooperation cannot be considered as part of regional policy: it is an element of foreign economic policy. After the liquidation of the Ministry of Regional Development, both regional development and border cooperation became the province of the Ministry of Economic Development of Russia.<sup>9</sup> The two areas, however, are supervised by two different vice-ministers. Cross-border cooperation is overseen by the Department for the Development and Regulation of Foreign Trade, whereas regional policy is the responsibility of the Department for Spatial Planning and Regional Development.

There is no easy answer to the question as to whether federal support for border cooperation is part of foreign economic or regional policy. Since cross-border economic ties have idiosyncratic features [18], it might be wise to let experts deal with regulation in the field. A border position has a significant and diverse influence on the economy and social sphere of border areas [19]. Cross-border cooperation may contribute significantly to the economic growth of border regions. We believe that border areas should be an object of regional policy, whereas federal support for the development of cross-border cooperation should be part of this policy.

Federal support for the Far East is considered as an independent area of federal policy: a special Ministry for the Development of the Far East was established to that end.<sup>10</sup> The ministry tried to take over the responsibilities of its federal counterparts in the Far East. The number of tools of federal support for the socio-economic development of the Far East has increased in recent years. Among them is the Concept for the Development of Border Areas of Russian Regions in the Far Eastern Federal District.<sup>11</sup>

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<sup>8</sup> The 2017 presidential decree on the governmental regulation of regional development does not mention cross-border cooperation.

<sup>9</sup> On the liquidation of the Ministry of regional development of the Russian Federation: Decree of the President of the Russian Federation of September 8, 2014, No. 612. Accessed via the ConsultantPlus legal information system.

<sup>10</sup> Initially the Ministry for the Development of the Far East of the Russian Federation, it is called today the Ministry for Development of the Russian Far East and Arctic. There is also the Ministry of North Caucasus Affairs. Less active than its Far East counterpart, the latter ministry has more limited federal support.

<sup>11</sup> Approved by Decree of the Government of the Russian Federation of October 28, 2015, Np. 2193-r ([garant.ru/products/ipo/prime/doc/71139078/](http://garant.ru/products/ipo/prime/doc/71139078/)).

Another important feature of Russia's regional policy has been federal support for certain territories even in the absence of a legal or programme framework for regional policy. Therefore, it is important not only to consider the inclusion of border areas and cross-border cooperation into regional policy (vesting necessary powers in dedicated federal ministries and incorporating the border agenda into regional policy regulations) but also to analyse the actual steps made by the federal authorities to facilitate the development of border areas. Let us begin with the regional policy measures that were motivated by the border position of the concerned territories (i.e. the cases when conscious decisions were made to support those areas).

As mentioned above, federal targeted programmes (FTP) for regional socio-economic development were the first regional policy tool embraced in Russia. In the 1990s, FTPs were often adopted erratically (for more detail, see [16]); target regions were chosen without a proper rationale. As a result, among the FTPs was a programme for the Comprehensive Development of the Border Settlement of Zabaikalsky of the Chita Region.<sup>12</sup>

Another example of an isolated decision is the governmental regulation of October 12, 1995, No. 1000 On Emergency Measures to Stabilise the Socio-Political and Economic Situation in the Southern Border Districts of the Russian Federation within the Republic of Dagestan. Although the regulation was not technically an FTP (the instrument was still a novelty at the time), it addressed the same issue — federal investment in the 'construction and reconstruction of industrial and public structures'.

In the early 2000s, regional FTPs were given a clear structure. Their number diminished. A new important document was the programme for the Reduction of Socio-Economic Regional Imbalances in the Russian Federation (for 2002—2010 and until 2015).<sup>13</sup> The programme identified three priorities: support for social development projects, construction of utility infrastructure, and projects run in border regions. Eligible regions were divided into three groups: those lacking public infrastructure, those in need of utility infrastructure, and border areas. One region could fall into more than one category.

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<sup>12</sup> Approved by Regulation of the Government of the Russian Federation of January 8, 1998, No. 17 (<http://pravo.gov.ru/proxy/ips/?docbody=&nd=102051118>).

<sup>13</sup> This programme, which was approved by Regulation of the Government of the Russian Federation of October 11, 2001, No. 717, drew heavily on international experience in regional policy. Because of its many flaws, it was terminated prematurely: the programme did not receive funding from 2007 [16].

Since the early 1990s, the federal regional policy has paid special attention to the Kaliningrad region, which stands out for its unique exclave position. There is ample literature on the socio-economic situation in the region, which is often considered in the context of the border position [20; 21]. In the case of the Kaliningrad region, the rationale behind federal support for the regions is the concerns about its exclave situation rather than border position, albeit both factors are very closely connected. The goal of federal support for the territory is region-specific: to ensure standards of living and economic growth rates comparable to (or higher than) those in the neighbouring EU countries. This phrasing can be found today in the SSD; earlier, it was used in the FTP for the socio-economic development of the Kaliningrad region.<sup>14</sup>

In the context of the Kaliningrad region (and other regions too), it is important to analyse why federal authorities are interested in border areas. International experience suggests that most usually a state seeks to take advantage of border ties to accelerate economic growth (if the border has the contact function) or to support the periphery (the barrier function). Russia has yet another motive — the need to ensure national security. According to the SSD, the spatial development of the Russian Federation aims ‘to ensure balanced and sustainable spatial development of the Russian Federation in order to reduce regional imbalances in the standards of living, to accelerate economic growth and technological development, and to ensure national security’. Cross-border cooperation is viewed primarily not as a means to solve economic problems but as a tool to ensure national security: ‘to ensure the national security of the Russian Federation by stimulating the socio-economic development of the geo-strategic territories of the Russian Federation, it is proposed to:

strengthen cross-border cooperation between the border regions of the Russian Federation and the neighbouring states...’

The FTP 2020 for the Development of the Republic of Karelia is a vivid illustration for this thesis<sup>15</sup>. Although the level of the socio-economic development of Karelia is not very low, the territory has a special FTP (until recently, the Kaliningrad region was the only one with a dedicated programme). The FTP

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<sup>14</sup> One of the federal targeted programmes for the development of the Kaliningrad region until 2020: regulation of the Government of the Russian Federation of December 7, 2001, No. 866. Accessed via the Garant legal information system.

<sup>15</sup> Approved by Regulation of the Government of the Russian Federation of June 9, 2015, No. 570 ([garant.ru/products/ipo/prime/doc/70978216/](http://garant.ru/products/ipo/prime/doc/70978216/)).

holds that ‘a periphery border region, the Republic of Karelia has a strategic significance for the national security of the Russian Federation. The region has an almost 800 km border with the EU, which is the longest in Russia’.

While placing emphasis on national security, federal authorities approach different aspects of the socio-economic development of border areas very differently. They both encourage cross-border cooperation (seeking to benefit from the border position) and provide border-unrelated support for the economy and the social sphere of these regions. At the same time, the SSD does not consider either the integration of Russian regions into the world economy or their international economic ties. The situation is very similar at the regional level: regional authorities underestimate the benefits of a border position [22].

Is this position of federal authorities justified? To an extent, it is. Researchers have recently noted that the barrier function of the border is strengthening [23]; this has become particularly evident amid anti-Russian sanctions and tensions in Russian—Ukrainian relations. The literature has also explored Russia’s geostrategic interests [24] and economic security [25]. We believe, however, that the economic component of cross-border cooperation deserves greater attention from federal authorities. At least, this problem has been tackled in research. There are conceptual works [26; 27] as well as studies analysing the development of different types of border territories [28—30] and examining various forms and mechanisms of cross-border economic cooperation [31].

To be clear, neither official federal documents nor the literature offers a uniform approach to delineating the boundaries of border regions and areas. In some cases (the SSD), border areas are the border regions of the Russian Federation. In other cases (the Concept for the Development of the Far Eastern Border Areas), these are border municipalities. This situation mirrors changes in Russia’s regional policy: although it has always been aimed at regions, municipalities are starting to play an increasing role in it (for instance, monotowns are receiving federal support).

Federal policy towards border regions may be improved through solving another problem that is common to all the areas of Russia’s federal socio-economic policy, i.e. the coordination of different aspects of the federal regulation of the economy at the regional level. For many years, researchers have emphasised the need for open region-specific statistics on federal budget implementation (that is, on all non-secrete expenditure rather than on inter-budget transfers only) and the monitoring of the so-called regional implications of non-regional decisions [8, p. 32]. In practice, however, such coordination is

absent. Border areas are covered by apparently non-coordinated governmental programmes for socio-economic development (such programmes have been adopted for the Far East, the Arctic, the North Caucasus, Crimea, and the Kaliningrad region), whereas cross-border cooperation efforts are governed by international agreements signed by Russia.

According to the Ministry of Economic Development of Russia, the European dimension of the country's cross-border cooperation remains the most progressive and advanced.<sup>16</sup> The scope of this cooperation is impressive. According to the Ministry, over 200 joint projects were carried out within the Estonia—Latvia—Russia, Lithuania—Poland—Russia, Karelia, Kolarctic, and South-East Finland—Russia programmes in 2007—2013. These were initiatives aimed to encourage small and medium entrepreneurship, to support local cultures and customs, and to improve the living standards of border areas' residents. Over fifty large infrastructure projects were completed. They focused on border and transport infrastructure and environmental protection. There are seven Russia—EU cross-border cooperation programmes for 2014—2020: Karelia, Kolarctic, Russia—Latvia, Russia—Poland, Russia—Estonia, and Russia—South-East Finland.<sup>17</sup>

There is, however, some information on the distribution of federal funds across the country. These data, which have been published since 2005, make it possible to evaluate how the proportion of border regions has changed in federal fixed-asset investment (see Table). Border and coastal regions will be analysed separately: although a coastal position is a type of border position, it has some specific features [33]. The table shows the regions that accounted for above 4 % in the federal fixed-asset investment (this figure represents a 'natural gap' for most of the years). For comparison, the population of the border regions comprised 41.6 % of the national total in 2005 and only 41.4 % in 2012—2013 (the proportion reached 42 % in 2014—2018 after the incorporation of Crimea). Coastal regions were home to 7.8 % of the country's population in 2005—2010, 7.9 % in 2011—2013, 8.1 % after Crimea, and 8.2 % in 2016—2018. Thus, over half of Russia's resident population lives in border and coastal regions.<sup>18</sup>

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<sup>16</sup> Ministry of Economic Development of the Russian Federation. Russia—EU cross-border cooperation programmes. URL: <http://economy.gov.ru/minec/activity/sections/mps/programs> (access date: 30.09.2019).

<sup>17</sup> Ibid.

<sup>18</sup> These figures are our calculations based on Rosstat data.

### The distribution of federal fixed-asset investment across Russian regions

| Year | Proportion in federal investment, % |                 |                            | The largest federal investment recipients<br>(the proportion in% is given in parentheses)                      |
|------|-------------------------------------|-----------------|----------------------------|--|
|      | Border regions                      | Coastal regions | Border and coastal regions |  |
| 2005 | 38.2                                | 18.5            | 56.8                       | Saint Petersburg(13.8), Moscow (11.6), Republic of Tatarstan (5.8)   |
| 2006 | 41.7                                | 17.0            | 58.7                       | Saint Petersburg (11.7), Moscow (10.8), Krasnodar region (5.6), Leningrad region (4.4), Chechen Republic (4.1) |
| 2007 | 42.2                                | 21.3            | 63.5                       | Saint Petersburg (16.4), Moscow (8.0), Chechen Republic (6.6), Krasnodar region (4.6)                          |
| 2008 | 47.5                                | 16.6            | 64.1                       | Saint Petersburg (8.4), Moscow (5.4), Chechen Republic (5.4), Krasnodar region (5.4), Rostov region (4.2)      |
| 2009 | 47.3                                | 14.9            | 62.2                       | Saint Petersburg (6.6), Moscow (6.3), Primorsky region (5.6), Krasnodar region (4.8), Krasnoyarsk region (4.0) |
| 2010 | 51.1                                | 15.4            | 66.4                       | Primorsky region (11.1), Moscow (7.7), Krasnodar region (7.0), Saint Petersburg(6.8), Voronezh region (4.5)    |
| 2011 | 52.2                                | 14.1            | 66.2                       | Primorsky region (13.1), Krasnodar region (8.8), Moscow (8.6)  |
| 2012 | 49.9                                | 12.5            | 62.4                       | Krasnodar region (12.6), Moscow (6.4), Primorsky region (4.4), Leningrad region (4.3), Moscow region (4.2)     |
| 2013 | 49.5                                | 11.1            | 60.6                       | Krasnodar region (14.0), Moscow (9.8), Moscow region (6.2), Amur region (4.5)                                  |
| 2014 | 41.7                                | 11.8            | 53.4                       | Moscow (15.6), Moscow region (5.8), Voronezh region (4.2), Krasnodar region (4.2), Primorsky region (4.0)      |
| 2015 | 48.2                                | 9.6             | 57.8                       | Moscow (12.8), Krasnodar region (4.8), Voronezh region (4.5), Moscow region (4.4), Saint Petersburg(4.3)       |
| 2016 | 48.9                                | 9.4             | 58.3                       | Moscow (10.0), Krasnodar region (7, 9), Rostov region (5.4)  |
| 2017 | 52.5                                | 12.1            | 64.6                       | Republic of Crimea (8.2), Krasnodar region (7.2), Rostov region (6.8), Moscow (6.0)                            |
| 2018 | 55.5                                | 11.2            | 66.7                       | Republic of Crimea (12.9), Krasnodar region (8.4), Moscow region (7.4), Moscow (6.5)                           |

Source: calculated by the authors based on Rosstat data (fedstat. ru).

The table shows that, with the exception of 2005 and 2014, border regions accounted for a greater proportion of federal fixed-asset investment than of total national population. For coastal regions, this excess was continuous, reaching the highest values in the pre-crisis period. The distribution of federal investment across the country is not stable. The proportion of coastal and border regions was changing over the study period. The receivers of most fixed-asset investment (often coastal and border regions) were changing too. The role of border regions in federal investment has increased since 2015, reaching its maximum in 2018. It is still not clear whether this trend is long-term. Probably, the increase is an effect of the incorporation of Crimea. The above data, however, suggest an evident conclusion: the distribution of federal funds across the country is often a result of isolated decisions rather than a thought-through federal policy for regional development regulation

## **Conclusions**

There is a need to provide special support to European border regions since many of them are lagging behind. At the same time, tools for exploiting the contact function of state borders, i.e. for developing EU countries' external ties in the single market, were introduced later than required. In the 1990s, the focus was on infrastructure projects, whereas today particular attention is paid to diverse initiatives, including environmental programmes (transboundary co-operation is crucial to environmental protection). The EU's eastward enlargement and openness to third-country participation in Interreg-financed projects within the supranational regional policy made it possible to increase Russia's presence in cross-border cooperation in Europe (albeit this presence in mostly institutional and Russia finances activities on its territory itself).

In Russia, the role that border regions play in the federal regional policy is largely a product of the overall problems, including the unstable distribution of regional regulation powers among ministries, changing approaches to regional development regulation, the lack of transparency and regional-level coordination between different areas of federal socio-economic policy, and the focus on regions rather than municipalities.

In 2004–2014, when there was the Ministry for Regional Development, cross-border cooperation was supervised by that structure and thus was technically part of regional policy. After the liquidation of the ministry, regional development and cross-border cooperation became the province of the Ministry

of Economic Development of Russia. They constitute, however, different areas of the ministry's works. We hold that there is a need for closer cooperation between, and harmonisation of, regional development and cross-border cooperation. Both will contribute to the development of border regions as well as the emergence of a system for the monitoring and coordination of different aspects of federal policy at the regional level.

An important feature of Russia's federal policy towards border regions is that the regulation of their socio-economic development is guided by national security considerations rather than economic feasibility concerns. Although federal support for federal border areas is growing, it bears risks associated with the untapped potential of external economic ties. In particular, the SSD does not consider the integration of Russian regions into the global economy. This oversight has to be remedied in the future.

Unlike previous documents, the SSD pays special attention to border regions (the document introduced the term 'geostrategic border areas of the Russian Federation'). Another proof of the growing federal attention to border regions is that the proportion of these territories in federal fixed-asset investment has been increasing since 2015. It reached the fourteen-year maximum in 2018.

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