

Viktor Borshchevskiy
State Institution “Institute of Regional Research named after M.I. Dolishniy of
National Academy of Sciences of Ukraine”

Vitaliy Krupin
Institute of Rural and Agricultural Development, Polish Academy of Sciences

Iryna Kravtsiv
Lviv National University of Veterinary Medicine and Biotechnologies named after
S.Z. Gzhytskyi

DEVELOPMENT OF BORDER RURAL AREAS IN UKRAINE BASED ON IMPLEMENTATION OF REGIONAL MARKETING MECHANISMS

Rozwój przygranicznych obszarów wiejskich Ukrainy na zasadzie implementacji regionalnych mechanizmów marketingowych

The article is devoted to understanding the role of marketing in the development of Ukrainian rural areas, which are neighbouring with countries of greater economic power – the EU member states. Such closeness to such neighbour is an opportunity and a threat at the same time, yet with proper preparations and properly implemented measures it could turn into bilateral benefit. Marketing of territories, agrarian marketing, diversification of rural economy, modern national and regional management approaches – that is what Ukrainian rural areas require in order to prepare them for closer integration with EU, for preserving and deepening of their development potential. In order to understand these issues the article elaborates them and the environment in which Ukrainian border rural areas are functioning. Based on this analysis the key priorities for diversification of the economy of border rural areas are offered, which would aid forming a complex system of support for the local rural communities in border regions of Ukraine.

Key words: *border rural areas, economic diversification, marketing, Ukraine*

Introduction

Admission of Ukraine to the WTO and signing of the Association Agreement with EU increases the importance of scientific research focused on adaptation of the Ukrainian economy to modern conditions and challenges, especially taking into account the possibilities of integration with the EU. Primarily it concerns stricter requirements towards safety and quality of agricultural products in the conditions of growing international competition, as well as a list of new challenges appearing for the agricultural producers of Ukraine.

A large part of today's Ukrainian agricultural producers, mainly family business farms and small household farms (both being small-scale producers, yet altogether still creating nearly half of Ukraine's agricultural output), will run into a necessity to increase investments into modernization of their production processes in order to bring them into conformity with requirements and standards of EU. As a result, those of them, which will not be able to increase the competitiveness of their products, have a high probability to find themselves outside of the agrarian market. This will create additional social and economic pressure on rural areas, foremost in those regions, where the share of small commodity producers is relatively large (for example, in the border areas of the Western region of Ukraine). Therefore one of the key scientific needs nowadays is the search for effective measures for economic adaptation of Ukrainian regions bordering with European Union to the new market conditions, based mainly on application of various modern management technologies.

One of the most efficient methods to increase the competitiveness of goods and services in the conditions of growing international competition is the use of marketing. Therefore it is highly important to outline marketing instruments, as well as measures needed for their implementation, in order to increase the competitiveness of rural areas of Ukraine during the current stage of integration with the EU.

Materials and research method

The methodological basis for the research was the theory of regional economy and the instruments of institutional analysis, with the application of neoclassic economics and the theory of human capital.

In our attempt to better understand the researched issue we have gone from the general view to detailed elaboration, from the need of rural development, through the notion of border rural areas and their peculiarities (due to specific conditions and development factors), to the marketing of rural areas and necessary measures in order to ensure the diversification of their economy.

The research was conducted with the use of scientific publications of Ukrainian and foreign scientists. Additionally, the theoretical basis for this particular research (the definition of rural areas, the peculiarities of various rural areas depending on their location and relation to the state border, etc.) was the monograph under the title "Development of rural areas in the system of eurointegration priorities of Ukraine" (Борщевський et al. 2012), which was prepared based on a research project¹ financed by the grant of the President of Ukraine, in which we (Viktor Borshchevskiy, Vitaliy Krupin and others) have attempted to present a complex understanding of what are the factors and obstacles of rural development in Ukraine, as well as what directions need to be taken in order to adapt Ukrainian legislation, institutional environment and various mechanisms to ensure readiness of Ukrainian rural areas for farther integration with the European Union and the world economy.

¹ Research project entitled "Development of rural areas in the system of eurointegration priorities of Ukraine: national interests and regional accents" (state registration number 0112U008133) was prepared by a team of authors (Viktor Borshchevskiy, Khrystyna Prytula, Vitaliy Krupin, Inna Kulish, Yuriy Zlydnyk) from the National Academy of Sciences of Ukraine based on a Grant of the President of Ukraine for Doctors of Economic Sciences № Ф47/088 in the year 2012.

As different terms describing Ukrainian rural areas bordering with the EU are used in the article, they all apply to regions of Western Ukraine (Volynska, Lvivska, Zakarpatska and Ivano-Frankivska oblasts), which physically border with the countries of European Union (Poland, Slovakia, Hungary and Romania) and therefore can be viewed as a separate object of research due to the peculiarities of this location and the advantages it provides.

Research results

Various aspects of marketing application in the research of agrarian sector in post-socialist states (the ones that have passed the stages of association, harmonization and accession to the EU) were covered in numerous works of Eastern European scientists, Ukrainian in particular.

A group of Czech scientists (Vološin et al. 2011) have noted that the peculiarity of agrarian marketing is conditioned by characteristic features of the agrarian market itself. First of all, it concerns its dependency on numerous factors, originating not only in the agricultural sector, but also being influenced by the trends in the development of the world economy. Additionally, a high share of the agricultural produce is being consumed by the producers themselves, not even reaching the commodity market, therefore not being an object of agrarian marketing, which should be taken into account during the development of marketing support.

Polish researchers Śmiglak-Krajewska and Zielińska (Śmiglak-Krajewska et al. 2009) focus their attention on the informative function of agrarian marketing. In particular, they point out that a decisive role in agriculture is being played by a risk factor, such as the presence of a great number of small market players and unforeseeability of natural forces cause a high level of uncertainty. At the same time, a reduction of potential negative consequences of economic risk is possible to attain with the use of modern management methods, including the utilization of marketing instruments. Moreover, a system of marketing research is beginning to play a decisive role in the process of adaptation to a volatile market environment in agrarian business, since a quality marketing information system serves as a basis for production planning and evaluation of possible economic risks of agrarian producers, giving them valuable knowledge concerning the type and dynamics of consumption, imports, exports, product reserves, prices, and so on.

A Ukrainian scientist (Данько 2008) stresses that the agrarian marketing is one of the fundamental instruments for the increase of competitiveness of Ukrainian agriculture, a goal-oriented creative activity that includes forecasting, planning, organization and management of consumers' demand satisfaction for goods, services and even ideas, related with the agricultural production. According to his opinion, the competitiveness of domestic producers is impossible without application of the agrarian marketing functions, the implementation of which should be conducted on all levels of hierarchy of the agro-industrial complex. And the main condition for the rational organization of agrarian marketing is its systemacy and complexity, as these two principles assure an efficient functioning of the agrarian marketing system on the micro, regional and national levels.

From the point of view of other Ukrainian authors (Морочова et al. 2010), out of five alternative marketing concepts (production improvement, product improvement, intensification of commercial efforts, traditional marketing and socio-ethic marketing), the presence of a specific commodity, which the agricultural produce is, predetermines the dominance of two concepts in the agrarian marketing – the product improvement and socio-ethic marketing. The clarification of this statement is simple – quality features of agricultural products should always prevail during the purchase, as they ensure a proper standard of safety and satisfaction of the society's needs, thus carrying out the main idea of the socio-ethic marketing concept.

In modern conditions of Ukraine, taking into account the undergoing processes of state authority decentralization and administrative-territorial reform, the issue of application of effective marketing instruments for the development of rural areas, especially proven worthy in the environment of the agrarian business, is gaining importance. This means that a key objective today is the search of mechanisms for adaptation of most efficient marketing instruments, which have proven their validity in the agrarian business, primarily concerning the solution of issues in economic development of rural areas. Foremost it concerns the increase of their competitiveness in the conditions of the probable expansion of food-stuffs' imports from the EU-member countries, predefined by the creation of DCFTA between EU and Ukraine, as well as an inevitable intensification of labour migration abroad, caused by the widely discussed visa liberalization.

These are proven by the basic principles of the Association Agreement between the EU and Ukraine concerning the development of agriculture and rural areas, which cover (Економічна... 2014): increase of institutional and administrative potential on central and local levels, support for the development of modern and sustainable agriculture, sharing of knowledge and best practices concerning agrarian development policies, increase of agrarian sector competitiveness, market efficiency and transparency, support of development and introduction of innovations.

We agree with the scientific vision (Черевко 2010) that in the countryside, where the role of the agrarian production and related sectors is very important, the use of a complex territorial marketing allows to improve the situation towards the following: the increase of sales' volumes of local products and the growth of economic efficiency of local producers; achievement of social effect in preservation of existing and creation of new workplaces, income increase of local population; ensuring a positive environmental effect and decrease of the burden upon nature due to optimization of transit and production, rational utilization of land, forest, water and other local resources.

Especially important in this context is the implementation of the marketing instruments for the development of those rural areas, which are bordering with the EU. Being located in such closeness to the EU markets, these rural areas are the first to stumble upon issues caused by the deepening of European integration, in particular: the increase of cheaper goods' expansion from across the border through intensification of cross-border trade; loss of human resources employed in agriculture to migration of qualified workers abroad, or their switch to other activities, like cross-border trade and social work (for example, in Euroregions' sub-structures and NGO's, carrying out the cross-border projects financed by the EU and so on). Yet introduction of marketing instruments for rural communities requires necessary financing, which is currently quite

limited locally (Посипанко 2016) and to a large extent resembles the marketing of enterprises (Солом'янюк 2013).

A priority direction for the use of marketing in rural areas under these conditions is the stimulation of economic diversification, based on the implementation of modern system of marketing research and forming of adequate marketing mechanisms for popularization of the rural economy's potential in the environment of probable investors. In particular, application of the marketing for the border rural areas could strongly influence the defining of their specialization in their cross-border region. Based on this a specific image of each border rural area could be formed and quality advertisement measures could be developed, oriented for both external investors and local inhabitants.

The development of border rural areas is characterized by typical features and peculiarities. These can be identified according to three main dimensions: organizational and economic, (management, resources and infrastructure), financial and investment (budgeting, crediting and investing), social and demographic (employment and unemployment, quality of life, migration). Additionally, the border rural areas, which are neighbouring with the EU, have a list of specific characteristics concerning the development of their marketing system (Table 1).

Table 1. Typical characteristics of marketing system of rural areas, bordering with the EU

Elements of marketing system	Peculiarities		
	Organizational and economic	Financial and investment	Social and demographic
<i>Rural area</i>	Location near the state border creates additional opportunities for participation in the cross-border cooperation, as well as the transfer of technology and development of infrastructure	High motivation of investors from EU countries to allocate their funds in the projects, possibility to attract additional funds according to the programs of international technical assistance	High level of labour migration, which leads to outflow of qualified workers and quality decrease of rural human and social capital
<i>Contractors</i>	High level of influence of European business and management culture; complex system of relations with the partners from the EU countries	Availability of additional possibilities for the attraction of financial and investment resources, aimed at implementation of innovation projects	Comparatively high level of transaction costs, connected with the HR (search, hiring, training of personnel)
<i>Markets</i>	Strong influence of cross-border markets of goods, services and labour	Higher level of financial risks, caused by currency value fluctuations	Presence of market asymmetries, connected with the level of welfare of the population
<i>Intermediaries</i>	Diversified network of intermediaries, including the institutes of civic society	High level of influence of financial support from the EU, in particular due to programs of international technical assistance	High workers' mobility and a necessity to ensure a constant development of personnel
<i>Competitors</i>	Strong competition from the bordering rural areas of EU countries	Competitors have a higher potential to attract investment resources	Better quality of human resources in the competing countries from EU and lower quality in the domestic areas
<i>Consumers</i>	Vast spectrum of consumers, which are	Asymmetry of financial and investment support of the	Deep socio-demographic segmentation, high level

	characterized by high level of development and technological equipment	consumers, located on the opposing sides of the border, as well as their financial heterogeneity	of latent influence upon the rural economy
--	--	--	--

Source: developed by the authors

The introduction of marketing of rural areas into the managing activity of local self-governance of border rural communities is meant to ensure the conduction of two groups of interconnected objectives: first – the growth of attracted investment resources in order to increase the efficiency of the local resource potential utilization, and second – improvement of the quality of social capital of rural communities and limitation of outflow of the qualified specialists, which could aid in preservation of human potential and intensification of entrepreneurial activity.

A special attention in this context needs the influence of marketing of border rural areas upon the diversification of their economic development. In current conditions of on-going Ukrainian eurointegration processes, the investment and entrepreneurial activities are focused on a quite narrow economic segment, limited mostly to agrarian production and cross-border trade (a large share of which still lies under the influence of illegal processes – contraband and corruption during the border crossing, illegal labour migration, etc.).

Yet the introduction of an efficient system of marketing research should allow defining the most perspective areas for investments and inflow of other financial resources, including implementation of international technical assistance projects, development of non-agricultural economic activities in the border rural areas. Since it is these areas, unlike most of other regions of the country, that are defined not only by their agricultural potential, but also by tourist and recreational, forest, transport, logistic, transit, human, innovative and technological development potential.

This allows the statement that a development of quality investment proposals is needed, directed at attraction of adequate volumes of financial resources into the border rural areas of Ukraine. It is necessary for the development of their transport and technical infrastructure, creation of small businesses in food industry. It's possible to say that the development of high-quality investment proposals, meant to bring sufficient volumes of financial resources into border rural areas of Ukraine, necessary for developing a public infrastructure (transport, engineering, etc.), creation of small enterprises in food, woodworking and light industry, construction of modern centres for tourism and recreation, network of hotels and resorts, forming of the “knowledge economy” elements and so on, is the priority direction for the marketing of rural areas, which shall determine the efficiency of utilization of their natural and human potential in a long-term prospect.

Another important marketing function of border rural areas that should be noted is the harmonization of development strategies of neighbouring regions on both sides of the border. A vast share of investors planning to invest their capital into implementation of various projects in rural areas are always analysing the development prospects of the whole region, including the concordance of the development goals on local and regional levels. In case of border rural areas such evaluation is conducted for the whole cross-border region, meaning the strategic priorities for the development of administrative units and local communities are being analysed for the both sides of the border.

There are particular problems that influence the development of marketing mechanisms in the border rural areas on the current stage of integration of Ukraine with the EU (Table 2).

Table 2. Matrix of basic problems in the development of marketing for the border rural areas in the condition of integration with the EU

New challenges of integration with the EU	Main dimensions of marketing development for border rural areas		
	Economic relations	Human capital	Cross-border communications
<i>Increase of competition</i>	Insufficient attention from foreign investors	Decrease in the level of human potential through outflow of youth abroad	Lack of efficient measures for intensification of cross-border communications and contacts
<i>Budget problems</i>	Low financial sustainability of local self-governments of local communities	Insufficient financial support of education, which lowers the qualifications' level, including concerning the issues of marketing for rural areas	Underfinancing of infrastructure of rural areas, which causes low development level of cross-border information and communication networks
<i>Migration crisis</i>	Forming of new institutional barriers, which limit economic relations	Outflow of qualified specialists and decrease in quality of human capital of rural areas	Increase of negative information and opinions in the cross-border information space
<i>Security issues</i>	Strengthening of the limiting function of the border, which decreases the efficiency and usefulness of cross-border relations	Withdrawal of a part of HR potential from the economy and entrepreneurship for the benefit of security	Spread of irrelevant and twisted information in the cross-border information space

Source: developed by the authors

On the foreground of functions fulfilled by the marketing of rural areas in general, there are specific obligations and objectives in case of the border regions of Ukraine, neighbouring with the EU. These objectives are caused, primarily, by the spatial allocation of mentioned rural areas and the peculiarity of their economic development. In particular, the peculiarities in segmentation of the markets of potential investment resources, specific features in forming of the image of a border rural area, as well as a typical communication channels' performance in cross-border regions (Table 3).

Table 3. Comparative features of marketing of rural areas in the regions bordering with the EU and other regions of Ukraine

Functions and objectives of the rural areas' marketing	Regions bordering with the EU	Regions not bordering with the EU
<i>Marketing research</i>	Segmentation and positioning on the cross-border markets of goods and services	Target research of the circle of potential investors and markets for possible product distribution
<i>Development of investment proposals, new products and services</i>	Utilization of the advantages of cross-border projects and cross-border institutional infrastructure	Relying solely on local human and land resources, utilization of location potential
<i>Substantiation of the price for the local resources</i>	Price correction due to the border location of a rural area	Price formation based on a market situation and the type of rural area
<i>Advertisement, PR and stimulation of sales</i>	Additional possibilities to utilize the cross-border communication channels	Utilization of standard channels of advertising and present communications infrastructure

<i>Area's branding and positive image creation</i>	Concordance with the brands and image of bordering regions of neighbouring countries	Forming of own brand and image based on the brand and image of the region and corresponding type of a rural area
--	--	--

Source: developed by Iryna Kravtsiv

Therefore, the marketing research of border rural areas, unlike other types of regions, should necessarily take into account the type of their economic specialization within the framework of cross-border markets of goods and services. The same applies to the development of investment proposals, as well as new goods and services, which should rely upon the existing potential of cross-border cooperation, including the development of objects of cross-border institutional infrastructure (primarily Euroregions), cross-border technological and agro-industrial parks, cross-border agrarian clusters and so on.

The close-to-border location also greatly influences the price forming for the local natural and other resources, the value of which, as usual, grows depending on their closeness to the border, especially in case of present and active border crossings. Additional possibilities the border location creates for the popularization of economic potential of rural areas in the environment of potential investors and consumers (specially in case of tourist services). This is caused primarily by the lower transaction costs during conduction of proper communicational measures, such as international exhibitions, fairs, business forums.

At the same time, forming of a positive image and development of high-quality brands for rural areas, located in border regions, runs into additional difficulties, predefined by the necessity of their concordance with the brands and images of nearby border regions of neighbouring countries. Otherwise there could be a collision based on the "brands' competition", or on the loss of positive image due to present cross-border problems (environmental or social).

Conclusions and recommendations

A characteristic peculiarity of the rural areas' marketing in border regions is that its main object is the border rural area as a territory with specific entrepreneurial environment, set stereotypes of population's economic behaviour, cross-border relations and economic traditions. Along with this the marketing of border rural areas deals with local commodities (both goods and services), as well as products of cross-border origin, for example cross-border projects, clusters, etc. And a special role in the marketing of border rural areas is given to support of interests of local entrepreneurs as a basis for farther diversification of rural economy in regional and cross-border dimensions.

On the current stage of socio-economic development and European integration of Ukraine the diversification priorities for the economy of border rural areas of Ukraine, which would help the introduction of marketing mechanisms, are the implementations of the following:

- completion of the state authority decentralization and of the administrative-territorial reform based on the principle of subsidiarity, which should allow to delegate the necessary management power and financial resources to local rural self-governance bodies;

- forming of a complex system for education of specialists on marketing of rural areas, in particular based on cooperation of universities of management and agricultural specialization with local rural self-governance bodies, as well as by implementation of projects based on public-private partnership and programs of international technical assistance;
- implementation of promising strategies of regional development, including the strategies for development of cross-border regions and local rural communities, oriented towards diversification of rural economy; creation of complex investment proposals and branding of rural areas in accordance with selected strategic and operational goals;
- development of cross-border tourist clusters, informative and consulting, transport and logistics centres, oriented towards maximal utilization of socio-economic potential of border rural areas in the direction of diversification of their economic development.

Implementation of the indicated measures should allow the forming of a complex system of institutional support for the local rural communities in border regions of Ukraine. It should aid the increase of the level of their financial self-sufficiency, administrative and managing capability, which should allow the most efficient use of marketing instruments. At the same time the local self-governance bodies of border rural communities of Ukraine will be focused upon primary promotion of their competitive advantages on international, national, cross-border and regional levels, which should allow the most optimal utilization of their economic and resource potential. At the same time, taking into account the evolutionary type of forming and use of their socio-economic potential, their marketing support should be focused upon deepening of the diversification level of rural economy, in particular in the directions of creation of modern tourist and recreational industry, development of small businesses in transport and logistics, light, woodworking and food industry, as well as in the direction of “knowledge economy”.

Literature

Śmiglak-Krajewska M., Zielińska A.: *Information as aided factor of price risk management in agriculture*, Journal of Agribusiness and Rural Development, nr 1 (11), 2009, 189-197.

Vološin J., Smutka L., Selby R.: *Analysis of the external and internal influences on the CR agrarian foreign trade*, 2011, <http://www.agriculturejournals.cz/publicFiles/47666.pdf> (accessed 29.05.2016).

Борщевський В., Пригула Х., Крупін В., Куліш І., Злідник Ю.: *Розвиток сільських територій в системі євроінтеграційних пріоритетів України*, Інститут регіональних досліджень Національної академії наук України, Львів, 2012.

Данько Ю.: *Системність та комплексність як основа раціонального аграрного маркетингу мікро-, мезо- та макрорівнів*, 2008, http://vlp.com.ua/files/72_1.pdf (accessed 27.05.2016).

Економічна складова Угоди про Асоціацію між Україною та ЄС: наслідки для бізнесу, населення та державного управління. Інститут економічних досліджень та політичних консультацій, Київ, 2014, <https://www.eurointegration.com.ua/files/a/2/a2732e1-economic-ied.pdf> (accessed 06.12.2016).

Морохова В., Шумська В.: *Особливості становлення маркетингу відносин в агробізнесі*, Вісник Хмельницького національного університету. Економічні науки, № 6, Т. 4, 2010, 112-115.

Посипанко Д.: Бюджети об'єднаних громад Львівщини: нові виклики та можливості, Громадська організація "Європейський діалог", 13 червня 2016, <http://dialog.lviv.ua/byudzheti-ob-yednanih-gromad-lvivshhini-novi-vikliki-ta-mozhливosti> (accessed accessed 06.12.2016).

Солом'янюк Н.: Сучасні тенденції формування бюджету маркетингу на українських підприємствах, Економічний часопис-XXI, 2013, № 7-8(1), 87-89.

Черевко І.: *Роль територіального маркетингу в зрівноваженому розвитку сільських територій*, 2010, base.dnsgb.com.ua/files/journal/Visnyk-Lvivskogo-Nats-agrar-univer/APK/2010_2/files/10gidort.pdf (accessed 06.06.2016).

Streszczenie

Artykuł jest poświęcony rozpatrzeniu roli marketingu w rozwoju ukraińskich obszarów wiejskich graniczących z państwami o większej potędze gospodarczej – krajami członkowskimi UE. Podobna bliskość do takiego sąsiada to jednocześnie możliwość i zagrożenie, jednak pod warunkiem należytego przygotowania i zastosowania wybranych środków, może ona skutkować obustronną korzyścią. Marketing terytorialny, marketing rolny, dywersyfikacja gospodarki wiejskiej, współczesne zarządzanie na poziomie krajowym i regionalnym – to wszystko jest tym, co ukraińskie obszary wiejskie potrzebują dla przygotowania do bliższej integracji z UE, oraz utrzymania i pogłębienia ich potencjału rozwojowego. Dla zrozumienia tych zagadnień artykuł rozpatruje ich oraz środowisko, w którym funkcjonują ukraińskie przygraniczne obszary wiejskie. Na podstawie analizy wyodrębnione zostały kluczowe priorytety dla dywersyfikacji gospodarki przygranicznych obszarów wiejskich, które powinny pomóc w kształtowaniu kompleksowego systemu wsparcia lokalnych wiejskich społeczności w przygranicznych regionach Ukrainy.

Słowa kluczowe: *przygraniczne obszary wiejskie, dywersyfikacja gospodarcza, marketing, Ukraina*

Information about the authors:

Viktor Borshchevskiy, PhD,

Assistant Professor, Head of Department of Development of Local Communities and Cross-border Cooperation at State Institution "Institute of Regional Research named after M.I. Dolishniy of National Academy of Sciences of Ukraine", Kozelnytska St. 4, 79026, Lviv, Ukraine, borshchevsky@ukr.net.

Vitaliy Krupin (corresponding author), PhD,

Specialist at Institute of Rural and Agricultural Development of Polish Academy of Sciences, Nowy Swiat 72, 00-330, Warsaw, Poland, +48787238746, vitaliy.krupin@gmail.com.

Iryna Kravtsiv, PhD

candidate at Lviv National University of Veterinary Medicine and Biotechnologies named after S.Z. Gzhytskyi, Pekarska St. 50, 79010, Lviv, Ukraine, romadsn98@i.ua.