CONCEPTUAL FOUNDATIONS OF REGIONAL GROWTH IN THE CONTEXT OF REGIONAL ECONOMIC RELATIONS IN INTERNATIONAL CONTEXT

ACTUALITY. The article discusses the need for the development of its own regional economic strategy. As a result of practical research, a strategy for regional economic growth was developed. The strategy provides for the development of regional economic relations in the context of international economic relations.

RESULTS. The study of theoretical and conceptual foundations of regional economic growth is presented in the article. The research was conducted in the departments of regional economic systems. The results of the research are presented in the article.

CONCLUSION. The research was conducted in the Department of Regional Economic Systems. The results of the research are presented in the article.

KEYWORDS: Regional economic growth, regional economic relations, international context.
CONCEPTUAL FOUNDATIONS OF REGIONAL DEVELOPMENT IN THE CONTEXT OF REGIONAL FOREIGN ECONOMIC RELATIONS AMPLIFICATION

**Topicality.** The article explores the issue of determining the direction in which the region should develop its foreign economic relations, how to rebuild a regional economic system in order to realize their resources and opportunities for growth in the globalized international economy in the most effective way. Theoretical and conceptual foundations of the regional foreign economic relations development, analyzed in this article, determine a role of commodity exports, imports of modern technologies, investment (including foreign capital), innovation, institutional environment and entrepreneurship for regional development. Among other issues addressed in this article, special attention was paid to analysis of changes in regional development paradigms.

**Aim and tasks.** The aim of the article is to study theoretical and conceptual foundations of regional development through by means of regional foreign economic relations amplification. In addition, the objectives of the current study include: highlighting changes of scientific views on paradigms of regional development in terms of areas of amplification of regional foreign economic relations, identification of the main contradictions and temporal context of the proposed theories and concepts of regional development, addition to the main trends in the theoretical and conceptual basis of regional development in recent years.

**Research results.** The article considers a formation of theories and concepts of regional development, which provide for the intensification of regional foreign economic relations. The analysis of theoretical and conceptual bases of regional foreign economic relations amplification testifies the transformation of paradigms of regional development according to a context of times in which there were changes of scientific views on the reasons and consequences of regional growth. The article examines the evolutionary transformation of regional economic development paradigms through the following theories: spatial location theory, theory of international (interregional) trade, Keynesian theories (export base theory and input-output model), neoclassical theories of regional economic development, concepts of economic rationalism, comparative, competitive and common advantages, theories of globalization, sustainable development, regional self-help and endogenous development, a new growth theory. Based on the analysis of the regional development theoretical foundations, the article establishes that the main theories and concepts of regional foreign economic relations mostly focused on consideration of such incentives as: capital investment, technological innovation, foreign trade, agglomeration effect (economies of scale), as well as a level of institution development.

**Conclusion.** The article states that there is no single generally accepted theory for providing scientific approaches to a complementary amplification of regional foreign economic relations. Certain theories and concepts, which form theoretical foundations for the regional foreign economic relations amplification, have relatively practical application only in specific cases. Thus, by means of an application of the postulates of the theory of international and interregional trade, the optimal structure of the external trade turnover of the region and the parameters of determining the commodity positions for import substitution are determined; neoclassical theory of spatial equilibrium serves as a theoretical basis for choosing investment attraction’ direction in prioritized regional production and infrastructure facilities; new regional growth theories (including, of endogenous regional development concept) serve as a theoretical background for choosing tools for foreign economic activity intensification in order to ensure regional development. At the same time, achieving regional growth, in the modern sense, is not possible without considering principles of sustainable development and self-sufficiency of a territory, therefore, an amplification of foreign economic relations in the region, even in a globalized world, should be based mainly on endogenous factors, while strengthening its development with an innovation and investment components from the external environment.

**Keywords:** regional development, location of productive forces of the region, economic theory, foreign economic relations of the region, foreign economic activity of the region.

**Problem statement and its connection with important scientific and practical tasks.** Increasing the socio-economic role of regions in a state development highlights the issues of theoretical research in the realm of regional development, location of regional productive forces and state regulation of regional economic development, which is necessary to solve problems at meso-level. While deepening into certain aspects of scientific knowledge in the realm of regional development, it is necessary to raise a question on choosing a development path, in particular: by means of relying on internal resources and / or attracting external resources (financial, material, technological or human), as well as choosing products for export to
foreign markets. In the framework of interaction with the world economy, through trade instruments, economic growth in a region is shaped by orientation of its economy to exports, imports or import substitution. In course of regional foreign economic relations’ amplification, there is an urgent issue of choosing strategic priorities to determine economic growth factors in the region, in particular: ensuring economic growth through capital investment, trade intensification (including export activities, import activities and intermediate activities with backward and forward linkages to both export-oriented and import-oriented activities), investment in material development and public infrastructure, human capital development, and / or the development of innovative technologies. In the context of globalization, a region can act as an actor in the world economy efficiently only if it deepens its scientific, financial ties, trade relations, as well as cooperation of enterprises, institutions and organizations operating in its territory in IT and production spheres. However, the inclusion of the region in the global economy does not always guarantees economic benefits. The fact that companies with foreign investment operate in the region and create products with a high degree of processing is not a guarantee of full realization of the economic potential of the region. For example, a region may have an advantage in the amount of labor, but most of the value added resulting from the use of this labor force can be transferred from the region through the repatriation of profits. In addition, a company established (or purchased) by means of foreign direct investment, given the use of traditional (non-innovative) technology in production, can compete with local producers by displacing their products in the local market. Furthermore, economic crises affecting the global economy (global financial crisis and economic crisis related to the Covid-19 pandemic), as well as trade wars have revealed the vulnerability of local economic systems to economic phenomena such as business reshoring and the reduction of types of business in which personal interaction is critical (such as tourism and healthcare during lockdown). In the modern context, a complexity and multidimensionality of formation and development of regional foreign economic relations requires theoretical justification within the existing theories and concepts of regional development.

Analysis of recent publications on the problem. Scientific research on preconditions for a foreign economic relations development at the regional level in Ukraine was focused, mostly in such areas as: interregional cooperation and cross-border cooperation (M.Dolishniy, Ya. Zhalilo [41], N.Mikula [23], M.Lendiel); international competitiveness of regions in Ukraine, including via creation of clusters (O. Belarus, A.Mokiy[35], B. Danylyshyn, V. Osipov, Yu. Kozak, O. Yermakova [42], S. Sokolenko, S. Filippova, L. Yaremko[40]); analysis of the institutional basis (incentives) for FDI attraction, search for tools to ensure the inflow of investment, as well as search for reasons for the outflow of capital from the regions (I. Burakovsky, B. Burkinsky [4], P.Gaidutsky, Z. Gerasimchuk, Yu.Makogon, V. Lyashenko, O.Laiko[18]); formation of conceptual bases and concepts for development of foreign economic relations of regions (M. Butko, B.Kliianenko, V. Tretyak [37]).

Allocation of previously unsolved parts of the general problem. At the same time, analysis of relevant research results highlighted in periodicals and scientific literature shows that, at present, an issue of forming a unified approach to the conceptual basis for ensuring amplification of regional foreign economic relations in Ukraine remains insufficiently studied and requires further research.

An outline of the main results and their justification. Theories of regional development are considered to be largely analogous to macroeconomic theories, based on the fact that large regions have similar characteristics to some countries (territory, population, income per capita, etc.). An approach according to which the structure of production, use of natural resources, attraction of investments, population incomes, and employment are investigated is also commonly for macro- and meso-levels. However, there is a significant difference between regional and national economies, as in most cases the region is a territory with limited autonomy in most (if not all) political and economic issues in addition to limited international legal personality (only in the case of federal or confederate government) and therefore limited decision-making rights.

The conceptual and terminological apparatus to the theory of production specialization of regions and interregional trade was borrowed from the theories of international economic relations. For his part, a development of location theories was influenced by the theory of absolute advantages of A. Smith, the theory of relative advantages by D. Ricardo and the theory of international (interregional) trade of E. Heckscher - B.Olin [10; 25]. Despite the fact that postulates of the international trade theory are a priori applicable at the interstate level, at the same time, based on their assumptions and adjustments, which provide downplaying of currency, customs conditions, and partly institutional factors of international trade, their postulates are adaptive at a regional level. The main positions of the of the theory of absolute advantages by A. Smith proves a suggestion on achievement of a national welfare through development of the national production
system by means of division of labour and industrial cooperation. Based on the principles of absolute advantages, an international specialization of a region is being formed, which means that, the region exports goods that were manufactured at lower cost and imports goods produced by other regions at lower costs. Economic efficiency of exchange is achieved in conditions of non-interference by the state and free competition between producers. Despite all the benefits of this theory, which explained the conditions for the effective functioning of the territory in the presence of absolute advantage, its main drawback was a lack of instruments for participation in international trade for those regions, which not have absolute advantages. This shortcoming of the theory of absolute advantages was eliminated in the theory of comparative advantage by D. Ricardo, which means regions should specialize in the production of goods produced with the lowest comparative costs as compared to other advantages. Hence, relative advantages are achieved based on a difference between production costs in different regions, while benefits of specialization and exchange are provided even for those regions that have high production costs balancing on the cost differences. The ideas of the comparative advantage theory formed a basis of the theory of factor price equalization, derived by Swedish economists E. Heckscher (in the 1910s) [10] and B. Olin (in the 1930s) [25], and further developed by Bela Balassa (in the 1960s). According to the theory, regions gain comparative advantages due to different supply of production factors (e.g., labour, land, or energy) that are inherent to the territory, and, therefore, regions should specialize in trade in those goods, which has surplus resources constituting the largest share in its production cost structure. As for investment attraction, capital tends to flow from leading to lagging regions, implying greater returns on investment. As investment in lagging regions enlarges, so does the competition for production factors, which lead to rising factor prices and shrinking returns on investments. Given that backward regions or developing regions have, as usual, a shortage of capital and a surplus of labor, they should specialize in production and export of labor-intensive products; while developed regions, which have accumulated large masses of functional capital, should strive to export capital-intensive products. As for regions with large areas of agricultural land and relatively low population density, they should be interested in exporting agricultural products. In this regard, it should be noted a statement of B. Olin, cited in his book "Interregional and International Trade" (1933), namely, that “…international trade is a special case of interregional trade” [25].

The theoretical foundation for the regional development theory is primary grounded in location theories, which from the standpoint of provision theoretical basis for development of regional foreign economic relations solve a problem of finding the optimal potential investments location in the region. Classical firm location theories were developed by German economists XIX - early. XX century. Thus, J.G. von Thünen formulated the idea of the optimal location for agricultural production based on an products transportation costs analysis from a place of manufacture to a place of sale. Within the framework of this theoretical model, a decisive factor for choosing the optimal location for growing and processing crops was the distance to the craft and industrial center of the "isolated state", which is, in essence, means a city in the region of agricultural specialization, which is accordingly a place of sale. The idea of taking into account the transport factor in the model of an agricultural enterprise location was expanded and refined for application to industrial enterprises by W. Launhardt, in whose works the idea of the "three-point problem" was presented, that is, the problem of establishing the optimal location for an enterprise that produces one type of product at constant unit production costs, in terms of production orientation to a particular market and considering only two sources of raw materials. The theory took a generalized form in the results of A. Weber's research [19], where the decisive criteria for choosing the optimal location were determined by the minimum relative costs of production and marketing, namely wage costs, raw materials costs and fuel and transport costs (determined by the distance and cargo weight) as well as economic benefits of reduced fixed capital provision. The location theory gained its further development by W. Christaller [6], who based on empirical data on southern Germany, formed the Central Place Theory (CPT). The central places were considered to be economic centers, both in rural and urban areas, which are able to provide goods and services to the sales area of a certain scale, regarding the spacing, size and function of settlements. With a development of such service areas, it takes a form of a regular hexagon, and later the entire inhabited area is densely covered with hexagons that make up the " Christaller's hexagonal lattice", thus reducing the average economic distance and minimizing marketing costs.

Theories of J.G. von Thünen, W. Launhardt, A. Weber and W. Christaller, which are considered to be classical location theories, have two common features, namely: firstly, an assumption of complete information about all the location factors necessary to determine the optimal enterprise location and secondly, an object of a study is an individual enterprise without taking into account such external factors as tax policy and consumer demand. Thus, a shift of the subject shifting in a scale of a research subject of from
a level of a single enterprise to a level of economic region took place within a formation of the spatial economic equilibrium theory by A. Lösch [19], which in his presentation is considered neoclassical. Lösch expanded a range of factors influencing the optimal location of enterprises, supplementing the classical location theories with various tools of macroeconomics (taxes, duties, effects of different competition conditions, etc.) and, by means of calculations, proved that as you move away from the center to the periphery of the market area, transport costs increase, prices for goods and services increase, and at the same time there is a decrease in demand. Later, in the 1960s, Lösch's ideas were developed by a representative of the British school, D. Smith, who introduced into the theoretical model such aspects as a possibility of doing business in a region, regional policy and regional taxes. Also, thanks to the scientific work of D. Smith, the neoclassical theory of spatial economic equilibrium was also enriched by the model of variable costs, which in the context of the full model took into account all the costs and profits of an enterprise related to its location.

The above spatial theories of production location are considered static, as they consider the region from the standpoint of raw materials available in its territory. However, under the influence of economic globalization, accompanied by increasing production factors mobility, theories of regional development, which consider the functioning of the region in a certain cycle of events related to economic development imbalances of countries and regions, have become increasingly important. Thus, under the influence of neoclassical theories of international trade and theories of economic growth, a separate direction of research was created - the regional growth theory.

The first direction of the regional growth theories constituted cumulative theories, which are represented by: G. Myrdal, F. Perroux [26], A. Hirschman [13], H. Richardson, J. Friedman [7], T. Hägerstrand [12], J.R. Boudeville, P. Potier, H. Girsch[9].

The growth poles theory points to reasons for regional progress in industrialized countries. Perroux's initial concept [26] of the pole of growth, which corresponds to the abstract economic space around a single plant has acquired regional significance in a later statement of this theory, developed by J.R. Boudeville. In accordance with Boudeville's exposition of the theory an inequality of economic development is explained by: different scales of production and capital, different degrees of awareness of partners along with belonging to different sectors of the economy. According to this theory, economic growth is a consequence of exports of technological innovations produced in the region, moreover, funds received from export sales compose the primary basis for a private and public capital accumulation. More to the point, spread of technological innovation abroad determines a transport system development and after the initial increase in regional income disparities, they begin to decline. Thus, the formation of the pole of growth occurs when one industry: (1) through commodity and cash flows - encourages the development of other related industries (technical polarization); (2) through the accumulation of income - causes the development of services (income polarization); (3) stimulates regional development through increasing concentration of new economic activities (psychological and geographical polarization).

When the "regional economy" as a field of science emerged in the 1950's, based on the work of W. Isard [15], it had a strong empirical basis and focus on studying the productivity of the region's economy, which was influenced by a number of factors, including employment, corporate profits, GRP and growth. Within a framework of the Keynesian model of regional development, which was implemented in the 1950s -1960s, the issues of infrastructure development, planning and industrial development were the prerogatives of the state, assigning to a region the role of an executor of national interests. Thus, regional economic development was conditioned by general planning and sectoral planning. Under these conditions, a choice of location for business (including foreign investment) was determined by such comparative advantages as: low cost of land, lower local taxes and utility payments.

Within the framework of the growth pole theory in the 60's a of “Core-Periphery” model of J. Friedman [7] was created. Friedman's core periphery theory of regional development pointed at a connection of the centre of growth (city) with a periphery through the flows of goods, labour, capital and information, with an emergence of disparities between the centre and the periphery due to an asynchrony of economic development and spatial polarization. J. Friedman supplemented the theoretical component by calculating comparisons of economic indicators for interior and coastal regions of Venezuela. The growth pole theory gained popularity in the early 1960s, as it received positive practical results in the developed countries of Western Europe, including Britain, France and Italy. However, in Latin America, a strategy of growth poles did not bring the desired results and, finally, in the 1960s-1970s, scientific interest in growth poles was replaced by scientific research into the causes for disparities in a development of countries and regions.
The growth pole theory of was further developed through the synthesis of its basic postulates with the theory of the Product Life Cycle Theory, by R. Vernon, [38] who identified certain patterns in development of world trade (which is acceptable to the level of interregional trade) in accordance with the product life cycle theory. Thus, at the initial stage, innovative products in a region are produced in small batches to meet the needs of the local market (including national), using highly skilled labour, while the manufacturer has a monopoly position, and only small batches are exported to markets of developed countries. Subsequently, a price competition arises, while stimulating a transfer of commodity production to developing countries due to the need to minimize labour costs. At the final stage of the innovation life cycle in developed countries (regions) there is a reduction in production as commodity markets are concentrated mainly in developing countries, changing the status of the country (region) of origin from exporter to importer of innovation.

The next significant stage in a cumulative theories development was originated in 1950s-1960s with the Diffusion of Innovation (DOI) theory, based on ideas of the theory of economic innovation and progress, formed in 1912 by J. Schumpeter [29]. A Swedish scientist T. Hägerstrand (1953)[12] presented the main postulates of the diffusion of innovation concept, in particular: (1) empirical diffusion patterns for emergence and spread of innovations from more urbanized to less urbanized regions; (2) influence of the innovations diffusion on formation of a social effect (primarily migration) with a respect to centre-periphery relations; and (3) and dependence of a speed of innovation distribution on transnational capabilities of particular cities, that is, on how intense and effective contacts between people are, rather than on a geometric distance. Within the mathematical model of his theory, T. Hägerstrand proved an influence of neighbourhood on a spatial diffusion of innovations and introduced into theory factors of people psychological characteristics associated with resistance to innovation and received mathematical confirmation of the redundancy and insufficiency of human contacts in the space-time aspect. Later, in 1970s-1990s diffusion of innovation theory was developed in the latest theories of regional development and became a basis of a number of regional development programs in different countries. In particular, in the framework of H. Girsch's "volcano" model [9] impulses of innovations become periodic, and when the innovative impulses (lava eruptions) from an agglomeration with developed industry and scientific base reach the periphery, it leads to an increase in the level of socio-economic development of backward regions. In addition, as a result of an innovation flow and a negative factors impact accompanying the agglomeration growth, the region's growth slows down, which, over time, leads to a transformation of the region (which previously was the "growth pole") into a depressed old industrial region. The cyclical development of a region under influence of innovation impulses is related to the Long-waves (cycles) theories by M. Kondratiev and J. Schumpeter [29].

The main advantages of regional growth cumulative theories are taking into account (1) spatial regional factors, (2) innovation, as the main factor of territorial growth, and (3) using the benefits of diffusion of innovation and industrialization to equalize interregional disparities in socio-economic growth. A simplification of the initial data and the certainty of a growth object allows to use cumulative growth theories to create regional development programs in a number of countries. At the same time, cumulative growth theories have a number of shortcomings, in particular: (1) failure to take into account regional specifics in development of regional policy; (2) focusing on the priorities of big business; (3) negligence of the effects of scale of production and imperfect competition; (4) disregard for the performance of small businesses and multinational corporations; (5) lack of new forms of production organization (clusters, technology parks, technopolises, etc.).

In parallel with the theories of cumulative direction, conceptual foundations of regional economic development theory constituted theories and models of neoclassical direction, which were developed from postulates of neoclassical theory of growth, within the models of R. Solow [88] and T. Swan [10] in 1956. The main idea of neoclassical regional growth theories is a need to achieve convergence (convergence) of socio-economic development of lagging regions to the level of leading regions by means of (1) directing capital from highly developed regions to lagging regions, investing in which will bring more income to potential investors, (2) moving labour from lagging regions to more developed ones (where wages are higher), moreover, as a result of the movement of relevant production factors it is expected in the future to equalize levels of return on investment, cost and productivity and GRP per capita. However, as growth rates may vary from region to region, income levels may be expected to differ over time, given interregional differences in technological development and savings standards. The inability to determine a level and speed of convergence of regions within a country is considered the main shortcomings of theoretical models of the neoclassical direction. The most significant contribution to the development of neoclassical theories of regional growth was made by J. Borts, J. Stein [3], H. Siebert [31], R. Solow [30], T. Swan [36], G. Mankiw, D. Romer, A. Weil [20], R. Barro, X. Sala-i-Martin [2], R. Hall and C. Jones.
Considering spatial factor as well as spatial organization factors in ensuring production growth, which was proved by the classics of economic theory A. Smith, D. Ricardo and a founder of neoclassical economic theory A. Marshall, led to the further development of scientific thought toward taking into account of transport and social factors in the theoretical model. Therefore, a number of representatives of the neoclassical school tried to take into account the above-mentioned shortcomings in regional growth theories, which have already considered a spatial factors’ influence on a growth rate of the region's economy. In particular, the of regional growth theory by H. Siebert [31] proved the influence of factors such as capital, labour, land and a level of technological knowledge on the amount of potential production as a production function used. H. Siebert added transportation costs (which depend on land, labour and capital) and social factors (which are accepted as internal factors that are centres of economic growth) to a number of factors in the model. In R. Solow's classical model of regional growth, H. Siebert's model was supplemented by external factors. Thus, while H. Siebert considered the spatial factors, which determine the level of economic development of a particular isolated region, R. Solow included a particular region in a context of interregional and international interaction of the region's economy and a world economy.

The main shortcomings of regional development neoclassical theories, concerning issues of disregarding spatial and regional factors, were eliminated in the late 80's and 90's by P. Krugman, M. Porter [27] and others. The fundamental difference between the theory of regional growth of neoclassical and cumulative orientations is that neoclassical theories indicate that, as a result of stimulating the economic growth of regions, there is a convergence of socio-economic growth of regions in the middle of the country, while in cumulative theories indicate a divergence within.

In the 1950s, alternative theories were also developed in addition to regional growth theories. Among alternative theories of regional growth, which considered causes of regional growth and decline from a standpoint of structural changes in organization of industry and a political-and-economic system, it is important to highlight the Export Base theory, which is represented by models in the scientific studies of D. North [24] and C. Tibu and the neoclassical theories of Exogenous Growth by J. Borts and J. Stein [3]. Within the framework of his theory, D. North asserted that economic regional growth in local political, economic and social institutions is due to increase of external demand on any exported goods. At the same time, the researcher ignores a factor of industrialization in his theory, claiming that when exporting products with a low degree of processing, as a result of expansion and intensification of local production, there is an increase in incomes of the region, as well as there is an intensification of production in an export-serving sector. Criticizing the postulates of North's theory, C. Tibu points out at the incorrectness of determining exports as a decisive factor in economic growth in the region, given that in large regions, which are large markets for the export of goods due to a significant population, it is the population that influences the demand for export goods, and increasing demand for exported goods will lead to higher incomes and increased regional growth. However, in response to the criticism of his opponent, D. North noted the need to consider the theory of export base as a long-term model of economic growth, which makes an application of the model in the short term not always possible.

In contrast to the export base theory, in which regional growth is the result of measures taken in response to world trade demand for local goods, neoclassical theories of exogenous growth have relied on an approach based on the model of investment supply in the region's production capacity. The neoclassical theory of state growth was described in a context of regional development by J. Borts and J. Stein [3], with an assumption that the region's economy is open, with net inflows of labour and capital.

In addition to the theory of the export base, prominent scientific developments in Keynesian theories include the demand-driven Input-Output Model developed on the basis of Wassily Leontief's model in the 1940s. [11]. In contrast to the export base theory, the input-output model is based on the assumption that different activities have different multiplier effects on the local economy. Therefore, not all export-oriented activities have the same impact on regional development. The effects of the local multiplier are due to the combination of industrial production and intersectoral local connections. This means that the level of regional development is determined by the ability of the region to develop and maintain that part of the business sector, which determines the development of foreign economic relations of the region, which includes: (1) export-oriented activities with close local cross-sectoral links; and / or (2) import substitution activities that limit revenue outflows to other regions while strengthening local cross-sectoral linkages and / or (3) intermediation activities related to both export-oriented and import-substituting activities through forward and backward linkages (Hoover, 1975[14]; Stimson et al. 2006[32]).

The main advantage of the cost-output model is an emphasis on the fact that in parallel with the development of the export base in a region, in order to strengthen regional development, it is necessary to
develop local intermediate suppliers (which can be either domestic or export-oriented) and this will ultimately create stronger and more complex forward and backward intra-industry linkage, leading to an expansion of the local multiplier effect of exports. The main disadvantage of the theory of the cost-output model is that it (to the same extent as the theory of the export base) does not take into account the conditions of supply, which should be inherent in the region in order to support and develop a set of entrepreneurial activity, in particular, enterprises whose products are focused on the local market, eco-port-oriented enterprises, as well as enterprises whose activities belong to local intermediary firms that are suppliers to both export-oriented and local-oriented enterprises.

In parallel with the theories of regional growth, which considered various territorial factors and prerequisites for regional development, scientific achievements on regional development theoretical foundations were intensified by research in a realm of a state regulation of regional development, which determined objects and instruments of state influence within. At the same time, within the framework of the theory on state regulation of regional economic development, two scientific views on intensity of state intervention were developed separately. Proponents of minor adjustments to territorial development in order to mitigate market influence (so-called "soft intervention") adhered to an idea of using government instruments to accelerate natural phenomena of economic development in a region without significant changes in their direction. A proponent of this opinion was A. Lösch, who believed that state support for development is a priori not effective for those regions that are not attractive to private investors. The opposite view of the role of the state was formed by S. Denison (1962), who, based on the experience of regulating the depressed areas of Britain, justified the need for state control in attracting foreign investment in industrial facilities.

In the 1960s to middle 1970s, scientific developments on issues of economic zoning and formation of territorial production and regional economic complexes appeared in the former USSR, which in some respects resembled provisions of the growth poles theory. At that time, an interest in research on economic zoning was prompted primarily by the need to establish an optimal system of spatial planning, which would to enforce planned tasks of the national economic system, including development of new raw materials and energy resources in the eastern regions of the USSR. In contrast to Western concepts, in which the search for the optimal location of production was determined by the behaviour of economic entities, Soviet theories were based on the principles of centralized planning of territorial social systems. Among others, in our opinion, the theory of formation of territorial-industrial complexes merits special attention. In the presentation of M.M. Kolosovsky this theory was based on the method of energy production cycles, according to which the cornerstone of zoning is a production&territorial association. The production&territorial association is a cluster of industries, which when placed in one plane creates an additional economic effect.

Rethinking approaches to economic growth took place since the 1980s, due to the effects of the 1973 oil market crisis, through a change in priorities for industrial development to creation added value in the production process as well as ensuring technological knowledge-intensive, innovative development. In addition, the signing of the Bretton Woods Agreement in 1973, marked the gold standard abolition for most countries, and led to emergence of the modern era of globalization afterward, and thus accelerated the movement of finance and capital, as well as internationalization of production systems.

As early as the mid-1970s, strategic planning from business began to be used to ensure regional economic development. Strategic planning at the time involved setting goals, objectives, and preparing strategies to gain a broader advantage, according to the context of the times and events in which it was applied. As the effects of opening up national and regional economic systems to global competition were not fully felt at the time, these environments were still considered relatively stable in most cases. With the increasing impact of globalization, strategic planning continued to prove its effectiveness, gradually shifting the focus to addressing broader social and environmental issues in the late 1980s.

The wave of monetarist policy that emerged in the late 1970s gradually began to subside by the end of the 1980s, gradually being replaced by Friedman's economic rationalism, which involved the transfer of traditional state functions to private ownership or management, accompanied by the collapse of state monopolies. Strategies for planning regional economic development in the mid-1980s noted the importance of creating competitive advantages, which was due to the influence of the work of M. Porter (1985; 1990). Since then, a formation of the region's competitive advantages has been a cornerstone of strategic planning for regional economic development until the 1990s.

In the late 1980s and early 1990s, developing of J. Reese’s (1979) [28] ideas on considering technology as a driving factor of regional economic development, a new growth theory was formed. The
founders of the new growth theory, namely Romer (1986) [20], Barro (1990) [2], and Arthur (1994), promoted an idea of relying on endogenous growth factors, questioning the ideas of neoclassical approaches, which consider only exogenous factors as a source of long-term growth. Developed in the late 1970s, the theory of self-development (endogenous development), which promotes the idea of self-sufficiency of the region as a system that, in conditions of increasing competition between regions, is based on such factors as: use of local competitive advantages, culture of management inherent in the territory and production traditions (all those factors that further form the concept of regional competitiveness).

Subsequently, over the past three decades, a level of technology development in a region has become a mainspring of the concepts of endogenous regional development through development of entrepreneurship, institutions and leadership (Rees, 2001; Stimson, Stough and Salazar, 2003[33]; Stimson, Stough and Roberts, 2006[32]). In the modern sense, endogenous factors as drivers of regional development include entrepreneurship, innovation, learning, new technologies, leadership, and institutional capacity and opportunities. It should be noted that reliance on endogenous factors of development does not imply a refusal to interact with the external environment, but only makes integration into the external globalized economy more effective through the priority of regional interests.

A new look at the model of economic growth in the region was introduced by the concept of "new economic geography" by P. Krugman (1998) [17], which considered industrial clusters as driving forces of development. According to Krugman's concept, a level of economic development of the region was determined by the ratio of two groups of factors: standard factors of production - "perspiration" (such as human and physical capital) and "inspiration" factors determining the region's ability to generate new processes and products.

World economic growth after World War II peaked in the late 1980s, leading to mass consumerism, both at the domestic and global capital markets, which ultimately led to a collapse of stock market in 1987 and the subsequent recession in 1989. As a result, the crisis in the economy has led to a further transformation of the development paradigm with increasing attention to the principles of sustainable development. In the 1990s, the concept of regional development became more capacious, and regional development began to be defined not only as a consequence of economic policy, but also public administration, sociology, ecology, and, eventually local policy. In the economic geography of the XXI century, the focus in research on causes of regional development is shifted to man (as a source of labor, carrier and generator of ideas for development and a subject choosing a place to live and work) and spatial characteristics of the territory, which become decisive for the selection of places for investment. In modern conditions, the concept of regional development is not identical to the concept of regional economic growth. Economic growth, which is expressed in increased business activity, employment growth and, consequently, well-being of a population in the region, may be accompanied by environmental degradation, demographic crises and exacerbation of social conflicts. Therefore, the methods of achieving economic growth, which can be extensive or intensive in terms of the degree and nature of the use of economic resources, are of fundamental importance.

New theories of regional development focus on the study of factors such as human and social capital, innovation and spatial characteristics of a region. Thus, the focus on comparative and competitive advantages is gradually shifting towards collaborative advantages, where there are no winners and losers, so everyone benefits from gaining collaborative advantages. The new paradigm of regional development, which appeared on the agenda in the 1990s, involves the formation of strategy, regional development planning and implementation of regional policy instruments and methods in accordance with the principles of integration, cooperation and collaboration between business, government and communities located on the territory.

Modern EU regional policy, which has been a policy of cohesion since 2001, aims to improve economic well-being of EU regions and avoid regional disparities. Within the conceptual framework of cohesion policy, the EU's regions are key players in ensuring the Union's economic development, with economic and social homogeneity (while considering a spatial component), being its main goal. The horizontal dimension of economic and social cohesion is viewed from two perspectives: both in terms of enabling real and nominal convergence with the European model, according to the neoclassical approach to regional development, and in terms of interregional divergences arising from regional economic growth stages, in accordance with post-Keynesianism (Marchis, G., 2016[21]).

The most recent, the Eighth Report of the European Commission on Cohesion (2022) [5] notes the need to form a new paradigm of development for less developed and peripheral regions, taking into account new opportunities, international relations, territorial distribution of specific needs and material values and the provision of public goods such as strategic resources, biodiversity, renewable energy and amenities. A
convergence observed in recent years (2014-2020) has been driven by high growth rates in less developed regions, but their benefits of low production costs and returns on infrastructure investment may diminish over time. The report states that innovation is a key factor in long-term regional economic growth, noting that despite the EU’s cohesion policy efforts, the regional innovation gap in Europe has widened, due not only to a lack of investment in research but also because of a weakness of regional innovation ecosystems. This innovation gap is exacerbated by weak innovation and limited human capital spill-overs from international trade links and value chains in many less developed and transition economies. Despite often significant foreign direct investment (FDI) and exports, many regions cannot benefit from local firms and workers. Inadequate implementation of digital technologies, management practices and industry 4.0 technologies in business and the public sector means that many regions are unwilling to take advantage of new opportunities and are vulnerable to potential reshoring (relocation of business transaction abroad back to it was firstly moved) as value chains developed. Thus, better dissemination of innovation at the national and regional levels can help less developed and transition economies to catch up. The smart specialization strategies introduced in the EU's cohesion policy for 2014-2020 may help bridge this gap, but they need to focus more on regional capacity.

Summarizing the theoretical and conceptual basis for regional development in terms of foreign economic relations amplification, it should be noted that modern and classical theories and models define different approaches in achieving regional growth (Table 1), therefore, an influence of certain factors determine the need to use appropriate regional policy instruments. However, not all factors in the development of the region's foreign economic relations are derived from and influenced by regional policy.

<table>
<thead>
<tr>
<th>Driving factors</th>
<th>The main theoretical concepts representing this area of research on regional development</th>
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<tr>
<td>Capital investments</td>
<td>- regional development is the result of the accumulation of capital in the neoclassical model and the new growth theory (the concept of R. Solow, 1956; the models of G. H. Borts and J. L. Stein, 1964; H. Richardson; P. Romer, 1992); - domestic investment is a factor in the development of the region in a new model of cumulative causality (N. Kaldor)</td>
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<tr>
<td>Technological innovations, spillover effect</td>
<td>- economic growth is a consequence of the export of technological innovations produced in the region in the framework of cumulative growth theories (by F. Perroux, 1950; A. Hirschman, 1968; Friedman, 1964; T. Hägerstrand, 1967; J. R. Boudeville); - technological innovation is a factor in exogenous growth in the neoclassical model of development (by J. Borts and J. Stein, 1964); - technological innovations introduced by foreign investors create a spillover effect in the concept of cumulative causality (N. Kaldor, 1970); - technology is the primary driver of economic development of the region in the theory of endogenous growth (by J. Rees, 1979; P. Romer, 1986; R. Barro 1990); - concept of innovative milieu (A. Scott, 1988; M. Porter 1990; P. Krugman, 1998); - EU Cohesion Policy Concept (as amended by the Eighth Cohesion Report, 2022)</td>
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<tr>
<td>Foreign trade</td>
<td>- regional development is a consequence of growing demand for goods exported from the region within the theory of export base (by D. Norta, C. Tibou); - export specialization of the region determines economic development in the concept of cumulative causality (N. Kaldor, 1970)</td>
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<td>Agglomeration effect, economies of scale</td>
<td>- concept of growth poles (F. Perroux, 1955); - theory of polarization (A. Hirschman, 1968); - concept of diffusion of innovations (J. Schumpeter, 1961); - economies of in the concept of new economic geography (P. Krugman, 1991); - effect of agglomeration in the concepts of endogenous regional development through the development of entrepreneurship, institutions and leadership (Stimson, Stough and Salazar, 2003); - EU Cohesion policy concept (as amended in 2014 - Sixth report on economic, social and territorial cohesion)</td>
</tr>
<tr>
<td>Level of institutional development</td>
<td>- in the concept of endogenous regional development through development of entrepreneurship, institutions and leadership (Stimson, Stough and Salazar, 2005; Stimson, Stough and Roberts, 2006); - economic development of a region is conditioned by institutional policy that promotes formation of an economic environment and stimulates local production activity, as well as encourages introduction of new technologies within the EU Cohesion policy concept (as amended in Sixth, Seventh and Eighth reports on economic, social and territorial cohesion presented in 2014, 2017 and 2022 correspondently)</td>
</tr>
</tbody>
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* author’s compilation based on [2;3;5;7;8;9;12;13;16;17;20;24;26;27;28;29;32;33;38]
It should be noted that there is currently no single generally accepted theory for scientific approaches to complementary development of region's foreign economic relations. The above-mentioned theories and concepts constitute a theoretical basis for development of regional foreign economic relations and have a relatively practical application only in specific cases. Thus, with the application of the postulates of the theory of international and interregional trade, the optimal structure of the external trade turnover of the region and the parameters of determining the commodity positions for import substitution are determined; neoclassical theory of spatial equilibrium serves as a theoretical basis for choosing investment attraction’ direction in prioritized regional production and infrastructure facilities; new regional growth theories (including, of endogenous regional development concept) serve as a theoretical background for choosing tools for foreign economic activity intensification in order to ensure regional development. At the same time, to ensure the actualization of a theoretical basis for regional foreign economic activity amplification, there is a need to transfer the above-mentioned theories and concepts in today's reality, which means considering them in the context of sustainable development. In addition, empirical data on the results of the application of classical and neoclassical theories indicate that the practical transfer of the postulates of the theory in specific countries (regions) do not always give the same predicted results.

Despite the recent decentralization reform in Ukraine, the current conditions of Ukraine's national economy are still determined by significant administrative and fiscal centralization, and provide a significant dependence of the processes of intensification of foreign economic relations in the region on the influence of macro-level factors. Thus, the foreign economic relations amplification for regions in Ukraine is inextricably linked and interdependent with the original national institutional, socio-economic and organizational factors that determine an ability of the regions to perform functions delegated by the state in order to ensure foreign economic activity.

Conclusions and perspectives of further research. The article states that there is no single generally accepted theory for providing scientific approaches to the complementary amplification of foreign economic relations in the region. Certain theories and concepts, which form theoretical foundations for the regional foreign economic relations amplification, have relatively practical application only in specific cases. Thus, by means of an application of the postulates of the theory of international and interregional trade, the optimal structure of the external trade turnover of the region and the parameters of determining the commodity positions for import substitution are determined; neoclassical theory of spatial equilibrium serves as a theoretical basis for choosing investment attraction’ direction in prioritized regional production and infrastructure facilities; new regional growth theories (including, of endogenous regional development concept) serve as a theoretical background for choosing tools for foreign economic activity intensification in order to ensure regional development. At the same time, achieving regional growth, in the modern sense, is not possible without considering principles of sustainable development and self-sufficiency of a territory, therefore, an amplification of foreign economic relations in the region, even in a globalized world, should be based mainly on endogenous factors, while strengthening its development with an innovation and investment components from the external environment.

Analysis of domestic scientific research results on the issue of regional foreign economic relations amplification shows that at the moment, the instrumental support of this process at the regional level remains poorly covered and requires further research.

ЛІТЕРАТУРА


39. REFERENCES


