

**ALFRED NOBEL UNIVERSITY
DEPARTMENT OF THE GLOBAL ECONOMICS**

Master's Thesis

“Prospects for using the experience of Latin America in the formation of special economic zones in Ukraine”

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CHAPTER I THEORETICAL AND METHODOLOGICAL FRAMEWORK OF THE FORMATION AND FUNCTIONING OF SPECIAL ECONOMIC ZONES IN MODERN ECONOMIC CONDITIONS
 - 1.1. The essence, goals and objectives of special economic zones. The main types of special economic zones in global economy
 - 1.2. The historic development and current trends in regulation of special economic zones in the world
 - 1.3. The role of special economic zones in economic development, global trade and investments
 CHAPTER II THE ANALYSIS OF THE CURRENT TRENDS OF SPECIAL ECONOMIC ZONES IN LATIN AMERICA
 - 2.1. General characteristics of special economic zones in Latin America
 - 2.2. Analysis of the current trends of special economic zones in Latin America
 - 2.3. The impact of special economic zones on the economic growth of Latin America
 CHAPTER III PROSPECTS OF USING THE EXPERIENCE OF LATIN AMERICA IN IMPROVING THE FORMATION AND FUNCTIONING OF SPECIAL ECONOMIC ZONES IN UKRAINE
 - 3.1. The main problems and prospects of development of special economic zones in Ukraine
 - 3.2. The substantiation of a project of special economic zone in Ukraine “Skadovsk” based on the experience of Latin America

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SUMMARY

“Prospects for using the experience of Latin America in the formation of special economic zones in Ukraine”

The thesis considers the essence, goals and objectives of special economic zones, the main types of special economic zones. The main historic and current trends in regulation of special economic zones in the world are analyzed. The role of special economic zones in economic development, global trade and investments are considered. The main trends of special economic zones in Latin America are studied. The analysis of impact of special economic zones on the economic growth of Latin America is presented. The problems and prospects of development of special economic zones in Ukraine are analyzed. The main prospects of special economic zones in Ukraine are considered. The concept of the project of special economic zone in Ukraine based on the experience of Latin America is presented. The funds and their sources are substantiated. The estimation of the budget, social and economic efficiency of the investment project is presented.

Key words: special economic zones, Latin America, global economy, international trade, investment climate, investment project, investments

АНОТАЦІЯ

«Перспективи використання досвіду Латинської Америки у формуванні особливих економічних зон в Україні»

У кваліфікаційній роботі розглянуто сутність, цілі та завдання спеціальних економічних зон, основні типи спеціальних економічних зон. Проаналізовано основні історичні та сучасні тенденції регулювання спеціальних економічних зон у світі. Розглянуто роль особливих економічних зон в економічному розвитку, світовій торгівлі та інвестиціях. Досліджено основні тенденції розвитку спеціальних економічних зон у Латинській Америці. Проаналізовано вплив особливих економічних зон на економічне зростання Латинської Америки. Проаналізовано проблеми та перспективи розвитку спеціальних економічних зон в Україні. Розглянуто основні перспективи створення спеціальних економічних зон в Україні. Представлено концепцію проекту спеціальної економічної зони в Україні на основі досвіду Латинської Америки. Обґрунтовано інвестиційні кошти та джерела їх залучення. Наведено оцінку бюджету, соціально-економічної ефективності інвестиційного проекту.

Ключові слова: спеціальні економічні зони, Латинська Америка, глобальна економіка, міжнародна торгівля, інвестиційний клімат, інвестиційний проект, інвестиції

CONTENTS

INTRODUCTION.....	7
CHAPTER I THEORETICAL AND METHODOLOGICAL FRAMEWORK OF THE FORMATION AND FUNCTIONING OF SPECIAL ECONOMIC ZONES IN MODERN ECONOMIC CONDITIONS.....	9
1.1. The essence, goals and objectives of special economic zones. The main types of special economic zones in global economy	9
1.2. The historic development and current trends in regulation of special economic zones in the world	18
1.3. The role of special economic zones in economic development, global trade and investments.....	29
CHAPTER II THE ANALYSIS OF THE CURRENT TRENDS OF SPECIAL ECONOMIC ZONES IN LATIN AMERICA.....	40
2.1. General characteristics of special economic zones in Latin America	40
2.2. Analysis of the current trends of special economic zones in Latin America	47
2.3. The impact of special economic zones on the economic growth of Latin America	62
CHAPTER III PROSPECTS OF USING THE EXPERIENCE OF LATIN AMERICA IN IMPROVING THE FORMATION AND FUNCTIONING OF SPECIAL ECONOMIC ZONES IN UKRAINE	65
3.1. The main problems and prospects of development of special economic zones in Ukraine	65
3.2. The substantiation of a project of special economic zone in Ukraine “Skadovsk” based on the experience of Latin America.....	77
3.3. The evaluation of budget, social and economic efficiency of the project	89
CONCLUSIONS	101
REFERENCES	105
ANNEXES	111

INTRODUCTION

The actuality of the research topic. Globalization is one of the most important trends in the deepening of international economic relations. In the current conditions of development of the international economy, the functioning of special economic zones (SEZ) has a significant impact on the development of states and increasing their competitiveness through the usage of advanced technologies, implementation of science and technology into production. SEZs are firmly entrenched in world economic practice and have become an integral part of international economic relations.

Sustainable development presupposes the availability of investment resources that ensure the reproduction process. The current trends in development of the Ukrainian economy are characterized by a limitation of budgetary funds associated with a change in the conjuncture of world prices for raw materials and the complication of the economic situation in connection with the global pandemic. In the current conditions, the activation of investment attraction for the modernization and innovative development of the country can be achieved by the development of special economic zones.

The experience of the developed countries of the Latin America shows that due to an effective governmental policy, preferences and benefits, it is possible to achieve significant success in attracting capital and technologies, and increase the competitiveness of products in the world market. Due to the development of special economic zones, the countries of Latin America were able to make a breakthrough in industrial development.

In modern conditions, the development of Ukraine will be determined by the stimulation of innovative development of strategic industries in order to ensure the competitiveness of manufactured goods in the world market. In this regard, special economic zones can play an exceptional role in the economic development in Ukraine, especially industrial-production and technology-innovative industries. SEZ allow attracting private investment, developing modern production, conducting research and development and borrowing successful world experience to use it effectively in the specific Ukrainian conditions.

The *aim* of the research is to analyze the experience of the functioning of SEZs in Ukraine and in the developed countries of Latin America, to identify factors influencing

their development, to develop proposals for increasing the efficiency of attracting investments through the use of SEZs in Ukraine based on world experience.

The objectives of the thesis are:

- to consider the essence, goals and objectives of special economic zones, the main types of special economic zones;
- to research the historic development and current trends in regulation of special economic zones in the world;
- to identify the role of special economic zones in economic development, global trade and investments;
- to analyze the features of special economic zones in Latin America;
- to evaluate the current trends of special economic zones in Latin America;
- to identify main problems and prospects of development of special economic zones in Ukraine;
- to evaluate impact of special economic zones on the economic growth of Latin America;
- to substantiate the project of special economic zone in Ukraine “Skadovsk” based on the experience of Latin America;
- to estimate the budget, social and economic efficiency of the project.

The object of research is the international economic relations and conditions of functioning of special economic zones in the world.

The subject of research is the development of the project of special economic zone in Ukraine “Skadovsk” based on the experience of Latin America.

Methods of research include general scientific methods of analysis and synthesis, a process approach, methods of systemic, strategic, economic and statistical analysis for achieving the objectives of the research.

The practical significance of the work means the possibility of development the international investment climate of Ukraine through the special economic zones based on the experience of Latin America, and the development of foreign economic relations in Ukraine.

CHAPTER I

THEORETICAL AND METHODOLOGICAL FRAMEWORK OF THE FORMATION AND FUNCTIONING OF SPECIAL ECONOMIC ZONES IN MODERN ECONOMIC CONDITIONS

1.1. The essence, goals and objectives of special economic zones. The main types of special economic zones in global economy

Currently, there is no single concept of a “special” or “free” economic zone that is typical for all countries. However, in accordance with the International Convention on the Simplification and Harmonization of Customs Procedures (Kyoto Convention) (May 18, 1973), “... a free economic zone means a part of the country's territory where goods are considered as objects removed from the national customs territory and are not subject to the usual customs control and tax regulation ”[14].

In educational literature and scientific papers, the concept of "free economic zone" has a broad concept. “Free economic zones in international practice are isolated territories of states, where special favorable conditions for the activities of foreign enterprises are created to solve specific economic and other problems” [33].

“A free (special) economic zone is a part of the territory (economic space) of a state with a special, preferential regime of economic, foreign trade, investment activities” [44].

A more expanded definition of SEZ is given in scientific works, where it is said that “SEZ is a region, part of a national territory with special preferential foreign trade, customs, investment, monetary, financial and tax regimes that encourage economic (production, commercial, entrepreneurial) activities of foreign participants, attracting foreign investment and advanced foreign technologies ”[45].

Other authors identify FEZs and SEZs as equivalent concepts and define them as "a relatively isolated part of the country's territory, where a special legal regime for business is established, including tax, customs, administrative and civil benefits and guarantees" [47].

The practice of foreign states that have FEZs and SEZs indicates that there is no similar meaning of their significance. There are mainly names such as:

- free economic zones, the main task of which is to accumulate investments of foreign investors, which are used to improve the social situation, as well as the economy of the region in which this zone is located;
- special economic zones, the main task of which is laid down during its creation is to attract investment in the regional economy, regardless of its source, or from the state budget or from foreign investors [50].

Summing up the considered approaches, we can say that a special economic zone (SEZ) is a territory that has a special legal status in relation to the rest of the country and preferential economic conditions for entrepreneurs. SEZ is a part of the country's territory, geographically limited by a special operating regime. Such a territory includes favorable economic and legal foundations for registered national and foreign companies, benefits and incentives in relation to the conduct of certain types of activities. In other words, the regimes operating on the territory of the SEZ are regulated by special legislation that covers many issues related to taxation, customs regulation, licensing, visa processing, etc. in this area.

SEZs are created to achieve economic and political goals of the country, its territory or a separate entity. These goals most often include:

- stimulate the economic development of the region;
- attracting foreign direct investment;
- creation of new jobs for highly qualified personnel in the region;
- minimization of costs due to the absence of export and import customs duties;
- bringing production closer to the consumer;
- use of cheaper labor;
- development of territories.
- education and training of qualified workers and management personnel;
- reforming the economic structure;
- development and growth of the export potential of the territory of the country;

- organization of production and supply to the domestic market of high-quality import-substituting goods, etc.

The objectives of SEZs are to stimulate the country's economic development and establish foreign economic relations. The main advantages of the region and the country from the SEZ are the provision of preferences, as well as other benefits to investors in organizing production within these zones:

- special administrative regime (minimization of bureaucratic barriers, the principle of "one window");
- ready-made infrastructure for business development;
- a large number of labor force;
- the possibility of equipping workplaces according to simplified standards;
- absence of duties on raw materials and spare parts of imported production, if they are used for the production of the final product, and not for resale;
- available sales markets;
- the possibility of buying out land plots at a preferential cost;
- preferential lease of buildings, offices and land plots;
- provision of subsidies for payment of utility bills;
- provision of a special tax regime (a set of tax benefits in the form of reduced tax rates or complete absence of tax payments);
- provision of a special customs regime (free customs zone procedure);
- the possibility of using faster depreciation, most of the depreciation asset price is written off during operation in the first year);
- softer requirements for environmental protection;
- provision of legal guarantees in terms of protecting the rights of investors (invariability of legislation).

Those who carry out activities on the territory of special economic zones receive the following benefits in the form of:

- tax incentives;
- savings on duties and other types of payments;

- opportunities to attract highly qualified personnel;
- opportunities to increase income while minimizing costs.
- the conditions for the full functioning of special economic zones are as follows:
- favorable geographical location;
- availability of free areas for development;
- high provision of infrastructures;
- opportunity to develop foreign economic relations;
- presence of types of activity historically formed in the given territory [48].

All SEZs are at different stages of development, differing in their economic, political and legal foundations. However, despite the diversity of SEZs around the world, their specialization, the goals of creation and the structure of the functioning mechanism, it is possible to distinguish common features that apply to all SEZs:

- the favorable economic, political, social, etc. conditions for the functioning of the SEZ;
- support from the state and the state guarantees in the legislative registration of the creation of a SEZ on the territory of the country, giving it a special status;
- the locality of the territory, the formation of a separate management structure for the SEZ with the endowment of it with the appropriate powers;
- the certain specialization of the SEZ.

In international practice, two different approaches are used in creating SEZs - *territorial and functional (regime)*.

In practice, the territorial approach is most often used. The territory is considered as a separate territory, where all resident enterprises enjoy a preferential economic regime. Territorial limitation is a key feature of such zones. With the regime (functional) approach, certain advantages are provided to enterprises of a certain type of economic activity, regardless of their location. Territorial SEZs are subdivided into industrial and scientific parks, and administrative-territorial entities. Functional SEZs are divided into offshore financial centers, shopping and warehouse complexes and point zones (they are, as a rule, separate enterprises).

According to the territorial approach, the SEZ is considered as a separate territory of the country, where all resident enterprises enjoy a preferential regime of economic activity. An example is the SEZ of China "Manaus", which is located in Brazil. A SEZ is considered as a special preferential treatment applied to a certain type of entrepreneurial activity, regardless of the location of the respective firm in the country. An example of a functional approach is the offshore firms of individual enterprises.

Considering the experience of creating special economic zones, each type of SEZ corresponds to different types of benefits and incentives, which have their own specific characteristics. There are usually four main groups of such benefits:

1) foreign trade benefits - these benefits provide for the introduction of a special customs tariff regime (reduction or cancellation of export-import duties), as well as the introduction of a simplified procedure for carrying out foreign trade operations;

2) fiscal benefits - include tax incentives for specific types of entrepreneurial activity or behavior of entrepreneurs;

3) financial benefits - various subsidies (setting lower prices for utilities, lower rent, lending on preferential terms, etc.);

4) administrative privileges - this group of privileges is provided by the SEZ administration to simplify the procedures for registering enterprises, the regime of entry and exit of foreign citizens, as well as the provision of various services.

Summarizing the above, all of the above benefits can be applied in various combinations.

At the same time, it is necessary to take into account that tax incentives are not always the most important factor in attracting foreign capital to the territory of a SEZ. No less important incentives for attracting foreign capital, as world practice shows, are still political stability in the country where the SEZ is located, investment guarantees, the quality of infrastructure, the availability of qualified workers, as well as comprehensive support from government authorities.

Currently, SEZs are classified according to various criteria, but the main one is the classification of SEZs in accordance with economic specialization and the classification of SEZs in accordance with the scale of activity.

Currently, there is no generally accepted typology of SEZs. There are many approaches to classifying SEZs. For example, OECD experts distinguish three main types: free trade zones, business zones, and reconversion zones [28].

Making further classification, modern researchers use additional characteristics that make it possible to combine the existing SEZs in the world into four groups according to the following criteria:

- by the nature of the activity or functional purpose (free zones, industrial-production zones, technology-innovative, service, complex zones);
- by the degree of integration into the world and national economy (there are two types of SEZs: zones oriented towards the external market (enclaves or extroverted), and zones integrated into the national economy (integrated or introverted);
- by industry basis;
- by the nature of ownership (public, private and mixed).

Generally, this classification can be depicted in the Fig. 1.1.

Free transit zones (free trade) (Netherlands, Latvia, India) are designed to serve a large international cargo traffic. In the zones a minimum of formal procedures are provided when goods cross borders. In free customs zones, a special regime of customs control is established. In trade and production zones, trade and commercial activity is combined with industrial and production.

Industrial production zones are created as territories with a special customs regime, where industrial companies produce export or import-substituting products, using certain fiscal and financial incentives. Such zones have proved to be effective in the USA, Western Europe, and China.

National and (or) foreign research, design and research and production firms are concentrated in zones of scientific-industrial or technical-innovative type, using a unified system of fiscal and financial incentives. The closest to this model of zones are science parks and technopolises (Japan, China, "Asian dragons" - Taiwan, Singapore, South Korea, etc.)[19].

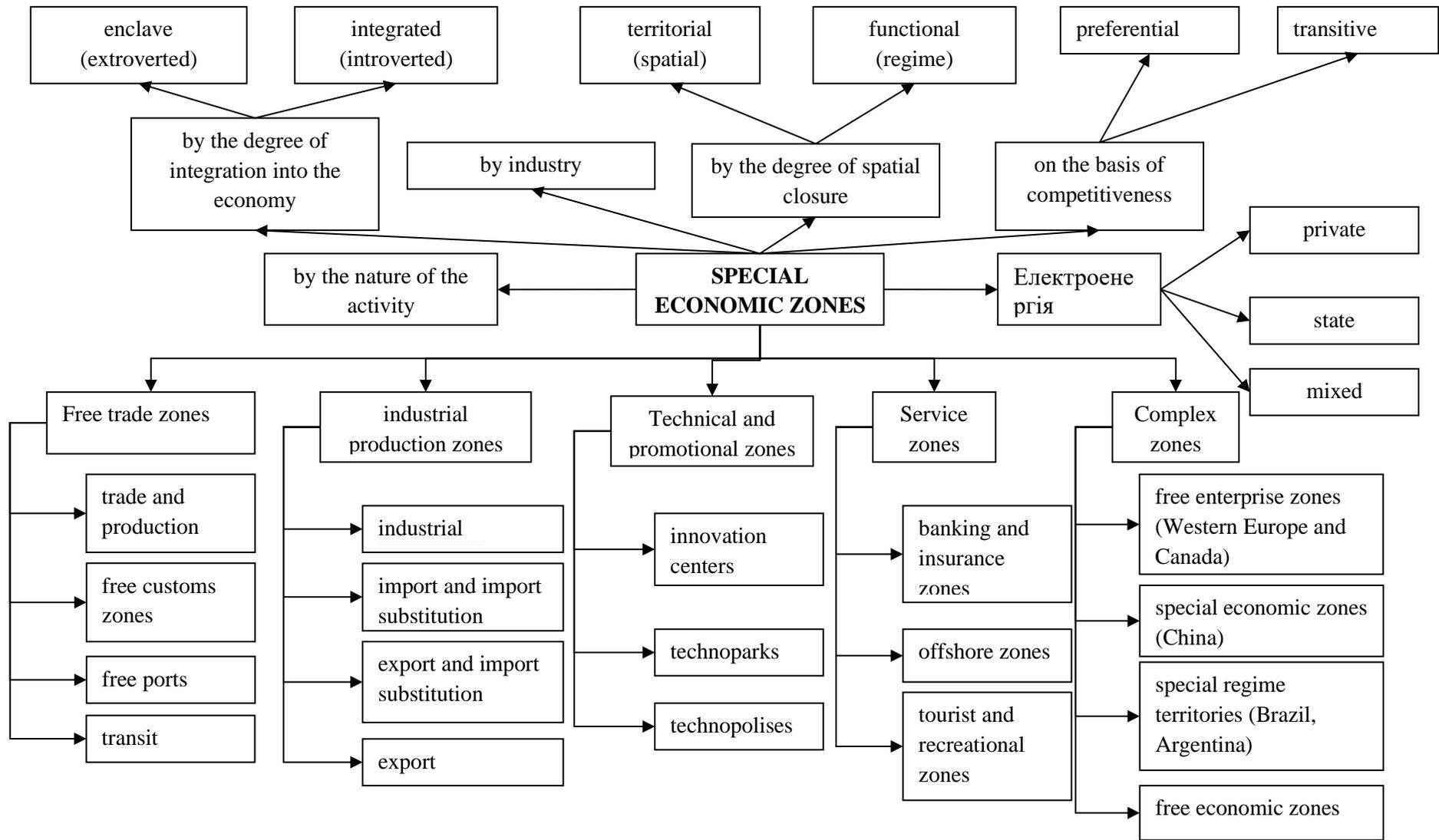


Fig. 1.1 Classification of special economic zones

Source: developed by author

Service zones are territories with a preferential business regime for firms and institutions that provide various types of financial and non-financial services. Service zones also include offshore entities. (Cyprus, Malta, Caribbean, other countries specializing in tourism and services) [19].

Complex zones are formed by introducing a special, preferential in comparison with the general, regime of economic activity on the territory of individual administrative entities. They integrate the features of two or more free zones of different types.

Enclave (extroverted) SEZs are fully oriented towards the export of all products produced on its territory in order to receive proceeds in freely convertible currency. They are usually created on the territories of a country that are naturally separated from it (islands, peninsulas, sea coasts, etc.), but they can also be created inside the city.

Integration (introversion) zones are closely connected with the national and world economies, they have a freer mode of their functioning. They are most typical for countries with developed market economies that are widely included in the international division of labor.

The classification by industry is complicated by the fact that enterprises of several industries can be located on the territory of one zone at once, but there are also those specializing in one industry. World Bank Group, along with the allocation of free trade zones, free ports and industrial production zones, also highlights zones of one production, which means creating conditions to stimulate the export activities of individual enterprises, regardless of their location.

From the point of view of ownership, state, private and SEZs on the basis of public-private partnerships. Disputes about the effectiveness of this or that form of ownership of SEZs are still ongoing, but the fact is that at the moment 65% of SEZs are private, while in 1980 only 25% of SEZs were privately owned.

In practice, the SEZ can rarely be clearly attributed to one of the types, since it can combine elements of different types.

It is interesting that many SEZs have gone through a kind of evolution, transforming from free trade zones, first into export-production zones, and then into technology parks or complex ones. In this regard, some researchers also distinguish a

classification based on competitiveness. According to this classification, the zones can be divided into two large groups: preferential and transitive.

The preferential group is the widest. It covers most of the definitions and includes classic traditional definitions. The constitutive element of all these definitions is preferences, that is, preferential conditions for economic activity for foreign and national entrepreneurs.

The transitive group of definitions is relatively new and narrower, but it is expanding dynamically. The constitutive element of all these definitions is the transitive, that is, the transitional nature of the competitiveness base. It means that the functioning of the zones only at the first stages can be associated with traditional preferences, and in the future, a new technological base will form the basis of their competitiveness. Preferences do not belong to the main instruments of the objectives of the second group of zones. The main tool for them is competitiveness, based not on preferences, but on high-tech processes, organizational and economic innovations, which make it possible to efficiently produce high-tech goods [15].

FIAS defines such types of SEZ.

Free Trade Zones (FTZs, also known as Commercial Free Zones) are designated duty-free areas that provide warehousing, storage and transportation facilities for trade, logistics and re-export operations [16].

Export production zones are industrial zones focused primarily on the production of goods for the external market. This type of FEZ, as a rule, is subdivided into a general Zone, open to all sectors of the import-substituting and export-oriented industry, and a specially designated Zone for the production of export products, in which only export-oriented enterprises operate [16].

Enterprise Zones are designed to revitalize troubled urban or rural areas through the provision of tax breaks and financial grants.

Free ports usually cover a large area. They include all activities, including tourism and retail, provide opportunities for living in the territory, and also provide a wider range of benefits and preferences.

The SEZ scheme based on a separate production creates incentives for individual enterprises, regardless of their location; factories should not be located in any strictly defined area to receive benefits and privileges. They are similar to the schemes of bonded industrial warehouses, but, as a rule, they offer a wider range of benefits and more flexible management.

Specialized zones include science / technology parks, petrochemical areas, logistics parks, airport-based areas, and so on.

Today in the world there are 400 free trade zones, more than 400 technology parks, about 300 industrial and production zones and over 100 service zones [41]. In total, according to the International Labor Organization, there are over 3500 special economic zones of various types in the world: from duty-free zones and free ports to free business zones, offshore zones and technopolises [42].

The characterized types of SEZs are the most typical formations that take place in the practice of the world economy. But the evolution of development has spawned many other types of free economic zones. For example, international zones are created in the border areas of two or more countries with the participation of both private companies and the respective states.

However, the analyzed types of free economic zones have far from exhausted their entire variety. And according to the UN, at the moment in the world there are several dozen economic organizational structures with a set of various benefits to attract national and foreign investments.

1.2. The historic development and current trends in regulation of special economic zones in the world

In the history of development of SEZs, we can distinguish 4 main stages of their development, which are presented in the figure [32].

The first stage of the SEZ is the provision by the Greek authorities in 166 BC for visiting merchants in the form of exemption from taxes and duties, which contributed to

the development of trade relations between the West and the East. Thus, the Greek island of Delos can be considered the first free trade zone for almost a century.

To the first stage of development of the SEZs can be attributed to the announcement in 1547 of the Italian city of Livorno as a place of free trade, where merchants achieved the right not to pay taxes for conducting trade.

In order to avoid the strict customs regime of most European states, as well as high customs fees and customs procedures in the Middle Ages, in the major port cities: Genoa, Venice, Marseille, the first zones (seaside harbors) appear, which are limited by a special customs border from the rest of the city. No customs duties were levied for the movement of valuables from these port cities to other foreign countries, and the normal customs regime applied to goods moved within the territory of the country. All this contributed to the gradual development of transit traffic in these territories, the expansion of production, the creation of new jobs and the supply of goods to the population [33].

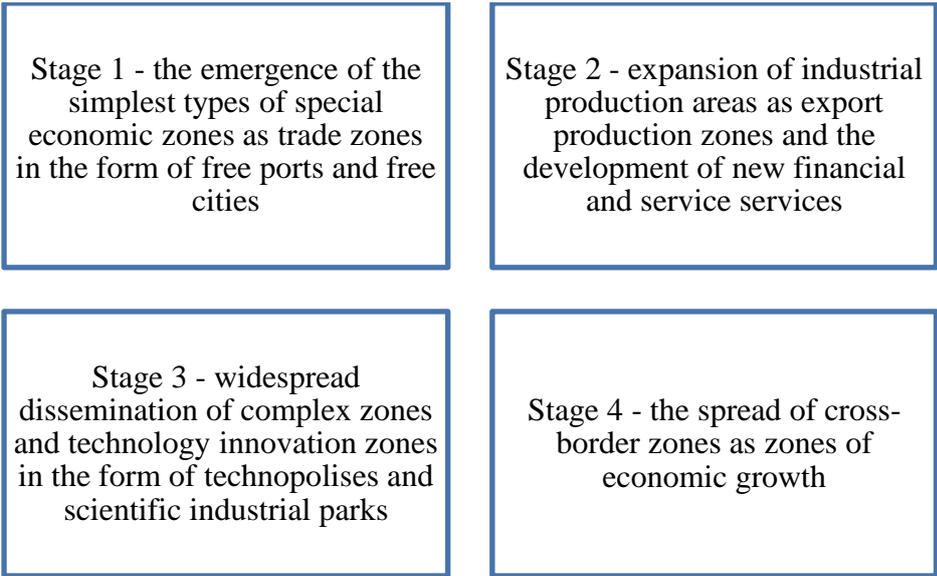


Fig. 1.2. Stages of development of special economic zones

Source: developed by author

In order to increase the revenue of taxes to the treasury, in some port cities, instead of "free ports", "free harbors" were created for duty-free trade operations with foreign goods and their storage without a time limit.

At the same time, the main feature of the "free harbors" was that it was forbidden to live on their territory to persons who had no direct relation to the functioning of SEZ.

Hamburg, Lubeck, Danzig, Genoa, Marseille and Russian ports such as Odessa, Vladivostok, Batumi received the status of "free harbor".

The second stage of the SEZ is the period of the late 19th - early 20th centuries. It is characterized by the development of the production process, the deepening of the international division of labor, and an increase in the export of capital. At the same time, there is a significant economic decline in the industries in most regions. At this time, foreign economic relations began to develop not only in the trade, but also in other areas.

The peculiarity of the second stage of development of the SEZ is that in such zones entrepreneurs were provided with various tax benefits, but the types of their activities were regulated by the state bodies. It was allowed to carry out banking and insurance operations prohibited by the current legislation, which contributed to the development of service, production and trading activities [34].

The third stage of the SEZ is characterized by many achievements in science and technology, the formation as a result of the anti-colonial struggle of a number of independent states at the beginning of the second half of the 20th century. The development of industrial relations gave impetus to the emergence of new types of organization and functioning of free export-production zones. Using its scientific and technological potential, Ireland in 1959 at the Shannon airport created a free industrial zone, which marked the beginning of this stage of development. From this point in time, free production zones acquired a new status, spreading mainly to developing countries.

A characteristic feature of free export-production zones was that as a result of obtaining a preferential legal and monetary and financial regime, the development of export-oriented industries with the attraction of local and foreign capital in the form of investments was ensured, as well as an increase in export earnings from the sale of goods, products, technologies.

The fourth stage of the SEZ is the joining of European countries, such as the USSR, Hungary, Yugoslavia, Romania, Bulgaria, Poland, and Asian countries: Vietnam and China, at the end of the 20th century to the processes of using the idea of SEZs and world integration.

The history of SEZs began in ancient times and has been going on for several centuries. So, in the days of the Phoenicians, the countries, being interested in the development of international trade, began to "fence" certain territories, which were exempted from traditionally taxed taxes and duties.

The first documented prototype of a free zone in world history dates back to 166 BC. NS, and was created on the Greek island of Delos. But the economic zone was created in 1520, when the Spanish conquistador Vasco de Balboa, who landed on the Panamanian coast, on the very isthmus that separates the two oceans, together with his people, founded the so-called "commercial ports". Here for the first time in world practice, they began to carry out customs inspection.

Initially, a SEZ was considered a special territory of a large seaport or an adjacent area, allocated from the customs territory of the country for free, duty-free import and export of foreign goods. A free enterprise zone of this type first appeared in 1547, in Italy in the city of Livorno, in the Gulf of Genuzza. It was here that the idea of creating a SEZ such as a free port arose and was implemented. After a long struggle, merchants obtained the right to sell tax-free goods on this territory. Genoa (1595), Venice (1661), Marseille (1669) also had the status of free ports [33].

In the 17th century, SEZs appeared in Trieste (Italy) and Sibenik (now Croatia), in 1704 - in Gibraltar, in 1782 - a transit trade zone in Bangkok.

With the monopolization of the market and the strengthening of the protectionist policy of states, "free ports" began to change. SEZs began to be created on their territories and in other shopping centers, where the processing of goods became increasingly important.

In the 18th century, some European trading countries gradually declared individual port cities in their countries as free ports, or allotted part of their territory and created free trade zones. Examples include Singapore (1819), Hong Kong (China; 1848), Hamburg (1888), and Copenhagen (1891). On the territory of Russia, Odessa (1817), Vladivostok (1862) and Batumi (1878) functioned as free ports or "free ports" for some time.

Before the Second World War, 75 free ports and free trade zones were created in 26 countries and regions of the world. Such zones were single-functional - export and import duties were reduced in them, or they were generally free of customs duties.

Special economic zones of this type are traditionally referred to as zones of the first generation.

Industrial production zones that arose in the first half of the 20th century as a result of the evolution of trade and customs zones are classified as special economic zones of the second generation. These zones focused on expanding exports or producing goods designed to replace imports. One of the varieties of such zones is import substitution zones.

For the first time, SEZs of this type were created in the United States under the 1943 act in the form of foreign trade zones in order to intensify foreign trade activities through the use of effective mechanisms to reduce customs costs. At the same time, it was assumed that mainly import tariffs for parts and components for the production of automobiles would be reduced. Warehouses, docks, airports were turned into zones of foreign trade. Enterprises operating in these zones were removed from customs control in the United States if the goods imported into the zone were then sent to a third country. Customs costs also decreased when American companies' products were "fine-tuned" in the zone for subsequent export. If goods from the zone went to the United States, they must go through all the customs procedures provided for by the laws of the country [19].

Another good example is the SEZ centered at Dog Island Airport (England, 1982). Its area was 2000 hectares, and more than 1 billion pounds sterling was attracted for the implementation of the planned program.

In 1967, a different type of SEZ was created in Brazil - the "Industrial District of the Free Zone of Manaus" (Amazon). The area allocated for this zone was 3.6 million km². The purpose of organizing a SEZ is the development of industrial production, and the main means of achieving it is tax incentives. This special zone began to develop very quickly, which greatly influenced the recovery of the economy of the whole Brazil. The core of the zone was made up of about 30 raw materials and fuel and energy industries,

the products of which were consumed in Brazil itself. The zone's exports reached only 3-5% of production.

In 1978, China established SEZs in 14 coastal cities. The goal is the development of foreign trade, and the main tool for their development is tax and customs benefits. Approximately \$ 15-17 million were invested in each hectare of the zone during its formation. In total, from the moment of creation to 1990, approximately \$ 22 billion was attracted to the SEZs of China. Two-thirds of the country's foreign trade turnover passed through them. In 1990, the export of only one zone - Shenzhen - amounted to \$ 3 billion.

Projects for the creation of "point" zones focused on the export of goods in South Korea, Malaysia, Singapore, and Hong Kong were also very successful: they account for 90% of the export volume in these countries.

In Western Europe in the second half of the 90s. XX century, there were about 100 SEZs of industrial-production type. Most of them were created in Switzerland (26), Spain (22), Italy (11), France (10), Finland (7), Germany (6) [33].

Another specific stage in the development of free enterprise zones began in the 1980s thanks to a number of measures aimed at overcoming stagnation in certain industries, banking and insurance. A characteristic feature of this stage can be considered "the strengthening of the economic development of certain regions in a crisis state." So, by creating small economic zones, a number of French departments and about 25 regions of Great Britain were brought out of the crisis.

The special zones of the third generation include technology-innovative zones (they are called technopolises, technoparks, etc.), which arose in the 70-80s. XX century around large scientific centers or in regions with an increased concentration of high-tech production. Technoparks are zones of intensive development of applied science and science-intensive production, which provide the most favorable conditions for companies using the results of research and development work and the latest technologies.

In the same period, scientific and industrial SEZs in the form of technoparks began to develop rapidly. Technoparks also began in the United States in the early 50s of the last century, when the Stanford University Technopark was organized.

Technoparks appeared in Europe in the early 70s. One of the first was the Harriot-Watt University Research Park in Edinburgh; Science Park Trinity College, Cambridge; Leuven-la-Neuve in Belgium; Sophia - Antipolis in Nice and the Zone of Scientific and Technical Innovation and Production in Grenoble. Later, technoparks began to be created in Canada, Singapore, Australia, Brazil, India, Malaysia, China, and Japan.

The economic crisis has always been the impetus for the creation of technoparks, since their creation is an effective mechanism for the revival and recovery from crisis situations, the result of their activities is economically prosperous regions, hundreds of thousands of new jobs.

Today in the world, technopark zones (technopolises) are developing at an incredibly fast pace. In 1973, there were 24 such zones in the United States, while now the number of such zones already exceeds 100, and by 2010 it was planned to create at least 100-120 technopolis zones. At the same time, it was planned to invest more than \$ 3 billion in their development, and the number of additional jobs should be 100,000 [33].

The largest scientific and technical zone in the United States is the legendary Silicon Valley, which is called the cradle of modern information technologies.

In Holland and Germany in the early 1990s there were 45 and 50 technoparks, respectively, and the plans of these states included the formation of another 100 in each country. In Japan, there are 18 technopolises in 14 districts based on leading research centers. The largest technopolis, Tsikuba, employs 145,000 people. There are more than 25 technology parks in England, employing 18,400 jobs [33].

Service zones (or service zones) - tourist and recreational, banking, insurance, etc., should also be referred to the third generation zones.

Currently, new types of free economic zones are emerging in the world, including the so-called microzones based on individual city blocks or large enterprises. So, in France in 2005-2008. it was planned to create about 25 such zones in the most crisis quarters of the country's large cities.

Another type of free zones are offshore zones, which serve as a kind of "tax havens" serving international financial transactions. These are, first of all, the islands - Antilles, Bahamas, Bermuda, Virginia, Cayman, Barbados, Guernsey and Jersey, Cyprus, Malta,

Madeira, as well as countries and territories such as Hong Kong, Western Samoa, Ireland, Liberia, Lebanon, Liechtenstein, Panama, Singapore and a number of others.

Taking into account the world experience of the formation, improvement of zones free from taxes and customs duties, each FEZ implies a relationship with the economic potential of the state in which it operates. FEZ activities should be based on a legal framework and ensure:

- active development of the economy as a result of attracting new technology, improved technologies, production capital and advanced management experience;
- the use in real conditions of the latest management methods, which are based on a combination of various forms of ownership;
- introduction of domestic and foreign scientific and technical achievements into manufacturing;
- providing the national market with products with high competitiveness;
- increasing jobs, reducing unemployment, etc.

In its development, the SEZ went through several stages, each of which was characterized by the gradual stimulation of international economic cooperation and the achievement of the openness of the national economy to the world. Today, the process of globalization of the world economy is actively taking place with the transition of its key positions to the development of free economic zones and the globalization of markets. In general, SEZs have spread from developed countries to developing countries. They have gone through a long period of development and evolution from the simplest zones to more complex ones, taking into account the liberalization policy, export-oriented industrial policy and deregulation.

SEZs are designed to help attract foreign investment, expand the zone's exports, increase the level of economic development of the region based on the comprehensive and targeted use of existing and attracted investment, natural and labor resources, production and technological potential as a center (or point) of economic growth.

The zone guarantees resident companies certain types and amounts of tax, financial, trade and administrative benefits. There is a relatively free movement of goods, services and capital between SEZs and foreign countries, and there is a preferential policy.

Preferential policies and incentives are applied within a geographically limited framework of a single SEZ. Zones vary in size, which can range from a few hectares to over a thousand km², and are located within a country or in a border area between two or more countries.

In the world practice of SEZ, there is a gradual increase in the share of SEZ in private property. However, most of the world's SEZs remain in state ownership.

The reasons for the functioning of SEZs are different for each state. Unlike developed countries, where such zones were created to expand foreign economic relations, improve regional policy, stimulate small and medium-sized businesses, in developing countries, SEZs were created mainly to attract foreign capital, technology, and industrial modernization, since such countries did not have to count on internal capabilities.

In general, SEZs, which appeared in the practice of economically developed countries, subsequently spread to developing countries and states with economies in transition. If in developed countries the main emphasis is placed on technology-innovation zones, then in developing countries - on trade and industrial-production zones. Different types of SEZs have many common features in the practice of countries with different levels of economic development. However, there are also some excellent features, summarized in Table 1.1 below.

Table 1.1

Comparative analysis of the characteristics of SEZs in developed countries and in developing countries

Specific traits	SEZ in developed countries	SEZ in developing countries
The main types of SEZ	Trade, service, technology-innovative, cross-border SEZ	Industrial derivatives, shopping areas
Location	Coastal, inland, cross-border region; near the port, at the junction of communication routes, in and near the city	Coastal region, inland, border, cross-border region; less often domestically
Goals	Mostly microeconomic goals and direct impact on the economy	More - direct microeconomic goals, less - indirect macroeconomic
Investment climate	Fewer preferential benefits, fewer restrictions; less share of large-scale infrastructure	More preferences, more restrictions; there are special

		regulatory instruments. More large-scale infrastructure share
Customs regulations	Free trade policy or enclave model within the country, but outside the national customs territory	Most SEZs have a free trade policy
Control	Enterprise orientation model, cross-border and interstate cooperation	State-Enterprise Orientation Model, Cross-Border Cooperation Model
Industrial sector	Industrial sector, trade, services, high-tech industries; more emphasis on trade in services than in developing countries	Export-oriented production, trade, services, high-tech industries

Source: developed by author

The world practice is also characterized by a tendency to create small specialized SEZs within other larger SEZs, which is called the “SEZ within SEZ” model. This practice first appeared in the United States, when sub-zones began to form within free trade zones. One of the first countries in the world to use such tactics was China. In particular, for the first time in 1988, the Shatojiao free trade zone was created within the framework of the Shenzhen SEZ, later a similar practice was introduced by the Waigaoqiao free trade zone in the Pudong New Zone SEZ, which in turn is part of the Shanghai SEZ; Fujian and Yantian zones in the Shenzhen SEZ, etc.

We can distinguish such main features of the SEZ as:

- support from the state in terms of legislative registration of the creation and operation of the zone, resident companies, providing them with benefits and incentives, financing, first of all, the construction of infrastructure facilities;
- a separate management structure with appropriate powers. Successful SEZs are distinguished by an effective management system, flexibility, and long-term interest in development. The task of the administration is to carry out planning, leadership, coordination, development of economic and social activities within the zone in close cooperation with the leadership of the country. As a rule, government interference in the activities of the zone is minimal;
- providing companies-residents of the zone with general and special incentives and tax, financial, commercial and administrative benefits.

Any SEZ includes a system of general and special benefits for investors. General benefits are provided to all investors in the zone, and special ones are provided when their activities are satisfied with legislatively established criteria, such as large volumes of

investment, the transfer of technologies that are not available in the host country, and the promotion of employment of the local population. The system of general benefits provided to residents of SEZs includes trade, tax, financial and administrative benefits.

The main trade benefits are applied under the free customs zone regime and include:

- absence of customs duties and quantitative restrictions on products imported from abroad into the territory of the zone and exported from the territory of the SEZ abroad;

- in the case of the supply to the domestic market of imported products in the SEZ and which have undergone revision, the customs duty is levied only on the import part of the value of the goods.

In many SEZs there is a “one-stop shop” procedure, which makes it possible to speed up customs formalities for cargo clearance.

Tax incentives designed to reduce the investor's tax burden include tax holidays, i.e. deferral from the payment of corporate income tax for a period of 5 to 20 years (Western European countries); subsequently - a reduction in the corporate tax rate; full or partial exemption from taxation of reinvested profits for up to 5 years. Foreign investors can also be provided with such tax benefits as exemption from property taxes and turnover tax [16].

Among the financial incentives, one should highlight the provision of investment subsidies to new investors, preferential government loans, guaranteeing government loans, reduced rates for renting premises and land, utility bills, free transfer of capital and profits abroad.

The most common administrative benefits provided under the SEZ are a simplified procedure for registering a company, a simplified procedure for the entry and exit of foreign citizens, liberal conditions of employment (taking into account the standards of the ILO), and simplified licensing.

Thus, the phenomenon of SEZ in the global socio-economic activity has acquired special significance as a tool for economic development. This is due to the advantages provided by the SEZ to investors: favorable customs, investment and tax regimes. SEZs

are widespread in many states. The active involvement of the countries of the world in international economic relations led to the development and expansion of SEZs in the world, the creation of which entailed the inclusion of national economies in international relations.

1.3. The role of special economic zones in economic development, global trade and investments

Only the Government of the State can decide to create a SEZ. The study of the main problems that arise during the formation of the SEZ, allows us to create the following structure of the process of creation and the activity of the SEZ:

- the establishment of the organizer of the creation of the SEZ, it can be foreign states or state bodies that form the project, and the ways of its implementation, which are approved by the state government;
- the rationale, which is formed based on the goals of the country and the weighty reasons for the implementation of the SEZ, its purpose;
- selection of the location of this zone, which must be provided with infrastructure, labor force, raw materials base, as well as accessible exits to the domestic and foreign markets;
- the formation of SEZ governing bodies, with the help of which the zones will work at the expense of self-sufficiency and financing themselves;
- creation of a system of economics and the right to operate the SEZ, which in its structure will have important blocks of organizational, legal and economic direction;
- a loyal mode of operation on the territory of the SEZ of entrepreneurs, which was used to legalize the export of resources and finance abroad.

The formation of the SEZ structure is based on its individual characteristics and the productivity of the SEZ. To guarantee the targeted use of the economic and legal mechanism of SEZ in the experience of foreign countries, a universal list of instruments is used: fiscal, material, administrative [17].

Financial sources of investment include: loans, loans at affordable rates, which are used to meet certain goals and depreciation according to the accelerated scenario of fixed assets of the zones. Fiscal measures are represented by a postponement, a complete abolition of the payment of taxes and duties, or their reduction.

The list of administrative measures for the creation and operation of the SEZ includes organizational measures:

- provision of land;
- organizational support of enterprises;
- providing information on the market conditions in the market of manufactured products;
- formation of a business plan;
- selection of the most suitable place for setting up an enterprise;
- expenses for the development of infrastructure for efficient production and guaranteeing compliance with the right to use it on preferential terms.

When creating a SEZ, conditions are formed that provide the most optimal climate for investment; financial regime; customs regulation on optimal terms.

The list of general benefits that apply to both foreign and SEZ enterprises within the country may include the following benefits in the foreign trade:

- exemption of import and export procedures from payment of duties, as well as the use of non-tariff regulation of external relations in economic processes;
- reduction of the size of payments for customs procedures during goods import, which will be sold on the domestic market of the state;
- decrease in payments for rent and taxes;
- guaranteeing material and financial resources, within the limits of orders from the state;
- providing guaranteed workers on simpler terms of hiring and working [33].

Specialized benefits that are provided only to foreign investors include:

- additional security measures in relation to investments of foreign states. This list includes the right to convert a certain share of profits that are received in hard currency or national at the exchange rate, through the use of banks' zones;

- a simpler procedure for preparing documentation;
- the right to export production products to the marketplace within the state;
- guaranteeing the availability of government orders [33].

The optimal environment for providing investments is provided and guaranteed by tools:

- introduction into the program documents of the creation of the SEZ, guaranteeing the stability of the SEZ at the legal level during the agreed period;
- the procedure and the right to receive compensation for investment losses that may be caused by a change in the status of the zone, by reducing funding and preferential terms.

The SEZ management structure in the country can be implemented as follows:

- enterprises with any type of management can be built in the SEZ;
- for capital with a large volume in the country, there are many opportunities for its increase;
- the management structure of the SEZ is created by state authorities that have endowed the management body of the SEZ with the necessary powers;
- the presence of a state body to control the development of the SEZ. This body should have a super-departmental status and not be a subdivision of any of the departments;
- subordination of the administrative units of SEZ management, especially those with great powers, to the federal government, the body authorized in matters of SEZ development.

SEZ allowed the formation of enterprises on any terms of ownership, as well as their integrated development.

Labor relations within the SEZ should be created on the basis of international and national norms that operate in the region. All issues of dismissal and hiring employees, terms of payment, rest, warranty obligations, as well as support and preferential treatment of enterprises, which are financed through foreign investments, are regulated by labor agreements. In their manifestation, there should be no factors that do not comply with labor legislation. All aspects of interest in guaranteeing and insuring the safety of the

workforce within the SEZ are established by the laws of the state, the residence of the employee and are established in individual contracts.

SEZs include territories with a single administration, special advantages for investors, preferential customs regime and simplified procedures. The zone has more liberal economic rules than the rest of the country. Such territories can be of different purposes: from providing warehouses for duty-free transit of goods to a separate legal regime for entire cities.

Table 1.2

Conditions for residents of special economic zones in world practice

SEZ typology	Purpose of creation	Conditions provided to residents	Countries / Regions
Export-production zones	Promotion of production for export, development of production	Preferential cost of purchase and lease of land, availability of ready-made infrastructure, the possibility of exchange of experience among resident companies	Brazil, Mexico, Southeast Asia, Great Britain, Ireland, USA, China
Free trade zones	Development of foreign trade	Simplified preferential and customs regimes that apply to residents, infrastructure of logistics and ports, exports and imports of products are implemented without paying duties	Most developed / developing countries
Technological zones (technopolises)	Promotion of the development of the scientific and technical industry	Availability of ready-to-use engineering infrastructure, the ability to cooperate with research and scientific centers, the presence of highly qualified employees, including business incubators that create start-up projects	USA, Japan, countries of Southeast Asia and Western Europe, India
Export Promotion Zones	Job creation, export promotion	No import duties, preferential rent and land redemption, availability of a “one window” mechanism, tax holidays, conclusion of international agreements on investment protection	Developing countries all over the world, China, Japan, India, South Korea
Service areas (service areas)	Creation of modern market infrastructure and new jobs	Reduced tax rates on corporate income, administrative and financial incentives for resident companies, tax holidays	Countries of Southeast Asia, Western Europe, Caribbean, Cyprus
Complex zones	Promoting the integrated development of the region	Free customs zone regime, financial, tax and administrative regulation benefits	Brazil, China, Western Europe, USA, Canada

Source: developed by author

Today, more than 4300 SEZs are accrued in the world in more than 130 states. The International Labor Organization estimates that more than 65 million members of the

world's population, as well as 55 million people in Asia, take part in them. Interest in such zones is due to the fact that the SEZ causes a macroeconomic effect (export growth, an increase in the employed population, as well as the flow of currency and revenues to the state budget), contributes to an increase in productivity, economic diversification and technology transfer.

Table 1.3

Tax preferences in the SEZ of some countries of the world

Country	SEZ type	Benefits and preferences
United Kingdom	Free zones; business zones	<ol style="list-style-type: none"> 1. Payment and collection of import duties and VAT when goods are exported outside the zone into the EU market area 2. Exemption of funds that are directed to construction costs from income tax
USA	Business zones; foreign trade zones; technological parks	<ol style="list-style-type: none"> 1. Exemption from local and state tax on private property and individuals. 2. Goods that are exported outside the zones to other states are not subject to customs duties and internal taxes. 3. In different states there are additional benefits, as an example in Connecticut - 50% of the tax on corporate income, in Louisiana - 100% of the tax on the sale of equipment, in Kansas - 100% of the tax on the sale of building materials, in Virginia - 100% of the sale of the main capital. 4. Most of the benefits are received by firms that are the main job creators (about 70%)
Japan	technopolises; import development zones	<ol style="list-style-type: none"> 1. Firms that handle imported goods receive loans at low interest rates, which are less than 3% 2. For the SEZ, information centers are formed that can help to implement business conferences, exhibitions, etc. 3. Simplified mechanism of customs legislation of SEZ companies
Mexico	export-production zones - maquiladoras	<ol style="list-style-type: none"> 1. The right to lower the tax base by 10%. 2. Exemption from VAT during the export of own goods and products that are purchased for use during the production of own products 3. When hiring overseas employees, the process of obtaining entry visas is simplified.
China	Economic and Technological Development Zones; special economic zones (SEZ); Zones of cross-border economic cooperation; "Bonded zones"	<ol style="list-style-type: none"> 1. For companies with overseas investments, a simpler registration system is provided. 2. Income tax incentives for companies with foreign investments - 15% (33% for the state). 3. During the import of production materials and equipment imported by a foreign participant, the company, on account of its part in the company, is not charged VAT, also in the case when they are used in commodity production intended for export abroad.

Source: developed by author

One of the largest and most successful examples of the application of the SEZ regime is considered to be special port zones in China, initially launched with the aim of carrying out market economic reforms on a limited scale. The experiment began in 1980 with four zones, whose residents were provided with financial, investment and customs benefits. Three zones - in Shenzhen, Zhuhai and Shantou - were located in Guangdong province, another in Xiamen (Fujian province), but in all cases easy access to logistics was provided by sea. The largest of these four was the SEZ in Shenzhen: its territory was originally 400 km², but in 2010 it was expanded five times and now covers the entire city (thousand km²)[19].

Now in China there are more than 200 zones of this type, as well as several dozen more special territories with fewer indulgences. According to the World Bank, in total, SEZs account for 22% of China's GDP, 46% of foreign investment and 60% of exports. Moreover, industrial parks provide 50% to 80% of GDP growth. The level of commercialization of developments is also sharply different: if in the whole country it is about 10%, then in special zones it is 60% [19].

In addition to changes in the access regime for foreign investors, simplification of procedures and the operation of the free customs zone regime, experts consider the expansion of the powers of the administrative bodies of the zones (they were able to independently adopt municipal acts and change the regulation), the launch of land reform (before that all the land was owned by the state or rural cooperatives), as well as the influence of the Chinese diaspora (after the launch of the zone in Shenzhen, capital flowed from Hong Kong and Taiwan).

Fiscal relief also contributed to the attraction of private investors: the profit tax for firms with foreign capital was cut by half - to 15% (later the rate was raised to 25% for all residents), investors were given an exemption from income tax. Given the restrictions on migrants' access to large cities (China has a mandatory registration system), port zones were able to attract a large number of skilled workers who were provided with housing and subsidies for training. Companies were given the opportunity to hire and fire employees on more flexible terms.

World practice shows that the most successful zones are those that are closely embedded both in the supply chains within the country and that have access to global markets, which increases the value of high-quality infrastructure. In addition, more and more new zones are created where private investors are ready to share some of the costs - this avoids the appearance of SEZs "on paper" and is a guarantee of real interest from business.

In the UK, SEZs in their classical sense are completely absent. There are business zones in the country - part of the territory of the UK, on which it is assumed that goods produced outside the EU member states are outside the customs territory of the EU. In the zone, storage, packaging and processing of goods using technologies, as well as the destruction of goods are allowed. If goods are exported from the SEZ to the markets of the EU countries or are used and consumed directly in the zone, it becomes necessary to pay both import duties and VAT.

There are no other tax breaks, including local ones, in such areas in the UK. An entrepreneurship zone is understood as a territory created by the government for 10 years in order to stimulate economic activity, in which a significant decline in economic activity has been noticed for a long time. The basis for the creation of such territories is certain characteristics of the population, which include high unemployment and low income. The activities of the business zones are specialized in a huge number of industries: mechanical engineering, industrial biotechnology, nuclear industry, electricity, chemical industry, food industry, etc. [32].

There are a number of advantages for residents of business zones [33]:

- priority of applications for some customs services (exemption from payment of import duties on goods that were imported from non-EU countries for the purpose of their further processing and export outside the EU);
- automatically granted and does not require special treatment, exemption from income and corporate taxes of those funds that are directed to cover capital costs in commercial and industrial construction, as well as the construction of customs warehouses;
- industrial and economic facilities are exempt from business tax;

- there is a simplified development planning regime, no need for an individual planning permit for the development of sites located in the zone, accelerated control, release of personnel from the obligation to send information to the Industrial and Technical Training Committee and pay a fee for industrial and technical training;
- the sale of urban property to private hands, the abolition of certain types of local regulatory regulation, which helps to stimulate economic activity;
- reduced requirements for the provision of statistical information.

In the Netherlands, 12 export-production zones were created with a volume of attracted investments of \$ 540 million with investments from the Netherlands, Great Britain, the USA, Japan, Taiwan, and the Republic of Korea. Leading industries are textiles, biotechnology, chemical products, electronic components, food and beverage, equipment, pharmaceuticals, precision equipment, telecommunications equipment.

In the Netherlands, SEZs are located in the Antilles. These zones operate on the island where most of the economy of the Netherlands Antilles, Curacao, is concentrated. SEZ "Industrial Park Brivengat", the economic zone of the port of Willemstad, as well as the airport SEZ, located next to the international airport of Curacao, are three zones that currently exist in this territory.

The SEZ, according to the laws of the Netherlands, is a territory within which goods can be processed, packaged, otherwise processed and sent for storage.

Residents receive the following benefits [13]:

1. The import duty and the tax established by the National Value Added Tax Act shall not be levied if:
 - export from the zone of non-cleared goods stored in the customs warehouse to another zone is carried out. Goods supplied to the domestic market of the Antilles in the absence of export duties are subject to import duties, as well as income tax, which operate in the country and cannot exceed 25% of the total sales;
 - the placement in the SEZ of goods that were intended for the SEZ.
2. Excise tax is not levied on the placement of goods that were intended for the SEZ, in case of compliance with the requirements established by the Tax Administration.
3. No duties are levied on the placement of goods that were intended for the SEZ.

In 1970, the Masan zone was created in the Republic of Korea as an export-production zone, and in 2000 it was named a free trade zone. Free trade zones (formerly called export-production zones) are special territories such as industrial complexes, territories of airports and seaports, distribution complexes or transport terminals. Free trade zones in seaports and airports are designed to facilitate business activities in the field of international logistics with permission to conduct production activities. Zones created within or around industrial complexes aim to promote industrial activity [11].

According to the legislation of the Republic of Korea, national and foreign companies operating in the zone receive benefits and advantages, and foreign companies are provided with preferential treatment in relation to taxation and lease payments.

The main incentive package within the Masan area includes:

- Exemption from direct taxation. During the first 3 years, companies are exempted from corporate income tax, takeover tax, registration tax, property tax, and land acquisition tax. In the next two years, there is a 59% discount, provided that investments in the amount of more than \$ 10 million for foreign manufacturing companies and in the amount of more than \$ 5 million for foreign logistics companies.

- Exemption from indirect taxation, including from the payment of customs duties on foreign goods imported into the zone by companies operating within the zone. There is a VAT exemption for locally produced goods brought into the zone by companies operating in Masan. Enterprises-residents of the zone do not pay temporary import additional taxes, do not pay excise taxes on alcoholic beverages, special excise taxes, transport tax, special tax on agricultural products and fish products, tax on educational services.

- Reduced rates of tariffs for lease of land plots, a longer lease term - up to 50 years, simplified customs procedures, more substantial administrative support for entrepreneurial activity is offered. The main field of activity consists of the electronics industry and the chemical industry [42].

It is estimated that the impact of the export-production zone on the country's economy is limited, but its functioning has contributed to the formation of close ties between the zone and the country's domestic economy. According to the legislation, it is

allowed to conduct up to 40% of the production of resident companies outside the territory of the SEZ, which is also subject to benefits, including preferential customs tax. The reason for the growth of ties between the SEZ and the domestic economy is associated with the absorption of production capacity in the economy of the Republic of Korea.

In Japan, SEZs are called free import zones. According to Japanese legislation, these zones are a region that develops within the framework of "legislation on special measures aimed at the development of imports and attracting investment" [50]. The state program for the development of free import zones in order to support entrepreneurs serving imported goods provides for certain benefits, which include:

- for entrepreneurs operating in places of storage of imported goods, there is a system of differentiated taxation of income from real estate and profits;
- for small and medium-sized entrepreneurs, loans at low interest rates are provided by the Japan Development Bank and the Assistance Fund;
- there is a land tax exemption for manufacturing, transport and wholesale companies;
- medium and small businesses are provided with preferential insurance;
- for transport enterprises, as well as wholesale and retail trade, there is the possibility of preferential payment for equipment supplies;
- the production base formation fund provides guarantees of debt obligations to entrepreneurs;
- Free provision by the Japan Foreign Trade Development Association of information and advice on import issues, as well as the holding of exhibitions and fairs.

It can be said that Japanese free import zones are a combination of import substitution production zones and free trade zones. Main areas of activity: manufacturing industry, shipbuilding, energy. In these zones, the storage of imported goods is carried out, operations on their processing and completion are carried out, wholesale of goods, as well as exhibitions and fairs are carried out. In the territories of these zones, a preferential regime for economic and foreign economic activity has been legally established.

Thus, the study of the SEZ in such developed countries as England, Japan, Korea and Japan showed that developed countries have the same goals and objectives. The general goals for the creation of SEZs include:

- strengthening the competitiveness of a region or country in some of the areas of activity;
- additional attraction of foreign and local investments;
- creation of new jobs;
- achieving a synergistic effect from combining logistics, scientific, manufacturing and distribution organizations in one place;
- development of the territory bordering the special economic zone [42].

The analysis of foreign experience in the creation of SEZs shows that for their effective work the most important task is to ensure the state program for the organization and development of SEZs, the development of an effective management system. Such a management system should take into account the needs of local territories in attracting foreign capital, the interest of local authorities in the development of SEZs, in ensuring their successful entry into the world market. By providing financial resources for the benefit of the SEZ, the government should be interested not only in meeting local, but also national interests. Therefore, the decisive moment in the creation of the SEZ is to determine the balance of the relationship between these interests. SEZs should increase the degree of state participation in world economic relations [50].

Considering the international practice of using SEZs as the most important component of the modern market mechanism, it is necessary to take into account that the experience of the functioning of SEZs in various countries of the world indicates the limited possibility of their influence on the development of the national economy.

Consequently, the creation of such zones in Ukraine and around the world will be successful only if the most transparent and efficient economy is created with developed legal regulation, minimal bureaucracy and the absence of corruption.

CHAPTER II
THE ANALYSIS OF THE CURRENT TRENDS OF SPECIAL ECONOMIC ZONES
IN LATIN AMERICA

2.1. General characteristics of special economic zones in Latin America

Special economic zones (SEZs) are considered a highly effective tool for job creation, export growth, attracting foreign investment, technology transfer, and human resources development. For example, employment in the free industrial zones of the Dominican Republic has grown from 500 people in 1970 to nearly 200,000 today[11].

We will systematize the special economic zones in Latin America, identify their national characteristics and determine where they are best developed. The basis for the study is statistical data on the number of SEZs in the world and countries of the Latin American region, as well as national documents and information systematizing country data on the work of SEZs, analytical materials of international organizations that control the work of zones in the world. In the publications of the World Bank, UNCTAD there are available working documents and specialized reports, in which we can get information about the place of Latin America in the global SEZ system [37;38].

In some states of Latin America, SEZs were created in the middle of the 20th century (fig. 2.1). Most countries in the region developed their current SEZ legislation in the 1990s.

Table 2.1

Creation of SEZs in states of Latin America

Country	Year of creation of the first zone
Puerto Rico	1942
Salvador	1976
Panama	1948
Honduras	1977
Bahamas	1955
Costa Rica	1978
Brazil	1957
Saint Kitts	1978
Colombia	1958
Saint Lucia	1979

Chile	1958
Uruguay	1987
Cayman islands	1967
Trinidad and Tobago	1988
Dominican Republic	1969
Belize	1990
Paraguay	1970
Peru	1991
Guatemala	1973
Argentina	1995
Jamaica	1976
Cuba	1997

Source: UNCTAD. World Investment Report 2019: Special Economic Zones. New York and Geneva: United Nations. 2020, 220 p.



Fig. 2.1. SEZ map in Latin America [24]

Since 2010, the region has undergone significant changes: renaming, reorientation and expansion of zones, as well as the opening of new SEZs in order to revive the role of SEZs as engines of economic growth and job creation. Currently, there are almost 500 SEZs in Latin America (Table 2.2), which house more than 10 thousand enterprises and employ about 1 million people (Table 2.3).

Table 2.2

Number of SEZs in the world (by region), 2019

	Total number of SEZs	SEZs under development	Additional SEZs planned
Total in the world	5383	474	507
<i>The developed countries</i>	<i>374</i>	<i>5</i>	
Europe	105	5	
North America	262		
Developing countries	4772	451	502
Asia	4046	371	419
East Asia	2645	13	
China	2543	13	
Southeast Asia	737	167	235
South asia	456	167	184
India	373	142	61
Western asia	208	24	
Africa	237	51	53
<i>Latin America and the Caribbean</i>	<i>486</i>	<i>28</i>	<i>24</i>
Countries with economies in transition	237	18	5
Underdeveloped countries	173	54	140
Least developed countries	146	22	37
Island states	33	8	10

Source: UNCTAD. World Investment Report 2019: Special Economic Zones. New York and Geneva: United Nations. 2020, 220 p.

Table 2.3

Latin America and the Caribbean countries with the largest number of SEZs, 2019

Country	Number of SEZs
Dominican Republic	73
Nicaragua	52
Costa Rica	49
Honduras	39
Colombia	39
Brazil	32

Source: UNCTAD. World Investment Report 2019: Special Economic Zones. New York and Geneva: United Nations. 2020, 220 p.

From the point of view of foreign capital owners, the investment potential of the Latin American region is quite large. There are SEZs in almost all states of Central and South America with the exception of Suriname and Guyana. In the Caribbean, by contrast, only a few countries have SEZs.

In the process of creating SEZs, the governments of the countries should not be limited only to tax incentives. There is a need to reduce regulatory barriers that can stifle business activity and protect against corruption. Many of the existing SEZs have investment potential. The most developed zones in Latin America can create a business-friendly environment comparable to the world's fastest growing centers of entrepreneurship. For example, for the period 1985-2000 the Dominican Republic's zonal program created more than 100,000 manufacturing jobs, thereby reducing the country's overdependence on agriculture[11].

For foreign companies that, for various reasons, cannot afford to locate their branches abroad, SEZs in Latin America provide an effective option for manufacturing and sourcing. SEZs give these companies the opportunity to manufacture and market their products at significantly lower costs (cost of local labor, land leases, tax incentives, bank rates, etc.).

As can be seen from Table 2.3, in each of these countries there are quite a few SEZs, which testifies to the significant investment attractiveness of both an individual state and the region as a whole. If we compare the number of SEZs with this indicator in other countries, for example European ones (Table 2.2), then the prevalence of SEZs in Latin America will become obvious. And this indicates both the high investment potential of these countries, and the interest of foreign and national investors in investing in the SEZ of the Latin American region.

The creation of SEZs in Latin American countries is characterized by the following general features:

- SEZs are created on the initiative of central authorities, not local authorities, based on national interests;
- the creation of the SEZ was preceded by the development of an appropriate regulatory and legal framework, the practical implementation of which is often carried out in three to four years (this was done in Brazil in the SEZ "Manaus");
- clear definition of SEZ types:

- manufacturing, export-manufacturing, trading, offshore, etc. This detailed classification allows each country in the region to determine different amounts of tax, customs, fiscal and other benefits;

- the allocation of limited territories for the SEZ, where the development and increase of the SEZ is due to the increase in the number of enterprises and their turnover, and not due to the development of new lands (for example, the Colon trade zone in Panama with an annual turnover of \$ 8 billion over 40 years of its existence did not even reach an area of 300 hectares) [1];

- a gradual increase in the number of SEZs.

Income tax regimes in Latin American SEZs are beneficial. Currently, an extensive variety of corporate tax regimes that are applicable to SEZs can be observed. Out of 42 countries and autonomous tax jurisdiction in the region, 29 operate SEZs. According to United Nations Conference on Trade and Development (UNCTAD) data, these jurisdictions host 486 out of 5400 of the SEZs worldwide (9%) [41].

As illustrated in Table 2.4, among the LAC countries that have introduced SEZs, most offer a more favourable corporate income tax regime than what is applicable in the rest of the country in order to incentivize corporations to establish their activities in the zones. However, a variety of corporate tax treatments can be observed in the region: A few jurisdictions offer a moderate rate reduction (less than 50% of the generally applicable corporate income tax (CIT) rate). This is the case of the general Colombian SEZ regime and the Brazilian Manaus Free Trade Zone (FTZ) [34]. Second, a few jurisdictions such as Aruba, Curacao, and Jamaica offer — or used to offer until recently — a near-total exemption of income tax. The most widespread types of income tax benefits in LAC, however, are tax holidays of various lengths and full income tax exemptions. Some jurisdictions have more than one SEZ regime — sometimes with different types of benefits. Costa Rica, for example, offers a shorter tax holiday (8 years) in SEZs located in the Greater Metropolitan Area than in SEZs outside the area (12 years). Colombia offers benefits that are more generous to SEZs established in the city of Cúcuta [34]. A last type of benefits includes a switchover to gross instead of net taxation: In Paraguay, for example, SEZ firms can elect to be taxed at 0.5% of their turnover. Finally,

some of the jurisdictions of the region offer no corporate income tax benefits in SEZs at all — Bolivia and Argentina, for example. The Bahamas and Cayman Islands do not levy a corporate income tax, which is why there cannot be a more favourable corporate income tax treatment in their SEZs than in the country in general.

Table 2.4

Types of corporate tax benefits in SEZs in LAC

Category	SEZ regime
Full exemption or long tax holiday	Antigua and Barbuda (all regimes), Chile, Costa Rica (outside Great Metropolitan Area), Dominican Republic, Honduras (all regimes), Haiti, Nicaragua, Panama (all regimes), Peru, El Salvador, Trinidad and Tobago, and Uruguay
Short tax holiday (10 years or less)	Belize (Commercial Free Zone), Costa Rica (inside Great Metropolitan Area), Cuba, Ecuador, Guatemala, Saint Lucia, Mexico, and Venezuela
Important reduction (more than 50%) and no tax holiday	Aruba, Belize (Export Processing Zone), Colombia (Zona Franca Cucuta), Curacao (eZone), and Jamaica
Moderate reduction (50% or less) and no tax holiday	Brazil (Manaus FTZ/Amazonas) and Colombia (Zonas Francas)
Other tax benefit (gross)	Paraguay
No CIT benefit	Argentina, Bolivia, Brazil (Zonas de Processamento de Exportacao), and Curacao (eZone (amended))
Jurisdictions without a CIT (but with an SEZ)	The Bahamas and Cayman Islands
No SEZs	Barbados, Dominica, Grenada, Guyana, St. Kitts and Nevis, St. Martin (French part), Puerto Rico, Suriname, Sint Maarten (Dutch part), Turks and Caicos Islands, St. Vincent and the Grenadines, British Virgin Islands, and Virgin Islands (USA)

Sources: Own categorization based on data from UNCTAD, Centro Interamericano de Administraciones Tributarias (CIAT), KPMG, International Bureau for Fiscal Documentation (IBFD), and national legislation. For individual sources, see [data annex](#). Data years 2020 (except for Antigua and Barbuda (2019), Belize (2019), and Cuba (2016)).

The above categorization generally relates to the situation in 2020 and does not show how corporate income tax benefits in the region have developed over time. Longitudinal data on the development of the regulatory regimes of SEZs are scarce. Based on the literature on economic zones, however, it can be assumed that tax benefits have always been part of the regulatory package.

SEZ typology in Latin America

Three different models of free trade zones can be said to exist in the region.

Model 1. Costa Rica and the Dominican Republic represents the first model, which is based on a significant move toward industrial diversification and an increase in the

added value of goods and services produced in the SEZs. Like the Model 2 countries, these countries depended almost exclusively on the textile & apparel manufacturing in the early days of their SEZ regimes. However, beginning in the early 2000s (Costa Rica) and after 2005 (Dominican Republic), there has been a focus on diversification. Today, the SEZs in these countries are characterized by exports of high technology products, including electronics, as well as medical devices and pharmaceuticals [10].

Model 2. El Salvador, Honduras, Guatemala and Nicaragua represents the second model, which is characterized by continued high dependence on the textile & apparel manufacturing. Although there are some initial signs of diversification in these countries, strong clusters in apparel manufacturing dominate and investment is still strongly linked to this sector and to the dynamics of the DR-CAFTA trade agreement [10].

Model 3. Panama represents the third model. The Colon Free Trade Zone has specialized in logistical services, merchandise distribution and services in general to take full advantage of the Panama Canal (which has no doubt predisposed this country to a preference for logistical services). In fact, the situation in Panama's zones bears little resemblance to that of the rest of the region [10].

The first type of SEZ in Latin America was trade zones. The benefits for their residents were mainly related to customs taxation. Goods imported into the territory of the zone are not subject to customs duties and import tax, they are exempt from other types of import control included in the country's customs legislation. In SEZs, usually located near large commercial ports (for example, the port of Barranquilla in Colombia), residents of the zones engaged in foreign trade activities have the right to carry out a number of transactions with goods without paying taxes (for up to 1 year) and duties: import / removal, reloading, warehousing, storage, sales. The possibility of duty-free storage of products in anticipation of favorable changes in the situation in the world markets or in the domestic market of the country where the SEZ is located is extremely beneficial for suppliers [34]. The supply of goods from the SEZ to the domestic market is subject to import customs duty, as for similar goods imported from abroad on normal terms.

Over time, enterprises for processing imported goods began to appear in trade SEZs, which made it possible to transform them into a more complex version of the SEZ - free production zones. The vast majority of production areas operate for export. For example, in Brazil, according to Law N 3.173/57 from 06.06.57 «Manaus Free Trade Zone» [3], the enterprises of the export-production zones must export 100% of their production. Nevertheless, some SEZs (for example, the Brazilian "Manaus" and the island of Tierra del Fuego in Argentina) work only for the domestic market [10].

The governments of the states of the region strive to stimulate an increase in foreign investment flows and business activity in the region, as well as to ensure the competitiveness of their countries in comparison with other highly productive regional players. Costa Rica, Panama and Belize offer attractive offshore options. In Costa Rica, offshore companies are exempt from income tax and property tax, and the company tax has been significantly reduced. Mexico and the rest of Latin America are becoming the leading providers of information technology and business services to clients in North America and Europe.

2.2. Analysis of the current trends of special economic zones in Latin America

Brazil and Uruguay are opposite examples of successful zones.

In Brazil, the region's largest economy, about 25 out of 32 SEZs are free trade zones (FTAs), but only three are actively operating - Ceara and Piau in the north-east of the country and Rio Branco in the north-west. The Brazilian SEZ legislation offers tax and administrative benefits for resident companies, provided that 60% of the company's gross income must be derived from the export of industrial goods and services [3].

The Brazilian government understands that SEZs are the future of international trade, and similar zones will be created in virtually every state in Brazil in the coming years. These zones will house international software companies. They will be attracted to FTZs, especially since in the future they will have wider access to the Brazilian domestic market. SEZs in Brazil have serious limitations: there are not enough good roads and

access to airports to ensure the transportation of goods. However, future service provisioning zones will generally only need an Internet connection to operate effectively.

Faced with the global trend of using special zones, Brazil in 1988 began to create export processing zones with the expectation that they would help improve the situation in the depressed regions of the country, reduce the imbalance and develop the country as a whole in economic, technological and social directions. However, since the creation of special zones in Brazil, the government gradually began to lose interest in them, as in parallel with these processes, the country underwent a serious restructuring of the economy, which led to the postponement of the implementation of several projects, including export processing zones.

With the adoption the Law No. 11.508/2007, creating conditions for the emergence of new export zones in Brazil, interest in special zones in the country has increased again [4]. Export production zones in Brazil provide residents with administrative privileges in export-import operations, with the exception of licenses or permits for the import of raw materials and capital. However, these licenses do not apply to sanitary measures, national security measures and environmental protection. Long-term legal certainty is an important attribute of this regime: benefits are granted for 20 years and can be extended for the same period.

Brazil currently has 18 such zones in 15 states (Figure 2.2). The main areas of focus for the residents of the zones are the cultivation and supply of fruits, Brazil nuts, rubber (latex) abroad, wood processing and fish farming, the leather industry, textiles, ceramics, and granite.

Export-production zones of Brazil have established themselves as an important tool for supporting national and foreign investments oriented towards the external market.



Fig. 2.2. Location of Export-Production Zones in Brazil

Notes: **SEZs, created before 1994:**

BA: Ilheus

MA: San Luis

MG: Teofilo Otoni and Uberaba

MT: Careres

PA: Barcarena

RJ: Itaguai

SC: Imbituba

TO: Araguaina

SEZs, created With the adoption the Law No. 11.508/2007:

AC: Senador Gumard

RR: Boa Vista

PI: Parnaiba

CE: Pesem

RN: Assu and Macaiba

PE: Suape

SE: Barrados Coqueiros

ES: Aracruz and Vila Velha

MS: Corubma and Bataguassu

SP: Fernandopolis

Source: Associação Brasileira de Zonas de Processamento de Exportação. Available at: <https://www.abrazpe.org.br/index.php/abrazpe/> (accessed 15.11.2021).

Along with the creation of export production zones, the Brazilian government has developed SEZs focused on the domestic market. An example is the famous Manaus zone [5]. The decision to create a free economic zone "Manaus" was adopted by the National

Congress as an economic alternative to the development along the traditional path and the integration of the region of the inner Amazon into the economy of the whole country. Law No. 3173 of June 6, 1957 establishing the Manaus zone provided for the implementation of a regional development program. However, this law was not put into effect, and the FEZ “Manaus” was created only ten years later by Decree No. 288/67 [29]. The document noted that "Manaus" is a free trade zone and special tax incentives, established with the aim of creating an industrial, commercial and agricultural center in the inner Amazon, providing appropriate economic conditions for development, taking into account local factors and a large distance from the centers of consumption of products [29].

Despite the changes and additions made to the legislation, the essence of the Manaus zone remained the same: the provision of significant subsidies to the manufacturing sector. Moreover, the service sector was indirectly subsidized by lower import tariffs as Manaus retailers could sell imported goods at lower prices. As with other development projects in the region (for example, the construction of the Trans-Amazonian Highway), the formation of Manaus was an expensive undertaking. Today, about 50 years after its creation, this zone has been able to create a socio-economic basis for the effective development of the economy in the Amazon region, contributing to better industrial and social integration of the region with the rest of Brazil [29].

Zonamerica is the first and largest of Uruguay's SEZs to be funded by private investors. Initially launched as a logistics and distribution platform, Zonamerica has evolved into a multi-platform SEZ for local and international companies, with a focus on high value-added technologies and services. Today the zone includes 30 buildings on an area of 92 hectares in the capital of Uruguay, Montevideo. Of the more than 350 SEZ firms employing a total of 10 thousand people, special attention is paid to private banks and financial corporations: 60 companies operate in the financial industry, accounting for 80% of asset management companies registered with the central bank of Uruguay [9]. Overall, Zonamerica accounts for 1.8% of Uruguay's GDP.

As a result of the successful work of Zonamerica, new opportunities have opened up for it in terms of international expansion. In particular, the ability to export this

business model to Colombia and China. Investors are considering new investment locations in other regions of Latin America, Asia and Africa in order to create a "business environment in a developed country within a developing country" [9]. For the first phase of its international expansion, Zonamerica chose the city of Cali, Colombia [34]. When merging with the Colombian Grupo Carvajal to create a new modern SEZ, companies with high value-added technologies and services were invited as residents of the zone. Currently, the Colombian Zonamerica has 18 buildings, as well as a data processing center on a total area of 38 hectares, which can potentially employ 17 thousand people [9].

Entering China, which is Uruguay's main trading partner, was the next step in the company's international expansion strategy. In February 2018, China opened a business center in Foshan, in the southern province of Guangdong, to foster business ties between China and Latin America and to offer existing clients in Uruguay a base to develop their business overseas. Zonamerica has not announced any new expansion in the short term, but has made it clear that it is testing places for future potential investments that will give new impetus to its international expansion strategy [9].

Despite significant progress in establishing SEZs in Central America and the Caribbean, South America - with a few exceptions such as Brazil, Uruguay, Chile and Colombia - still lags behind countries where SEZs are doing well in a variety of economic indicators. States of South America, only considering the possibility of creating their own SEZs, can learn from the experience of other countries in the region [26]. In particular, the Dominican Republic, El Salvador and Honduras are using SEZs to take advantage of preferential access to US markets. These countries, formerly dependent on agricultural commodities, have established large-scale manufacturing sectors.

Model of single-enterprise "free points" is the Latin American national feature.

The organization of SEZs in the form of *single-enterprise "free points"* for one enterprise is very popular in the region, especially in countries that are relatively more dependent on the SEZ for export, including Colombia, the Dominican Republic, Jamaica and Mexico [39]. The prevalence of this type of SEZ in some countries in the region has been driven by political choices to provide advantages in the free zone to local small and

medium-sized enterprises (in their existing location) and to focus on industrial activities that are difficult to relocate to the divided zone.

A free point for one enterprise (“The single-enterprise free-point”) is a specific type of SEZ that provides for the creation of favorable conditions (investment climate, benefits, etc.) for one specific enterprise specializing in the production of specific types of products.

Private and small SEZs employ few workers and contribute little (with a few exceptions) to the exports of their respective countries, compared to relatively free zones with few enterprises. However, "free points" are, in fact, one company, so it is not advisable to compare them with traditional zones, where many companies of different sizes are concentrated.

Free points are not specific to a specific area. Companies have the right to open their enterprises anywhere on the national territory: in the immediate vicinity of the border, at the deposits of raw materials (timber, agricultural products, mining products, etc.), near ports (for example, for the extraction and processing of fish and seafood) or in less attractive cities in the hinterland. Companies that choose this option are subject to the same benefits and restrictions as firms operating in free zones [39].

The free-space approach is similar to a bonded warehouse, but offers a wider range of benefits. Formal hotspots objectives often overlap with industrial policy objectives and may include the development of a “high economic and social impact investment project” (Colombia), “unemployment relief” and efforts to “modernize infrastructure [and] promote new technologies and knowledge” (Mexico) [26]. Governments allow “free points” for one enterprise in a specific industry that either needs significant investment, knowledge or technology that is not available in the country, or requires a location close to natural resources or existing customers, and ultimately cannot benefit from the cluster the economy offered by the SEZ. For example, farmers or agribusiness companies who need to import equipment; ports, hospitals and clinics (Colombia); offshore exploration platforms (Colombia); and, as in the case of Mexico, manufacturing companies looking for low-cost workers [26; 27].

Free points allow governments to target specific industries while avoiding specifying the location of zone investors. By not being in delineated areas, companies avoid the “enclave risk” and are considered to be better integrated into the local economy. However, granting free zone status to existing businesses increases the cost of zone programs, which results in fewer existing businesses under incentive schemes, thereby reducing the tax base instead of attracting new investment. Free points for one enterprise are also considered to be more prone to corruption, as companies bribe officials in exchange for free zone status. In addition, it is more difficult to monitor the enforcement of and compliance with social and environmental rules in distributed zones than in specially designated areas. Finally, in such cases, there are no conventional zone-based industrial development benefits, including synergies, clustering effects, and savings in infrastructure and services development.

Typically, the most important and challenging aspect of such a scheme is customs compliance and control. Physical controls can be quite costly, including placing customs officers in licensed premises. This is why, in many cases, countries have moved from physical schemes to systems based on documents and accounts. For example, in Mexico, companies operating under the IMMEX scheme (Manufacturing, Maquila and Exports Services) are required to use specialized software to track all imports, exports and waste. Detailed reporting of these activities and proper inventory classification are required, and violations can result in heavy fines and possibly the loss of IMMEX permits.

The most famous “free points” are the Mexican maquiladoras, founded as part of the National Border Industrialization Program launched in the 1960s. Authorized factories along the US border were able to import materials and manufacturing equipment duty-free and export their products to the US at lower rates than from other countries. Since the goal of the Maquiladoras Program was the economic development of a vast border region, the regime extended to individual factories anywhere in the area, rather than geographically limited areas. Initially, the maquiladoras were engaged in the production of textiles, simple electronics and other industrial goods. But by the XXI century, they have propelled Mexico into the top 100 auto parts exporters and strengthened its position in other industries such as aerospace, electronics, medical

devices and alternative energy. The success of the maquiladoras, bolstered by the country's accession to NAFTA in 1994, has boosted the prosperity of northern Mexico with a high level of foreign investment. At the same time, the southern part of the country was left behind.

To address regional disparities, legislation was passed in 2016 to create 7 new SEZs in southeastern Mexico and an additional zone in the northern border region. The initiative was aimed at reducing the apparent imbalances in the levels of economic development within the country - from the relatively wealthy northern states to the backward agrarian southern regions.

Mexico established its first SEZ in the Pacific port of Lazaro Cardenas, on the border of the Michoacan and Guerrero states, and the other three on the Tehuantepec Isthmus (Veracruz and Oaxaca states), Puerto Chiapas (Chiapas), and the Coatzacoalcos / Cimendad corridor) (fig. 2.3). The goal was for at least one “anchor company” to operate in each SEZ by 2018 [30].

“Anchor companies” are defined as companies that specialize in qualified high-tech businesses that are an integral part of high-tech operations and have or may influence the business decisions and locations of qualified suppliers and resellers.



Fig. 2.3. Location of the SEZ in Mexico

Note: SEZ “with a declaration” (“con declaratoria”) is a significant part of the Mexican SEZ, created following the publication in 2017-2018 by President Enrique Peña Nieto decrees designating high-growth Mexican regions (shown in dark green on the map) as special economic zones. Structures

“with the right” (“elegibles”) are a type of enterprises that are located in the poorest regions and do not yet have such a status

When developing a strategy for the SEZ, Mexico relied, inter alia, on the experience of China. In the 1980s, China created SEZs (Shenzhen, Zhuhai and Shantou in Guangdong Province), which now account for 22% of GDP, 46% of foreign direct investment and 60% of the country's exports, as well as 30 million jobs. However, despite the impressive results of the Chinese SEZs, Mexico's bet on them can be quite risky [30].

It is not entirely correct to assess similar development models all over the world as successful. It happens that investments are not attracted in the expected volumes, as was the case in Haiti, and sometimes investors can leave after several years of production activity in the SEZ, as happened in the Dominican Republic [11]. Even when it was possible to attract FDI, most SEZs failed to create an appropriate economic climate in which the local population would receive tangible benefits, in particular, fair wages. Only a small number of SEZs have succeeded in properly developing local industry on the basis of attracted foreign investment (for example, in Honduras). As noted by the World Bank experts, even in China, many SEZs eventually led to the development of an enclave economy, in which the flow of investment is carried out according to the principle of a “rapid race down” wages, and jobs are created on the basis of the assertion that “low-paid jobs are better than her absence”[25].

In the case of Mexico, the SEZ model is unlikely to significantly improve the situation of the poorest states. If the Mexican government plans to use the SEZ for the development of its depressed regions, then, in our opinion, it has little chance of realizing this intention for these states. From the point of view of scientific expertise, the Mexican authorities should negotiate with potential investors who are ready to invest in any (including the depressed) region of the country, and not only bet on those companies that can invest in large volumes in prosperous states.

To achieve success in the functioning of its SEZ, Mexico needs to focus on the following points.

1. Choose a socially responsible administration of the SEZ. It will be more efficient if each of the Mexican SEZs is managed by an “integral administrator” - a private or

parastatal company responsible for the development, regulation, administration, construction and maintenance of the zone for a specified period of up to forty years [35]. Integral administrators can be selected by the authorities from competing bids submitted by different bidders. Integral administrators will have a strong influence on the processes taking place within the SEZ, from setting operating rules and recommendations for preventing accidents to making a profit from the lease of free space in the zone and the services it will provide to investors. As a result, the selection of such an administrator may well become one of the most important public proposals that Mexico will implement in the last 20 years. These employees should be selected not only for their ability to act, but also for their ability to set ambitious social goals. In selecting and evaluating the best candidates for the Integral Administrator position, criteria such as obtaining the highest possible net economic benefit to Mexico in terms of investment and job creation and demonstration impact should be critical.

2. The success criterion should be the results achieved at the expense of local development resources, and not by attracting foreign investment. The Mexican government has defined the purpose of the SEZ in terms of developing regional value chains and expanding local public services, but not how to achieve this. The country's authorities as a whole had a significant impact on the emergence of those communities where foreign direct investment helped create competitive local business communities [19]. The government should encourage matchmaking between foreign investors and local companies. It should also help local residents obtain land for doing business, provide access to training to create lucrative local businesses, and legal protection. The experience of Taiwan and South Korea can be cited as examples of success: the authorities actively carried out political interventions that contributed to the intensification of ties with local companies. It is important to understand that the development and improvement of the life of a significant part of the local population is a prerequisite for the long-term functioning of the SEZ. As the experience of India and Bangladesh has shown, when the regions surrounding the SEZ are disenfranchised and poor, popular uprisings against the project become commonplace [9] .

3. Avoid industries that increase competitiveness through low-paying jobs. World Bank experts recognized that as a result of most SEZ initiatives, as a rule, low-skilled, low-paid jobs are created [42]. It is necessary to develop conditions for the development of industries that require qualified personnel. One way to do this is to tailor training programs and require companies to train their employees. Learning English is also important, as lack of language skills is one of the main obstacles to mobility within multinational corporations. Another way to avoid a race for minimum wages is to regulate so that at least 85% of total wages go to local workers (for example, Honduras is doing well).

4. Promote “anchor companies” that are complex rather than simple and exploitative. The goal of the Mexican government is “to secure investment from an anchor company in each SEZ,” but the more important goal should undoubtedly be to secure investment from an anchor firm strategically important for each region of the country. It is impossible to rush to choose an “anchor” company. It is imperative that Mexico takes the time to attract sophisticated industries, not just the first industry that decided to invest in the country. Complex industries are understood as those that have great opportunities for the dissemination of knowledge to the regions. Industries that promote simple production activities may seem attractive in the short term, but ultimately their operation can lead to highly undesirable economic consequences, for example, technological backwardness, production of poorly competitive products, etc.

5. Avoid the rapid creation of multiple SEZs that compete with each other [25]. Competition is good for innovation and growth, but it is advisable at the right time. Too much competition and premature decision-making can hinder the consolidation of the Mexican SEZ. Before scaling zones, it is important to ensure that one or two SEZs are working properly. Moreover, an incubation period may be required, otherwise some SEZs may eventually compete with each other and even with the developed north of the country, where the maquiladoras are actively developing. Today, five Mexican states account for 55% of all Mexico's exports (Chiapas, Coahuila, Nuevo Leon, Baja California and Tamaulipas). SEZs must attract new investors, not just those already in these five states.

It is important to note that tax cuts and the provision of cheap labor are not enough to attract FDI. On the contrary, studies on this issue convincingly show that the success of SEZs is ensured not by fiscal privileges, but by more expanded conditions for a competitive environment for doing business. Factors such as infrastructure, the availability of human capital and the cost of energy determine the attractiveness of investments to a greater extent than tax incentives and low wages. Mexico must create sound incentives: ensure the rule of law, high quality human capital, strong partnerships between government and the private sector, and support the value chain.

Colombia also has a popular free-point model. Local legislation has allowed individual companies (foreign or local) that invest in large projects with high economic and social impact to become free trade zones [34]. Requirements for investments and qualifications of employees for enterprises that plan to become vacant points of one company are slightly different from those requirements that apply to participants in traditional SEZs. Today, there are 72 such free-points operating in various fields and industries, including agribusiness, ports, hospitals and clinics, as well as offshore exploration. These points have become an important source of employment: 72 of them represent less than 10% of the total number of investors. These investors mainly work according to the schemes of combining traditional free zones and “free points”. In total, in Colombia in 2018, there were 979 such “free points”, which accounted for 42% of jobs [18].

Although SEZs in low-income countries such as Honduras and Nicaragua remain focused on labor-intensive industries, mainly in the apparel and textile industries, under pressure from low-cost Asian competitors, many are restructuring SEZs to provide higher value added. value and involve companies in relevant activities. Some exporters, such as GrupoM, have responded to increasing competition among SEZs by opening zones in neighboring Haiti to take advantage of lower labor costs and preferential access to the US market. Due to the possible expiration of the Dominican Republic's Earned Import Allowance Program (EIAP), which allows for duty-free export of clothing to the United States, the National Council for Free Zones is not only lobbying for export expansion, but also working on opening up new export opportunities in Europe (including Spain,

Germany and Finland), while exploring opportunities for cooperation with China and African countries (Morocco).

For example, the Dominican Republic has stepped up efforts to attract new investors in more high-tech manufacturing and services. The program was considered successful in attracting foreign investment and fueled sustainable economic growth in the 1990s. At its peak in 2003, SEZ companies accounted for 7.5% of the country's GDP. Key success factors are the country's proximity to the US consumer market, preferential trade agreements, incentives provided by SEZs, and the availability of cheap labor.

At the turn of the century, however, the country faced external shocks: a global economic downturn, rising oil prices and, for the textile sector, which was then at the heart of the SEZ, the termination of the Multi-fiber Arrangement in 2005, China joined the World Trade Organization in 2001. The number of companies in the SEZ decreased, exports from them decreased, and the program remained unchanged until 2010.

In this context, local SEZ investors at the national and regional levels have sought to increase market access in the United States. Through the leadership of the official trade association of the SEZ (Asociación Dominicana de Zonas Francas, ADOZONA) and the regulator of the SEZ, the National Council for Free Zones, they successfully lobbied for the Dominican Republic's accession to the Central America Free Trade Agreement (2007) and the Economic partnership between the Caribbean and the EU (2008)[11].

In collaboration with workforce development institutions, companies have encouraged the development of human capital to support the modernization of the country's manufacturing profile. While foreign manufacturers in the textile industry have redirected their interests to a lower-cost economy, local firms have invested in new technologies (such as new types of fibers) and human capital to be able to vertically integrate and remain competitive with low-cost manufacturers.

Local Dominican investors developed cross-industry ties and diversified production. Some have reoriented manufacturing from clothing to footwear, some have set up call centers and joint ventures with Indian IT companies, and other investors have opened factories and SEZs in neighboring Haiti. As part of this private agreement, the National Council for Free Zones and ADOZONA stepped up efforts to attract new

investors from emerging industries, including services (call centers and business process outsourcing), surgical equipment, pharmaceuticals, jewelry, electrical and household appliances.

Since 2010, exports, output and the number of SEZ workers in the Dominican Republic have recovered and continued to grow, although they have not yet reached the level of the early 2000s in relative contribution to GDP or total exports. Their shares have stabilized at 55% of total exports and 3.2% of GDP - lower than previous levels of 85% and 8%, respectively, indicating growth in the non-SEZ economy. The number of industrial parks has grown by one third since 2012, amounting to 73 zones at the moment [19].

Manufacturing in the SEZ has become more diversified: exports of medical and pharmaceutical products accounted for more than a quarter of total exports, and electrical and electronic products - about the same share (16%) as the traditional garment and textile industry in 2018. The United States still represents the most a large market, with the majority of companies (58%) of the Dominican Republic exporting there, although this share has declined since 2000 (from 86%). In 2017, SEZs provided about 166 thousand direct jobs and, according to estimates, 250 thousand indirect jobs, most of which were still occupied by low-skilled workers (so-called blue collars, 71%), although since 2012 the share of technical the staff grew steadily [19] .

A number of SEZs enter into cooperation agreements with local universities. The training program offered by the National Institute for Vocational Training and ADOZONA is expanding the share of SEZ workers. In 2018, the Ministry of Education signed an agreement with ADOZONA and the National Council of Free Export Zones (Consejo Nacional de Zonas Francas de Exportación, CNZFE) to improve the quality of higher education to make it more relevant to SEZ companies.

In Costa Rica, SEZs have evolved from locating low value-added manufacturing and services (eg textiles) to more high-tech manufacturing, primarily medical equipment, and advanced services such as sophisticated shared service centers and R&D. Colombia uses the concept of SEZs and “free points” for a single enterprise as a public-private partnership to innovate, close funding and knowledge gaps, and develop selected

industries, including public services. Since 2000, “free points” for one enterprise have financed the construction and operation of 12 hospitals and clinics, making the country one of the destinations for health tourism.

In addition to competition from Asian countries, Latin American states, especially small economies in Central America, face a number of serious problems [32]. The dependence of these economies on the US market makes them vulnerable to trade shocks. Recent fiscal reform in the United States has weakened the attractiveness of some Latin American SEZs, especially in those countries that are not yet well positioned in the global value chain.

The volatility of tax incentives is another problem. In countries where SEZs constitute an important part of the economy, governments provide significant amounts of potential tax revenue. In 2018, Costa Rica passed a tax reform law to replace sales tax with a value added tax. Argentina, Brazil, Ecuador, El Salvador, Guatemala, Mexico, Paraguay, Peru and Uruguay have revised their free trade zone strategies over the past five years to make special regimes more conducive to economic development. The new regimes are more focused on the domestic market and the specialization of clusters, which makes them more similar to industrial parks and development zones [42]. Over the next five years, 20-30 new SEZs can be created or put into operation under the new regimes.

Panama’s special economic zones directly support the Panamanian government’s effort to consolidate Panama as a logistic hub of the Americas. The established zones, clustered in the Metropolitan corridor along the Panama Canal, offer companies cost savings and a strategic location to reach customers throughout Latin America. To replicate the zones’ success, the government recently approved five new free trade zones in Panama City, Chiriqui Province, and Herrera Province.

The Colon Free Zone (CFZ), located on Panama’s Atlantic side, is the largest free-trade zone in the Western Hemisphere and one of the most effective distribution channels for accessing Latin American and Caribbean markets. Approximately 2,500 companies have operations in the CFZ, to mention a few well-known brands: APC, Aquatek, Black & Decker, Bose, Calvin Klein, Elizabeth Arden, Diesel, Fisher-Price, Evenflo, Hewlett

Packard, and Westinghouse. The CFZ focuses on B2B activities related to the import and re-exports of products without adding value.

Panama Pacifico Special Economic, located on Panama's Pacific side, the former Howard Air Force Base, covers an area of 1,400 hectares. Companies established in this special economic zone operate distribution centers, conduct light manufacturing, and back-office and call center services. Over 160 companies, including eight Fortune 500 companies, operate in Panama Pacifico, including 3M, Dell, and BASF. Main activities: distribution centers, high-tech manufacturing, aircraft maintenance services, multimodal and logistics services.

New Free Trade Zones. In February 2020, the Panamanian government approved five new free trade zones located in Panama Eastern Area, Province of Herrera and the Province of Chiriqui. These new zones support agroindustrial production, cluster for processing and manufacturing, merchandise storage and logistics services, biomass processing, urban waste management, and treatment as an energy generating source. The Chiriqui zone is located in the Bugaba District and supports companies focused on trade with Central America.

2.3. The impact of special economic zones on the economic growth of Latin America

The main influence that the functioning of the SEZ has in any country is the inflow of national and foreign investment in economically active sectors. The main principle of attracting significant volumes of local and foreign investment in SEZs continues to be the development of specific government strategies applicable exclusively in these zones, which serve as the main incentives for companies. The different types of incentives provided to both local and foreign companies can be summarized as follows: preferential treatment for taxes, land values, loans, credits, etc.; greater freedom for investors in terms of income and property; advantages of local cheap labor, infrastructure, services, etc.; administrative advantages in zones to simplify and harmonize formalities [42].

The next significant economic result of the efficient operation of the SEZ is associated with employment and exports. Beginning in the 1970s, in East Asia and Latin America, the first economic zone programs were developed to attract investment from labor-intensive multinationals. SEZs create positive externalities for neighboring regions. These effects of coastal enterprises-investors, where FEZs are located, are significant, reliable and economically important: an increase in FDI to coastal zones increases the growth rate of inland cities by an average of one third [18]. Without this, the Latin American periphery would not have developed so rapidly. Thus, interaction within supply chains between domestic companies and foreign investors is an important channel through which hinterlands receive dividends from the positive interregional externalities achieved through foreign investment. In the case of Mexico, this is a good opportunity for economic growth in states, regions and municipalities directly affected by SEZs, by integrating them into the local economy through production chains and emerging local clusters.

The main goal of attracting both local and foreign investment in the economic zones of Latin America and the Caribbean, in our opinion, is to create jobs directly or indirectly. National governments use SEZs to stimulate economies by fostering collaboration between companies, increasing productivity by building conglomerates, or attracting technologically advanced industrial enterprises. Finally, the achievement of economic results in the work of the SEZ contributes to improvements in the social sphere - an increase in the level of employment and the provision of decent wages for the local population [6].

After World War II, Latin American governments tried to develop national economies through protective tariffs and subsidies for local production. These efforts have often resulted in the development of costly and inefficient production in addition to wasting capital resources. In the 1960s and 1970s, when SEZs began to develop, the authorities realized that subsidizing national producers was unproductive. Thus, many Latin American countries have turned to an alternative export-oriented manufacturing strategy, the neoliberal approach. However, in the face of a lack of capital, relatively weak technological expertise and limited access to international markets, it was necessary to

attract FDI. Thanks to SEZs, TNCs were able to take advantage of the new international division of labor.

Formulating the main conclusion, we note that SEZs, of course, are not a magic tool for economic development. However, there are many encouraging examples, including in Latin America, where SEZs have benefited the local population and the country as a whole. Most of the South American zones were relatively late in joining this form of innovative economic policy.

SEZs in Latin American countries are a good example of how to benefit from the globalization of capital and labor. Finding a balance between the positive effects of globalization and the multitude of security problems that it generates is becoming a key policy issue for SEZs. This is important not only for domestic policymakers, but also for the region and the international community. Promising and investment-attractive countries (Brazil, Mexico, Dominican Republic, Uruguay, etc.), thanks to their resources, investment projects and competent policy of the authorities, may well rely on the efficient operation of the SEZ, including with the active attraction of foreign resident investors.

CHAPTER III

PROSPECTS OF USING THE EXPERIENCE OF LATIN AMERICA IN IMPROVING THE FORMATION AND FUNCTIONING OF SPECIAL ECONOMIC ZONES IN UKRAINE

3.1. The main problems and prospects of development of special economic zones in Ukraine

Since 1995, based on the successful world experience of different countries, the first SEZs are being created in Ukraine. They used various benefits: exemption from income tax, import duties and VAT, exemption from land fees. In total, 11 special economic zones and 72 priority development territories (PDTs) have been created in Ukraine, where 399 investment projects with a total estimated value of \$ 4.9 billion are being implemented.

Let's consider the main features of development of special economic zones in Ukraine.

Benefits provided to investors of SEZ "Donetsk":

- special customs zone regime;
- income tax rate - 20%;
- taxation of income of non-residents - in the amount of 2/3 of the established rate;
- fees are not paid to the State Innovation Fund and to the Fund for the implementation of measures to eliminate the consequences of the Chernobyl disaster and social protection of the population;
- the amount of investments received in accordance with the investment project is exempt from taxation;
- proceeds in foreign currency are exempt from mandatory sale;
- the payment for the land for the period of development of the land plot is not collected.

Table 3.1

Special economic zones in Ukraine

Special economic zone	Location, area	Validity	Start of work	Priority types of economic activity:	Investments, mln USD	Jobs, thousands
Donetsk	Donetsk, Donetsk region, area - 466 hectares	60 years	July 21, 1998	mechanical engineering, instrument making, electrical industry; innovative projects to create new materials and production systems	500	10
Azov	Mariupol, Donetsk region, area - 315 hectares	60 years	July 21, 1998	development of forwarding-warehousing, transport-service and production spheres	400	10
Zakarpattia	Uzhhorod and Mukachevo districts of Zakarpattia region, area - 737 hectares	30 years	January 9, 1999	transport, forwarding activities, customs services, service and storage of transit cargo, related financial services	1300	10
Interport Kovel	Kovel, Volyn region, area - 57 hectares	20 years	01.01.2000	transport, forwarding activities, customs services, service and storage of transit cargo, related financial functions	18	0.3
Mykolayiv	Mykolayiv, area - 865 hectares	30 years	01.01.2000	mechanical engineering, shipbuilding and instrument making; wood processing and production of wood products, production of industrial gases, plastic processing; construction, energy, communications and others	650	33
Porto Franco	Odesa, area - 32 hectares	25 years	01.01.2000	service of transit cargoes, their storage, sorting, packing, finishing, rendering of freight forwarding and agency services	78	0.25
Port of Crimea	Kerch, Autonomous Republic of Crimea, area - 27 hectares	30 years	01.01.2000	service of transit cargoes, their storage, sorting, packing, finishing, rendering of freight forwarding and agency services	150	1.5
Slavutych	Slavutych, Kyiv region, area - 2 thousand hectares	until 01.01.2020	June 30, 1998	introduction of new technologies, market management methods and development of the infrastructure of SEZ "Slavutych", improvement of the use of natural and labor resources, etc	118	2.4
Truskavets Resort	Truskavets, Lviv region, area - 774 hectares	20 years	01.01.2000	medical and health complexes; mineral water production; recreational tourism, sanitation, scientific research in the field of health care	100	14.5
Yavoriv	Yavoriv district, Lviv region, area - 116 thousand hectares	until 01.01.2020	February 17, 1999	implementation of innovative projects, carbohydrate extraction, food industry, light industry, woodworking and paper industry, production of machinery and equipment, construction, transport	277	7
Reni	Odesa region, area - 94 hectares	30 years	May 17, 2000	service of transit cargoes, their storage, sorting, packing, finishing, rendering of freight forwarding and agency services	58	2.6

Source: developed by author on the base of information of Ministry of Economy of Ukraine

Special conditions under which investors receive benefits: permission of the Council to conduct business activities in the zone.

Privileges provided to Azov SEZ investors:

- special customs zone regime;
- income tax rate - 20%;
- taxation of income of non-residents - in the amount of 2/3 of the established rate;
- fees are not paid to the State Innovation Fund and to the Fund for the implementation of measures to eliminate the consequences of the Chernobyl disaster and social protection of the population;
- the amount of investments received in accordance with the investment project is exempt from taxation;
- proceeds in foreign currency are exempt from mandatory sale;
- the payment for the land for the period of development of the land plot is not collected.

Special conditions under which investors receive benefits: permission of the Council to conduct business activities in the zone; carrying out operations on servicing of transit cargoes, their storage, finishing, sorting, packing, rendering of freight forwarding, agency services, and also application of the newest technologies for the purpose of manufacture of the goods for export and their deliveries to the internal market.

Privileges provided to investors of SEZ "Zakarpattia":

- special customs zone regime;
- income tax rate - 20%;
- taxation of income of non-residents - in the amount of 2/3 of the established rate;
- fees to the State Innovation Fund are not collected;
- proceeds in foreign currency are exempt from mandatory sale.

Special conditions under which investors receive benefits: registration of a business entity in the zone; carrying out operations on servicing of transit cargoes, their storage, finishing, sorting, packing, rendering of freight forwarding, agency and related financial

services, trade, and also application of the newest technologies for the purpose of production of the goods for export and their deliveries to the internal market .

Benefits provided to investors of SEZ "Interport Kovel":

- special customs zone regime;
- income tax rate - 20%;
- taxation of income of non-residents - in the amount of 2/3 of the established rate;
- fees to the State Innovation Fund are not collected;
- the first 5 years the land tax is not collected;
- proceeds in foreign currency are exempt from mandatory sale.

Special conditions under which investors receive benefits: concluding an agreement on the implementation of an investment project with the administration of the zone, carrying out operations to service transit cargo, their storage, completion, sorting, packaging, provision of freight forwarding, agency and related financial services, trade, as well as the use of new technologies to produce goods for export and supply them to the domestic market.

Privileges provided to investors of SEZ "Nikolaev":

- the first 3 years the income tax rate - 0%, from the fourth to the sixth year - 50% of the current, from the fourth to the tenth year - the part of the profit directed on realization of the investment project is exempted from the taxation;
- the amount of investment received in accordance with the investment project is exempt from taxation;
- value added tax is not levied in the case of import from outside the customs territory of Ukraine of equipment, machinery and components to them (except for excisable goods) for the implementation of investment projects, but not more than 5 years;
- the duty is not collected in case of import from outside the customs territory of Ukraine of raw materials, materials, equipment, equipment and components to them (except for excisable goods) for the implementation of investment projects, but not more than 5 years;
- sales of products for inter-factory cooperation are subject to VAT at a zero rate;

- exemption from paying the fee to the State Innovation Fund for the period of implementation of the investment project;
- crediting the amounts of advance payments to individual accounts;
- proceeds in foreign currency are exempt from mandatory sale;
- the land fee is not paid for the project implementation period;
- special customs zone regime (on the territory of shipbuilding enterprises).

Special conditions under which investors receive benefits: implementation on the territory of a special economic zone in accordance with the agreement (contract) concluded with the economic development body on investment projects in priority economic activities with an estimated cost of not less than:

- 500 thousand US dollars - in the food industry and processing of agricultural products;
- 700 thousand US dollars - in construction, energy, transport;
- USD 1 million - in mechanical engineering and instrument making;
- USD 3 million at shipbuilding enterprises.

Benefits provided to investors of SEZ "Porto-Franco":

- special customs regime;
- the first 3 years the income tax rate - 0%, from the fourth to the sixth year - 50% of the current;
- the amount of investment received in accordance with the investment project is exempt from taxation;
- proceeds in foreign currency are exempt from mandatory sale.

Special conditions under which investors receive benefits: implementation of investment projects created in Porto-Franco by legal entities with an estimated value of at least 1 million US dollars on the basis of an agreement (contract) with the economic development body of the zone.

Privileges provided to investors of SEZ "Port of Crimea":

- special customs zone regime;
- income tax rate - 20%;

- the amount of investment received in accordance with the investment project is exempt from taxation;
- proceeds in foreign currency are exempt from mandatory sale;
- exemption from payment for land for the period of land development, but not more than 5 years;
- the fee to the State Innovation Fund is collected in the amount of 50% of the current one.

Special conditions under which investors receive benefits: obtaining a permit to conduct business in the area; carrying out operations on servicing of transit cargoes, their storage, finishing, sorting, packing, rendering of transport - forwarding and agency services, and also application of the newest technologies for the purpose of manufacture of the goods for export and their deliveries to the internal market.

Benefits provided to investors of SEZ "Slavutych":

- the first 3 years the income tax rate - 0%, from the fourth to the sixth year - 50% of the current;
- the amount of investment received in accordance with the investment project is exempt from taxation;
- value added tax is not collected in case of import from outside the customs territory of Ukraine of equipment, equipment, components to them, vehicles (except for excisable goods) for the implementation of investment projects, but not more than 5 years;
- the duty is not collected in case of import from outside the customs territory of Ukraine of raw materials, materials, equipment, equipment, components to them, vehicles (except for excisable goods) for the implementation of investment projects, but not more than 5 years;
- fees to the State Innovation Fund and fees for compulsory social insurance in case of unemployment are not paid;
- proceeds in foreign currency are exempt from mandatory sale;

- the first 3 years from the beginning of the development of the land plot the land tax is not collected, from the fourth to the sixth year it is collected at the rate of 50% of the current one.

Special conditions under which investors receive benefits: the implementation of business entities located in the area, approved by the Executive Committee of the Slavutych City Council investment projects with an estimated cost equivalent to at least 200 thousand US dollars.

Privileges provided to investors of SEZ "Kurortopolis Truskavets":

- the first 3 years the income tax rate - 0%, from the fourth to the sixth year - 50% of the current;

- the amount of investment received in accordance with the investment project is exempt from taxation;

- customs duties and value added tax are not collected in case of import from the customs territory of Ukraine of medicines, equipment, equipment, components to them, software (except for excisable goods) for the implementation of investment projects;

- proceeds in foreign currency are exempt from mandatory sale;

- land tax is not collected for the period of land development, in the next 10 years it is collected at a rate of 50% of the current.

Special conditions under which investors receive benefits: implementation by business entities located in the zone, approved by the Executive Committee of Truskavets City Council investment projects in priority economic activities with an estimated cost equivalent to at least 500 thousand US dollars, on the basis of the contract with the governing body of the SEZ "Kurortopolis Truskavets".

Benefits provided to Yavoriv SEZ investors:

- the first 3 years the income tax rate - 0%, in subsequent years - 50% of the current;

- the first 3 years the land tax is not collected, in the following years it is collected at the rate of 50% of the current one;

- fees to the State Innovation Fund and to compulsory social insurance in case of unemployment are not paid;

- customs duties and value added tax are not charged in case of import from outside the customs territory of Ukraine of equipment, equipment, components (except for excisable goods) for the implementation of investment projects, but not more than 5 years.

Special conditions under which investors receive benefits: the implementation of business entities located in the territory approved by the Yavoriv District State Administration investment projects in priority economic activities with a minimum value of at least 500 thousand dollars USA.

Benefits provided to investors of SEZ "Reni":

- special customs regime;
- the rate of income tax received from the implementation of the investment project - 20%;

- the fee to the State Innovation Fund is not collected;

- the amount of investment received in accordance with the investment project is exempt from taxation;

- proceeds in foreign currency are exempt from mandatory sale.

Special conditions under which investors receive benefits: the implementation of investment projects created in the SEZ "Reni" legal entities with an estimated cost of at least 200 thousand US dollars on the basis of an agreement (contract) with the executive committee of the Reni City Council.

The regional distribution of investments in SEZs and PDTs of Ukraine (by regions) was: Donetsk - 58.8%, Crimea - 9.8%, Transcarpathia - 9.7%, Lviv - 8.6, Kharkiv - 3.7%, Zhytomyr - 2.8%, Mykolaiv - 1.9%, Odessa - 1.7%, Volyn - 1.2%, Kyiv - 1.0%, Chernihiv - 0.5%, Luhansk - 0.3% [50]. Their active development was observed in the period from 2000 to 2005. During this time, 50 thousand new jobs were created, investment growth outpaced GDP growth by an average of 2.5 times. The general positive dynamics of the integrated share of SEZ development in the complex of the national economy was

recorded - it increased from 1.9 to 7.31%. The average value for the regions where SEZs are located increased from 5.98 to 9.81% [49].

During 2000–2006, Ukraine saw a steady growth of economic indicators. Even taking into account the slowdown in 2005, the average GDP growth rate was 6-7% [48]. At the same time, inflation rates, the degree of budget balance and the amount of public external debt are within the limits that allow to maintain macroeconomic stability. However, despite the positive indicators and dynamics, in 2005 the Law of Ukraine "On the State Budget of Ukraine for 2005" of 25.03.2005, № 2505, based on the results of the assessment of SEZs and PDTs by the Ministry of Economy, abolished all preferential tax conditions and state guarantees to ensure the interests of business entities, which were provided within the existing special zones. In addition, a moratorium was introduced on the consideration and approval of new investment projects in the SEZs and PDTs. The explanation for this decision was that the efficiency of these zones was insufficient, and the goals set at the beginning were not achieved.

The main reason for the abolition of SEZs and PDTs was that they caused greater damage to the state's economy than benefits, becoming the so-called "black holes of the state budget." The total amount of uncollected taxes and invested resources significantly exceeded the revenues from the operation of zones with a special legal regime. This situation is due to the fact that, on the one hand, the very principle laid down in the idea of creating special zones was violated, and on the other hand, the necessary conditions for their functioning and development were not created.

Creation of special preferential territories is expedient in those cases when it is a question of "young branches" as support of new (innovative) production. In order for an industry to become competitive, it is necessary to reach a certain scale of output. Therefore, the state can provide it with temporary support: tax incentives as a means of attracting investment and research and development, and customs restrictions protect the industry from external competition.

However, Ukrainian SEZs did not attract foreign investment in high-tech production. Most of the projects fell on traditional and unprofitable industries for Ukraine: metallurgy, construction, coal industry. In addition, free economic zones have

often been used to implement questionable import schemes (such as meat, machinery, etc.). Only a quarter of them were foreign. The latter are related to the reinvestment of profits by domestic enterprises, which was previously exported to offshore areas of Cyprus, the Virgin Islands, and the Netherlands as a means of tax optimization through transfer pricing. At the same time, enterprises that are not included in the preferential zone create a higher cost of production, which leads to difficulties in its implementation. Differences in prices between the SEZs and other areas gave rise to the development of the shadow business. As a result, free enterprise zones have become a kind of "natural monopoly" only for the regions of Ukraine [47].

The main focus of foreign investors' investment decisions is not so much on tax benefits as on institutional conditions, which outline long-term development prospects and opportunities for rapid realization of the benefits of preferential zones. Such conditions include: developed infrastructure, relatively cheap highly skilled labor, proximity to transport hubs and cities of sale, lack of corruption, transparent and clear legal framework.

The multilevel management system and the high degree of over-regulation against the background of low state control are not the last reason for the SEZ's inability to achieve these goals. Confirmation of this fact is that the inspection by the tax inspection of 225 enterprises operating in SEZ and PDT, in 201 of them revealed violations of tax and customs legislation [45].

All of the above has prevented the Ukrainian territories belonging to the free economic zones from gaining proper development, but, despite this, the following advantages have been achieved:

- attracting foreign capital and expanding the export base; intensification of foreign trade;
- solving employment problems by creating new jobs;
- improving the country's balance of payments by increasing external revenues.

Thus, attracting investment into the Ukrainian economy faces a number of obstacles, ranging from the institutional environment to the legal framework. Therefore, it is important to create a favorable investment climate.

Creating the necessary conditions to attract investment is a necessary but not sufficient condition for long-term economic growth. Today, Ukraine is rapidly losing its natural competitive advantages: strong industrial and economic potential, resource and human capital, geographical position. These losses can be compensated only by identifying points of economic growth and targeted investment. They must include high-tech and innovative industries to make the transition from a raw material model of a colonial-type economy to a state of a high-tech industrial state.

Special economic zones and in crisis conditions are of great importance for the formation of a national innovation system of the economy and new opportunities for the development of high-tech production in industrial zones. SEZs in the future should become a platform for the implementation of innovative projects, in particular in the field of nanotechnology, information technology, production of new materials. But without a clear and economically sound innovation and investment program for each specific SEZ, it is impossible to achieve the planned result. It is also necessary to determine the directions of development. With limited resources, the focus is not all, but to focus on priorities and create growth points. Promising industries for Ukraine may be mechanical engineering, information and communication technologies, agriculture [46].

As for the agro-industrial complex, its innovative development should create conditions for the development of effective entrepreneurship in this area, emphasize the dominance of agro-industrial complex science-intensive industries, production of means of production for all sectors of agriculture and industrial processing of agricultural products. high added value is created. The most appropriate form for organizing the conditions of preferential entrepreneurship in this area is the creation of complex SEZ in the form of special economic zones or free enterprise zones, where residents can receive temporary benefits:

- partial or complete exemption from income tax;
- exemption from real estate tax and land tax;
- exemption from VAT when importing goods (raw materials, equipment).

Industrial production zones in the form of industrial parks are usually considered as a comfortable platform for industrial use, where conditions are created to facilitate

logistics operations, convenient access to infrastructure, raw materials and labor and the ability to export finished products. This form is interesting for investors who intend to invest in the development of industrial complexes.

Economic zones in the form of technology parks and innovation centers should be used in the development of information and communication technologies. The technology park is seen as an organization run by professionals whose main goal is to increase the well-being of the local community by promoting innovative culture, as well as the competitiveness of innovative business and research organizations. To achieve these goals, the technology park stimulates the flow of knowledge and technology between universities, research institutes, companies and markets and manages them. It simplifies the creation and growth of innovative companies through incubation processes and processes of withdrawal of new companies from existing ones (spin-off processes) [47].

On the territory of techno- and industrial parks, as a rule, conditions for obtaining tax benefits are created. For example, residents of such zones are exempt from all basic taxes:

- income tax;
- VAT on sales;
- VAT on import of special equipment into the territory of Ukraine;
- land tax for plots within the preferential territories for the period of construction of capital structures for further activities of their residents;
- real estate tax on the objects of the territory;
- offshore collection when paying dividends to their founders;
- exempted from the mandatory sale of currency received from the sale of their products.

Benefits may also be established for resident employees, for example, on social security contributions for employees, and employees' income may be taxed at a reduced rate. However, according to domestic experience, it is impossible to achieve the planned result without a clear and economically sound innovation and investment program for each specific SEZ.

It is advisable to give clear powers to local authorities to select investment projects that they consider necessary for implementation in the region. Local authorities have a greater interest in creating the most favorable conditions for investors, and more leverage to fully support the implementation of investment projects. In addition, unlike in the early days when most zones were developed by the government, today more and more zones are being developed on the basis of public-private partnerships (PPPs) with increasing private sector involvement. In such cases, public sector functions typically include the implementation of a transparent and clear regulatory framework, the provision of land and efficient public services, the financing of basic infrastructure, and the oversight of private developers or operators. On the other hand, the private sector partner will be responsible for the development and operation of areas, the provision of specific infrastructure and services on the ground, such as asset management, global advocacy and investor relations.

3.2. The substantiation of a project of special economic zone in Ukraine “Skadovsk” based on the experience of Latin America

As the implementation of the advanced experience of Latin American countries in the development of investment attractiveness of regions in Ukraine, it is proposed to create a SEZ in the Kherson region for 50 years. The territory of the Kherson region has all the necessary potential for the implementation of an effective SEZ. The existing network of highways and railways in the Kherson region is generally sufficient to ensure the development of expected volumes of freight and passenger traffic in the medium term. However, the relevant infrastructure needs to be significantly modernized in order to move closer to European Union standards.

The Kherson region has the most advantageous geographical position, which determines a significant transit potential. The region has highly productive land and water resources, as well as favorable climatic conditions for the development of agricultural production. Kherson region has significant potential in the development of the agrarian complex.

Skadovsk SEZ is proposed to be designed in Skadovsk district of Kherson region, outside the coastal zone, near the villages of Novomykolayivka, Mykhailivka, Petrovka, Shevchenko and Dobropillya of Skadovsk district. Fig. 3.1 shows the location of the future SEZ. The area is about 3,000 hectares.

The leading industry of the economy of Skadovsk district is agriculture. Today the agro-industrial complex has 6 agricultural limited liability companies, 1 agricultural cooperative, 1 private agricultural enterprise and 1 agricultural service cooperative. There are 192 farms and 10,500 individual farms. The most powerful agricultural enterprises of Skadovsk district are the State Enterprise "Experimental Farm of the Rice Institute of the Ukrainian Academy of Agrarian Sciences", Agrarian industrial cooperative "Lydia" and farms "Sotsenko" and "Art-A".

The main direction of agricultural production in Skadovsk district is crop production. Mainly agricultural enterprises specialize in growing cereals, vegetables and melons.

Annually, under favorable conditions, in Skadovsk district is grown on average more than 90.0 thousand tons of cereals and legumes, more than 10.0 thousand tons of rice, 65.0 thousand tons of vegetables, 100.0 thousand tons of melons, 9.0 thousand tons of sunflower. All categories of farms in the district annually produce an average of 20.0 thousand tons of milk, 5.0 thousand tons of meat.

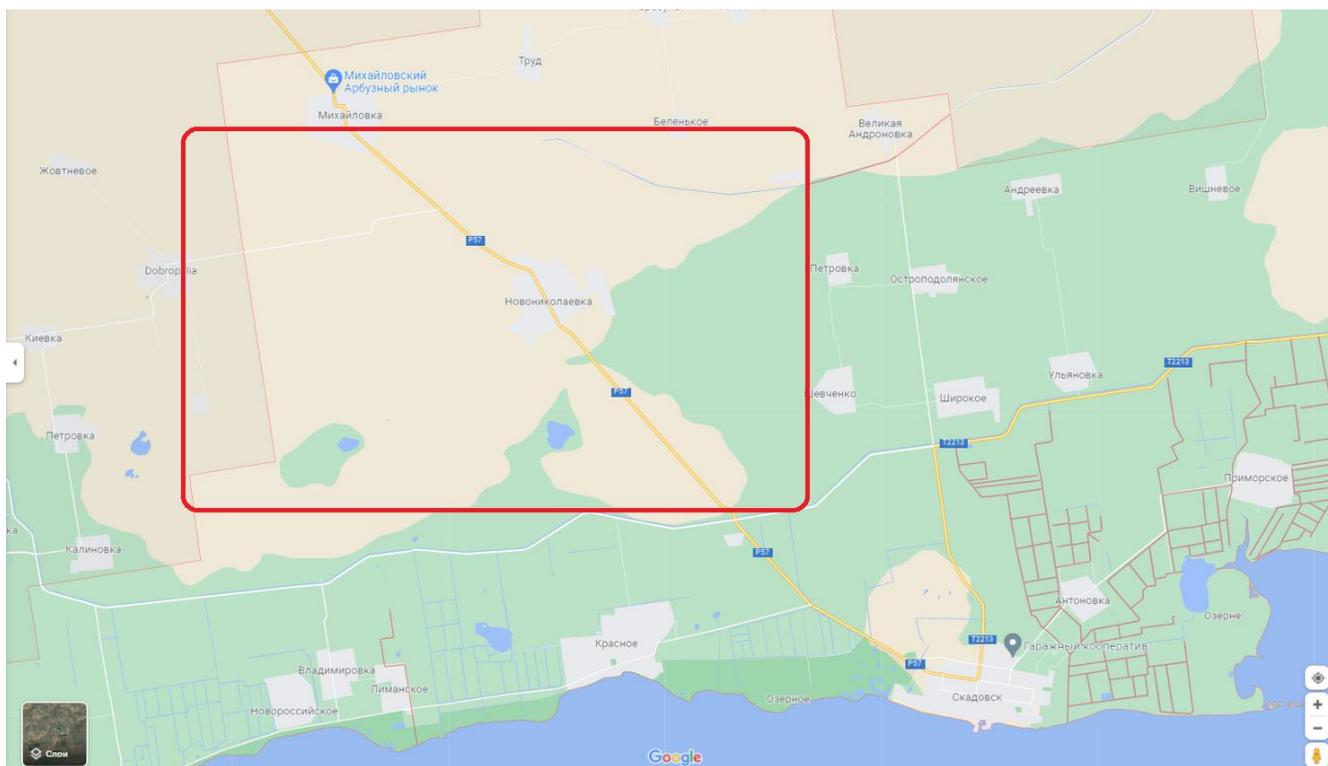


Fig. 3.1. Maps of the location of the future SEZ

Source: Google Maps

An important role in the development of the agricultural sector and trade belongs to water transport. There are 3 ports on the territory of the future location of the SEZ. SE "Kherson Sea Commercial Port" is located on the right bank of the Dnieper, at a distance

of 26 km from the Dnieper-Bug estuary. The port is connected to the Black Sea by an access canal that runs along the Dnieper River and the Dnieper-Bug estuary. The port's production capacity can handle up to 4.5 million tons of cargo per year. The Skadovsk Sea Commercial Port is located on the shores of the Dzharihgatsky Bay of the Black Sea. The port has a ferry crossing with Turkey on the ferry line Skadovsk - Zonguldak (Turkey). SE "Kherson River Port" of PJSC "Ukrrihflot" carries out loading and unloading operations with import and export cargo coming from the Mediterranean-Black Sea region, the Danube basin, as well as the Dnieper. The technical capabilities of the port allow to transship up to 1.5 million tons of cargo per year.

Skadovsk district has a favorable geographical location and developed transport infrastructure - on the territory of the district are highways Kakhovka-Armyansk and Kherson-Gola Prystan-Skadovsk. The city of Skadovsk is a port city from which international freight transportation is carried out by ferry Skadovsk-Zonguldak and Skadovsk-Istanbul.

Priority areas in the further development of Skadovsk district are the development of agricultural production, processing industry and transport. Grain farming and meat and dairy farming are well developed. This allows the area to be provided with its own organic products. The Krasnoznamensky Canal, an offshoot of the North Crimean Canal, contributes to the cultivation of stable yields.

The main tasks of creating a special economic zone "Skadovsk" are to attract investment for livestock development and processing of agricultural products (pork, beef), feed production, biofuel production, green electricity development, job creation, introduction of new technologies, creation of highly efficient competitive industries, development assistance. foreign economic relations and entrepreneurship, increasing the efficiency of production capacity of agricultural enterprises and their export potential, increasing the supply of high quality goods and services, creating a modern production, transport and market infrastructure in the Kherson region.

To register the SEZ, it is necessary to develop and submit to the Verkhovna Rada a Law "On the creation and functioning of the special economic zone "Skadovsk".

The Law provides for the creation of a SEZ for 50 years within the administrative-territorial boundaries of Skadovsk district of Kherson region. Subjects of SEZ are legal entities located on the territory of SEZ and which implement investment projects in priority types of economic activity on the basis of an agreement. The cost of such investment projects must be equivalent to at least 500 thousand dollars in feed production, animal husbandry and agricultural processing industry; 700 thousand dollars - energy, transport; \$ 1 million - biogas plant.

The Law will be developed due to the need to consolidate at the legislative level a number of customs and tax benefits that the SEZ will have for the construction of industrial facilities, transport and social infrastructure, housing, development of industrial potential, creation of new jobs, and acceleration of socio-economic development of the Skadovsk region. Along with this Law, amendments are submitted to the Tax, Customs and Budget Codes.

Legal entities and individuals (residents and non-residents), including citizens of Ukraine who permanently reside outside the country, should be recognized as investors in the SEZ. Also, foreign states represented by authorized bodies and international organizations are recognized as investors of the SEZ.

A free customs zone regime will be introduced on the territory of the SEZ. The main tax benefits for the residents of special economic zone“ Skadovsk ”are on fig. 3.2.

SEZ residents will be provided with benefits for the payment of corporate income tax - full exemption from payment for 10 years. Profits from 10 to 50 years will be taxed at a rate of 50% of the current tax rate.

Transport tax is not paid (0%).

VAT is 0% on the sale of goods and services between residents of the zone. When selling outside the VAT zone is charged at a standard rate of 20% from 1 to 50 years.

The real estate tax will be 0% for the period from 1 to 50 years.

Land tax is 0% for the period from 1 to 10 years. Then the usual tax rate will apply. According to Article 274 of the Tax Code of Ukraine, the tax rate for land plots, the normative monetary valuation of which is carried out, is set at:

- for public lands - not more than 1% of their normative monetary value;

- for agricultural lands - not less than 0.3% and not more than 1% of their normative monetary value.

Corporate income tax	<ul style="list-style-type: none"> • 0% from 1 to 10 years • 50% of the current tax rate (11%) from 11 to 50 years
VAT	<ul style="list-style-type: none"> • 0% on the import of goods and services into the SEZ from 1 to 10 years • 0% on the sale of goods and services between residents • 20% on the sale of goods and services between non-residents
Land tax	<ul style="list-style-type: none"> • 0% from 1 to 10 years • 0.3% of normative monetary valuation from 11 to 50 years
Land rent	<ul style="list-style-type: none"> • 0% from 1 to 10 years • 5% of normative monetary valuation from 11 to 50 years
Investments	<ul style="list-style-type: none"> • exemption from 1 to 10 years
Customs duty	<ul style="list-style-type: none"> • 0% on the import of goods and services into the SEZ from 1 to 10 years
Transport tax Real estate tax	<ul style="list-style-type: none"> • exemption from 1 to 50 years

Fig. 3.2. Tax benefits for the residents of special economic zone “Skadovsk”

Source: developed by author

Land rent is charged from 11 to 50 years. From 1 to 10 years, the rental rate is 0%.

The amount of rent for the land is calculated as follows:

$$\text{Normative monetary valuation} \times \% \text{ of rent} \times \text{inflation index}$$

In calculating the rent we will not take the inflation index into account, because this index will be taken into account in calculating and discounting cash flows from investment projects in SEZ.

The amount of investment received in accordance with the investment project is exempt from taxation.

The SSC rate is 50% of the current one (11% instead of 22%). The period of validity of the benefit is from 1 to 50 years.

VAT is not levied in the case of import from outside the customs territory of Ukraine of equipment, equipment, components to them, vehicles (except for excisable goods) for the implementation of investment projects, but not more than 10 years.

The customs duty is not levied in the case of import from outside the customs territory of Ukraine and abroad of raw materials, equipment, machinery, components, vehicles (except for excisable goods) for the implementation of investment projects, but not more than 10 years.

On the territory of the SEZ "Skadovsk", a multicurrency regime can be applied, according to which both the hryvnia and the foreign currencies are used to pay for the cost of goods (works, services) that are sold within the SEZ.

Let's move on to the description of the project for the creation of a SEZ, the definition of conceptual characteristics and industry specialization and justification of investments.

Taking into account the current needs of the region in providing the population with high-quality food, as well as the area of the land allocated for the placement of the SEZ, the most expedient at this stage seems to be the agro-industrial specialization of the created SEZ. At the same time, the majority of SEZ residents must work on the basis of self-sufficiency in production resources and the exchange of data resources among themselves on the territory of the SEZ. This principle will make it possible to form a stable structure of the economic complex of the SEZ and resource independence from external suppliers. Residents will sell part of the products manufactured in the SEZ to buyers outside the zone.

Key indicators and characteristics of the project are in table 3.2.

Table 3.2

Key indicators and characteristics of the project

Name of characteristic or indicator	Meaning
Initiator of the project	Skadovsk district state administration
Land area for the creation of a SEZ, ha	3000
Building area, ha	500
Planned number of residents, pcs.	12
Number of jobs planned to be created	550
Investments of residents, thousand UAH	402900

Investments in infrastructure (budgetary investments), thousand UAH	239 655,5
NPV of the project (50 years): residents, thousand UAH	1 710 322,4
Internal rate of return,%	28%

Source: developed by author

Main indicators of transport accessibility of SEZ are in table 3.3.

Table 3.3

Main indicators of transport accessibility of SEZ

Name of characteristic or indicator	Meaning
Availability of a paved road put into operation to the border of the land plot	Yes
The presence of the existing connection of the road to regional and state highways	Yes
The presence of an exit from the road to the land plot, which allows for the entry of construction equipment and engineering surveys	Yes
Proximity of regional roads (1 - 2 km)	Yes
Proximity to state highways (1 - 5 km)	Yes
Proximity of an operating railway line with an operating loading and unloading station	Kherson-Port railway station 85 km
The presence of a separate railway line, suitable to the borders of the SEZ and (or) to the territory of the SEZ	No
Availability of transport links with the nearest settlements (regular public transport)	Yes
Proximity of the seaport	Skadovsk 19.4 km Kherson 80 km
Proximity of the river port	Kherson 80 km

Source: developed by author

The main indicators of the engineering infrastructure of the SEZ are in table 3.4.

Table 3.4

The main indicators of the engineering infrastructure of the SEZ

Name of characteristic or indicator	Meaning
Availability on the territory of the SEZ of a point of connection to electric grids, provided with free capacity of at least 2 MW	yes (an increase in capacity is planned, a transition to semi-autonomous power supply is planned)
The presence of an existing connection or technical conditions for connecting to gas supply networks and / or the presence of an existing connection or technical conditions for connecting to heat supply networks	yes (planned transition to autonomous biogas supply)
The presence of an existing connection or technical conditions for connection to the water supply and sewerage system	yes (power increase planned)

Source: developed by author

The main activities of the project and the timing of their implementation are presented in the table 3.5.

Table 3.5

Schedule of the project implementation

Project activities	Period									
	1 Q 2022	2 Q 2022	3 Q 2022	4 Q 2022	1 Q 2023	2 Q 2023	3 Q 2023	4 Q 2023	1 Q 2024	2 Q 2024
Development of the concept of the SEZ										
Development of a business plan and financial model of the SEZ										
Establishment of the SEZ administration										
Transfer of rights to land plots to the SEZ administration										
Development of the plan for the territory of the SEZ and the design of infrastructure facilities										
Amendments to the legislation of Ukraine: preparation of a law on the creation of a SEZ, the inclusion of benefits in the current budget, customs, tax codes of Ukraine										
Preparation of an application and participation in the competition for a subsidy from the state budget for the construction of the infrastructure of the SEZ										
Development and adoption of normative legal acts necessary to regulate the process of creation and development of SEZ										
Promotion of the project, attraction of residents, conclusion of agreements of intent with residents of the SEZ										
Construction and commissioning of SEZ infrastructure facilities										
Construction and commissioning of production facilities by SEZ residents										

Source: developed by author

To begin work, the investor enters into an agreement on the implementation of the investment project with the administration of the zone. SEZ administration:

- 1) directly manages the creation and ensures the functioning of the SEZ;
- 2) exercises the rights and bears the obligations of the customer and the investor for the development of documentation for the planning of the territory of the SEZ, the design and construction of infrastructure facilities that ensure the functioning of the industrial park, at the expense of its own and borrowed funds;

3) ensures the attraction of financing for the performance of all works related to the creation and operation of the SEZ;

4) ensures the creation and operation of infrastructure facilities that ensure the functioning of the SEZ;

5) exercises the rights and bears obligations related to the organization and operation of infrastructure systems used for the processing of raw materials and materials, the production of goods (provision of services) in order to provide energy, heat, water supply, sewerage and wastewater treatment, and may also carry out operation of facilities used for the disposal and processing (disposal) of household and industrial waste;

6) acquires property, property and non-property rights, carries out trust management and attracts the necessary investment resources to create and ensure the integrated functioning of the SEZ;

7) takes measures necessary to attract enterprises (divisions) of interested economic entities to the territory of the SEZ;

8) concludes agreements on the conduct of economic activities, ensures the timely submission of such agreements to the authorized body, implements them within the framework of its obligations, and also participates in monitoring the implementation of these agreements by residents of the SEZ;

9) assists residents of the SEZ in the placement of enterprises (subdivisions) belonging to them (created by them) on the territory of the SEZ, including in the development, examination and approval of the documentation necessary for these purposes, the selection of contractors and the conclusion of construction contracts, construction and installation and commissioning work, providing the necessary labor, energy and other resources.

Fig. 3.3 shows the organizational chart of the SEZ.

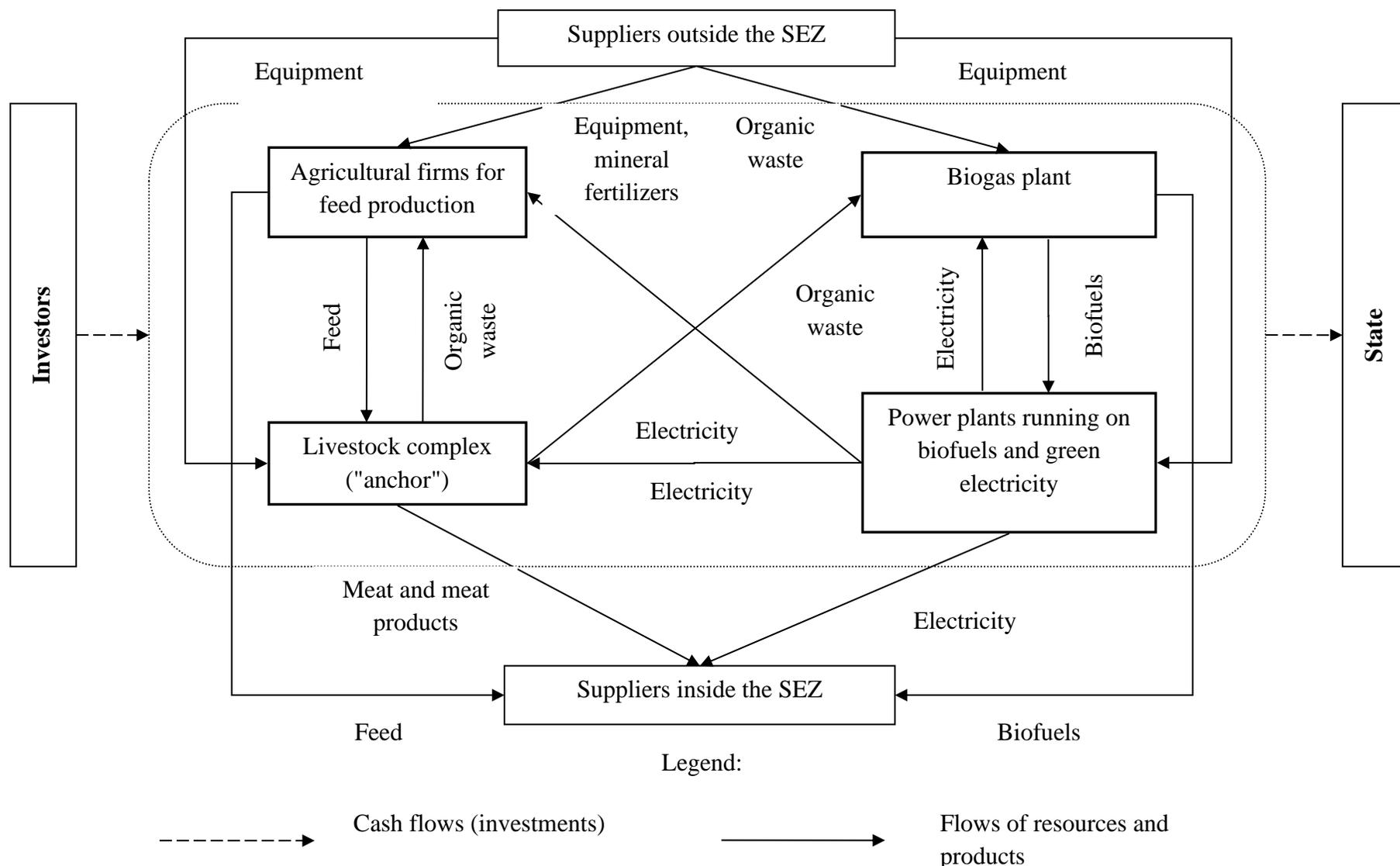


Fig. 3.3. Organizational chart of SEZ functioning in Kherson region

Source: developed by author

Previously, the following priority activities were identified for residents of the SEZ "Skadovsk":

- Production and processing of meat and meat products, sales of products to residents and non-residents;
- Biogas production based on organic waste of livestock complexes located on the territory of the SEZ, and the supply of biogas to residents and non-residents;
- Production and sale of fodder crops to residents and non-residents;
- Production of "green" electricity for the internal needs of SEZ residents;
- Domestic cargo transportation by own transport and logistics companies of SEZ residents (deliveries to non-residents are carried out by non-residents' transport or with the involvement of third-party logistics companies).

When preparing options for planning the territory of the industrial park, the following proposals of the project initiator were taken into account:

1. It is proposed to preserve a part of the existing structures on the site (with a minimum level of wear and tear). Their overhaul will make it possible to place residents on these areas;

2. On the territory of the park near the village. Novonikolaevka was proposed to organize a retail market where both primary agricultural products and processed products produced by residents can be sold;

3. It is proposed to place a logistics complex on the territory of the park, which can be used for storing agricultural products produced by organizations, peasant farms and households of the population, as well as for storing finished products.

4. Anchor enterprises are livestock farms. They will locate meat and dairy farms in existing premises and premises built with government funding.

5. Agricultural enterprises for the production of fodder will occupy agricultural lands on the territory of the SEZ, most of them will be (70% of the area).

6. A plant for waste processing and biofuel production will be built on the territory of the SEZ, which will fully cover the needs of the FEZ for electricity and will be supplied to buyers outside the SEZ, for example, to the gas station network.

7. As additional sources of electricity, a part of the square will have solar panel stations that will generate electricity for residents of the zone.

3.3. The evaluation of budget, social and economic efficiency of the project

The resulting estimates of the need for resources, information on the capacity of infrastructure facilities already existing on the territory served as the basis for determining an enlarged list of infrastructure facilities necessary to meet the needs of residents.

Table 3.6

Infrastructure facilities planned for creation on the territory of the SEZ

Infrastructure object name	Quantity	Price per unit, UAH	Cost, thousand UAH
Demolition of buildings and structures on the territory, sq. m	9231	2280	21 046,7
Overhaul of buildings and structures, sq. m	8716	1200	10 459,2
Construction of industrial and warehouse complexes, including:	53000	1920	101 760,0
industrial premises, m2	45500	1920	87 360,0
warehouse complex, m2	7000	1920	13 440,0
market, m2	500	1920	960,0
External and internal engineering networks of water supply, m	1440	90	129,6
External networks of household gravity sewerage, m	1250	120	150,0
Construction of a complete transformer substation for outdoor installation, m2	5300	600	3 180,0
Installation of cable lines with voltage up to 220 kV, m	1500	780	1 170,0
Total			239 655,5

Source: developed by author

The total budget investment in the construction / reconstruction of infrastructure facilities of the SEZ will amount to about UAH 239 655,5 thousand. These investments will be paid by government.

The quantitative composition of residents proposed for placement in the production areas of the SEZ is presented in the table.

Table 3.7

The quantitative composition of residents

Resident's type of activity	Number of residents	Total occupied area, ha
Production and processing of meat and meat products	5	500
Biofuel production	1	140
Production and sale of forage crops	2	2280
Green electricity production	2	40
Domestic cargo transportation	1	0,5
Total for resident enterprises	12	2960,5
Warehouse complex	1	19,5
Market	1	20
Total	14	3000

Source: developed by author

This proposal for the planning of the territory requires clarification at the stage of developing a business plan for the project, subsequent work on the development of a project for planning the territory, and design of specific infrastructure facilities of the SEZ.

More detailed information on the quantitative characteristics of the activities of SEZ residents, as well as the dynamic change in individual indicators of the project's performance are presented in the table.

Table 3.8

Indicators characterizing the activities of residents during the period of functioning of the SEZ

Resident's type of activity	Number of residents	Net profit, thousand UAH	Created jobs, units	Investments of residents, thousand UAH
Production and processing of meat and meat products	5	1 786 079,4	300	98 000
Biofuel production	1	1 360 966,3	120	120 000
Production and sale of forage crops	2	2 929 613,0	70	160 000
Green electricity production	2	3 953,2	2	600
Domestic cargo transportation	1	643 150,8	18	12 000
Total for resident enterprises	12	6 723 672,6	510	390 600
Warehouse complex	1	250 000,0	20	6800
Market	1	175 000,0	20	5500
Total	14	7 148 762,6	550	402 900

Source: developed by author

The total investments of residents are 402 900 thousand UAH. It is expected to create 550 new jobs. Net profit will be 7 148 762,6 thousand UAH. Number of residents – 14.

Let's calculate incomes to the state budget for the entire period of the SEZ functioning.

According to the State Geocadastre, the normative monetary valuation of land in the Kherson region (arable land) in 2021 is UAH 24,450.00 for 1 hectare [51]. The amount of rent and land tax depends on this assessment. The rent is 5% of the normative monetary value of the land. The land tax is set at 0.3% of the normative monetary value of land. The fee is charged starting from the 11th year of SEZ operation.

Table 3.9

Information on land tax and rent paid to the budget for the period of SEZ operation, thousand UAH

Resident's type of activity	Total occupied area, ha	Rent for the year, 1-10 years,	Rent for the year, 11-50 years	Land tax per year, 1-10 years	Land tax per year, 11-50 years	Total for 1-50 years
Production and processing of meat and meat products	500	0	611	0	37	25 917
Biofuel production	140	0	171	0	10	7 257
Production and sale of forage crops	2280	0	2 787	0	167	118 182
Green electricity production	40	0	49	0	3	2 073
Domestic cargo transportation	0,5	0	1	0	0	26
Total for resident enterprises		0	0	0	0	0
Warehouse complex	19,5	0	24	0	1	1 011
Market	20	0	24	0	1	1 037
Total		0	3 668	0	220	155 502

Source: developed by author

Thus, the state budget revenues from land use will amount to UAH 155,502,000 for the entire period of SEZ operation.

Next, we will assess the income from personal income taxes.

The average monthly salary in the Kherson region, according to the State Statistics Service of Ukraine, is 11,512 UAH. Based on the data on the number of jobs and taking into account the tax benefit of 50%, we will calculate the SSC for the period of operation of the zone. Personal income tax is 18%. The military fee is 1.5%.

Table 3.10

Information on SSC and personal income tax paid to the budget for the period of SEZ operation, thousand UAH

Resident's type of activity	Created jobs, units	Remuneration fund for the year	Remuneration fund for the period of SEZ operation	SSC for 1-50 years	Personal income tax and military tax for 1-50 years
Production and processing of meat and meat products	300	41 443	2 072 160	227 938	404 071
Biofuel production	120	16 577	828 864	91 175	161 628
Production and sale of forage crops	70	9 670	483 504	53 185	94 283
Green electricity production	2	276	13 814	1 520	2 694
Domestic cargo transportation	18	2 487	124 330	13 676	24 244
Total for resident enterprises	510	70 453	3 522 672	387 494	686 921
Warehouse complex	20	2 763	138 144	15 196	26 938
Market	20	2 763	138 144	15 196	26 938
Total	550	75 979	3 798 960	805 380	740 797

Source: developed by author

Thus, from the created new jobs the state budget will receive taxes for the period of work of SEZ 1546177 thousand UAH, that includes the social security contribution, the personal income tax and the military tax.

We will calculate the income and expenses of residents for the entire period of functioning of the SEZ.

To meet the energy needs of the SEZ, it is planned to build a complex for biogas production, which steadily generates 5.5 MW of energy per day. In terms of production, this complex will produce 20 million m³ of biogas per day and 40 million kW of green electricity [52].

Biogas can be used not only for electricity generation. Its production also produces heat. With 1 m³ biogas can produce about 2-2.5 kWh of electricity and up to 2.5-3 kWh of heat due to engine cooling after burning biogas to produce electricity. In addition, when biogas is purified from CO₂ (carbon dioxide), it is actually converted into natural gas (biomethane), which can be used to refuel cars. And after the production of biogas from biomass, it becomes, in fact, a biofertilizer, which in its composition is not worse than chemical fertilizers and is environmentally friendly.

Investments in a similar facility amounted to 11 million euros. Let's set the amount of investment at this level [53].

Regarding the price of biogas and electricity, according to the resource, the price of electricity is 0.1239 euros per kWh [53].

According to similar investment objects, the margin is assumed to be 70%, mainly due to cheap resources (organic waste). Sales and administrative expenses will be set at the typical level 5% and 3% of revenue. The complex will receive organic waste from meat farms that will operate in the SEZ, and from suppliers in the region. It is also assumed that 70% of products are supplied to SEZ residents excluding VAT. The rest of the company sells to non-residents under the general tax rules. The company will pay income tax from the age of 11 at a preferential tax rate of 9%.

The table presents the profit calculations for this type of residents.

Table 3.11

Income and expenses from the activities of the complex for the production of biogas,
thousand UAH

Indicators	For 1 year	For 1-10 years	For 11-50 years	Total
Volumes of biogas production, m ³	20000000	200000000	800000000	1 000 000 000
Volumes of green electricity production, kW	40000000	400000000	1600000000	2 000 000 000
Electricity sales price, UAH / kW	3,717	3,717	3,717	3,717
Sales revenue, thousand UAH	74 340	743 400	2 973 600	3 717 000
SEZ residents (70%)	52 038	520 380	2 081 520	2 601 900
Non-residents of SEZ (30%)	22 302	223 020	892 080	1 115 100
Cost (standard 30%)	22 302	223 020	892 080	1 115 100
Gross income	52 038	520 380	2 081 520	2 601 900

Sales and administrative expenses (standard 5 and 3% of revenue)	5 947	59 472	237 888	297 360
Salary expenses	16 760	167 596	670 385	837 982
Profit before tax	29 331	293 312	1 173 247	1 466 558
Income tax (9% rate from 11 year)	0	0	105 592	105 592
Net profit	29 331	293 312	1 067 655	1 360 966

Source: developed by author

Thus, the net profit from the operation of the complex for the period of the SEZ functioning will amount to UAH 1,360,966 thousand.

To meet the needs of meat farms in feed, as well as for the production and sale of agricultural feed products in Ukraine, on the territory of the SEZ will operate agricultural enterprises for the production of feed crops. It is assumed that the yield is 40 quintals per 1 hectare, and the price of fodder crops, according to open Internet sources, is UAH 3000 per ton in August 2021. The margin is 35%, which is also known from open sources and agricultural statistics. Sales and administrative expenses will be set at the typical level 5% and 3% of revenue. Regarding the payment of income tax and VAT, the companies received conditions similar to a biogas plant.

The table presents the profit calculations for this type of residents.

Table 3.12

Income and expenses from the activities of the farms for the production of feed crops,
thousand UAH

Indicators	For 1 year	For 1-10 years	For 11-50 years	Total
Volumes of feed production	91 200	912 000	3 648 000	4 560 000
Sales price of feed, UAH / ton	3 000	3 000	3 000	3 000
Sales revenue	273 600	2 736 000	10 944 000	13 680 000
SEZ residents (70%)	191 520	1 915 200	7 660 800	9 576 000
Non-residents of SEZ (30%)	82 080	820 800	3 283 200	4 104 000
Cost (standard 65%)	177 840	1 778 400	7 113 600	8 892 000
Gross income	95 760	957 600	3 830 400	4 788 000
Sales and administrative expenses (standard 5 and 3% of revenue)	21 888	218 880	875 520	1 094 400
Salary expenses	10 734	107 338	429 352	536 689
Profit before tax	63 138	631 382	2 525 528	3 156 911
Income tax (9% rate from 11 years)	0	0	227 298	227 298
Net profit	63 138	631 382	2 298 231	2 929 613

Source: developed by author

Thus, the net profit from the operation of the farms for the production of feed crops for the period of the SEZ functioning will amount to UAH 2 929 613 thousand.

Anchor enterprises among SEZ residents will be beef farms. These enterprises will use in their activities feed produced by agricultural enterprises of the zone, and sell produced meat products in Ukraine and supply for export. These enterprises are given a priority role in the development of the meat complex of the region, as they will meet the needs of the population in quality meat products. It is estimated that the farm for 15,000 head of cattle will operate on an area of 500 hectares and produce 12,000 tons of meat annually. According to the agroinvest resource, the selling price of meat in August 2021 is UAH 25,000 per ton.

The margin is 65%, which is also known from open sources and agricultural statistics. Sales and administrative expenses will be set at the typical level 5% and 3% of revenue. Regarding the payment of income tax and VAT, the companies received conditions similar to other residents.

The table presents the profit calculations for this type of residents.

Table 3.13

Income and expenses from the activities of the meat farms, thousand UAH

Indicators	For 1 year	For 1-10 years	For 11-50 years	Total
Volumes of meet production	12000	120000	480000	600 000
Sales price of meet, UAH / ton	25000	25000	25000	25000
Sales revenue	300 000	3 000 000	12 000 000	15 000 000
SEZ residents (70%)	210 000	2 100 000	8 400 000	10 500 000
Non-residents of SEZ (30%)	90 000	900 000	3 600 000	4 500 000
Cost (standard 65%)	195 000	1 950 000	7 800 000	9 750 000
Gross income	105 000	1 050 000	4 200 000	5 250 000
Sales and administrative expenses (standard 5 and 3% of revenue)	24 000	240 000	960 000	1 200 000
Salary expenses	42 507	425 069	1 700 276	2 125 345
Profit before tax	38 493	384 931	1 539 724	1 924 655
Income tax (9% rate from 11 years)	0	0	138 575	138 575
Net profit	38 493	384 931	1 401 149	1 786 079

Source: developed by author

Thus, the net profit from the operation of the farms for the production of meet for the period of the SEZ functioning will amount to UAH 1 786 079 thousand.

To meet domestic electricity needs, it is proposed to place power plants made of solar panels. The power of the station is 70 kW, the annual production volume is about 100,000 kWh of "green" electricity (according to a similar project [54]). The station will serve office and administrative premises, the market.

Regarding the price of biogas and electricity, according to the resource, the price of electricity is 0.1239 euros per kWh [53].

Administrative expenses will be set at the typical level 3% of revenue. Regarding the payment of income tax and VAT, the companies received conditions similar to other residents.

The table presents the profit calculations for this type of residents.

Table 3.14

Income and expenses from the activities of the green electricity production, thousand UAH

Indicators	For 1 year	For 1-10 years	For 11-50 years	Total
Volumes of green electricity production, kW	100000	1000000	4000000	5 000 000
Electricity sales price, UAH / kW	3,717	3,717	3,717	3,717
Sales revenue, thousand UAH	372	3 717	14 868	18 585
SEZ residents (100%)	372	3 717	14 868	18 585
Non-residents of SEZ (0%)	0	0	0	0
Cost (standard 10%)	37	372	1 487	1 859
Gross income	335	3 345	13 381	16 727
Administrative expenses (standard 3% of revenue)	11	112	446	558
Salary expenses	307	3 067	12 267	15 334
Profit before tax	17	167	668	835
Income tax (9% rate from 11 years)	0	0	60	60
Net profit	17	167	608	775

Source: developed by author

Thus, the net profit from the operation of the stations for the green electricity production for the period of the SEZ functioning will amount to UAH 775 thousand.

Transport flows between resident enterprises will be serviced by a transport company, which will also have tax benefits similar to agricultural enterprises. Administrative expenses will be set at the typical level 3% of revenue.

The table presents the profit calculations for this type of residents.

Table 3.15

Income and expenses from the activities of the transport company, thousand UAH

Indicators	For 1 year	For 1-10 years	For 11-50 years	Total
Domestic freight	28680	286800	1147200	1 434 000
Cost (standard of 40% on fuels and lubricants)	11 472	114 720	458 880	573 600
Gross income	17 208	172 080	688 320	860 400
Administrative expenses (standard 3% of revenue)	860	8 604	34 416	43 020
salary expenses	2 487	24 866	99 464	124 330
Profit before tax	13 861	138 610	554 440	693 050
Income tax (9% rate from 11 years)	0	0	49 900	49 900
Net profit	13 861	138 610	504 541	643 151

Source: developed by author

Thus, the net profit from the operation of the transport company for the period of the SEZ functioning will amount to UAH 643 151 thousand.

The following table contains data on the main financial results of the warehouse complex and the market. These enterprises are ancillary and serve the work of major enterprises. Regarding the payment of income tax and VAT, the companies received conditions similar to other residents. The table presents the profit calculations for this type of residents.

Table 3.16

Income from the activities of the warehouse complex and the market, thousand UAH

Indicators	For 1 year	For 1-10 years	For 11-50 years	Total
Profit before tax				
warehouse complex	5000	50000	200000	250 000
market	3500	35000	140000	175 000
Income tax (9% rate from 11 years)				
warehouse complex	0	0	18 000	18 000
market	0	0	12 600	12 600
Net profit				
warehouse complex	5 000	50 000	182 000	232 000
market	3 500	35 000	127 400	162 400

Source: developed by author

Thus, the net profit from the operation of the warehouse complex and the market for the period of the SEZ functioning will amount to UAH 394400 thousand.

We will assess the cash flows and efficiency of investments of SEZ residents on the basis of data on their income and investments during the period of SEZ operation. To do this, we use the method of discounting cash flows, we will define the discount rate as the key rate of the National Bank of Ukraine, which as of August 2021 is 8.5%.

The discount coefficient (d) is calculated by the following formula:

$$d = \frac{1}{(1+r)^n} \quad (3.1)$$

r – discount rate;

n – the number of the period, $n = 1 \dots N$.

NPV is calculated by the following formula:

$$NPV = \sum_{n=1}^N \frac{CF_n}{(1+r)^n} - I \quad (3.2)$$

CF_n – cash flow in the n year of the project;

r – discount rate;

I – investments,

n – the number of the period, $n = 1 \dots N$.

All indicators indicate the high economic efficiency of the project, which is confirmed by the fulfillment of the condition:

$$\sum_{n=1}^N \frac{CF_n}{(1+r)^n} + I > 0 \quad (3.3)$$

Profitability Index (PI) is used to determine the level of income per unit of costs incurred for the project. The indicator can be calculated by the formula:

$$PI = \frac{\sum_{n=1}^N \frac{CF_n}{(1+r)^n}}{I} = \frac{NPV}{I} \quad (3.4)$$

$\sum_{n=1}^N \frac{CF_n}{(1+r)^n}$ – net cash flow for the entire project implementation period;

I – investments.

Discounted payback period (DPP) is the period during which the investor's capital investment in the project is returned in the form of net discounted cash flow, and the business will make a profit. This efficiency indicator is calculated by the formula:

$$DPP = \sum_{n=1}^N \frac{CF_n}{(1+r)^n} \geq I \quad (3.5)$$

CF_n – the cash flow in n year;

r – discount rate;

I – investments;

n – the number of the period, $n = 1 \dots N$.

Internal rate of return is the discount rate in which $NPV=0$. The IRR of the project is calculated by the following formula:

$$0 = \sum \frac{CF_n}{(1+IRR)^n} - I \quad (3.6)$$

CF_n – the cash flow in n year;

IRR – internal rate of return, %;

n – the number of the period, $n = 1 \dots N$;

I – investments.

IRR is calculated using the IRR function in MS Excel.

The table presents the total calculation of residents' income from the activities of the SEZ for 50 years.

Table 3.17

Total cash flows, NPV and investment performance of residents for the period of SEZ operation

Resident's type of activity	CAPEX, thousand UAH	Cash flows, thousand UAH	NPV, thousand UAH	PI	DPP	IRR
Production and processing of meat and meat products	98 000	1 786 079,4	427 859	0,23	11,5	28%
Biofuel production	120 000	1 360 966,3	326 022	0,37	18,4	14%
Production and sale of forage crops	160 000	2 929 613,0	701 795	0,23	11,4	28%
Green electricity production	600	3 953,2	2 271	0,26	13,2	43%
Domestic cargo transportation	12 000	643 150,8	154 068	0,08	3,9	99%
Warehouse complex	6 800	250 000,0	57 828	0,12	5,9	60%
Market	5 500	175 000,0	40 480	0,14	6,8	51%
Total	402 900	7 148 762,6	1 710 322	0,24	11,8	27%

Source: developed by author

It can be concluded that the most profitable business is biogas production, as the return on investment was 37%. Also promising are investments in feed production (23%)

and meat products (23%). The overall index of return on investment was 24%, which indicates the viability and investment attractiveness of projects for potential investors. The payback period of the investment is quite long and is 11.5 years for meat production, 18.4 years for biogas, 11.4 years for feed production, 13.2 years for green electricity production. The total payback period of investments in the SEZ is 11.8 years on average for all businesses, which is quite acceptable, given the high initial investment in capital-intensive projects. Discounted cash flow for a project implementation period will be 1 710 322 thousand UAH.

The table presents the total calculation of state's performance from the activities of the SEZ for 50 years.

Table 3.18

Total indicators of investment performance of government for the period of SEZ operation

	CAPEX, thousand UAH	Cash flows, thousand UAH	NPV, thousand UAH	PI	DPP	IRR
Government	239 655,5	4 197 523	895 793,8	0,27	13,4	20%

Source: developed by author

It can be concluded that public investment is characterized by high profitability, as the profitability index was 0.27. The payback period was 13.4 years. The discounted cash flow for the period of project implementation will amount to UAH 895,793.8 thousand. These funds will be received by the state in the form of tax payments.

CONCLUSIONS

International economic integration has united the disparate economies of different countries into one common market. The emergence and development of special economic zones (SEZ) is an essential element of the functioning of any modern economy. For global economic relations, the activation of special economic zones makes it possible to accelerate economic growth by increasing international trade, financial turnover, exchange of technologies, results of intellectual activity, information resources, as well as deepening economic relations between individual countries. The role and importance of special economic zones in the global and national economy is increasing due to the fact that the creation of free economic zones is one of the ways to attract investments necessary for the development of regions.

The phenomenon of SEZ in the global socio-economic activity has acquired special significance as a tool for economic development. This is due to the advantages provided by the SEZ to investors: favorable customs, investment and tax regimes. SEZs are widespread in many states. The active involvement of the countries of the world in international economic relations led to the development and expansion of SEZs in the world, the creation of which entailed the inclusion of national economies in international relations.

The international practice of using SEZs as the most important component of the modern market mechanism, it is necessary to take into account that the experience of the functioning of SEZs in various countries of the world indicates the limited possibility of their influence on the development of the national economy.

The analysis of foreign experience in the creation of SEZs shows that for their effective work the most important task is to ensure the state program for the organization and development of SEZs, the development of an effective management system. Such a management system should take into account the needs of local territories in attracting foreign capital, the interest of local authorities in the development of SEZs, in ensuring their successful entry into the world market. By providing financial resources for the benefit of the SEZ, the government should be interested not only in meeting local, but

also national interests. Therefore, the decisive moment in the creation of the SEZ is to determine the balance of the relationship between these interests. SEZs should increase the degree of state participation in world economic relations. Consequently, the creation of such zones in Ukraine and around the world will be successful only if the most transparent and efficient economy is created with developed legal regulation, minimal bureaucracy and the absence of corruption.

From the point of view of foreign capital owners, the investment potential of the Latin American region is quite large. There are SEZs in almost all states of Central and South America with the exception of Suriname and Guyana. In the Caribbean, by contrast, only a few countries have SEZs. Income tax regimes in Latin American SEZs are beneficial. Currently, an extensive variety of corporate tax regimes that are applicable to SEZs can be observed. Out of 42 countries and autonomous tax jurisdiction in the region, 29 operate SEZs. According to United Nations Conference on Trade and Development (UNCTAD) data, these jurisdictions host 486 out of 5400 of the SEZs worldwide (9%). SEZs in Latin America house more than 10 thousand enterprises and employ about 1 million people.

The creation of SEZs in Latin American countries is characterized by the following general features: SEZs are created on the initiative of central authorities, not local authorities, based on national interests; the creation of the SEZ was preceded by the development of an appropriate regulatory and legal framework, the practical implementation of which is often carried out in three to four years (this was done in Brazil in the SEZ "Manaus"). There is clear definition of SEZ types: manufacturing, export-manufacturing, trading, offshore, etc. This detailed classification allows each country in the region to determine different amounts of tax, customs, fiscal and other benefits. The allocation of limited territories for the SEZ, where the development and increase of the SEZ is due to the increase in the number of enterprises and their turnover, and not due to the development of new lands.

In the process of creating SEZs, the governments of the countries should not be limited only to tax incentives. There is a need to reduce regulatory barriers that can stifle business activity and protect against corruption. Many of the existing SEZs have

investment potential. The most developed zones in Latin America can create a business-friendly environment comparable to the world's fastest growing centers of entrepreneurship.

SEZs in Latin American countries are a good example of how to benefit from the globalization of capital and labor. Finding a balance between the positive effects of globalization and the multitude of security problems that it generates is becoming a key policy issue for SEZs. This is important not only for domestic policymakers, but also for the region and the international community. Promising and investment-attractive countries (Brazil, Mexico, Dominican Republic, Uruguay, etc.), thanks to their resources, investment projects and competent policy of the authorities, may well rely on the efficient operation of the SEZ, including with the active attraction of foreign resident investors.

As the implementation of the advanced experience of Latin American countries in the development of investment attractiveness of regions in Ukraine, it is proposed to create a SEZ in the Kherson region for 50 years. Skadovsk SEZ is proposed to be designed in Skadovsk district of Kherson region, outside the coastal zone, near the villages of Novomykolayivka, Mykhailivka, Petrovka, Shevchenko and Dobropillya of Skadovsk district.

The main goals of the project to create an agro-industrial SEZ in the Skadovsky district of the Kherson region: creation of conditions for sustainable long-term socio-economic development of the Kherson region through the formation of a modern platform in the format of SEZ, attractive for investors aimed at creating competitive industries; creation of regional investment infrastructure, providing agricultural producers with access to the market and the development of cooperative ties between producers and retail chains.

Achievement of the planned goals of the project will be ensured through the implementation of the following range of tasks: development of a business plan for the implementation of a project to create an agro-industrial FEZ; creation and maintenance of effective work of the SEZ Administration, which assumes the provision of the maximum range of services to its residents; design and construction of SEZ infrastructure facilities; organization of work to attract residents to the territory of the SEZ.

The total investment in the construction / reconstruction of infrastructure facilities of the SEZ will amount to about UAH 239 655,5 thousand. These investments will be paid by government. The total investments of residents are 402 900 thousand UAH. It is expected to create 550 new jobs. Net profit from the business activity of the companies will be 7 148 762.6 thousand UAH. Number of residents is 14.

The discounted cash flow of residents will amount to UAH 1 710 322.4 thousand. The most profitable business is biogas production, as the return on investment was 37%. Also promising are investments in feed production (23%) and meat products (23%). The overall index of return on investment was 24%, which indicates the viability and investment attractiveness of projects for potential investors. The payback period of the investment is quite long and is 11.5 years for meat production, 18.4 years for biogas, 11.4 years for feed production, 13.2 years for green electricity production. The total payback period of investments in the SEZ is 11.8 years on average for all businesses, which is quite acceptable, given the high initial investment in capital-intensive projects.

Governmental investment is characterized by high profitability, as the profitability index was 0.27. The payback period was 13.4 years. The discounted cash flow for the period of project implementation will amount to UAH 895,793.8 thousand. These funds will be received by the state in the form of tax payments.

The main tasks of creating a special economic zone "Skadovsk" are to attract investment for livestock development and processing of agricultural products (pork, beef), feed production, biofuel production, green electricity development, job creation, introduction of new technologies, creation of highly efficient competitive industries, development assistance. foreign economic relations and entrepreneurship, increasing the efficiency of production capacity of agricultural enterprises and their export potential, increasing the supply of high quality goods and services, creating a modern production, transport and market infrastructure in the Kherson region.

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ANNEXES

Rent	3 667,5	3 667,5	3 667,5	3 667,5	3 667,5	3 667,5	3 667,5	3 667,5	3 667,5	3 667,5	3 667,5	3 667,5	3 667,5
Land tax	220,1	220,1	220,1	220,1	220,1	220,1	220,1	220,1	220,1	220,1	220,1	220,1	220,1
VAT	38 876	38 876	38 876	38 876	38 876	38 876	38 876	38 876	38 876	38 876	38 876	38 876	38 876
Income tax	13 801	13 801	13 801	13 801	13 801	13 801	13 801	13 801	13 801	13 801	13 801	13 801	13 801
SSC, personal income tax and military duty	30 924	30 924	30 924	30 924	30 924	30 924	30 924	30 924	30 924	30 924	30 924	30 924	30 924
Total cash flow	87 488	87 488	87 488	87 488	87 488	87 488	87 488	87 488	87 488	87 488	87 488	87 488	87 488
Total discount cash flow	9 668	8 911	8 213	7 569	6 976	6 430	5 926	5 462	5 034	4 640	4 276	3 941	3 632

Indicators	Years												
	40	41	42	43	44	45	46	47	48	49	50	Total	
Income items	3 667,5	3 667,5	3 667,5	3 667,5	3 667,5	3 667,5	3 667,5	3 667,5	3 667,5	3 667,5	3 667,5	3 667,5	146 700
Rent	220,1	220,1	220,1	220,1	220,1	220,1	220,1	220,1	220,1	220,1	220,1	220,1	8 802
VAT	38 876	38 876	38 876	38 876	38 876	38 876	38 876	38 876	38 876	38 876	38 876	38 876	1 943 820
Income tax	13 801	13 801	13 801	13 801	13 801	13 801	13 801	13 801	13 801	13 801	13 801	13 801	552 024,6
SSC, personal income tax and military duty	30 924	30 924	30 924	30 924	30 924	30 924	30 924	30 924	30 924	30 924	30 924	30 924	1 546 177
Total cash flow	87 488	87 488	87 488	87 488	87 488	87 488	87 488	87 488	87 488	87 488	87 488	87 488	4 197 523
Total discount cash flow	3 348	3 086	2 844	2 621	2 416	2 226	2 052	1 891	1 743	1 607	1 481	1 481	895 794

Annex C

Discounted cash flows of the residents for a period of SEZ operation, thousand UAH

Residents	Years												
	1	2	3	4	5	6	7	8	9	10	11	12	13
Production and processing of meat and meat products	35 478	32 698	30 137	27 776	25 600	23 594	21 746	20 042	18 472	17 025	14 279	13 160	12 129
Biofuel production	27 033	24 916	22 964	21 165	19 507	17 978	16 570	15 272	14 075	12 973	10 880	10 028	9 242
Production and sale of forage crops	58 192	53 633	49 431	45 559	41 990	38 700	35 668	32 874	30 299	27 925	23 421	21 586	19 895
Green electricity production	308	284	262	241	222	205	189	174	161	148	6	6	5
Domestic cargo transportation	12 775	11 774	10 852	10 002	9 218	8 496	7 830	7 217	6 652	6 131	5 142	4 739	4 368
Warehouse complex	4 608	4 247	3 915	3 608	3 325	3 065	2 825	2 603	2 399	2 211	2 038	1 879	1 731
Market	3 226	2 973	2 740	2 526	2 328	2 145	1 977	1 822	1 680	1 548	1 427	1 315	1 212
Total Discounted cash flow	141 620	130 526	120 300	110 876	102 190	94 184	86 805	80 005	73 737	67 961	57 193	52 713	48 583

Residents	Years												
	14	15	16	17	18	19	20	21	22	23	24	25	26
Production and processing of meat and meat products	11 179	10 303	9 496	8 752	8 067	7 435	6 852	6 315	5 821	5 365	4 944	4 557	4 200
Biofuel production	8 518	7 851	7 236	6 669	6 147	5 665	5 221	4 812	4 435	4 088	3 768	3 472	3 200
Production and sale of forage crops	18 337	16 900	15 576	14 356	13 231	12 195	11 239	10 359	9 547	8 799	8 110	7 475	6 889

Production and processing of meat and meat products	1 340	1 235	1 139	1 049	967	891	822	757	698	643	593	427 859
Biofuel production	1 021	941	868	800	737	679	626	577	532	490	452	326 022
Production and sale of forage crops	2 199	2 026	1 868	1 721	1 586	1 462	1 348	1 242	1 145	1 055	972	701 795
Green electricity production	1	1	0,5	0,5	0,4	0,4	0,4	0,3	0,3	0,3	0,3	2 271
Domestic cargo transportation	483	445	410	378	348	321	296	273	251	232	213	154 068
Warehouse complex	191	176	163	150	138	127	117	108	100	92	85	57 828
Market	134	123	114	105	97	89	82	76	70	64	59	40 480
Total Discounted cash flow	5 369	4 948	4 561	4 203	3 874	3 571	3 291	3 033	2 795	2 576	2 375	1 710 322