
FORMATION AND DEVELOPMENT OF ECONOMIC ZONES IN THE WORLD

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Abstract

Keywords:Economic

zones, free zones,
special economic zones,
industrial parks, small
industrial zones

The article examines the formation and development of economic zones, the periodicity of the development of special economic zones, the development of small and medium-sized businesses in developed countries.

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INTRODUCTION

The history of the formation and distribution of the world's first free economic zones dates back several centuries. The first free zones were created to encourage port trade as zones located on international trade routes. Currently, special economic zones are being developed in the form of small industrial zones.

LITERATURE REVIEW

Medieval history testifies that free cities (Vatican), port cities of the Hansa in the North and West Seas: Hamburg, Bremen, Copenhagen, Konigsberg (1241), free ports, such as, for example, the Greek port of Delos, the port of Leyorn (the first free port in the world), Venice, Marseille (1228).

They were replaced by trade zones or free trade zones. In the eighteenth century they appeared in Gibraltar (1704), and in the nineteenth century in Singapore (1819), Hong Kong (1848), Hamburg (1888) and Copenhagen (1891).

The experience of spatially oriented economic development of trade with the participation of free zones in the regional context was first applied in Europe, then in Asia and Africa (XIX century), then in America (1930s) and Oceania (1980s).

Trading zones are more developed in Europe, export and production zones - in Asia, technological - innovation zones - in the USA. The spread of free economic zones spread from developed countries to developing countries, and then to socialist countries.

ANALYSIS AND DISCUSSIONS

At the same time, the role of the state has always been to "ensure the functioning of the market and the conditions for free competition." It was the desire to implement this principle that led to the emergence of Free Economic Zones (FEZ) around the world. In this case, FEZs are a catalyst for the development of competition and contribute to the implementation of antitrust policy. At the same time, neo-liberal, neo-conservative and neo-Keynesian tendencies are well integrated into the economic policies of different countries. This can be confirmed by the fact that out of the existing 3500 FEZs, most of the modern FEZs over 2300 are located in countries with transitional or developing economies [1].

SEZs have a long history (figure IV.1). The concept of freeports dates back many centuries, with traders operating off ships, moving cargoes and re-exporting goods with little or no interference from local authorities. Modern free zones, adjacent to seaports or airports or along border corridors, appeared in the 1960s. They began multiplying in the 1980s, with the spread of export-oriented industrial development strategies in many countries, especially in Asia, as well as the increasing reliance of global manufacturers on offshore production. The acceleration of international production in the late 1990s and 2000s and the rapid growth of global value chains (GVCs) generated another wave of new SEZs, with many developing countries across all regions aiming to emulate the early success stories. Global trade rules limiting incentives linked to exports and the phasing out of exemptions to those rules for low-income countries were expected to curtail the growth of export processing zones (EPZs). Yet the trend barely slowed, as SEZ policies adapted to the new rules, while maintaining the basic offer to investors – business-friendly environments with relief from customs and fiscal duties. The global financial crisis and the resulting dip in global trade only marginally slowed the establishment of new SEZs. The current deceleration in globalization and international production is having the opposite effect, as governments are responding to greater competition for mobile industrial activity with more SEZs and new types of SEZs. There are nearly 5,400 SEZs today, more than 1,000 of which were established in the last five years. At least 500 more zones (approximately 10 per cent of the current total) have been announced and are expected to open in the coming years.

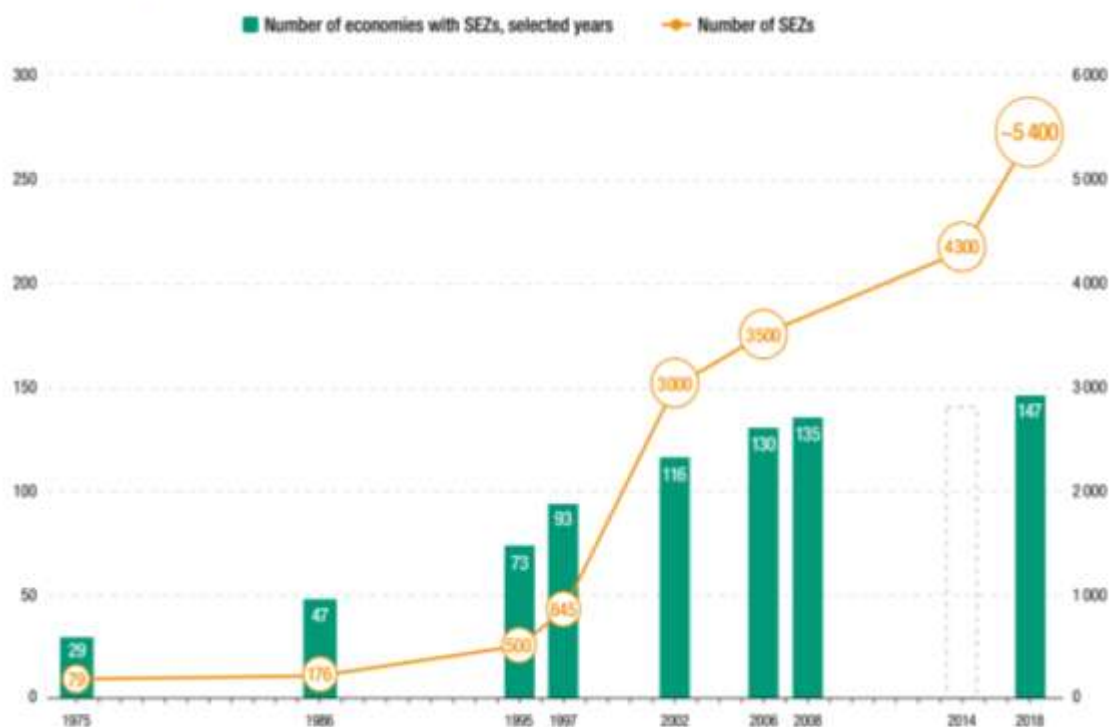


Fig. 1. Historical trend in SEZs (Numbers of countries and SEZs)

In addition to doubts about the economic benefits of SEZs, the very concept of establishing a regulatory regime distinct from – and in many respects laxer than – the rest of the economy has raised concerns about social standards and labour conditions in EPZs, and about their environmental impact. Looser regulations have mostly focused on labour rules, including, for example, precarious employment arrangements and the discouragement of unions (although some studies also highlight the formal nature of jobs in SEZs and the often relatively high wages compared with those in the surrounding economy). Even where there may not be formal exemptions from national rules such as those on health and safety, weaker controls and limited enforcement within the zones resulting from a desire to avoid disrupting businesses have often meant that standards within zones differed significantly from the rest of the economy.

Despite these concerns, SEZs remain top of mind for industrial and investment policymakers, for a number of reasons. First, the relative ease of implementing business reforms through SEZs. In countries where governance is relatively weak and where the implementation of reforms nationwide is difficult, SEZs are often seen as the only feasible option, or as a first step. Yet developing countries that have made progress towards more attractive investment climates also continue to rely on SEZs. When such progress fails to

deliver better competitiveness rankings or expected foreign investment, SEZs may still be seen as a necessary complement to the investment promotion package and as a signal of the country's progress in building an attractive investment climate. Second, the perceived low cost of establishing SEZs. A key rationale for SEZs is their low cost in relative terms, compared with that of building equivalent industrial infrastructure in the entire economy. But even in absolute terms, the upfront investment costs can be contained. Capital expenditures for the development of an SEZ – especially basic zones offering plots of land rather than hyper-modern “plug-and-play” zones – are often limited to basic infrastructure connections to the zone perimeter. Additional costs, which are mostly outsourced to a private development company, are then incurred gradually as the zone attracts investors and develops individual plots. In such cases, the government considers basic zone development costs as largely “no cure, no pay”. The development cost, as well as the cost of common services in the zones, is subsequently recovered from tenants. Much of the cost of SEZs is the income foregone from the incentives provided, which can amount to substantial revenue loss. Such foregone income is rarely a concern for policymakers when they consider establishing SEZs, however. Third, increased competitive pressure. SEZs, especially EPZs, traditionally attract internationally mobile efficiency-seeking investments, for which countries compete. Despite the emergence of new forms of zones linked to natural resources, aimed at domestic markets or targeting innovation capabilities (e.g., science, high-tech or green zones), most SEZs remain essentially part of countries' competitive investment promotion package, together with other forms of incentives. Global FDI has been weak over the last decade. Manufacturing FDI across all developing regions has been structurally lower over the last five years than in the preceding period. In response to the tight market for investment in industrial activity, governments continue to make their investment promotion packages more attractive.

Table 1

Frequency of development of special economic zones [2]

I. DEVELOPMENT PERIODS (STAGES)	II. GENERAL DESCRIPTION OF THE STAGES
<p>III.</p> <p>IV. 1. THE PERIOD OF CREATION OF FREE PORTS (XVI-XVIII CENTURIES).</p>	<p>V. THE STAGE IS CONNECTED WITH THE DEVELOPMENT OF CAPITALISM IN EUROPE. ONE OF THE OLDEST FREE PORTS WAS THE ANCIENT ROMAN PORT ON THE ISLAND OF DELOS (814 BC). TARIFF ABOLITION WAS USED AS A MECHANISM TO REGULATE FREE PORTS TO ENCOURAGE TRADE WITH NEIGHBORING COUNTRIES. LATER, SEPARATE TAX INCENTIVES BEGAN TO APPLY.</p>
<p>VI.</p> <p>VII. 2. THE PERIOD OF MODIFICATION AND COMPLICATION OF SPECIAL ECONOMIC ZONES (XIX CENTURY - EARLY XX CENTURY)</p>	<p>VIII. FREE PORTS ARE NO LONGER LIMITED TO SIMPLE COMMODITY TRADE, THE DEVELOPMENT OF NEW COMMODITY PRODUCTION AND THE PROVISION OF SERVICES. THE CHANGE CONSISTED IN THE TRANSFORMATION OF THE ORGANIZATIONAL AND FUNCTIONAL FORMS OF THE SEZ INTO MORE COMPLEX FORMS. ALL CITIES WERE DECLARED FREE PORTS. IN THE LATE 1980S, A FREE TRADE ZONE WAS ESTABLISHED IN HAMBURG, WHICH BECAME THE FIRST EXPORT PROCESSING ZONE (EPZ).</p>
<p>IX. 3. POST-WAR PERIOD (SECOND HALF OF THE TWENTIETH CENTURY)</p>	<p>X. FREE ECONOMIC ZONES (FREE PORTS) IN THE POST-WAR (POST-WAR) PERIOD SERVED AS AN INCENTIVE FOR THE DEVELOPMENT OF TRADE. AT THE SAME TIME, SPECIAL ECONOMIC ZONES (SEZs) HAVE BEEN ESTABLISHED IN IRELAND AND THE ASIA-PACIFIC REGION FOR THE PROCESSING AND PRODUCTION OF EXPORT PRODUCTS.</p>
<p>XI. 4. MODERN PERIOD (LATE 20TH CENTURY - PRESENT)</p>	<p>XII. CONTINUATION OF THE PROCESS OF EVOLUTION OF SPECIAL ECONOMIC ZONES: THE CREATION OF SCIENTIFIC AND INDUSTRIAL PARKS, FOREIGN TRADE ZONES, DEVELOPED TERRITORIES, CLUSTERS, ETC.</p>

It should be noted separately that in the regions and sectors of the economy, and especially in industry, there is no optimal form of any solution that has the unconditional advantage of any country in the organization and management of small industrial zones in the search for and effective use of untapped new opportunities for economic growth. The application of this or that tool, a new procedure or methodology of state measures for the organization and management of small industrial zones depends on the economic, social and even political situation in the country. Nevertheless, it is possible to experimentally apply effective tools and measures that are characteristic of some models of the development of

small industrial zones and have become widespread, and recommend their application in practice.

Based on the experience of foreign countries, one can observe that among industrial parks there is competition for attracting residents. After all, the more residents are in the industrial zone of the region, according to the concept of its development, the greater the potential for economic development of the region, which in turn leads to an increase in revenues to the regional budget and its social development.

Industrial parks, technopolises and industrial zones are one of the important mechanisms for solving problems related to the development of small and medium-sized businesses, employment and technical development of industry in developed countries. Currently, there are more than 400 industrial parks in the US and China , about 200 in Germany , 262 in Turkey , and about 200 industrial parks in Vietnam. These zones play a key role in the formation of a modern technological base for production, the introduction of innovations in production processes and the creation of high-performance products and services.

CONCLUSIONS

Development through the creation of industrial parks, technopolises and industrial zones in the least developed and economically underdeveloped regions of the world, which contributes to an increase in the efficiency of using economic potential and resources, deepening industrial cooperation between large and small industrial enterprises, investment attractiveness of small industrial enterprises. zones Particular attention is paid to research on the development of competitive products and employment. Also, research areas include the development of innovative approaches to the construction of small industrial zones, the development of conceptual models that fully cover the principles and trends of modern development, the use of these processes as an important pillar of the state economic policy.

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