

## Improving the Mechanism for the Formation of Special Economic Zones (On the Materials of the Cotton-Textile Cluster)

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**Abstract:** The resource capacity of cotton and textile production is determined by favorable natural and climatic conditions for the cultivation of cotton, the availability of production capacities of cotton processing, textile processing enterprises, and developed infrastructure. Thanks to this, the production of cotton fiber is growing, the range of textile and clothing products is being restored and expanded, and integration processes are taking place.

**Keywords:** cotton textile production, textile processing enterprises, cotton fiber production, cluster.

**Introduction:** A special economic zone is a specially allocated area with clearly defined administrative boundaries and a special legal regime, created in order to attract foreign capital, advanced foreign technology and management experience for accelerated socio-economic development. On the territory of the zone, any types of economic activity, financial activities of citizens are allowed, with the exception of the production of direct military products, as well as those types of activities that are prohibited by law.

According to the authors of a brief foreign economic dictionary - reference book, "free economic zones are special territories with preferential monetary, financial and tax regimes, in which joint activities with foreign capital are encouraged" [1].

A similar definition is given in the works: "free economic zones are certain territories within national borders and the formation of a preferential economic, trade, tax regime in order to solve certain economic, industrial, scientific and technical problems" [2].

"Free economic zones are areas in which certain articles of national legislation are suspended in order to promote accelerated economic development, maintain or increase the existing level of employment." However, unfortunately, this definition has not been developed in domestic economic science, and most researchers do not consider it necessary to focus on it [3].

"Free Zones and the National Economy", it is "a part of the sovereign territory of the state where goods of foreign origin can be stored, sold and bought without paying ordinary customs duties, in other words, it is a kind of duty-free trade and warehouse zone, which, while remaining part of the national territory, with from the point of view of the financial regime is considered as being outside state borders (one example is duty free shops at major international airports). Such zones have existed for decades to facilitate international trade in many industrialized countries, including Italy, Spain, Germany, etc." [4].

"Zones are created for the economic conditions for the development of the production of goods and services within the stations." [5].

Special economic zones are understood as "a certain, clearly marked section of the economic space, where, thanks to the establishment of a preferential regime, a favorable economic environment is created to intensify investment, production, trade or scientific activities, the socio-economic development of territories and the involvement of its economy in the international division of labor" [6].

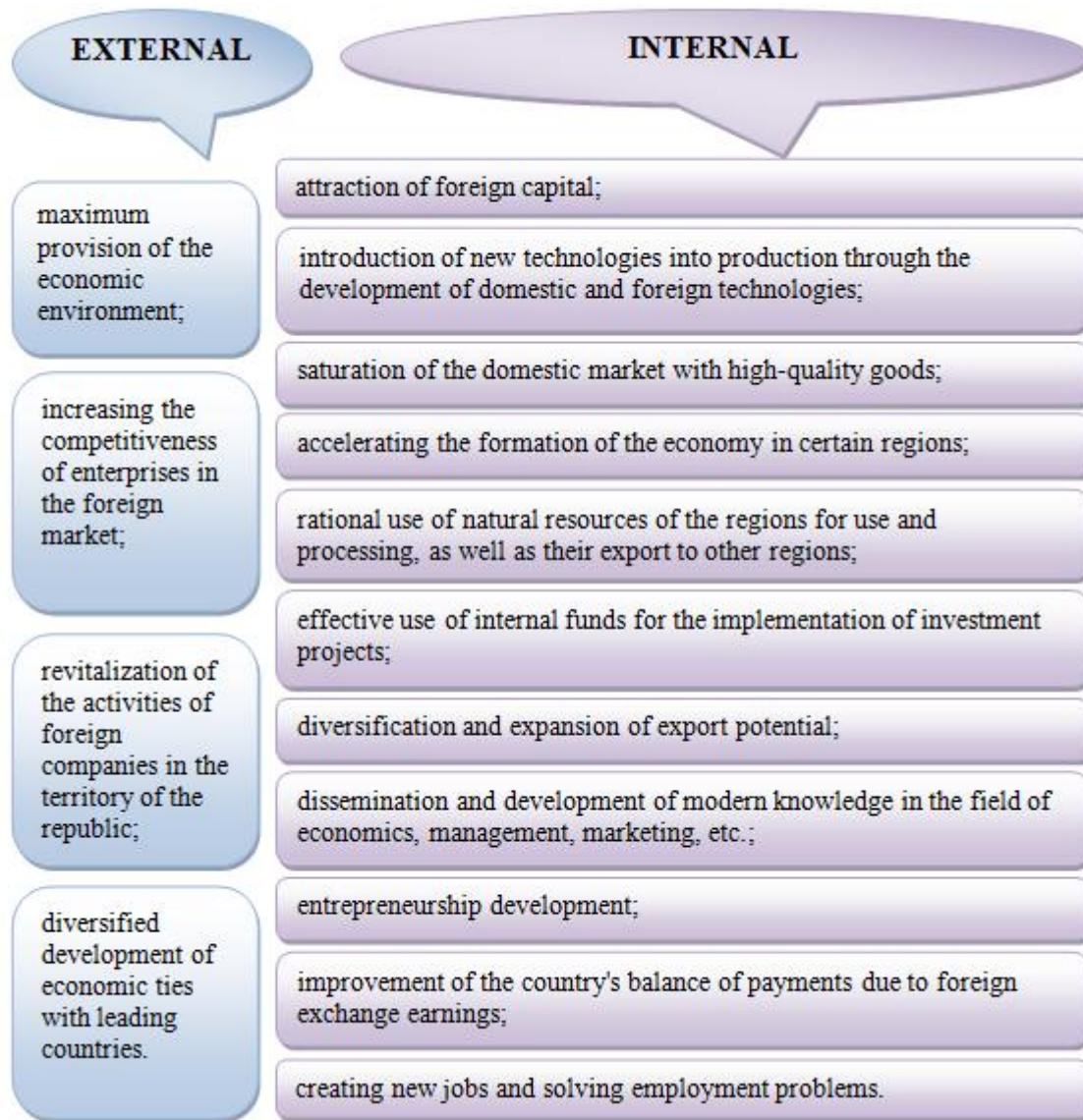
Thus, we can conclude that in the economy there are many definitions of this concept, while there is some shift in terms. A number of scientists under the special economic zones mean the territory created to attract foreign investment, while others have this concept more comprehensively. Nevertheless, in modern theories devoted to special economic zones, the position of recognizing their diversity (export-industrial, entrepreneurial, complex, scientific, free trade zones) is confirmed. The following types of economic zones have been identified: industrial-production and technology-innovative [7].

### **Main part.**

Many states that establish zones believe that the creation of special economic zones will accelerate the implementation of strategic programs and projects, help solve certain priority economic tasks, develop industrially backward regions and regions with a low level of economic development, and will also contribute to the rational use in the production of national raw materials. The formation of zones is caused by the need to correct deep disproportions in the development of the industrial complex, by using the existing transport-geographical, industrial, scientific and technological prerequisites, as well as by concentrating the efforts of the central executive bodies on solving the economic problems of the region.

Summarizing the above, we come to the conclusion that all the above definitions have an internal logic and allow us to look at the phenomenon of the economic zone from different angles. Based on the well-known goals of the zones and essential features, we offer our own definition. We see the following. Special economic zones are a form of state regulation of economic processes taking place in certain regions of the country, in which the use of administrative methods of management is significantly limited. They contribute to the development of entrepreneurial activity, the close integration of the national economy into the system of world economic relations by attracting foreign investment and providing customs, economic, legal and organizational benefits. In the most general form, the main goals of special economic zones can be divided into external and internal and presented as follows (Figure 1).

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**Figure 1 - Main goals of special economic zones.**

In addition, the functioning mechanism lays the foundations for effective management that can direct economic processes in the right direction. In particular, these are:

- preferential taxation of business entities registered in the territory of the special economic zone, income tax is set at a much lower rate than in the rest of the republic;
- the administrative council has the right to approve the fund for economic and social development, the funds of the fund are directed to the creation and expansion of capacities for the production of consumer goods and the provision of services to the population;
- the territory has a free customs zone regime, which creates significant advantages for producers. Registration of imported equipment, raw materials, materials, as well as other goods necessary for the performance of production operations, is carried out without the collection of duties, taxes and the application of economic policy measures;
- privileges are provided for the export of goods produced and processed in the territory of the zone.

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However, achieving a balance in the economy of the economy in the territory and putting into action all the mechanisms require not only a high level of management, but also the use of such important tools of the regional economy as comprehensive programs for socio-economic development and the distribution of productive forces in the long term, ensuring the coordination of national and local interests.

Since special economic zones are created in order to accelerate the development of regions in order to enhance the entry of the republic's economy into the system of world economic relations, the choice of the territory of possible zoning should be focused on those areas that have favorable prerequisites for this, namely: a convenient transport and geographical position, significant mineral raw materials and natural resources, cheap labor resources. For each zone, legislation is adopted that determines the general legal, economic and organizational conditions for its activities. The practical implementation of measures related to the functioning of special economic zones should be based on the following principles: efficiency, target orientation and phasing.

One of the fundamental principles of creating a zone is its effectiveness. Various studies propose a range of metrics to measure zone performance. The most common measure is net exports - all exports minus all imports. Another generally accepted criterion for determining the effectiveness of the zone in the economic aspect is a comparison of the difference between the total costs and the results obtained. Along with the direct effect, the indirect effect should also be taken into account. Under the indirect effect, one should mean the intensification of the socio-economic development of the region, the creation of new jobs and the resolution of employment problems, the improvement of personnel skills through the development of economic knowledge in the field of management, marketing, economic modeling, banking and insurance operations, an increase in the quality of labor organization, ensuring maximum social protection of citizens.

For all types of special economic zones, there are ways to determine the effectiveness. Thus, for export-industrial zones focused on the development and production of products, an important criterion should be the indicator of import substitution, determined on the basis of national statistical data. For scientific zones, the indicator of the transfer of world technologies to the zone economy is of significant importance. Here, the most important, although by no means a complete indicator, may be the number of technological innovations invented. Another indicator of determining the effectiveness of scientific zones can be the balance of license fees.

**Conclusions.** Special economic zones operate in many countries, which are aimed at developing export-oriented industries, attracting investments, creating new jobs, and developing social infrastructure.

To increase the competitiveness of the textile industry, it is proposed:

Development of the cluster as a method of production, processing and sale of cotton fiber. At the same time, the economic potential of all sectors of the economy is mobilized, vertical integration of different stages of the technological process for the production of cotton textiles is created, a closed system of reproductive ties, united by technological innovations to ensure competition in the external and internal markets.

Create a unified information system for the cotton-textile cluster to provide all its participants with the necessary information, in particular, on the volume of demand and supply of goods, products and services, on the legislative framework, promising projects, and others.

Create the following structures of the cotton-textile cluster: for the training and retraining of workers; research centers and laboratories; consulting firms (marketing, management).

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Develop a program of scientific research on cotton breeding, seed production and cultivation technologies, including the creation of new varieties based on the formation of an assessment, the conservation of the gene pool using genetic, biotechnological, biochemical, physiological and other methods; development of scientifically substantiated technology of cotton cultivation.

The introduction of a cotton-textile cluster will increase the production of other types of agricultural products: grain, meat and fiber.

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