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COOPERATION BETWEEN UKRAINIAN BUSINESS AND RESIDENTS OF THE FEZ GRODNOINVEST: ANALYSIS, PROSPECTS AND PROPOSALS

Free economic zone Grodnoinvest is a unique investment platform in the Republic of Belarus, located directly on the border of the European Union and the Eurasian Economic Union.

FEZ Grodnoinvest residents are leading companies with capital from 41 country in woodworking and furniture production spheres, mechanical engineering and metalworking, food and light industry, agriculture and logistics, which have invested over \$ 1.4 billion. Currently, 75 enterprises with 18 thousand employees operate in FEZ. Their produce is sold in 81 country.

Three companies with investments or partners from Ukraine are implementing their projects within FEZ Grodnoinvest. Among them:

1. TechnoChemReagent-Bel Ltd. - a manufacturer of reagents and water treatment and wastewater treatment technologies, registered as a FEZ Grodnoinvest resident in 2011.

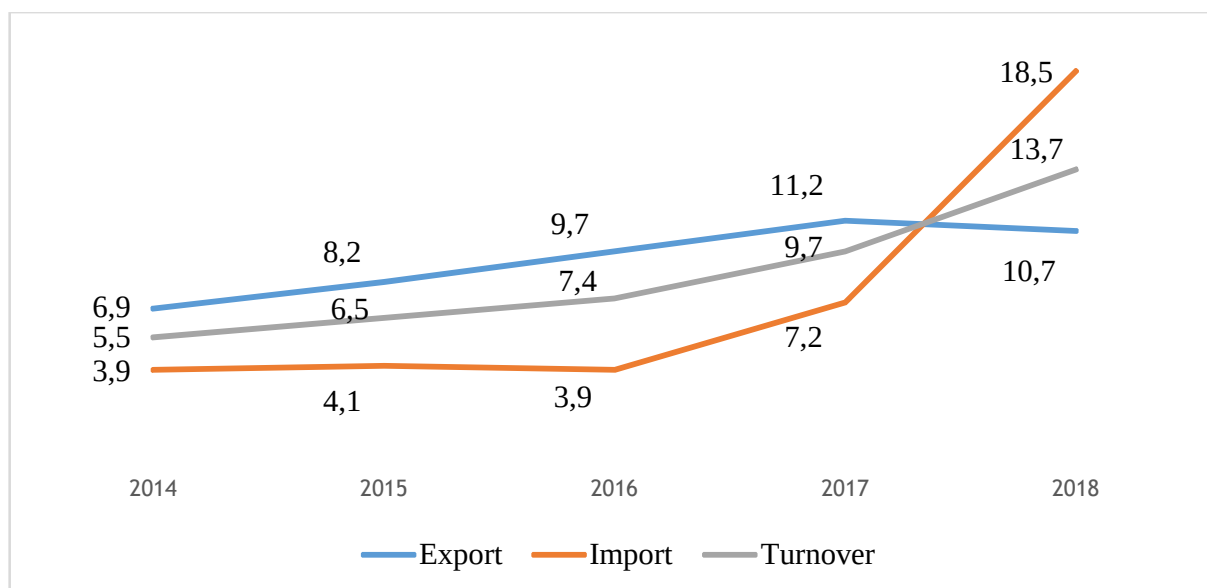
2. Belagrofert Ltd. (chemical industry) - a manufacturer of granulated ammonium sulphate, registered as FEZ Grodnoinvest resident in 2016.

3. Conte Spa JLtd. - a manufacturer of clothes, underwear, hosiery, registered as a FEZ Grodnoinvest resident in 2008.

The total investment volume of three FEZ residents over the period of their activity in FEZ Grodnoinvest exceeded \$ 300 million. Foreign direct investment from Ukraine was attracted in the amount of \$ 1.9 million, 68% of which - in 2018.

Lately we observe Ukraine's growing influence in the development of free economic zone. Let's have a look at the dynamics of export, import and turnover between the residents of FEZ Grodnoinvest and Ukraine from 2014 to 2018.

For an objective assessment and leveling of the price factor, we take as a basis the share of Ukraine in the general indicators of FEZ, and not physical quantities. The period from 2014 was taken to assess the impact of the implementation of projects with Ukrainian capital on business relations between the two parties - in 2015, the project of TechnoChimReagent-Bel Ltd. was launched, in 2017 – Belagrofert Ltd.



Picture 1. The share of Ukraine in export, import and trade of FEZ Grodnoinvest in 2014-2018, %

The picture shows an increase in the share of trade between FEZ Grodnoinvest residents and Ukraine in the total volume of FEZ indicator from 5.5% in 2014 to 13.7% in 2018. The main growth driver is import, which increased by 14.6 percentage points over the period, while export grew by 8.2 percentage points. Positive dynamics is observed throughout the whole reviewed period in all indicators.

This confirms the assumption that the implementation of projects with Ukrainian investments in FEZ Grodnoinvest directly affects business activity between Belarusian and Ukrainian companies, increases their goods turnover.

In this regard, it can be concluded that Ukrainian business circles and the country's authorities should consider the attractiveness of investments in the creation of production facilities on the territory of FEZ Grodnoinvest not only as business development in this region, but also as an opportunity to increase the export of Ukrainian goods and services to Belarus.

There is a number of directions of business relations development and increase of trade. Here are the main ones:

1. Realization of Greenfield and Brownfield projects on the territory of FEZ Grodnoinvest - investors are offered over 1,300 ha of land with developed engineering and transport infrastructure and over 200 thousand sq.m of available production space, support of projects on one stop principle.

2. Production cooperation with existing FEZ residents - proposes implementation of joint projects, organization of contract manufacturing, placement of orders at operating enterprises, expansion of trade relations.

Both options can be considered through the cluster initiative system. The interaction of nominal competitors of individual sectors of two countries may reveal

drivers for bilateral economic relations, promising joint projects to create new products within the technological chains, and increase the overall regional attractiveness for foreign investors.

In 2018, the administration of FEZ Grodnoinvest conducted a survey, in which 27 companies participated (including those with Ukrainian investments), on the basis of which the following theses were formed:

- over 90% of respondents are aware of the concept of a cluster, but do not yet understand how to put this into practice;

- $\frac{3}{4}$ respondents are interested in participating in cluster initiatives, including for implementing joint investment projects, improving competitiveness through contract manufacturing and internal specialization.

Taking into account the commodity positions of mutual trade between residents of FEZ Grodnoinvest and Ukraine, as well as formed Ukrainian capital in FEZ, it is proposed to consider the chemical, textile and woodworking industries as key industry directions for the formation of regional clusters with the participation of Belarusian and Ukrainian companies.

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COMPREHENSIVE INVESTMENT IN DIGITAL TRANSFORMATION

The rapid digitization of organizations and business models is one of the most striking trends that are transforming the current global economy. The process of digitizing is based on the firm assumption of achieving higher overall organizational