

UDC 330.341.1

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Vedeniাপina, Marina (2023). Types of national and international classifications of industrial parks. *Entrepreneurship, Economy and Law*, 2, 25–30, doi <https://doi.org/10.32849/2663-5313/2023.2.04>

## TYPES OF NATIONAL AND INTERNATIONAL CLASSIFICATIONS OF INDUSTRIAL PARKS

**Abstract. Purpose.** The purpose of the article is to study the current types of classification of industrial parks in accordance with the national Ukrainian legislation and the requirements of the UN and the EU, as well as in accordance with scientific research, and to propose potential solutions to the numerous problems arising from the reform of industrial parks in our country. **Results.** The article studies the classification of industrial parks. The classification of industrial parks under legislation in force (Articles 1 and 13 of the Law of Ukraine "On Industrial Parks") is considered and it is concluded that the legislator differentiates industrial parks into national and transboundary parks, as well as depending on the initiators of their creation, by the land on which the industrial park has been created and by the ownership of the land plot. Furthermore, various scientific studies that classify industrial parks according to the type of production site, the share of high-tech technologies, ownership, industry structure, management model, and others are reviewed. The classification provided by Chinese authors, according to which industrial parks are divided into product-oriented parks, consumer-oriented parks and trade-oriented parks, is under the focus of the study. The need for further research and improvement of national legislation in this field, bringing it in line with international standards is underlined. In particular, the author examines the definitions of an industrial park and a technology park provided by national legislation and proves that they are similar up to the level of complete synonymy. In addition, eco-industrial parks, which are currently considered to be advanced and are rapidly spreading around the world, are under the focus of the study. **Conclusions.** It is concluded that the national legislator's approach requires significant changes both in terms of the definition of an industrial park and in terms of the regulatory framework for its creation and operation. Classification models introduced in the leading countries of the world and the UN can greatly help to determine which classification features of an industrial park should be indicated as the main ones and which features of industrial parks require special attention and appropriate regulatory framework.

**Key words:** industrial parks, investment attraction, industrial park territory, classification of industrial parks, UN Industrial Development Organisation, EIP Framework.

### 1. Introduction

Modern Ukraine needs significant capital injections both during the war and after the victory, during the period of reconstruction and further development of the national economy. To this end, the national legislator adopted amendments to the Law of Ukraine "On Industrial Parks", proclaiming that this would supposedly make existing and newly created industrial parks attractive to investors. However, there are well-founded fears that the legislator views industrial parks as a type of free economic zone that has repeatedly proved to be ineffective and has served almost exclusively for money laundering and corruption by officials at various levels. In addition, this understanding of the concept of an industrial park is

outdated, which may impede Ukraine's gradual entry into the European legal space.

In order to prevent this, the current classifications of industrial parks according to Ukrainian legislation and existing international legislative and scientific classifications should be properly considered. Moreover, this will help further improve national legislation and bring it in line with the UN requirements for modern industrial parks, which will undoubtedly contribute to attraction of a significant number of foreign investors in the future.

At present, the classification of industrial parks as a possible means of rebuilding the state economy is primarily of interest to journalists and economic analysts, such as V. Marchuk, O. Bilan, V. Bilotkach, Yu. Horodnichenko,

O. Zholud, T. Kupe, T. Mylovanov, V. Movchan, A. Nikolsko-Rzhevskiy, D. Nizalov, O. Nizalova, I. Solohub, O. Talavera, N. Shapoval, and others. Among the scientists who once studied the issues of industrial parks, it is necessary to mention foreign and domestic researchers such as Dick van Beers, Klaus Tyrkko, A. Flammini, C. Barahona, L.Ya. Benovska, O.M. Boiko, O.V. Marchyshynets, S.M. Marchyshynets, N.T. Rud, and Yu.V. Chyrychenko. However, significant updates in domestic and international scientific and legislative approaches to industrial parks make it necessary to note a significant lack of research on this issue.

The purpose of the article is to study the current types of classification of industrial parks in accordance with the national Ukrainian legislation and the requirements of the UN and the EU, as well as in accordance with scientific research, and to propose potential solutions to the numerous problems arising from the reform of industrial parks in our country.

## 2. The regulatory framework for types of industrial parks

The Ukrainian legislation in force does not contain any detailed classification of industrial parks. However, relying on the analysis of certain articles of the Law of Ukraine "On Industrial Parks" and a number of other legal regulations, some conclusions can be drawn.

In particular, according to the definitions provided in Article 1 of the Law of Ukraine "On Industrial Parks", industrial parks are divided into:

1) National – established in accordance with the laws of Ukraine;

2) Cross-border – industrial parks that should be created and operate on the basis of an international agreement of Ukraine concluded between governments or their authorised initiators (Law of Ukraine On Industrial Parks, 2012). Since it remains unclear how such an international agreement would be concluded, what competence and within what limits would be possessed by, for example, "initiators authorised by governments of states", and who would have the right to grant them the relevant competence, it is quite possible that additional subclasses may appear in this sub-type of industrial parks.

Relying on the analysis of Article 13 of the above-mentioned Law, industrial parks can also be classified depending on the initiators of the industrial park creation:

- parks created by state authorities;
- parks created by local authorities;
- parks created by legal entities or natural persons (Law of Ukraine On Industrial Parks, 2012).

The legal regime for these categories is somewhat different. For example, depending on

the initiator of the industrial park, the management company will be selected: if the initiator is a state or local government body, the management company will be selected through a tender (Articles 18–19 of the Law) since the relevant authorities have the right to make such decisions exclusively through a tender in accordance with the legislation in force. If the initiator of the creation is a legal entity/natural person (and the land plots intended for the creation of the industrial park are privately owned), the management company is appointed by the initiator of the creation (Article 18 of the Law).

Accordingly, parks can be created on state, municipal or private land. In principle, the classifications by initiators and by the land on which the industrial park is created will almost coincide, but certain nuances are present. For example, a legal entity or a natural person may initiate the creation of an industrial park on state or municipal land if it is a tenant of such land and complies with other provisions of the Law of Ukraine "On Industrial Parks" (Article 5 of the Law) (Law of Ukraine on Industrial Parks, 2012).

In terms of land ownership, industrial parks can be classified as those created on their own land or on leased land because the lessor will have certain additional rights on the leased land. The initiators of the creation, if they are tenants, will accordingly have certain obligations towards the landowner. For example, when appointing a management company, the tenant shall notify the landlord of such a decision (Article 18, part 3, of the Law). The landlord shall also approve the concept of the industrial park, and the tenant shall agree this concept with the landlord. There are also other legal provisions that set out the rights of the lessor and the corresponding duties of the lessee.

The legislator does not differentiate between industrial parks according to the types of activities, limiting itself to listing the types of activities that are permitted and prohibited on the territory of any industrial park. Moreover, the Law of Ukraine "On the special regime of innovative activities of technology parks" contains the following definition: "a technology park (technopark) is a legal entity or a group of legal entities (hereinafter referred to as participants in the technology park), acting in accordance with a joint venture agreement without establishing a legal entity and without pooling contributions in order to create organisational frameworks for the implementation of technology park projects for the production implementation of knowledge-intensive developments, high technologies and ensuring industrial production competitive in the global

market" (The Law of Ukraine On the Special Regime of Innovative Activity of Technological Parks, 1999). Comparison of the definitions provided in the two legal regulations simultaneously in force in our country leads to a number of disappointing conclusions.

In particular, both definitions refer to similar concepts – territories set aside for innovation and industrial activity – but the interpretation of these definitions is fundamentally different: an industrial park is considered to be a specific land plot, i.e. a territory allocated for certain activities, while a technology park is primarily a group of people (who, in theory, can create a technology park in a rented multi-storey building).

These differences cannot be recognised as existing precisely for the sake of the fundamental distinction between the two definitions. Most likely, it is a sad lack of a systematic approach in a modern national regulatory framework. Moreover, the existence of these two approaches is of importance since the differences between them lead to fundamental differences in the further interpretation of concepts. If industrial and technological parks are land plots, the activities related to their creation and operation should include the appropriate arrangement of a specific land plot, the supply of communications, the laying of roads, the construction of logistics hubs, etc. Such activities will be regulated in many respects by the construction law, and only then will the persons who wish to use the proposed territory enter into lease agreements or other types of contracts with the management company. Consequently, investors will also enter into relevant agreements: these will be derivatives of the agreements on the use of the territory. If the concept of industrial and technological parks is defined as a set of founders, the creation of an appropriately equipped territory on a certain land plot turns from the leading activity of creating an industrial park into a secondary one, and the creation of the park should be considered as the selection of a circle of persons concerned (i.e., founders or even managers, i.e., a management company) who may well take on the arrangement of the territory and other purely organisational functions.

In the first case, the functions of the initiators of an industrial park are to prepare a developed land plot in which investors will invest and which park participants will be able to use in a certain way; in the second case, the functions of the initiators of the technology park are limited to the search for participants, and instead of a properly equipped land plot, any plot that meets the needs of the technology park, even a multi-storey office and industrial

building, can be used (leased, etc.). There are no restrictions on the number of hectares on which a technology park can be located; there are also no restrictions on the range of activities.

Obviously, the definitions in the above-mentioned legal regulations make it virtually impossible to distinguish between the concepts of "industrial park" and "technology park" by the category of activities carried out. After all, based on the definitions, in both technological and industrial parks the following activities are performed:

- a) Research and development;
- b) Industrial implementation of the results of research and development;
- c) Information and telecommunications (high technologies);
- d) Industrial production.

Therefore, the analysis of the above definitions leads to the conclusion that although the legislation in force does not use the concepts of "technology park" and "industrial park" as synonymous, they are essentially synonymous, since it is impossible to distinguish between them. Supposedly, a technology park is focused on the development of innovative technologies and their testing, while an industrial park is focused on production, but this distinction is only an assumption. In addition, it should be noted that the legislation in force contains the concept of a "science park", which is specifically entrusted with the function of research and development and the creation of new technologies, and that existing draft laws also use the concept of an "investment park", which should be understood as a part of the territory of Ukraine where a special legal regime for business activities and the procedure for the application and operation of Ukrainian legislation are established and in force.

Therefore, since the national legislation in this matter demonstrates outright incompetence, it seems reasonable to consider the classifications that are common in the world, since international law and the law of certain countries have been using these concepts for a long time.

### **3. Specificities of the classification of industrial parks**

Among the classifications of industrial parks, the most common is the division by type of production site. The traditional division is between greenfield and brownfield, where greenfield is new parks built from scratch, and brownfield is old ones that have emerged on the site of former industrial zones.

According to experts, greenfield industrial parks are usually attractive mainly to large companies looking for space to build industrial facilities to suit their specific needs. Such

parks often attract foreign investors. In modern Ukraine, an industrial park in Bila Tserkva was built using the greenfield methodology.

As for brownfield industrial parks, these are parks that were built on an existing site equipped with the appropriate infrastructure (for example, in Ukraine, this happened primarily on the territory of large factories and industrial complexes that were partially or completely destroyed in the 1990s). Frequently, private industrial parks are built using the brownfield system in the world. They are of interest to small companies, mostly domestic ones, production facilities thereof can be located in standard premises.

Today, this classification is increasingly expanded to include the so-called bluefield category, which is a mixed-structure industrial park built partly on an existing site and partly on a new territory added to the site or with significant infrastructure redevelopment. However, the concept of bluefields is not yet well-established, and experts interpret it in very different ways.

According to the share of high-tech technologies, industrial parks are divided into those dominated by industrial production, predominantly industrial, predominantly scientific and technological, and high-tech parks. (It should be noted that current Ukrainian legislation recognises only manufacturing parks as industrial parks, which is not in line with global trends).

Regardless of how an industrial park is classified, its main purpose is to carry out economic activities. The concentration and development of industry is always the essence of a park. The style of development and methods of transformation of parks differ because the main industries of the parks differ.

Chinese researchers Bai Yue and Li Xuewen divide economic activity into three categories: production activity, consumer activity and trade activity. Accordingly, they divide industrial parks into product-oriented parks, consumer-oriented parks and trade-oriented parks.

Among them, product-oriented parks are divided into tangible product parks and intangible product parks based on different product types. High-tech parks, economic and technological development zones and other parks focusing on manufacturing are tangible product-oriented parks. Cultural and creative industrial parks, financial industrial parks, industrial parks of the Internet information economy and other parks that produce ideas are intangible product-oriented parks.

Consumer-oriented parks are basically structures that offer consumers goods and places

to gain certain experiences and relaxation, including scenic spots for tourism and recreation, health areas and urban agricultural parks. A trade-oriented park is a hub that provides modern logistics capabilities and transport support for trade and exhibitions. The main industries in this case are customs warehousing, logistics and distribution, as well as trade and exhibition centres, including the airport economic zone, the bonded port area and the logistics park (Yue, Xuewen, 2022).

According to ownership, industrial parks are divided into municipal, private-municipal and private. Historically, municipal industrial parks have been considered the most effective, as their main goal is not so much to generate excessive profits from a project or land lease as to attract investors who will pay taxes and create new jobs in the future. Opinions on private industrial parks differ. On the one hand, private industrial parks are often speculative in nature. In addition, the prices for services in such parks are usually higher, as the founders have to pay back the funds invested in the infrastructure. On the other hand, such parks are subject to higher requirements in terms of the level of efficiency of business entities. In addition, the management of such parks is more flexible, as private owners are more responsive to market needs and invest more in the newest and most profitable sectors.

Industrial parks are grouped into universal and specialised by sectoral structure. The residents of universal parks are dominated by enterprises of different companies that are not interconnected by technological processes. The only criterion is that the enterprises should not conflict with the environment. Specialised parks, in turn, are of two types. According to the first type, one anchor resident selects companies with related businesses, while the second type involves the integration of independent companies operating in the same industry.

In the global practice of industrial parks, two main management models can be distinguished. According to the first model, the parks are managed by a management company that provides enterprises not only with sites for production, but also with the necessary infrastructure and services. According to the second model, small industrial parks are not managed by a special company, and firms that have located production on a single territory provide all the necessary services and attract outside companies.

In addition, in global practice, industrial parks are sometimes identified with the following concepts: technology parks, special economic zones, special industrial zones, special economic zones, etc. However, in Ukraine,

the concept of an industrial park is separately defined. Industrial parks in our country are built according to the European model of technology parks, which is characterised by the following features: a centrally developed and managed territory with production, warehouse, office buildings, appropriate communications, infrastructure, research and development activities (Osadcha, 2014, p. 73).

Recently, the model of so-called eco-industrial parks, supported by the relevant UN structures (specifically, the United Nations Industrial Development Organisation, UNIDO), has been prevailing in the global space. The main goal of such parks is not only to make profits, but, above all, to develop innovative technologies and preserve the environment at the same time (Dick, Klaus, Alessandro, Barahona, Christian, 2020).

#### 4. Conclusions

Therefore, the national legislator's approach requires significant changes both in terms of the definition of an industrial park and in terms of the regulatory framework for its creation and operation. Classification models introduced in the leading countries of the world and the UN can greatly help to determine which classification features of an industrial park should be indicated as the main ones and which features of industrial parks require special attention and appropriate regulatory framework. In particular, we believe it is necessary to focus on the infrastructure and environmental components of the industrial park, which are currently not regulated by the relevant national legislation. In addition, we believe that it is correct and reasonable to provide tax incentives exclusively to companies that introduce the latest, innovative technologies.

Further research should focus on the issue of modern classification of industrial parks with the predominant introduction of eco-industrial

parks and relevant standards, as well as on creating an enabling environment at the legislative level for attracting advanced technologies to our country and investing in efficient new technologies.

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## ВИДИ НАЦІОНАЛЬНИХ І МІЖНАРОДНИХ КЛАСИФІКАЦІЙ ІНДУСТРІАЛЬНИХ ПАРКІВ

**Анотація. Мета.** Метою статті є вивчення сучасних видів класифікації індустріальних парків згідно з національним українським законодавством і вимогами ООН та ЄС, а також відповідно до наукових досліджень, і пропонування можливих варіантів вирішення численних проблем, що виникають у зв'язку з реформацією індустріальних парків у нашій державі. **Результати.** Статтю присвячено дослідженню класифікації індустріальних парків. Розглядається класифікація індустріальних парків згідно з чинним законодавством (ст. 1, 13 Закону України «Про індустріальні парки») і робиться висновок, що законодавець розмежовує індустріальні парки на національні

та транскордонні, а також залежно від ініціаторів створення за землями, на яких створений індустріальний парк, і за правом власності на земельну ділянку. Також розглядаються різноманітні наукові дослідження, згідно з якими здійснюється класифікація індустріальних парків залежно від типу виробничого майданчика, відповідно до частки високонаукових технологій, за правом власності, за галузевою структурою, за моделлю управління тощо. Окремо розглядається класифікація, надана китайськими авторами, згідно з якою індустріальні парки поділяються на парки, орієнтовані на продукт, парки, орієнтовані на споживача, і парки, орієнтовані на торгівлю. Багато уваги у статті приділяється необхідності подальших досліджень і вдосконаленню національного законодавства в цій сфері, узгодженню його зі світовими стандартами. Зокрема, розглядаються надані у вітчизняному законодавстві визначення індустріального парку та технологічного парку, доводиться їхня схожість аж до рівня повної синонімії. Увага приділяється також екопромисловим (екоіндустріальним) паркам, які наразі вважаються передовими та стрімко розповсюджуються по всьому світові. **Висновки.** Зроблено висновок, що підхід національного законодавця потребує значних змін як у частині визначення індустріального парку, так і в частинах правового регулювання його створення та діяльності. Класифікаційні моделі, запроваджені у провідних країнах світу та ООН, можуть значно допомогти з тим, щоб визначитися, які саме класифікаційні ознаки індустріального парку вказувати як головні та які особливості індустріальних парків потребують особливої уваги й відповідного правового регулювання.

**Ключові слова:** індустріальні парки, залучення інвестицій, територія індустріального парку, класифікація індустріальних парків, Організація промислового розвитку ООН, Міжнародна структура EIP.

*The article was submitted 16.10.2023*

*The article was revised 07.01.2023*

*The article was accepted 27.11.2023*