

CHARTER CITIES: A DREAM OR A SOLUTION TO THE PROBLEM OF DEVELOPING COUNTRIES?

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“Government is not the solution to our problem, government is the problem.”

Ronald Reagan, US President (1981-1989)

Do you trust your government? This question is rarely asked directly but has a huge impact on society. But what is the government itself? Government is traditionally defined as the political system by which a country or community is administered and regulated [1]. Government always has control over other subjects of law on its territory and also distributes the taxes into different spheres, depending on the needs of people or intentions of the government. Such resource allocations can be various, from social payments and ongoing social projects to stretching the economy inside the country. No matter how the government spends money, it's okay until this money is spent on people.

What about developing countries? These are the countries that have not yet revealed their full industrial potential and have not yet transformed their economy into a post-industrial sphere. Such countries often suffer from chronic corruption in government institutions, excessive bureaucracy, lack of property protection, inefficiently working judiciary system, etc. For decades these countries can be struggling from the absence of a platform for a future jump, drowning in political intrigue, government tug-of-war, and populism. Government services lack competition, which is why they are provided at such a low level. What can be the solution to this?

If the functions of the state are outsourced to private companies in a new corporate city, we will get higher quality at a lower price. Paul Romero, the Nobel laureate, in his TEDx speech, introduced the concept of charter cities – the private cities that obey the advice of investors [2]. This concept suggests that the city is perceived as a regional corporation that generates jobs, attracts investment, and can overcome labor migration. There are various reasons why such cities would be much more effective than traditional ones in developing countries. Paul Romero outlines the problem of rules as the main problem of all the developing countries. Rules are something which is hard to change on the vast territory, e.g., for a whole country, but implementing the set of «good rules» in a city seems more plausible. Such cities will be free from the laws of the country in which they are located and will be able

to import foreign governing systems as they see fit. The concept itself was not a pure imagination of Romero. He investigated the case of China and its most prosperous city, Hong Kong.

Since Hong Kong had been under the auspices of England for a long time, the rules in this city were different from those in the rest of China. These rules were copied from the working world economies and were provided by the British. Hong Kong attracted millions of people from other places to come and work at simple production. The flow of new workers boosted the city and promoted even more investments, which created more qualified workplaces, and workers who came to develop toys evolved with the city and thus obtained new skills. The city wasn't affected by any change in powers, by the laws popular among the majority, which could produce short-time effect only. It developed in its own way, and with time China itself started to create similar economic zones all over the country.

Charter cities can be the solution to Ukraine's problems as well. Ukraine has great problems with labor migration, political populism, slowly working government services, pressure on business, and other issues closely related to the rules. It is possible to solve all of those problems in the charter city. It can give necessary working places for those from the low-developed regions of Ukraine who seek better work. Regular changes of power and its unpredictability in altering the legislative framework won't have any effect on the territory of such cities as they would live according to their own rules, which the city would benefit from. Government service would be provided by the most influential companies as there will be competition, and businesses will feel much freer without corrupted governmental structures that want to benefit from them. Such cities would attract much more investments compared to other territories of Ukraine due to the stability of charter cities. But for this to work, all the rules for creating such a city should be directly observed.

At one time, Honduras tried to implement Romero's idea of a charter city, involving even the author of the idea to create such a city. This country has experienced many problems such as human rights violations, repression of judges, lawyers and oppression of the indigenous population. So the creation of charter cities could have been a perfect solution for the country. But for many reasons, the project failed so much that Paul Romero soon got out of it and declared that he had no part in what would happen in the country in the future. There are many reasons for this. First, Honduras conceived the idea of creating cities on a densely populated territory, which completely contradicted Romero's concept, since charter cities should be made on an uninhabited or sparsely populated territory. The formation of the transparency commission also failed due to a lack of cards. Even though the city was somehow formed, the government immediately decided to sign agreements with investors, bypassing the structure that should control and approve all decisions. In

general, most of the democratic mechanisms on the territory of ZEDE (the name of charter cities in Honduras) have been eliminated.

To make the charter city function in its full power, a lot of different instructions must be followed. Their introduction selectively will not produce any effect. It can even worsen the situation. Not all countries are able to create such cities due to a lack of qualification, understanding, or egoism of those in power. But for some, this concept can become a cure for a ton of problems that can't be solved by changing the law on the territory of a whole country due to populism, social and political problems. However, I believe that it is possible for Ukraine. This country has a great labor potential, lots of qualified people and, even more critical, is well-known worldwide, which would facilitate the attraction of investments. Over the years, the government has shown its inefficiency and inability to solve problems; and all this time, people have been those who pushed the country forward. Maybe it's time to give them the power?

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