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THE ROLE OF FREE ECONOMIC ZONES IN THE INNOVATION DEVELOPMENT

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ABSTRACT

The level of development of the country's economy largely depends on the position of its companies on the world market. How quickly and by what means they are able to implement innovative transformations. Free economic zones can act as a tool to enhance the competitiveness of the country and the region [1]. The article is devoted to the description of the role of free economic zones in innovative development. The treatment of the content of free economic zones and their differences is given. The evolution of the development of free economic zones is considered. At the moment, the end point of the evolution of free economic zones is Advanced development territories, which takes into account and prevents mistakes of previously created zones. Practical effects of the impact of FEZ on the economy of the country and regions are revealed.

INTRODUCTION

Dependence of the development of countries and regions on the level of growth of companies and global trends, changing market conditions significantly increases, which creates certain patterns of development of economic processes. Therefore, a scientifically substantiated solution of methodological and methodological problems of competitiveness management by industrial companies with the help of various instruments, and in particular a special economic zone, is an important task of economic theory and practice. [2]

At the same time, as practice has shown, a number of conditions are needed to implement this tool in order to increase competitiveness, which in turn requires improvement and further development of appropriate methodological support. It should be taken into account that economically and socially justified steps for the formation of a special economic zone can be carried out and have an effect only in the process of implementing a purposeful management strategy at macro and micro levels, an integrated consideration of these issues in conjunction with the overall goal of increasing regional competitiveness and an individual enterprise through optimization use of resources.

METHODS

The theoretical and methodological basis of the research is represented by achievements and well-known developments of domestic and foreign scientists in the field of the problem under consideration.

Logico-gnoseological analysis of the role of free economic zones in innovative development was based on the use of the dialectical method of cognition. A retrospective analysis of the role of free economic zones in the economies of countries and regions required the use of a historical-logical method of investigation. Achievement of the tasks posed in the study was based on the principles of systemic, interrelated and interdependent dynamics of socioeconomic relations. [3]

RESULTS AND DISCUSSION

The history of free economic zones began in ancient times and has been around for several centuries. Even the ancient Phoenicians, Egyptians and Chinese used free zones for the development of foreign trade. In that era, the zones acted in the form of free harbors and ports. The first free port was Carthage in 814 BC.

The first documented prototype of the free zone in world history dates back to 166 BC. e. and was created on the Greek island of Delos. But "more specifically the economic zone was created in 1520, when the Spanish conquistador Vasco de Balboa, who landed on the Panamanian coast, on the very isthmus that divides the two oceans, together with his people founded so-called "commercial ports ". It was here that for the first time in the world practice customs inspection began." [4] [Table 1]

As history shows, SEZs have undergone a long period of development and evolution from the simplest zones to more complex types of SEZs, taking into account the policy of liberalization, export-oriented industrial policy and deregulation. The first types of zones were the free cities like the Vatican, the Hanseatic port cities in the North and Baltic Seas: Hamburg, Lübeck, Bremen, Copenhagen, Königsberg from 1241, Free ports as the Greek port of Delos, the port of Leighhorn it is considered to be the first free port in the world), the sync ports in England in the 12th and 14th centuries in the counties of Kent and

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Sussex (New Romney, Heath, Dover, Sandwich, Hastings), Venice and Marseilles since 1228, free trade zones zone). [5]

Table 1: Evolution of economic zones

Period	Type of economic zone	Feature	Examples
814 BC-1943	free ports, free trade zones	single-function, they were reduced or lacked export and import duties	Free trade zone Livorno, "porto-franco" Odessa, Vladivostok, Batumi
The first half of the twentieth century - 70-80 years of the twentieth century	the industrial and production economic zones	were oriented toward expanding exports or production of goods designed to replace the imports of the	"Industrial District of the free zone Manaus", Makiladoras in Mexico
70-80 years of the twentieth century - up to the present time	technical and innovation zones (technopolis, technoparks, etc.), service areas	technical and innovation zones (technopolises, technoparks, etc.), service zones intensive development of applied science and high	The research park of Harriot-Watt University in Edinburgh; The Trinity College Science Park in Cambridge; Leuven-la-Neuve in Belgium; Sofia - Antipolis in Nice.

Thus, we have systematized the evolution of the development of industrial-industrial economic zones in the world. [Table 2]

Table 2: Evolution of industrial-industrial economic zones in the world

Period of origin	Country	Type of economic zone	Purpose of establishment
814 BC	Carthage	Free Port	Development of Foreign Trade
166 BC	Island of Delos	Free Port	Ensuring a constant influx of slaves
1241	Vatican, Hamburg, Amsterdam, Stockholm, Lubeck, Bremen, Copenhagen, Kenigsberg	free cities	Growth of trading operations
1228	Smolensk	Free Trade Zones	Expansion of exports, development of the domestic market
1547	Italy (Livorno), Genoa, Venice, Marseille, Singapore, Hong Kong, Hamburg, Odessa, Vladivostok, Batumi	free ports "porto Franco"	Development of foreign trade
1943	USA	Import-substituting zones	Reduction of import tariffs for parts and components for the production of cars
1959	Ireland	Shannon Airport	Creation of jobs, increased passenger and traffic flows
1965	Mexico	Makila	Job Creation
1967	Brazil	Industrial Area Free Zone Manaus	Industrial Development
1970	China	export-industrial zone Shenzhen	Development of foreign trade
1989	Turkey	Aegean Free Economic Zone	The use of the geographical location of Turkey, proximity to the markets of the Near and Middle East, Western and Eastern Europe
2005	Russia	Industrial-production zone "Alabuga"	Creation of favorable conditions for the implementation by Russian and international companies of investment projects in the field of industrial production
2010	Russia	SEZ Togliatti	Improvement of the situation in the labor market of Togliatti and Samara region, creation of new jobs and the possibility of employing workers

Each of these zones is the result of the evolution of the previous one, in connection with which they are in many respects similar to each other. Analyzing it can be concluded that the territory of free economic zones is subject to a preferential tax and customs regime, there is no single regulatory framework at the time of establishment and functioning of the zone, and each of these types of zones includes, among others, budget financing. From the table, we see that most of the similarities have special economic zones and territories of advanced development. [6]

At the same time, the drafters of the law point to a number of differences in the areas of priority development from special economic zones.

First, the model for the functioning of the TOP includes an infrastructure that consists of various territorial zones: industrial-industrial, recreational - for the development of tourism and recreation, residential areas of staff - residents of the TOP. This makes it possible to create a full spectrum of vital functions of the TOP as a holistic system.

Secondly, when developing the draft law on TOR, a comprehensive approach that allows the state to establish various measures to support the residents of the TOP. For example, it provides for the possibility of receiving numerous benefits by residents of the TOP.

Thirdly, the regions will have the opportunity to create their own mini-zones that allow the use of TOP mechanisms for local attraction of investments and solution of problems of regional development.

Fourth, the territory of advanced development is created for 70 years, the period of its existence can be extended, which is not provided for special economic zones (they are created for 49 years) and zones of territorial development (validity is 12 years). An application for the creation of a TOP may be submitted by the leadership of any RF subject, in contrast to the zones of territorial development (ZTR). The list of regions on which ZTR can be formed is the government of the Russian Federation. [7] [Table 3]

Table 3: Comparative characteristics of the functioning of free economic zones

The criterion of	ZATO	SEZ	ZTR	TOSER
unified regulatory framework at the time of establishment	-	-	-	-
the presence of a management company	-	+	-	+
budgetary financing	+	+	+	+
creation of new jobs	+	+	-	+
clear criteria for selection of residents	-	-	-	+
not rigidly fixed terms	+	-	-	+
preferential tax conditions	+	+	+	+
preferential customs conditions	-	+	-	+
industrial production	+	+	-	+

The advantage of TACER in front of the SEZ is the period of existence, which can be extended, as well as more precise criteria for the selection of residents. A single regulatory framework at the time of creation and functioning is absent in all types of zones. To date, the most elaborated and detailed is the federal law on SEZ. Since the adoption of the law in 2005, 19 revisions have been made to it, which allowed the creation of a sufficiently detailed regulatory framework for this tool.

DISCUSSION

At the moment, the end point of the evolution of free economic zones is TACER, which takes into account and prevents mistakes of previously created zones. However, this does not mean that it is necessary to abandon previously created instruments, on the contrary, free economic zones should be supported as an instrument of regional policy where they proved to be effective.

As the world experience shows, special economic zones do not give immediate explosive economic growth, but they are long-term drivers of economic development.

For example, the payback period of industrial-industrial SEZs in the world is at least 8 years, and the peak efficiency is 10-15 years from the beginning of their operation. In this connection, the evaluation of the effectiveness of the entire system of functioning of the SEZ and the conclusion about the importance of the instrument as a whole for the Russian economy are currently not objective. The current stage of most SEZ projects is preparatory, pre-investment, therefore the budget efficiency of SEZ private projects under the current efficiency assessment system should be evaluated after the enterprises reach the designed capacity and upon reaching the minimum operating period of 10-15 years by the main residents. In this connection, in order to adequately assess the effectiveness of the SEZ, it is necessary to further improve the assessment system and classify the SEZ performance evaluation indicators for the stages of the SEZ project implementation: pre-investment (preparatory), investment and operational.

Most SEZs have a significant economic effect on employment growth, especially among women (in the SEZs of individual developing countries, their share in the total number of employed reaches 60-70%), to increase wages, contribute to the growth rate of employment growth.

In terms of types of SEZ, special economic zones and free ports have the greatest impact on the economic development of the region and the country as a whole, but taking into account the level of efficiency of their operation. [9]

Let us consider in more detail the practical effects of the impact of SEZ on the economy of the region and the country.

- Stimulation of investment inflow. So, for example, in Chinese FEZs, characterized by a successful practice of functioning, the total volume of attracted investments differs from \$ 28 billion. in Shenzhen to 7.0 billion dollars. in Hainan. In the Pudong FEZ, a part of the Shanghai SEZ, the total volume of foreign investment amounted to 22.4 billion dollars, and the number of projects with foreign investment increased from 1628 to 10,000 for 1993-2003. Or another example: in India, the share of FDI in total foreign investment in individual FEZs was 38.8% in the FEZ Visakhapatnam, FEZ Chennai - 30.7%, FEZ Kochin - 13.7%, Nozda FEZ - 12.7%, SEZ Santa Cruz - 9.2%, Kondla FEZ 4.9%, FALTA FEZ - 4.0% in 2003.
- Stimulating exports. As foreign practice shows, the FEZ accounts for almost 100% of industrial exports in the Republic of Korea and Taiwan, 80% of all exports from the Dominican Republic and almost 100% of industrial exports, Mauritius - 77% of all exports and 95% of industrial exports, Philippines - 67% , Costa Rica - 51%, China - 57%, Turkey - 45%, Mexico - 45%. As can be seen, in a considerable number of countries, SEZs have become an important channel for the realization of national exports both in general and, first of all, industrial exports.

However, not all countries are characterized by such high indicators, a significant differentiation of the share of FEZ in national exports remains, which ranges from 1-1.5% to more than 50%. Thus, in the export of India to the SEZ is 5.2%, Brazil - 1.4%, Pakistan - less than 1%. The share of individual SEZs in the national export is also significantly different. So, in China the volume of exports varies from 48 billion dollars. in the ShenZhen FEZ, which is equal to 14.0% of the national exports to 2.5 billion dollars. in the Hainan FEZ, or less than 1.0% of the national exports. In India, the share of individual SEZs in their total exports is differentiated from 45% (SEZ Santa Cruz) to 3% (FALTA FEZ). [10]

- Increase in foreign exchange earnings. SEZs have become an important tool for foreign exchange earnings of individual countries. For example, for the years 1971-1994. Mauritius's free economic activity increased from 3% to 68.7%, in the mid-1980s. the level of export earnings of SEZs in the total export revenues of Indonesia, the Republic of Korea and Taiwan increased from 49% to 63%.
- Promotion of employment growth. In confirmation can be given such data: for 1971-1991. the number of employed in the FEZ Mauritius increased from 600 to 91 000 people, which is equal to 1/3 of all employed countries; for 1986-1994. the number of employed in the four FEZ of the Philippines increased from 23,651 to 70,000; for the years 1973-1994. in seven SEZ of Malaysia - from 21 000 to 123 000 people, for 1966-1994. the number of employed in the Mexican SEZ increased from 6,107 to 60,000 people. In China, the number of employed varies from 3 million. in Shenzhen to 1.5 million people. in Zshuai. The amount of export earnings is determined on the basis of the subtraction from the total export of the net export volume.

For example, in the EPZ of Puerto Rico, the average annual growth rate of employed is 9% over the past 40 years.

- Increase in per capita GDP of the region. So, for 40 years the average per capita GDP in Puerto Rico, where the world's first export-production zone with the same name operates, has increased 45 times. For 10 years of GDP per capita in the Chinese SEZ Shenzhen increased from \$ 602 to \$ 2409.
- Achieving a "demonstration effect" for national companies and industries that are forced to increase the level of competitiveness of their products and services at a price and non-price level in order to survive in the domestic market.
- Increase the level of skills of the workforce and training of management personnel. In companies with foreign investment, as a rule, a network of training is created, which is important for developing countries and countries with economies in transition. The FEZ administration especially encourages such investors on the basis of providing them with special incentives.
- Raising the level of social and economic development of the region. Many depressed and backward agrarian regions have become economically developed regions of the industrial-agrarian sector. Examples include the Shannon zone in Ireland, Manaus in Brazil, the Madras FEZ in India, the ShenZhen SEZ and Shanghai in China, and many others. The comparison is of a different kind: the coastal regions of the PRC have a much higher level of economic development, a higher standard of living compared to the internal regions of the country where the liberalization policy in the SEZ is absent or has been carried out recently and has not yielded real results. An interesting example of one of the most effective free economic zones in Chinese practice is the Shenzhen Free Economic Zone. As of the date of the creation of the SEZ in the Chinese province of Shenzhen, the sectoral structure of the economy was of an agrarian nature, there were only a few pesticide production facilities and farm equipment. Currently, there are more than 10,000 industrial companies operating in the zone with a total capital of 30 billion yuan (or 4 billion dollars) and a total production volume of more than 60 billion yuan. The FEZ industry has a high level of competitiveness in the production of electronics, textiles, equipment for light industry, food and beverages, which form the basis of the FEZ industry structure. Within the zone, six types of high-tech industries are developing, including computers, software, telecommunications services, microelectronics, new materials, bioengineering, integrated circuits. Revenues from these industries account for 17.2% of the city's industrial

revenues. Thanks to the restructuring and strengthening of company management, the economic indicators of the region's development have improved. Thus, GDP per capita grew by 21.5%, which is in absolute terms 11,400 yuan, the level of profitability (investment-to-profit ratio) increased from 11.9% to 13.25%. The aggregate GDP increased from 3.82 billion dollars. up to 23 billion dollars. for 1992-2002, and the average annual growth rate of GDP of the Shenzhen Free Economic Zone is 25%. For 10 years the state of the infrastructure has improved thanks to the construction of new and reconstruction of existing transport communications, water supply systems, electricity, roads, communication systems.

- They serve as an incentive for liberalization and reform of the country's economy as a whole. An example is the Chinese SEZ, with which the so-called so-called. the policy of "open doors", i.e. liberalization of access to foreign direct investment, foreign goods and services to the PRC, subsequently such a policy within the framework of national reform was carried out in the country as a whole. There are also negative aspects, at least, a limitation of the positive impact of FEZ functioning on the host economy. The operation of the zone has a limited impact on the state of the regional economy, there is a small share in the total FDI in the national economy of the country, which is caused by different reasons. These include the level of infrastructure development, the investment climate, the type of zone (for example, a duty free shop or a free port), the effectiveness of its functioning in terms of the number of registered and operating enterprises, the volume of attracted investments, Possible negative consequences of the operation of the SEZ on the regional economy and the economy of the country as a whole can be associated with a high proportion of the import component, which means a lower net export volume of the region, actual currency revenue, and newly created value. The granting of various kinds of benefits also affects the outflow of investments from other regions of the country where they are not provided or provided, but to a lesser extent, which increases the uneven regional distribution of investments, both national and foreign.

In general, SEZs have a limited impact on the economy of the country, their share in the main macroeconomic indicators of the national economy development, including in aggregate foreign investments, in the structure of employment, etc., is not large.

World practice knows many examples of unsuccessful development of national SEZ projects. One of the most famous and in fact became classic - the Dakar Export-Production Zone in Senegal. It was established in 1974. in order to develop export-oriented production, but failed to realize its goals. This is evidenced by the indicators of its activities. For 1986-1990gg. the number of employed has decreased from 1,200 people. up to 600 people, or 2 times., and the total export volume of the top 10 companies in the zone was estimated at only \$ 14.7 million. The main reasons for the failure of this project are related to high administrative formalities, minimal volume of attracted investments, minimum employment, low level of labor productivity, high costs of companies for transport and other infrastructure, and lack of favorable conditions for renting production facilities. [11]

CONCLUSION

The history of free economic zones began in ancient times and has been around for several centuries. Even the ancient Phoenicians, Egyptians and Chinese used free zones for the development of foreign trade. The level of development of the country's economy largely depends on the position of its companies on the world market, how quickly and by what means they are able to implement innovative transformations. Free economic zones can act as a tool for increasing the competitiveness of the country and the region.

SEZs have a limited impact on the economy of the country, their share in the main macroeconomic indicators of the national economy development is low, including in aggregate foreign investments, in the structure of employment, etc.

CONFLICT OF INTEREST

There is no conflict of interest.

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