

STRATEGY OF INCREASING REGIONS COMPETITIVENESS BY MEANS OF FREE ECONOMIC ZONE (FEZ)

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Abstract. *The process of globalisation in economic development has great influence on economic order in the world which covers subjective structure of economy and intercommunication between its elements. Many discussions have started around the process of globalisation. The influence of globalisation on regional development has become one of the main topics. In the process of globalisation regions obtain new status: the object of world economy system. Regions begin to take part in world competitive process. Due to this all processes and contradictions which accompany globalisation appear on regional level. Moreover globalisation brings to regions not only new possibilities but also threats.*

Key Words: *Free economic zones, region, competitiveness, investment.*

Considering free economic zones as a system, we can determine them as an independent but at the same time important part of economic system. In national interests it can solve the problem of creation positive economic & social effects. Now free economic zones are an important institution of world economy. They allow arranging stable and effective connections between countries, promoting active involvement of national economies in world economy. Their advantages are connected with convenient territorial and transport location; moreover, they have wide special system of economical (financial, tax, customs, etc.), legal, administrative, organizational privileges. Originally, free economic zones were made for solving foreign trade problems, but gradually the accent of their activities was moved on manufacturing, scientific and technical innovation purposes.

Analysing the process of free economic zones evolution in world economy, we can distinguish four generations FEZ: the first generation were free trade zones, the second – export manufacturing, third – techno parks, techno policies, off-shored centres, the fourth – ecology-economical and highly tailored.

At the end of XX century, the process of creating free economic zones became more active all over the world. During the last 20 years the quantity of FEZ has increased from 800 to unbelievable 10000. 87% of world population and 70% of World Square on which are located 102 different countries (China, USA, Mexico have 50% of all world zones) take part in the process of zones formation. If we consider the dynamics of growth, for example in industrial-manufacturing zones, in comparison with 1975, when there existed just 79 zones in 25 countries, in 2006 there were 3500 in 130 countries. For the last 10 years, the quantity of workers in export-producing zones has increased from 22,5 million people in 1997 to 66 million in 2006.

Countries that have FEZ on their territory have increased market of their products from 25% to 75% and at the same 58 countries that did not use the experience of free economic zones from 1993 to 1996 lost 28% of all their markets. Modern FEZ have become more specialized. Government supports the process of creation of free economic zones but at the same time increases the control of their activities. The creation of EU became one of the most important catalysts of increasing the quantity of FEZ in Europe. [9].

In foreign and in Russian scientific literature we can find the following definition of free economic zone: it is a part of national territory whose economic potential is directed to solving a special problem or a complex of problems. This point of view marks out this part of the country from general series. At the same time, business activity must be directed to solving problems of optimal distribution of industrial forces around all country and its integration in world economy.

It is essential to stress two conclusive features of free economic zones. First of all, for each zone there exist some special (in comparison with all other territory of the country) economical relations in the field of production and distribution of essential and secondary products that were produced on its territory. Secondly, there is capability for diffusive spreading and enlargement of their territory on economic fields, branches and territories with which they are connected directly or indirectly.

The creation of FEZ is a strong instrument not only of economic but also of social policy, because it influences all fields of life. One of the main advantages of creating a free economic zone is not only the influx of investments but also the increase in the quantity of production units. Referring to the report of European Commission 2007 and 67th annual report of international free trade zones activities in the Congress of USA (2007), the quantity of production units in FEZ in comparison with 2003 43548021 has increased in 2006 for 50% and became 63458236 [10].

In Russia, the creation of FEZ can be an efficient instrument of regional policy and can be used as a catalyst of constructive economic processes. Among the problems that can appear in the process of formation and functioning, there is none that cannot be solved. If we describe current situation of organization and functioning of FEZ in Russia, we can conclude that they are in the stage of formation, determination of their tactics, selection of priorities and orientation.

For Russia in its current situation, the creation of exactly tourist-recreation FEZ became the case of national significance, because the country is losing its tourist attraction very quickly. Potentially profitable industry for 20 years cannot relieve from many problems, for example the lack of investments for building different hotels and all modern infrastructures, which is necessary for the attracting of foreign tourists and changing the ways of Russian tourists who like to rest abroad. World tourist branch, which has big sig-

nificance for economic growth and creation of national wealth, is now in the stage of high development.

Tourist-recreation FEZ – part of the territory of Russian Federation which is approved by government and which has special regime for business tourist–recreation activities. The resident of this zone can be individual employer or profit-making organization except unitary enterprise that is registered according to the legislation of Russian Federation on the territory of municipal formation on which exists FEZ which passed competitive selection and concluded with control department agreement for the tourist-recreation activities. Determination of tourist-recreation activities covers a wide field of subjects – subject of tourist industry, sanatoria and field resort organizations, other legal entities and individual businessmen in building, reconstruction and exploitation objects of tourist industry, objects of spa treatment and recreation and use of natural resources and also rendering of services at the field of organization travelling, recreation and rehabilitation of citizenry, treatment and prevention of illnesses. [6, c. 5]

Tourist-recreation activities are the activities of legal entity, individual businessman in building, reconstruction and exploitation objects of tourist industry, sanatorium-and-spa treatment, medical rehabilitation and rest of citizenry, and also tourist activities and activities of field development of mineral waters, therapeutic mud and other natural treatment recourses, their extraction and use including sanatorium-and-spa treatment and prevention of illnesses, medical rehabilitation, industrial bottling of mineral water.

Creation of tourist-recreation FEZ in the region first of all will be an important instrument of increasing economic potential of the region. It will bring also an increase in the prosperity of population. The law gives special economic and juridical machinery (free of charge land accordance, engineering net, some tax facilities), which brings to the region big private and state investments. New territories will be developed, new resort and tourist objects will be built according to the world standards, which will increase the number of tourists. All this will, firstly, fill up budgets on all levels with direct and mediated tax receipts, and, secondly, will raise employment. As the result of this living standard of the people and prosperity will be increased. World experience of creation of these zones confirms their high effect for the development of a territory's economy.

Creations of these zones can be an example of constructive cooperation between state and business. On one hand, sharply defined system of state incentives are formed for the attraction of national and foreign investments in FEZ. On the other hand, by means of capital investments of the FEZ residents, complex introduction of new technologies, progressive methods of work and innovations in business activities, economical and social problems of the specific tourist-recreation region will be solved.

Projects of free economic zones in Russian Federation and in other countries are modern innovation methods of increasing regional competitiveness.

Nowadays in economic literature there are a lot of definitions and means of regional competitiveness estimation. In general, competitiveness is considered to be the ability of leading by using all advantages in reaching formulated purposes. Competitiveness is formed on different levels: goods, enterprise, branch, region, country.

Follower of M. Porter, M. Enright, supposed that competitive advantages are formed not on the national level but on the regional levels and where the main part are the historical presuppositions of regional development, variety of business culture, industrial engineering and receiving of education. On the basis of investigations several industries con-

centrated in definite regions of the world, Enright came to the conclusion of existing regional clusters.

Regional cluster is a geographical agglomeration of firms working in one or several fields of economy. The main determinants of a cluster's regional development are four sides of diamond, which were constructed by M. Porter.

Russian scientists considered regional competitiveness "as production (productivity) of using regional recourses in comparison with other regions, which is measured by the quantity of total regional product per capita" or as "ability of acting on the market on equal terms with competitive regions".

In our opinion, competitiveness of the region should be understood as its ability of producing goods and services which can satisfy the demand of domestic and foreign markets, creating conditions for increasing regional recourses for the increasing growth of clusters in the region and competitiveness subjects of economy with the speed which will secure regional quality of life on world standards. Investment attraction is one of the main factors that ensure regional competitiveness.

Investment image is a complex reflection of different investment climate aspects in investors' ideas. It is formed by three interconnected factors: actual position of investment climate, ideas or preferences of the investors (influenced by no economic reasons), character of information about country affairs. Stable discrepancy between investment climate and investment image needs single-minded measures for its overcoming.

We have chosen Belgorod region as the object of our investigation. By the investment program in Belgorod region, the following problems are solved: legislative and normative basis that regulate investment activities and moreover promote favourable investment climate in the region were created; investment council was formed in governor department; mechanism of giving privileges and guarantees was developed. All this work influenced the improvement in investment climate of the region and the dynamic growth of investments.

First of all, investors pay attention to the investment legislation. This especially refers to legislative innovations, which can either make investors' lives easier or the contrary. Now regions use more than 15 different forms of investors budget support. Among them the most widespread instrument of investor support is partial repayment of credits percents by means of regional budgets if these credits were given to investments projects. This instrument is used by governments of 70 regions. Similarly popular are giving guarantees to investors, protecting investments and tax privileges [6].

Investors' traditional reaction to this situation is to think that precisely legislation has the biggest influence on investment climate. One of the important features of recently adopted federal laws about investment regulation is practically complete abolition of special tax privileges for foreign investor except customs privileges for the equipment which will be part of circulating capital. These measures should supply equal conditions for national and foreign investors.

Tourist potential is one of the constituents of investment potential. It is necessary to coordinate activities between tourist firms, regional and municipal organizations for the successful development of tourism in market conditions.

Analysis of modern conditions on tourist market in Belgorod region showed that, in spite of high potential for development of entrance tourism and domestic tourism today, we could say that tourism in the region is in the state of development. Tourism influence

on regional economy is very small but it is equal to the contribution of government to this field. The main problems are small amount of investments and lack of information spreading among the people, quality of tourist infrastructure and lack of qualified workers.

Belgorod region has wide tourist recreation possibilities, historical and cultural potential, favourable natural resources, variety of national traditions and potential possibilities for organization of medical treatment recreation, social tourism, special kinds of tourism including children, sport, religious tourism but, in spite of all this, it occupies a very small place on Russian tourist market. The quantity of Russian and foreign tourist does not correspond with regional tourist potential.

On the territory of Valujki, Grajvoron and Belgorod, a new project of village tourism development is being introduced. Village tourism will be very popular in the future creation of such projects on regional territory and it will keep back migration to the city by creating new working units. Due to this old traditions will be preserved; moreover all these measures will support development of economic variety of the region.

Strategy of tourism development must be formed on creating own tourist product of Belgorod region with a complex of measures for bringing this product on domestic and in the future on foreign markets.

Basis of free economic zone conception is the creation of resort complexes for attracting different kinds of tourists and provide them with tourist services of Belgorod region all the year round.

Tourist recreation zone of Belgorod region can be formed in southwestern part of the region on the territory of 2978,9 km² and cover Belgorod, Grajvoron and Borisovka regions.

The aim of tourist-recreation FEZ project is the formation of administrative and economic environment for creation and functioning of a resort-recreation complex which will be orientated on maximal use of natural-resource potential and features of area in Belgorod region.

Development of tourist recreation zone:

- increase part of Belgorod region in development of tourist–recreation complex of Russian Federation;
- promote positive dynamics of regional economic development by forming favourable investment climate in the field of tourism;
- create conditions for maximum involvement of economic resources in investment activities, use science-technical potential, market infrastructure and transport-geographical advantages of Belgorod region;
- create favourable surrounding for active development of tourist branch;
- create new working units in economic sector of the region with high incomes;
- form conditions for attracting national and foreign investments which will be used for creation of modern tourist and health resort complexes on the territory of the region.

Tax privileges:

- enterprise property tax – liberation for 5 years (point 17 article 381 Tax Code of Russian Federation);
- land tax – liberation for 5 years (point 9 article 395 Tax Code of Russian Federation);
- using of special coefficient for the norms of amortization of capital resources but not more than 2 (point 7 article 259 Tax Code of Russian Federation);

- law acts about taxes and dues which worsen the position of taxpayer are not used during the period of contract for tourist's recreation activities (article 38 Federal Law 22.07.2005 N 116-FL "About free economic zones in Russian Federation");
- rent for land plot – not more than 2% of their cost per year.

Local authorities can use the example of existing tourist's recreation FEZ and suggest the following additional tax privileges:

- decreasing profits tax for the organizations for 4% during 5 years (Krasnodar Territory);
- decreasing profits tax for the organizations for 4% during 10 years (republic of Altaj, Altaj Territory);
- decreasing transport tax during 10 years (depending on kind of carrier and power of motor tax rate will be from 0,4 to 40 rubles (Republic of Altaj);
- transport tax abolition for 5 years (Krasnodar Territory).

It is necessary to activate the development of tourism because natural recourses of the region allow to raise tourism on a higher level than now but there must be government support in the forms of privilege and investments because tourism is not only the source of profit but also it is the important factor of regional prestige growth.

For the development of entrance tourism, the region has a high level of transport development, social field and sphere of services. All these factors can change this kind of tourism into special kind of economic activity with high incomes and which will have important significance for the economic growth, currency investments and increase of employment.

Arguments that were mentioned confirmed the increasing attraction of Belgorod region. These are favourable presuppositions of possibility for the creation of a tourist recreation free economic zone on the territory of Belgorod region what will increase the attraction of our region for national and foreign investors, and will improve investment climate.

Regions are becoming the parts of global competitive interaction system; that is why, regardless of whether the region is rich or poor, it must meet the demands of globalisation. Globalisation brings to the regions problems of achievement and keeping competitive advantages because it has influence on existing of local firms, занятость, taxes and the existing of whole society. Regions must be competitive on the global markets by looking for and protecting their local competitive advantages.

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STRATEGIJA POVEĆANJA REGIONALNE KOMPETITIVNOSTI UZ POMOĆ SLOBODNIH EKONOMSKIH ZONA (SEZ)

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Proces globalizacije u ekonomskom razvoju ima veliki uticaj na ekonomski poredak u svetu, koji pokriva subjektivnu strukturu ekonomije i medjusobnu komunikaciju njenih elemenata. Oko procesa globalizacije započeto je više rasprava. Uticaj globalizacije na regionalni razvoj je postala jedna od gorućih tema. U procesu globalizacije regioni dobijaju novi status: objekat svetskog ekonomskog sistema. Regije počinju da učestvuju u svetskom procesu kompetitivnosti. Zbog svega ovoga, svi procesi i kontradiktornosti koji prate globalizaciju pojavljuju se i na regionalnom nivou. Osim toga, globalizacija regijama donosi ne samo nove mogućnosti, već i nove opasnosti.

Ključne reči: *Slobodne ekonomske zone, regija, kompetitivnost, investicija*