

The multiplicative effect of free economic zones in the context of attracting investment capital

Efecto multiplicador de zonas libres en el contexto de atraer capital de inversión

Ilsiyar Ravilevna ZARIPOVA [1](#); Aida ZHANKARAKYZY [2](#); Baurzhan ISKAKOV [3](#); Alla KARABULATOVA [4](#); Ismagilova Tagira VALINUROVNA [5](#); Liliya Failasovna SULTANOVA [6](#)

Received: 22/02/2018 • Approved: 02/05/2018

Contents

- [1. Introduction](#)
- [2. Methodology](#)
- [3. Discussion](#)
- [4. Results](#)
- [5. Conclusion](#)
- [Reference](#)

ABSTRACT:

Any state that wants to attract foreign investment must think about how to create the conditions for attracting foreign investment, they do not come to the country by themselves. To attract foreign investment, you can create free economic zones. In many countries of the world, including Russia and Kazakhstan, projects are being implemented to create such zones, and this is precisely the relevance of the chosen topic. The creation of special economic zones (FEZ) is one of the main priorities in ensuring the dynamic development of the Russian economy, transferring it to an innovative development path, and in uniting the efforts of the state and the business community. Foreign direct investment facilitates the activation of the investment process as a result of the multiplier effect, promotes the attraction of best management and marketing experience, increases socio-economic stability, and stimulates the development of export production and the attraction of modern technologies to the economy. In addition, foreign investment provides the creation of additional jobs, increased employment, and the receipt of taxes in budgets of different levels. At present, it can be argued that Russia has unfavorable conditions for foreign investment. This is due to the poor investment

RESUMEN:

Cualquier estado que quiera atraer inversión extranjera debe pensar en cómo crear las condiciones para atraer inversión extranjera ya que ella no viene al país por sí misma. Para atraer inversiones extranjeras, puede crear zonas económicas gratuitas. En muchos países del mundo, incluidos Rusia y Kazajstán, se están implementando proyectos para crear tales zonas, y esta es precisamente la relevancia del tema elegido. La creación de zonas económicas especiales (FEZ) es una de las principales prioridades para garantizar el desarrollo dinámico de la economía rusa, transferirla a un camino de desarrollo innovador y unir los esfuerzos del estado y la comunidad empresarial. La inversión extranjera directa facilita la activación del proceso de inversión como resultado del efecto multiplicador, promueve la atracción de la mejor experiencia de gestión y comercialización, aumenta la estabilidad socioeconómica y estimula el desarrollo de la producción de exportación y la atracción de tecnologías modernas a la economía. Además, la inversión extranjera proporciona la creación de puestos de trabajo adicionales, el aumento del empleo y la recepción de impuestos en los presupuestos de diferentes niveles. En la actualidad,

climate in general, the unstable political situation and the continuing danger of another redistribution of property, the continuing economic decline, poorly developed infrastructure (financial, transport, service, communication). High taxes, legal insecurity and the unsettled nature of many property issues do not contribute to investment in general, but to foreign ones in particular. The world experience in the creation and functioning of free economic zones shows that along with the zones created to deepen integration with the world market of stimulating international economic relations (free trade zones, export-production, customs, etc.), there are zones with a special mode of encouraging the corresponding types of activities and industries. For example, zones to encourage the development of backward areas, industrialization of backward areas. Therefore, the reasons and objectives of creating free economic zones in each specific case may differ from each other. Thus, in industrially developed countries such as the United States and Britain, free economic zones were created to implement regional policies aimed at revitalizing small and medium-sized businesses in depressed areas. To this end, entrepreneurs (small and medium-sized) were provided with greater freedom of activity than in other regions of the country and significant financial incentives. These programs did not have a special focus on attracting foreign capital. For the same purpose, free economic zones were created in developing countries, which ensured the transformation of previously backward regions into dynamically developing ones. However, in contrast to the industrialized countries in these countries, emphasis was placed on attracting foreign capital in the creation of free economic.

Keywords: special economic zone, criterion, investment cycle, multipliers, residents, external capital.

se puede argumentar que Rusia tiene condiciones desfavorables para la inversión extranjera. Esto se debe al clima de inversión pobre en general, a la situación política inestable y al peligro continuo de otra redistribución de la propiedad, el declive económico continuo, una infraestructura poco desarrollada (financiera, transporte, servicio, comunicación). Los altos impuestos, la inseguridad jurídica y la naturaleza inestable de muchas cuestiones de propiedad no contribuyen a la inversión en general, sino a las inversiones extranjeras en particular. La experiencia mundial en la creación y funcionamiento de zonas económicas libres muestra que junto con las zonas creadas para profundizar la integración con el mercado mundial de relaciones económicas internacionales estimulantes (zonas de libre comercio, producción-exportación, aduanas, etc.), existen zonas con un modo especial de alentar los tipos correspondientes de actividades e industrias. Por ejemplo, zonas para fomentar el desarrollo de áreas atrasadas, industrialización de áreas atrasadas. Por lo tanto, las razones y los objetivos de crear zonas económicas libres en cada caso específico pueden diferir entre sí. Por lo tanto, en países industrialmente desarrollados como los Estados Unidos y Gran Bretaña, se crearon zonas económicas libres para implementar políticas regionales destinadas a revitalizar a las pequeñas y medianas empresas en áreas deprimidas. Con este fin, a los empresarios (pequeños y medianos) se les proporcionó una mayor libertad de actividad que en otras regiones del país y significativos incentivos financieros. Estos programas no tenían un enfoque especial en atraer capital extranjero. Con el mismo propósito, se crearon zonas económicas libres en los países en desarrollo, lo que aseguró la transformación de regiones anteriormente atrasadas en regiones en desarrollo dinámico. Sin embargo, a diferencia de los países industrializados en estos países, se hizo hincapié en atraer capital extranjero en la creación de economías libres.

Palabras clave: zona económica especial, criterio, ciclo de inversión, multiplicadores, residentes, capital externo.

1. Introduction

The main reason for foreign direct investment is maximum profit with minimal risk and the desire to retain technological leadership. In the first half of the 20th century, the flow of capital to developing countries was characteristic, but in recent decades it has rushed to developed countries, which characterizes the merger of investor capital and the capital of investment objects [Damodaran 2014].

The average annual growth rate of foreign direct investment in developed countries exceeds the rate of growth of the gross national product and commodity exports. At present, one-fifth of all manufacturing products are produced in France and England at the expense of foreign investment, in Italy a quarter, in Germany about one-third. England and the United States, which have traditionally been the largest exporters of capital, now act as its main importers. [Igoshin 2008: 509]

Statistics of attracting foreign direct investment shows that Russia is not attractive for foreign direct investment. The volume of foreign direct investment attracted by Russia does not exceed 0.3% of the world total [Sharpe, Alexander, Bailey 1998].

The main ways to attract foreign direct investment in the Russian economy are:

- attracting foreign capital in an entrepreneurial form by creating joint ventures, including the sale of large stakes in Russian joint-stock companies to foreign investors;
- registration in the territory of Russia of enterprises wholly owned by foreign investors;
- Creation of free economic zones (FEZ);

- Attraction on the basis of concession or production sharing agreements.

The first two forms of attracting capital are prevailing at the present time. Joint and foreign enterprises are established primarily in the sphere of trade and public catering, followed by construction, industry, commercial infrastructure, science, transportation and communications. An attractive branch of the economy for direct investment until 1998 was the financial sphere [Kireev 2000].

Currently, the impact of foreign direct investment on the economic situation of recipient countries is assessed ambiguously. Supporters of the policy of attracting such investments argue that foreign capital comes into the country in conditions of a relative lack of domestic resources and increases its investment opportunities. In addition, its inflow, as already noted, is accompanied by the introduction of new technologies and modern business standards, which ultimately contributes to the country's economic development through increased competition in the domestic market [Saenko et al 2016].

Opponents of the policy of attracting foreign direct investment pay attention to its negative consequences, often observed in the recipient countries of foreign capital. In particular, they indicate that transnational corporations actively interfere in the legislative processes in the country, tend to ignore its environmental and labor laws and rely mainly on foreign suppliers. In the history of Russia, the first FEZs arose back in 1990 and later on, for 15 years, the theory and practice of their administrative, legal and economic regulation improved. The subject of the FEZ was developed in our country in connection with the adoption of the Federal Law of July 22, 2005, No. 116 "On Special Economic Zones in the Russian Federation". According to this law and subsequent amendments to it, special economic zones of four types are created in the Russian Federation: 1) industrial-production; 2) technical and innovative; 3) tourist-recreational; 4) port. An industrial-production special economic zone is a section of the territory where its resident is entitled to carry out the production and/ or processing of goods (products), as well as their implementation, except mining of minerals and metallurgical production; processing of minerals, scrap of ferrous and non-ferrous metals; production and processing of excisable goods.

The technical and innovative special economic zone is used to refer to areas of the territory (no more than two) where residents are entitled to carry out activities for the creation and sale of scientific and technical products, bringing it to industrial use, and also to create software products, systems for collecting, processing and data transmission, distributed computing systems and provision of services for the implementation and maintenance of such products and systems.

Tourist and recreational zone - the one where the creation, reconstruction, development of infrastructure of tourism and recreation is conducted, services are rendered in the sphere of tourism.

Port special economic zones are established on the territory of sea and river ports open for international traffic and entry of foreign vessels, airports open for international flights, as well as in territories designated in the established order for the expansion or construction of a port (airport).

Creation of a special economic zone of any type is carried out on a competitive basis according to the Decree of the Government of the Russian Federation and Kazakhstan.

The adoption of the Decree on the creation of a special economic zone is preceded by a great deal of work at the local level. The highest executive body of state power of a constituent entity of the Russian Federation jointly with the executive and administrative body of the municipal entity submits to the Government of the Russian Federation an application for the creation of a special economic zone with the justification of the expediency and effectiveness of its creation for solving federal, regional and local problems.

Creation of special economic zones is carried out on the basis of competitive selection. To participate in the contest, the applicant provides the following documents: a cover letter, an application, accompanying documents attached to the application. Applications should contain a rationale for the feasibility of establishing FEZ and its effectiveness for solving the

2. Methodology

Theoretical and methodological basis was the international conventions, government resolutions, legislative acts (federal and constituent entities of the Russian Federation), works of domestic and foreign scientists devoted to the issues of defining, classifying, developing and developing history, analyzing the current state of the FEZ, among which the work of Maksakovski V., Kuznetsova O.V., Smorodinskaya N., Kapustina A., Kuzmenko V.P., Kuznetsova L.I., Shekhovtsova A., Danko T., Okont 3., Shvydak N.G., Streltsova E., Semenova G., Andrianova V.D. and other authors who have made a significant contribution to the multilateral study of these problems.

In the process of work, descriptive, comparative-geographical, statistical, typological, computational-constructive, historical-comparative methods were used.

The information base of the research was: 1) articles and analytical reviews of the Working Center for Economic Reforms under the Government of the Russian Federation and Ak Orda of the RK; 2) final and interim reports of the Ministry of Economic Development and Trade of the Russian Federation, resolutions of the Government of the Russian Federation, data of the State Statistics Committee of the Russian Federation and of Kazakhstan; 3) international, federal laws and regulations; 4) program materials and regulatory documents of the self-government bodies of the subjects of the Russian Federation and the Republic of Kazakhstan; 5) articles and analytical reviews of domestic and foreign authors; 6) statistical materials on the results of activities of domestic and foreign FEZ.

3. Discussion

The first documentary "free zone" was proclaimed in 166 BC. e. the authorities of the Greek state to promote trade on the island of Delos. Here, visiting merchants were exempt from taxes, duties and administrative formalities. The island of Delos became the first "free trade zone" and for almost a century played a prominent role in the trade between the West and the East as an intermediary [Fedorova 2002].

Foreign capital can bring to Russia the achievements of scientific and technological progress and advanced management experience. Therefore, Russia's inclusion in the world economy and attraction of foreign capital is a necessary condition for building a modern civil society in the country [Saenko et al 2016]. The attraction of foreign capital to material production is much more profitable than obtaining loans for the purchase of necessary goods, which are still wasted systematically and only increase public debts.

The inflow of investments, both foreign and national, is vitally important for achieving the medium-term goals of overcoming the current socio-economic crisis, overcoming the decline in production and improving the living standards of Russians. It should be borne in mind that the interests of Russian society, on the one hand, and foreign investors, on the other, do not directly coincide. Russia is interested in restoring, renewing its production potential, saturating the consumer market with high-quality and inexpensive goods, in developing and restructuring its export potential, and in bringing to our society a Western management culture [Chuev et al 2016].

The founders of the new concept of free economic zones were the British P. Hull and H. Hauw, as well as the American C. Butler. The peculiarity of the concept developed by them was that in these zones, interested entrepreneurs were granted a number of tax benefits, the regulation of their activities by state bodies, it was allowed to carry out a number of banking and insurance operations, which were usually prohibited by the current legislation, for example, the ability to operate with any currency, to have business relations with counteragents located outside the zone and others [Guo Shuhong 2010].

A distinctive feature of these zones is that, based on the use of a preferential legal and monetary regime within these zones, development of export-oriented industries is ensured, involving local (state, regional, private) and foreign resources in the form of direct and indirect investments, from the export of industrial products, advanced technology and

technology.

By the beginning of the 1990s, the number of new type of FEZ registered in 120 countries increased to 300 []. This period is also characterized by widening the borders of integration of the world economy, increasing the degree of openness of the economies of a number of countries, which inevitably is accompanied by the corresponding development of commodity-credit relations, growing interconnectedness of all states, their national economies and financial markets. There is a need for skilled servicing and stimulation of these processes. In this regard, there are new specialized types of zones: "free banking", "free insurance", "recreational-tourist", "offshore" zones.

The largest number of FEZ exists in North America and Asia. However, an increasing number of them are emerging in regions such as the Caribbean, Central America and the Middle East, and will probably continue to grow throughout the world.

According to the observations of specialists, many FEZ have passed their "way", transforming first from storage and transit zones into export-production, and then - into integrated ones. Different countries, of course, have different experience in creating and operating the FEZ, but there are fundamental differences between the industrialized and developing countries. Currently, in the industrialized countries, the FEZ is represented by all types of zones, but the most developed here are free trade zones and technology innovation zones, while in developing countries - export-production and service (primarily offshore) zones.

4. Results

The first free economic zones in Kazakhstan appeared in 1991: Zhayrem-Atasuyskaya in the Zhezkazgan region. Alakul and Zharkent in the Taldykorgan region, a subzone on the basis of the Taldykorganvanvneshtrans company in Taldykorgan, Lisakovskaya in the Kostanai oblast and the free trade zone Atakent in Almaty. A number of other areas (Atyrau, East Kazakhstan, Karaganda and Mangistau) were declared free economic zones. However, the first experience of the formation of the FEZ did not reach its intended goals due to an imperfect legal and organizational mechanism of functioning; there was not enough independence in solving financial, tax and other issues.

The newly created special economic zones are the limited territories of the Republic of Kazakhstan, where a special legal regime operates [Kamal et al 2016].

According to Article 3 of the above-mentioned decree, the FEZ "are created to accelerate the development of the regions in order to activate the entry of the republic's economy into the system of world economic relations, create highly efficient export-oriented industries, develop new types of products, attract investment, develop legal norms for market relations, introduce modern management methods and managing, and also solving social problems. " [Law of the Republic of Kazakhstan of 26.01.1996 № 2823 "On Special Economic Zones in the Republic of Kazakhstan]

The reform of the economic system has led to the movement of market mechanisms, which involves integration into the world economy through a variety of forms of trade and business cooperation. The FEZ, being an instrument for accelerating regional development, has a positive impact on the economy, which is evidenced by the experience of other countries. At the international conference in Bishkek (October, 1997), devoted to the problems of the development of free economic zones, the FEZ were viewed as points of economic growth and integration of countries and regions. [Karabulatova A., Kim 2017]

The indicators of economic growth of the Lisakovsk Special Economic Zone indicate the stabilization of the economic situation in the region. Since the formation of the Lisakovsk FEZ in 1993, the volume of industrial production has increased by 22.9 times, the production growth in 1997 was 74%. The volume of retail trade turnover in the same year to the level of 1996 amounted to 129.5%. The existing enterprises have been preserved; dozens of new ones have been created in the light and food industries, which allowed expanding the range of products. The economic entities of small and medium-sized business received a dynamic development, the share of which in the total amount of budget revenues increased

significantly (59.8%). The Governing Body was able to finance projects on time and in full, to carry out current payments for the payment of wages and pensions. [Kamal et al 2016].

The first year of operation of the Akmolinskaya FEZ is characterized by the revitalization and improvement of industrial enterprises, monthly growth of output is observed at 1.5-2%. The resources of the fund for economic and social development were directed to the implementation of the program of the FEZ, the arrangement and expansion of the new capital.

Under the influence of changes in the world economy and international trade, the evolution of the organizational and functional forms of the FEZ from simple, mainly commodity-related products, to more complex, mass production-oriented products, the development and production of new products, the provision of various services, etc., is traced.

5. Conclusion

The results of the operation of FEZ in countries with economies in transition (China, Vietnam, Poland, etc.) testify to their effective impact on the country's economy, the promotion of market mechanisms, the development and production of new technologies and industries, a sharp increase in exports of goods, attracting foreign investment, but most importantly, the solution of social problems, such as employment, the interaction of trade unions with the state to solve social problems of workers and other positive impacts on social and economic development of the country [Shoidarvozova 2005].

At present, many countries are turning to non-traditional forms of increasing their participation in the international division of labor. First of all, this applies to countries implementing an extraverted model of the development of the national economy, oriented to the world market. Export specialization becomes dominant in the overall economic strategy not only of most industrialized countries, but also of virtually all newly industrialized countries, as well as individual countries with economies in transition and developing countries [Konokov 2001].

It should be noted that the creation of the FEZ pursues a solution to a set of territorial and, presumably, time-limited tasks. As a consequence, there is a need to create conditions for the formation of FEZ, which in some way would satisfy the demand of regional markets in investment resources. To achieve these goals, it is necessary to develop and implement comprehensive measures to ensure a favorable investment climate, especially in those regions that are in dire need of foreign investment.

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1. Doctor of Economics, Professor of the Department of Finance and Credit, Ufa State Petroleum Technical University, Ufa State Petroleum Technological University, Ufa, Russian Federation
 2. Post-Doctoral Student of the Department of Economics and Innovative Business, "Turan-Astana" University, Astana, Kazakhstan,
 3. Candidate of Economic Science, Associate Professor of the Department of Economics and Innovative Business, "Turan-Astana" University, Astana, Kazakhstan
 4. Investment company "Al-Thamer Establishment", Manama, Kingdome of Bahrain
 5. Candidate of Economic Sciences, Associate Professor of the Department of Finance and Credit, Ufa State Petroleum Technical University Ufa State Petroleum Technological University, Ufa, Russian Federation
 6. Candidate of Economic Sciences, Associate Professor of the Department of Additional Professional Education of State Budgetary Educational Institution of Higher Education " The Bashkir Academy of Public Service and Management under the Head of the Republic of Bashkortostan" Ufa, Russian Federation
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Revista ESPACIOS. ISSN 0798 1015
Vol. 39 (Nº 36) Year 2018

[Índice]

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