

TECHNOLOGICAL INDUSTRIAL DEVELOPMENT ZONE - (DTIDZ) AND INTERNATIONAL BUSINESS HUB: MACEDONIAN EXPERIENCE

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Abstract

Contemporain business experience indicated that nation's governments have a crucial role to play in establishing macroeconomic stability and providing stable political, legal, sound macroeconomic policies, and social institutions. These prerequisites create the potential for improving national prosperity. Governments can play an important role in promoting productivity growth, through investing in infrastructure and skills, promoting macroeconomic stability, and providing appropriate microeconomic frameworks. Infrastructure investment increases the country's capital stock and the efficiency with which private sector resources can be used. Public and private investment in education and training results in a workforce with a better mix of skills leading to potentially higher degree of productivity, higher competitiveness, lower unemployment and increased incomes and living standards. Public investigations that improve the quality and efficiency of infrastructure markets and educational outcomes will also drive higher productivity over the medium and long term. One of the measures to boosting economic development in RM, the Government of the Republic of Macedonia has established the institution of Technological Industrial Development Zone based on the Industrial Free Zone concept, to assist in providing the most efficient business climate in South-Eastern Europe. The Technological Industrial Development Zone is established with the aim of developing highly propulsive and modern technologies by introducing economically profitable production and efficient utilization of the resources by applying the highest environmental standards. With applying measures the Government expected boosting regional and local harmonization and attain higher degree of productivity, higher competitiveness, lower unemployment and increased incomes and quality of living standards.

Keywords: Business regulations, Public investigations, Technological Industrial Development Zone - TIDZ, Free zone concept, living standard

1. Introduction

The role of the government can be found to encourage the upgrade of the economy to a higher stage of competitive development. Nation's governments have a crucial role to play in establishing macroeconomic stability and providing stable political, legal, sound macroeconomic policies, and social institutions. These prerequisites create the potential for improving national prosperity. Michael Porter stresses the governments' roles as a catalyst and enabler; it is to encourage – or even push – companies to raise their aspirations and increase their levels of competitive performance, even though this process may be inherently unpleasant and difficult. Appropriate macroeconomic policy encourages competition is more properly understood. But the state's influence is increasingly being realized at the microeconomic level. Removing obstacles to growth and development of existing and emerging clusters must be a priority.[1]

Governments can play an important role in promoting productivity growth, through investing in infrastructure and skills, promoting macroeconomic stability, and providing appropriate microeconomic frameworks. Infrastructure investment increases the country's capital stock and the efficiency with which private sector resources can be used. Public and private investment in education and training results in a workforce with a better mix of skills leading to potentially higher degree of productivity, higher competitiveness, lower unemployment and increased incomes and living standards. Public investments that improve the quality and efficiency of infrastructure markets and educational outcomes will also drive higher productivity over the medium and long term.

In the past period, Government of the Republic of Macedonia made significant preparations for including the private sector in financing and management of public services and physical infrastructure, to the end of increasing investments in public sector, improving quality of public services by introducing business principles in the public sector and promoting concessions and public private partnership.

There are many other aspects in which also governments play a very important role in facilitating international business.

First of them is infrastructure. International transit of goods require adequate transport infrastructure with adequate capacity to handle high quantity cargo, as well as adequate roads or railway networks for transporting them to the markets, and by creating such infrastructure, the government can make business in their country an attractive prospect for international companies.

Second, the law and order, and rent seeking are two very important factors for businesses coming from outside the country. Today, few companies are likely to be tempted towards a country where safety of property is doubtful, and not every company would be ready to live with graft and illegal rent seeking. Governments can make a big difference by taking care of these factors.

Third, international business is full of various risks, and governments can play a great role in minimizing those risks. A clear and consistent policy towards foreign investment and international trade can, by itself, be a significant contribution because unpredictability of government policies is one of biggest source of these risks. Managing currency, inflation and foreign exchange rate is another important way of reducing these risks. Ensuring property rights and contract enforcement is also one of the ways in which business risks can be minimized.

2. Incentive to start up with Technological Industrial Development Zones

Often ask question is how to attract foreign investment capital in transition economy. The entry of the private sector into zone development has also changed the range of facilities, services, and amenities available within zones. Recent trends tied to the increase in private zone development include the development of SEZs and industrial estates on an integrated rather than stand-alone basis, increased specialization of facilities catering to the unique needs of target industries (hi-tech, software, car parts etc.) and the provision of a greater range of business support services and specialized facilities. SEZs are also capable of contributing to export development, not only in terms of accelerating export growth, but export diversification as well. Foreign companies not only helped in the revival of the economy and in reducing unemployment, but have also changed the structure of export. The possibility of creating new jobs, bring a new momentum in the economic, but also and in the social development of the every investment region. Previous positive experiences confirm the reality of the goal to which every economy strives, such as sustainable economic development through the creation of new industrial zones and the construction of new regional infrastructure that will meet the needs of residents, but also of the domestic and foreign investors. This is particularly important to poorer developing countries reliant on the export of primary products. In addition, zones can play an important role in attracting foreign direct investment, offsetting some aspects of an adverse investment climate by offering world class facilities and best practice policies. [2]. Countries that have been successful in deriving long-term economic benefits from their SEZ programs have established the conditions for ongoing exchange, and the accompanying hard and soft technology transfer, between the domestic economy and investors based on the zones. This includes investment by domestic firms into the zones, forward and backward linkages, business support, and the seamless movement of skilled labor and entrepreneurs between the zones and the domestic economy.[3]

Macedonia has a small, open market economy with one of the lowest GDP per capita in Europe. In conditions of globalization, the essential preconditions for development being based on increase of competitiveness of the economy, use of high-quality labor force, development of economic infrastructure of the country and use of modern Computer and information technologies.

Maintenance of macroeconomic balance and stability of national economy, based on increased domestic supply and sustainable economic growth on permanent basis, mainly by stimulating domestic and attracting foreign investments, as well as increased level of public investments aimed at economic development and increase of competitiveness of the country, remain to be priorities of the Government of the Republic of Macedonia. Strategic priorities and goals of the Government of the Republic of Macedonia are mainly the following: the economic growth increase and competitiveness on a constant basis, higher employment rate, increase of both the living standard of the quality of life, NATO and EU integration, business climate improvement, increase of foreign and domestic investments and strengthened administrative capacities and coordinative structures for negotiations with EU and usage of IPA funds.

Although Macedonia is an upper middle-income country that has made great strides in reforming its economy over the last decade, corruption and an ineffective legal system are significant restraints for economic development.

The government and many International institutions are currently working on boosting competitiveness while creating a favorable environment for local businesses that is necessary for putting the Macedonia on a sustainable growth path, create more and better jobs, and promote shared prosperity of the bottom forty percent of the population. Policies to improve educational outcomes and other public services, and to remove labor market constraints will be

needed to support growth and make sure that a large part of the population reaps the benefits of sustained growth.

The country economic strategy is derived around two pillars:

- **Growth and Competitiveness** – improvements in the business climate and the trade regime are essential to attract private investment and improve export performance in order to achieve sustained private sector led growth and job creation.
- **Skills and Inclusion** – interventions that increase skills and improve inclusion are crucial to ensure that all segments of society benefit from economic growth through greater employability and more efficient public and municipal services.

One of the measures to boosting economic development in RM, the Government of the Republic of Macedonia has established the institution of Technological Industrial Development Zone based on the Industrial Free Zone concept, to assist in providing the most efficient business climate in South-Eastern Europe. Republic of Macedonia is known as the "New Business Heaven of Europe".

TIDZs are programs designed to accelerate the successful development of entrepreneurial companies through an array of business support resources and services developed and orchestrated by government management and offered both in the companies in zones and through its network of contacts. The project with DTIDZ started with when Government of the Republic of Macedonia in August 2000 had approved this project, but the Directorate for Technological Industrial Development Zones was officially launched in January 2002.

By 2006, with further implementation of the strategy for accelerated economic development put forward by the Government of the Republic of Macedonia and with the Government's top priority for attraction of more FDI, the Zones have been blessed with new historic opportunities to speed up the overall progress of Macedonian economy.

Working and activities of DTIDZ are regulated with Law [4]. The purpose of this Law to be give clear position and to be accelerator of the economic development by attracting foreign and domestic capital for the development of new technologies and their application in the national economy, increasing the competitiveness and increasing the level of employment. This Law shall regulate the incentives for investing in technological industrial development zones, the conditions, the manner and procedure of establishment, the development and operation of technological industrial development zones, the activities performed in the technological industrial development zones and the specific conditions for their performance, the application of the customs regulations in the technological industrial development zones as well as the termination of operation of the technological industrial development zones and of the user of the technological industrial development zones.

Macedonia offers additional incentives for development in the TIDZs, in addition to those normally associated with free economic zones.

The key objectives of the program to development the TIDZs are:

- Employment creation - can be achieved with attraction of highly-qualified work force (intensive manufacturing and service industries)
- Attract foreign and local direct investment can be facilitated through TIDZs by attracting investment and establishing links to global supply chains;
- Promote exports of goods to other countries;
- Attract advanced foreign production and technology methods in order to gain experience in global manufacturing and production networks, i.e. skills transfer;
- Develop linkages between domestic and TIDZs - based industries to optimize logistical advantages - economic development outside the TIDZs through engagement with local companies as suppliers to TIDZs companies;

- Knowledge transfer - Technology and skills transfer through on-the-job or broader training opportunities for employees. Local companies often benefit from hiring workers previously employed by mostly international TIDZs companies;
- Promotion country effect through showcasing the success of a TIDZs, the international perception of a country's economy can be significantly improved. Provide a world class infrastructure.

For attain this goal, the Government of R. Macedonia pays special attention to high equipped investors in TIDZs from different domains and industries. Par example, the companies are entitled to personal and corporate income tax exemption for the first 10 years. Investors are exempt from payment of value added tax and customs duties for goods, raw materials, equipment and machines. Moreover, up to €500.000 can be granted as incentive towards building costs depending on the value of the investment and the number of employees. Land in a TIDZ in Macedonia is available under long-term lease for a period of up to 99 years.

Other benefits include completed infrastructure that enables free connection to natural gas, water, electricity and access to a main international road network. Investors are also exempt from paying a fee for preparation of the construction site. Fast procedures for business activity registration are provided in TIDZ that further reduce the costs of setting up.

Investors in TIDZs who operate in these areas are exempt from the liability for submission of a guarantee as collateral for any customs arrears.

3. Government measures to improving the business conditions for attracting fdi in technological industrial development zones

According to Law on technological industrial development zones [5], The Technological Industrial Development Zone is a free zone in terms of the customs and tax laws. The Technological Industrial Development Zone (TIDZ) is part of the customs area of the territory of the Republic of Macedonia, separated from the remaining part of the customs area, being a separately fenced and marked area representing a functional entity in which activities are performed under the terms and conditions prescribed by the Free Zones Law and other applicable laws in which the customs and tax incentives determined by the Free Zones Law and other laws apply. The Technological Industrial Development Zone is established with the aim of developing highly propulsive and modern technologies by introducing economically profitable production and efficient utilization of the resources by applying the highest environmental standards.

Investment policy represents an economic category that examines the key and one of the most important factors of economic development - investment. Any size, structure and efficiency of use is determined the process of economic development of a country.

Investment policy is the most important part of the development macro-economic policy with a major role in economic growth and a higher level of economic development. Investment policy, starting from the objectives of economic development, determines the most efficient ways to achieve the goals of development at each stage of development of the national economy. As a representative authority of the Government of the Republic of Macedonia, the Directorate for Technological Industrial Development Zones manages in unification the administrative affairs of all Zones in Republic of Macedonia.

The TIDz aimed to draw investment from around the globe, offering world-class infrastructure, minimal tax incentives and a duty-free zone with intermodal transport linkages, grace multy attractive investment condition

For now there are four Technological Industrial Development Zones established by the Government of the Republic of Macedonia: TIDZ Skopje 1, TIDZ Skopje 2, TIDZ Stip, and TIDZ

Tetovo. Simultaneously, seven TIDZs intended for equal economic development of all regions on the territory of the Republic of Macedonia are in planning phase.

In accordance with the DTIDZ concept and mission, The Government will planned to become international business hub of the South-Eastern Europe by providing world-class infrastructure supported with service excellence and incentives unparalleled anywhere in the region and wider.

The benefits for investors' covers 100% foreign ownership, 0% tax and customs duties, no labor restrictions, no municipality taxes, symbolic land lease rate and direct State Aid in amount up to 500.000 EUR are only one segment of the value proposition that provide the most competitive operating environment in the region.

DTIDZ's duty is establishing a service center within each of the Zones, which provides consultation and service for the Users of the Zones. In all of the Zones administrative departments and customs offices provide commodity administrative services and convenient and fast customs clearance.

In respect of services, the Directorate for TIDZs takes the development of the Zones as high proud mission, and deems the social comments as the judgement of the work, and in practice, The Directorate carries out one-stop service mode, as well as the management mode closely following international practice, so as to ensure investors benefits.

The benefits for investors in TIDZs includes exterritorial and free of most national customs, trade and financial regulations.

The processing and handling of goods to and from the TIDZs do not require the normal level of paper work and customs formalities which otherwise would take money and time.

4. Technological Industrial Development Zone - (DTIDZ) as factor of harmonization of economic development in RM

Today, many government agencies, private businesses companies, nonprofit organizations, and community institutions can also be assets and core components of a boost a local economy. With new open business modalities, can be creating a new economic engine for the local communities. An asset mapping exercise can identify strengths the community can build on, assess their potential to catalyze development, and help develop and implement strategies to make the most of these assets.

Many communities reinvent their economies by making it easier for interested businesses and developers to invest in the community in ways that support the community's long-term priorities. Tactics to facilitate private-sector investment include streamlining the development process, providing technical assistance, and creating informational guides.

Communities that successfully retool their economies engage residents, business owners, and other stakeholders to develop a vision for the community's future. Stakeholder engagement helps ensure that plans reflect the community's desires, needs, and goals and generates public support that can maintain momentum for implementing changes through election cycles and city staff turnover. None of the communities profiled here implemented all the changes overnight; a long-range plan is necessary to guide work over many years. Planning often involves considerable effort coordinating and integrating multiple processes to ensure they complement each other and work together to achieve the community's goals. Comprehensive plans, area master plans, economic development plans, and other local and regional plans can help identify incremental steps that will move the community forward.[6]

The East Region is mainly a mountainous region and comprises the extreme east of the Republic of Macedonia. It spreads along the Bregalnica River, over the basins of Shtip,

Maleshevo and Pijanec and the field of Kochani. The region comprises 14.2% of the total area of the Republic of Macedonia, with 8.6% of the total population in 2015, and 50.1 citizens per km².

Table 1. Basic demographic indicators as at 30.06.2015 according statistical regions

	Republic of Macedonia	Vardar Region	East Region	Southwest Region	Southeast Region	Pelagonia Region	Polog Region	Northeast Region	Skopje Region
Total population	2070226	153094	177145	219891	173560	231137	319916	176204	619279
male	1037060	77784	89565	110330	87755	115869	161005	89730	305022
female	1033166	75310	87580	109561	85805	115268	158911	86474	314257
Density	83.1	37.9	50.1	65.8	63.4	49	132.4	76.3	341.6
Share population aged 0-14(%)	16.7	15.8	14.3	15.4	16.4	15.4	17	17.5	18.3
Share population aged 65+(%)	12.8	14.1	14.5	11.3	13.2	15.7	9	11.9	13.7
Age Dependency ratio	42	42.7	40.4	36.4	42.1	45	35.2	41.6	47.1
Working age population	1676659	125279	147425	181293	141025	187900	261113	141719	490906
Activity rate	57	60.7	62.5	54.9	68.4	66.3	47.1	54	54.4
Employment rate	42.1	45.8	51.6	36.2	56.9	52.2	33.2	30.6	40.4
Unemployment rate	26.1	24.5	17.5	33.9	16.7	21.1	29.6	43.2	25.7
Mean age of population	38.5	39.8	40.6	37.7	39.1	40.7	35.8	37.6	38.4
Number of graduated students (2015)	8116	568	701	771	662	971	1047	580	2816
Graduated students per 000 population (2015)	3.9	3.7	4	3.5	3.8	4.2	3.3	3.3	4.5
Gross domestic product, per capita (2013) - in denars	243161	268819	226898	178726	266524	243279	118672	151462	348915
Average net wage paid per employee, 2015	21906	17402	16278	19670	16946	20222	20620	16848	25861

Source: State Statistical Office of the Republic of Macedonia: Regions of the Republic of Macedonia, 2016. Skopje: Republic of Macedonia State Statistical Office, 2016.

The natural, geographical, climate and hydrological characteristics give the potential for production of rice, especially in the Kochani Field, which is well renowned for its rice. The basins of Pijanec and Maleshevo are favorable for growing fruits and vegetables. Due to the specific

geological characteristics of mountain ranges, the region has a developed lead and zinc mining industry. Another important industry is the textile industry and a large number of textile manufacturing plants are located in this region. The mountainous terrains in the region have great potential for development of winter and alternative tourism even though they are still in the early stages of development.

The East Region includes eleven (11) municipalities, - **(Probishtip, Shtip, Karbinci, Cheshinovo-Obleshevo, Zrnovci, Vinica, Kochani, Makedonska Kamenica, Delchevo, Pehchevo, Berovo).**

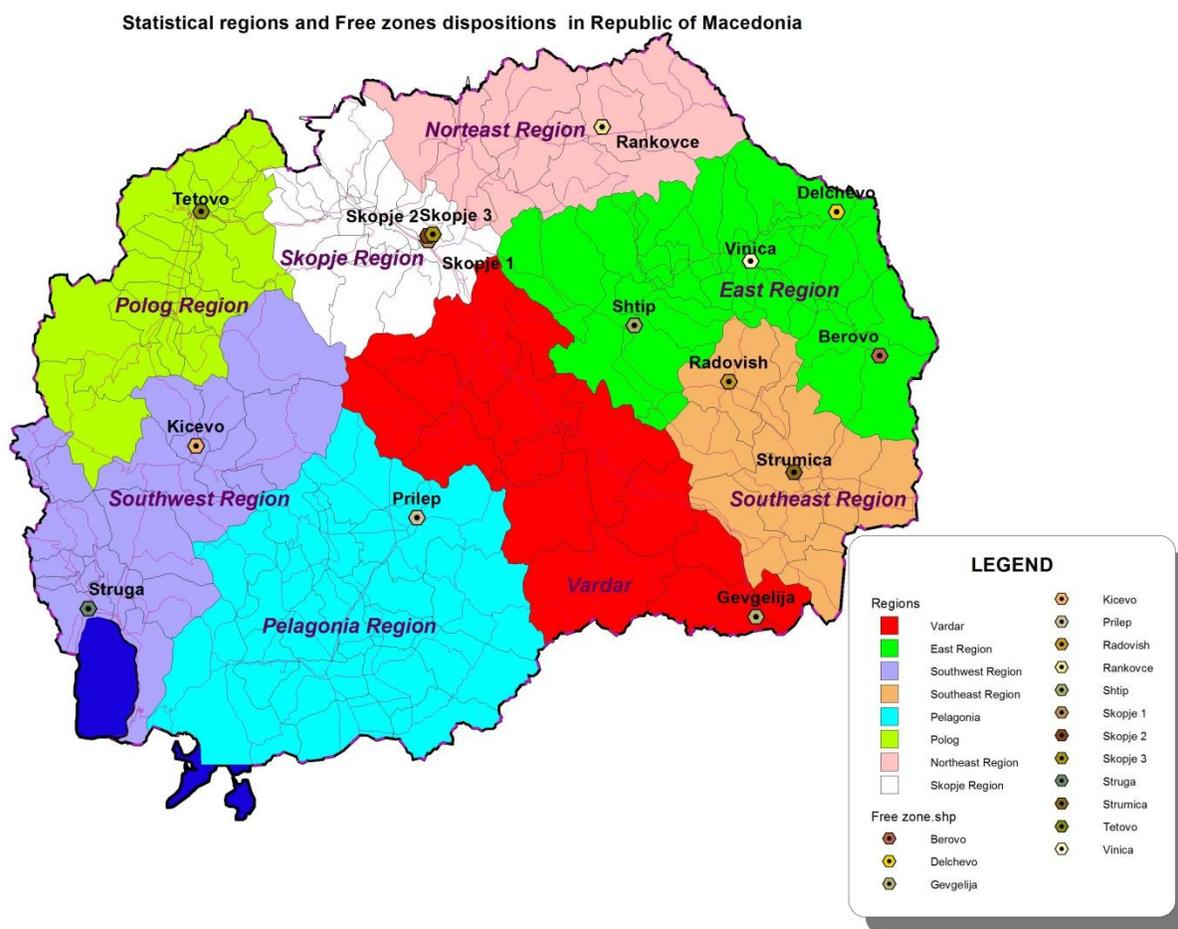


Figure 1 Statistical regions in Republic of Macedonia and Free zones dispositions

Free zones in the East Region. - The Stip free zone is located northwest from the city of Stip, upon entering from the Skopje direction. It has road connections to Skopje and Kocani through interstate M5 and through the new Skopje-Stip highway, currently under construction, the region will have a direct and short road connection to the capital Skopje. The national rail station is 2.5 km away from the free zone, and the nearest international airport, Alexander the Great in Skopje, is 75 km away. The nearest seaport is in Thessaloniki, Greece, 225 km away from the zone.

Municipality of Stip counts around 50,000 citizens and it is the largest center of textile industry in the region. The total area of the Stip free zone is 206.43 hectares.

The Vinica free zone is located 4.5 km from the city of Vinica, specifically on the west side of the planned highway that connects Stip and Delchevo. The settlements that surround the Vinica free zone have a total population of over 83,000 inhabitants. The total area of the Vinica free zone is 21.04 hectares [7].

The Berovo free zone is situated on the regional road connecting Berovo and Dabile. The settlements that surround the Berovo free zone have a total population of over 18,000 inhabitants. The total area of the Berovo free zone is 17.38 hectares and it is located near the city of Berovo.

The Delchevo free zone is located on the main road that connects Kochani – Delchevo - border crossing Deve Bair with Bulgaria. The settlements that surround the Delchevo free zone have a total population of over 24,000 inhabitants. The total area of the Delchevo free zone is 20.83 hectares and is located northeast of the city of Delchevo.

The Southwest Region comprises the extreme southwest part of the Republic of Macedonia. According to the 2015 population estimates, 10.6% of the total population in the country lived in this region. It takes up 13.4% of the total area of the country and has a population density of 65.8 citizens per km².

The configuration of the terrain, encompassing the river basins of Treska and Crn Drim and the Ohrid Lake basin, indicates the great hydro potential of the region, partly utilized by the artificial lakes Shpilje and Globochica with their hydroelectric plants. These natural geographical characteristics and the mild climate provide opportunities for development of fruit growing.

The region includes a number of high mountains covered with lush forests, which provide timber for the needs of the wood processing industry. Tourism has great importance for the development of this region, mostly owing to the natural characteristics of Ohrid Lake and the cultural and historical significance of the Ohrid area, protected by UNESCO. No less important for the development of tourism is the National Park Galichica, as well as the mineral and hot water springs near Debar.

The Southwest Region includes nine (9) municipalities, - **(Debar, Centar Zhupa, Struga, Vevchani, Ohrid, Debarca, Kicevo, Plasnica, Makedonski Brod)**

Free zones in the Southwest Region. - *The Struga free zone* is located in the village of Miseshevo, 4.5 km from the city of Struga towards the city of Ohrid. The area has direct access to the Pan-European Corridor 8 project. The settlements that surround the Struga free zone have a total population of over 161,000 inhabitants. The total area of the Struga free zone is 30.01 hectares.

The Kicevo free zone is located southeast of the town of Kicevo, specifically, both sections are located to the left and right of the regional road connecting Kicevo and Makedonski Brod. The settlements that surround the Kicevo free zone have a total population of over 77,000 inhabitants. The Kicevo free zone is divided in two covering a distance of approximately 1.2 kilometers, with section 1 covering an area of 13.5 hectares and section 2 an area of 16.06 hectares. The total coverage area is 29.56 hectares.

The Southeast Region is located in the extreme southeast part of the country and comprises the Strumica-Radovish and Gevgelija-Valandovo basins, the Strumica River valley and the lower course of the Vardar River. In 2015, 8.4% of the total population in the Republic of Macedonia lived in this region. The region covers 10.9% of the total land area of the country and has a population density of 63.4 people per km².

The extensive hydrographic network, the great number of sunny days, the climate and the favorable pedologic conditions characterize the region as predominantly agricultural.

The large-scale production of high-quality early vegetables, fruits and industrial crops enable the development of the canning and food processing industry, for which this region is renowned.

In recent years, there has been an increasing trend in tourism, shown by the increased number of accommodation facilities, tourists and nights spent in the region. This is mostly due to the revitalization of the Dojran Lake and its exploitation for tourism. Another specific feature of the region is that in 2015, compared to the other regions, it had the highest employment rate of 56.9.

The Southeast Region includes ten (10) municipalities, - **(Gevgelija, Bogdanci, Dojran, Valandovo, Strumica, Novo Selo, Bosilovo, Vasilevo, Konche, Radovich)**

Free zones in the Southeast Region. - *The Gevgelija free zone* is situated near the border crossing point Bogorodica towards Greece and has direct road connections to Thessaloniki Port. The settlements that surround the Gevgelija free zone have a total population of approximately 67,000 inhabitants. The total area of the Gevgelija free zone is 50.25 hectares (ha) and it is located southwest of the town of Perdejci, on the right side of the Skopje-Gevgelija highway.

Strumica free zone is located 7 kilometers east of the town of Strumica, specifically to the south of the regional road which connects Kuklish – Bansko – Novo Konjarevo. The settlements that surround the Strumica free zone have a total population of approximately 85,000 inhabitants. The total area of the Strumica free zone is 24.77 hectares.

The Radovich free zone is near the main road that connects Stip – Radovis - Strumica and the interchange. The settlements that surround the Radovich free zone have a total population of over 45,000 inhabitants. The total area of the Radovich free zone is 9.75 hectares and is located at the entrance of the city of Radovis.

The Pelagonia Region is located in the south of the Republic of Macedonia and comprises the Pelagonia basin and the Prespa Lake basin. This region is the largest, covering 18.9% of the total land area of the country, but also one of the most sparsely populated, having a population density of 49.0 people per km². In 2015, 11.2% of the total population of the Republic of Macedonia lived in this region.

The Pelagonia basin, which is the largest plain in the country, the Prespa Lake basin, the specific climate and the extensive hydrographic network are the basic preconditions for the agricultural development in the region. All of this makes this region the breadbasket of the country and the largest producer of tobacco, apples and milk. At the same time, the largest coal deposits are located in this region, making it the country's largest producer of electricity.

The Prespa Lake, the Pelister National Park and the winter tourist resort Krusevo represent the basis for development of summer, winter and cultural tourism in the region.

The Pelagonia Region includes nine (9) municipalities, - **(Resen, Bitola, Novaci, Mogila, Demir Hisar, Krivogashtani, Krushevo, Dolneni, Prilep)**

Free zone in the Pelagonia Region. - *Prilep free zone* is located in the Alinci locality, south of the city of Prilep. The free zone has direct access to the highway that links Prilep and Bitola. The settlements that surround the Prilep free zone have a total population of approximately 260,000 inhabitants. The total area of the Prilep free zone is 67.50 hectares (ha) and the surface area of the zone can be expanded an additional 35.71 ha.

The Polog Region comprises the northwest part of the Republic of Macedonia, the Polog basin and the valley of the river Radika. It covers 9.7% of the country's total land area. With 132.4 people per km², Polog is one of the most densely populated regions, and 15.5% of the total population lived in this region in 2015.

The extensive hydrographic network has great hydroelectric potential, which is utilized to some extent by the hydroelectric plants on Mavrovo Lake. The specific vegetation of the Polog basin and the surrounding mountains create favorable conditions for the development of agriculture, and especially cattle breeding, for which this region is renowned.

Owing to the high mountain ranges, the specific landscape and the climate, the most popular winter resorts are located in this region. This region is characterized by a low GDP per capita, which in 2013 was 118 672 denars. The region participated with 7.5% in the total GDP.

The Polog Region includes nine (9) municipalities, - **(Tearce, Tetovo, Jegunovce, Zhelino, Brvenica, Bogovinje, Vrapchishte, Gostivar, Mavrovo and Rostusha)**

Free zone in the Polog Region. - *The Tetovo free zone* is just 35 km away from the capital Skopje. It is located on the E-65 highway, 3 km east of the city of Tetovo. The national rail station is 4 km away from the location, and the nearest international airport, Alexander the Great in Skopje, is 67 km away via the Skopje ring road. Thessaloniki seaport in Greece is 287 km away and the port of Durrës in Albania is 293 km away from the Tetovo free zone. The Free Zones Authority and Normak Investment Group, a privately owned company, signed a Public Private Partnership agreement, stipulating that Normak Investment Group is the founder of the free zone and responsible for its development and operation. The total area of the Tetovo free zone is 94.74 hectares.

The Northeast Region comprises the extreme northeast part of the Republic of Macedonia and spreads along the rivers Pchinja and Kriva Reka. It is one of the smallest regions, covering only 9.3% of the country's total land area and with population density of 76.3 people per km². In 2015, 8.5% of the total population of the Republic of Macedonia lived in this region.

Owing to the geological features of the Osogovo mountain range, the region has several lead and zinc mines.

The natural conditions and resources of the Northeast Region provide good opportunities for the development and promotion of the meat and dairy processing industry. In 2013, the region had a share of only 5.3% in the total GDP, the smallest compared to the other regions.

The employment rate in 2015 was 30.6 - lowest compared to the other regions.

The Northeast Region includes six (6) municipalities, - **(Lipkovo, Kumanovo, Staro Nagorichane, Kratovo, Rankovce, Kriva Palanka).**

Free zone in the Northeast Region. *The Rankovce free zone* is located near the border crossing Deve Bair towards Bulgaria and has a direct road connection with the planned motorway on Corridor 8 (section Kumanovo-Kriva Palanka) and the planned railway Corridor 8. The settlements that surround the Rankovce free zone have a total population of over 176,000 inhabitants. The total area of the Rankovce free zone is 40.2 hectares.

The Skopje Region comprises the northernmost part of the Republic of Macedonia and extends across the Skopje basin. This region is the smallest and covers only 7.3% of the total land area of the country. With 341.6 people per km² and 29.9% of the country's total population (2015), Skopje is the most populous region in the Republic of Macedonia.

This region is the main hub of the country and has the most developed transport infrastructure. Most of the country's industrial, trade and service capacities are concentrated in this region.

Skopje, the capital of the Republic of Macedonia, is located in this region, and it is the economic, administrative, cultural and academic center of the country. As a result, in terms of internal migration, this region represents the largest immigration area.

In 2013, the Skopje Region had the highest GDP per capita (348 915 denars) compared to the other regions, and it participated with 42.6% in the total GDP of the Republic of Macedonia.

The Skopje Region includes seventeen (17) municipalities - **(Chucher Sandevo, Gjorche Petrov, Saraj, Karposh, Centar, Shuto Orizari, Butel, Arachinovo, Gazi Baba, Ilinden, Kisela Voda, Aerodrom, Chair, Petrovec, Studenichani, Zelenikovo, Sopishte)**

Free zones in the Skopje Region. - *Skopje 1* occupies a first-class location - 10 km east of the capital Skopje and has a direct highway exchange with Corridor 8 and is just 3.3 km away from the E-75 highway (Corridors 10). Alexander the Great International Airport is 5 km away from the Skopje 1 free zone (1 km airline distance) and is suitable for cargo and intercontinental

passenger flights. The nearest national rail station is located 6.5 km from Skopje 1 and the nearest seaport is in Thessaloniki, Greece, 230 km away from the free zone. The total area of the Skopje 1 free zone is 140.18 hectares

Skopje 2 is located directly next to the Skopje 1 free zone, on the crossroads of Corridors 8 and 10, 4.6 km away from the E-75 highway. Alexander the Great International Airport is 6 km away from the Skopje 2 free zone (2 km airline distance) and is suitable for cargo and intercontinental passenger flights. The nearest national rail station is located 7.8 km from the Skopje 2 free zone in the village of Miladinovci and the nearest seaport is in Thessaloniki, Greece, 230 km away from the zone. The total area of the Skopje 2 free zone is 96.75 hectares.

Skopje 3 free zone occupies a first class location - 10 km east of the capital Skopje, on the crossroad of the Corridors 8 and 10. This zone will have direct highway exchange with corridor 8 and is approximately 3 km away from E-75 Highway. Alexander the Great International Airport is 5 km away from the Skopje 3 free zone (1 km airline distance) and is suitable for cargo and passengers intercontinental flights. The nearest national rail station is located approximately 6 km from Skopje 3 free zone and the nearest sea port is in Thessaloniki (Greece), 230 km away from the Zone. The total projected area of the Skopje 3 free zone is 43.84 hectares.

The Vardar Region comprises the central part of the Republic of Macedonia and spreads along the Vardar River and Ovchepole Basin. This region had the smallest number of citizens, 7.4% of the total population, in 2015. It covers 16.2% of the area of the Republic of Macedonia and at the same time is the most sparsely populated region with only 37.9 citizens per km². The abundance of water resources - rivers and artificial lakes, the favorable Mediterranean climate that penetrates along the Vardar River valley and the geomorphological configuration of the terrain are the main preconditions for this region to be renowned for its production of fruit and geographically specific grape vines. As a result, this region has the largest number of wine cellars and grape processing facilities in the country. Another important industry is the manufacture and processing of ferronickel.

The Vardar Region includes nine (9) municipalities, **(Sveti Nikole, Veles, Lozovo, Chashka, Gradsko, Rosoman, Negotino, Demir Kapija, Kavadarci)**

Demographic trends, including an aging and educational workforce and increasing dependency ratios, will become an increasing drag on the economy, especially to engaging labour force in Technological Industrial Development Zones. Many economists believe the best way to respond to these trends "is to support strong, sustainable economic growth. Economic growth will be supported by sound policies that support productivity, participation and population — the '3Ps'". Higher levels of education provide an economic payoff for the nation and for individuals. For the economy as a whole more education means more skilled workers, which means:**[8]**

- Higher productivity. Workers with more education bring a higher level of skills to the workplace.
- Higher participation. Workers with higher skill levels are more likely to work, and also tend to work for longer by choosing to delay retirement.
- Higher employment. Workers with more education are more employable and enjoy lower unemployment rates.

There is a clear and well-established relationship between education levels and levels of productivity.

In 2013, the Skopje Region had the biggest share (42.6%) in the gross domestic product of the Republic Macedonia, while the Northeast Region had the smallest share (5.3%). A higher gross domestic product per capita compared to the average of the Republic of Macedonia was recorded in the Skopje Region with an index of 143.5, the Vardar Region with an index 110.6 and the Southeast Region with an index 109.6. All other regions had gross domestic product per

capita below the average of the Republic of Macedonia. The smallest gross domestic product per capita compared to the average of the country was recorded in the Polog Region, with an index of 48.8.

The demographic indicators at the regional level show differences that point to a disproportion in the territorial distribution of the population. The Skopje Region, as the most densely populated, has almost ten times higher density than the Vardar Region, which is the least densely populated. There are also differences in the age structure of the population. The highest share of young population (0-14) is registered in the Skopje, Polog and the Northeast Region, while the highest proportion of old population (65+) is observed in the Pelagonia, Vardar and the East Region. The indicators of the average age of the population also confirm this situation [9].

The employment and unemployment rates of the population at the regional level show oscillations (differences) in relation to the total rates at the country level. The employment rate in the Vardar, East, Southeast and the Pelagonia Region in 2015 was above the total rate at the national level, with the Southeast Region having the highest employment rate of 56.9. The lowest employment rate in 2015 was observed in the Northeast Region. The lowest unemployment rate of 16.7 was recorded in the Southeast Region, which also had the highest employment rate. The highest unemployment rate was registered in the Northeast Region.

Investing in human capital is good for growth, especially in the context of rapid technological change: for ICT to be used effectively and the benefits of new technology to materialize, the right skills and competencies must be in place. The demand for “knowledge-intensive” employment has risen considerably, while skilled-labor shortages have emerged. According to the statistical data about graduated students, the highest number of graduated students was registered in the Skopje Region (2816); fewer graduated students were registered in the Polog Region (1047), and the fewest in the Vardar Region (568).

In the next period the links between higher education with the labor market must be strengthened. This can be achieved through a wider provision of short-cycle courses with a stronger occupational orientation. Making higher education institutions more accessible to adult workers who need to update their skills would also help, as the experience of Australia and others developed and developing countries shows. And stronger financial incentives based on the performance of education institutions would improve cost-efficiency [10].

The benefits of growth rate of higher educational share should be felled among the entire business world in Macedonia. One of the best ways to achieve this is to boost participation in the labor market. More effective active labor market programs, such as job-search and counselling schemes, would help.

5. Conclusions

This study examined the relative importance of state role in boosting regional and local harmonization. In the past period, Government of the Republic of Macedonia made significant preparations for including the private sector in financing and management of public services and physical infrastructure, to the end of increasing investments in public sector, improving quality of public services by introducing business principles in the public sector and promoting concessions and public private partnership. One of the measures to boosting economic development in RM, the Government of the Republic of Macedonia has established the institution of Technological Industrial Development Zone based on the Industrial Free Zone concept. The Technological Industrial Development Zone is established with the aim of developing highly propulsive and modern technologies by introducing economically profitable production and efficient utilization of the resources by applying the highest environmental standards.

Macedonian's government and many International institutions (especially EU's institutions) are currently working on boosting competitiveness while creating a favorable environment for local businesses that is necessary for putting the Macedonia on a sustainable growth path, create more and better jobs, and promote shared prosperity of the bottom forty percent of the population. The economic and demographic indicators at the regional level show differences that point to a disproportion in the level of economic growth and territorial distribution of the population. One of the best ways to achieve high level of harmonization among regions in Republic of Macedonia is to boost participation in the labor market and strength FDI in free zones.

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