



PRIORITY DIRECTIONS OF ESTABLISHING THE ACTIVITY OF FREE ECONOMIC ZONES IN UZBEKISTAN

Iskandarova Dilorom Khayrullayevna

Tashkent Financial Institute Department of Valuation and Investment

Email address: diskandarova 117@gmail.com

ABSTRACT

The article examines the priority directions for the establishment of free economic zones in Uzbekistan. Also, the formation of legal norms for foreign direct investments in accordance with international standards, attracting more investments to the country's economy, structural changes in the economy. Proposals and recommendations on the establishment of SEZs and increasing investment activity in them were formulated.

KEYWORDS

Investment, investment attractiveness, action strategy, potential, market conjuncture, strategic program, economic zone, industrial zone.

Introduction

As a result of increasing globalization processes, growing demand for investments between developed and developing countries, targeted scientific research is being conducted on the scientific solution of a number of problems. In particular, special attention is paid to scientific research aimed at the quality of economic growth through the formation of international standards for foreign direct investments, attracting more investments to the country's economy, structural changes in the economy, creation of new technologies, product and service sectors, and the rapid development of the innovative economy. "We will achieve rapid development of our economy due to the active attraction of investments and the launch of new production facilities... We can achieve a positive result in this matter if we can carefully formulate investment projects by regions and sectors for investors who want to invest in our economy. In this regard, it is necessary to organizationally and legally regulate the placement of business entities in free economic zones (SEZs) and small industrial zones, as well as giving them privileges and preferences. First of all, it is necessary to create such an opportunity for entrepreneurs and foreign investors who produce products for export, have established innovative and high-tech production" [1]. Today, there are more than a thousand types of SEZs in the world, depending on the size of their territory, openness to foreign economic activity participants, importance and form, and these zones are a unique multiplier for ensuring economic development.

Today, the socio-economic development of the countries of the world is significantly different from the previous stages in terms of its meaning. The most important aspect in this is the increasing integration and globalization of national economies, leading to the intensification of competition in the international arena and the struggle of each country to strengthen its position in the international division of labor. In this struggle, the countries that have attracted more foreign investments to the

national economy and organized modernization work in the economy are dominating the world competition by achieving high levels of development. During this period, the Republic of Uzbekistan should become a member of international financial institutions, improve the relations of investment activities using the experiences of the developed countries of the world, and harmonize them with international norms in order to attract more foreign investments from the world investment market to the national economy.

Review of literature on the subject

Economists A.Vahabov, Sh.Khojibaqiev, N.Mo'minov noted the following about the investment environment: "Investment environment is a set of economic, political and social factors that predetermine the level of volatility of foreign capital investments and the possibilities of their effective use in the country. The investment environment is a complex, multifaceted concept, and has indicators such as national legislation, economic conditions (crisis, growth, stagnation), customs regime, currency policy, economic growth rates, inflation rates, exchange rate stability, level of foreign debt" [2] .

Research Methodology

According to the State Statistics Committee, as of 1 April 2022, there are 20 special economic zones (SEZs), 116 directorates of small industrial zones (SIZs), 12 technoparks and 440 clusters in the country, which are included: in the SEZ – 512 enterprises, SIZ – 1,865, technology parks – 58 and clusters – 446 enterprises. The volume of industrial production for the specified period totaled 13.87 trillion soums, including: in the FEZ – 5.45 trillion soums, SIZ – 947.9 billion soums, technology parks – 111.0 billion soums and clusters – 7.36 trillion soums. The largest volume of industrial production was recorded in clusters – 7.36 trillion soums.

2021, the total volume of industrial production amounted to 9.61 trillion soums, including: in the FEZ – 3.28 trillion soums, SIZ – 672.4 billion soums, technology parks – 87.8 billion soums and clusters – 5.6 trillion soums. The volume of construction work performed on its own, totalled 8.5 billion soums, including: in the FEZ – 5.4 billion soums, technology parks – 3.1 billion soums. The largest volume of construction work performed on its own was recorded at the enterprises included in the FEZ – 5.4 billion soums. In January-March 2021, the volume of investments in fixed assets from all sources of financing totalled 1.05 trillion soums, of which: in FEZ – 669.5 billion soums, SIZ – 93.6 billion soums, technology parks – 9.9 billion soums and clusters – 279.8 billion soums.

In January-March 2021, the amount of profit (loss) of enterprises before paying income tax totalled 329.9 billion soums, including: in the FEZ – -116.5 billion soums, SIZ – 111.5, technology parks – 3.6 and clusters – 331.3 billion soums. Accounts receivable for the specified period totalled 10.16 trillion soums, including: in the FEZ – 5.22 trillion soums, SIZ – 576.1 billion soums, technology parks – 89.9 billion soums and clusters – 4.27 trillion soums. Accounts payable for the same period totalled 11.8 trillion soums, including: in the FEZ – 6.1 trillion soums, SIZ – 819.7 billion soums, technology parks – 129.0 billion soums and clusters – 4.74 trillion soums.

As of 1 April 2021, the receivables of enterprises totalled 6.7 trillion soums, including: in the FEZ – 3.58 trillion soums, SIZ – 458.3 billion soums, technology parks – 39.5 billion soums and clusters – 2.61 trillion soums; accounts payable for the same period totalled 9.44 trillion soums, including: in the FEZ – 4.54 trillion soums, SIZ – 965.7 billion soums, technology parks – 51.3 billion soums and clusters – 3.88 trillion sum. The volume of shipped products (goods and services) outside the republic (export)

totalled 2.36 trillion soums, including: in the FEZ – 752.4 billion soums, SIZ – 236.9 billion soums, technology parks – 33.4 billion soums and clusters – 1.34 trillion soums.

Currently, 24 special economic zones (SEZs) are functioning in the Republic of Uzbekistan, 23 of which specialize in industry and 1 in agriculture. In total, from 2008 to 2022, 604 projects worth US\$3.2 BN were implemented in the territories of special economic zones, of which direct foreign investments amounted to about US\$896.9 MM. As a result, about 55 thousand new jobs were created. The largest of these projects were implemented in Angren FEZ (84 projects worth US\$1,038.2 MM), Navoi FEZ (73 projects worth US\$495 MM), Urgut FEZ (77 projects worth US\$335.9 MM) and Kokand FEZ (84 projects worth US\$280.2 MM).

In the period under review, FEZ member enterprises produced over 500 types of industrial products worth 13.7 TN UZS and exported products worth US\$283.1 MM, a growth of 114% compared to the same indicator of 2022. A large-scale work was carried out to improve the legal and regulatory framework governing the development of free economic zones. Thus, the Law of the Republic of Uzbekistan "On Special Economic Zones" was adopted, which provides for the procedures of establishing, extending the term of operation and liquidation of free economic zones, changing their borders, revising the system of their management, as well as the procedures for registration of their participants.

In addition, the document stipulates that financing of construction or reconstruction of infrastructure facilities on the territory of a SEZ may be financed from both centralized and non-centralized sources. Providing SEZs with the necessary infrastructure is a key factor in their effective functioning and attracting new investors and entrepreneurs to implement projects on their territory. In this regard, it is planned to allocate 847 BN UZS in 2023 to carry out works on connecting existing SEZs to engineering and communication networks.

In particular, it is conditioned by positive forecast of investment activity in FEZs: in 2023, 86 new investment projects worth US\$983.6 MM are planned to be realized in free economic zones of Uzbekistan. As a result of the implementation of these projects, the production of 128 new types of industrial products will be mastered and 13 thousand new jobs will be created.

It can be seen from the table that 65.6 percent of the world's countries, i.e. 143 out of 218 countries, have SEZs. We roughly divided the countries of the world into six regions in order to analyze the distribution of SEZs around the world. We found out which of these regions have SEZs or not

Table 1 Distribution of free economic zones in the countries of the world¹

World regions	Number of countries in the region	EEZs there is countries*	In interest	EEZs no countries**	In interest
Developed countries	32	28	87,5	4	12,5
Latin America	45	41	91,1	4	8,9
Africa	54	13	24,1	41	75,9
Asia	37	26	70,3	11	29,7
Oceania	18	11	61,1	7	38,9
Transition economy countries	32	24	75,0	8	25,0
	218	143	65,6	75	34,4

¹ The World Bank "Global Financial Development Report 2015", 2016 year page- 32-33.

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Free trade zones are also common in the world. Free trade zones are most developed in the United States. Their organization is provided by a special law of 1934. Its purpose is to stimulate trade, speed up trade operations, and reduce trade costs.

Table 2 Types of free economic zones²

№	Sales oriented	Industry is oriented towards production	Focused on technical areas	Service is directed
1.	Free customs	An import substitute	Technopolis	Offshore
2.	Bond warehouses	Export production	Technopark	Financial centers
3.	Free port	Industrial parks	Regions developing new and high technologies	Banking services
4.	Free trade zone	Maquiladoras		Tourist services Ecopark

The following scientific-theoretical conclusions were formed within this chapter of the research work: with the establishment of industrial zones, producers will have the opportunity to sell their products on the international market and buy the products they need without intermediaries. Entrepreneurs can take advantage of tax and customs benefits and make payments, that is, it is important for the formation and development of the market of national currencies [7].

Conclusion

The following scientific proposals and practical recommendations aimed at activating the attraction of investments in free economic zones were developed:

1. When establishing SEZs and increasing investment activity in them, it is appropriate to provide differentiated benefits based on the types and goals of SEZs.
2. In accordance with the regime of applying tax incentives in the "Navoiy" SEZ established by the legislation, when the volume of direct investments is brought to the level of the next level of incentives, the term of tax incentives is calculated by deducting the previously valid incentive period [8].

This situation does not encourage the interest of investors to increase the volume of investments in these free economic zones. Based on this, when the volume of direct investments is brought to the level of benefits of the next level, it is appropriate to cancel the practice of deducting the period of tax benefits that were already in effect [9].

²Жадвал муаллиф томонидан иқтисодий адабиётларни ўрганган ҳолда муаллиф томонидан ишлаб чиқилган.

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