

**SPECIAL ECONOMIC ZONES AS DRIVERS OF REGIONAL
ECONOMIC DEVELOPMENT: BEST PRACTICES AND
IMPLICATIONS FOR UZBEKISTAN**

Khatamova Manzura Ochildiyeвна,
Scientific Researcher

ABSTRACT	KEYWORDS
Special Economic Zones (SEZs) are considered effective tools for promoting industrialization and structural transformation, provided they are implemented appropriately in the right context. This document reviews existing practices of SEZ establishment using examples from successful countries, including China and South Korea, and explains how SEZs contribute to regional economic development.	SEZ, economic development, cluster, free trade zone, SEZ characteristics, economic growth, multinational corporations.

Introduction

Overview of SEZs

Special Economic Zones are a general term representing various types of traditional trade zones. They are geographically confined areas that are physically secured (Ganne, 2018) and governed by unique administrative systems. SEZs often operate under more liberal legal frameworks and offer several benefits, such as duty-free operations (Farole, 2011).

Advantages of SEZs

1. **Direct Economic Benefits:**
 - Job creation.
 - Currency exchange.
2. **Indirect Economic Benefits:**
 - Transfer of new technologies and skills.

SEZs act as integrated tools for economic development, providing a geographically restricted area with special legal status and favorable economic conditions for both domestic and international entrepreneurs.

SEZs in Developing Economies

Most developing countries focus on enhancing regional economic practices through the establishment of SEZs. The primary goal of these zones is to attract foreign direct investment (FDI). However, many developing nations lack the expertise and knowledge to fully utilize SEZs' potential.

China's SEZ Practices

China serves as a notable example, being one of the first countries to succeed in establishing SEZs. The term "Special Economic Zones" in China encompasses a wide range of zones, including free trade zones, export processing zones, industrial parks, free ports, and enterprise zones (Chiao, 2010).

China's SEZs, such as Shenzhen, Zhuhai, Shantou, Xiamen, Hainan, Shanghai Pudong New Area, and Tianjin Binhai New Area, vary in functionality and cover extensive areas (Hu, 2018). These zones have been instrumental in promoting GDP growth, employment, and trade through increased exports and FDI attraction.

South Korea's SEZ Success

South Korea exemplifies effective SEZ implementation, setting a benchmark for other nations. Key factors contributing to this success include strategic locations (McCormick, 2017) and investment-friendly policies. The South Korean government incentivized foreign companies by offering favorable land leasing options and a variety of benefits.

The **Masan Free Trade Zone**, a prominent example, hosts global companies like Nokia, Sanyo, and Sony, which form concentrated industrial clusters. Another significant aspect of South Korea's SEZ model is its strong collaboration with local governments, enabling domestic companies to benefit from advanced technologies and employment opportunities, fueling local economic growth.

Five critical factors that facilitated South Korea's SEZ development include:

1. Strategic location.
2. Timely establishment.
3. Comprehensive service provision.
4. Robust government support.
5. Engagement of major multinational corporations (Farole, 2011).

Uzbekistan's SEZ Strategy

In the context of liberalization and economic modernization, Uzbekistan is creating favorable conditions to attract foreign direct investment (FDI). The government views SEZs as pivotal in ensuring access to products and services that meet international standards.

SEZs in Uzbekistan aim to stimulate regional development and industrial sector growth. These zones are crucial for transitioning to a market economy, not only in attracting FDI but also in advancing economic reforms. Evidence from global practices shows that SEZs with proper tax incentives and customs benefits significantly boost a country's GDP. For instance, SEZs in Manaus, Brazil, contribute to half the region's GDP, create jobs, and enhance exports.

Uzbekistan has adopted laws to encourage FDI through SEZs. Initial SEZs include:

1. **Navoi Free Industrial-Economic Zone.**
2. **Angren Special Industrial Zone.**
3. **Jizzakh Special Industrial Zone.**

Other SEZs established include:

- Urgut Free Economic Zone.
- Gijduvon Free Economic Zone.
- Kokand Free Economic Zone.
- Hazorasp Free Economic Zone.

Global and Environmental Context

The popularity of SEZs is growing, driven by evolving global economic and market conditions. For instance, China designated specific cities and provinces as SEZs to pilot market-oriented economic reforms. This model has been adopted widely in East Asia and Latin America.

Additionally, the rising global emphasis on climate change has highlighted the need for SEZs focusing on ecological sustainability, setting a trend for "green zones." Successful SEZs align with the host country's comparative advantages and require a long-term vision, as economic reforms take time to materialize.

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