

## SPECIAL ECONOMIC ZONES AS A FACTOR OF REGIONAL DEVELOPMENT

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### ANNOTATION

The article was described the role of special economic zones in regional development, which play an important role in the regional economic and social development of Uzbekistan. Practical proposals was given for the development of special economic zones.

**Keywords:** economic globalization, special economic zones, free economic zones, technoparks, small industrial zones, infrastructure, investment

### INTRODUCTION

Today, the changing world market situation, the growing competition in the context of global economic globalization and integration require the development and implementation of a completely new approach and principles for the more stable and rapid development of Uzbekistan.

The role of special economic zones in regional development has been recognized by several scholars. In particular, the Russian economist VD Adrianov describes: “Free economic zones are part of the national territory and create ample opportunities for solving economic problems”[1].

Leading economists of our country have a different approach, focusing on preferential treatment and administrative management in free economic zones. Therefore, according to AV Vakhobov, Sh.Kh. Khajibakiev, NG Muminov, a free economic zone is a limited area with a special preferential economy for local and foreign entrepreneurs[3].

The “Development Strategy” for the seven priority areas of further development of the Republic of Uzbekistan for 2022-2026 sets important tasks to strengthen macroeconomic stability, create a favorable infrastructure for the active attraction of foreign investment, first of all, in foreign sectors and regions. In this regard, the measures taken in our country to establish special economic zones, technoparks and small industrial zones, to increase their efficiency are becoming increasingly important.

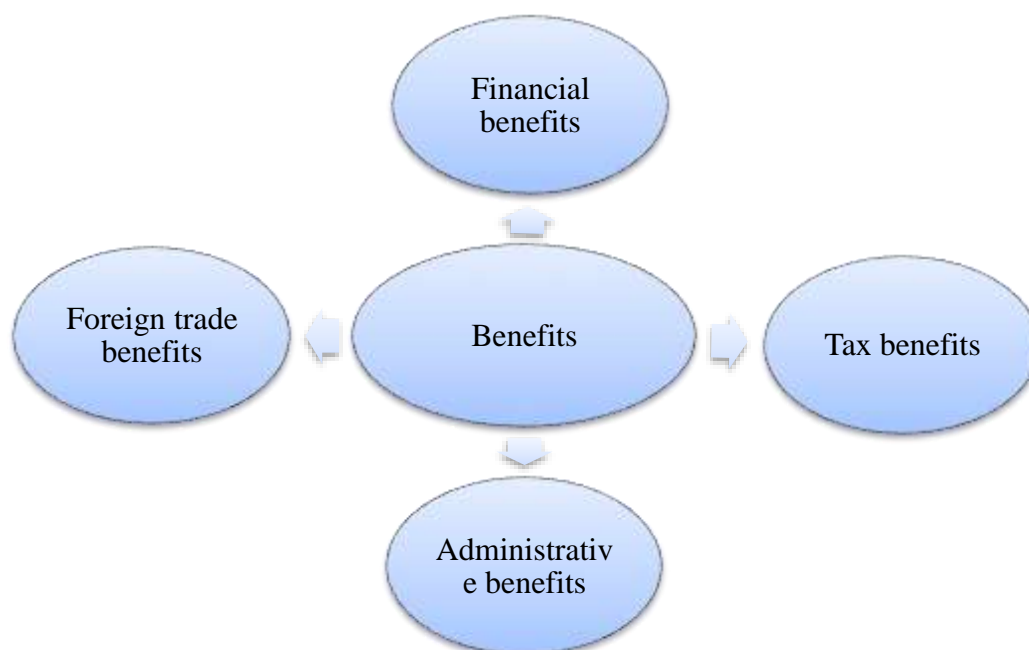
In accordance with the Resolution of the President of the Republic of Uzbekistan dated October 25, 2017 No PP-3356 “On additional measures to increase the efficiency of free economic zones and small industrial zones”[6]. Currently, there are 23 free economic zones and more than 400 small industrial zones in the country, which are part of special economic zones

Special economic zones play an important role in the country's industry and production activities. Special economic zones are not limited to the manufacturing sector, but also operate effectively in the field of logistics. In order to further improve the activities of these areas, the Law of the Republic of Uzbekistan “On Special Economic Zones” dated February 14, 2020, No. ZRU-604[7] was developed. The main purpose of this law is to regulate relations in the field of organization of functioning and development of special economic zones. The development of the special economic zone will be carried out in accordance with the program, which includes the following measures:

- Creation of production infrastructure;
- Providing programs for the development of engineering and communication and road transport infrastructure;
- Creation of market infrastructure;
- A set of measures to attract foreign investment and domestic investment in accordance with the activities and sectoral specialization of the special economic zone.

The preferential conditions for the movement of capital, the growth of foreign investment, lead to an increase in the flow of productive resources to some economic regions of the country, which, in turn, exacerbates the imbalance of the economy in other regions. The reason is that, as mentioned above, the first step in the establishment of Special Economic Zones begins with attracting idle funds from local investors. The Special Economic Zone, which was established before the second stage, ie the stage of attracting foreign investments, consists of a high concentration of capital accumulated throughout the country. This leads local investors to move their capital from their territories to other SEZs. Of course, this process takes a long time. Foreign experience shows that this period lasted 20-25 years in England and 30-35 years in China.

A common feature of the Special Economic Zones in the Republic of Uzbekistan is the availability of favorable customs, investment, financial benefits and advantages over the general procedures applied to entrepreneurs in this country. (1-figure)



1-Figure. Benefits created for special economic zones

These benefits are divided into 4:

1. Financial privileges of the special economic zones created in the Republic of Uzbekistan are:
  - Subsidies and soft loans.
  - Provision of various infrastructure services at affordable prices.
  - Introduction of low rents for the use of local industrial facilities in relation to land plots and industrial enterprises;

## 2. Tax benefits are:

- Exemption from income tax for up to 20 years.
- No tax on reinvested profits.
- Exemption of foreign employees from income tax.
- Tax holidays.
- Accelerated depreciation.

## 3. Administrative privileges are:

- Providing investors with infrastructure that can meet modern requirements.
- Leasing of fixed capital on favorable terms.
- Maximum simplification of registration and customs operations.
- Simplification of visa procedures for foreign nationals.

## 4. Foreign trade privileges are:

- Reduction or abolition of export-import duties.
- Exemption of exports of goods from special economic zones from quotas and licenses.
- Simplification of the procedure for foreign trade operations.

At present, there are 9 industries in the country, 7 in the pharmaceutical industry and 7 in the agricultural sector.

There are 2 special economic zones in tourism, transport logistics, sports equipment production. 62 projects worth \$ 46 million have been implemented in Navoi, Angren, Jizzakh, Urgut, Gijduvan, Kokand and Khazarasp economic zones, and more than 4,600 jobs have been created[8].

As of November 2020, SIZ has implemented 194 investment projects (Table 1).

Table 1 Information on investment projects in SEZs[11]

As of November 2019

| № | Name of free economic zone    | Total implemented projects |                         |                              |                |
|---|-------------------------------|----------------------------|-------------------------|------------------------------|----------------|
|   |                               | Number of projects         | value (million dollars) | including foreign investment | number of jobs |
|   | In the Republic of Uzbekistan | 194                        | 1191,9                  | 389,4                        | 13 363         |
|   | "Nukus-farm" SEZ              | 3                          | 16,2                    | 3,9                          | 430            |
|   | "Gijduvon" SEZ                | 13                         | 44,9                    | 0,0                          | 776            |
|   | Bukhara-agro SEZ              | 0                          | 0,0                     | 0,0                          | 0              |
|   | "Jizzax" SEZ                  | 16                         | 106,5                   | 55,9                         | 1 614          |
|   | "Navoi" SEZ                   | 32                         | 170,9                   | 50,0                         | 1 269          |
|   | "Namangan" SEZ                | 0                          | 0,0                     | 0,0                          | 0              |
|   | "Urgut" SEZ                   | 31                         | 102,3                   | 19,6                         | 1 634          |
|   | "Sirdaryo" SEZ                | 21                         | 75,2                    | 26,5                         | 1 332          |
|   | "Sirdaryo-farm" SEZ           | 3                          | 51,0                    | 0,0                          | 516            |
|   | "Termiz" SEZ                  | 0                          | 0,0                     | 0,0                          | 0              |
|   | "Angren" SEZ                  | 50                         | 585,3                   | 221,4                        | 4 409          |
|   | "Charvoq" FTZ                 | 0                          | 0,0                     | 0,0                          | 0              |
|   | "Kokand" SEZ                  | 19                         | 32,2                    | 10,4                         | 1 216          |
|   | "Hazarasp" SEZ                | 5                          | 7,1                     | 1,7                          | 157            |

The total cost of the projects is 1191.9 million dollars (including 389.4 million dollars of foreign investment). These projects have created 13,363 new jobs.

From the point of view of regional and regional socio-economic development, the Kokand Special Economic Zone, which is now part of the Fergana Economic Region, is of special importance. Fergana region also has a worthy place in the country due to its favorable geographical location and level of economic development.

### CONCLUSIONS AND SUGGESTIONS.

In conclusion, SEZ plays an important role in the economic development of the country's regions, in attracting investment in various sectors of the economy. Based on the experience of foreign countries in the development of SEZs, there is a common mechanism for sustainable development of SEZs.

Based on the above experience, the implementation of the following on the development of SEZs in Uzbekistan can have a positive effect:

- It is necessary to simplify the organizational and legal processes associated with the establishment of existing SEZs in the country. In this regard, it is advisable to introduce digital technologies into the system. In this regard, the use of the process of non-governmental organization of small industrial zones in India can have a positive effect;
- In order to attract more foreign investment in existing SEZs, especially in the pharmaceutical sector, offering a "separate package of benefits" for large transnational companies in this field will serve to increase the investment potential of SEZs.

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