

INVESTMENTS ROLE IN FREE ECONOMIC ZONES

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ANNOTATION

This article examines the history of the emergence of free economic zones, their role in the country's economy, the organization of sufficiently effective free economic zones and methods for accurately assessing their effectiveness, as well as the foreign practice of creating effective free economic zones.

The study also emphasizes the scientific, theoretical and practical significance of this study, as well as the current state of free economic zones in Uzbekistan, the legal framework for their organization, as well as the advantages and disadvantages of these legal frameworks for participants in free economic zones.

In the course of the study, the available data and analysis of studies by foreign researchers made it possible to give recommendations on the existing problems in the activity of free economic zones in the country today and ways to increase their effectiveness. Practical proposals have also been developed to improve the financial and economic indicators of SEZ for the development of the industry.

Keywords: free economic zone, investment, investor, national economy, investment policy, financial privilege, administrative privilege, infrastructure, efficiency, economic indicators, free trade zones, free production zones.

INTRODUCTION

The relevance of the study consists, first of all, in the creation of free economic zones (FEZ) with the aim of attracting foreign investment in our country, studying the financial issues of their development and analyzing the state of development of free economic zones in Uzbekistan and ways to solve them. Today, one of the most important ways to achieve sustainable economic growth in Uzbekistan is the effective use of all domestic resources and the active attraction of foreign investment. In the context of the integration of the economy of Uzbekistan into the world economy, the use of free economic zones to implement export-oriented economic development policies, as well as high-tech, import-substituting industries.

Accordingly, the issue of strengthening the foreign trade process and the export potential of the country due to the liberalization of foreign economic activity during the formation of the national economy, taking into account the specifics of the transition to a market economy in our country, is very relevant today. The effective use of methods to strengthen the foreign trade process and the country's export potential is one of the most important issues of our time, which determines the relevance of the topic.

Stressing the high role of foreign investment in the national economy, the President of the Republic of Uzbekistan Shavkat Mirziyoyev in his Message to the Oliy Majlis in January 24, 2020 said: "For the development of the economy at a fast pace, we need to consistently continue an active investment policy.

This year, investments of \$ 23 billion will be spent with the commissioning of 206 new large production facilities. " He also set the most important priorities of today and attracting investment: "In order to support investors, they are introducing installment plans for paying taxes, and partially compensating the state for the costs of creating infrastructure. Along with this, the practice of deduction of expenses for the purchase of new technological equipment, construction and modernization of new facilities during the calculation of income tax has been expanded. An inventory should be made of about 3 thousand enterprises with a state share and measures should be taken to drastically reduce state participation in those areas where the private sector and competition are developing." These innovations will undoubtedly increase the investment attractiveness of our country and create a favorable climate for the formation of new free economic zones throughout the country.

One of the effective ways to develop the economy of a particular region is to create a free economic zone in the region. In many developed and developing countries, the creation of several types of free economic zones has had a significant impact on the country's economic development. One of the urgent tasks is to study the experience of different countries and adapt it in Uzbekistan to create and develop free economic zones. In this sense, the chosen research topic is one of the most relevant topics of our day.

LITERATURE REVIEW

A free economic zone is a place where, in accordance with international treaties or special laws, preferential tax, finance, customs and free currency conversion, legal conditions are created for economic and foreign economic activity. They were created to attract foreign and domestic entrepreneurs and create the necessary production and business infrastructure (Pushkin, 2016).

Free economic zones are often located at interstate borders (areas bordering several countries), international airports, port cities (for example, Malaysia or South Korea) or adjacent areas (countries of the Great Silk Road or EU territory). Free economic zones have a special international legal status, however, wherever they are, they are an integral part of the country. They were created to attract foreign and domestic entrepreneurs and create the necessary production and business infrastructure. The goal of creating a free economic zone is to create a new economic space with the attraction of new technologies, investments and the rapid development of the country's economy. The first free zones arose along the Mediterranean coast at the end of the 16th century. Over the years, the concept of free trade zones has undergone significant changes. Colonial expansion in Asia in the 18th and 19th centuries led to the creation of free zones in Gibraltar, Singapore and Hong Kong. Initially, the greatest importance was attributed to trade and warehouse operations. In most cases, even minor processing operations were prohibited.

The first production area was opened in 1959 at the Shannon Airport in Ireland, creating export-oriented industrial areas. Success in the Shannon airport area has led to the proliferation of similar status zones in Taiwan, Korea, the Philippines, Malaysia and Mauritania. Over the years, in the 1970s, the United States and Brazil had zones that were mainly import-oriented. In Manaus, Brazil has a duty free zone with a core business in agriculture, which also serves as a pilot project for the tropical agriculture model. In 1978, China created four special economic zones. South Korea is the first country in the world to pass a law establishing a free zone (January 1, 1970).

In Eastern European countries, the legal basis of free economic zones was created in the 1980s. In 1982, the first joint production sites were created in Hungary, according to an order from the Ministry of Finance. In Poland, the law on free economic zones was adopted in 1988. One of the first zones is the port of Szczecin. In Russia, the legal framework for free economic zones has been developed since the early 1990s. The first experimental zones are being created in the Baltic, Black Sea and Pacific coastal areas. In the former Yugoslavia, free economic zones are created in accordance with the 1985 law. In Romania, the conditions for free economic zones are determined by a 1978 decree of the Council of State. Bulgaria created the legal basis for free economic zones in 1987.

There are various types of free economic zones: free warehouses, free customs zones, scientific and technical zones, for example, they are called technoparks in the USA, technopolises in Japan. One of the first free economic zones was created at the Shannon Airport in Ireland (1959). The same area later appeared at Dogland Airport in England. Some free economic zones are created in large areas. For example, Manaus in Brazil, the special economic zone of Shenzhen in China and others. In world practice, free economic zones have been created in developed countries (Great Britain, Germany, the Netherlands, the USA, etc.), as well as in developing countries (Brazil, the Republic of Korea, Malaysia, etc.). Attracting foreign capital to free economic zones is widely used in Chinese politics. At the end of the 20th century, free economic zones were created in the United Arab Emirates, Russia and Poland.

The idea of free economic zones in Uzbekistan was positively evaluated for the development of the national economy. Therefore, on April 25, 1996, the country's Parliament adopted the Law of the Republic of Uzbekistan "On Free Economic Zones". This law provides for the development of foreign investment trade and industry, as well as the legal framework for creating favorable conditions for improving the country's economy..

ANALYSIS AND RESULTS

There are various types of free economic zones, which can be either industrial or several products depending on working conditions, the country's infrastructure, state supervision and geography. The development of modern free economic zones goes mainly through 3 stages: the initial development receives the classic free zones - (storage and transshipment zones). They allow companies to store, inspect, pack, label and transfer goods with goods that are exempt from customs duties and other state taxes and fees. Currently, there are more than 200 small free zones of this type in the world.

The second stage in the development of free economic zones is associated with the emergence of free industrial zones or so-called export processing zones. The first free zone of this type was created in Shannon, Northern Ireland, in 1959, and currently employs more than 8,000 people and accounts for 20% of the country's exports. Today, more than 145 such sites operate in more than 40 countries. Most companies import semi-finished products for production, assembly and packaging in these areas, and then export finished products mainly to Western Europe and the United States.

The third stage is connected with the emerging “complex free zones” - (free ports, special economic zones and information processing zones). Back in 1955, the Government of the Bahamas granted duty-free treatment, tax incentives, and immigration flexibility to support private sector development on 138,888 acres of land on the island of Golim Bahama. funding was directed to the construction of an international airport, a deep-water port, an industrial park with factories, intensive tourism and housing. These integrated industrial and financial zones are an example of success in free economic zones. Complex free zones also belong to the so-called special economic zones (as far back as 1978 China created four such zones), which are built to attract foreign investment, stimulate and attract highly qualified specialists, as well as to accelerate the transfer of technology. By the early 1990s, these areas of China had attracted more than \$ 9 billion. In recent years, a new type of complex free economic zones has appeared - information processing zones. The first was created in Montego Bay (Jamaica) and is designed to attract foreign information industries. The main advantages of free economic zones stem from their role as instruments of trade and investment policy.

These static benefits result from the benefits of specialization and exchange. Moreover, today free economic zones operate in even more difficult conditions. Due to the new industrial revolution, the zones will have to rethink their competitive advantages, as the importance of traditional local advantages is diminishing. At the same time, the SEZ will need to conduct business in a more socially and environmentally responsible manner, which contributes to the achievement of the Sustainable Development Goals (SDGs). These problems require the modernization of special economic zones (Willeminj, 2013).

The development and growth of regional autonomy implies an increase in their degree of recognition associated with the expansion of international economic relations and trade. One of these options is free economic zones, such as a special type of state (or private) regulation of international economic relations and trade. Free economic zones throughout the world should include duty-free shops and warehouses, port, economic, banking or duty-free. As a rule, they are intended to stimulate industrial exports, increase foreign exchange earnings and jobs used as “laboratories” for testing new economic methods and mechanisms. Another favorable feature of all free economic zones is a favorable investment climate - customs, tax, financial and administrative privileges in comparison with the general regime in force in the rest of the economic region in a given country (region).

Often factors such as political stability, investment guarantees, the quality of infrastructure, and the qualifications of the workforce are crucial. The localization of such a free zone is an important element of the national strategy and an important approach in the development of regional policies for this territory. This is one of the internationally recognized forms of

organizing production, especially high-tech products, as well as creating conditions for the provision of modern technologies, as well as for attracting foreign direct investment and accelerating the development of certain economic regions. Free economic zones are an important tool for regional development. In international instruments, free zones are more simply defined as “geographical areas”, where traditional restrictions imposed by manufacturing sectors are abolished. Based on world practice, we can distinguish several models of free zones that have been created at the national level: Geographically limited Geographically limited, poorly efficient work areas located in places with a key geographical and economic position, well-protected infrastructure and administrative bodies.

Geographically limited without limitation in quantity, but most often in small territories. large area Free cities, ports. Establishment of the status of a free zone in the territory of a certain administrative region or the whole country.

An analysis of the legislation shows that in all duty-free and economic zones the following activities are allowed:

- ☐ import and export of goods;
- ☐ Doing Business;
- ☐ Implementation of activities for the production and processing of goods;
- ☐ Banking and other financial transactions;
- ☐ Warehousing and storage of goods and other materials.

Free economic zones can be seen as investments in industrial infrastructure and a service provider to attract and facilitate foreign investment, integrate local firms into global value chains, stimulate export-oriented growth, and create jobs. For many countries, these zones are an important tool for socio-economic development. They are widely used to launch industrial sectors and facilitate the transfer of technology to the local economy and can help improve the overall investment environment, reduce transaction costs for operations, increase the ease of doing business and streamline administrative procedures, including the necessary time to set up operations. The initiative to create free economic zones may come from different institutions and organizations. In Macedonia and the United Arab Emirates, the initiative to create free economic zones belongs to the government. In Lithuania, the creation of a free economic zone can be initiated by the central government, district or municipal council, which presents its proposal to the government. In Belgium, this is at the initiative of a local company or a local branch of a foreign company, which contacts the authorized bodies to take advantage of the preferential scheme of focal points. Under US law, the initiative belongs to the corporation, which is part of the board.

In China, free economic zones are created by provincial and autonomous provincial authorities. The situation is similar in Belarus, where free economic zones are proposed by local executive and dispositional bodies. In Moldova, Mongolia and India, free economic zones are created by central and local authorities or individual economic operators that submit proposals to the Council of Ministers. In the Philippines, there is a special regime providing for the creation of an area by local authorities and / or private entities outside the central government.

China is one of the most successful countries in terms of using SEZs to achieve far-reaching economic transformations. At the initial stage, he started with four zones to experiment with

market economic reforms, which include laws, regulations, taxation, land, labor, finance, customs, immigration, etc. After the zone program and related reforms gradually began to be deployed throughout the country in more diverse forms, and some zones were developed with a more complex agenda, such as high-tech industrial parks. Together with numerous industrial clusters, SEZs made a significant contribution to national GDP, employment, export, and attraction (Zhiyanova, 2014).

The analysis shows that SEZs had a strong positive impact on the development of the least developed regions in Poland, while in the relatively richer ones the effect was weak or even negative (Adam, Ambroziak & Christopher and Hartwell, 2017). In free economic zones, there are also various restrictive or prohibited activities. For example, the laws of Belarus, Lithuania, Macedonia and Moldova prohibit the production, storage, processing and sale of weapons, ammunition and explosives in free zones. Belarus, Lithuania and Macedonia are forbidden to produce, process, store and render harmless radioactive materials.

In Macedonia, radioactive materials may be imported into the economic zone only for industrial, medical and scientific purposes. The production, storage and sale of drugs and potent toxic substances, as well as crops containing drugs and potent substances, is prohibited in Belarus and Lithuania. In these two countries, the treatment of people suffering from dangerous infectious diseases is prohibited. In addition, the production of securities, banknotes, coins and postage stamps is prohibited in the free economic zones of

Belarus and Lithuania. The legislation of both parties prohibits the preparation and broadcasting of radio and television programs, with the exception of technical support for printers, radio and television. Macedonia is prohibited from producing products and services that violate the protection of intellectual property in accordance with national law and international agreements.

Free zone areas in the United States, Latvia, and Lithuania are prohibited in retail trade, with the exception of the sale of goods for direct consumption by workers in these areas. The laws of other countries - Belgium, the USA, Italy, India, the United Arab Emirates, Mongolia, Estonia, Slovenia, the Philippines and France do not have a clear list of prohibited activities. In Italy, India, the United Arab Emirates, Macedonia, Mongolia and France, economic units are fully exempt from tax for a certain period and under certain circumstances. In China, economic units are exempt from a certain amount of the tax base. The legislation of Latvia and Slovenia provides only a reduction in the tax rate. There is a mixed regime in Lithuania and Moldova. Some countries provide property tax immunity benefits. In Latvia, Macedonia, Mongolia, the United Arab Emirates and France, land and property taxes are not levied. Full or partial exemption from value added tax (VAT) is provided by the laws of the USA, China, Latvia, Mongolia and Moldova. Slovenia has a zero tax rate on the import of facilities, industrial raw materials and services necessary for the export of products or other permitted activities in the area. Legislative research has shown that in the United States, Italy, India, Mongolia, and Moldova, there are benefits or reduced excise taxes under certain conditions. In the Philippines, unless otherwise provided by law, organizations in the area are exempt from taxes.

CONCLUSION

When we analyze such data, the creation of a free economic zone in a country is not its ultimate goal. The purpose of zoning is to accelerate and modernize the growth of industry and the economy, fill the domestic market and increase foreign exchange earnings due to export growth. The program for creating free economic zones is purposefulness, financial and organizational socio-economic problems, common to all but problems.

These include:

- reorganization of business relations of enterprises;
- state protection of the interests of domestic manufacturers in the international market;
- The presence of local bureaucracy and bureaucratic barriers to the development of free enterprise.

There is no developed infrastructure in the country, no access to international sea ports and enough "charm" to attract foreign investors and compete with existing and established regions around the world. not to that extent. However, this does not mean that the SEZ in Uzbekistan has no future. For this, it is necessary to more clearly define the model for the development of SEZ. The practice of creating free economic zones shows that the infrastructure is necessary for their effective work, the development of which requires large investments. In China, the problem is that \$ 5 million of foreign resources had to be spent on transport, sustainable water and energy, and comfortable housing to attract \$ 1 million of foreign investment.

Analyzing foreign experience, we can conclude that the development of national industries will largely depend on the country's policies aimed at protecting its domestic market, increasing the competitiveness of domestic products and creating favorable conditions for investment activity.

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