

## CAPTIVATING INVESTMENTS TO SPECIAL ECONOMIC REGIONS FOR DEVELOPMENT

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### ABSTRACT

*The essence of special economic zones is revealed in the article. In this regard, the scientific research works of foreign and national economists were introduced. The improvement of the legal basis for the establishment of free economic zones in Uzbekistan, the state of establishment and development of free economic zones, and the macroeconomic trends of attracting investments to the economy have been studied.*

**KEYWORDS:** *Special Economic Zones, Investment, Tax, Customs, Benefits, Export And Import.*

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### INTRODUCTION

World experience shows that sustainable economic growth of the country and the region and the wide attraction of local and foreign investors can be achieved by increasing investment activity. In this process, special economic zones are one of the most effective forms of stimulating investment activity. The availability of special tax and customs regime benefits, cheap labor force, raw material import and export procedure and simplification of product production attract local and foreign investors. Today, great attention is being paid to the establishment of free economic zones in order to attract investments.

Special economic and small industrial zones increase the efficiency of using the economic potential of our country and become a modern, convenient and effective way of developing entrepreneurship. In recent years, such economic areas, which are being actively organized in all regions of our republic, have become a major “driver” in providing employment to the population by localizing imported products, increasing local export potential, and creating new jobs. The President’s decision “On measures to further develop the engineering and communication infrastructure of special economic and small industrial zones” adopted on April 30, 2021 was another important step towards the development of the network.

### ANALYSIS OF LITERATURE ON THE TOPIC.

We can see that there are different opinions of foreign and local scientists who have conducted research on the concept of free economic zones and their content. In this regard, according to the economist T. Farole, “EIHs are defined as demographic and geographical areas located in the territory of the country and business entities” [1].

Also, M.M. According to Boguslavsky, “In international practice, free economic zones of states are understood as free economic zones”, where special favorable conditions for the operation of foreign enterprises are created to solve specific economic and other tasks [2].

According to the interpretation of T. P. Danko, free economic zones are evaluated as “... a mechanism for creating a favorable investment environment and stimulating production, trade, and scientific activity” [3].

Orlova defines the special economic zone as a concept of equal rights and comments that it is a relatively prosperous part of the country where a special legal special order with privileges and guarantees of business, including tax, customs, administrative and civil law is established. [4]

Summarizing the above, in our opinion, free economic zones can be understood as a region with increased independence in the implementation of certain economic activities, a special management regime and favorable conditions for the economic activity of investors.

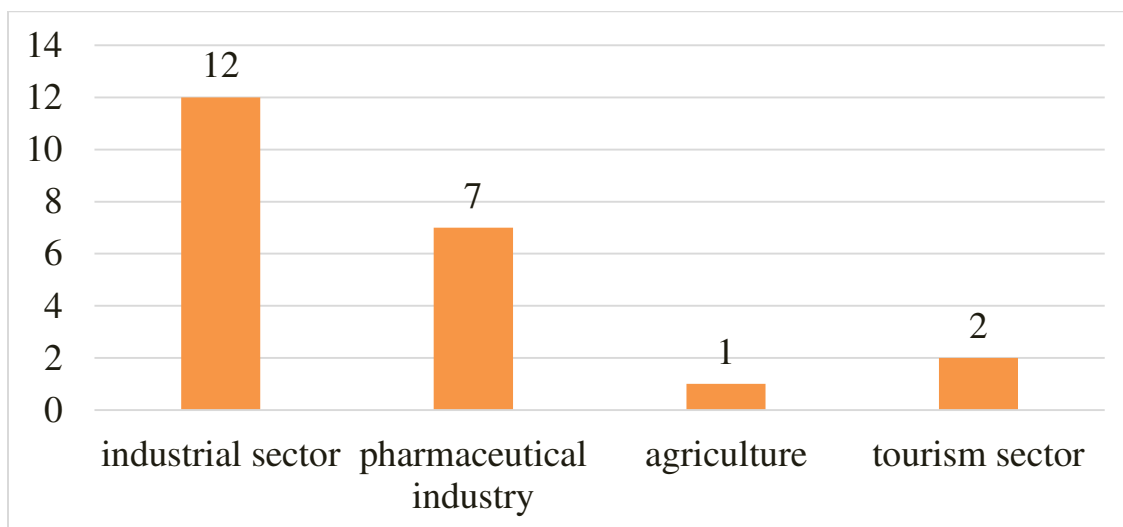
### RESEARCH METHODOLOGY.

In the article, the scientific methods of studying the processes of economic reality are widely used: generalization, grouping, logical and comparative methods of analysis, induction, deduction, abstract-logical thinking, comparative analysis and other methods.

### ANALYSIS AND RESULTS.

On the basis of the deep economic and political reforms implemented in Uzbekistan in recent years, serious attention was paid to seriously changing the structure of the national economy, modernizing it and increasing its competitiveness. One of the measures in this regard is the establishment of special economic zones and ensuring their effective operation.

Let’s look at the number of special economic zones established in 2022 from the data of Figure 1 below.



**Figure 1. The number of special economic zones established in 2022 [5].**

Analyzing the data of Figure 1 above, today 12 special economic zones have been established in the industrial sector, 7 in the pharmaceutical sector since 2017, 1 in agriculture since 2020, and 2 in the tourism sector. In 2022, 23 special economic zones and 348 small industrial zones are

operating in our country. 453 projects with a total value of 2.6 billion dollars were implemented in special economic zones and about 36 thousand jobs were created, while 1,497 projects worth 5 trillion soums were launched in small industrial zones and employment of more than 36 thousand people was provided. This is a proof that the country has accumulated the necessary experience in establishing this system.

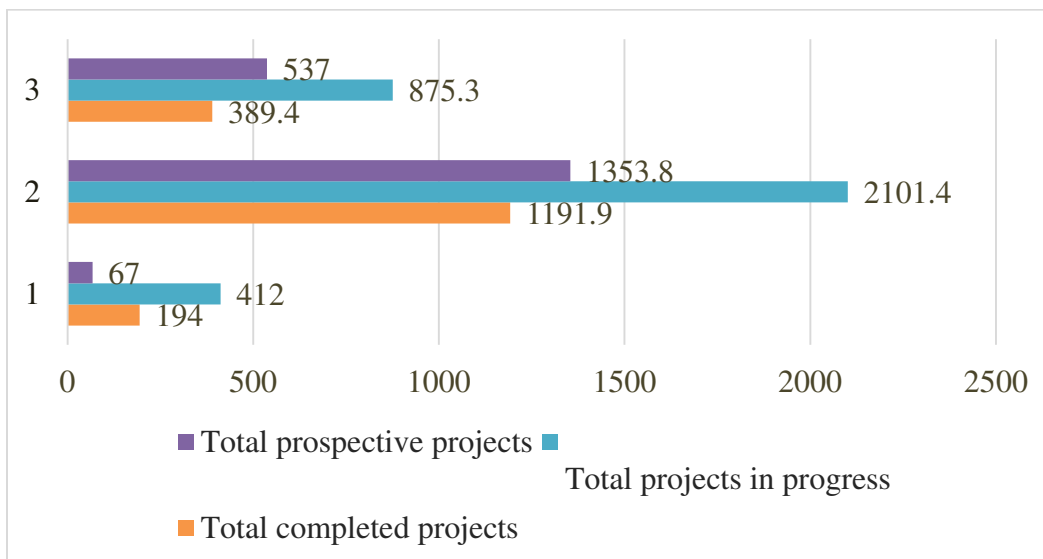
The number of businessmen who want to start business activities in such zones is increasing. But it is no secret that the industrial zones in the remote areas do not have enough engineering and communication infrastructure, which is a problem for many medium and small business representatives, as well as foreign investors.

In addition, currently 895 investment projects worth 5.3 billion dollars have been placed on 3.9 thousand hectares of economic zones with a total land area of 8.8 thousand hectares, and the remaining 4.9 thousand hectares are vacant land areas where projects can be placed and 65% of them do not have engineering and communication infrastructure. 822 hectares of small industrial zones with a land area of 2.4 thousand hectares, in addition, 60 operating small industrial zones are not fully provided with the necessary infrastructure.

This is one of the biggest obstacles and problems preventing the full functioning of these zones. The President’s decision was the next important step in solving the above problems, expanding the existing opportunities in economic and small industrial zones, further improving the business environment in our country, and supporting foreign and domestic entrepreneurs.

According to the decision, 1.6 trillion soums will be allocated in 2021 and an additional 1.8 trillion soums for the same purposes in 2022.

Based on the following analytical data, it can be said that the total value of the existing special economic zones in our country is 1191.9 million. A total of more than 190 projects involving US dollars have been implemented. 389.4 mln. For the implementation of these projects. Foreign investments in the amount of US dollars have been attracted. In the future, measures are being taken to increase the total number of projects to 500.



**Figure 2. Information about implemented and prospective projects in special economic zones [6].**

Their total cost is 1412.3 mln. It is planned to attract foreign investments in the amount of US dollars. It is envisaged that this indicator will make up more than 40 percent of the total value of the projects being implemented and in the future.

In general, based on the location of the established special economic zones, they differ sharply in terms of existing infrastructure networks, a favorable investment environment, established industries, and in turn, the active attraction of foreign investments in the development of the region depends on a number of factors.

It is worth noting that the establishment of special economic zones, along with the attraction of foreign investment aimed at activating economic processes in the domestic market of the country:

Development of innovative activities, introduction of advanced technologies, export, as well as rapid development of transport and telecommunication infrastructure;

Supporting the export of industrial products and increasing foreign exchange earnings, mastering the production of new types of products, establishing industrial (export) regions that produce products in a full cycle;

Increase the competitiveness of local products and services in domestic and foreign markets by introducing international quality, certification, and packaging requirements;

In-depth processing of raw material resources, establishment of production of high value-added products and further development of economic and legal mechanisms in this regard;

Allows to solve a number of important issues such as creation of new jobs, training and upgrading of qualified workers-engineers, economic and management personnel [7].

According to the regulations established in our country, special economic zones are established by the decision of the President of the Republic of Uzbekistan. The status of special economic zones, as well as the duration of its establishment by the decision on the establishment of this zone, and its borders are determined by the Cabinet of Ministers of the Republic of Uzbekistan.

In general, the following are the main directions and goals of the activity of special economic zones in our country:

Development of industrial cooperation between enterprises of the entire republic and free economic zones on the basis of local raw materials and materials and deepening the process of localization of production of high-tech products on the basis of close cooperative relations;

Ensuring rapid growth of production, engineering, communication, road transport, social infrastructure and logistics services;

Creation of scientific production centers and participation in the training of highly qualified specialists, etc.

## **CONCLUSIONS AND SUGGESTIONS.**

In conclusion, a special economic zone is an area established for the purpose of establishing new production facilities, developing high-tech production, and actively attracting the production of modern competitive, import-substituting, export-oriented ready-made industrial products. The purpose of its creation is primarily to solve the strategic development tasks of the country or a

separate region, i.e. foreign trade, general economic, social, territorial and scientific-technical issues.

Taking into account the continuous development of special economic zones, the full scientific research of their content and essence, the creation of scientific and theoretical bases for the integration of the best qualities of today's economic processes into free economic zones, the evolution of the historical development of the economy of each country and the level of integration into the international trade system Based on this, the development of proposals and recommendations for the establishment of acceptable types of special economic zones in these countries remains one of the urgent issues.

Based on the above experiences, the implementation of the following for the development of MICs in Uzbekistan can have a positive effect:

It is necessary to simplify the organizational and legal processes related to the establishment of the current MIHs in our republic. In this direction, it is appropriate to introduce digital technologies into the system. In this direction, the use of the process of non-governmental organization of small industrial zones in India can have its positive effect;

In order to attract more foreign investments to the existing MIHs, especially in the field of pharmaceuticals, offering a "Special package of benefits" for large multinational companies in this field will serve to increase the investment potential of MIHs.

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