

Free Economic Zones In Uzbekistan As An Effective Form Of Socio-Economic Development

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Abstract – This article describes the formation, development and geographical distribution of free economic zones in Uzbekistan. The role of free economic zones in the socio-economic development of the regions was also assessed.

Keywords – Agriculture, Investment, Market Infrastructure, Free Economic Zones, Industry, Pharmaceuticals, Tourism, Special Industrial Zones, Government, Reforms, Market, Taxes, Small Industrial Zones, Investor, Customs, Currency.

The role of foreign investment in the development of the country's economy and the development of foreign economic relations is great. Uzbekistan has created equal conditions for foreign investors and investments. Their complete safety is constantly maintained.

Uzbekistan has the following factors and opportunities to attract foreign investment: large reserves of minerals and fuel and energy resources, agricultural potential, scientific potential, modern market infrastructure institutions, a wide network of commercial banks, a reliable telecommunications network, tourism development opportunities, etc. .h.

A free economic zone is a specially designated area in Uzbekistan with clearly defined administrative boundaries and a separate legal order, created to attract domestic and foreign capital, advanced technology and management experience for the rapid socio-economic development of the regions.

In the past, Uzbekistan has done a lot to liberalize and modernize the economy, thereby achieving the production of competitive products.

Particular attention was paid to ensuring the rights and legitimate interests of investors, in general, to ensuring the investment attractiveness of our country in all areas.

Certainly, the activities of free economic zones (FEZ) play an important role in attracting investment, creating a favorable environment for investors. Based on the world experience, Uzbekistan has also started to establish FEZ during the years of independence. Italy, China, Egypt, Croatia, UAE, South Korea, Serbia and Colombia are the leaders in the number of FEZ in the world.

It is known that in 1996 Uzbekistan adopted the Law "On Free Economic Zones". This law defines the status of free economic zones, the order of their establishment, the guarantee of the rights and interests of legal entities, customs, currency, tax procedures and other important rules in these zones [1].

On December 2, 2008, the Decree of the President of the Republic of Uzbekistan on the establishment of a free economic zone in Navoi region was adopted, which became the first FEZ in the country. This document introduced special customs and tax regimes in the territory of the FEZ, a simplified procedure for entry, stay and exit of non-resident citizens of the Republic of Uzbekistan, as well as obtaining work permits [7].

Later, Angren and Jizzakh special industrial zones were established. Free economic zones make a significant contribution to attracting foreign investment in the regions, increasing their export potential and improving the living standards of the population by providing them with jobs [7].

23 FEZs established in the country can be divided into 4 groups based on their scope of activities. These are industry, pharmaceuticals, agriculture and tourism.

According to the single portal of free economic zones and small industrial zones of the Republic of Uzbekistan, 12 FEZs have been established in Uzbekistan by industry (Table 1).

8 FEZs have been established in the pharmaceutical industry (Table 1).

In the field of agriculture, 1 "Bukhara-agro" and 1 "Fish Producer" FEZ have been established in the country (Table 1).

In the field of tourism, 1 SEZ "Chorbog" was established (Table 1)

By regions, if we focus on the geography of the FEZ, free economic zones are located in 12 regions and the Republic of Karakalpakstan (Table 1).

Table 1 Geographical distribution of free economic zones established in the Republic of Uzbekistan.

№	Name of free economic zone	Located territory	branch	date of formation
By industry				
1	«Navoiy» FEZ	Navoi region	industry	2008
2	«Angren» FEZ	Tashkent region	industry	2012
3	"Jizzax" FEZ	Jizzakh region	industry	2013
4	"Urgut" FEZ	Samarkand region	industry	2017
5	"Gijduvon" FEZ	Bukhara region	industry	2017
6	"Qoqon" FEZ	Fergana region	industry	2017
7	«Xozarasp» FEZ	Khorezm region	industry	2017
8	«Nukus» FEZ	The Republic of Karakalpakstan	industry	2019
9	«Sirdaryo» FEZ	Syrdarya region	industry	2018
10	«Chiroqchi» FEZ	Kashkadarya region	industry	2020
11	«Namangan» FEZ	Namangan region	industry	2018
12	«Termiz» FEZ	Surkhandarya region	industry	2018
In the pharmaceutical industry				
13	«Zomin-farm» FEZ	Jizzakh region	Pharmaceuticals	2017
14	«Boysun-farm» FEZ	Surkhandarya region	Pharmaceuticals	2017
15	«Sirdaryo-farm» FEZ	Syrdarya region	Pharmaceuticals	2017
16	«Kosonsoy-farm» FEZ	Namangan region	Pharmaceuticals	2017
17	«Bostonliq-farm» FEZ	Tashkent region	Pharmaceuticals	2017
18	«Parkent-farm» FEZ	Tashkent region	Pharmaceuticals	2017

19	«Nukus-farm» FEZ	The Republic of Karakalpakstan	Pharmaceuticals	2017
20	«Andijon-farm» FEZ	Andijan region	Pharmaceuticals	2019
In the agricultural sector				
21	«Buxoro-agro» FEZ	Bukhara region	Agriculture	2018
In the fishing sector				
22	«Baliq ishlab chiqaruvchi» FEZ	Tashkent region	Fishing	2018
In the field of tourism				
23	«Chorbog'» FEZ	Tashkent region	Tourism	2017

The facilities created for foreign investors in the 12 free economic zones (FEZ) specializing in the production of industrial products in Uzbekistan are mainly:

1. The foreign exchange market has been liberalized. This allows each investor to convert and withdraw their income in the desired foreign currency.

2. Tax benefits:

- Corporate income tax;
- Property tax;
- Tax on landscaping and development of social infrastructure;
- Single tax payment;
- Exempt from taxes and fees, such as mandatory contributions to the Republican Road Fund [4].

The directorates of free economic zones were also given the right to participate as customers in the development of master plans and architectural-planning works of their territories. Construction and repair of roads, water supply and sewerage networks and other infrastructure facilities of free economic zones are planned by the state [6].

These tax incentives are valid for a long time, depending on the volume of foreign direct investment.

Uzbekistan has seven free economic zones (FEZ) specializing in the production of pharmaceutical products. Taking into account the uniqueness of soil and climatic conditions, in the Republic of Karakalpakstan, Jizzakh, Namangan, Syrdarya, Surkhandarya and Tashkent regions "Nukus-farm", "Zomin-farm", "Kosonsoy-farm", "Syrdarya-farm", "Boysun-farm", "Bostanliq-farm" and "Parkent-farm" free economic zones were established [3].

The purpose of the FEZ is to deepen and expand the localization of pharmaceutical products by expanding the production of medicines based on local raw materials and medicinal plants, as well as their widespread introduction into medical practice, reducing imports of medicines, environmentally friendly and clean environment. the establishment of new plantations in the districts.

Of course, the further development of the pharmaceutical industry has been identified as a priority in the establishment of free economic zones.

The term of the established free economic zones is set at 30 years with the possibility of further extension, in these areas there are separate tax, customs and currency regimes [3].

In particular, when the participants of free economic zones make appropriate investments, they are:

- Land tax, income tax, property tax for legal entities, tax on landscaping and social infrastructure development, a single tax payment for micro and small enterprises, as well as the Republican Road Fund and the Fund for Development of Material and Technical Base of Educational and Medical Institutions under the Ministry of Finance deductions;
- Exemption from customs duties on import of technological equipment, raw materials and components not manufactured in Uzbekistan, imported.

Participants in free economic zones will also have the right to use the terms and forms of payment and settlement convenient for export and import of goods.

These benefits and conveniences increase the interest of local and foreign investors in direct investment in the economy. It should be noted that only pharmaceutical companies in the zone will receive benefits [3].

Only one economic zone (FEZ) specializing in agriculture has been established in Uzbekistan. The territory of the Bukhara-Agro Free Economic Zone, established in Bukhara region, is 3,000 hectares and covers 9 districts of the region [2].

This FEZ specializes in the cultivation and processing of agricultural products in the age of modern technologies.

According to the developed program, foreign and domestic investments will be attracted in the FEZ for the organization of modern greenhouses, including hydroponics, on a cluster basis.

The project will also organize the production of structures, equipment and other components for the construction of modern energy-saving greenhouses. The FEZ will create capacity to expand the production of agricultural products, deepen processing and export. In addition, the FEZ will have a modern logistics infrastructure, cultivation of seeds and seedlings.

The term of the Bukhara-Agro Free Economic Zone is 30 years from the date of its establishment, with the possibility of further extension.

Projects implemented on the territory of the Bukhara-Agro Free Economic Zone are financed by attracting foreign investment, loans and grants from donor countries, international financial institutions and other sources. In the future, it is planned to establish such zones in all regions of Uzbekistan.

In the field of fisheries in Lower Chirchik district of Tashkent region in 2018 on the basis of water basins was established free economic zone "Baliq ishlab chiqaruvchi". The main objectives of this FEZ (applicable in other regions of the country) are:

- Improving nursery and breeding operations for intensive cultivation of valuable fish species and fry in the conditions of public-private partnership;
- expanding the production of fish products (canned food, salmon, fish meal, etc.);
- implementation of measures for the development of aquaculture, efficient and rational use of land and water resources;
- Further development of research in the fishing industry;
- Improving training, retraining and advanced training;
- increase the export potential of the fishing industry;
- increase the fodder base for the development of fisheries, increase the culture of fish consumption;
- creation of conditions for strengthening the logistics of fisheries.

One free economic zone (FEZ) specializing in tourism has been established in Uzbekistan.

In order to further develop the tourist potential of Tashkent region and increase the efficiency of its use, to create favorable conditions for attracting foreign and domestic tourists to the region, to ensure the rapid development of modern infrastructure, to expand and improve the quality of tourism, hotel and transport services The zone has been established and is currently operating.

Modern hotel complexes, cultural, health, trade and entertainment and other facilities of tourist significance are being built in the territory of this free tourist zone, as well as facilities of modern engineering infrastructure are being established and the development of the industry is accelerating [5].

The main tasks and activities of this free tourist zone are:

- foreign for the implementation of projects for the creation of modern tourism infrastructure facilities (hotel complexes, cultural and recreational, trade and entertainment and other facilities of tourist importance) in the free tourist zone, special functional and seasonal recreational areas with the necessary conditions for tourist services and attracting investment from local investors;
- organization of specific tourist routes, taking into account the ecological potential of the region;

- Ensuring the cheapness of vehicles, the introduction of new modes of transport in the region (train, electric train, bus), including those running on alternative energy sources, the expansion of passenger transport routes, the organization of its uninterrupted traffic, the development of appropriate transport infrastructure;

- creation of additional conditions for tourist safety, including the installation of video surveillance systems of tourist infrastructure, the organization of warning systems, the introduction of a single database of tourists visiting the region, the introduction of emergency care;

- Ensuring separate customs and tax regimes for businesses and investors (including foreign investors) implementing and operating projects in the free tourist zone;

- Implementation of projects to create a unique ecosystem based on the pilot introduction of new modern energy-saving systems and technologies using alternative and renewable energy sources [5].

The provisions of the legislation on free economic zones, including all privileges and preferences provided for free economic zones and their participants, apply to business entities registered as participants of a free tourist zone and a free tourist zone, with the possibility of further extension of the free tourist zone. It is 30 years old.

In addition to FEZs, Uzbekistan also has small industrial zones (SIZs) with limited benefits.

A small industrial zone is an area covering a certain plot of land, and in some cases - production areas with engineering and technical communications

According to the single portal of free economic zones and small industrial zones of the Republic of Uzbekistan, there are currently 149 small industrial zones in Uzbekistan. Unlike free economic zones, the benefits provided to SIZ participants are not uniform. The type, procedure and duration of tax benefits vary across regions where SIZ is located. All this is recorded in the document, which provides for the establishment of this or that SIZ. SIZ benefits will be limited to FEZs. However, there are a number of non-tax preferences that apply to all SIZs:

- application of the minimum rate of rent for production areas;

- construction of the necessary external engineering communications and infrastructure will be carried out at the expense of Uzbekenergo, Uztransgaz, the Council of Ministers of Karakalpakstan, regional and capital governments and others.

As a result of economic reforms in the country, small industrial zones will soon appear in almost all regions of Uzbekistan. Among them are representatives of small business and private entrepreneurship. They will be able to implement their projects on favorable terms.

In order to diversify the economy in Uzbekistan in the coming years, it would be expedient to establish FEZs in other areas as well. It is also possible to increase the number of such special zones by providing employment to the population in the context of the global pandemic, increase their income, increase revenues to the state budget, as well as increase the country's export potential.

In conclusion, it should be noted that thanks to independence, Uzbekistan is becoming a powerful country in the world with its own foreign economic policy, free access to world markets. In this regard, the role of free economic zones in the economic development of Uzbekistan will continue to grow.

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