



ATTRACTING INVESTMENTS TO FREE ECONOMIC ZONES AND
DEVELOPMENT PROSPECTS IN UZBEKISTAN

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Abstract: *In this article, the experience of foreign countries in attracting foreign investments to free economic zones in Uzbekistan is studied and analyzed. Also, prospects for attracting foreign investments to free economic zones, practical suggestions and recommendations are given.*

Key words: *Free economic zone, investment, foreign investment, economic growth, GDP, international division of labor, foreign capital, export, "Open door" policy.*

Taking the example of the People's Republic of China, special economic zones are an important factor in the modernization of all sectors of the economy and the achievement of competitive high-tech production. It is no secret that the economic growth observed in China during the last thirty years was actually an "economic miracle". Looking at its development trend, China was considered a closed economy until 1976. But in 1978, as a result of the "Open Door" policy carried out by Deng Xiaoping and reforms for this purpose, China began to integrate into the world economy, and China's GDP achieved an average growth of 10% per year. Between 1979 and 2014, China's GDP per capita increased almost 16 times, from 195 US dollars to 3583 US dollars. By 2010, it became the second largest economy in the world, overtaking Japan in terms of GDP. During this period, more than 500 million people were freed from poverty. As a result of the research, it became clear that since 1978, a lot of work has been carried out within the framework of the "Open Doors" policy in order to transition from the centrally planned economy, which has prevailed for many years, to a modern market economy. In this regard, the establishment of special economic zones (SEZs) in different forms in China is one of the important directions, and the main goals of the establishment of SEZs were as follows:

- maximum attraction of foreign capital, development of scientific capacity areas of industry on the basis of high technologies;
- effective participation in the international division of labor, increase in export volume and foreign currency income;
- To develop the socio-economic situation in the areas where MIZ is located, like in Hong Kong, Singapore and other new industrial countries;
- proper use of cheap and surplus labor force and the potential of rich raw materials;
- acquiring managerial skills and training national personnel.

We can observe the process of establishment of MIZs in China in 4 stages: the end of the 1970s and the beginning of the 1980s; 1980s; Covers the 1990s and the modern era from the 1990s to the present. The introduction of a system of "special policies and flexible measures" in Guangdong and Fujian provinces in 1979 was the first step, and to this end, in November 1981, the PRC State Council Decree "Granting Special Economic Status to Guangdong and Fujian Provinces" was announced. Initially, in August 1980, Shenzhen,



Zhuhai and Shantou in Guangdong province and Xiamen in Fujian province were transformed into 4 special economic zones in October of this year. The purpose of this MIZ was almost the same, which was to achieve sustainable economic growth in the region through special financial, investment and trade incentives. They were established mainly to test the current innovation policy in practice, and if the project proves itself, there is a plan to spread such MIZs throughout the country. The combination of incentives and favorable production factors introduced in MIZs caused unexpected economic growth. In 1980-1984, China's annual GDP grew by an average of 10%. This figure was 58% in Shenzhen, 32% in Zhuhai, 13% in Xiamen and 9% in Shantou. By 1986, a complex of factors of production such as capital, labor, land, technology, communication and transport had been formed in Shenzhen.

After 1988, Hainan joined the ranks of the above MIZs as the 5th MIZ. After the above-mentioned zones for the development of trade and investment environment proved themselves, China further expanded its "Open Door" policy. In 1984, another type of MIZs - economic technological development zones, in other words, national industrial parks - began to be established. MIZs differ from economic technological development zones (ITTZs) in that MIZs can be located in a larger area, sometimes in an entire city or province. In 1984-1988 alone, 14 ITTZs were established in coastal cities. Shanghai and Tianjin Binhai New Zones were also established in 1989 and 2006 respectively. By 1992, 35 ITTZs were successfully operating in China. Later, other types of MIZs began to spread throughout the country, and the establishment of such zones became commonplace. In 2008, China registered 14 open coastal cities, 15 free trade zones, 17 export promotion zones, 52 ITTZs, 53 high-tech development zones, and 15 cross-border economic cooperation zones. At the end of 2013, it was determined that 5 MIZs, 210 ITTZs, 15 cross-border economic cooperation zones, 105 high-tech zones, and 13 free customs zones were operating in China. In addition, on September 29, 2013, the State Council of the People's Republic of China decided to establish the Shanghai (Pudun) Free Trade Zone. There is still no single normative document on MIZs, and relations related to their establishment, termination and activities are regulated by the Constitution of the PRC adopted in 1982. According to paragraph 2 of Article 18, "PRC allows investment in all foreign enterprises, organizations and joint ventures with foreign investments, and their rights and interests are protected by law." On June 26, 1998, the Law of the People's Republic of China "On Special Economic Zones and Regional Shelves" was adopted. There are more than 30 normative legal documents on MIZs. For example, by the Standing Committee of the National People's Congress of Shenzhen (July 1992), Xiamen (March 1994), Zhuhai and Shantou (March 1996) decision on the establishment of MIZs serves as the legal basis for the aforementioned MIZs. The activities of Hainan MIZ are regulated by the decision of the PRC State Council in April 1988.

The requirements and benefits for MIZ residents are as follows: the amount of foreign investments in MIZs is at least 50 mln. US dollars. should be, before this figure was 30 mln. US dollars. was The foreign resident's share in the authorized capital must be at least 25%. A system of special tax benefits has been established for MIZ residents for 5 years. For the first 2 years, they pay no income tax at all, and for the next 3 years, they pay only 50% of the



tax. Until 2008, the profit tax was set at 33% for enterprises not located in the special zone, and 15% for MIZ residents. According to the decision of the State Council of the People's Republic of China dated December 26, 2007 "On the transitional policy of providing benefits to enterprises related to income tax", the profit tax is 18% in 2008 and 20% in 2009, increased to 22% in 2010, 24% in 2011 and 25% in 2012. Since 2012, it has been fixed at 25%. Value Added Tax for MIZ residents engaged in trade, processing and import-export activities is set at 17%.

However, VAT and duty are not charged for technology and raw materials imported into the MIZ territory. But excise duty, personal income tax and other types of taxes are free of benefits. In addition, non-tax benefits have been introduced for MIZ residents, they are fully or partially exempted from land, water, electricity, gas, internet, and building rent payments. Analyzing the size of China's GDP in 2016, Guangdong, Jiangsu, and Shandong ranked high by province with a share of 10.6%, 10.2%, and 9.3%, respectively. According to the data in the table, the largest share in GDP falls on the eastern and southern coastal regions of China, where the MIZ and other free economic zones are located.

When we analyze the foreign experience, there are various free economic zones in the world, among them there are more than 190 free economic zones in the territory of China PRC, of which 12.0 billion per year. Dollar products are exported.

As modern times progress, countries are creating such areas for the development of their economy. As a result, 266 free economic zones are currently operating in North America. It reached 228 in Central America. 41 in South American countries. It reached 161 in Europe. 280 equals belong to Asian countries. If we look at China's free economic zones, there are 190 of them. There are different types of free zones in these areas. When we analyze such data, the establishment of SEZ in the country is not its ultimate goal. The purpose of creating regions is to accelerate the level of growth of industry and economy and to modernize them, to fill the domestic market and to increase foreign exchange earnings due to the growth of exports.

The program for the creation of SEZs should be targeted, and should note social and economic problems common to all, except for financial and organizational problems. These include:

- Reorganization of economic relations of enterprises;
- State protection of the interests of the country's producers in the international market;
- Existence of local bureaucracy and bureaucratic obstacles to the development of free entrepreneurship.

The country does not have a sufficiently developed infrastructure, there are no access roads to international seaports, there is not enough "attraction" to attract foreign investors and ensure victory in the competition with regions that are spread around the world and are operating and being established. not to the extent However, this does not mean that SEZs established in Uzbekistan have no future. For this, it is necessary to define the SEZ development model more clearly. The practice of establishing SEZs shows that infrastructure is necessary for their effective operation, and its development requires large capital investments. The problem in China is that in order to attract 1 dollar of foreign



investment, it was necessary to spend 5.5 dollars of national resources for the transport system, stable water and energy supply, and comfortable housing.

In conclusion, it can be said that EIHs are in the second half of the 20th century was noted as one of the most visible institutional innovations in the economy. Examining and studying the experience of organizing these regions, which are distinguished by their attractiveness, on the example of the countries of the world, is useful for the economic reforms carried out in our independent republic. To further activate the attraction of investments in free economic zones in our country, it is appropriate to implement the following measures:

1. In accordance with the regime of applying tax incentives in SEZs established by the legislation, when the volume of direct investments reaches the level of incentives in the next step, the duration of tax incentives is calculated by deducting the previously valid incentive period. This situation does not encourage investors to increase the volume of investments attracted to these free economic zones. Based on this, when the volume of direct investments is increased to the level of benefits at the next level, the period of tax benefits is extended, that is, the practice of reducing the period of benefits passed at the previous level it is appropriate to cancel it.

2. Based on the experience of world practice, the goal would be to establish technological parks, free entrepreneurship, industrial production and free tourism areas in specially selected regions of our country. Nowadays, in order to increase the tourist flow of our ancient cities, with the aim of studying the foreign experience of our country, special attention has been paid to tourism. Based on the accumulated experience of developing production and increasing exports in China's SEZs, they should be gradually implemented in other regions of our country:

- It is possible to increase the level of employment of the population by establishing free enterprise zones in densely populated areas of our country, where there is an excess of labor force. Depending on the number of new jobs created in them, it is necessary to apply the tax procedure in a differentiated manner, to give tax holidays to the single tax collected from small enterprises, and to specify that the amount of taxes remaining at the disposal of the enterprise will be directed to the expansion and modernization of the enterprise;

- Scientific technology parks play an important role in the transition of the national economy to the path of innovative development, including in the introduction of innovations in the activities of local economic entities. It is desirable to establish scientific technology parks around ZMU, TDTU and Turin Polytechnic Institute and in cooperation with Information Technology University and Inha University. Funding of the activities of this technological park, including scientific research centers, training laboratories, work equipment and equipment supply, funds of the Coordination Committee for the Development of Science and Technology under the Cabinet of Ministers of the Republic of Uzbekistan, economic entities considered as customers of innovative projects. It is recommended to implement it at the expense of private sponsorship funds, venture funds and foreign customer enterprises. 3. Based on the experience of countries such as the USA and Brazil, it is necessary to ensure a higher share of local components in the products



created in SEZs in Uzbekistan. For this purpose, it is appropriate to determine the minimum share of local raw materials in SEZ projects depending on the type of production.

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