

WAYS TO IMPROVE ATTRACTING FOREIGN INVESTMENTS  
TO FREE ECONOMIC ZONES IN UZBEKISTAN

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**Abstract.** This article discusses the role and role of developing free economic zones in Uzbekistan, ways to improve the attraction of foreign investments to free economic zones. Also, the author provides an analysis of targeted measures implemented in Uzbekistan to improve the attraction of foreign investments to free economic zones, as well as practical suggestions and recommendations for further development.

**Keywords.** Free economic zones, investment, population employment, tax, finance, external economic activity, technopolis, technopark, fiscal benefits, financial benefits.

**Introduction.** Today, while the time is progressing, countries are doing various things thinking about tomorrow's future and today. This is the reason for the development of countries, attracting local and foreign investors in order to provide them with jobs for the future of the young generation being the chief reformer, tries to carry out activities adapted to different fields. An example of these are free economic zones. A free economic zone is a place where preferential tax, financial, customs and free currency conversion, legal conditions are introduced to engage in economic and foreign economic activities in accordance with interstate agreements or special laws. It will be organized for the purpose of attracting foreign and local entrepreneurs, and the necessary production and business infrastructure will be established in them. In most cases, free economic zones are located in interstate areas (areas where the borders of several countries meet), international airports, port cities (for example, Malaysia or South Korea) or areas where transport routes are connected (countries along the Great Silk Road or areas of the European Union). A special international legal status is introduced in free economic zones. But regardless of where it is located, it is considered an integral part of this country, all operations (allocation of land, establishment of firms and companies, import and export of goods and goods from the border). It will be organized for the purpose of attracting foreign and local entrepreneurs, and the necessary production and business infrastructure will be established in them. The purpose of establishing free economic zones is to create a developed economic space by attracting a lot of new technologies and investments, and in this way to rapidly develop the country's economy.

**Analysis and results.** There are different types of free economic zones: free warehouses, free customs zones, science and technology zones. For example, they are called technoparks in the US and technopolises in Japan. There are also free economic zones (mainly specialized in exports). One of the first free economic zones was established in Ireland at Shannon Airport (1959). Later, such a zone appeared at the airport “DogIsland” in England. Some free economic zones are established in large areas. For example, Manaus in Brazil, special economic zone “Shenzhen” in China and others are such zones. In world practice, Free Economic Zones were established in developed (Great Britain, Germany, Netherlands, USA, etc.) and developing (Brazil, Republic of Korea, Malaysia, etc.) countries.

Attracting foreign capital to free economic zones has been widely used in Chinese policy. At the end of the 20th century, Free Economic Zones were established in the United Arab Emirates, Russia and Poland. Blyagovanichensk-Heikhe, Black Sea Coast, Kaliningrad Region Free Economic Zones established in cooperation between Russia and China are also such places. The idea of free economic zones in Uzbekistan is the development of the national economy was evaluated positively. Therefore, on April 25, 2023, the country's parliament adopted the law of the Republic of Uzbekistan “On Free Economic Zones”. This law created a legal basis for creating favorable conditions for foreign investment, the development of trade and industry, and improving the employment of the population.

Two conceptual approaches are used in the organization of free economic zones: territorial and functional (point). In the first case, all resident enterprises in the region enjoy benefits in economic activity. Each region, countries at each level of development have their own characteristics in terms of free economic zones. For example, the characteristic features of free economic zones in developing countries are as follows:

- borders of the territory have a tendency to expand, and trade and production activities have a tendency to grow;
- special management procedure for foreign entrepreneurs in free economic zones, continuous liberalization of the economy;
- the activity of free economic zones is characterized by a large amount of industrial and trade diversification, a trend of complex development;
- the presence of special attention to the development of science-intensive production related to the development of new and high technologies.
- various economic benefits are provided for economic entities established in free economic zones, for example:
  - fiscal benefits. This is mainly a form of exemption from taxes, reduction of the taxation base, reduction of the individual tax rate, exemption from separately collected taxes;

- financial benefits. These are mainly various subsidies, lowering the definition (price) of communal services or not paying them at all, reducing interest on the use of state loans;

- administrative signatures. These benefits include the use of a simplified form of state registration of economic entities, simplification of the regime of arrival and departure of foreign citizens to our country, and assistance in providing them with various services.

Economic by attracting foreign investment to the national economy ensuring growth and deeper integration into the world economic system is one of the important tasks before the countries of the transition economy. It is important to create free economic zones and further develop their activities in order to attract foreign investments to the national economy of such countries. The establishment of the Angren free economic zone, Navoiy free economic zone, Jizzakh, Urgut free economic zone, which provides investors with extensive tax benefits and preferences, is aimed at the development of enterprises based on high technologies, the production of high-quality and competitive products that meet global requirements and provide services, create new jobs and, ultimately, improve the living conditions of the population.

The economic, social, scientific-technical and other goals of the organization of EIH can be achieved by creating a number of favorable conditions for foreign investors in the economy. The following picture shows the most important conditions necessary for the normal operation of EIHs. Conditions necessary for the operation of the EIH. One of the most important factors in the development of EIH is the system of benefits created for investors. Each country or territory in it determines a set of preferences for the establishment of the EIH. World practice shows that the set of benefits in each EEC is unique, and their content depends on the investment programs and projects intended to be implemented in this country. At the same time, in the economic literature, the benefits specified in the EIH are combined into four groups (Table 4). World experience shows that all the above-mentioned benefits can be found in various combinations, but it should be noted that the benefits cannot always be the main decisive incentive for attracting foreign capital.

It should be emphasized that the following results can be achieved through the establishment of EIHs: modernization of the economy and diversification, integration of the national economy into the world economy, liberalization of the economy, attraction of foreign and domestic capital, production of competitive products for the world market, conversion of export of raw materials into export of finished products, ensuring the inflow of foreign currency earnings into the country, development of the financial sector, increasing investments in human potential increase, all-round development of the country's territories, creation of additional jobs, improvement of the standard of living and well-being of the population, etc.

Undoubtedly, in the world practice, there are enough cases of free economic zones established with good intentions that have failed. For example, in Sri Lanka, Guatemala, Liberia, Senegal and other countries, SEZs of various forms have completely stopped their activities. The main reasons for this are political (general instability in the country, civil disputes), economic (very complicated investment legislation from the investor's point of view), organizational (administrative management, red tape, bad advertising) factors.

**Conclusion and suggestions.** 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.

4. In order to attract more investors to SEZs, to ensure faster implementation of projects, it is necessary to establish the practice of introducing the electronic method of submitting documents for registering investors in the regions, which works via the Internet. Establishing a special internet portal on SEZs, where foreign investors can register, conduct business in the territory, create a database of all other necessary information and continuously maintain this database, it is necessary to fill it with the latest information.

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