

DOI: <https://doi.org/10.5281/zenodo.10899983>

## ISSUES OF ATTRACTING FOREIGN INVESTMENTS TO THE SPECIAL ECONOMIC ZONES OF THE COUNTRY

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***Annotation.** A special economic zone or free economic zone is a limited territory with a special legal status compared to the rest of the country. Often, special status is expressed in preferential tax or customs conditions for national or foreign entrepreneurs. The main purpose of creating such zones is to solve the problems of socio-economic development of the state, individual regions or sectors. The article covers the issues of attracting foreign investments to the special economic zones of our country.*

***Keywords.** Special economic zone, foreign investment, free economic zone, small industrial zone, tourist and recreational zone.*

**Introduction.** A special economic zone is an area that is subject to different economic rules than other regions of the same country in order to attract foreign investment and develop the region. On February 17, 2020, the Law "On Special Economic Zones" was adopted in Uzbekistan. Today, 22 free economic zones and 143 small industrial zones are operating in Uzbekistan. The new law envisages the separation of economic zones according to the type of activity.

A free economic zone is an area where the establishment of new production facilities, development of high-tech production, and active involvement in the development of production of modern competitive, import-substituting, export-oriented ready-made industrial products will be organized.

A special scientific and technological zone is an area where scientific organizations and other organizations in the field of scientific activity (technological parks, technology distribution (technology transfer) centers, innovation clusters, venture funds, business incubators, etc.) are gathered for the purpose of developing innovation infrastructure.

Tourist-recreational zone - in which modern touristic infrastructure objects (hotel complexes, cultural-health, trade-entertainment and other objects of tourist

importance), special activity and seasonal recreational recreation zones are to be built, providing the necessary conditions for providing services to tourists. area to be established for the implementation of investment projects.

Free trade zones include consignment warehouses, areas with special customs and tax regimes, as well as areas for handling, packaging, sorting, and storage of goods. Free trade zones are established at border points, airports, railway connections or other customs areas of the Republic of Uzbekistan.

A special industrial zone is an area where a special regime of management, economic and financial activity is introduced. Special industrial zones include service and production zones formed by allocating land plots for the establishment of necessary administrative, scientific-technological, production, engineering-communication, road transport and social infrastructure.

General requirements for investment projects proposed for implementation in the territory of special economic zones include:

Compliance with the requirements of legislation in the field of architecture and construction, technical regulation, ecology and environment protection, labor protection and industrial safety;

availability of funding sources;

compliance with special economic zone activities and industry specialization;

compliance of technological equipment and technological process indicators with modern energy efficiency requirements.

At the time of submission of the investment order, the investment projects proposed for implementation in the territory of the free economic zones must provide for the production of new types of products that are not produced in the Republic of Uzbekistan, or the production volume of which in the Republic of Uzbekistan does not cover the needs of the domestic market.

In free economic zones, the creation of a competitive environment, the domestic market is saturated, or there are local manufacturers producing similar products whose production volumes cover the needs of the domestic market are not allowed to be implemented.

Participants of special economic zones use tax benefits in accordance with the procedure stipulated in the Tax Code of the Republic of Uzbekistan.

Participants of special economic zones are exempted from paying:

customs fees for construction materials that are not produced in the republic and are imported during the construction period for the implementation of the investment project in accordance with the investment agreement (excluding value added tax and customs clearance fees);

□ customs fees (excluding fees for customs clearance) upon importation of similar technological equipment according to the approved list that is not produced in the Republic of Uzbekistan.

When raw materials, materials and components used by participants of special economic zones for production and sale of products for export are imported into the territory of the Republic of Uzbekistan, customs fees (with the exception of customs clearance fees) are not paid.

Participants of the special economic zone can pay the value added tax on import of goods with a delay of up to 120 days.

**Discussion.** Today, the number of special economic zones established in the world economy is increasing, that is, about 5,400. The creation and effective operation of special economic zones based on world experience will lead to economic growth of the country, reduction of unemployment, production of finished products with high added value using local raw materials and increase their export, strengthening of the country's currency and balance of payments, attracting new techniques and technologies to production. It is known to give a number of positive results. The main activity driver of special economic zones is investment. Therefore, the policies of many countries provide incentives and incentives related to the attraction of local and foreign investments to special economic zones, and create conditions for the activities of foreign companies.

According to world practice, various countries provide customs, tax and other financial and administrative benefits to local and foreign capital when establishing special economic zones in their territory. The customs privilege in the special economic zone envisages the reduction or complete elimination of export and import duties, and the application of a simplified procedure for foreign trade operations. Tax benefits include tax holidays, exemptions from value added tax and local taxes, property, profit, foreign employee income taxes, and full or partial exemption from taxes paid on the transfer of profits abroad. Financial benefits include a discount on the rent for the use of land plots and production facilities, preferential loans, and lower tariffs for utility services. Administrative privileges are granted by the regional administration for the purpose of registering enterprises, simplifying the procedure of entry and exit of foreign citizens and providing various services to enterprises. In most countries with special economic zones, "one-stop" or "24-hour" services for investors have been introduced, in which issues of issuing permits and licenses are quickly resolved in one place.

In addition, the main requirement for the influx of foreign investment into special economic zones is not the privileges and incentives mentioned above, but the

improvement of the territory, the condition of the infrastructure, that is, the smooth supply of water and electricity, the telecommunications network, access to the airport, and all the conditions for employees. factors such as availability of affordable housing are becoming primary. The reason is that there are many countries that relax legal norms in order to attract foreign investment, that is, there are many competitors, but not all of them have favorable conditions for foreign investors and foreign workers to live in the region. If these requirements are not met, they will not even consider investing in this area.

Today, a total of 21 special economic zones have been established in the Republic of Uzbekistan, the first of which was the SEZ "Navoi" in 2008, and the free economic zone "Angren" and the free economic zone "Jizzakh" in 2012-2013. Currently, there is a special economic zone on the territory of almost all regions. The figure below shows the volume of capital investments in 2000-2020. The amount of investments made in recent years has a tendency to grow significantly, and in 2000 it reached 732 billion. was equal to soums, 2020 202 trillion. amounted to more than soums.

The share of capitalized investments in the gross domestic product was 20 percent about twenty years ago, and this figure has reached 40 percent today.

However, the number of enterprises with foreign capital participation in the regions has a big difference. We can see from Figure 3 that the main foreign capital investments belong to the city of Tashkent and the Tashkent region, and the enterprises established on their basis are 7,124 and 1,334. The least number is recorded in the Republic of Karakalpakstan, where there are 164 enterprises with foreign investment. There are 239 enterprises with the participation of foreign capital in Navoi region, where the whole region is considered a free economic zone, and this indicator shows that the special economic zone is still unable to fully use its potential to attract foreign investors.

It should be noted that the residents of the special economic zone are given the same tax benefits regardless of the economic development and territorial location of the region. This does not provide an opportunity to attract foreign investors to remote and underdeveloped areas of the republic. Therefore, it is necessary to increase the tax benefits for special economic zones established in such regions, unlike special economic zones in other developed regions.

Currently, tax incentives for investors in the territory of the special economic zone of the Republic of Uzbekistan are granted for a period of 3 to 10 years, depending on the size of the investment. The minimum investment is 300,000 US dollars. According to foreign experts, this amount is an obstacle due to the economic situation

of local investors who want to use the opportunities of the special economic zone, and it is emphasized that this amount should be reduced to 100,000 US dollars.

Another disadvantage of taxing residents using the MIZ tax credit is the deadline. Usually, the beginning of tax relief is calculated from the date of receipt of the certificate of registration of the participant of the special economic zone. However, given that most special economic zones in Uzbekistan have been created in recent years and their infrastructure is still developing, it will take time for many investors to start production. Therefore, it would be appropriate to extend the period of application and calculation of tax credits until they start production. In order to develop the investment activity of special economic zones, it would be appropriate to regularly maintain official websites and provide them with investor-attracting information in the main languages of the world.

**Summary.** In short, the creation of special economic zones is of great importance in the socio-economic development of the region. In particular, we considered how important the investments, which are the main development force of the special economic zone, are gaining importance in the country's gross domestic product today. Therefore, it is necessary to take into account the opportunities available in the area, the state of the infrastructure, the potential of local personnel, the availability and convenience of access to the leading trade markets, and several other factors in the creation of such zones. The tax and customs benefits given to the participants of the special economic zone should be mutually differentiated depending on the region of the country in terms of economic development of the special economic zone. In addition, it should not be forgotten that living conditions created for investors in special economic zones are the primary factor for them. This is because tax and duty preferences may be applied in economic zones in other countries and may be very similar. It is also important not to carry out taxation until the resident of the special economic zone, who is enjoying tax benefits, has fully established his business.

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