

## Characteristics of Urgut Free Economic Zone Activity in Investment Processes in the Country

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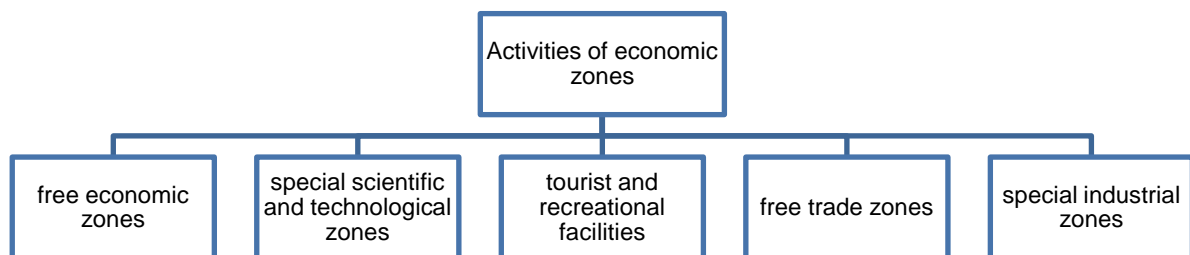
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**Abstract:** In this article, the directions and boundaries set by the leadership of the Republic of Uzbekistan within the framework of the organization and activity of the economic region "Urgut" have been changed and analyzed. The author's recommendations for the further improvement of the "Urgut" economic free zone are elaborated in the article.

**Keywords:** Economic zones and their activities, modernization, diversification, transparent economic environment, Trans-Caspian international transport route, directorate.

### Introduction

Currently, we can observe the growth of investment activity processes in the economy of developed countries. In this regard, free economic zones operating in them are of great importance. Developed foreign countries use free economic zones to increase the flow of investments into the country. In the modern world experience, there are about 30 types of free economic zones, the most common of which are customs zones, duty-free zones, customs free zones, free export zones, free production for export. regions, free production regions, economic stability regions, mutual entrepreneurship regions, technical and economic development regions, science-industrial parks, etc. are gaining importance in the economy. The main reason for this is that several preferential benefits created in these regions attract investors is considered active. We can observe that the provision of financial, tax, administrative and foreign trade privileges for entrepreneurship in the successful organization and operation of the free economic zones is effective. In particular, the legal foundations have been strengthened in this regard, and [1] The Law of the Republic of Uzbekistan "On Special Economic Zones" adopted on February 17, 2020 , the Cabinet of Ministers' Decree of April 10, 2017 "On Measures to Organize the Activities of Free Economic Zones" » [2] and are regulated by similar laws. This law lists free economic zones according to the types of activities as follows:



**Figure 1<sup>1</sup>**

Participants of these zones enjoy tax benefits in accordance with the Tax Code of the Republic of Uzbekistan and are also exempted from the following customs fees:

- payments for construction materials that are not produced in the republic and imported according to the established procedure for the implementation of the investment project in

<sup>1</sup>Compiled by the author

accordance with the investment contract during the construction period (except for value added tax and customs clearance fees);

- fees for importing non-similar technological equipment in the Republic of Uzbekistan according to the approved list (except for customs clearance fees);
- fees for importing raw materials, materials and components used for the production and sale of products for export into the territory of the Republic of Uzbekistan.

In order to turn free economic zones into an effective means of increasing the competitiveness of the national economy and to activate investments in them, attracting national and foreign investments, the specific strategies for their development in the republic today are, first of all, reliable financial sources of the proposed investment projects, including local and foreign credit resources. , reliable provision at the expense of direct foreign investments, secondly, effective use of production capacities of enterprises put into operation in the territory of free economic zones, as a result of which business plans are approved for production and export volumes and the number of jobs it is required to ensure compliance with the parameters.

**Literature review.** During the analysis of the literature on the selected topic, the theoretical views of foreign scientists on the creation of free economic zones and the conclusions of our country's scientists on the role of free economic zones in the national economy were studied in detail. E. Avtokushin's pamphlet from foreign scientists "free zones - investment center" it is considered [3]. According to South Korean scientist Kim, the main purpose of the creation of free economic zones by the state is to have a more transparent economic environment in these regions than in other regions, and through this aim to create investment flow and competitive industrial and trade characteristics[4] . Among the scientists of our country, Vahobov A.V., Khojibakiyev Sh., Ostanaqulov A.A. expressed their opinions in this regard. A.A. Ostanaqulov stated that "in order to rapidly develop the free economic zones and economic sectors and attract investments to them. It is interpreted as a region established for special privileges, as well as for the use of them as a territorial method of modernization and diversification of the economy, as well as for the introduction of modern technologies into the economic structure" [5].

**Research methodology.** Scientific abstraction, analysis and dialectic, induction and deduction methods were used during the research.

### Analysis and results.

allows for significant growth of the country's economy. The activity of FEZs consists in the effective use of temporarily idle funds. In this regard, FEZs in our republic are operating effectively. The table below shows the weight of the free economic zones established in the country in the economy of Uzbekistan:

**Table 1<sup>2</sup>**

Indicators	2017	2018	2019	2020	2021
GDP (Bln)	72.8	79.2	87.5	95.7	105.2
Share of EIHS in GDP %	1.1%	1.3%	1.4%	1.6%	1.8%
Export weight in FEZs (million USD)	1,047	1,417	1,755	2,160	2,713
Share of exports in FEZs in total exports %	8.4%	10.4%	12.0%	13.7%	16.0%
Investments in FEZs (million USD)	2,055	2,721	3,565	3,982	3,039
Number of jobs created in FEZs	26,550	30,845	34,627	35,658	37,915

According to the data presented in the table, the share of EIHS in the GDP of Uzbekistan has a growing trend, from 1.1% in 2017 to 1.8% in 2021. The export volume of FEZs in 2017 It increased from 1.0 billion dollars to 2.7 billion US dollars in 2021. The share of export volume in FEZs to the total export volume also increased steadily, from 8.4% in 2017 to 16.0% in 2021.

<sup>2</sup>www.Stat.uz

Investments in FEZs the attraction indicator is also active, and in 2021, investments of 3.039 billion US dollars have been absorbed. opportunities have also been created. Free economic zones have had a positive effect on the economy of Uzbekistan, contributing to the growth of the gross domestic product, the increase in the volume of exports, and the creation of new jobs.

Today, the number of free economic zones in our country is increasing. President of the Republic of Uzbekistan Sh.M. Mirziyoyev on January 12, 2017 "Establishment of free economic zones of Urgut, Gijduvon, Ko'kan and Khazorasp" [6] According to the Decree No. PF-4931, the "Urgut" free economic zone, which serves to ensure the rational and efficient use of existing raw material reserves and production capacities in the region, has started its operation in Samarkand region.

The main tasks and directions of activity of the "Urgut" free economic zone were defined below:

- attracting direct investments of foreign and local investors for the organization of modern productions for the production of products with high added value, which are in great demand in foreign markets and replace imports;
- Ensuring comprehensive and effective use of production and resource potentials of Samarkand region;
- deep processing, storage and packaging of fruit-vegetable and agricultural products, textiles, carpet weaving, shoes and leather goods, environmentally safe chemistry, pharmaceuticals, food, electrical engineering industry, mechanical engineering, and organization of new modern productions in automobile industry, production of building materials and other areas;
- establishing strong cooperative relations on the basis of local raw materials and materials and deepening the processes of localization of production of high-tech products between enterprises of free economic zones and on the basis of development of industrial cooperation of the republic as a whole;

standardization, certification and marking of manufactured products and take measures to ensure that their decisions are recognized at the international level.

The final goals are to improve the investment environment of the region by establishing a free economic zone in this region, to achieve higher growth rates in the main development indicators. The free economic zone "Urgut" is located in the Samarkand region of Uzbekistan. Established in 2008, it is one of the largest SEZs in Uzbekistan, covering an area of more than 2,000 hectares. The FEZ "Urgut" is strategically located in the center of Uzbekistan, with easy access to major transport routes and Uzbekistan's largest city, Tashkent. Urgut FEZ offers a number of benefits for investors, such as exemption from customs fees and taxes, simplified procedures for obtaining necessary licenses and permits, and unlimited repatriation of income. In addition, the FEZ provides modern infrastructure, including roads , electricity, gas and water supply, and a range of support services for investors. "Urgut" FEZ is aimed at attracting investments in the following areas: production of textiles and clothing, food processing, construction materials, pharmaceuticals. The SEZ gives investors access to a large skilled workforce of over 350,000 people within a 50 km radius [ 7]. One of the main advantages of "Urgut" SEZ is its proximity to major markets in Central Asia and beyond. Uzbekistan is located at the crossroads of several major transport routes, such as the Trans-Caspian International Transport Route (TITR), which connects China to Europe through Central Asia. This makes "Urgut" FEZ an attractive place for companies wishing to expand their activities in the region. Since the establishment of "Urgut" FEZ, several large investors, including companies from Turkey, Russia, South Korea and China, have been attracted. These companies have invested in a number of industries such as textiles, food processing, and construction materials. "Urgut" FEZ played an important role in the development of regional cooperation and integration in addition to economic benefits.

The table below analyzes the economic indicators of the Urgut free economic zone in 2021:

Table 2.<sup>3</sup>

No	Name of economic and statistical indicators	2021 year
1	Total investment volume	77.3 million US dollars
2	Export volume of manufactured products	30.7 mln. US dollars.
3	Textile products	34.9 mln. US dollars.
4	Metallurgical products	4.6 mln. US dollars.
5	Furniture products	2.1 mln. US dollars.
6	Chemical products	1.8 mln. US dollars.
7	Other types of products	11.5 mln. US dollars.
8	Textile products	34.9 mln. US dollars.

Uzbekistan has recently implemented a number of economic and political reforms, including efforts to improve relations with its Central Asian neighbors. The FEZ "Urgut" can be a platform for regional economic cooperation and help strengthen relations between Uzbekistan and its neighbors. In general, the FEZ "Urgut" is a key part of Uzbekistan's efforts to attract foreign investment and promote economic development. With its strategic location, modern infrastructure and many incentives, the FEZ "Urgut" is well positioned to play an important role in the economic future of Uzbekistan.

One of the most important aspects of promising projects planned to be implemented in the FEZ is the quality, exportability and import substitution of the products produced in them. In this regard, the fact that the "Urgut" free economic zone is recording indicators of growth is the basis for expanding its territories. In particular, in 2021, our president's decision on measures to expand the activities of the "Urgut" free economic zone was adopted [8]. According to the documents, the territory of Urgut district of Samarkand region was designated as a free economic zone. The status of the participant of the free economic zone "Urgut" was assigned to the business entities implementing investment projects within the territorial boundaries of the Urgut district. 580.8 hectares of land were allocated for state and public needs. The territory of the "Urgut" FEZ was expanded by allocating land plots to the Directorate of the "Urgut" FEZ with the right of permanent use. Allotment of land plots for the implementation of investment projects in the territory of the "Urgut" FEZ, including the newly established areas, according to President's Decree No. PD-5600 of December 21, 2018 in accordance with the decree [9] is carried out through an electronic online auction .

The following were defined as the main directions of activity of the Administrative Council of Special Economic and Small Industrial Zones of Samarkand Region in relation to the plots of land given to the Directorate of "Urgut" FEZ for permanent use:

- attracting direct investments of foreign and domestic investors for the establishment of modern production facilities for the production of high-added-value products that are in high demand in foreign markets and substitute for imports ;
- Ensuring effective use of production and resource potentials of Samarkand and Surkhandarya regions;
- establishing strong cooperative relations on the basis of local raw materials and materials and deepening the processes of localization of high-tech products production based on the development of industrial cooperation between enterprises of free economic zones and in the republic as a whole.
- "Urgut Office" of the Center for Development of Investment Projects under the Ministry of Investments and Foreign Trade was established, and it was assigned the task of developing promising project proposals for implementation in the territory of the "Urgut" FEZ and assisting the initiators in the development of project documents. the plan of measures for the

<sup>3</sup>Compiled by the author.source:@ufez\_uz

development of production, engineering-communication and transport infrastructure was approved.

**Conclusions and recommendations.** It should be noted that it is not for nothing that the free economic zone is being established mainly in Urgut district of Samarkand region, because the volume of product export here has been increasing year by year.

of the conducted scientific research, the implementation of the following measures can have a positive effect on the further development of EIHS:

- development of specific target programs in the district section based on the tasks of establishing free trade zones in the border areas with neighboring countries, as defined in the 28th goal of the Development Strategy of New Uzbekistan for 2022-2026 ;
- In order to increase the investment attractiveness of the free economic zone "Urgut", to establish the information and communication infrastructure, to update the information of the site of the free economic zone in a more transparent manner, to process information about the additional benefits created in the area, personal website of all companies operating in the region
- Introduction of preparation of financial statements of companies located in the "Urgut" free economic zone, whose main capital share is owned by foreign investors, in full compliance with international standards.

In conclusion, it should be noted that the activity of the free economic zone "Urgut" serves as an important area in the further development of the economy of our country and its integration into the world market.

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