

## UZBEKISTAN: GROWTH OF THE INVESTMENT CLIMATE IN FREE ECONOMIC ZONES

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**Abstract:** *in article questions of an investment climate in free economic zones of Uzbekistan, as "Navoi" are considered. "Angren", "Sirdaryo", "Dzhizak", "Buhoro-agro", "Nukus-farm", "Zomin-farm", "Kosonsoj-farm", "Sirdaryo-farm", "Bojsun-farm", "Bustonlik-farm" and "Parkent-farm" who can be defined five groups of factors. Special economic zones can be the useful tool within the limits of strategy of the general economic growth, increase of competitiveness of the industry and attraction of direct foreign investments. By means of special economic zones of the government aspire to develop and diversify export, keeping thus a protective barrier, to stimulate creation of workplaces, to approve new strategy and the approach (for example, in customs sphere, legal sphere, in sphere of development of labor relations etc.). In article on experience of functioning of free economic zones, the analysis of laws of development and economic consequences of activity free economic zones on Republic of Uzbekistan is carried out. World experience shows that though free economic zones have proved the efficiency in the decision of economic targets of growth and country development, but, they were not in regular intervals successful in all countries: successes in East Asia and Latin America were difficult for reproducing, especially in the African countries where creation of free economic zones was not always successful.*

**Keywords:** *free economic zones, customs privileges, tax privileges, financial privileges, projects, investments.*

## УЗБЕКИСТАН: УЛУЧШЕНИЕ ИНВЕСТИЦИОННОГО КЛИМАТА В СВОБОДНЫХ ЭКОНОМИЧЕСКИХ ЗОНАХ

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**Аннотация:** *в статье рассматриваются вопросы инвестиционного климата в свободных экономических зонах Узбекистана, как «Навои», «Ангрен», «Сирдарё», «Джизак», «Бухоро-агро», «Нукус-фарм», «Зомин-фарм», «Косонсой-фарм», «Сирдарё-фарм», «Бойсун-фарм», «Бустонлик-фарм» и «Паркент-фарм», которые могут быть определены пятью группами факторов. Особые экономические зоны могут быть полезным инструментом в рамках стратегии общего экономического роста, повышения конкурентоспособности промышленности и привлечения прямых иностранных инвестиций. С помощью особых экономических зон правительства стремятся развивать и диверсифицировать экспорт, сохраняя при этом защитный барьер, стимулировать создание рабочих мест, апробировать новые стратегии и подходы (например, в таможенной сфере, правовой сфере, в сфере развития трудовых отношений и т.д.). В статье на опыте функционирования свободных экономических зон проводится анализ закономерностей развития и экономических последствий деятельности свободных экономических зон по Республике Узбекистан. Мировой опыт показывает, что, хотя свободные экономические зоны доказали свою эффективность в решении экономических целей роста и развития страны, но они не были равномерно успешными во всех странах: успехи в Восточной Азии и Латинской Америке было трудно воспроизвести, особенно в африканских странах, где создание свободных экономических зон было не всегда успешными.*

**Ключевые слова:** *свободные экономические зоны, таможенные льготы, налоговые льготы, финансовые льготы, проекты, инвестиции.*

The analysis of many free economic zones in the world have shown that in them the considerable foreign capital, for them is characteristic a particular treatment regulating use of labor, clearing of businessmen of payment of payments in the social insurance funds, essential customs, tax, financial privileges and privileges. The free economic zones functioning in the Republic of Uzbekistan have a number of common features and the moments of development from foreign countries, for example, their consideration as special territorial units tending to improvement of the infrastructure, and a particular treatment of management of free economic zones to become more and more liberal and preferential for foreign businessmen. In working out of a package of privileges of Government of the Republic of Uzbekistan has applied an individual approach to every one of free economic zones, proceeding from variety of socio-economic factors of each region of the country [1-3]. Government gives the great passivity for developed and successfully operating package of privileges for residents of free industrial economic zones. For example, privileges free industrial economic zone of "Navoi" has not been mechanically copied for a free industrial zone of the free economic zones "Angren" of "Dzhizak". The decree of the President of Republic of Uzbekistan from March, 18th, 2013 № VII-4516 «About creation of a special industrial zone "Dzhizak" government creates a free economic zone "Dzhizak" in the Dzhizak area with branch in Syr-Darya area of Syr-Darya area and its borders are confirmed. The individual approach in every one of free economic zones was carried out not only in definition of tax privileges, but conditions and terms of granting of these privileges were considered individually. In the free economic zones "Angren" and "Dzhizak" the bottom lath of necessary volume of investments for reception of offered privileges and preferences has been established more low, than in a case with free economic zone "Navoi". Distinction between free economic zone on conditions of reception of privileges and on terms of their action are caused by advantages which are available in the free economic zones "Angren", "Dzhizak" and serve as additional stimulus for foreign investors, the factor of growth of quantity of labor in the cities of Angren and Akhangaran was thus considered. Creation in the Dzhizak area of free economic zones "Dzhizak" has allowed the companies of the China (People's Republic of China) to realize 6 projects for the \$9 million, and goods turnover from the People's Republic of China for 2018 has made \$66 million for free economic zones "Angren". In general \$185.8 million is realized eight projects in the total cost for FTZ "Angren". For functions of free economic zones "Angren» JV (Joint Venture) Open Company "Uz-Prista" play great role for recycling of processing of the fulfilled technical oils, on new the enterprise is created 50 new workplaces. The Bulgarian company "Prista Oil Holding" has created two new enterprises in the territory free economic zones "Angren" [4-6]. The company creates JV "Uz-Ecoprotect" and JV "Uz-Prista" Recycling within the limits of creation of modern manufacture of base engine oils with a complete work cycle on gathering and processing of the fulfilled technical oils. JV "Uz-Ecoprotect" is engaged in gathering, storage and transportation of the fulfilled technical oils. Its founder's the company of "Uznefteprodukt" - 49 % , company "Prista Recycling" (Bulgaria) - 51 %. The fund of the new JV is \$1 million in Uzbek-Korean JV "Uz-Shindong Silicon" has finished building of the enterprise for manufacture of technical silicon by capacity of 5 thousand tons in a year. Project cost was made by \$10 million and 22 more projects accustom on manufacture of details for cars, production of household chemical goods, medicines, the goods from a skin, etc. As Partners of the Uzbek party in realization of this project the Singapore companies "Welton International Enterprises Pte" have acted. "Kito Investment Pte.Ltd" and Austrian "SEID Handelsgesellschaft MBH". With a view of complex and rational use of industrial and resource potential of Syr-Darya area, creation on this basis of new workplaces and increases of incomes of the population has been created free economic zones "Sirdaryo". In this free economic zones straight lines private investments, including foreign, and high technologies for creation of modern manufactures in such spheres as deep processing, storage and packing of fruit-and-vegetable and agricultural production, development textile, shoe, кожгалантерейной, the chemical, food, electro technical industry, agricultural mechanical engineering, the industry of building materials and others will be involved. In it the free economic zones the processes of localization of manufacture of hi-tech production on the basis of local raw materials and materials will go deep. In the free economic zone "Sirdaryo" the enterprises, on deep processing of a mineral-source of raw materials are created, and the modern enterprises for processing, storage and packing of fruit-and-vegetable and agricultural production, textile, shoe, кожгалантерейной, the chemical, food, electro technical industry, agricultural mechanical engineering, the industry of building materials are created. The innovative and socially focused way of development of areas of the Republic of Uzbekistan assumes its multipolar development and formation new the free economic zones that will promote further to occurrence of the new centers of the innovative growth, leaning against concentration of human and technological potential. In free economic zones "Sirdaryo" will have advancing development logistical services. According to the Decree of the President of Republic Uzbekistan from May, 3rd, 2017 № VII-5032 have been created the "Zomin-farm", "Kosonsoj-farm", "Sirdaryo-farm", "Boisun-farm", "Bustonlik-farm" and "Parkent-farm" and "Nukus-farm" [5-7].

By decision the Cabinet of Ministry of Republic of Uzbekistan from 1.16.2018 year, N 29 will solve organizational questions on selection of investment projects for realization in free economic zones and these questions is assigned to working body of administrative councils of free economic zones and small industrial zones in the Republic of Karakalpakstan. Obligatory criteria at placing of investment projects in territories free

economic zones are: creation hi-tech manufactures, according to the parameters established by the legislation for projects of localization; volume of export after the beginning of industrial activity - not less than 20% in the second and not less than 30% - in the third and the next years; creation of new workplaces in the quantity defined by administrative councils, including with an establishment of 10% quota on reception needing employment under the lists given by the Federation Council of trade unions; completion of staff of workers of the created organization from among citizens of Republic of Uzbekistan in number of not less than 95% from an aggregate number of the involved workers, with granting of possibility of passage of training by it and improvements of professional skill. The investment climate in free economic zones areas of the Republic of Uzbekistan is defined by action of five groups of factors:

1. Geopolitical position of area and in its natural-resource potential, its frontier position, passage through its territory of the major transport ways, the neighborhood with industrially developed regions of republic that raise its appeal to investors. Special value for investors can have presence of the source of raw materials which extraction raises a region export potential.

2. In industrial both financial potential of area and a condition of its regional commodity markets. To investors the areas possessing the developed industrial infrastructure, labor of necessary qualification, possibilities for mobilization of financial resources are more attractive.

3. A level of development of a market infrastructure, especially such market institutes as banks, it is wholesale-intermediary firm, trading houses, the insurance, investment and leasing companies, investment funds etc. depend On presence of these market institutes formation of the markets of the capital and possibility of mobilization of financial resources for investment at the expense of attraction of means of managing subjects, savings of the population, release of securities, credit resources of banks. Influence of this group of factors especially important for the countries with transitive economy, i.e. carrying out radical market transformations of the economy.

4. Though in republic there are favorable conditions for the taxation, introduction of side benefits for foreign investors in priority spheres of economy of area.

5. The noneconomic factors influencing a risk level of investment activity. The investment climate in the Republic of Uzbekistan is estimated in the tax and customs legislation that have caused considerable progress in improvement of an investment climate.

As well as any other difficult economic event, investments of foreign capitals can have positive influence on economy of host countries. Host countries and their economic subjects; develop joint business with foreign partners, to carry out reasonable to the policy of regulation of foreign investments which allows using their positive effects to the full. The projects realized in the Republic of Uzbekistan, in the food, oil and gas, metallurgical and electro technical industries yield good results. One of large-scale projects in the Republic of Uzbekistan is the new sugar factory. Project cost is \$108.5 million has made capacity of the enterprise will make 1 thousand tons of sugar a day. Among problems of free economic zones an important place manufacture, processing and export of agricultural production, formation of a modern infrastructure of logistics, the organization of nurseries of sprouts and saplings of demanded agricultural crops, and also primary seed-growing. By fast rates it has started to be realized in the Republic of Uzbekistan the "Bukhoro-agro". Financing of projects in territory of "Buhoro-agro" is carried out at the expense of means of the international financial institutions, initiators of the project, including direct investments, and also credits of commercial banks and other sources. Thus the size of own means of the initiator of the project cannot be less than 25%. In the free economic zones with attraction of direct foreign and domestic investments modern hothouse economy, including with technology application hydroponics, on a basis cluster forms will be placed, and also manufacture of designs, the equipment and other completing products for building of power saving up hothouses is adjusted.

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