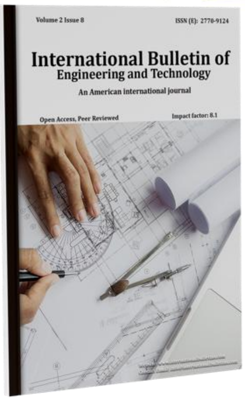

FACTORS IN THE DEVELOPMENT OF INDUSTRIAL ZONE CITIES

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Annotation: This article presents scholarly information on the formation of industrial zones, which serve as key drivers of the economies of developed countries in global practice. It examines the introduction of foreign investment into the industrial zones of Navoi region through economic reforms implemented in Uzbekistan. In addition, the article highlights, based on academic sources, the establishment and current activities of the Navoi Free Industrial Zone, one of the first industrial zones in the Republic.

Keywords: Foreign economic activity, resolutions, Presidential decree, logistics, Navoi Free Industrial Zone, taxation, customs, export, import, raw materials, production, diplomatic cooperation, industrial economic zones.

It is well known that every state which has chosen an independent path of development first of all develops its own model of a market economy that meets international standards. This is because the economy is closely related to many sectors of national development and reflects the development concepts of the state and its regions. The implementation of reforms in the industrial sector, along with the development of a comprehensive socio-economic system in the regions, contributes to the modernization and advancement of leading branches of the economy and has a positive impact on the living standards of workers in industrial areas.Among the regions, the Navoi industrial zone, which is one of the youngest yet most advanced in terms of industrial development, clearly demonstrates the ongoing changes in the sphere of industrialization today.

Historically, the ancient and dynamic land of Karmana, located along the Great Silk Road, is one of the oldest regions that served as a cradle of early human civilization. Since ancient times, the passage of the main route of the Great Silk Road through this territory played a significant role in the development of trade relations and cultural exchange between ancient peoples and countries. The ancient caravanserais and fortresses found in this region are recognized as evidence of international transit trade. Today, Navoi region is one of the international logistics centers of independent Uzbekistan. Despite being a young region, several branches of industry are developing rapidly.

Free industrial economic zones are specific territories established in accordance with interstate agreements or special laws, where preferential tax, financial, and legal conditions are introduced for conducting economic and foreign economic activities. From the very first days of gaining independence, Uzbekistan chose a path of equal and sovereign cooperation with the international community. Today, Uzbekistan has become a state with a достойное position and a strong voice in the world community. Within a relatively short period, the Republic of Uzbekistan has established cooperation with many countries of the world in economic, social, political, cultural, spiritual, and other spheres, and the geography of this cooperation continues to expand.

In the current conditions of globalization and in line with the requirements of market relations, a fierce competition for investment is taking place worldwide. "Liberalization of foreign economic activity, improvement of legal, socio-economic, and other conditions that ensure the attraction of foreign direct investment into the national economy, expansion of foreign investment inflows, and concentration of funds in priority sectors and in areas related to the production of competitive goods are the main principles of the investment policy being implemented in the republic"[1;86]. It is well known that today effective cooperation with foreign investors and the active attraction of foreign investments into the economy are of paramount importance for the development of every region and territory of our country. In this regard, the Presidential Decree of the Republic of Uzbekistan "On the establishment of a free industrial-economic zone in Navoi region", [2:1] adopted for the first time in the Republic at the territory of Navoi International Airport, and the large-scale measures being implemented on its basis, clearly confirm these views.

The Decree provides for further strengthening the production potential of the region, particularly the city of Navoi, developing transport and social infrastructure, introducing high technologies, and, most importantly, actively attracting foreign investment into the economy, primarily foreign direct investment. The establishment of industrial zones aimed at expanding the impact of the investment climate on the stability of socio-economic development in the regions of the republic is considered one of the key indicators of economic growth. Today, 21 free economic zones have been established in our country to promote the development of foreign investment. In particular, the "Navoi," "Angren," "Jizzakh," "Urgut," "Gijduvan," "Kokand," and "Khazarasp" free economic zones are operating through socio-economic development programs.

At present, the establishment of diplomatic relations with industrial enterprises of foreign countries plays an important role in accelerating the processes of technical modernization and renewal of production, creating new joint ventures, introducing modern machinery and advanced technologies into production, developing the manufacture of export-oriented products, launching the production of import-substituting goods, and ultimately improving the living standards of the population. While the number of Free Economic Zones (FEZs) worldwide was 79 in the 1970s, today it has reached 5,400, representing an increase of nearly seventy times [3:15]. To attract foreign capital to the national economy on a large scale, it is necessary to create appropriate legal, socio-economic, and other favorable conditions. First of all, without establishing a system that meets international standards for foreign investors, achieving positive results would have been a difficult task. In this regard, in 1991, the Republic of Uzbekistan adopted the laws "On Foreign Economic Activity" [4:153-154] and "On Foreign Investments," 5: 154-157] which played an important role in the initial stages of economic reforms by facilitating a gradual transition from administrative-command methods of economic management to market-based mechanisms, including the regulation of foreign economic activity. Furthermore, based on the special Presidential Decree of the Republic of Uzbekistan dated July 24, 1992, "On Measures to Stimulate Foreign Economic Activity, Attract and Protect Foreign Investments in the Republic of Uzbekistan," [6;238-240] priority measures were defined to supply the domestic market with essential consumer goods. The Decree also envisaged the attraction of additional capital investments, the use of advanced technologies and modern management practices, the provision of reliable guarantees for the protection of foreign investors' rights, and, overall, the effective utilization of the republic's economic potential.

On April 30, 1998, the Parliament of our country adopted the Laws "On Foreign Investors" [7;360-365] and "On Guarantees of the Rights of Foreign Investors and Measures for Their Protection," [8;360-365]which formed the core of the national investment legislation.

The Decree on the establishment of a free industrial and economic zone in our region, which is considered one of the key strategic regions of the country, has been recognized by the international community as an important historical document determining development prospects for decades, and even centuries, ahead, and continues to be further developed. As the Republic of Uzbekistan entered the twenty-first century, it has been steadfastly pursuing a path of development and profound renewal. Independence has created broad opportunities for freedom of expression, the restoration of genuine spiritual and moral values, and independent development.

In recent years, investment cooperation has been actively implemented in the territory of the Navoi Free Industrial Zone in collaboration with foreign countries. In this regard, the leading roles of the United Kingdom, China, Korea, Italy, and India can be particularly observed.

Attracting foreign investment into the national economy is not only about implementing new and promising projects in cooperation with foreign partners; above all, it is aimed at introducing modern machinery, equipment, and advanced technologies, thereby ensuring the high quality of domestically produced goods. Most importantly, attracting preferential foreign capital ultimately means building a strong, competitive economy in our country and gaining the capacity to secure a достойное position in the global market. We believe that today this truth no longer requires proof.

It should be emphasized that the inflow of investment—first and foremost, foreign direct investment—is clear evidence that our foreign partners recognize the correctness and effectiveness of the large-scale democratic and market reforms being carried out in the republic and are willing to cooperate with us. Naturally, no self-confident foreign company, especially a private one, would enter a market where deep reforms are not being implemented and where necessary guarantees and prospects for investment are lacking. This places upon us the ongoing responsibility to consistently and comprehensively address the task of creating a favorable environment that offers maximum convenience for foreign investment.

The development of independent Uzbekistan and its comprehensive formation require the creation of high-potential opportunities that would elevate the country among the community of nations. In implementing national economic recovery, the formation of an economically resilient, socially stable, and morally healthy society is the primary task of a state transitioning to a market economy.

From the very first days of independence, building a state that meets international standards and implementing profound reforms in the political, social, economic, and spiritual spheres have stood as key and urgent tasks of independence. The majority of these initiatives have been implemented in the years following independence. The foundations of internationally recognized constitutional and legal paradigms of cooperation have been established. Within a relatively short period, numerous reforms have been carried out to strengthen the national economy and improve the living standards of the population.

Analyses of international experience show that stable economic growth of a country and its regions can be achieved by increasing investment activity through the broad involvement of both domestic and foreign investors. In this process, free industrial economic zones are considered one of the most effective instruments for stimulating investment activity. The establishment of the “Navoi” Free Industrial and Economic Zone in the territory of Navoi International Airport plays an important role, particularly in the context of the ongoing development of the national economy, in expanding and increasing the production of competitive goods for global markets, creating additional jobs, and further improving the socio-economic well-being of the population.

In particular, the Presidential Decree No. 4059 dated December 2, 2008, “On the Establishment of a Free Industrial and Economic Zone in Navoi Region,” as well as the Resolution of the President of the Republic of Uzbekistan No. PQ-1027 dated December 31, 2008, which provided for the establishment of an international intermodal logistics center on the basis of Navoi City Airport in order to ensure and develop a communication system for cargo flows in the “Navoi” Free Industrial and Economic Zone, made it one of the first economic zones in the Republic.

Moreover, the economic programs and development concepts formulated by the President have proven their effectiveness in implementing these principles within society. In any society where economic growth and development are strong, overall progress inevitably accelerates. The establishment of the “Navoi” Free Industrial and Economic Zone in the region, amid ongoing economic development, has significant importance in increasing and expanding the production of competitive goods for global markets, creating additional employment opportunities, and further enhancing the socio-economic welfare of the population. Following the establishment of the “Navoi” Free Industrial and Economic Zone, other cities have also begun transforming into economic zones as part of efforts to strengthen the national economy.

The Navoi region, particularly the city of Navoi, has been playing an important role in further increasing production capacity, introducing and widely implementing new equipment and technologies, developing transport and transit as well as social infrastructure, deploying advanced technologies, and attracting foreign investment. The results of the reforms are evident across various spheres of society, especially in economic growth and in achievements attained in the socio-economic, cultural and educational, scientific, and technological fields.

The effectiveness of the progress achieved in this area is reflected in a series of normative legal acts adopted by the President of the Republic of Uzbekistan, including Presidential Decree No. PF-4853 dated October 26, 2016, “On Additional Measures to Activate and Expand the Activities of Free Economic Zones”; Presidential Resolution No. PQ-3356 dated October 25, 2017, “On Additional Measures to Increase the Efficiency of Free Economic Zones and Small Industrial Zones”; Presidential Resolution No. PQ-3774 dated June 5, 2018, “On Measures to Expand the Activities of the Navoi Free Economic Zone and Establish Small Industrial Zones in Navoi Region”; Presidential Decree No. PF-5600 dated December 21, 2018, “On Measures to Further Improve the System of Coordination and Management of Free Economic Zones”; and Presidential Resolution No. PQ-52 dated February 10, 2023, “On Additional Measures for the Comprehensive Socio-Economic Development of Navoi Region and Further Improvement of the Living Standards of the Population in 2023–2024.” [9; Reference: https://lex.uz/uz] The implementation of tasks defined in these and other sector-related regulatory legal acts has initiated the development of new industrial drivers for the socio-

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economic growth of the country. At the same time, the legislative framework regulating the activities of free economic zones is being continuously improved, and their administrative structures are being systematically formed.

Today, one of the most important factors is the effective implementation of timely adopted decrees and resolutions related to the economy, as well as increasing the effectiveness of economic programs aimed at national economic development. This, in turn, indicates the existence of well-developed strategic economic plans, the stable development of Uzbekistan's economy, and the creation of all necessary conditions for successful economic activity. "The experience accumulated in developed countries in establishing and operating free economic zones demonstrates that the application of this mechanism has positive effects on economic development and the introduction of new economic ideas into social life" [10;3]. The main focus of economic activity within this free industrial and economic zone is the large-scale production of high-tech, globally competitive products through the introduction of the most advanced machinery and equipment, technological lines and modules, and innovative technologies. It is planned that a wide range of electrical and electronic products, mechanical engineering goods, automotive components, food products, pharmaceutical products, and medical equipment will be manufactured in this territory.

This, in turn, requires studying the problems related to the current economic, social, political, and material foundations of Uzbekistan. The following scientific opinion serves as a basis for this: "Implementing a multifaceted foreign policy that aligns with Uzbekistan's national interests is a necessary condition and an extremely important tool for strengthening our country's independence, overcoming economic difficulties, and improving the living standards of the people" [11;9].

Uzbekistan is gradually transitioning to a production system based on market relations in a step-by-step and consistent manner. Economic stability has been achieved at the national level, competitive, high-quality products that meet international standards are being produced and continuously increased for export, thereby increasing revenue to the state treasury. The forms of ownership in production have changed, and investments from foreign companies and individuals have been brought into our country. Large joint ventures, as well as small and medium-sized enterprises, have been established, opening wide opportunities for entrepreneurship. This path of socio-economic development is recognized by the international community as a key strategy for progress.

Foreign investment is one of the crucial factors in achieving a high level of development and sustainable economic growth in any economic system. Indeed, today in our republic, thanks to investments, products are being produced in modernized, technically and technologically re-equipped factories and plants, as well as newly established modern joint ventures, which are in demand, competitive, and exportable. To ensure the production of high-quality, internationally competitive products that meet global standards, it is necessary to attract foreign investments, primarily direct investments, and to establish modern, high-tech production facilities.

Therefore, "At the current stage of modernizing Uzbekistan's economy, it is required to further improve the mechanisms of investment activity. The formation of an investment market is an essential condition for solving the problems of mobilizing investment resources, converting savings into investments, and increasing the efficiency of their use [12;№5]. Attracting foreign investments to Uzbekistan quickly facilitates the establishment of various forms of ownership. It ensures structural reforms in the Uzbek economy and the development

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of prominent sectors. Most importantly, it guarantees the international integration of Uzbekistan's economy and allows Uzbekistan to supply high-quality, competitive products to the global market and secure its place there. As a result, this leads to an increase in exports and a steadily positive balance of payments for the republic.

In recent years, a number of manufacturing associations have been established in the free industrial zones. For instance, the new profile-producing plant constructed by AKFA Company, which began in 2015, currently has an annual capacity of 40,000 aluminum profiles. Today, the company produces 14 new profile systems ranging from economy to premium segments, which are exported not only to Uzbekistan but also to Afghanistan, Azerbaijan, Kyrgyzstan, Kazakhstan, Turkmenistan, Tajikistan, Russia, Poland, Ukraine, Austria, the Czech Republic, Canada, and the United States. At the same time, employment opportunities for the population are being ensured.

However, the underutilization of the industrial zone is reflected in some shortcomings. Currently, regarding the "Navoi" Free Economic Zone, over the past eight years, only 24 projects have been implemented there, with a very low share of direct foreign investment, and only 900 people have been employed. Last year (2016), the production volume decreased by 24% [13;29].

Today, several opportunities are being created to better utilize the industrial zone. For example, in the Navoi Free Economic Zone, economic entities registered there are exempted from customs duties on equipment, raw materials, materials, and components brought in for products intended for export.

In addition, economic entities registered in the free industrial-economic zone are exempted from customs duties for equipment, raw materials, materials, and components brought in for the purpose of producing export-oriented products for the entire period of their activity. If these goods are brought into the domestic market for sale, 50% of the established rates are applied [14;1]. Along with this, favorable conditions and procedures are provided for export and import settlements.

The main goal of these measures is to create favorable conditions for attracting foreign investments, primarily direct investments, to establish modern, high-tech production facilities that ensure the manufacture of products meeting international standards and in demand in the global market. It is also aimed at further increasing the industrial potential and production capacity of Navoi region, developing transport-transit and social infrastructure.

Besides attracting foreign investment to activate economic processes and develop specific sectors, establishing free economic zones also allows addressing other issues, such as:

Expanding innovative activities,rapid development of transport and telecommunication infrastructure;

To support the export of industrial products and increase foreign currency earnings, develop new types of products, and establish industrial zones producing products on a full-cycle basis;

To enhance the competitiveness of local products and services in domestic and foreign markets by implementing international quality standards, certification, and packaging requirements;

To deeply process raw material resources and produce high value-added products;

To introduce modern management and business practices (adopting international standards of business cooperation, developing new mechanisms, and adapting international market experience to the conditions of the republic);

To create new jobs and train qualified workers, engineers, and management personnel.

Moreover, the form of a free industrial-economic zone depends on the objectives set by the state during its establishment.

Firstly, the main goal of establishing free economic zones is to more deeply integrate the country into the process of international labor division and development.

Secondly, the role of a free industrial-economic zone in supplying the domestic market with high-quality products, primarily import-substituting goods, is significant. In this regard, production aimed at import substitution is established in the zone with the support of foreign investments.

Thirdly, the creation of a free industrial-economic zone not only facilitates integration into international labor division in production but also envisions development in tourism, culture, and sanatorium-resort sectors.

Fourthly, the zone ensures the rapid introduction of local and foreign scientific and technological innovations into production, and later their use in the national economy, as well as the wider application and implementation of quality management systems (ISO standards).

Fifthly, one of the objectives within the free industrial-economic zone is to reduce costs and losses during logistics and transportation, place enterprises nearby each other, and form full-cycle production zones, which significantly shortens delivery times.

In the structure of the "Navoi" FEZ Directorate, an Export Support Center is established to assist participants in exporting their products. This center provides consulting, intermediary services, marketing research, and other opportunities.

In conclusion, the stability of economic growth remains one of the main factors for attracting direct foreign investments. The basis of the ongoing and deepening reforms in Uzbekistan is the liberalization of economic relations, improving the social living standards of the population, modernizing society, attracting investments into the economy, and increasing the efficiency of using foreign investments—one of the country's most pressing priorities.

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