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**ON THE QUESTION OF DISCLOSURE OF THE ESSENCE AND MAIN SYSTEM CHARACTERISTICS OF SPECIAL ECONOMIC ZONES**

**AKHMADALIYEV AZAMZHON ABDULVOHIDOVICH**

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**Abstract**

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**Keywords:**

*special economic zones, free economic zones, offshore zones, foreign experience in creating SEZs, innovation potential.*

*The article considers approaches to determining the essence and main systemic characteristics of special economic zones, summarizes the results of studying the economic and legal foundations of the functioning of SEZs in foreign countries, base which a number of author's conclusions and methodological approaches are formulated.*

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**Introduction**

Special economic zones (SEZ) are one of the tools to attract foreign capital, diversify the economy, transfer the country's industry to an innovative development path, support priority sectors and modernize the economy as a whole. In the world, there are more than a thousand SEZs that differ in form, purpose, degree of foreign economic openness and size of SEZ territories, which are considered as multipliers of economic development.

The Republic of Uzbekistan, having the potential to increase its innovative potential, is characterized by an insufficient level of infrastructure development, which allows entrepreneurs and investors to quickly and profitably convert this potential into high technologies. By establishing special preferential conditions in certain territories, it is possible to ensure a more intensive inflow of foreign investment and create the necessary conditions for the technological modernization of production. The variety of administrative, tax and customs instruments for regulating economic activity determines the differentiation of the forms of organization and existence of special economic zones, which actualizes research in the field of their typology and identification of systemic characteristics.

**Literature review**

To date, only 11 out of 21 SEZs are practically functioning in the Republic of Uzbekistan [1], while the performance of their activities is not satisfactory in everything: the volume of actual investments, the number of residents, the number of jobs created do not correspond to the planned values, there is a general low level of business activity from resident companies. This actualizes the need to rethink the experience of implementing the

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concept of SEZ development and the effective functioning of territories with a special economic regime within the economic system of the region and the state as a whole.

Currently, the study of free economic zones is at a stage when researchers have not formulated a single conceptual apparatus for the definition of free economic zones and their components. Many authors consider special economic zones as free or special economic zones, but the analysis of their otological content does not allow us to distinguish clear differences between them. Neither in Uzbek nor in foreign literature has a single interpretation and even a generally accepted definition of the concept of "Special Economic Zone" (hereinafter referred to as SEZ) been established. In the most general form, it is customary to define a SEZ as a region or part of a country with a favorable economic and geographical position, where a duty-free or preferential export-import regime is established and its certain trade and monetary and financial isolation from other regions of the country is achieved. A free economic zone can be not only a part of the country, but the whole (usually small) country as a whole. Suffice it to say that in the early 1990s, according to various estimates, there were over a thousand territorial entities with a special economic status in the world [2]. 1/10 of the world trade turnover passes through them, and more than 3 million people work in them[3].

The systematization of the main approaches will allow us to propose a comprehensive definition of the free economic zone.

L.Vasiliev[4] notes that free economic zones are territorial enclaves that are widely open for the movement of goods, capital and labor, in which the most attractive tax, financial, and legal conditions are created for the activities of foreign and local entrepreneurs. The main characteristic of the SEZ is that in the economic sense, special economic zones are a special form of government intervention in the economy in order to reduce costs. In other words, this is a territory where the principle of "customs extraterritoriality" is observed. From this definition it is clear that the freedom of a separate part of the state space is not absolute, but relative. This territory is free only in the sense that goods imported into it are exempt from customs duties, import taxes and other types of import controls that, in accordance with the customs legislation of the country, apply to goods imported into other territories of this country. This means that goods imported into the SEZ from abroad are not declared as being imported into the territory of the host country. But at the same time, laws do not free commodity owners and investors from the existing economic legal order, but only facilitate it. The author, along with an analysis of the development of approaches to understanding the essence of the SEZ, monitors the functioning of the SEZ as a socio-economic phenomenon (economic system) in countries and regions. In other words, the SEZ is an enclave where goods imported into the territory from abroad are not declared as imports of the host country[5].

Currently, there are over 500 free economic zones in the world, including traditionally free harbors[6].

The authors of the textbook "Free economic zones" V. Ignatov and V. Butov[7] give their definition of these economic formations: "Free economic zones are limited territories, sea and air ports, in which special economic conditions apply for entrepreneurs, as residents, and non-residents, contributing to the solution of foreign trade, general economic, social, scientific and technical and scientific and technological problems.

It is obvious that such a definition of the SEZ reflects the territoriality, preferential treatment, enclave nature and limited influence of state authorities in the economic activities of these economic formations.

The latter is consonant with the theory of M. Friedman and the requirements of the market. Explaining his definition of the SEZ, K.A. Semenov proposed a short but precise

wording, calling the zones “a separate part of the national economic space, where a certain system of benefits is applied that is not used in other territories of this state.”

Thus, it is possible to single out discrepancies in understanding the role and place of special economic zones in the context of the development of the global, national and regional economic space. On the one hand, the authors consider these territories to be exclusively part of the national economic space, where special conditions and incentives for managing are established and operate that are not used in its other territories[8]. On the other hand, the zones are considered solely as a form of instrument for the differentiated reduction of the scale of state participation in the economic activities of economic entities[9].

The leading goal of creating a SEZ as an element of national economic policy is to integrate the state economy into the global economy through the development of the country's export potential, strengthening the competitiveness of domestic producers in the global market, and increasing the degree of cooperation between the national economy and the world economy[10].

### **Analysis and discussions**

According to the definition of the International Association for the Development of Free Zones (MARSEZ), established in 1990 г., the SEZ is a special territorial and economic entity, as a rule, open to the financial and economic activities of any country, conducive to economic, scientific, technical, environmental and social development, specially created by additional delegation by central and local governments of rights and powers with rigidly fixed and respected boundaries, free zonal legislation, budget, tax system, and government bodies.

As you can see, there really is no single definition of SEZ. But summing up the opinions of various economists, one can come to certain conclusions: firstly, the SEZ is an integral part of the country; secondly, a whole system of benefits operates in this territory; thirdly, a "free" zone is only in the sense of exemption from duties, taxes on imports and other types of import controls; fourthly, being a SEZ resident does not mean abstracting from the existing economic legal order and, fifthly, SEZs, with the right approach to them, contribute to the solution of foreign trade, general economic, social, scientific and technical and scientific and technological problems [eleven].

It can be stated that it is necessary to clearly distinguish between the concepts of "FEZ" and "offshore", since the main goal of creating free (special) economic zones is to attract investment flows to the territory and, as a result, further development of its potential - production, scientific, service [12]. In these territories, the possibility of reducing fiscal taxation or even exempting from it is a tool to achieve the above goal. The main advantage of offshore territories is the prospect of tax avoidance.

At the same time, the concepts of "FEZ" and "SEZ" can be considered synonymous, since the purpose of their creation, the order of operation is identical.

It should be specially noted that the SEZ institution is a complex institution that has a different legal branch, since it is regulated by the norms of financial, tax, customs and administrative law [13].

Currently, SEZs have not achieved the main global goal of their creation - becoming centers of economic growth that gives impetus to the development of all other territories of the state. But at the same time, there are no grounds for speaking of their uselessness or unsuitability.

Taking into account adjustments and changes, SEZs can become centers for accelerating the country's transition to modern market relations, faster and more rational inclusion of the Republic of Uzbekistan in the world economy and achieving national prosperity.

Based on the consideration of the economic and legal foundations for the functioning of SEZs in foreign countries, we formulate the conclusion that in order to create a domestic legal platform for the functioning of SEZs, it is necessary to study the existing experience of a number of foreign states that are "pioneers" in using this type of stimulation of investment, industrial, scientific activities. .

Leading countries with market economy for several decades have been widely using the accumulated theoretical and practical potential in this area in order to improve the macroeconomic management mechanism. It seems expedient to use the experience of the global civilizational process in the sphere of SEZ functioning.

As a guideline for improving the legislation of the Republic of Uzbekistan, one should consider the possibility in most foreign countries to carry out banking and insurance activities on preferential terms, which will increase the attractiveness of the territories of the Republic of Uzbekistan with a similar status.

International practice shows that in developing countries, foreign investors prefer to invest in short-term, quickly paying off projects, after which they leave the SEZ, and insignificant amounts are spent on the creation of infrastructure and other arrangements [14].

There are also a number of other differences between the SEZs of developed and developing countries. In the zones of developed countries, the emphasis is on trade and technology, when significant attention is paid to environmental issues. In SEZs of developing countries whose governments interested in accelerating economic growth, often forget about the environment.

The experience of developing countries shows that the effectiveness of SEZs is largely related to the right choice of its location. In a number of countries, the most advantageous are the border regions with well-established economic relations with neighboring states.

Summing up, it is possible to schematically represent the functioning of free economic zones as a complex of natural economic and geographical advantages of the territory and state regulation instruments, which is the basis for the creation and maintenance of the SEZ. From the point of view of the presented approaches, the leading mechanism for the functioning of the SEZ is determined by special conditions in 7 areas (see Fig. 1).



**Fig. 1. Directions for the formation of special economic conditions on the territory of the SEZ (compiled by the author)**

The main system characteristics of free economic zones that define them as a special form of economic activity organization are:

1. Territoriality. FEZs remain an integral part of the country, where economic agents, in addition to specially provided business conditions, operate within the framework of the existing economic legal order.

2. Preferential. It is obligatory to have special preferential economic conditions for national and foreign entrepreneurs.

3. Enclavation. Indicates the limitedness of the territory where the selective reduction of state intervention in economic processes is carried out. SEZs constitute a separate part of the national economic space, where a set of benefits and conditions is applied that is not used in other territories of the state.

4. Locality. The space of the free zone should be as compact as possible, since only in this case it is possible to count on a positive effect due to the formation of a developed territorial infrastructure.

5. Contrast. In general, the investment climate in the free economic zone should differ significantly from that in other territories of the country and other states.

6. Extraterritoriality. The contrast of SEZs should be ensured and enhanced not by absolute, but by relative advantages.



7. Openness. SEZ cannot and should not be isolated from the environment. Working for the economy as a whole, it actively interacts with it through the widest possible number of channels, acting as one of the most important catalytic factors in the development of the region's economy.

8. Orientation. The functioning of the SEZ always has an orientation determined by the general goal or system of goals. In the Republic of Uzbekistan, free economic zones are created in order to develop manufacturing and high-tech sectors of the economy, develop tourism, the sanatorium and resort sector, port and transport infrastructures, develop technologies and commercialize their results, and produce new types of products.

### Conclusion

The systematization of approaches to the definition of territories with a special economic status made it possible to determine that the SEZ is a part of the country's economic space with a complex system characterized by integrity and diversity of types of connections and relations between its elements (subjects), where a special, preferential economic regime operates for foreign entrepreneurs, contributing to the solution of various socio-economic and scientific and technical problems. The SEZ is most widely defined as a relatively small territory of the state, where a preferential, compared to the general, regime of economic activity is introduced in order to attract foreign and domestic investors and all the necessary infrastructure is created for this.

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