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## ABOUT THE ACTIVITIES OF FEZ IN THE REPUBLIC OF UZBEKISTAN

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### Abstract

The problems of SEZ development have always been widely discussed by economists and experts. This article provides recommendations on the development of a single FEZ and the development of its infrastructure, which makes it possible for foreign investment to flow in, ensuring the production of competitive products, as well as the integrated and efficient use of the country's production and resource potential and the creation of new jobs on this basis.

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### Introduction

Currently, free economic zones, hereinafter referred to as FEZs, are actively developing all over the world, especially in emerging economies. The creation of certain types of FEZ allows to increase the inflow of investments and create favorable conditions for business development in certain regions of the country not only at the national level, but also internationally through the export of manufactured products. Currently, there are more than 7000 FEZs in 147 countries of the world, employing about 72 million people.

### Literature Review

A free economic zone, or FEZ, is a territory with defined borders and a special legal regime, specially allocated in order to attract foreign and domestic investments, high technologies and managerial experience for accelerated socio-economic development of the relevant region.

### Main Discussions



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Currently, there are 22 FEZs operating in the Republic of Uzbekistan, 13 of which specialize in industry, 2 in agriculture, 5 in pharmaceuticals and 2 in the tourism sector.

In the period 2010-2022 alone, more than 570 projects worth \$ 2.9 billion were implemented in the territories of the free economic zones of the republic, due to which about 51 thousand new jobs were created. 25% of the products produced in the FEZ go to export. The task is to further increase the share of exported products.

If we consider the development of the FEZ on the example of the Angren FEZ, then the Angren Special Industrial Zone was created by Decree of the President of the Republic of Uzbekistan No. PD-4436 dated April 13, 2012. The total territory of the Angren FEZ is 14.5 thousand hectares, including the territories of the city of Angren and Akhangaran of the Tashkent region, as well as parts of the territory located between them.

The main purpose of the creation of the Angren SEZ is to create favorable conditions for attracting foreign and domestic investments to create modern high-tech industries that ensure the production of competitive products with high added value, as well as the integrated and efficient use of the production and resource potential of the Tashkent region, creating new jobs on this basis and increasing incomes of the population.

One of the advantages of the Angren SEZ is its convenient location, i.e. close to the largest cities of Uzbekistan. The distance to the capital of the republic - Tashkent is only 80 km, the cities of the Fergana Valley - 240 km.

In addition, the Angren FEZ has an international logistics Center Angren with a total area of 30 hectares and accommodating more than 300 cargo vehicles. The capacity of the logistics center is 4 million tons of cargo operations.

The main tasks and activities of the Angren FEZ are:

- formation of favorable conditions for attracting investments, primarily direct ones, for the creation and effective operation of modern high-tech production facilities for the production of products with high added value that are competitive in the domestic and world markets;

- ensuring the integrated and efficient use of the production and resource potential of the region included in the special industrial zone, the creation of new production facilities for deeper processing of mineral resources;

- deepening the processes of localization of production of high-tech products based on local raw materials and materials based on the establishment of close cooperative ties and the



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development of industrial cooperation between enterprises of the special industrial zone and the republic as a whole;

- ensuring the advanced development and efficient use of transport, engineering, communication and social infrastructure, further development and extensive use of the potential of the Angren Logistics Center, the established system of road and container cargo transportation.

The main activity of the economic entities of the Angren FEZ is the production of a wide range of high-tech products competitive in the world markets with high added value, due to the effective use of the production and resource potential of the region included in the special industrial zone.

On the territory of the Angren SEZ, conditions have been created for the development of production facilities for deeper processing of mineral resources, the production of high-tech products based on local raw materials and materials based on the establishment of close cooperative ties and the development of industrial cooperation between enterprises of the special industrial zone and the republic as a whole.

Based on the concept of industrial placement of enterprises on the territory of the, Angren FEZ enterprises of the following industries and directions are located: electronics and electrical engineering; mechanical engineering; chemistry and petrochemistry; food industry and deep processing of fruit and vegetable products; production of building materials; leather industry, etc.

During the operation on the territory of the Angren SEZ, 16 projects totaling \$224.7 million have been launched, of which 8 projects totaling more than \$163 million have already been implemented, about 840 new jobs have been created.

The Angren International Logistics Center also operates in the FEZ, whose activities are also aimed at creating favorable conditions for enterprises engaged in foreign economic activity. The Angren Logistics Center provides a full range of services for the delivery of goods to the recipient in the Fergana Valley and other regions of the Republic of Uzbekistan on a door-to-door basis, including:

- distribution to international and local destinations by road and rail;
- assistance in obtaining a favorable insurance policy for transportation against all types of risk;
- prompt information about the location of the cargo;



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- accompaniment and protection of goods en route;
  - organization of cargo transportation under customs control;
  - a door-to-door delivery system for export and import cargo;
  - obtaining certificates of conformity of the goods;
  - loading-unloading and storage of all types of cargo;
  - storage of export-import cargo in special customs warehouses.

The activities of special economic zones in the Republic of Uzbekistan are regulated by the Law of the Republic of Uzbekistan No. 604 dated February 17, 2020.

According to this Legislation, the decision to establish a FEZ is made by the President of the Republic of Uzbekistan. According to Chapter 2 of this Law, state regulation in the field of organization of functioning and development of special economic zones is carried out by the Cabinet of Ministers of the Republic of Uzbekistan, whose powers include:

- ensuring the implementation of a unified state policy in the field of organization of the functioning and development of special economic zones;
- approval of the program for the development of special economic zones;
- formation of administrative councils of special economic zones, coordination, monitoring and control of their activities;
- approval of the charters of the directorates of special economic zones, coordination, monitoring and control of their activities;
- determination of authorized state bodies in the field of organization of functioning and development of special economic zones, control over their activities;
- monitoring the timely implementation of investment projects.

In order to provide a developed road transport, engineering, communication and social infrastructure, 114 measures are planned for a total of 492,8 billion soums.

The following features are characteristic of the FEZ of the Republic of Uzbekistan:

- insignificant share of products of FEZ enterprises in the country's GDP; low competitiveness of products; low diversification of production and, accordingly, exports.

A number of measures should be taken and mechanisms should be included to facilitate the creation of highly efficient industrial zones with high export potential.

It is necessary to create conditions for free crediting of FEZ enterprises, timely conversion and ensuring the possibility of using loans from international financial organizations for the production of export-oriented products.



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In order to increase the efficiency of FEZ activities and increase their export opportunities, it is necessary to make wider use of the practice of foreign countries in transferring the function of the FEZ directorate to foreign companies of countries (for example, Navoi FEZ) that actively invest in this zone and have experience in the development and management of economic zones.

In large complex FEZs, conditions should be created aimed at creating a favorable organizational environment that gives foreign investors the opportunity to choose a channel to enter the domestic market, depending on its priorities, by developing clear goals and appropriate differentiation of conditions for placing foreign investments.

### **Conclusions**

The directorates of free economic zones should carry out active advertising and information activities in the republic and abroad in order to highlight the conditions for conducting investment and business activities in the zones and attract foreign and national investors. It is necessary to identify the responsible authorities for advertising and information activities, since at present this work is not being carried out actively enough.

It is necessary to carry out an inventory and compare the tax benefits provided in the territories of the FEZ with the benefits provided for individual industries, and to assess the profitability of placing the subjects of individual industries of their productions on the territory of the FEZ. This will make it possible to create a really more favorable regime of activity in the zones and to intensify the attraction of investments.

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