

FREE ECONOMIC ZONES ESTABLISHED IN CENTRAL ASIAN COUNTRIES

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Abstract: This article discusses the history of the establishment of free economic zones (FEZ) in Central Asia and the socio-economic relations in their development. It is noted that the role of FEZ in the regional economy is growing, as well as the fact that they are widely organized in various sectors, the volume of production and services is constantly growing. At the same time, the reasons for the slow development of some SEZs as a result of mistakes and shortcomings in their organization, or the completion of their activities in general, are explained. The author also provides little insight into the prospects of existing and newly established FEZs in Central Asia.

Key words: investment, seaport, Innovation Technology Park, National Industrial Petrochemical Park, Chemical Park, special economic zone, high-tech SEZ, “fish producer” SEZ, tourist SEZ, pharmaceutical SEZ, agro-economic zone, technopark.

Аннотация: В статье рассматривается история создания свободных экономических зон (СЭЗ) в Центральной Азии и социально-экономические отношения в их развитии. Отмечается, что роль СЭЗ в региональной экономике растет, а также то, что они широко организованы в различных секторах, постоянно растет объем товаров и услуг. При этом объясняются причины медленного развития некоторых ОЭЗ в результате ошибок и недостатков в их организации или завершения их деятельности в целом.

Автор также мало дает представление о перспективах существующих и вновь созданных СЭЗ в Центральной Азии.

Ключевые слова: инвестиции, морской порт, инновационный технопарк, национальный индустриальный нефтехимический парк, химический парк, особая экономическая зона, высокотехнологичная ОЭЗ, ОЭЗ «рыбовод», туристическая ОЭЗ, фармацевтическая ОЭЗ, агроэкономическая зона, технопарк.

INTRODUCTION

Central Asia is an economic subregion of Asia that gained independence in the late 20th century and includes Kazakhstan, Uzbekistan, Turkmenistan, Kyrgyzstan and Tajikistan. The total area is 4 mln. more than km², with a population of 80 million. close to man, this economic region has huge economic potential. In particular, the presence of a number of large mineral deposits (oil, natural gas, coal, iron, gold, copper, uranium, various salts, etc.) in Central Asia, specific industrial infrastructure, as well as cheap labour. is proof. At the same time, Central Asia is, in a sense, a transit corridor that connects Europe by land with East and South Asia, and at the same time with East Asia like the Middle East. In recent years, much attention has been paid to the establishment of free economic zones in the region with these economic opportunities.

So what is FEZ? Special economic zones (SEZ) are an important institution of the world economy, one of the instruments for the formation of the national economy. For many countries, they are an unconventional form of enhancing participation in the international division of labour. [2]

The process of establishing the FEZ is developing rapidly not only in Central Asia but also around the world, including in Asia: - ADB Chief Economist Shang-Jin Wei notes that with a competent approach, simple industries become centres of innovation and investment. The Bank's statistics also speak of the effectiveness of SEZs: from 1995 to the end of 2015, the number of zones in Asia increased from 500 to 4300. FEZs in Asia attract 82% more foreign direct investment. [3]

The stable role of FEZ in the Asian economy, as noted above, necessitated their establishment in Central Asian countries, which have a number of opportunities. Using the existing economic potential of the region, based on the standards of FEZs of China, Japan, India, South Korea and Singapore (their in-depth study and results). leading with great advantage.

Methods. A number of research methods were used to cover this article, including the comparative method of comparing SEZs in Central Asia, cartographic methods to reveal the economic and geographical location of these regions, as well as mathematical and statistical analysis of changes in production over the years. and analyzed by observation methods.

Results and Discussion. The purpose of the Central Asian Free Economic Zones is to make effective use of the existing natural and economic and social potential of the countries of the region by attracting foreign and domestic investment, as well as to provide employment and improve living standards. To achieve this goal, about 50 FEZs in various fields have been established in the Central Asian subregion to effectively use the existing opportunities in the region by attracting investment from local and foreign investors (Table-1).

In particular, the Republic of Uzbekistan is the largest country in Central Asia, with more than 50% of FEZs in the region. There are currently 26 FEZs operating in Uzbekistan. Of these, 11 are high-tech SEZs, 7 are pharmaceutical SEZs, 2 are agro-economic SEZs, 2 are technoparks, and 1 is a “fish producer”, transport-logistics, sports and tourism SEZs (see Figure 1 and Table 1).

Table 1

FEZs established in Central Asian countries.

T / R	Country name	Number of FEZs established	Types of organized SEZs
1	Republic of Uzbekistan	26	1. FEZ “ <i>Navoi</i> ” 2. FEZ “ <i>Angren</i> ” 3. FEZ “ <i>Jizzakh</i> ” 4. FEZ “ <i>Urgut</i> ” 5. FEZ “ <i>Gijdivan</i> ” 6. FEZ “ <i>Kakand</i> ” 7. FEZ “ <i>Hazarasp</i> ” 8. FEZ “ <i>Sirdarya</i> ” 9. FEZ “ <i>Namangan</i> ” 10. FEZ “ <i>Termiz</i> ” 11. FEZ “ <i>Nukus</i> ” 12. FEZ “ <i>Chirakchi</i> ” 13. FEZ “ <i>Zomin-farm</i> ”

			14. FEZ <i>“Kosonsoy-farm”</i> 15. FEZ <i>“Sirdaryo-farm”</i> 16. FEZ <i>“Boysun-farm”</i> 17. FEZ <i>“Bostanliq-farm”</i> 18. FEZ <i>“Parkent-farm”</i> 19. FEZ <i>“Andijan-farm”</i> 20. TFEZ <i>“Charvak”</i> 21. SFEZ <i>“Tashkent”</i> 22. AFEZ <i>“Bukhara”</i> 23. FEZ <i>“Lower Chirchik fish producer”</i> 24. AFEZ <i>“Kasan”</i> 25. Technopark <i>“Almazar”</i> 26. Technopark <i>“Yashnaobod”</i>
2	Republic of Kazakhstan	13	1. SEZ <i>“Astana New City”</i> 2. SEZ <i>“Seaport Aktau”</i> 3. SEZ <i>“Innovation Technology Park”</i> 4. SEZ <i>“Ontüstik”</i> 5. SEZ <i>“National Industrial Petrochemical Park”</i> 6. SEZ <i>“Burabay”</i> 7. SEZ <i>“Khorgos -Eastern Gate”</i> 8. SEZ <i>“Saryarka”</i> 9. SEZ <i>“Chemical Park Taraz”</i> 10. SEZ <i>“Pavlodar”</i>
3	Republic of Kirgizistan	5	1. SEZ <i>“Bishkek”</i> 2. SEZ <i>“Karakol”</i> 3. SEZ <i>“Leylek”</i> 4. SEZ <i>“Maymak”</i> 5. SEZ <i>“Narin”</i>
4	Republic of Tajikistan	4	1. FEZ <i>“Sughd”</i> 2. FEZ <i>“Panj”</i> 3. FEZ <i>“Dangara”</i> 4. FEZ <i>“Ishkashim”</i>
5	Republic of Turkmenistan	1	SEZ <i>“Seaport Avaza”</i>
A total of 49 FEZs in Central Asia.			

The table was compiled by the author based on data from the literature [4], [5], [6], [8] and [9].

These FEZs were established for a period of 30 years for the socio-economic development of the country. The first of them are SEZ “Navoi” (2008), SEZ “Angren” (2012) and SEZ “Jizzakh” (2013), which are currently the leaders in this area, implementing the largest number of projects in the country.

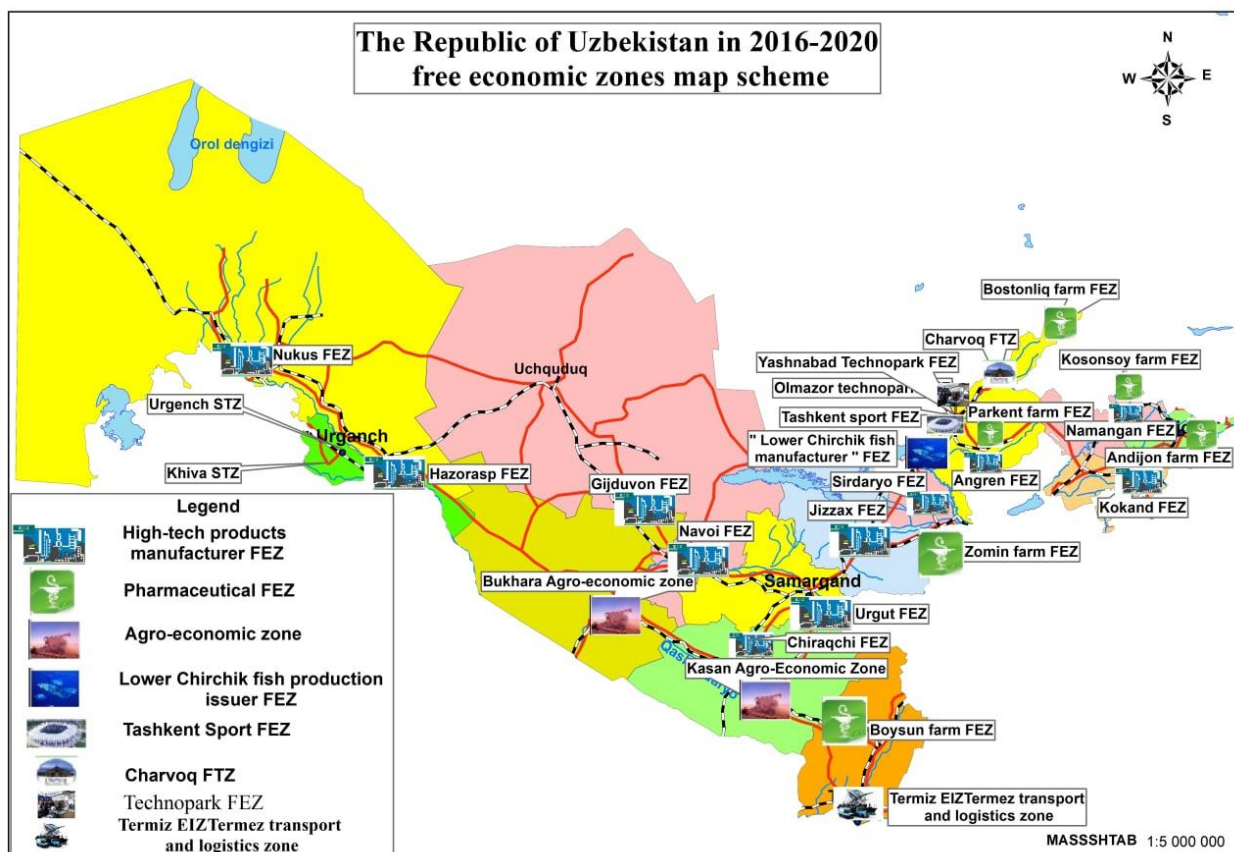


Figure 1. Free Economic Zones of Uzbekistan. *The card scheme was prepared by the author.*

In Tashkent region, such industries as chemical industry, ferrous and non-ferrous metallurgy, electrical engineering, mechanical engineering and metal processing are developing rapidly, and large investments are being made for their development.

One of the largest projects in this area is the production of 100,000 square meters of conveyor belts and 3.2 million tires a year in the Angren Free Economic Zone with an investment of \$ 214 million. The first phase of the project will be completed and launched in late 2018. [3]

The stages of formation of FEZ in the Republic of Uzbekistan can be divided into two:

- At the initial stage of formation and development of FEZ in the Republic of Uzbekistan (2008-2016) SEZ "Navoi", SEZ "Angren" and SEZ "Jizzakh" were established;
- In the second stage of formation and development of FEZ in the Republic of Uzbekistan (2017-2021) at this stage 23 FEZs were established, and at the same time their types: pharmaceutical, tourism, agro-economic, "fish producer", transport -increased in logistics, sports and technology parks.

Another Central Asian country with a high level of FEZ activity is Kazakhstan. In order to take advantage of the huge potential of the Republic of Kazakhstan, FEZs have been established across the country in various directions.



Figure .2. SEZs in Kazakhstan. [1]

In Kazakhstan, the first SEZs were developed in the regions of Zhezkazgan, Taldykorgan and Kostanai and in Almaty city in the early 1990s, followed by other SEZs in the regions including Atyrau, East Kazakhstan, Karaganda, and

Mangistau. As a result, 9 SEZs were established. However, due to the lack of comprehensive legal framework, as well as the fact that the budget was not used in accordance with the objectives because of the spread of government corruption, SEZs were virtually not functioned.[3]

This has been the case in all Central Asian countries, and some of them have since been completely abolished, with some making significant positive changes in their activities.

In 1996, "the Presidential Decree of the Republic of Kazakhstan on Special Economic Zones" was enacted. After that, the term "Special Economic Zone" replaced the previously-used term "Free Economic Zone". In July 2007, in order to improve the functionality and efficiency of SEZs, the Law of the Republic of Kazakhstan "Special Economic Zones (SEZ Act 2007)" was enacted as a strict legislative framework for SEZs. Further in July 2011, the current "SEZ Act 2011" was enacted, replacing the "SEZ Act 2007"[3].

As noted above, the entry into force of a new law on free economic zones in Kazakhstan is also observed in the Republic of Uzbekistan. In a sense, these FEZs have led to a significant increase in activity, which in turn has opened up a number of benefits for local and foreign investors. As a result, the number of participants in FEZs has increased and the volume and scale of production have expanded.

Today, over 700 participating companies are registered on the territory of all 13 FEZs in Kazakhstan. Of these, 180 are already actively working, the rest are at different stages of development - from the design stage, fundraising, construction and production itself. In addition, FEZs provide additional employment in the country, more than 24 thousand jobs. All this is an indicator of efficiency. [5]

Indeed, FEZs are an important factor not only in the growth of the country's economy but also in the employment and living standards of the population. At the same time, the creation of export-oriented and import-substituting products in the FEZ, as well as the focus on exports, will lead to some positive changes in the country's foreign trade turnover. The Kyrgyz Republic has four free economic zones: FEZ "Bishkek" is located in the economic and political center of the

country. General Directorate of SEZ "Bishkek" is located in the village of Ak-Chii near to the international airport "Manas"; SEZ "Karakol" placed at the foot of the Tian Shan mountain range on the shore of Lake Issyk-Kul – territory that offers tremendous opportunities for the development of tourism; FEZ of Kyrgyzstan SEZ "Maimak" is located on the border between Kazakhstan and Kyrgyzstan at the crossroads of international traffic; SEZ "Naryn" occupies an area on the Chinese border, and has significant potential for development of tourism and mining. Its area of 47 000 km², which is approximately one-fourth of the entire territory of Kyrgyzstan.[5]

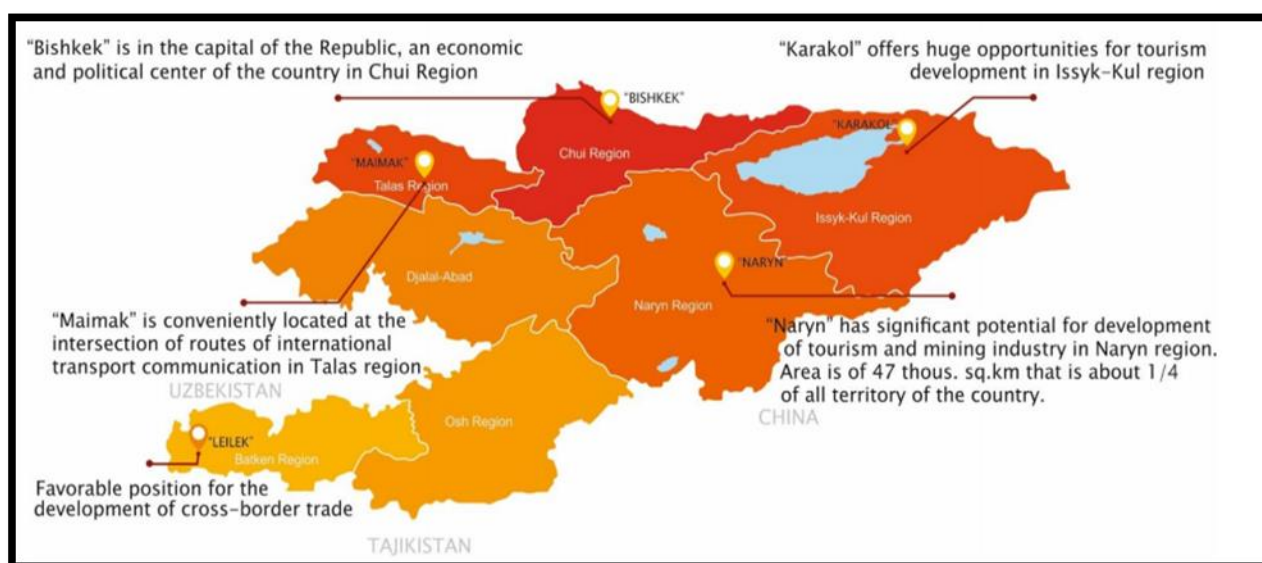


Figure-3. Free Economic Zones of Kyrgyzstan. [7]

In general, eight FEZs functioned on the territory of the Kyrgyz Republic. At the moment, there are only five of them: Karakol, Naryn, Bishkek, Maimak and Leilek. The rest, like FEZ “Alai”, FEZ “Chon-Alai” and FEZ “Kara-Kulzha”, were liquidated due to the impossibility of financing and lack of investment. [10]

Tajikistan’s Free Economic Zones (FEZs) are making fast progress. President Emomali Rahmon signed the law creating FEZs in 2004, and the country has opened four – two in 2008 in Sughd and Panj, and two in 2009 in Dangara and Ishkashim.



Figure-4. Free Economic Zones of Tajikistan. [8].

Tajikistan has the existing economic opportunities for the establishment of FEZ, cheap electricity (in the field of hydropower), various minerals, natural and recreational conditions, as well as sufficient labor resources to drive production, as well as domestic and foreign markets for finished products, as well as favorable infrastructure. formation is seen as a series of possibilities.

It should be noted that in 2019, industrial products were produced for the amount of 200,83 million somoni from them 163,2 million somoni in the FEZ «Sughd», 36,8 million somoni the FEZ «Dangara», 0,8 million somoni in FEZ «Panj» and 0,03 million somoni in FEZ «Ishkoshim». Since the beginning of the activity of free economic zones in the volume of industrial products, the provision of service and import-export operations amounted to 711,7 million somoni.[8]

The Republic of Turkmenistan, which has been active in the FEZ for some time, has a good reason to do so, including the country's vast oil and natural gas reserves, the huge glauber salt deposit in Karabogizkol, the Caspian Sea's tourism potential, and carpet weaving. the advantages in this regard should be emphasized. The experience of Turkmenistan can be cited as an example of attracting investment in tourism with the help of TRZ. In 2007, on the eastern coast of the Caspian Sea, the creation of the national tourist zone "Avaza" - the first free

economic zone in Turkmenistan focused on the development of the tourism industry - took place. There are special legal, tax and customs regimes in the Avaza tourist zone. The construction of new facilities and the development of the infrastructure of the tourist zone are carried out mainly by attracting foreign investments and investments from the non-state sector of the economy of Turkmenistan

Avaza is a national tourist zone along the coast of the Caspian Sea in the city of Turkmenbashi (Turkmenistan). The huge resort area "Avaza" is a modern tourist paradise with many white marble hotels, upscale hotels and recreation centers, complexes of cottages for families, boarding houses, sanatoriums and health resorts for children and adults. The territory of the seaside resort is full of various objects of rich infrastructure. [9]

There are a number of factors influencing the development of FEZs in Turkmenistan, including the country's vast reserves of natural gas and oil, cheap labor, and its unique consumer markets. Through the effective use of these opportunities, FEZs in the country can organize industrial high-tech, agricultural "agro-economic" and "fish-producing", tourism in existing tourist and recreational areas (Feruza resort at the foot of Kopetdag), as well as technoparks in major cities. purposeful.

The construction of these free economic zones in Ashgabat, Dashoguz, Mari, Lebap, Turkmenabad, Turkmenbashi and Seraxs will increase employment and increase GDP, as well as increase exports and services to foreign and domestic tourists. will be.

So what needs to be done to develop FEZs in the region?

- First, it is necessary to study in detail the economic and geographical area of the FEZ, because without a full economic analysis of the existing opportunities there, it is impossible to reveal the future prospects of the economic zone;
- Secondly, the Central Asian region is not visible to many investors, as the region has recently gained independence, the region's economies are underdeveloped, and there is no direct access to the sea;

- Thirdly, the lack of a strict legal system for the establishment of FEZs in the region (only in Kazakhstan and Uzbekistan have made positive changes in this regard), which leads to the insecurity of local and foreign investors to invest in various projects ;
- Fourth, in the region's foreign economic relations, China and Russia have significant differences over other countries, which in the process prevents other countries from entering the region's domestic markets.

Conclusion

The establishment and development of FEZs in Central Asia have achieved a number of challenges over the past 30 years, as well as many challenges. As a result, some SEZs have either completed their activities or not achieved significant results, while others have achieved a number of high results and gained their economic potential in the region. Examples are the Navoi Free Economic Zone in Uzbekistan, the Astana New City Free Economic Zone in Kazakhstan, the Sugd Free Economic Zone in Tajikistan, the Bishkek Free Economic Zone in Kyrgyzstan, and the Avaza Tourism Free Economic Zone in Turkmenistan. This development requires extensive research in order to maintain sustainability. In particular, this research requires not only the organization of FEZs and their return, but also the perfect development of non-normative documents in their organization.

In this regard, it is advisable to do the following:

- Development and approval of a new order of legislation on the expanded preferential FEZ in the Central Asian countries;
- organization of new SEZs using natural-recreational, economic and social opportunities in the region;
- It is necessary to take measures to further increase the investment attractiveness of existing and newly established FEZ.

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