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## Attracting Investments to Small Industry Zones

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### ABSTRACT

*In recent years, the growing tendency to establish free economic zones in the world, the further development of foreign trade and investment relations in them, the inflow of foreign direct investments into these regions and the establishment of new high-tech production facilities, as well as a significant increase in the volume of production of competitive and export-oriented products increase in the level creates the need for the development of business activity in these structures and its legal regulation. Currently, more than 4,300 free economic zones with their own characteristics are operating worldwide.*

**KEYWORDS:** *Small industrial zones, diversification process, investment policy, foreign direct investment, innovative activity, investment project.*

### Introduction

There are almost 100 small industrial zones in our country. To date, 1021 projects with a total value of 535 billion soums have been implemented in these regions. More than 9,600 jobs were created due to the start of new enterprises. At the initiative of the President, a foreign currency credit line in the amount of 100 million dollars was opened at the expense of the Fund for Reconstruction and Development of Uzbekistan to accelerate the implementation of investment projects in free economic zones, to purchase high-tech equipment from abroad.

Free economic zones have a positive effect on the process of attracting foreign investments to the country's economy, creating new jobs and thereby solving the unemployment problem, increasing the volume of production of export-oriented products.

The role of small industrial zones in the world economic system is primarily determined by the fact that they serve to ensure rapid economic growth in exchange for the activation of international commodity exchange, mobilization of investments, deepening of economic integration processes. World experience shows that the establishment of free economic zones is considered one of the most effective models of regional economic management, and they open the country's separate economic regions to investments and best practices. The establishment of free economic zones to a certain extent reduces the intervention of the state in the economy and paves the way for the entry of investments into the country's economy by creating certain conditions. also establishes and develops mutual economic relations between countries. Every country transitioning to a market economy strengthens its economic position by creating free economic zones.

### Literature review

According to Grishin, small business in the industrial sector is a complex system that can produce higher added value than small enterprises in other sectors[2]. Ushakova stated that the field of activity of small enterprises in the industrial business arose from the need to produce a small number of products for a small number of consumers and a low need for production resources [3]. On the other hand, Aleksandrova pointed out small industrial entrepreneurship as profit-oriented activities of small enterprises in the industrial production sector[4].

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Modern interpretation of investments, the importance of foreign investments in the national economy, analysis and interpretation of theoretical views on investments, the role and importance of foreign investments in the renewal and modernization of the national economy A. Olmasov, N. Tokhliev[5], Q.B. Hoshimov[6], N It was reflected in the scientific works of R. Kozieva[7], B. Tursunov, M. Mamadolimova[8] and a number of other economists.

### **Research methodology**

Scientific knowledge, analysis and synthesis, comparison, economic-statistical analysis, expert assessment, abstraction, monographic observation, perspective methods were used in the research process.

### **Analysis and discussion of results**

Currently, small industrial zones are one of the effective ways to develop small business and support it from the state. Small industrial zones are areas intended for the location of business entities, which include engineering-communication and infrastructure facilities, a certain land area or production area. Small industrial zones create great opportunities for economic and social development of the areas where they are located, and for raising the standard of living of the population by providing employment. In particular, it expands and accelerates industrial production.

The purpose of the investor coming to our country is not to develop the country or to do other things, but to get a large amount of profit. Therefore, the main interest of investors is whether the people will buy the services they provide and the products they sell. Some people may object to this idea because they look at the population, that is, Uzbekistan has 34 million people and Kazakhstan has 18 million people, so they believe that the investor is betting on Uzbekistan. Unfortunately, this is not the case, investors look at the amount of money in people's pockets. So, we will have to increase the amount of GDP per capita. In our opinion, it is necessary to further improve measures aimed at reducing the share of the hidden economy. In this regard, the Government should reduce the hidden economy as much as possible. I think that the reason for this is that the duties and taxes are too high, and it would be appropriate for us to reduce them. Another way is to become a member of the International Trade Organization, because 98% of the world's countries are members of this organization, and almost all countries have similar customs codes, because the International Trade Organization itself It has its own requirements and regulations, and it has a lot of comforts and relaxations for entrepreneurs.

Increases investment attractiveness of regions for entrepreneurship, opens wide opportunities for attracting new investments and new technologies, encouraging entrepreneurial activities and their development, effectively using empty spaces that are a dead load for society by developing the real economic sector, creating jobs for the population, and production of new competitive products leads to saturation of the domestic market with quality and cheap products and increase of exports.

The procedure for the establishment of small industrial zones and the organization of their activities is carried out by the decision of the Cabinet of Ministers of the Republic of Uzbekistan dated December 31, 2014 No. 378 "On the approval of the Regulation on the procedure for the establishment of small industrial zones and the organization of their activities" Based on this regulation, several small industrial zone management directorates are operating in the regions of our country. Based on this regulation, small industrial zones are given the following rights and privileges.

A small industrial zone is a specially designated area with a separate legal order, created in order to attract domestic and foreign capital, promising technology and management experience for the rapid socio-industrial development of the region. In the territory of the small industrial zone, legal entities and citizens (individuals) are allowed to engage in any type of economic, financial and other

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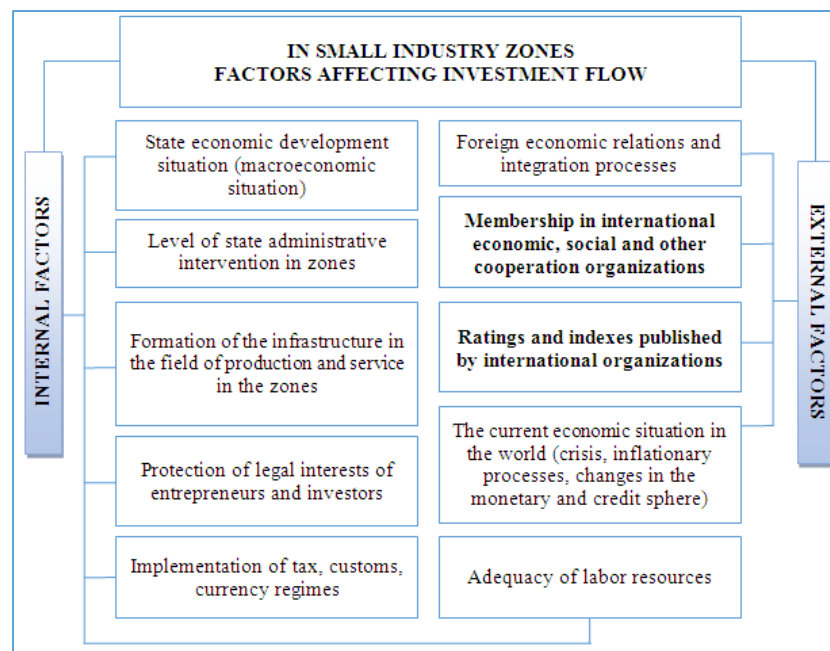
activities, except for the types of activities prohibited by the legislation of the Republic of Uzbekistan. Legislation on small industrial zones consists of this Law and other legal acts. If the international agreement of the Republic of Uzbekistan stipulates different provisions than those stipulated in the legislation of the Republic of Uzbekistan on Small Industrial Zones.

The small industrial zone is established by the decision of the President of the Republic of Uzbekistan. The status of the small industrial zone, as well as the duration of its establishment, is determined by the decision on the establishment of this zone. The boundaries of the small industrial zone are determined by the Cabinet of Ministers of the Republic of Uzbekistan. The extension of the period of activity of the small industrial zone is carried out by the decision of the President of the Republic of Uzbekistan.

The process of diversification of regional industrial production in our country is considered one of the main problems of the development of the industrial sector, and the discrepancy between industrial production and the consumer market occurs precisely because of the low level of diversification. This problem is observed in the economy of all regions of our country except Tashkent city and Tashkent region.

Due to factors such as high technical and technological composition of production in small industrial zones, high level of investment and innovative activity, high intellectual composition of the labor force, global diversification of industrial production is formed. As a result, the ratio of regional industrial production volume to the average annual number of permanent population increases. Problems related to sharp fluctuations in the price index for industrial products will be avoided.

As mentioned above, these international ratings are important in attracting foreign investments to special (free) economic zones in Uzbekistan. We can clearly see this in the group of factors affecting the flow of investment in special (free) economic zones depicted in Figure 1.



**Figure 1. Factors affecting the flow of investment in small industrial zones[9]**

Based on the results of the research, it is desirable to see the investments attracted to small industrial zones and the share of foreign investments in them.

Also, the activities of necessary infrastructures aimed at continuous support and rapid development of entrepreneurship in small industrial zones will serve to fundamentally improve the regional business environment. In general, the ratio of the volume of market services provided in the region to

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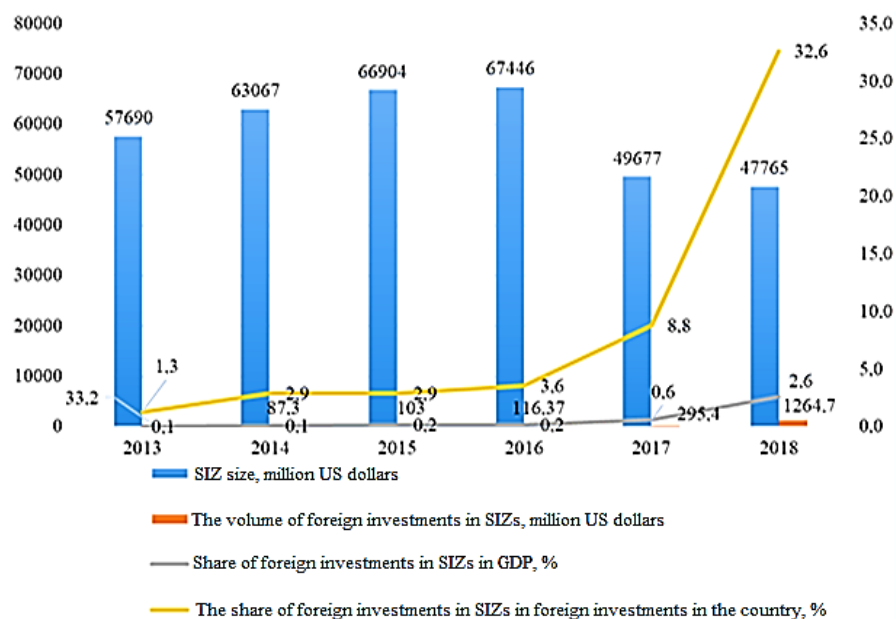
the average annual number of permanent residents increases.

Systemic impact in the process of creating new jobs, reducing unemployment and ensuring the efficiency of the labor market at the regional level is manifested by improving the intellectual and property structure of employment. The official indicators of the level of employment in the activity of certain industries and sectors lead to an increase. The effective influence of small industrial zones on the regional economy is manifested by ensuring stable and balanced economic development between them. The general results are shown by a number of positive results, such as the composition of population employment, the share of industry in GDP, the volume of exports of the region, and the increase in investment efficiency indicators.

Based on the above, it is appropriate to implement the following tasks in order to improve the role of small industrial zones in the socio-economic development of the regions:

- forecasting the impact of small industrial zones on the socio-economic development of the regions;
- introduction of the practice of placing state orders in small industrial zones;
- in industrial zones in real time; introduction of information exchange system based on investment, innovation, commercial and technical-technological processes;
- expanding the directions of cooperation based on the public-private partnership system in small industrial zones;
- provision of organizational, legal and informational support by local authorities in enterprises located in small industrial zones;
- introduction of multimodal cargo transportation services in order to support activities in the trade and economic sphere, etc.

The analysis of the volume of investments made in small industrial zones in relation to macroeconomic indicators shows that the share of foreign investments made in these areas in the country's GDP was 0.1% in 2013, while this indicator is 0.1-2.6% on average in 2014-2018.



**Figure 2. Volume of foreign investments to small industrial zones (SIZ) in Uzbekistan [9]**

The place of Uzbekistan in international rankings has an important role in activating the flow of foreign investments, including attracting foreign investments to special (free) economic zones.

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The reason is that foreign investors coming to these zones consider the place of Uzbekistan in international rankings when making investment decisions.

Also, in order to improve Uzbekistan's position in international rankings, the following may have a positive effect:

- Establishment of a separate state organization in Uzbekistan dealing with international ratings. This organization operates independently of the ministries and constantly monitors the position of Uzbekistan in international ratings;
- to develop scientific-theoretical recommendations for improving the position of our country in these ratings by announcing research and practical state grants in order to take a worthy place in international indices such as "Global Competitiveness", "Economic Freedom", "Logistics Efficiency", "Business Conduct" and it is possible to achieve the formation of important directions of effective economic reforms.

### Conclusion and suggestions

In creating a favorable business environment for attracting foreign and local investments to the establishment of high-tech modern productions for the production of quality products, in-depth processing of mineral raw materials and agricultural resources, comprehensive and effective use of the production and resource potential of the regions and the following are important in the effective organization of the activities of SIZs in ensuring the employment of the population and increasing their income.

1. Ensuring the timely implementation of engineering-communication and transport infrastructure projects in the establishment of small industrial zones.
2. Based on the level of socio-economic development of the regions, small classification of rent payments to small business entities operating in industrial zones, from the republican budget based on programs of socio-economic development of small industrial zones in economically inactive areas financing.
3. To small business entities operating in small industrial zones operation of the procedure for giving benefits for taxes and mandatory payments Revision by types.

The purpose of the investor coming to our country is not to develop the country or to do other things, but to get a large amount of profit. Therefore, the main interest of investors is whether the people will buy the services they provide and the products they sell. Some people may object to this idea because they look at the population, that is, Uzbekistan has 34 million people and Kazakhstan has 18 million people, so they believe that the investor is betting on Uzbekistan. Unfortunately, this is not the case, investors look at the amount of money in people's pockets. So, we will have to increase the amount of GDP per capita. In our opinion, it is necessary to further improve measures aimed at reducing the share of the hidden economy. In this regard, the Government should reduce the hidden economy as much as possible. I think that the reason for this is that the duties and taxes are too high, and it would be appropriate for us to reduce them. Another way is to become a member of the International Trade Organization, because 98% of the world's countries are members of this organization, and almost all countries have similar customs codes, because the International Trade Organization itself It has its own requirements and regulations, and it has a lot of comforts and relaxations for entrepreneurs.

Another problem is that if an investor wants to invest his money in a bank in the USA in Uzbekistan, a bank employee may tell him that we don't know about the situation there, so be careful, but if he wants to invest in Great Britain, they won't tell him that. . I think that this can be caused by the very low position of our country in the international ratings, and I would suggest that we should

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strengthen our position in the international rating. So, the most important aspect of the investor is:

1. Inviolability of investor's property and funds.
2. High investment efficiency.
3. The investor should not be hindered by illegal things during his activity.

In short, implementation of reforms based on the principle of rule of law and ensuring transparency and fairness in this regard should remain the main criteria. In this regard, a lot of work is being done in Uzbekistan, especially by ensuring the effectiveness of reforms in the judicial system, this is the basis for the development of entrepreneurship at all levels, which is the basis for the development of Small Industrial Zones. Therefore, we believe that the wide application of our above ideas in practice will serve to further develop small industrial zones in our country and alleviate existing problems.

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