

MODERN FREE ECONOMIC ZONES: INNOVATIVE MODEL, FUNCTIONAL FORMS AND ROLE IN THE NATIONAL ECONOMY

Kuziev Ravshan Ramazanovich

Banking and Finance Academy of the Republic of Uzbekistan
Associate Professor of the Department of Finance, PhD

Modern free economic zones are emerging as an important strategic tool for the sustainable growth of the global economic system. They serve not only to attract capital flows, but also to create a new economic ecosystem by ensuring digital infrastructure, scientific and technological potential, and environmental sustainability. Digital trade zones, technoparks, innovation clusters, service and outsourcing centers, and multifunctional green areas are the main forms of this process. Such zones, as a model of combining international experience and national transformational reforms, accelerate the innovative development of the economy. Thus, free economic zones serve as one of the most effective institutions ensuring modern economic integration and competitiveness.

Let's take a closer look at the distinctive features of modern free economic zones:

1. Digital trading zones– these are special economic zones, formed on the basis of modern digital infrastructure, serving to stimulate global e-commerce and cross-border online trade. In such zones, electronic contracts, digital payment systems, fast logistics, automated customs control systems and digital audit platforms are actively operating. These zones provide an opportunity to simplify international trade processes and bring small and medium-sized businesses to the global digital market. Also, this model is consistent with the principles of “Trade Facilitation through Digital Economy” recommended by the World Bank, UNCTAD and OECD.

2. Research and technology parks– these are scientific and economic zones that enhance cooperation between research institutes, higher education institutions and innovative startups. Such zones will have intellectual property, knowledge-based production, patenting, experimental and testing laboratories and venture financing systems. Technoparks serve as the basis of the innovative economy by implementing advanced developments in areas such as the digital economy, biotechnology, alternative energy and nanomaterials. International experience (Singapore, South Korea, USA) shows the role and effectiveness of such zones in the national innovation system.

3. Innovative production clusters. These clusters are free zones specializing in the production of high-value-added products based on advanced technologies. They are used for technological transfer, R&D activities, automated production lines, industrial processes based on artificial intelligence, robotics and smart systems. Innovative clusters provide a high level of economic efficiency and a competitive environment for local and foreign investors. Through these zones, it is of strategic importance to diversify exports, achieve technological independence and produce import-substituting products in the domestic market.

4. Service and outsourcing centers– these are free economic zones where financial services, consulting, business process outsourcing (BPO), information technology services (ITO), technical support and service centers operate. Export of services is developing as a high-income source, and through these zones, services based on information and communication technologies are exported internationally. They allow stimulating trade in services, creating highly skilled jobs, limiting the “digital migration” and increasing youth employment. This model has shown high efficiency in the practice of India, the Philippines and Ireland.

5. Multifunctional and green economic zones– these are complex areas that combine the activities of industry, logistics, services, recreation, green technologies and digital services. They pay special attention to the Sustainable Development Goals (SDGs), “green” and low-carbon technologies, solar and wind energy, and the use of renewable resources. These areas in the Smart-economic zone model are aimed at ensuring digital governance, environmental standards and economic sustainability. Such zones play an important role in increasing international cooperation, investment attractiveness and competitiveness.

Free economic zones and small industrial zones are emerging as multifunctional platforms of modern economic management mechanisms serving regional and inter-sectoral development. The establishment of such zones is not limited to the socio-economic activation of a separate geographical area, attracting foreign capital and advanced technologies, but they also launch a “multiplier effect” mechanism throughout the economy. Technological chains and production standards formed in such zones serve as a “continuous supply system” and a technological transfer model (transfer mechanism) for economic entities in other regions. For example, the Navoi free economic zone is located in the Karmana district, and based on its production needs, raw materials and components are prepared and supplied by enterprises in other regions. Also, advanced equipment and technologies, production methodologies introduced by enterprises operating in this zone serve as a “school of practical

experience” for enterprises in other regions. This will ensure a comprehensive innovative transformation of the economic system by strengthening interregional industrial cooperation, technological synergy, and intercluster collaboration.

As a result, free economic and small industrial zones are emerging as a new vector of the economic growth model based on the "center-periphery" principle, becoming a catalyst for sustainable development not only for the territory in which they are established, but also for other sectors and regions.

Free economic zones and small industrial zones play an important role as "driver platforms" in the transition to the practical stage of the New Uzbekistan Development Strategy for 2022–2026. Through them, the following institutional and economic tasks are being gradually implemented:

- Liberalization of market mechanisms and the formation of a healthy competitive environment: free economic zones strengthen the market basis for price formation in economic sectors, increase the efficiency of resource use, and ensure "competition-based transformation" by eliminating monopolistic barriers in strategic sectors.
- Institutional simplification of corporate governance: serves to increase shareholder engagement and form a "socially responsible business model" through the introduction of modern management technologies and the principles of openness (transparency), accountability, and efficiency of corporate governance.
- Accelerating localization processes and increasing independence from imports: ensuring production's reliance on domestic resources increases the level of economic sovereignty by forming a "local supply chain" in the consumer goods, components, and services segments.
- Ensuring territorial industrialization and investment dispersion: Direct foreign investment into the economic system of small and medium-sized cities, allowing for the implementation of the "polydirectional development" model by building new industrial capacities.

By 2024, institutional reforms aimed at modernizing the pharmaceutical industry in Uzbekistan and achieving global competitiveness have reached a significant stage. In accordance with Decree No. PF-5032 adopted on May 3, 2017, the establishment of free economic zones such as "Nukus-farm", "Zomin-farm", "Kosonsoy-farm", "Syrdaryo-farm", "Boysun-farm", "Bo'stonliq-farm" and "Parkent-farm" ensured the transition of the pharmaceutical industry to a new stage.

- Through structural and transformational reforms within these zones:
- modern production facilities have been launched;
- existing enterprises were technologically modernized;

- a simplified and optimized environment for foreign investments has been created;
- The foundation was laid for expanding the range and volume of pharmaceutical products.

As of 2024, there are more than 180 local pharmaceutical enterprises operating in the country, producing more than 2,500 types of medicines. This allows covering about 63 percent of domestic needs with local products.

According to analytical sources, while the world pharmaceutical industry currently produces about 9,000 types of medicines, 6,400 of them are still imported to meet the needs of the population of Uzbekistan. This situation makes the formation of an "import-substituting production chain" in the pharmaceutical sector an urgent task.

Also, 75 of the 350 types of medicinal plants used according to international medical standards are currently grown on industrial plantations established in Uzbekistan. This not only ensures the effective use of domestic biogenic resources, but also expands the possibilities for the production of environmentally friendly and export-oriented products based on "phytopharmaceutical clusters".

Modern free economic zones have become a comprehensive development platform, covering the areas of digital trade, research and development, innovative production, export of services and the green economy. Their activities are accelerating the processes of strengthening investment flows in the national economy, diversifying exports and regional industrialization. Therefore, free economic zones are considered a key driver of Uzbekistan's sustainable development strategy, increasing global competitiveness.