

## **Advantages of Uzbekistan's special economic zones membership in the World Organization of Free Zones**

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**Abstract.** This article examines the benefits of membership in the World Organization for Free Zones and its member organizations, as well as special economic zones (SEZs). On the example of the SEZ of Kazakhstan, the impact of membership in this international organization on the activities of the SEZ and foreign economic relations is analyzed. As a result of the research, the following conclusions and recommendations were formed:

The share of the Republic of Uzbekistan in the system of international economic relations is growing. We propose that the SEZs operating in Uzbekistan at the same time become members of the World Organization of Free Zones as an independent entity. Membership of the SEZ in the World Organization of Free Zones provides the following opportunities:

- There will be an opportunity to study the experience of SEZs operating in the global economy, which have a high investment attractiveness;
- There will be an opportunity for SEZs to be indexed in international rankings;
- The independence of the SEZ in the decision-making process will increase;
- The access of SEZ entities to foreign markets will be expanded;
- The membership of both the CIS and Central Asian SEZs in this organization will increase the potential of the SEZ of Uzbekistan in international economic relations.

**Keywords:** special economic zones, integration, World Free Zone Organization, CIS, Pavlodar, World Trade Organization.

### **Introduction**

Although free economic zones are mentioned in the scientific and practical literature as the main means of attracting investment, by the 21st century, these areas are becoming one of the main objects in the system of international economic relations. As a result of the development of free economic zones, there is a need for the development of international cooperation between them.

To this end, the World Organization for Free Zones (WOFZ) was officially established on May 19, 2014 in Dubai under the auspices of the Vice President and Prime Minister of the United Arab Emirates, Sheikh Muhammad bin Rashid Al Maktoum, and is one of the expanding organizations.

In November 2014, the WOFZ Monitoring Center was opened and a research department was established to produce an atlas covering about 3,500 free economic zones around the world. Registered in Geneva and headquartered in Dubai, the WTO is the first organization to unite free economic zones, aiming for exchange of views, best practices and knowledge, stability and successful implementation of the free economic zone model.

The cooperation of WOFZ with UNIDO is mainly focused on the following areas:

- Exchange of knowledge on best practices in international trade, industrial development, free economic zones and management of free zones with developing countries, countries with economies in transition and free economic zones;
- Facilitate the exchange of network and experience, knowledge through research, data exchange and networking activities;
- Providing technical assistance, guidance and training programs on international trade, industrial development and free economic zones to operators and users of developing countries, countries with economies in transition and free economic zones;
- conducting research and analysis on international trade, industrial development and free economic zones;
- Encouraging domestic investment to attract foreign direct investment;
- Increasing the contribution of free economic zones to inclusive and sustainable industrial development.

By 2020, most of the free economic zones of developing and transition economies will strive to become members of this organization. The main goal is to increase the international rating of the free economic zone, as well as increase its investment attractiveness.

Among the free economic zones of the CIS countries are those that are members of this organization and are internationally recognized. However, there are no free and special economic zones operating in Uzbekistan.

The purpose of this study is to consider the possibility of membership of free and special economic zones of Uzbekistan in the International Organization of Free Zones.

### **Research methodology**

Statistical methods have been widely used throughout scientific research. In particular, the grouping method was used in the geographical study of the SEZs operating in the world economy, in the study of the membership of the SEZs of the CIS countries in the WOFZ.

The method of analysis and synthesis was also widely used in the study of the level of study of the research topic.

### **Level of study of the topic**

The weight of research devoted to its activities is low because the organization has not been active for a long time.

The United Nations Industrial Development Organization (UNIDO) has published a legal document detailing the goals and objectives of this organization [2].

According to him, the main direction of cooperation between the two organizations is to conduct research and practical activities aimed at the exchange of knowledge and experience between the two organizations.

Research by the Kiel Institute for World Economy states that 1,100 participants from more than 70 countries participated in the conference and exhibition organized by this organization in 2018. It is this information that indicates the prestige of the organization and the realization of the goal of uniting the world's free economic zones [3].

It should be noted that scientific and practical materials, which were sharply criticized by international organizations and experts, were not found during the research.

### **Analysis and results**

By the 20th year of the 21st century, there are 2,198 free economic zones operating in the world economy. Of these, 700 are in West Asia, 272 are in East Asia, 263 are in North America, and 179 are in South America. No matter where we look in the world, whether it is a developed country or a developing country, we see free economic zones. The purposes for which these SEZs are organized by states also vary. For example, the development of innovation and research activities in developed countries, increasing the country's share in international trade, the development of industry in developing countries, increasing the investment attractiveness of the region, the creation of new jobs are the main goals.

**Table 1. Number of free zones by regions [4]**

	Region	Number of free zones
1	North Africa	30
2	Caribbean	94
3	North America	263
4	Central America	150
5	South America	179
6	Middle East	160
7	Eastern Europe	35
8	Central Europe	105
9	Western Europe	58
10	East Asia	272
11	Pacific Ocean	2
12	West Asia	700
13	Sub-Saharan Africa	150
	Total:	2198

As stated in the goals of the WOFZ, the main members of the organization are free economic zones located in developing countries, as the main goal of the organization is to contribute to the development of free economic zones in developing and transition economies, to exchange experiences between them.

In the practical materials published as a result of the organization's activities and research in 2019, free economic zones located in countries such as Poland,

Philippines, Colombia, Morocco, UAE, Panama, Poland, India, Djibouti are listed as the most exemplary zones of 2019.

**Table 2. The most exemplary free zones in 2019 [4]**

	Free zone name	Location country
1.	Katowice Special Economic Zone	Poland
2.	Subic Bay Freeport Zone	Philippines
3.	Zona Franca de Bogotá	Columbia
4.	Tanger Med Zones	Morocco
5.	Jebel Ali Free Zone	BAA
6.	Panamá Pacífico	Panama
7.	Łódź Special Economic Zone	Poland
8.	Mundra Special Economic Zone	India
9.	Djibouti International Free Trade Zone	Djibouti

It should be noted that membership in the organization is not difficult. It is enough to pay \$ 500 to become an eligible member and \$ 1,000 to become an association member. Even the recommendation of the government is not required for free economic zones to become members of the organization.

Due to the simplicity of the terms of membership, the transparency of the organization, free economic zones and non-governmental organizations operating in the CIS countries are also associate members of this organization.



Among them are the Russian Development Corporation of the Republic of Bashkortostan, JSC SIZ, Moscow Technopolis, Kazakhstan's Astana-Technopolis, Ontustik SEZ, Pavlodar SEZ, Aktau seaports.

**Table 3. Members among the CIS countries [4]**

	Name of organization or SEZ	Country
1.	Astana-technopolis	Kazakhstan
2.	Baku airport is a free trade zone	Azerbaijan
3.	Hungary-CIS business club	
4.	Development Corporation of the Republic of Bashkortostan	Russian Federation
5.	Ministry of Economy of Belarus	Belarus
6.	Pavlador SEZ	Kazakhstan
7.	JSK SEZ	Russian Federation
8.	Ontustic SEZ	Kazakhstan
9.	Aktau seaport	Kazakhstan
10	Moscow technopolis	Russian Federation

One of them is the Pavlodar special economic zone. Described as an investment gem of Kazakhstan, the region is close to major markets such as Russia and China, has one-third of Kazakhstan's coal reserves, and is one of the regions with its own development experience as an industrial zone with more than 1,000 enterprises. The region was recognized by the OSCE in 2019 as its official representative in Central Asia. Such official regional offices of the organization are located in the EECs of countries such as Spain, China, Jordan, Morocco, Argentina, India, Serbia and Nigeria.

**Table 4. Privileges in Pavlodar SEZ [5]**

		Pavlador	In country
	VAT	0 %	12 %
	Property tax	0 %	1,5 %
	Land tax	0 %	4 tenge / m2
	Customs duties	0 %	In accordance with the Eurasian Economic Community

Zero rate of VAT, property and land taxes is applied in Pavlodar SEZ. The rate of customs duties is also zero.

According to the data of 2020 [5], the annual production volume of the SEZ is 120.2 billion tenge, and the region produces more than 30 finished and semi-finished products. These include the production of caustic soda, automotive discs, agrochemicals, aluminum profiles and foil, coke for non-ferrous metals, and projects

in the production of agricultural machinery and tractors, boilers, electric motors, agrochemicals.

**Table 5. The main indicators of Pavlodar [7]**

Production capacity	Export	Socio-economic benefits
120.2 billion tenge	62.4 billion tenge	1545 jobs
More than 30 products	More than 15 countries	Tax revenues of 6.3 billion tenge

The region's exports amount to 62.4 billion tenge, and its products are exported to more than 15 countries.

It should be noted that membership in the organization does not require membership in the WTO. Despite the fact that Kazakhstan is a member of the WTO, the country's membership in the WTO did not play a significant role in Pavlodar's membership in the WTO.

### **Conclusions and suggestions**

As mentioned above, none of the 22 [8, 9] SEZs operating in Uzbekistan is a member of this organization. There are several reasons for this:

- Theoretical and methodological bases of free economic zones in the country are not widely studied;
- The attractiveness of free economic zones is determined by the convenience of their legal and economic system;
- The fact that the SEZs established in Uzbekistan are organized autonomously and the international cooperation of the SEZs is not legally regulated.

The share of the Republic of Uzbekistan in the system of international economic relations is growing. We propose that the SEZs operating in Uzbekistan at the same time become members of the World Organization of Free Zones as an independent entity. Membership of the SEZ in the World Organization of Free Zones provides the following opportunities:

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