



THE CONCEPT AND SPECIFIC FEATURES OF A FREE ECONOMIC ZONES

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| Article history: | Abstract: |
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| Received: May 4 th 2022 Accepted: June 4 th 2022 Published: July 11 th 2022 | This article covers the most important aspects of free zones and the history of their common origin. From the history of its initial formation to the present day, their appearance and specific features have been studied. The types of existing free-trade zones, nomenclature and legal basis of existing free economic zones in the Republic of Uzbekistan as a separate state are presented. |
| Keywords: Free economic zone, economic upsurge, foreign economic relations, tax receipts, tax privileges, customs duties. | |

The free economic zones are considered to promote the entry of foreign investments into the national economy of the states, on the basis of which the production of products that meet the world standards and are required in the world markets, mastering the experience of foreign countries in the field of economy and business management, formation of a qualified labor force, development of industrial Free economic zones are an administratively limited part of the territory of the state, in which various forms of privileges and procedures for carrying out business activities are applied, aimed at stimulating entrepreneurial activity.

Free economic zones are established according to the mutual agreements of states or in accordance with free laws to engage in economic and foreign economic activities, preferential taxation, finance, customs, certain zones where legal conditions are introduced. It is organized for the purpose of attracting foreign and local entrepreneurs, and the necessary production and business infrastructure is restored. Free economic zones are often organized in territories adjacent to the state (territory adjacent to the borders of several states), international airports, port cities or adjacent areas of transport routes. In free economic zones, a separate international legal status can be introduced, but it is an integral part of the same country, regardless of where it is located, all operations (separation of land, Organization of firms and companies, cargo across the border, entry and withdrawal of tokens, boj payments, privileges on tax payments, the passage of which currency or currency means of payment, the The history

of the emergence of Free Economic Zones, which have been developing the economy for several hundred years in the world experience, also dates back to the Middle Ages.

If we look at the history of the economic zones, we can see that the first manifestations of the free economic zones occurred in the millennium BC. But the territories that have free economic benefits, for example, the right to pay low taxes, have been established in different forms since the XVI century¹. In addition, we can see that according to another source it is noted that the regions with benefits have been operating since the Middle Ages. In addition, if we rely on a number of sources, then the dates associated with the creation of Free Economic Zones date back to the 12th century. In this century, cities began to develop only when certain types of tasks performed by the current free economic zones were carried out by the same cities. In addition, it is known that large ports also performed the task that free trade zones performed. What was the history of the creation of Free Economic Zones? If we look at the history of the creation of Free Economic Zones, then the first free economic zones were in the form of Free Trade Zones, which, as a rule, were restored in large maritime cities and received the status of "porto Franco".

The term "Porto Franco" is derived from the Italian word, which means "a sea port with the right to import foreign goods without customs". The history of the Free Trade Order begins in the middle of the XVI century. Its appearance was caused by large duties and abuse of customs officials, which prevented the

¹Meng Guangwen. The Theory and Practice of Free Economic Zones: A Case Study of Tianjin, People's Republic of China. Tianjin. 2003. PN:1.



development of seaside cities. Later, porto Franco became one of the effective tools for individual regions in the creation of new branches of international trade turnover and for countries that are trying to attract distant countries to the sphere of their economic interests. In the XVI and XVII centuries, the commercial interests of maritime states (Italy, France, Germany, etc.) began to demand the creation of "porto Franco". In 1547, in Livno, "porto Franco" was created, at this time it played a special role as an important warehouse for trading with Levant. 1595-th year of Genoa, 1661-th year of Venice, 1669-th year of Marseille also had the status of "porto Franco".

By the 21st century, as a result of the development of international economic integration and international trade relations, the need for free or free economic zones has been increasing, which have a separate tax, customs and privileges regime, and which are part of the territory of the country. Such regions play an important role in increasing the employment of the population in the country where they are established, developing the spheres and sectors of production or service, increasing the country's export potential, attracting foreign investments to the territory. Looking at the first history of the establishment of these territories, one of the oldest of them is the Hamburg Port of Germany. Although this port officially began its activity in the 12th century, the development of its place in regional trade dates back to the 9th century. To date, this port has been able to receive more than 7 thousand large, medium and small vessels from all over the world for one year. By the beginning of the twentieth century, "porto Franco" was a race in such cities as Aden, Singapore, Hong Kong. The use of "porto Franco" for the expansion of exports in Russia, the development of transit trade, the replenishment of the domestic market with tokens began in the XIII-XV centuries. Duty-free order in Smolensk was installed in 1228-th year. On 16 April 1817, the Supreme Lord introduced "porto Franco" to promote the development of local industry in Odessa, its opening took place on 15 August 1819.

In free economic zones, a separate international legal status is introduced. But it is an integral part of the same country, regardless of where it is located, all operations (separation of land, Organization of firms and companies, cargo across the border, entry and withdrawal of tokens, BOC payments, privileges on tax payments, the passage of a means of payment of currency or currencies, the procedure for

managing the territory, etc.) are carried out quickly on the The purpose of creating free economic zones is to attract a lot of new technologies, investments, create a developed economic space and in this way quickly develop the economy of the country.

It is not entirely correct to look at Free Economic Zones as the product of the processes of modern economic integration. Its history is very dilapidated. History of Free Economic Zones mile. they go on their heads. the ancient Phoenicians, Greeks and Romans, for the purpose of developing trade affairs, ensured the free entry of foreign trade ships into their ports and their security. In the 16th and 17th centuries, a number of European cities declared themselves "free trade cities". During the time of the Great Amir Temur, Samarkand was such a free trade center that all caravan routes of the country were taken under the protection of power. In addition, we can see that the most modern views of the current free economic zones in history existed even in the XVIII-XIX centuries. An example of this is the free zones in Gibraltar and Singapore, which differ in their special benefits, and in their activities, in which the economy is oriented to innovative development(respectively, they began their activities in 1704 and 1819-ies)².

The establishment of the official first free economic zone in Asia is associated with the name of the Kandla free economic zone of India. This territory, which employs 27 725 people, the volume of exports in 2018-2019 amounted to 7380,78 Indian rupees, was established in 1950-ies as a seaport. Later, in the people's Republic of China, the Republic of Korea, Japan and the CIS countries, offshore, trade, free production, Technopark-quality regions begin to form.³

It should be noted separately that the history of the concept of free ports on a global scale dates back to many centuries. As a result of the interference of local authorities with the merchants who reeksport the tokens, the shipping of goods by means of ships in the citiesyidigan the sea ports established their activities. Modern free zones adjacent to sea ports or airports, or areas that appeared in the 60-ies along the border corridors, were not affected by some more free dates than other regions and activities other than the Activite, which increased by themselves to the AML. With the proliferation of export-oriented industrial development strategies in many countries, especially in Asia, and also as a result of the increasing reliance of global manufacturers on offshore, the growth of free zones in

² FIAS. The World Bank Group. Special economic Zones performance, lessons, learned, and implications for Zone development. Washington. 2008. p-2.

³ <http://kasez.gov.in/statistical-information-of-kasez/>



the 80-ies of the last century has accelerated significantly. We can also observe this in the chart above. In the late 1990s and 2000s and the acceleration of international production, the rapid growth of value chains around the world has come another wave of new EIZS . Although the initial success of many developing countries in all regions was slow, it also spread to other countries.⁴

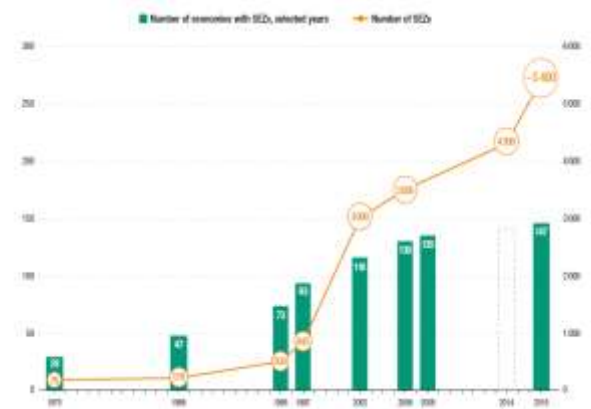
There are different types of free economic zones: free zones, free customs zones, scientific-technical zones. They are called technoparks in the US, technopolises in Japan. There are also free economic zones (mainly specializing in exports). One of the first free economic zones was established in Ireland at the airport "Shannon" (1959). Then such a zone appeared at the airport "Dog Island" in England. Some free economic zones are formed in much larger areas. For example, Manaus in Brazil, the Free Economic Zone in China "Shenzhen" and others are such zones. In world practice, Free Economic Zones were established in developed countries (Great Britain, Germany, the Netherlands, the United States, etc.), as well as in developing countries (Brazil, Korea, Malaysia, etc.). Attracting foreign capital to free economic zones has become much more widely used in Chinese politics.

Several tools of developing industrial policy began to be widely used in the implementation of industrialization strategies of existing countries. In the first place, this was the beginning of a boom in the dynamic economy of the "third world countries". Usually, a strategy is chosen when the country intends to develop the production of export-oriented or import-substituting products, depending on whether the policy has the means. Nevertheless, in such states, a number of types of economic policies are used, if they are sufficiently formulated plans, economic reforms can be flexible. Among the most effective types of "neutral" industrial policy applied in the economy, the free industrial zone (free economic zone) is a concept that is usually defined as the production of export-oriented products. in addition to export-oriented strategies, one of the most common is considered one of the most controversial.

The Free Economic Zone has a long history and is considered an economic category, which plays an increasingly important role in the world economy. Each state is now following this new and effective path. By the end of 2019, the total number of available economic

zones is 5383⁵. The world community considers free economic zones as a factor ensuring international economic and political development and introduces separate regimes in the areas of management, taxation, customs privileges and guarantees. The legal regulation of the activities of the Free Economic Zone is a Category proven by experts of the sphere. The free economic zones, including their organization, functioning and subsequent liquidation, are regulated by legal bases, that is, normative legal acts, adopted at different levels of Public Administration. The analysis shows that in 115 countries in which free economic zones operate, they are covered and regulated by internal laws of the state and departmental documents of institutional bodies. It is also known from international experience that economic cooperation and various relations related to economic zones are regulated on the basis of: international investment agreements, World Trade Organization agreements and regional trade agreements. In addition, the functioning of Free Economic Zones around the world is distinguished in a monand way by the economic policy of the state, its national policy, its peculiarities, features and structure of governing bodies, administrative territory. Nevertheless, in all of them there is a separate regulatory regime and a separate institutional structure for free zones.⁶

The legal basis of free economic zones includes the regulation of various directions, such as various political issues, mainly trade, promotion of investments and the organization of types of investment activities, land use, taxation, as well as labor and environmental issues. In the chart below, we will be able to clearly witness the process of mastering the number of Free Economic Zones (Figure 1)*⁷.



⁴ <https://unctad.org>.

⁵ The United Nations Conference on Trade and Development (UNCTAD) .World Investment Report 2019 – Special Economic Zones. Chapter IV. Pn: 138

⁶ The United Nations Conference on Trade and Development (UNCTAD) .World Investment Report 2019 – Special Economic Zones. Chapter IV. Pn: 161

⁷ https://unctad.org/en/PublicationChapters/WIR2019_CH4



1-picture. It was prepared on the basis of the sources of the United Nations. In accordance with the years, free economic zones are described, which have increased in the states.

Source: UNCTAD. (more information : <https://unctad.org/statistics>)

While issues such as further acceleration of economic reforms, broad attraction of foreign investments, provision of modern equipment and technologies for production, services, and industry are also being resolved in the Republic of Uzbekistan, a choice was made in favor of creating free economic zones based on world experience. And the very first of these FEZs was the Navoi FEZ (Decree of the President of the Republic of Uzbekistan dated December 2, 2008 No. UP-4059 "on the creation of a free economic zone in the Navoi region"). Then, one by one, FEZs began to be created in the Angren, Jizzakh, Syrdarya, Namangan regions. Today there are 23 of them⁸

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8. <https://lex.uz/docs/-1411630>

⁸ <https://lex.uz/docs/-1411630>