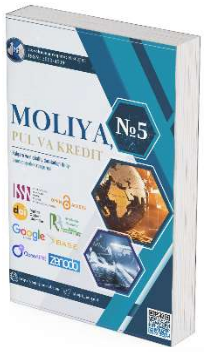

CHINA'S EXPERIENCE IN FINANCING SPECIAL ECONOMIC ZONES AND ITS APPLICABILITY TO UZBEKISTAN

XITOYDA MAXSUS IQTISODIY ZONALARNI MOLIYALASHTIRISH TAJRIBASI VA O'ZBEKISTONDA ULARNI QO'LLASH IMKONIYATLARI

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Annotation
Annotatsiya

Eng. - This article analyzes the specific features of the Special Economic Zones (SEZ) model in China and explores the possibilities of adapting this experience to enhance the effectiveness of SEZs in Uzbekistan. Additionally, by comparing China's experience with Uzbekistan's current SEZ system, the article identifies key reform directions aimed at attracting foreign investment and expanding exports.

Uzb. - Ushbu maqolada Xitoydagi maxsus iqtisodiy zonalar (MIZ) modelining o'ziga xos xususiyatlari tahlil qilinadi hamda ushbu tajribani O'zbekistonda MIZlar samaradorligini oshirish maqsadida moslashtirish imkoniyatlari o'rganiladi. Shuningdek, maqolada Xitoy tajribasi va O'zbekistonning mavjud MIZ tizimini solishtirish asosida investitsiyalarni jalb qilish hamda eksportni kengaytirishga qaratilgan islohotlarni amalga oshirish yo'nalishlari aniqlanadi.

Keywords:
Kalit so'zlar:

❖ *special economic zones (SEZs), foreign direct investment, exports, economic liberalization, innovation ecosystems.*

❖ *maxsus iqtisodiy zonalar (MIZ), to'g'ridan-to'g'ri xorijiy investitsiyalar, eksport, iqtisodiy liberallashuv, innovatsion ekotizimlar.*

Introduction.

Special Economic Zones have emerged as a transformative policy tool to attract foreign direct investment (FDI), stimulate exports, and catalyze industrial development. Among the global success stories, China's SEZ model stands as the most influential and replicable. Introduced in 1980, China's SEZs—such as Shenzhen, Zhuhai, and Xiamen—played a pivotal role in transitioning the country from a closed economy to the world's second-largest economic power. The comprehensive and strategic nature of China's SEZ reforms—ranging from preferential tax policies and simplified administrative procedures to infrastructure development and liberalized trade regulations—has not only fostered high growth but also served as a learning model for other developing nations.

Uzbekistan, as a landlocked, reform-oriented country in Central Asia, has initiated SEZs and Free Economic Zones (FEZs) since 2008 to stimulate regional development and attract investment. However, these zones have shown limited success compared to their Chinese counterparts.

Building on China's experience, this article examines the policy innovations that drove the rapid success of Chinese Special Economic Zones (SEZs) and evaluates how these insights can be adapted to the context of Uzbekistan. Through comparative analysis and recent empirical evidence, the study argues that unlocking the full potential of Uzbekistan's SEZs requires addressing governance inefficiencies, improving regulatory clarity, and adopting a more strategic, long-term approach to zone planning and administration. The article aims to offer a set of actionable policy recommendations rooted in China's successful SEZ model, while being carefully tailored to Uzbekistan's unique socio-economic and institutional landscape.

Literature review on the topic.

This study employs a qualitative comparative analysis methodology, synthesizing primary and secondary data from official government reports, academic literature, and recent policy documents from China and Uzbekistan.

Literature review.

The concept of Special Economic Zones (SEZs) has been extensively studied as a catalyst for industrialization and economic liberalization. Scholars like Farole and Akinci emphasize SEZs as instruments for policy experimentation and export-led growth, citing China's zones as the most prominent success case [1].

China's SEZs are widely acknowledged for their strategic placement, flexible governance, and incentives that attracted FDI and fostered innovation [2].

In contrast, literature on Uzbekistan's SEZs, such as works by Khamdamov and Abdullaeva, highlight systemic challenges including weak legal enforcement, fragmented coordination, and limited investor confidence [3, 4].

According to Khamdamov, the share of SEZs in Uzbekistan's GDP and export volume remains modest, and their contribution to employment generation and technological transfer is constrained by institutional and regulatory bottlenecks [4].

Comparative studies suggest that institutional quality, political will, and strategic vision are critical for SEZ success (UNCTAD, 2019) [5].

However, there remains a significant gap in localized research that directly applies China's policy innovations in Special Economic Zones (SEZs) to the specific socio-economic and institutional context of Uzbekistan. This study aims to bridge that gap by synthesizing global best practices, drawing lessons from China's experience, and providing customized, evidence-based policy recommendations designed to support the sustainable development and enhanced performance of Uzbekistan's SEZs.

Analysis and discussion of results.

China's Special Economic Zones (SEZs) have long stood as one of the most effective and influential policy tools in modern economic history. From their introduction in the early 1980s, SEZs have enabled China to transition from a tightly controlled planned economy into a globally integrated, manufacturing-driven powerhouse. The continued success of these zones even in the 21st century confirms their enduring relevance. By 2022, China's 230 national-level economic development zones generated a combined GDP of approximately 14 trillion yuan (about $1,97 trillion), accounting for roughly 12% of the country's total GDP. These zones attracted foreign direct investment (FDI) totaling $43,2 billion, representing 23% of China's national FDI inflows, and contributed 10,3 trillion yuan in trade turnover, nearly 25% of the nation's overall trade volume. These figures underscore not only the substantial scale of the zones' economic activity but also their strategic integration within China's broader economic development framework (Table 1).

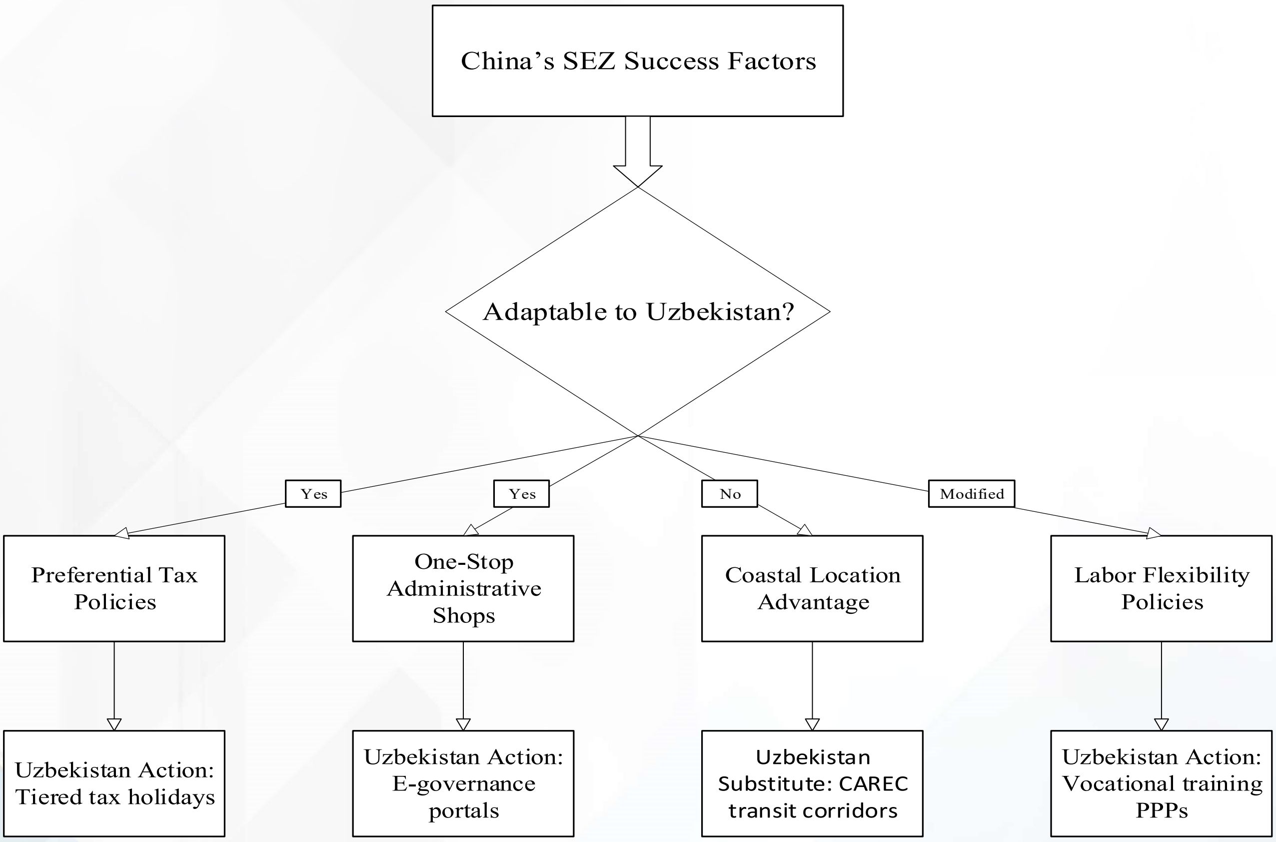
Table 1

China's SEZ Performance (2022)

Category	Value	% of National Total
Number of National SEZs	230	-
Combined GDP	14 trillion yuan (1,97 trillion dollar)	12%
Foreign Direct Investment	43,2 billion dollar	23%
Total Trade Turnover	10,3 trillion yuan	25%

More importantly, they point to how institutional clarity, central-local coordination, and infrastructure prioritization can turn experimental policy into structural transformation.

At the heart of China's SEZ success lies a strategic combination of regulatory autonomy, geographic positioning, and policy experimentation. Zones like Shenzhen were not just given tax breaks or land concessions; they were granted an unprecedented level of administrative flexibility to test market-oriented reforms at a time when China was still largely governed by a command economy.



Picture 1. China's SEZ Success factors

These zones were deliberately positioned in coastal areas to maximize access to international shipping routes and foreign capital, but their success was not automatic. The Chinese government backed their development with heavy infrastructure investment, including roads, ports, and energy grids, creating the conditions for agglomeration economies to flourish. They also implemented smart customs procedures and offered simplified administrative processes that slashed bureaucratic delays. For instance, corporate tax rates in early SEZs were halved to 15%, and land-use reforms allowed private enterprises to lease property for long durations. These policies were not only designed to attract investments but also to test the viability of reforms in a contained setting, before scaling them nationwide (Picture 1).

China's approach to SEZs was deeply strategic and phased. Policymakers treated them as laboratories for reform—spaces where innovation in governance, trade, labor, and finance could be safely trialed. When these experiments proved effective, they were adopted elsewhere in the country. This gradual, evidence-based diffusion of reform reduced the political and economic risk of liberalization.

Shenzhen's transformation is the clearest outcome of this strategy. In 1980, it was a small town of under 30,000 people; by 2020, it had grown into a megacity with over 17 million residents and a GDP exceeding of Hong Kong. Its GDP per capita surged from less than 200dollars to over 30,000 dollars in four decades, driven by high-tech industries, manufacturing exports, and foreign investment. This rapid industrial transformation was facilitated not just by location and capital inflows, but by clear policy mandates, administrative efficiency, and the ability to adapt policies to local needs without waiting for national approval.

However, not all of China's SEZs were equally successful. Inland zones, in particular, struggled with underinvestment, weak logistical connectivity, and limited access to global markets. These cases underscore that even well-designed SEZs require more than generous incentives—they demand institutional strength, capable governance, and constant policy refinement. This insight is crucial for countries like Uzbekistan, which have adopted SEZ models with uneven outcomes.

In Uzbekistan, the growth of Free Economic Zones (FEZs) has accelerated in recent years. As of 2022, there were 22 operational FEZs, up from only three in 2017. These zones span multiple sectors including pharmaceuticals, agriculture, and heavy industry. Notable developments include the Karakul FEZ in Bukhara, launched in 2022 with a 6,3 billion dollars industrial project occupying 556 hectares. The zone is expected to generate 11 billion dollars in income over 25 years and create 15,000 direct and indirect jobs. This indicates growing momentum in industrial policy, yet the scale and impact of these zones remain far below the benchmarks set by China. While the government offers tax holidays and customs incentives, challenges persist around land access, regulatory predictability, and infrastructure quality. Investors often cite unclear legal frameworks, inconsistent enforcement, and limited coordination between national and local authorities as key obstacles.

If Uzbekistan seeks to replicate China's SEZ success in a meaningful way, it must embrace a more holistic and long-term approach. This means integrating FEZs into the country's broader industrial and trade strategy, enhancing infrastructure in strategic locations, and giving zone administrations the authority to act independently within a well-regulated legal framework. The government should also adopt China's approach of using SEZs as reform incubators—pilot spaces to test innovations in land law, dispute resolution, and labor flexibility before expanding them to other regions. One critical adjustment would be granting greater regulatory and fiscal autonomy to local FEZ managers, paired with strict accountability mechanisms and clear metrics of success. Only through this balance of empowerment and oversight can Uzbekistan's zones mature from administrative formalities into real engines of industrial and technological upgrading.

Ultimately, China's experience shows that SEZs do not succeed merely by their existence or by providing generous incentives. Their success results from coordinated, state-led development that balances a top-down strategic vision with bottom-up flexibility. For

Uzbekistan, which is currently undergoing rapid reforms, the key opportunity lies not in mere imitation but in selective adaptation—drawing on effective elements of China's model while designing a zone framework tailored to Uzbekistan's unique geographic, institutional, and economic conditions.

Conclusion and suggestions.

China's Special Economic Zones represent one of the most successful economic policy experiments in recent history, demonstrating how targeted regulatory autonomy, strategic geographic positioning, and state-led innovation can drive rapid industrialization and integration into the global economy. The Chinese experience underscores that SEZs are not merely geographic areas offering incentives, but complex governance ecosystems requiring clear legal frameworks, infrastructure investment, and adaptive policy-making.

For Uzbekistan, the expansion of Free Economic Zones offers promising potential to accelerate economic diversification, attract foreign investment, and foster technological advancement. However, the challenges faced by Uzbekistan's FEZs—such as regulatory inconsistency, infrastructure gaps, and limited integration with national strategies—highlight the need for a more strategic, holistic approach. By learning from China's phased experimentation, policy innovation, and strong central-local coordination, Uzbekistan can enhance the effectiveness of its zones and use them as catalysts for broader structural reform. Ultimately, adapting China's SEZ model with careful consideration of Uzbekistan's unique context offers a viable pathway to sustainable economic growth and increased global competitiveness.

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