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THE PROMOTING ROLE OF FREE ECONOMIC ZONES IN UZBEKISTAN'S IMPORT AND EXPORT TRADE: FROM THE PERSPECTIVE OF INDUSTRIAL AGGLOMERATION AND POLICY EMPOWERMENT

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Abstract

Free Economic Zones (FEZs) are the core carriers for upgrading Uzbekistan's import and export trade. From the perspective of industrial agglomeration and policy empowerment, this paper adopts case study and other methods to explore their operational mechanisms and practical status. The research shows that through policy incentives, industrial agglomeration, and factor concentration, FEZs have promoted the expansion of foreign trade scale and structural optimization—FEZs accounted for 29% of the country's total foreign trade in 2025, with the proportion of high-value-added product exports reaching 48%. However, problems such as low-quality industrial agglomeration, policy implementation deviations, inadequate infrastructure, talent shortages, and weak risk prevention persist. Corresponding suggestions including optimizing layout and strengthening policy execution are proposed.

Keywords: Uzbekistan; Free Economic Zone (FEZ); import and export trade; industrial agglomeration; policy empowerment

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1. Introduction

Against the backdrop of in-depth economic globalization and accelerated regional economic integration, Free Economic Zones (FEZs) have emerged as core carriers for countries to optimize foreign trade structures, enhance trade competitiveness, and advance high-quality external economic activities. As a landlocked country in Central Asia, Uzbekistan is strategically located at the junction of the Belt and Road Initiative and Central Asian regional economic cooperation. In recent years, it has broken away from a closed economic model, advanced market-oriented reforms, and established 28 FEZs by the end of 2025, covering sectors such as manufacturing, logistics hubs, agricultural product processing, and high-tech industries, forming a development pattern of "core leadership and multi-point layout."

Import and export trade is a key component of Uzbekistan's external economic activities, serving as an important path for its integration into the global industrial chain and economic transformation. In 2025, the country's total foreign trade volume increased by 8.6% year-on-year, with exports rising by 10.2% and imports by 7.1%. Its trade with Belt and Road countries reached $4 billion in 2023, a year-on-year increase of 15%, with China accounting for over 30% of this volume. However, deep-seated challenges persist: an unbalanced trade structure (high-value-added industrial products accounting for less than 30% of exports), excessive market concentration (over 60% of exports to the Commonwealth of Independent States (CIS) and the EU), weak competitiveness of trade entities (small and medium-sized enterprises (SMEs) contributing less than 25% to foreign trade), and inadequate trade facilitation.

Existing studies have confirmed the positive role of FEZs in promoting foreign trade, but most lack in-depth analysis of the internal mechanisms, differential effects, and practical dilemmas specific to Uzbekistan. This paper adopts case study, descriptive analysis, and comparative analysis to explore how FEZs promote Uzbekistan's trade through industrial agglomeration and policy

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empowerment, incorporating cases such as Mingyuan Silk Road Industrial Company in Jizzakh FEZ and textile enterprises in Bukhara FEZ, to provide theoretical and practical references for optimizing FEZ policies.

2. Research and Analysis

2.1 Development Status and Characteristics of FEZs and Foreign Trade in Uzbekistan

2.1.1 Differentiated Layout and Policy Support of FEZs

Uzbekistan's FEZ development began in 2008, evolving into a "national core parks + regional characteristic parks" layout. Core parks (e.g., Jizzakh, Tashkent, Andijan) focus on high-end industries like auto manufacturing and new energy, while regional parks (e.g., Bukhara, Samarkand) specialize in textiles, agricultural processing, and cultural tourism. By 2025, FEZs had attracted over 1,200 enterprises (38% foreign-invested), more than $20 billion in investment, and created 150,000 jobs. In 2025, FEZ import and export volume reached $8.7 billion, accounting for 29% of the national total.

Policy support includes tiered tax incentives: enterprises investing over $15 million enjoy a 10-year full exemption from corporate income tax, property tax, and land tax (50% reduction for the next 5 years); those investing $5-15 million receive a 7-year exemption (50% reduction for the next 3 years); and investments below $5 million qualify for a 5-year exemption. FEZs also offer one-stop approval services, tariff exemptions for imported raw materials and equipment, and free repatriation of after-tax profits. Leveraging Uzbekistan's EU GSP+ status and CIS Free Trade Area membership, about 6,200 FEZ products enjoy duty-free access to the EU and over 10 CIS countries. Jizzakh FEZ, a key Sino-Uzbek cooperation platform, provides additional logistics and talent support for Chinese enterprises.

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2.1.2 Status and Core Characteristics of Foreign Trade

Uzbekistan's foreign trade has maintained steady growth, with an average annual growth rate of 7.8% between 2021 and 2025. The proportion of industrial manufactured goods exports increased from 22% in 2021 to 29% in 2025, with auto exports surging by 45% year-on-year. China has become Uzbekistan's largest trading partner, with bilateral trade volume growing by 18.3% in 2025. However, shortcomings remain: primary products account for 71% of exports, 42% of exports go to CIS countries, logistics costs are high, and customs clearance efficiency is below the Central Asian average.

2.2 Mechanisms of FEZs Promoting Uzbekistan's Foreign Trade

FEZs drive trade growth through a synergistic chain of "policy guidance—industrial agglomeration—efficiency improvement—trade expansion," supported by three core mechanisms:

2.2.1 Policy Empowerment: Reducing Costs and Optimizing the Environment

Tariff and tax exemptions reduce trade costs for FEZ enterprises by over 30% compared to non-FEZ counterparts. One-stop services shorten customs clearance time by more than 50%, improving trade efficiency. For example, textile enterprises in Bukhara FEZ leverage EU GSP+ to avoid anti-dumping duties, reducing export costs by over 25% and expanding EU market access.

2.2.2 Industrial Agglomeration: Optimizing Structure and Enhancing Competitiveness

FEZs attract industry clusters, improving industrial chains and promoting high-value-added exports. Jizzakh FEZ has formed auto manufacturing and building materials processing chains, with enterprises such as BYD, Chery, and Mingyuan Silk Road (a glass manufacturer) settling in. In 2025, it accounted for 78% of

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Uzbekistan's auto exports ($1.2 billion) and 90% of glass product exports ($180 million). Industrial agglomeration also fosters technological exchange, boosting enterprise innovation and product competitiveness.

2.2.3 Factor Support: Addressing Shortcomings and Strengthening Backing

FEZs gather capital, technology, and talent. In 2025, they attracted $4.8 billion in foreign investment (33% of the national total), alleviating corporate financing constraints. Foreign enterprises bring advanced technologies—e.g., Mingyuan Silk Road introduced China's leading glass production technology—while improved employment policies attract and cultivate high-quality talent, supporting trade development.

2.3 Practical Effects and Existing Problems

2.3.1 Practical Effects

Scale Growth: FEZ foreign trade grew at an average annual rate of 15.2% (2021-2025), far exceeding the national average of 7.8%.

Structure Optimization: High-value-added products accounted for 48% of FEZ exports (vs. 29% nationally), with autos contributing 92% of national auto exports.

Enhanced Entity Competitiveness: SMEs accounted for 42% of FEZ foreign trade (vs. 25% nationally).

Market Diversification: 38% of FEZ exports went to emerging markets (Southeast Asia, Middle East), reducing reliance on traditional markets.

Jizzakh FEZ is a standout example: in 2025, it exported 87,000 vehicles and 120,000 tons of glass products to 12 countries, with $320 million in auto parts imports and $90 million in glass raw material imports, forming a complete "import-production-export" chain.

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2.3.2 Existing Problems

Low-quality Industrial Agglomeration: Dispersed enterprise layout, incomplete industrial chains, and over-reliance on low-value-added processing in some regional parks.

Policy Implementation Deviations: Cumbersome procedures, inadequate policy implementation for SMEs, and homogeneous policies across FEZs.

Inadequate Infrastructure: High logistics costs (18% above the Central Asian average) and poor cross-border logistics connectivity in regional parks.

Talent Shortage: Lack of high-skilled technical, management, and foreign trade professionals.

Weak Risk Prevention: Enterprises are vulnerable to international market fluctuations, trade barriers, and exchange rate risks due to inadequate risk management systems.

3. Conclusions and Recommendations

3.1 Core Conclusions

First, FEZs play a significant role in promoting Uzbekistan's foreign trade through policy empowerment, industrial agglomeration, and factor support, driving scale expansion, structure optimization, and market diversification, contributing 29% of the national foreign trade volume in 2025. Second, development is uneven between core and regional parks, with core parks excelling in high-value-added product exports. Third, FEZs face challenges including low agglomeration quality, policy implementation gaps, inadequate infrastructure, talent shortages, and weak risk prevention.

3.2 Targeted Recommendations

1. Optimize Industrial Layout: Clarify differentiated positioning based on resource endowments, strengthen high-end manufacturing and high-tech clusters, and improve industrial chains.

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2. Strengthen Policy Execution: Simplify approval processes, ensure policy implementation for SMEs, and avoid policy homogenization.

3. Improve Infrastructure: Invest in regional park logistics, communications, and warehousing; enhance cross-border logistics links with neighboring countries.

4. Boost Talent Development: Collaborate with universities and enterprises to train professionals; introduce overseas talent through preferential policies.

5. Enhance Risk Prevention: Support enterprises in building risk management systems to address market and exchange rate fluctuations.

6. Deepen International Cooperation: Leverage the Belt and Road Initiative to expand trade with Central Asian, EU, and Southeast Asian markets.

This study is limited by the lack of quantitative analysis of differential effects. Future research could quantify FEZs' impact on different industries and regions, and draw on experiences from other Central Asian countries to provide more targeted insights.

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