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THE EFFECTIVENESS OF SPECIAL ECONOMIC ZONES IN INVESTMENT ATTRACTION

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Abstract

In the context of modern globalization, investment emerges as a critical strategic factor in ensuring national economic stability, expanding productive capacity, and enhancing international competitiveness. In particular, attracting Foreign Direct Investment (FDI) plays a pivotal role in technological modernization, the creation of new production facilities, the promotion of innovation activities, and the generation of employment opportunities. From this perspective, Special Economic Zones (SEZs) are widely utilized in global practice as effective institutional mechanisms for attracting investment.

Special Economic Zones are designated geographic areas where specific economic, legal, customs, and administrative conditions are established to conduct business activities. Their primary objective is to stimulate investment activity, develop manufacturing capacity, and efficiently leverage the economic potential of regions. Incentives granted to investors within these zones—including tax reliefs, customs preferences, fully developed infrastructure, and streamlined administrative procedures—substantially enhance the attractiveness of investment projects.

Global experience demonstrates that Special Economic Zones serve not only as instruments for attracting capital flows, but also as mechanisms for directing investments with high efficiency into priority sectors of the economy. In advanced economies, SEZs play a crucial role in forming industrial clusters,



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fostering export-oriented manufacturing, attracting advanced technologies, and integrating domestic enterprises into global value chains. Such zones enable investors to mitigate risks, optimize operational business costs, and capitalize effectively on market opportunities.

In recent years, Uzbekistan has also placed significant emphasis on developing Special Economic Zone operations to improve the investment climate and modernize the economy. The establishment of SEZs facilitates the attraction of local and foreign investors to regions, diversifies industrial manufacturing, expands export potential, and promotes the adoption of modern technologies. Concurrently, enhancing the efficiency of investment attraction, evaluating the yield of conditions created for investors, and addressing existing operational challenges remain matters of urgent importance.

The effectiveness of Special Economic Zones in attracting investment is governed by several factors. In particular, a region's geographic location, the sophistication of its transport and logistics infrastructure, the quality of human resources, state-provided incentives, the investment project management system, and the overall institutional environment hold decisive significance. The harmonious interplay of these factors drives long-term investor decision-making and strengthens regional investment attractiveness.

Research findings indicate that Special Economic Zones function as effective institutional tools for attracting investment. The economic and organizational conditions established within SEZs reduce market entry costs for investors, simplify business administration, and enhance the overall implementation efficiency of investment projects.

The analysis confirms that the system of state-provided incentives constitutes a primary determinant of SEZ investment attractiveness. Tax and customs reliefs, streamlined administrative procedures, and the availability of "Single Window"



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service delivery mechanisms exert a positive impact on investment decisions. However, incentives alone are insufficient; there is a clear necessity to integrate them with an effective management framework and robust infrastructure.

The study further underscores that SEZ efficacy in attracting investment heavily depends on the state of regional infrastructure. The availability and reliability of electricity, transportation networks, logistics centers, communication systems, and digital services serve as critical criteria for investors. Zones endowed with superior infrastructure capacity demonstrate higher speed and efficiency in project execution.

Furthermore, findings reveal that in addition to attracting foreign investment, SEZs exert a significant spillover effect on local economic development. Establishing enterprises backed by foreign capital generates new employment, fosters industrial linkages with domestic firms, and introduces modern technologies into production processes, thereby boosting regional economic activity.

Based on the research findings, key directions were identified for enhancing the investment efficiency of SEZs: improving investment project selection and monitoring systems; elevating service quality for investors; broadly implementing digital management mechanisms; supporting innovative and high-tech projects; and expanding collaboration with international investment organizations.

Additionally, it was established that evaluating investment efficiency must extend beyond the mere volume of attracted capital to encompass its broader economic outcomes. Specifically, criteria such as job creation, export growth, value-added output, and the integration of innovative technologies must serve as true benchmarks for SEZ performance.



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Overall, the research demonstrates that while Special Economic Zones play a key role in attracting investment, their performance remains contingent upon a comprehensive management approach, sophisticated infrastructure, and a favorable institutional environment.

Based on the study's findings, it can be concluded that Special Economic Zones represent a vital strategic mechanism for attracting investment, modernizing manufacturing, and driving regional economic development. The primary advantage of SEZs lies in their ability to stimulate capital inflows and expand economic activity across regions by creating a conducive business environment for investors.

The analysis demonstrates that the investment efficiency of SEZs is determined not merely by the volume of incentives offered, but by the efficacy of their utilization, the level of infrastructure development, the quality of governance, and regional economic potential. Consequently, an integrated approach must be adopted in SEZ development policy, wherein economic incentives, innovation mechanisms, and institutional governance operate in complete alignment.

Enhancing SEZ performance in attracting investment requires, first and foremost, establishing a stable and predictable economic environment for investors. Strong legal guarantees, streamlined administrative procedures, and digitized public services serve as key factors in boosting investor confidence. Simultaneously, project selection processes must prioritize long-term economic efficiency, export capabilities, and innovative potential.

The study suggests that priority support should be accorded to SEZ projects that yield high added value, incorporate advanced technology, and demonstrate strong export orientation. Such an approach not only escalates investment volumes, but also accelerates structural economic transformations and reinforces the country's position in the international division of labor.



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Furthermore, creating a systematic framework for the continuous performance evaluation of Special Economic Zones is of paramount importance. Alongside investment volume, this framework must incorporate metrics such as production efficiency, export growth, employment levels, innovative activity, and regional development impact. Such an approach enables the accurate assessment of tangible economic results and supports the refinement of managerial decision-making.

In conclusion, Special Economic Zones hold a crucial position in national economic development as an effective mechanism for investment attraction. By systematically refining their operations, it is possible to expand foreign and domestic capital flows, develop new industrial sectors, introduce innovative technologies, and elevate regional economic capacity. Thus, pursuing a consistent policy toward SEZ development and enhancing their investment efficiency remains a vital priority within the country's long-term economic strategy