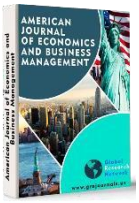

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Article

Trends in the Modern Development of Localization in Regional Free Economic Zones

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Abstract: This article analyzes the development trends of localization processes in regional free economic zones and their economic content. The research focuses on the role of free economic zones in the national economy, attracting investments, developing industrial cooperation, and expanding the production of import-substituting and export-oriented products. The study concludes that the results can contribute to enhancing regional industrial policy effectiveness, developing production cooperation, and expanding the production of competitive products.

Keywords: Region, Free Economic Zone, Regional Free Economic Zone, Localization, Investment, Industrial Cooperation, Technological Transfer, Export Potential

1. Introduction

In recent years, free economic zones have been developing not only as areas providing tax and customs privileges but also as platforms for integration into global value chains, technology transfer, industrial cooperation, and deepening localization. According to UNCTAD, "the trend of cross-border reorganization in international production systems is intensifying, and companies are moving to geographically diversify their supply chains"[1]. Particularly, the importance of countries and regional zones developing as new locations in production sectors dependent on supply chains is increasing.

The analysis conducted points to the significance of classical and neoclassical economic school representatives, such as A. Smith[2], D. Ricardo[3], and A. Marshall, in shaping scientific views aimed at ensuring the economic efficiency of localization processes in regional territories. These economists made substantial contributions to market economic theory, which has had a lasting impact[4].

At the same time, contemporary global practices use various structural scientific theories to ensure the economic efficiency of regional localization processes. In line with the hypotheses developed by representatives of classical and neoclassical economics, scientific research by R. Prebisch[5], H. Singer[6], and S. Furthado[7] focuses on ensuring the interdependence of factors that guarantee the efficiency of localization.

Neoinstitutional theories of economic efficiency in regional localization processes have been scientifically substantiated by economists like R. Coase[8], D. North[9], and O. Williamson[10]. These approaches highlight the institutional aspects of ensuring the economic efficiency of regional localization, focusing on property rights protection for producers, limiting corrupt elements, and ensuring the functioning of contractual mechanisms in the region.

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Endogenous growth theories, such as those developed by P. Romer[11] and R. Lucas, focus on ensuring the economic efficiency of localization processes through innovation and investment in human capital, with a strong emphasis on technological capital accumulation in industrial production.

The fundamental scientific research results of long-standing foreign scholars like G. Greff and R. Kaplinski[12], in the formation of the global value chain theory of regional localization processes, hold significant importance.

However, issues related to enhancing the economic efficiency of localization in Uzbekistan's regional free economic zones have not been analyzed comprehensively, systematically, or as a specific research object. The relevance of the problem, its insufficient exploration in economic literature, and the expected scientific results with practical significance are the main reasons for choosing this topic as a research object.

2. Methodology

The research process utilized systematic analysis, historical and logical approaches, induction and deduction, analysis and synthesis, comparative and selective investigation, monographic analysis, and grouping methods.

3. Results and Discussion

Localization in regional free economic zones has evolved beyond simply substituting imports. It is now becoming a mechanism for reducing supply risks, strengthening domestic industrial bases, and creating high-value-added production. Research by the World Bank on global value chains shows that "the sustainable competitiveness of enterprises is closely linked to internal cooperation, intermediate product production, and logistics efficiency"[13].

Recent studies on modern global trends in regional localization indicate a shift from import substitution to the deepening of local value chain creation. These trends include the development of localization based on cluster and cooperation models, the technological strengthening of localization, "green" and sustainable localization, digitization, smart (SMART) production, and the strengthening of regional specialization, as illustrated in the diagram (Figure 1).

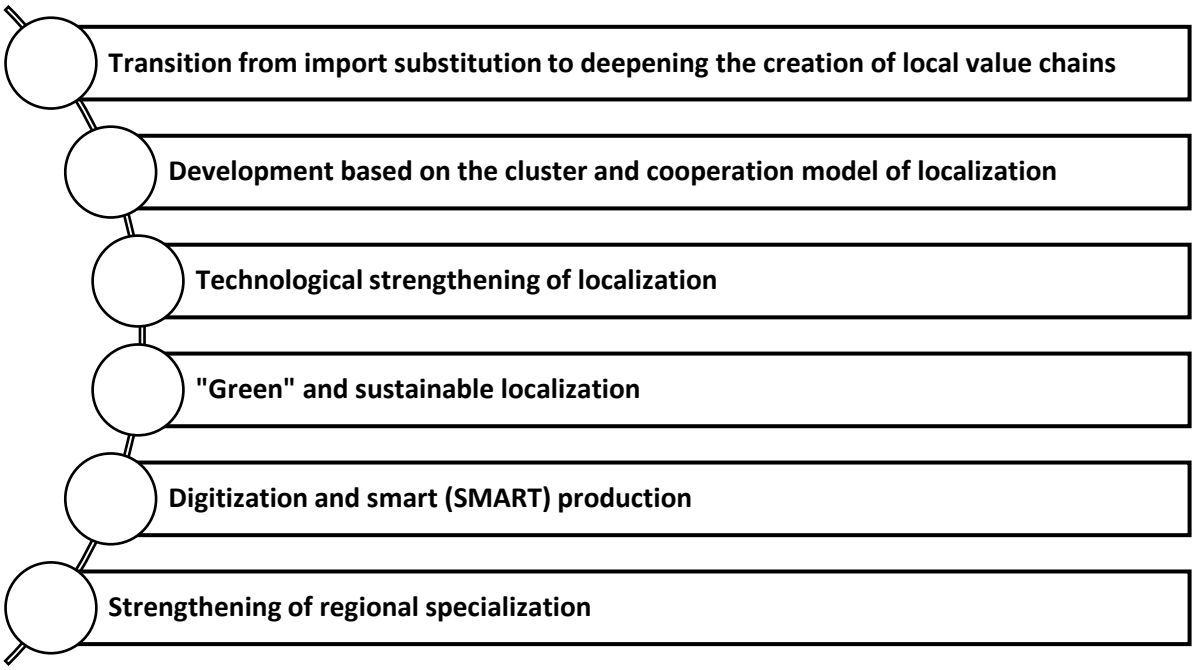

Figure 1. Global Trends in the Development of Regional Localization Priorities[14]

Trends in Transition from Import Substitution to Deepening Value Chains. One of the most important trends in contemporary localization is that attention is no longer solely focused on assembling finished products within the domestic region but also on localizing components, parts, industrial services, engineering, and logistics. This represents a shift from the "assembly industry" model to the "deep industrial cooperation" model within free economic zones (FEZs). Research by UNCTAD experts has proven that "strengthening local production capabilities is essential for ensuring sustainability and economic efficiency in international production systems"[15].

Trends in the Development of Localization Based on Cluster and Cooperation Models. Currently, localization in FEZs is not developing within individual enterprises but through clusters, subcontracting, and industrial cooperation. In other words, rather than focusing on the activity of a single investor, an ecosystem linking local suppliers, service companies, engineering centers, and logistics infrastructure is becoming crucial. The trend of developing FEZs, small industrial zones, technoparks, and clusters as interconnected industrial environments in Uzbekistan's "investment activities" is also emerging.

Trends Related to the Technological Strengthening of Localization. Another modern trend is the transition from simple commodity localization to technological localization. This involves not only sourcing raw materials or parts from local sources but also developing technology, engineering solutions, software, quality control, and research and development (R&D) elements within the country. For example, the launch of the BYD project in the Jizzakh FEZ is considered a new stage in the development of ecological transportation, automotive manufacturing, and local industrial cooperation in Uzbekistan, and the project is aligned with the country's industrial modernization and local production development strategy.

Trends in "Green" and Sustainable Localization. In the new era, localization processes are increasingly harmonizing with green economy principles, energy-saving technologies, and environmental standards. International investment trends are strengthening capital flows into renewable energy, clean technologies, and low-carbon production sectors. Global organizations like the World Bank and UNCTAD show that "green transition" factors are becoming increasingly important in today's investment environment and industrial policies. As a result, in evaluating the degree of localization in FEZs, criteria such as resource efficiency, energy performance, and waste recycling are being introduced[16-17].

Trends in Digitization and Smart (SMART) Production Localization processes are now closely linked with the digital transformation of industry. FEZs are evolving into areas not only for production but also for implementing ERP systems, the Internet of Things (IoT), industrial automation, electronic logistics, digital certification, and supply chain monitoring. Recent trends show a priority focus on developing regions with a digital orientation, such as initiatives for technology companies like "Enterprise Uzbekistan."

Trends in Strengthening Regional Specialization. In modern practice, a uniform localization model is not applied across all FEZs. Instead, regional specialization is increasing based on the area's resource base, transportation-logistics advantages, labor potential, and proximity to foreign markets. This enables more effective organization of localization processes. For instance, in some regions, electrical engineering, construction materials, automotive manufacturing, chemicals, or agro-industry sectors are becoming more prioritized. In Uzbekistan, decisions regarding new specialized industrial regions are being made for the years 2024-2025, focusing on modern infrastructure and favorable conditions for investors.

4. Conclusion

The analysis shows that the modern trends of localization processes in regional free economic zones are manifested in the following directions:

- Transition from import substitution to the formation of deep value-added chains;
- Shift from individual enterprises to industrial cooperation and cluster systems;
- Transition from commodity localization to technological localization;
- Growing demands for green, digital, and sustainable production;
- Deepening of regional specialization and targeted industrial policy;
- Linking localization with export competitiveness.

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