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**SECTION 31. Economic research, finance,  
innovation, risk management.**

## PROBLEMS OF PLACING INDUSTRIAL CAPACITIES AND LOCALIZATION OF PRODUCTION

**Abstract:** This article discusses issues related to the location of production facilities. Industrial zones created in Uzbekistan are also discussed. The list of free economic zones created in Uzbekistan has been redesigned. At the end of the article the author proposed recommendations on the establishment of free trade zones with accessible infrastructure, provided information on the investment climate of free economic zones.

**Key words:** production, placement of production capacity, stages of production placement, localization, free economic zones.

**Language:** English

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### Introduction

Industry is one of the leading sectors of the economy, it is in this industry that localization is one of the key factors for achieving efficiency. Consequently, we can observe the widespread introduction and intensive implementation of localization in the economic development of a number of foreign countries recognized as countries with developed market economies, as well as a growing market economy.

It is noteworthy that China has effectively organized localization in the automotive sector, in Brazil - in healthcare and pharmaceuticals, in Nigeria - in the oil and gas sector, and in Canada - in the electricity sector. Also, the program "Buy American products", which displays localization in the US, was developed.

In practice, Uzbekistan localization is aimed at the production of finished products and components on the basis of industrial cooperation, with the achievement of a number of positive results. In particular, localization in such priority areas as the mining industry, automotive industry, pharmaceuticals, and the food industry is rapidly proceeding.

In order to broadly implement this area, a number of programs were developed and implemented on the basis of 6 resolutions of the President of the country. In particular, Resolution PP-1236 on 01.12.2009 [1] serves as a guide to the

development of localization programs, the adoption and implementation of projects.

Proper organization and location of production in the process of localization is one of the key problems that determines the relevance of the topic.

### Literature review

The issues of the location and location of production were first published in 1826 by Johann Thunen [2]. On the basis of this theory, Thunen conducted his own research and studied the stages of localization of production, location of industrial production such scientists as Wilhelm Laundhardt [3], Alfred Weber [4], August Lösch [5], Walter Kristaller [3]. In particular, in 1909 the scientific work of Alfred Weber "The Net Theory of the Location of Production" was presented to the public. This, in turn, was recognized as a continuation of the studies conducted by Thunen and Laundhardt. In this research, Weber dwelled on the issues of the location of production and to ensure minimum costs suggested reducing labor and transportation costs. Albert Vaziansky [6] and Vladimir Kondratiev [7] in their studies studied the foreign experience of managing localization processes. In the scientific works of a number of local scientists, such as Nizomiddin Khaidarov [8], Otobek Elov [9], Sherzod Mustafakulov [10], the place of internal investments in the localization of production enterprises



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influencing factors and principles of development has been investigated.

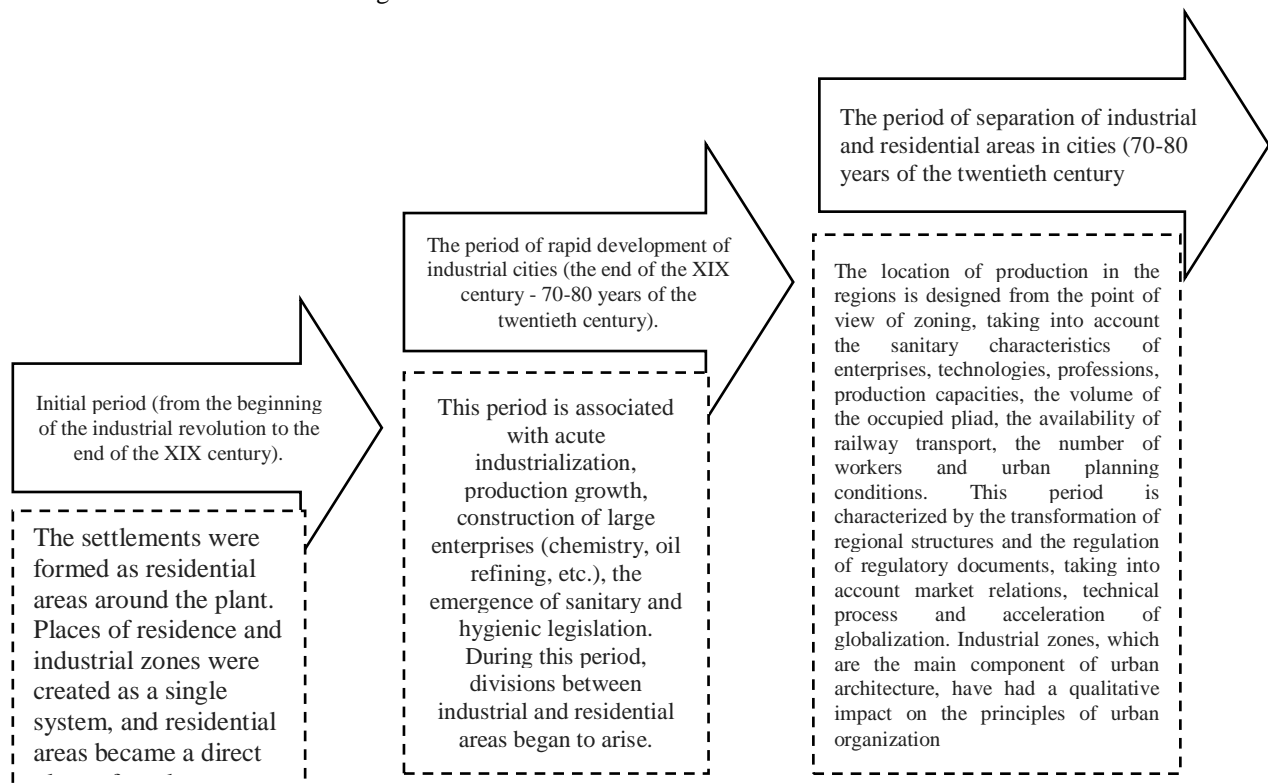
Proper organization of production location is one of the main tasks in localization processes. Under the influence of scientific and technical and social development, production complexes can change not only the appearance, but also the nature of their location. Consequently, the introduction of innovative technologies and conveyor lines, automation and computerization and, as a result, a reduction in the number of employees and working time leads to a reduction in production, territorial-planned transformation of industrial facilities.

The location of industrial production in cities played an important role in the development of world urban development. The need to ensure the power of the state at different times and determine the development strategy is one of the most important historical conditions for the emergence of industrial

cities. The conducted studies make it possible to distinguish specific periods of time on the basis of the characteristics of integration, isolation and differentiation, which describe the specific methods for locating production areas in cities (Figure 1). At the same time, the formation of territorial industrial structures depends on the architectural planning (master plan) of settlements. As a result, industrial zones, industrial nodes, industrial areas were formed and continuous interconnectedness of certain structures was formed.

### Analysis and results

The industrial zone (cluster, industry, district) is a single territorial structure in the city, formed on the basis of technologically interconnected groups of industrial enterprises having common engineering communications.



Source: Author's drawing based on literature.  
Figure 1. Stages of production location

Industrial enterprises in urban areas. They are part of the city and at the same time. There are no functional and social relations with adjacent structures, except for a certain number of workers among the local population.

Analyses show that many cities emerged either spontaneously or as a result of planning, taking into account the allocation of good land for production areas with large balance reserves within the framework of intensive industrialization carried out during the Soviet period. Such a non-optimal

location of industry in cities, in turn, has a number of negative consequences, including:

- deterioration of the ecological situation;
- transport problems;
- Regional barriers to development;
- Comprehensive destruction of architectural appearance, etc.

Town-planning approaches to the location of industry lead to ensuring that different functional zones are not mixed while organizing production activities and ensuring their functional dependence.

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At the same time, the main task of the city in relation to citizens was that labor conditions and housing conditions were contrasted. This found its expression in the form of a decisive functional-planned division of cities into industrial and residential areas. The practice of urban planning in the first half and middle of the XX century proved inadequate in terms of a multidimensional approach to human life.

As the scientific analysis of the concept of urban construction shows, starting from the 1960s and 1970s, a purposeful search for options allowing the convergence and functional integration of industrial and residential areas was carried out to create a unified environment that unites work, rest, living, service, culture and other tasks. From the point of view of planning, urban industrial areas in most cases had a multifunctional and complex structure. Only new industry structures have been placed taking into account specific specifications, environmental conditions, economic structures and agglomeration effects.

Regional industrial enterprises are divided into different categories according to certain indicators. For example, Enterprises of the first and second categories of production hazards. The level of harmfulness of enterprises makes it possible to determine the sanitary distance between the enterprise and housing units. This distance, in many cases, requires the location of production away from residential areas (outside the city). This includes enterprises with a large turnover of goods in rail transport. In accordance with the current sanitary standards, production with a low level of harmfulness (categories III and IV), requiring a distance of 300-500 m, should be located near the boundaries of the residential areas of the city (on the periphery of the locality).

Industrial areas intended for those belonging to category V that do not throw industrial waste or are not associated with a fire-hazardous or explosive production, noiseless, with a small freight turnover, which do not require railway transportation of enterprises can be located within the city. The location of industrial centers largely depends on the characteristics of the industrial sectors. For example, chemical, metallurgical, oil refineries, industrial enterprises associated with obtaining raw materials from the ground, large cement plants with a capacity of more than 150,000 tons per year should be located at a distance of 10-15 km from populated areas.

The next group of industrial zones can include various machine-building plants, textile factories, light and food industries. In the third group of industrial zones it is silly to include such enterprises as optics, printing houses, garment factories, local industry enterprises, consumer service centers, etc. Sanitary protection zone can be a green highway or boulevard, passing through the industrial area and residential areas. The area of the industrial zone should be sufficient to accommodate various industries and servicing farms (transport routes, marshalling yards, power stations, etc.) [9].

According to the analysis, the impact of regions on the environment in the organization of production and the availability of infrastructure is the main problem. Therefore, the localization of production in special industrial zones is an efficiency factor. At the same time, the issue of organizing production or service activities in free economic zones organized in the country is a solution to the problem. To date, 17 free economic zones (FEZs) have been created in 11 regions of Uzbekistan (Table 1).

**Table 1**

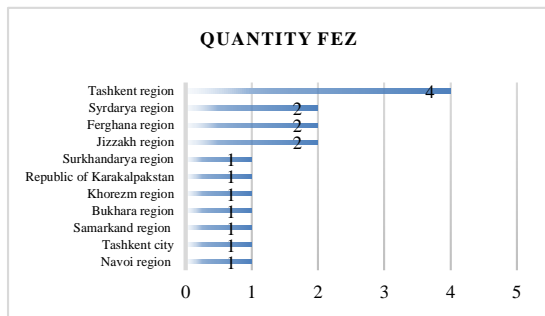
### List of free economic zones (FEZ) of Uzbekistan

№	Territory name	Region name	Organization date
1.	Navoi FEZ	Navoi region	02.12.2008
2.	Angren FEZ	Tashkent region	13.04.2012
3.	Jizzakh FEZ	Jizzakh region	18.03.2013
4.	Urgut FEZ	Samarkand region	26.10.2016
5.	Gijduvan FEZ	Bukhara region	26.10.2016
6.	Kokand FEZ	Ferghana region	26.10.2016
7.	Khazorasp FEZ	Khorezm region	26.10.2016
8.	Nukus-farm FEZ	Republic of Karakalpakstan	03.05.2017
9.	Zomin-farm FEZ	Jizzakh region	03.05.2017
10.	Kosonsoy-farm FEZ	Ferghana region	03.05.2017
11.	Syrdaryo-farm FEZ	Syrdarya region	03.05.2017
12.	Boysun-farm FEZ	Surkhandarya region	03.05.2017
13.	Parkent-farm FEZ	Tashkent region	03.05.2017
14.	Bystonliq-farm FEZ	Tashkent region	03.05.2017

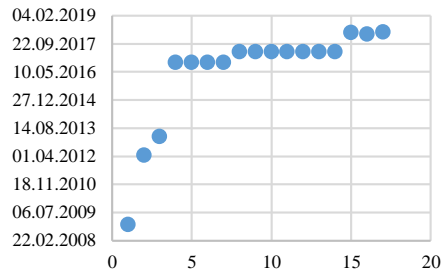
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15.	"Baliqishislabchiaruvchi" FEZ	Tashkent region	06.04.2018
16.	"Sport" FEZ	Tashkent city	5.03.2018
17.	Syrdaryo FEZ	Syrdarya region	12.04.2018



### Years



Source: Development of the author on the basis of the site lex.uz.

In these regions, the infrastructure necessary to organize production activities was formed, and investors were given a number of advantages. In particular, in paragraph 3 of the Decree of the President of the Republic of Uzbekistan UP-4853 of October 26, 2016 "On additional measures to activate and expand the activities of free economic zones" provides for the provision of benefits for a period of 3 to 10 years, depending on the volume of investment, including number in the equivalent:

- from 300 thousand US dollars to 3 million US dollars - for a period of 3 years;
- from 3 million US dollars to 5 million US dollars - for a period of 5 years;
- from 5 million US dollars to 10 million US dollars - for a period of 7 years;
- from 10 million US dollars and above for the period of 10 years, with application for the next 5 years, the income tax rate and a single tax payment of 50 percent below the current rates.

These opportunities testify to the creation of a favorable investment climate in the country for wider

introduction of processes of organization and localization of production and the formation of the necessary infrastructure.

### Conclusions and Suggestions

Thus, it can be concluded that in the process of localization it is the organization of production in free economic zones that can lead to high productivity. When choosing the location of the production facility location, we recommend the following:

- analysis of regional factors of location. Priority here is determined by the relative advantage over the number of problems that arise when choosing a region for a specific purpose;
- development of alternative options for regional location;
- determination of land plots meeting the established requirements;
- examination of the availability of raw materials and labor in the organization of production;
- evaluation of the alternative of placement and selection of the last version of localization.

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