# ADVANTAGES OF LOCALIZATION AND CORPORATE PROCESS MANAGEMENT IN ECONOMIC ZONES

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**Abstract.** This article analyzes the main advantages of localization and corporate process management in economic zones. The article highlights the role of economic zones in attracting investment, developing industrial cooperation, forming production chains, increasing domestic added value, and reducing import dependence. It also scientifically substantiates the importance of corporate governance, infrastructure, logistics, and cooperation with local suppliers in strengthening production efficiency and innovation activity in economic zones.

**Keywords:** economic zone, localization, corporate governance, industrial cooperation, production chain, domestic added value, import dependence, investment, innovation, logistics, local suppliers.

Economic zones are special territories where separate legal, organizational, and economic conditions are created in order to develop economic activity, attract investment, expand production volumes, and increase export potential. Economic zones create a specific economic and institutional environment for localization and corporate process management. In such territories, production, infrastructure, logistics, investment, customs procedures, and administrative management are formed in close interconnection. As a result, enterprises operate within a predetermined and coordinated unified management environment.

It should be particularly noted that in Uzbekistan, documents aimed at improving the system of coordination and management of free economic zones also define such tasks as the rapid implementation of investment projects, the improvement of engineering and communication infrastructure, and the simplification of the management system. This aspect makes it possible to assess an economic zone as a special management environment that serves to organize localization and corporate cooperation in an orderly manner.

This approach has also been confirmed in global economic thought. In particular, World Bank expert and Chinese economist D.Zeng, while analyzing the relationship between special economic zones and industrial clusters, emphasizes that the territorial proximity of enterprises, service providers, financial institutions, and public administration structures in such areas strengthens external effects and cooperative synergy [1, pp. 3–4]. This approach shows that the main source of favorable conditions in economic zones is not only incentives.

The key factor lies in the territorial proximity of production links, the simplification of inter-institutional relations, and the possibility of promptly coordinating management decisions. Therefore, the localization process in economic zones becomes more systematic, while corporate cooperation is formed in a relatively more stable manner.

This idea is also reflected in the guide on special economic zones developed by the United Nations Conference on Trade and Development. It notes that such territories are primarily established to attract investment, expand exports, increase employment, and strengthen local production linkages. This approach reveals the main direction of the favorable institutional environment formed in economic zones. In other words, the regulatory and management model created in such territories is aimed at connecting enterprises with one another, forming internal production links, and integrating local enterprises into large investment projects.

I.Ramdoo, a researcher at the European Centre for Development Policy Management in Belgium, emphasizes that local content policies usually arise from the need to create jobs, develop local industry, and involve national enterprises in large-scale production processes [2, p. 5]. This view more deeply reveals the economic content of the favorable conditions created for localization in economic zones. Since such territories have regulatory, organizational, and infrastructural advantages, opportunities for linking local enterprises to large industrial chains expand. Therefore, an economic zone appears as an institutional space that allows both investors and local producers to enter corporate cooperation, connect to new order chains, and increase domestic added value.

One of the practical expressions of this institutional space is the emergence of a relatively favorable environment for forming and deepening industrial cooperation and production chains in economic zones. In such areas, manufacturing enterprises, component suppliers, logistics structures, service providers, and management institutions operate in close interaction. As a result, organizational relations between enterprises accelerate, the process of concluding and fulfilling business contracts becomes simpler, and disruptions between production links decrease. Therefore, in forming cooperative relations, economic zones provide greater efficiency as an integrated production space rather than merely as a territorial location.

The Resolution of the President of the Republic of Uzbekistan No. PQ-4302 “On Measures to Further Develop Industrial Cooperation and Expand the Production of High-Demand Products” also evaluates the creation of favorable conditions for cooperation among business entities as an important condition for the rapid development of the national economy. This document shows that industrial cooperation within economic zones is an economic system formed in a purposeful manner.

American economist Th.Farole, in his research on special economic zones, shows that the success of such territories largely depends on their connection with the local economy and the degree to which activities within the zone are linked to domestic supply chains [3, p. 22]. From this point of view, localization and corporate governance together ensure not only the internal stability of production chains, but also their close integration with the national economy.

This approach shows that localization and corporate process management in economic zones create a number of important advantages for the development of industrial cooperation and production chains. These advantages are primarily reflected in the territorial proximity of production links, the simplification of inter-enterprise relations and order systems, the formation of a network of domestic suppliers, the strengthening of cooperation between large and small entities, and the consolidation of production continuity. A consistent analysis of these advantages makes it possible to understand more deeply how they are manifested in the conditions of economic zones.

**The first important advantage** is that cooperative relations in economic zones reduce territorial and organizational gaps between enterprises. Since production-related entities are concentrated in a single space in such territories, the exchange of components, raw materials, semi-finished products, and services becomes faster. As a result, enterprises are less required to search for partners in distant regions for each need, which accelerates the formation of cooperative relations.

**The second advantage** is related to the relatively stable formation of the supply chain. In economic zones, large anchor enterprises, small and medium-sized suppliers, service providers, and logistics entities operate in an interconnected manner, which reduces the risk of disruptions in the production chain. Especially when viewed in connection with localization policy, this situation serves to form a layer of domestic suppliers.

**The third advantage** is seen in the reduction of transaction and logistics costs. When the production chain is located relatively compactly within one territory, information exchange, ordering, delivery, and technical coordination processes between enterprises become faster. Therefore, the time and cost spent on coordinating each stage of production decrease. In this regard, experts from the Korea Development Institute School, in their study on Uzbekistan's industrial policy, emphasize that clustering, intersectoral linkages, and the formation of territorial industrial centers are among the factors that strengthen production efficiency in industrial development and export support [4, p. 126]. This approach means that the territorial concentration of production in economic zones has a positive impact on product cost and organizational flexibility by reducing transaction costs. This further strengthens the economic sustainability of localization projects.

**The fourth advantage** is the strengthening of production cooperation between large and small enterprises. In economic zones, large enterprises often act as anchor producers, while small and medium-sized business entities are connected to them as suppliers of components, semi-finished products, services, and auxiliary operations. This process strengthens the practical foundation of industrial cooperation.

**The fifth advantage** is manifested in the possibility of consistent and gradual deepening of production chains. Once one link is formed in economic zones, it becomes relatively easier to create other links around it. First, a simple assembly stage is established, then the production of components expands, and later auxiliary areas such as service, repair, logistics, and packaging are added. Thus, localization becomes a continuous economic process that gradually deepens the domestic production chain.

From this point of view, localization and corporate process management in economic zones create several advantages in the development of industrial cooperation and production chains. In this process, relations between enterprises become closer, a network of domestic suppliers is formed, logistics and transaction costs decrease, functional cooperation between large and small entities strengthens, and production links deepen consistently. As a logical continuation of these processes, favorable opportunities also arise in economic zones for increasing domestic added value and reducing import dependence.

One of the most important advantages of localization and corporate process management in economic zones is the expansion of opportunities to increase the share of domestic added value. Since various links of production are located close to each other in such territories, and infrastructure and management mechanisms are formed in advance, a larger part of the product creation chain begins to be carried out within the national economy. As a result, a significant share of the value contained in finished products is formed not abroad, but within the country. The 2024 analytical document of the United Nations Conference on Trade and

Development specifically notes that increasing domestic added value strengthens economic stability and diversification, while the production of high-value products reduces dependence on raw material exports. This shows that the favorable environment created in economic zones makes it possible to connect such links of the product chain as processing, component manufacturing, packaging, logistics, and service to the domestic economy.

The increase in domestic added value, in turn, helps reduce import dependence. As localization deepens, enterprises gain the opportunity to obtain certain raw materials, components, and technological elements necessary for production not from external markets, but from domestic suppliers. A study prepared by the World Bank Group emphasizes that local content policies can bring broader benefits to the economy by developing backward and forward linkages, creating added value in domestic supply networks, and expanding local employment. From this view, it follows that the advantage of localization in economic zones lies in reducing imports by expanding domestic production capacity.

Another advantage of this process is that, as domestic added value increases, a larger share of income generated from production remains within the country. This has a positive impact not only on enterprise profits, but also on the tax base, employment, service sector activity, and regional economic circulation. Uzbek economists I. Khotamov and M. Ismatulloyeva emphasize that deeper use of local raw materials is an important factor in the sustainable development of industrial sectors, reducing import dependence, increasing export potential, and ensuring the rational use of resources [5, pp. 24–25].

Another important advantage of economic zones in this regard is the increasing opportunity to adjust the ratio between domestic and imported resources in accordance with market conditions. A study conducted by World Bank economist H. Kee shows that as exporting enterprises gain wider access to domestic suppliers, the use of local materials instead of imported inputs increases, and as a result, the share of domestic added value in exports also rises [6, p. 5]. This scientific finding is methodologically important for economic zones as well. As the number of domestic suppliers within and around the zone increases, an enterprise is no longer forced to rely on imports, but gains the opportunity to choose economically appropriate domestic alternatives. This turns the reduction of import dependence into a natural result of management decisions.

The increase in domestic added value and the reduction of import dependence also strengthen long-term industrial stability in economic zones. In conditions of price fluctuations in external markets, logistics disruptions, or unexpected risks in the supply chain, a production system formed on the basis of domestic sources becomes more resilient. From this point of view, localization and corporate governance complement each other. In other words, localization expands the domestic resource base, while corporate governance ensures the effective use of this base, the proper allocation of resources, and the implementation of a long-term strategy. As a result, the production chain in economic zones may become a system that is less sensitive to external factors, more reliant on internal opportunities, and has a higher capacity for value creation. This creates not only economic benefits for the national economy but also structural stability.

Thus, localization and corporate process management in economic zones provide several advantages in terms of increasing domestic added value and reducing import dependence. In particular, a larger part of the product chain is formed within the national economy, the share of domestic suppliers increases, a greater portion of income generated from production remains inside the country, imported materials gradually begin to be replaced by local resources, and the resilience of the industrial system to external risks is strengthened. These advantages, in turn, expand the opportunities of economic zones to stimulate investment, innovation, and production efficiency.

One of the important advantages of localization and corporate process management in economic zones is their high potential to stimulate investment activity. In such territories, land, infrastructure, administrative permitting procedures, customs, and organizational issues are arranged in a relatively orderly manner, which reduces uncertainty for investors. As a result, opportunities expand for directing capital investments to specific production links, planning resources in advance, and implementing long-term projects step by step. In this regard, economic zones function not simply as investment territories, but as organizational spaces that accelerate investment decisions and enhance their industrial outcomes. In Uzbekistan, attracting foreign direct investment to special economic zones and improving the efficiency of directing them toward innovative projects have also been defined as specific tasks [7]. These conditions also create an important basis for strengthening innovative activity.

Since production, services, logistics, and management institutions are located close to one another in economic zones, the introduction of new technologies, their testing, and their adaptation to production processes take place relatively faster. In the Innovation Development Strategy of the Republic of Uzbekistan for 2022–2026, increasing innovation development indicators by region, strengthening human capital in the management of innovative activity, and forming an innovation ecosystem are defined as priority areas. This indicates that when the investment environment in economic zones is combined with innovative activity, localization does not remain merely a process of transferring production, but becomes a means of introducing new technologies into domestic industry.

Another advantage of economic zones is that they strengthen the link between innovation and production efficiency. A study by the Asian Development Bank shows that digitalization increases labor productivity, especially when technologies penetrate more deeply into production processes and their efficiency effect becomes significantly stronger. This approach explains why the combination of localization and corporate governance in economic zones is beneficial. When investment, technology, and management operate simultaneously within the zone, production processes are optimized more rapidly, unnecessary costs are reduced, the level of resource use improves, and product quality becomes more stable. Thus, innovation in this context is not an additional element, but the main bridge that transforms investment into production efficiency.

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