



Article

International Experience in the Development of Small Industrial Zones and the Opportunities for Its Application in Uzbekistan

Bozarov Xayrullo Hayitbaevich*¹

1. Independent Researcher, Fergana State Technical University, Fergana, Uzbekistan

Abstract: Small industrial zones have become a standard instrument of regional industrial policy in economies that seek to raise the productive capacity of small and medium enterprises outside large cities. This study compares the institutional models of small industrial zone and industrial complex development in China, the Republic of Korea and Turkey and evaluates which elements can be applied to strengthen the small industrial zones of Uzbekistan, with particular attention to Fergana region. The research uses comparative institutional analysis, structural grouping and comparative statistical analysis of data drawn from World Bank and UNCTAD publications, national industrial agencies and the statistical and legal databases of the Republic of Uzbekistan. The comparison shows that the effectiveness of small industrial zones depends on three recurring features: the provision of ready to use production premises, a financing mechanism that ties local government revenue to the performance of resident firms, and shared services such as testing, standards and skills training. As of 1 January 2024 Uzbekistan operated 532 small industrial zones within a network of 766 industrial zones, yet the national model emphasises land allocation more than built premises, revenue linked financing and post entry services. The study concludes that introducing standardised production premises and shared innovation services within the specialised zones planned for Fergana region would help convert the quantitative expansion of small industrial zones into sustained gains in output, employment and exports.

Keywords: *small industrial zones, industrial policy, SME development, industrial clusters, regional development, Uzbekistan, Fergana region, international experience.*

Citation: Hayitbaevich, B. X. International Experience in the Development of Small Industrial Zones and the Opportunities for Its Application in Uzbekistan. American Journal of Economics and Business Management 2026, 9(7), 429-434.

Received: 10th Apr 2026

Revised: 11th May 2026

Accepted: 11th Jun 2026

Published: 16th Jul 2026



Copyright: © 2026 by the authors. Submitted for open access publication under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>)

1. Introduction

Small industrial zones have become an instrument of industrial policy in many economies that seek to raise the productive capacity of small and medium enterprises (SMEs) located outside large metropolitan centres. In countries that industrialised rapidly during the second half of the twentieth century, the concentration of small producers within serviced territories reduced the cost of market entry, shortened the distance between firms and infrastructure, and allowed public investment in roads, power and utilities to serve many enterprises at once.[1] The experience of China, the Republic of Korea and Turkey indicates that the organisation of production space, rather than the volume of subsidies alone, frequently determines whether small firms expand and enter external markets [2].

In Uzbekistan the small industrial zone (kichik sanoat zonasi) has been adopted as a core element of regional industrial policy since 2017, and by the beginning of 2024 the country operated 532 such zones alongside special economic and youth entrepreneurship zones [3]. Fergana region, one of the most densely populated and labour surplus territories of the country, has been identified for the creation of specialised industrial zones modelled on foreign practice [4]. The objective of this study is to compare the institutional models of small industrial zone development in leading economies and to determine which of their elements can be applied to strengthen the small industrial zones of Uzbekistan, with particular attention to Fergana region.

2. Materials and Methods

The study relies on a comparative institutional analysis of small industrial zone and industrial complex policies in China, the Republic of Korea and Turkey. These three economies were selected because each represents a distinct financing and governance model that has been documented in international sources. Data were drawn from World Bank policy papers and project documents, the World Investment Report of the United Nations Conference on Trade and Development, the Korea Industrial Complex Corporation, the organised industrial zone system of Turkey, and the statistical and legal databases of the Republic of Uzbekistan, including the National Statistics Committee and the Ministry of Investment, Industry and Trade [5].

Three analytical procedures were applied. First, structural grouping was used to classify the national models by ownership of infrastructure, method of financing and degree of SME orientation. Second, comparative statistical analysis was used to place the quantitative indicators of each country on a common basis, namely the number of zones, the number of resident firms and the level of employment. Third, the results of the comparison were mapped against the current indicators of Uzbekistan and Fergana region in order to identify transferable elements. All monetary values are reported in the units of the original source, and growth is expressed as a multiple or a percentage relative to the stated base year.[6]

3. Results

The Table 1. three reference economies apply different mechanisms to achieve a common outcome, the reduction of entry costs for small producers. Table 1 summarises the principal characteristics of each model.

Country	Model and scale	Financing and infrastructure	SME orientation
China	SME oriented "plug and play" industrial zones; more than 1,000 zones nationwide	Local governments and private developers finance basic infrastructure and standardised factory shells; the public share is repaid from future tax revenue	High: standardised factory shells offered to small firms at a capped rent
Rep. of Korea	Industrial complexes with the Industrial Complex Cluster Program; complexes generate 48.5% of manufacturing employment and 70.3% of output	Managed with support of the Korea Industrial Complex Corporation; cluster program links resident firms to universities and research institutes	Medium to high: shared research, testing and skills services
Turkey	Organised industrial zones; 392 zones, 274 active; over 67,000 firms and more than 2 million jobs	Zone management finances shared infrastructure; innovation centres provide testing and standards services	High: reserved small parcels and shared production facilities for SMEs [7]

Table 1. Comparative characteristics of small industrial zone models in China, the Republic of Korea and Turkey.

China operates more than one thousand industrial zones, and a large share of them follow a model that international observers describe as SME oriented and "plug and play" [8]. Local governments and private developers finance basic infrastructure and standardised factory shells, which are then offered to small firms at a capped rent. The public share of the cost is frequently financed through bank loans secured against the real estate of the zone and repaid from the additional tax revenue generated by the resident firms [9]. This arrangement allowed small firms to begin production with little fixed capital and supported their transition from local family businesses to exporters.

The Figure 1. Republic of Korea organises the majority of its manufacturing within industrial complexes. These complexes account for 48.5 per cent of national manufacturing employment and 70.3 per cent of manufacturing output, and they are managed with the support of the Korea Industrial Complex Corporation. Since 2005 the country has operated an Industrial Complex Cluster Program that links resident firms with universities and research institutes. Figure 1 presents the outcomes recorded in the seven pilot complexes between 2004 and 2009, where production rose by 45.8 per cent, exports by 33.7 per cent and employment by 11.9 per cent, a result several times higher than in comparable complexes outside the programme.

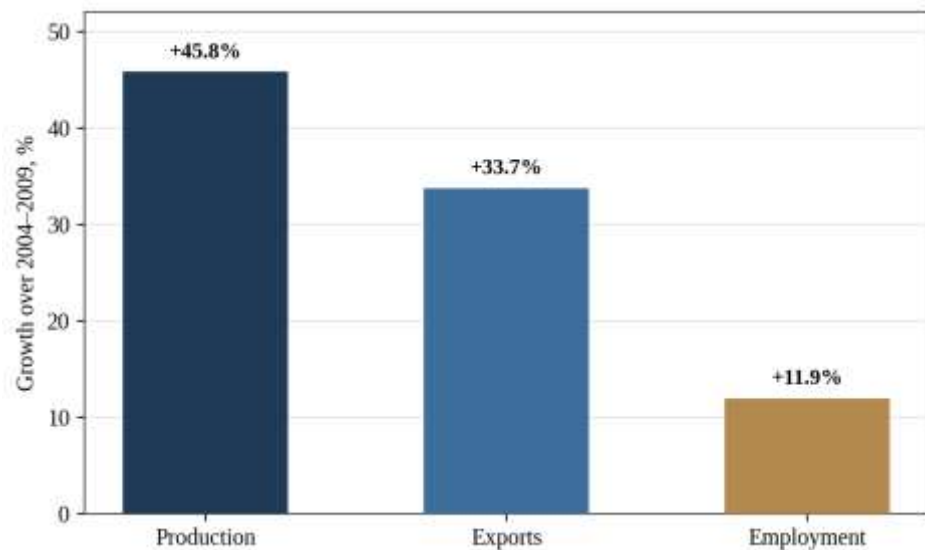


Figure 1. Outcomes of the seven pilot complexes of the Korean Industrial Complex Cluster Program, 2004-2009. Source: compiled from [10].

Turkey concentrates SME manufacturing within organised industrial zones (organize sanayi bolgeleri). By the mid 2020s the country had established 392 such zones across all 81 provinces, of which 274 were active while a further 118 were under construction. More than 67,000 firms operate within these zones and employ over two million people, and the zones account for roughly one third of national industrial employment and more than one third of exports [11]. Smaller parcels and shared production facilities within the zones are reserved for small enterprises, and innovation centres provide testing, standards and skills services.

Uzbekistan has expanded its own network of industrial zones rapidly. Table 2 and Figure 2 describe the structure recorded at the beginning of 2024.

Type of zone	Number	Land offered at auction (ha)
Special economic zones	24	3,304.8
Small industrial zones	532	666.0
Youth industrial and entrepreneurship zones	210	152.7
Total	766	4,123.5

Table 2. Structure of industrial zones in Uzbekistan as of 1 January 2024. The master plans allocate 11,952.1 ha for investment projects, of which 6,382.3 ha were occupied. Source: [12].

As of 1 January 2024 the country operated 766 industrial zones, comprising 24 special economic zones, 532 small industrial zones and 210 youth industrial and entrepreneurship zones. The master plans of these facilities allocate 11,952.1 hectares for investment projects, of which 6,382.3 hectares were occupied. During 2023 enterprises located in industrial zones produced goods worth 53.4 trillion soums and exported products worth 972 million United States dollars. Support for resident entrepreneurs was reinforced by Resolution No. 432 of 17 July 2024, which introduced additional measures for firms in small industrial and youth zones [13].

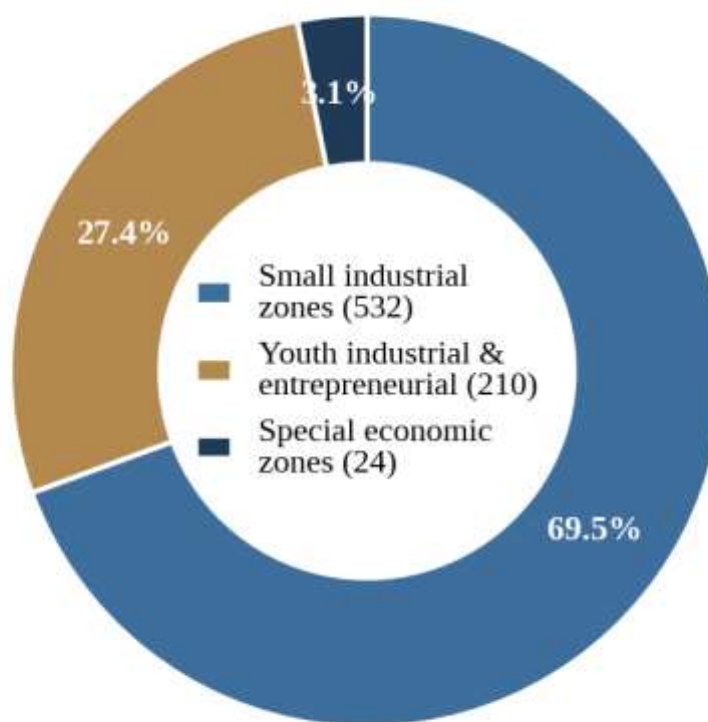


Figure 2. Composition of the 766 industrial zones of Uzbekistan by type, 1 January 2024. Source: compiled from.

Fergana region illustrates both the potential and the constraints of the national model. Over the seven years preceding 2024 the number of industrial enterprises in the region rose approximately threefold to about 13,000, some 13,500 small and medium enterprises were established, and investment projects created around 116,000 jobs. Figure 3 shows the growth recorded across the main regional indicators: gross regional product increased 1.7 times, industrial output 1.5 times and the service sector threefold. During the first ten months of 2024 the region attracted 1.5 billion United States dollars of foreign investment and exported goods worth 910 million United States dollars. The Figure 3. regional authorities have announced the creation of specialised industrial zones in nineteen districts and cities, with sector specialisation modelled on Chinese practice and about 50 million United States dollars allocated for supporting infrastructure.

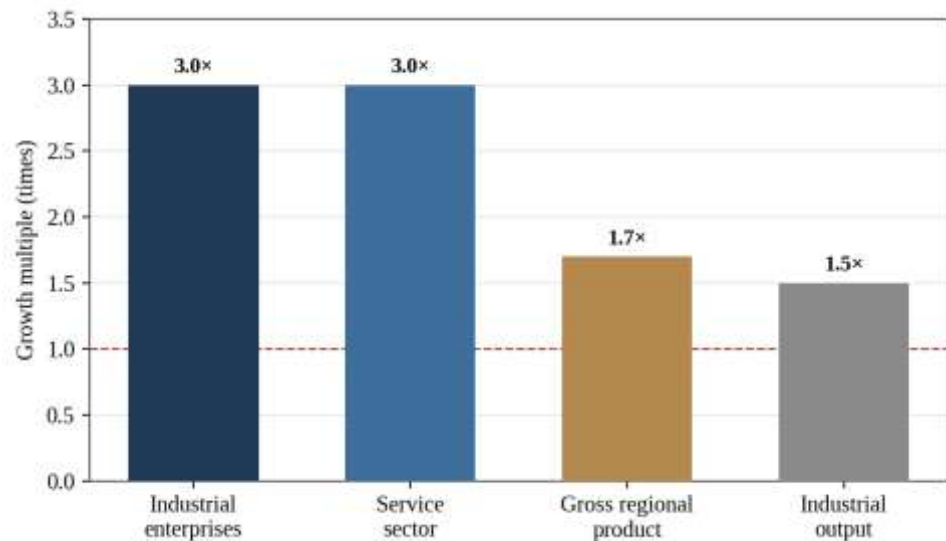


Figure 3. Growth of the main economic indicators of Fergana region over the seven years preceding 2024, expressed as multiples of the base year. Source: compiled from [14].

4. Discussion

The comparison indicates that the effectiveness of small industrial zones depends less on the number of zones than on three institutional features that recur across the successful cases. The first is the provision of ready to use production space. In the Chinese model the standardised factory shell removes the largest single barrier to entry for a small firm, the cost of constructing premises, and transfers it to a developer who recovers it through capped rent. Uzbekistan has concentrated on allocating serviced land through auctions, with 666 hectares of small industrial zone land offered for sale by early 2024, yet the supply of ready built premises for small firms remains limited. The introduction of standardised shells in labour surplus regions such as Fergana would shorten the interval between land allocation and the start of production.

The second feature is a financing mechanism that aligns the interests of local government with the growth of resident firms. In China the repayment of infrastructure loans from the future tax revenue of the zone gives local authorities a direct incentive to fill the zone with productive firms rather than to sell land once. A comparable mechanism in Uzbekistan would connect the budgets of district administrations to the operating performance of the zones they host, which would discourage the creation of zones that remain only partly occupied.

The third feature is the presence of shared services that raise the productivity of firms after entry. The Korean cluster programme and the Turkish innovation centres show that testing, standards, skills training and links to research institutions produce measurable gains in output and exports [15]. In Uzbekistan such services are not yet systematically embedded in small industrial zones, and their absence limits the movement of resident firms into higher value activities and export markets.

The Fergana case supports these conclusions. The region combines a large labour force, a rising number of enterprises and strong export growth, conditions under which the return to better organised production space is high. The announced specialisation of zones by district follows the Chinese practice of concentrating related firms, which supports the formation of supplier networks and reduces coordination costs. The main risk is that specialisation is declared administratively without the shared services and financing incentives that made the foreign models effective.

5. Conclusion

The international experience of China, the Republic of Korea and Turkey shows that small industrial zones raise the capacity of small and medium enterprises when they combine ready to use production space, a financing mechanism that ties local government revenue to the performance of resident firms, and shared services that support productivity and exports. Uzbekistan has built a large network of small industrial zones and, in Fergana region, possesses the labour and enterprise base required for their success, but the current model emphasises land allocation more than built premises, revenue linked financing and post entry services. Applying these three elements, and in particular introducing standardised production premises and shared innovation and testing services within the specialised zones planned for Fergana region, would allow the country to convert its quantitative expansion of small industrial zones into sustained gains in output, employment and exports.

REFERENCES

- [1] G. U. Ruziyev, "Issues of improving the system of taxing income of individuals in the Republic of Uzbekistan," *International Journal of Research in Social Sciences*, vol. 13, no. 02, pp. 33–41, 2023.
- [2] G. U. Ruziyev, "Issues in introducing a tax-exempt minimum in the taxation of personal income," *Scientific Electronic Journal of Economic Development and Analysis*, no. 4, pp. 191–200, 2023.
- [3] OECD, *Revenue Statistics*, Paris: OECD Publishing, 2024.
- [4] OECD, *Taxing Wages*, Paris: OECD Publishing, 2024.
- [5] Internal Revenue Service, "Individual Income Tax Information," Official Website, 2026.
- [6] Ministry of Economy and Finance of the Republic of Korea, "Korean Taxation," Official Website, 2025.
- [7] Tax Code of the Russian Federation, Legal Reference System "ConsultantPlus."
- [8] Federal Tax Service of the Russian Federation, "Analytical Materials," Official Website.
- [9] World Bank, *World Development Report 2024*, Washington, DC, 2024.
- [10] International Monetary Fund, *Fiscal Monitor: Tax Policy for Inclusive Growth*, Washington, DC, 2023.
- [11] State Tax Committee of the Republic of Uzbekistan, "Annual Report," Tashkent, 2024.
- [12] Ministry of Economy and Finance of the Republic of Uzbekistan, "Tax Policy Review," Tashkent, 2023.
- [13] European Commission, *Taxation Trends in the European Union*, Brussels, 2024.
- [14] Asian Development Bank, *Key Indicators for Asia and the Pacific*, Manila, 2023.
- [15] United Nations, *World Economic Situation and Prospects*, New York, 2024.