

RESEARCH ARTICLE

Analysis of The Current State of Localization and Corporate Process Management in Economic Zones

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Abstract

This article analyzes the current state of localization and corporate process management in economic zones. It examines the legal and organizational foundations of special economic zones, the functional responsibilities of zone directorates, the activities of resident enterprises, and the aspects related to the existing management system of localization processes. The article also scientifically substantiates the role of corporate governance mechanisms in cooperation with local suppliers, industrial cooperation, internal control, procurement policy, and the formation of supply chains.

KEY WORDS

Economic zone, localization, corporate processes, corporate governance, zone directorate, resident enterprises, industrial cooperation, supply chain, internal control, investment projects.

INTRODUCTION

It is well known that special economic zones represent a complex management area in the modern economy, serving to locate industry, attract investment, expand production cooperation, and increase domestic added value. Therefore, in the context of Uzbekistan, the organizational foundations of economic zones are strengthened by a special legal framework. In particular, the Law "On Special Economic Zones" adopted on February 17, 2020 defines a special economic zone as a territory with a special management system, a separate legal regime, and preferential conditions for investment activity [1]. This legal definition itself shows that the management system in economic zones differs from ordinary administrative-territorial management. In such zones, territorial management, placement of residents, coordination of investment projects, and regulation of land and infrastructure resources are carried out in close interconnection.

It should be noted that management in economic zones is formed at several levels. On the one hand, central state bodies determine the priority directions for the development of special economic zones, the system of incentives, and general institutional rules. On the other hand, regional management bodies and zone directorates implement this policy in practice.

In the practice of Uzbekistan, it has been specifically noted that the duplication of functions among various management bodies in coordinating the activities of economic zones may negatively affect the implementation of investment projects. This indicates that although the current organizational system has been formed, its effectiveness depends on the clear distribution of powers and the level of functional coordination.

In analyzing the current organizational state of economic zones, the functional role of zone directorates deserves particular attention. The directorate performs such tasks as attracting investment projects to the territory, placing

production facilities, organizing connection to engineering and communication networks, and providing administrative support to investors. However, the effectiveness of a modern economic zone also depends on the directorate's ability to operate as an institution that forms production links among enterprises in the territory, connects local suppliers with residents, and stimulates internal industrial cooperation. International experience also confirms this situation. In particular, materials of the United Nations Conference on Trade and Development emphasize the active role of the state in information support, technological renewal, and preparation of local firms as one of the key factors strengthening business linkages.

In addition, the current organizational state of localization processes is usually determined by the cooperative environment formed within the economic zone, the sectoral specialization of the territory, the supply of raw materials and components, logistical convenience, and the level of development of relations among resident enterprises. In this sense, the organizational foundations of localization should be considered in close connection with corporate governance. This is because corporate procurement policy, internal audit, long-term contracts with suppliers, production cost control, and risk management systems directly affect the level of localization. New legislation aimed at improving corporate relations in Uzbekistan also identifies simplification of business entity management, reliable protection of shareholders' and participants' rights, and reduction of excessive bureaucratic procedures as important directions related to the quality of corporate governance [2].

Furthermore, the current organizational and practical state of corporate process management is also characterized by the diversity of enterprises operating in economic zones. These territories include joint-stock companies, joint ventures with foreign investment, private industrial entities, and production structures with sectoral specialization. Therefore, the organizational tools of corporate governance do not appear in the same form everywhere. In some enterprises, supervisory boards, internal audit, strategic planning, and information transparency are relatively well established, while in others these processes may still remain at the level of internal organizational discipline.

At the same time, the issue of interconnection between localization and corporate governance in the current organizational state is especially important. This is because

the readiness of an enterprise to work with local suppliers, clearly define quality and standard requirements for them, form a long-term supply chain, and support technological adaptation is closely related to the practical level of corporate governance. Studies within the UN system on deepening business linkages also emphasize that in order to establish stable relations between transnational corporations and local firms, local enterprises must be brought to a "partnership-ready" state, meaning that their management, quality, and organizational capacity should be improved.

Another important aspect is that it would not be correct to conclude that the current organizational state of localization and corporate governance in economic zones has developed at the same level across all regions and enterprises. In practice, although some regions show an increase in the number of resident enterprises and expanded infrastructure opportunities, their internal economic integration, cooperative ties, and production models based on local supply chains do not develop at the same pace. From this perspective, although the existing organizational system has created an institutional foundation, its internal content largely depends on real cooperation among management bodies, corporate discipline, and the depth of industrial cooperation.

Therefore, it is highly important to analyze the current development directions of localization processes in economic zones. At the present stage, this process is moving beyond the level of resource substitution within a single enterprise and is becoming a complex economic direction related to territorial industrial specialization, production cooperation, increasing domestic added value, and optimizing the structure of imports. Indian economist A. Aggarwal, who studied international experience in the development of special economic zones, also emphasizes that "the success of modern zones is determined not only by their export orientation, but also by the degree of their connection with the national economy and their integration into local production chains" [3]. In this regard, the current development directions of localization in Uzbekistan's economic zones are increasingly shifting toward expanding the domestic industrial base and bringing resident enterprises closer to the national production network.

It should be particularly emphasized that one of the important directions of current development is to interpret localization in a broader sense than simple import substitution, namely by linking it to the increase of domestic added value. In this regard, World Bank experts note that the effectiveness of

special economic zones is measured, first of all, by how they interact with the national economy and what kind of new demand production initiatives within the zone create for domestic firms. This approach is also relevant in the context of Uzbekistan. The current direction of localization processes is increasingly developing toward increasing the share of finished product manufacturing, expanding domestic sources for components and materials, and involving local enterprises in the supply chains of resident entities. Therefore, localization in economic zones today is not limited only to the task of "reducing imports," but is emerging as an economic process that serves to make the production structure more complex.

In addition, in the current development directions of localization processes, increasing attention is being paid to expanding industrial cooperation and value-added chains. The legislation of Uzbekistan directly emphasizes the expansion of intra-sectoral and inter-sectoral cooperation ties, the involvement of enterprises in global production chains, and the deepening of localization of finished products, components, and materials. This shows that the current development direction of localization is more focused on expanding inter-enterprise relations, strengthening the domestic supplier base, and forming zones not as isolated parts of the national industrial system, but as its active components. In particular, recent decisions specifically define the task of accelerating the production and localization of high-tech products based on local raw materials and materials by establishing strong industrial cooperation ties among participants of special industrial zones and across the country.

It should be noted that statistical and institutional sources also confirm that these directions are taking practical shape. According to the National Statistics Committee of the Republic of Uzbekistan, as of April 1, 2025, there were 28 special economic zones operating in the country [4]. This figure itself indicates that the network of territorial platforms for the localization process is expanding. However, the main issue here is not merely the increase in number, but rather connecting the activities of resident enterprises within these

zones and bringing them closer to one another through raw material, component, logistics, and service chains. Thus, the current development direction is aimed not only at quantitative expansion but also at deepening the internal economic content.

Another observed trend in the current development of localization processes is the growing functional role of territorial management in selecting and placing investment projects. Legal changes in recent years have expanded the practical powers of special economic zone directorates, bringing them closer to offering vacant facilities to residents on the basis of investment obligations, participating more actively in the project placement process, and working directly with investors. These changes indicate the strengthening of a project-based approach as one of the current directions in the development of localization, meaning that more attention is being paid not to attracting any investor to the territory, but to selecting projects that correspond to the specialization of the territory and its production linkages.

It should also be noted that trends related to innovation, technological renewal, and increasing the production capacity of local enterprises are currently becoming visible in the development directions of localization processes. In particular, in its analysis of Uzbekistan's innovation policy, the United Nations Economic Commission for Europe evaluates technological modernization of industry, strengthening links between knowledge and production, and developing regional innovation infrastructure as important components of economic modernization [5]. This point of view indicates that the current directions of localization in economic zones are not limited to finding raw materials in the domestic market, but are moving toward technological adaptation, mastering new types of products, and bringing more complex stages of production into the domestic economy. Therefore, today the current development directions of localization processes in economic zones of our country, their content, and their practical manifestations can be presented as follows.

Development direction	Content	Practical manifestation
Strengthening of territorial and sectoral specialization	Localization processes are being formed in accordance with the resource potential, infrastructure opportunities, and priority sectors of economic zones.	In some economic zones, an initial specialized production base is being formed in such areas as pharmaceuticals, electronics, construction materials, chemistry, and mechanical engineering.
Shift from import substitution to increasing domestic added value	Localization is aimed not only at acquiring products previously imported from abroad, but also at increasing the share of local resources in the structure of finished products.	The scale of production using local raw materials, components, and materials is expanding, and the economic content of domestic production chains is deepening.
Expansion of industrial cooperation and internal production chains	The localization process is increasingly connected with cooperative relations between resident enterprises and local suppliers.	Internal industrial relations are being formed through the exchange of raw materials, semi-finished products, components, and service activities among enterprises.

Thus, the current development directions of localization processes in economic zones are manifested in several interrelated trends. These include the strengthening of territorial and sectoral specialization, the shift from import substitution toward increasing domestic added value, the expansion of industrial cooperation and supply chains, the growing role of functional management in the selection of investment projects, and the tendency to integrate production stages with a higher level of technological complexity into the domestic economy.

The above information shows that localization processes in economic zones are developing in practice in several interconnected directions, all of which are closely related to territorial specialization, internal production linkages, and the organizational structure of enterprises. This situation creates the need for a separate analysis of the existing organizational and practical state of corporate process management in economic zones.

The close connection of localization processes in economic zones with territorial specialization, internal production linkages, and the organizational structure of enterprises naturally creates the need to analyze the existing organizational and practical state of corporate process management in these territories separately. This is because the actual result of localization is often determined not only by the resources, infrastructure, or market capacity of the

territory, but also by how decision-making is organized within the enterprise. The approaches adopted in Uzbekistan regarding corporate governance also interpret this system as a set of relations among the executive body, supervisory board, shareholders, and other stakeholders. This definition itself provides grounds to view corporate governance as a management mechanism that ensures the strategic balance of enterprise activity. In economic zones, this mechanism plays an important role in implementing investment projects, forming procurement policy, working with suppliers, and stabilizing the production chain.

This connection is primarily reflected in the direct impact of organizational and practical decisions within the enterprise on the depth of localization. If the procurement system in enterprise management is carried out in a centralized and planned manner, if the criteria for selecting local suppliers are clearly defined, and if quality control and contractual discipline are regularly monitored, such conditions expand the opportunity to involve local producers in the supply chain. Conversely, in enterprises where short-term, situational, and fragmented procurement approaches prevail, localization tends to remain episodic. World Bank studies also show that backward linkages between transnational companies and local firms are usually stronger in enterprises with a higher level of management quality, adaptation to standards, and organizational readiness. This indicates that the practical

quality of corporate governance in economic zones directly intersects with the level of localization [6, 9–10].

The existing organizational and practical state of corporate governance in economic zones is manifested through such structural elements as the supervisory board, executive body, internal audit, financial control, and information transparency. Enterprises operating in these territories, especially joint-stock companies and large investment projects, must ensure production stability while also maintaining investor confidence. Therefore, the practical quality of corporate governance is not limited to internal management issues; it also becomes a factor in working with external partners, maintaining financial discipline, and pursuing a long-term strategy. In its analysis of corporate governance in Uzbekistan, the European Bank for Reconstruction and Development notes that the country has a legal framework for supervisory boards, internal audit, and the corporate governance code, but the level of their practical implementation varies across enterprises. This aspect is also observed in economic zones. In particular, the organizational model exists, but its real effectiveness depends on the internal management culture and institutional capacity of the enterprise.

The interconnection between localization and corporate governance is especially evident in mechanisms for working with suppliers. If an enterprise organizes its activity on the basis of a long-term production strategy, takes logistics and supply risks into account, and defines standards and quality requirements in advance, the opportunity to include local firms in the production chain increases. In this sense, localization does not exist outside corporate governance; rather, it appears as its practical result. The Asian Development Bank's research on special economic zones and economic corridors also indicates that if links between zone residents and local enterprises are weak, the regional economic effect declines. This approach means that the depth of localization in economic zones largely depends on how systematically supplier relations are organized within enterprise management.

The connection between corporate governance and localization is also noticeable in internal control, cost management, and risk reduction processes. The use of local raw materials or components often requires working with new suppliers, adapting quality standards, reorganizing production stages, and revising procurement policy. Such changes require coordinated management within the enterprise and the

integration of financial and operational decisions. Therefore, in enterprises with a high quality of corporate governance, localization initiatives tend to be more stable and deeper.

In general, the existing organizational and practical state of corporate process management in economic zones and its connection with localization show that interpreting these two processes separately does not provide a complete scientific understanding. Corporate governance influences the real results of localization through the enterprise's internal discipline, strategic decision-making system, and quality of cooperation with external partners. Therefore, the deepening of localization in economic zones depends not only on territorial factors, but also on the quality of enterprise-level management, internal control mechanisms, and the maturity of supply chain management.

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