

Development Strategies of the Textile Industry of Uzbekistan

Olimov Anvarzhon Atamirzaevich

Economist engineer, senior lecturer,

Abdukarimova Muslima Abduaziz Qizi,

Student,

Tashkent Institute of Textile and Light Industry

Annotation. The article assesses the results of the activities of the textile and clothing and knitwear industry of Uzbekistan for 2017-2020. The role of the industry in the development of the economy and industry, the growth of exports, the introduction of a cluster development model, and the provision of employment are shown. Development priorities are shown.

The textile and clothing and knitwear industry of Uzbekistan is one of the dynamically developing sectors of the country's economy, which is largely facilitated by the presence of its own raw material base and the ever-growing demand for manufactured products. Due to its competitive potential, it occupies a leading position in attracting foreign investment when creating new enterprises, providing employment for the population, exporting products, and is also considered one of the strategically important areas in the global specialization of the country's national economy.

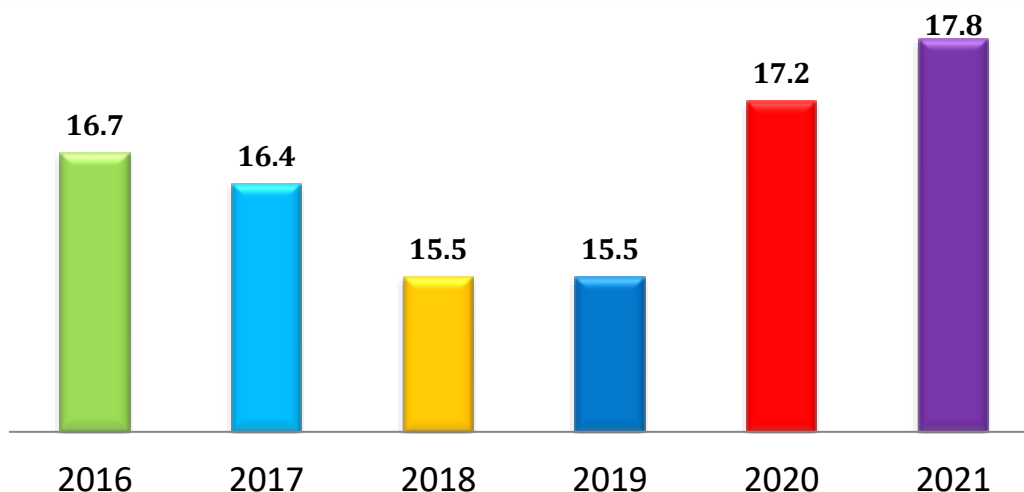
The timely measures taken by the Government, together with the sustainable development of the industry in recent years, in the face of large-scale restrictions in connection with the COVID-19 pandemic, adopted both domestically and in foreign markets, have not only prevented a large-scale decline in production and exports, layoffs of workers, as this was observed in many countries - large producers of textiles and clothing, but also to ensure a higher pace of development compared to the previous year.

Timely measures taken by the Government, together with sustainable development of the industry in recent years, in the face of large-scale restrictions in connection with the COVID-19 pandemic, adopted both domestically and at foreign markets, allowed not only to prevent a large-scale decline production and export, layoffs of workers, as was observed in many countries - major producers of textiles and clothing, but also provide higher rates of development compared to the previous year.

Thus, the light industry, including textile and clothing production, in 2020, despite the difficulties associated with COVID-19, showed sustainable development, ending the year with growth indicators production 112.0% with 100.7% for the industry as a whole.

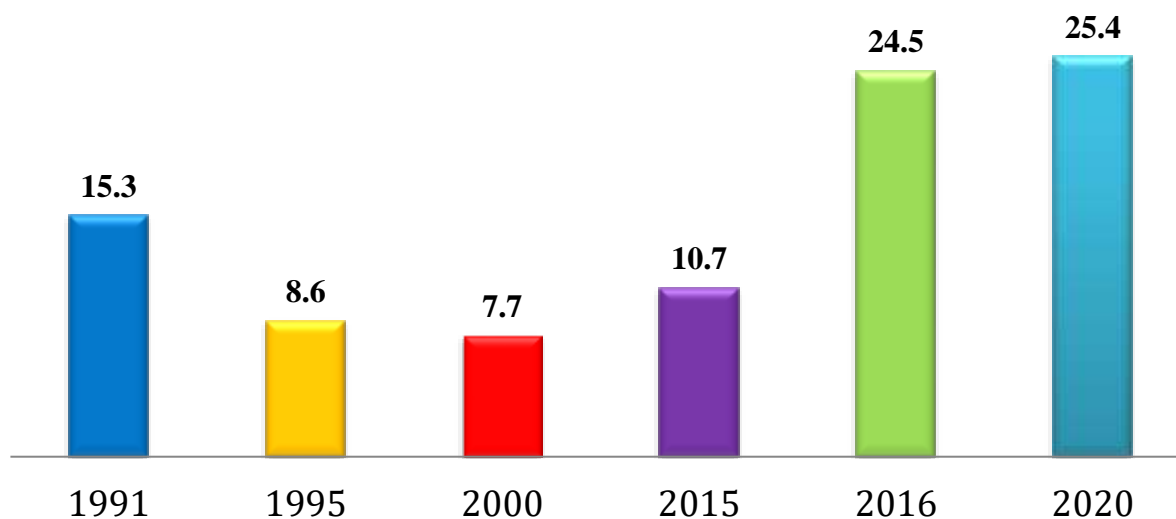
The contribution of the industry to the total volume of industrial production amounted to in the reporting year 17.2%, while the value of this indicator in 2016 was 16.7% and 2019 - 15.5% (Fig. 1).

According to the State Statistics Committee Republic of Uzbekistan, in fixed capital of textile and clothing and knitwear industries Republic for 2017-2020, more than 32.4 trillion sum, and for 2020 - 12.3 trillion. UZS with an increase in investments by almost 2.5 times compared to 2016. Created new and upgraded existing facilities.



Picture. 1. The contribution of light industry to total industrial production, in 2016 price unit, in %

Retrospective analysis of the structure of production of textile and garment and knitwear products for 1991-2020 showed that for the period 1991-2005 there was a noticeable decrease in the contribution of the production of finished products - clothes made of fabric and knitwear in the volume of production of the industry, restoration of which began in the following years. At the end of 2020 year, the share of clothing production, being the final link in the chain value-added production has reached a sufficiently high value - 25.7% (Fig.2 and 2.1.).



Picture. 2. Ready-made garments and knitwear

Action strategy for five priority areas for the development of the Republic Uzbekistan in 2017-2021 one of the priorities was marked increase competitiveness national economy for by deepening structural transformations, modernization and diversification of its leading industries.

The textile industry is one of the drivers of these transformations. Tasks, identified in the Action Strategy, such as modernization and diversification of the industry by transferring it to a qualitatively new level, increasing the processing of local raw materials, mastering the production of fundamentally new types of products, increasing competitiveness of domestic goods in foreign and domestic markets, localization of production and import substitution were successfully made in the textile industry [1].

As part of the annual state programs for the implementation Action strategies until 2021 aimed at the implementation of strategic development priorities textile industry [2].

The strategic priorities for the development of the industry during this period were defined:

- increase in the share of the textile industry in the economy;
- reforming the management system of the textile industry with the introduction of advanced management technologies;
- introduction of a cluster development model based on the integration production, starting with the cultivation of raw cotton and ending production of final textile products with high added cost;
- expansion of production of products with high added value by diversifying and reducing the export of raw materials and semi-finished products;
- increase in the level of processing of cotton fiber and phased a reduction in its exports;
- ensuring the competitiveness of products and expanding sales markets;
- further harmonization of the system of standardization and certification in the textile industry according to international requirements and standards;
- ensuring a balanced distribution of raw materials resources and deployment of emerging enterprises in the industry in conjunction with the development of logistics and engineering infrastructure;
- wide introduction of advanced ICT in the production process, innovative technologies, know-how, design developments, localization of production of modern fittings and accessories;
- improvement of the system of training, retraining and advanced training of personnel for the textile industry;
- creation of new jobs, especially for women, given the labor intensity of the industry and its potential in providing employment population.

Within the framework of the annual state programs, targeted program documents aimed at the development and transformation of this specific industry. They contributed to a significant breakthrough in the development textile industry during this period.

Legislative, organizational and economic securing reforms. One of the documents aimed at developing industry during this period was the Decree of the President "On the Program of Measures on the further development of textile and sewing and knitwear industry for 2017-2019", adopted on December 21, 2016 y.

As part of resolutions, enterprises-manufacturers of textile and garment-knitwear products were provided with tax and customs benefits, in particular in the form of exemption from income tax, property, from a single tax payment for micro-firms and small enterprises, customs payments for imported equipment, components not produced in the republic raw materials and materials, and others.

The key policy document adopted as part of the Strategy actions and aimed at a new stage in the development of the industry during this period became the Decree of the President "On measures for the accelerated development of textile and garment and knitwear industry" dated December 14, 2017. As part of this Decree, a specific mechanism for the development of the industry was developed – "Roadmap" for the accelerated development of the textile and garment-knitting industry.

The roadmap provides for measures to improvement of the management system and training of personnel in the field of textile and garment-knitwear industry, modernization production, technological process and infrastructure development textile industry, activation of foreign economic activities, the introduction of international standards in the textile industry.

The decree also provided benefits in the form of exemption until 2021 from the payment of customs duties (except for VAT and fees for customs clearance) for imported cotton, artificial and synthetic fiber, wool, raw materials and other materials necessary for production and not produced in the republic.

Decree of the President of the Republic of Uzbekistan dated December 14, 2017. No. DP-5285 JSC "Uzbekyengilsanoat" was liquidated and the Association "Uztukimakhiliksanoat" ("Uztekstilprom"). Reforms, right the chosen strategy and competent management of the Association allowed domestic textile companies to demonstrate positive growth momentum.

Decree of the Cabinet of Ministers of the Republic of Uzbekistan "On improving the mechanism for the implementation and payment for cotton fiber produced by the enterprises of Uzpakhtasanoat JSC" dated February 12 2018, a new procedure for the sale of cotton fiber was introduced with using the mechanism of exchange trading and a new procedure for conducting calculations. This contributed to the stable provision of textile enterprises with the necessary raw materials. Starting from 2017, a cluster development system began to be introduced textile industries by adopting a Cabinet Resolution Ministers of the Republic of

Uzbekistan "On measures to introduce modern forms of organization of cotton and textile production" January 25, 2018 of the year. This serious step towards a radical reform of the system organization of the industry became an impetus for the formation of unified production chains from raw materials to finished products. Over the past period, the cluster model has shown its effectiveness. Such a form organizations can significantly reduce transaction costs producer farmers, thus contributing to higher price competitiveness of textile products.

Decree of the Cabinet of Ministers of the Republic of Uzbekistan "On measures for the further development of cotton and textile industries" from On March 18, 2019, further development actions were initiated clusters and introduced additional market mechanisms aimed at for the development of the industry. In particular, a procedure was established in accordance with which the organizers of cotton and textile industries have the right freely dispose of the funds allocated to them on preferential loans in within the approved agro technological maps. It was also established that fuels and lubricants, mineral fertilizers, plant protection, plant development regulators, defoliant and other chemicals transferred by the organizers of cotton textile production to farms are not subject to taxation.

In 2020, at a time when all sectors of the economy are facing pandemic crisis, the textile industry has received special attention. So, in order to mitigate the negative impact of the crisis due to the pandemic coronavirus On May 5, 2020, the Decree of the President "On urgent measures to support the textile and clothing and knitwear industry". One of the support measures was to extend the period during which final settlements for cotton fiber are carried out, sold to domestic textile enterprises on stock exchanges trading for the national currency until April 1, 2020, from 90 to 150 days.

Also, certain types of imported raw materials and materials were exempt from paying customs duties until January 1, 2022. In addition, from May 1 to December 31, 2020, a simplified procedure for reimbursement of value added tax, according to which amount of value added tax payable (paid) for actually received goods (services) used for exported textile and clothing and knitted goods (services), for with the exception of yarn and fiber, is accepted for offset, regardless of the amount of foreign exchange earnings received on the accounts of the textile and garment and knitwear industry in a commercial bank Republic of Uzbekistan, and is refundable upon request, exporter, submitted in the prescribed manner.

The main outcomes of the implementation of the Strategy development of the textile industry are:

- significant outstripping development of the industry;
- creation of a single chain from raw materials to finished products, organization of clusters;
- major shifts in expanding the export potential textile products;
- strengthening the social significance of the industry as a labor-intensive production and creation of new jobs.

Sustainable and advanced development of the textile industry. On the role of textile and sewing-knitwear industry in the macroeconomic complex of Uzbekistan can judged by the following data: today it concentrates about 28% of all workers employed in the manufacturing industry republic, its share in the output of manufacturing industry at the end of 2020 amounted to more than 15.2%, and in the volume production of consumer non-food products - over 30 %.

Production capacities for the production of the main nomenclature products are: yarn - 705 thousand tons; fabrics - 1.2 billion square meters. m; knitted fabric - 140 thousand tons; finished products - 2.2 million pieces; hosiery - 132 million pieces. Total for textile and clothing and knitwear industry Uzbekistan, as of 01.10.2020, 14,447 enterprises operated. Them more than doubled compared to 2016. Behind the analyzed period, the volume of output in the industry increased by 137.6%. The textile industry has become a development driver economy, as evidenced by the growth of its share in the gross value added the cost of sectors of the economy from 2.7% in 2016 to 2.79% in 2020.

Carrying out cluster reform in Uzbekistan for the first time in February 2017 was proposed by the President of the Republic during his visit to the Bukhara areas as part of the consistent implementation of measures to form market relations between farms and enterprises textile industry. Development of production clusters that carry out processing local raw materials is one of the ways to mobilize resources in the regions to boost economic growth.

Clusters successfully solve the problem of creating cooperative ties textile enterprises and farms, organized on based on the conclusion of direct contracting contracts for growing farms of raw cotton and its

supply to the textile enterprise for further deep processing on its own production capacities and make an important contribution to the socio-economic development of both the regions and the country as a whole.

Table 1
Formation of cotton-textile clusters following the results of 2020

#	Name regions	Quantity clusters, units	Quantity districts, units	Square cotton fields, ha
	Republic Uzbekistan, total	96	117	907 783
	Republic Karakalpakstan	5	5	48 665
Areas				
1.	Andijan	12	13	79 391
2.	Bukhara	8	12	
3.	Jizzakh	5	6	69 700
4.	Kashkadarya	9	10	111 900
5.	Navoi	2	5	32 588
6.	Namangan	7	10	63 406
7.	Samarkand	11	9	75 580
8.	Surkhandarya	6	11	60 044
9.	Syrdarya	6	8	72 557
10.	Tashkent	6	7	55 008
11.	Fergana	9	11	63 245
12.	Khorezm	10	10	77 799

Source: website of the Uztekstilprom Association <https://uzts.uz/hlopkovo-tekstilnye-klastery/>

Within the framework of the Decrees of the President of the Republic of Uzbekistan dated May 19, 2017 No. PP-2978 “On measures to create a modern cotton-growing and textile cluster in the Bukhara region”, from 09/15/2017 No. PP-3279 “On measures to create a modern cotton-growing and textile cluster in the Syrdarya region” and Decree of the Cabinet of Ministers dated January 25, 2018 No. 53 “On measures to introduction of modern forms of organization of cotton-textile production” 96 projects are being implemented in 117 regions of the republic, area 907.783 thousand hectares.

At the end of 2020, the largest number clusters operated in Andijan (12 units), Samarkand (11 units) and Khorezm (10 units) regions (Table 1). In 2020, according to the Uztekstilprom Association, in clusters more than 90 percent of the country's total cotton crop was harvested. Productivity in clusters has increased over the past four years by 6.2 centner. At the end of 2020, except for seven clusters, all the rest are already set up the production of products of higher added value: 83 - produce yarn, 46 - fabrics, canvases, hosiery, 40 - ready-made garments and knitwear [3].

The most important direction in the use of internal reserves and opportunities for the industry was a gradual increase in the depth of processing domestic raw materials, as well as the expansion of volumes and nomenclature for the production of products with high added cost. If earlier a significant proportion of cotton fiber went to export, then at the end of 2020 the fiber was completely processed into cotton yarn by domestic enterprises. As a result yarn production in physical terms compared to 2016 increased almost 3 times.

A great achievement of the textile workers of Uzbekistan, thanks to the assistance of the state, is the restoration of the production of cotton fabrics. Thus, the production of only cotton fabrics containing 85 wt.% or more cotton fibers during the analyzed period increased by 3.47 times and amounted to 118.8 million m² against 34.2 million m² in 2016¹. The production of knitted fabric increased more than 3 times. At the same time, there is an increase in the production of finished products. The output of knitted underwear increased by 1.9 times, and knitted outerwear - by 115.9%.

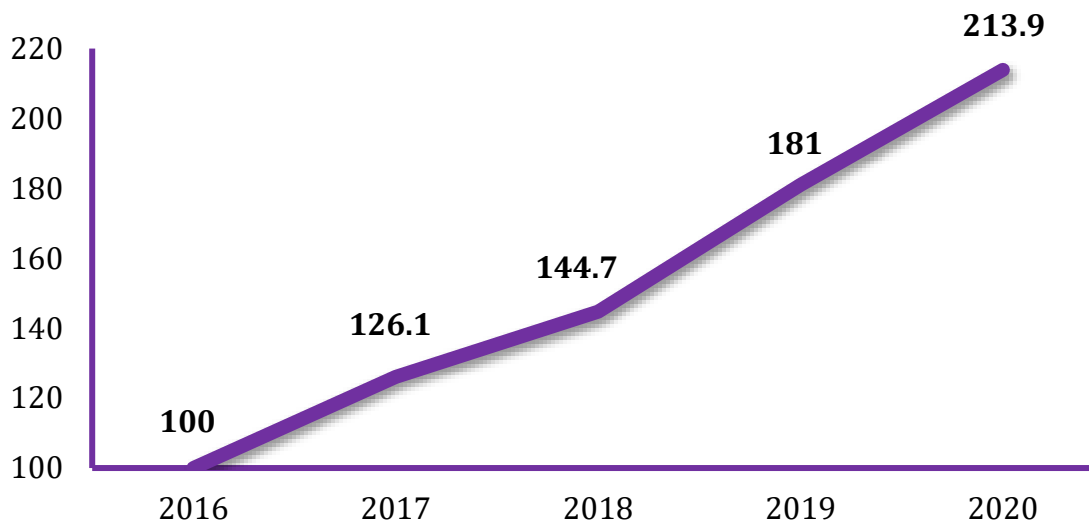
Significant growth in product exports. Textile and garment knitting industry among other industries is the most export-oriented. So, according to the share of exports in the volume industrial production - an

¹ 1 Reference: In Uzbekistan in 1991, the production of cotton fabrics amounted to 485.1 million tons. m². In 2000, the output of cotton fabrics decreased to 135.1 million m², and in 2010 - up to 164.5 million m².

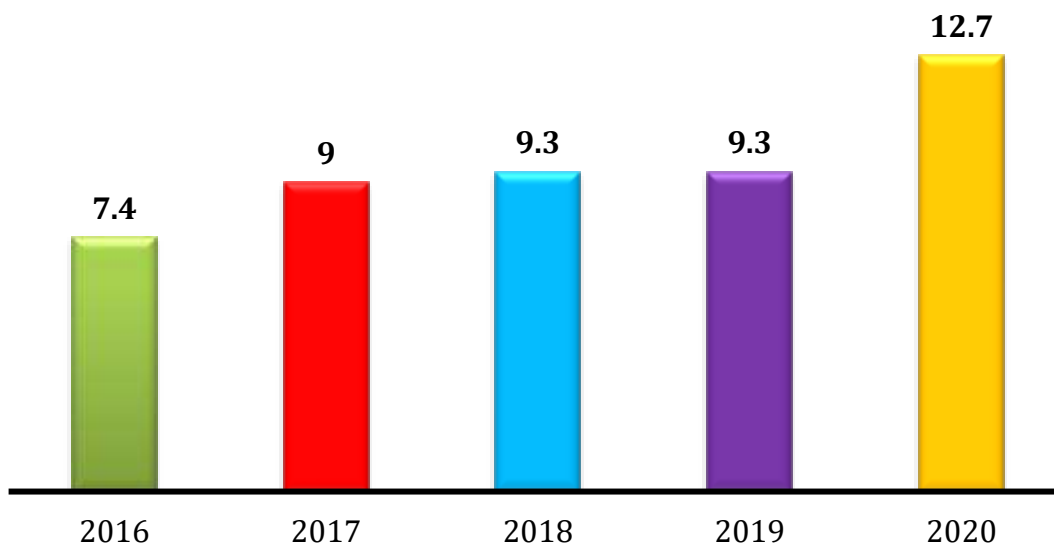
indicator that characterizes the competitiveness of its products, it is significantly ahead of other industries, while ensuring a significant increase in this indicator for the period 2016-2020 from 25.7% to 45.5%.

In recent years, the course towards the export orientation of the industry and growth competitiveness of its products allowed it to become export driver of industrial products. Today textile the industry is represented by a wide export range - from yarn to finished sewing and knitwear. By results of 2020 exported textile and clothing products in the amount of 1868.4 million dollars with growth to corresponding period the previous year for 121.2%, and compared to 2016 - almost 2.5 times.

At the same time, the share export of textile and garment products in total exports for the economy as a whole amounted to 12.7%, and excluding gold exports - 20% (Fig. 3 a), b)). Thanks to significant support from the Government industry managed to bring the domestic processing of cotton fiber more, than 90%, significantly increasing the share of exports of products with a higher added value.



a) Structural redolentque thymo fragrantia productio textilis et vestimentorum ad tempus 1991-220 annis in% totius



b) Portio exportationis textorum et vestium et knitwear products in summa exportationum, in %

Figura 3. Indicadores principales, characterising dinamica virtus exportationum textilium products
Source: rationes secundum consuetudines Statistics

Set course for level deepening processing of raw materials in textile industry allowed to increase yarn export cotton in value expression by compared to 2016 almost twice a year and bring the volume of it exports in 2020 to 453 thousand tons (Fig. 4).

At the same time, against the background of a decrease in the volume of cotton exports, export volumes textile and clothing and knitwear products only grew. Export of cotton fabrics containing 85 wt. % or more cotton fibers, in 2020 amounted to 274.1 million m², which is more than 2.1 times more than in 2016 (Fig. 5). In 2020, among other types of finished products in value in terms of growth, exports of hosiery grew the most (by 142.8%) and knitwear (by 142.2%).

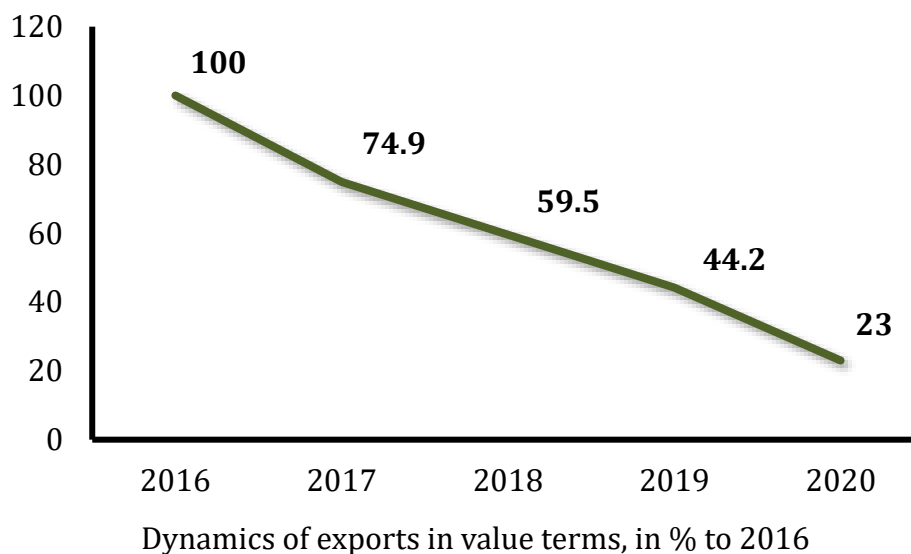
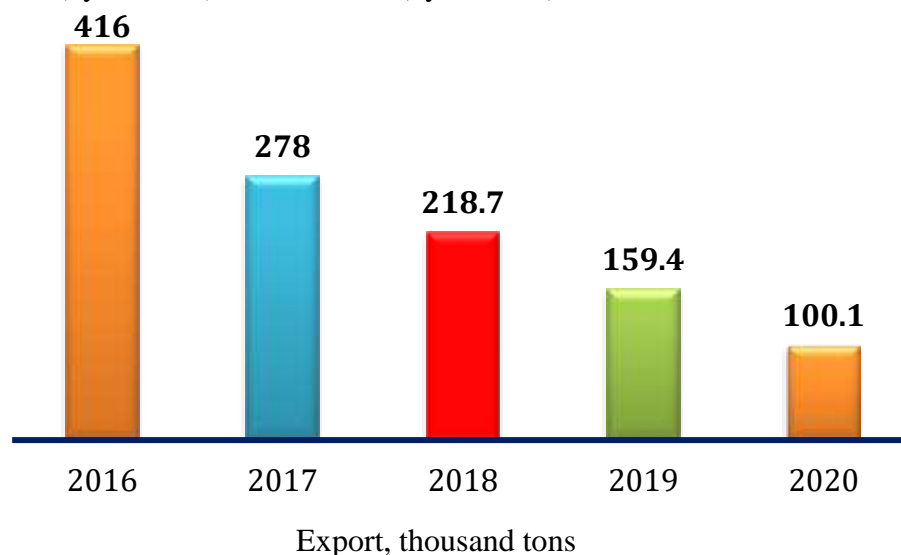


Figure 4. Dynamics of cotton fiber exports for 2016-2020

Source: IPMI calculations based on customs statistics

Industrial policy of Uzbekistan in the field of textile industry characterized by a continuous improvement in quality and technical product parameters. Produced by domestic enterprises, textile and clothing products are in demand among customers both in the domestic market and in the foreign market, and over the years is becoming increasingly popular with foreign consumers [3]. On today export of textile and garment-knitwear products carried out in more than 50 countries of the world. If in 2016 textile exports varied around 1.1 billion dollars, by 2020 it reached the mark \$2.1 billion dollars.

Textile and clothing products of Uzbekistan are supplied to many countries of the world, and the geography of exports is expanding every year. To For example, if in 2016 products were supplied to 60 countries, then in 2020 - already at 71. However, the main consumers of the Uzbek textile products included

in the Top 4 in 2020, which accounted for accounts for about 85% of the supply (in value terms) from more than 70 countries are Russia, which accounts for 36.5%, China (21.6%), Kyrgyzstan (15.2%) and Turkey (11.4%). At the same time, 95% of exports of finished garments and knitwear fall on the countries Commonwealth of Independent States CIS².

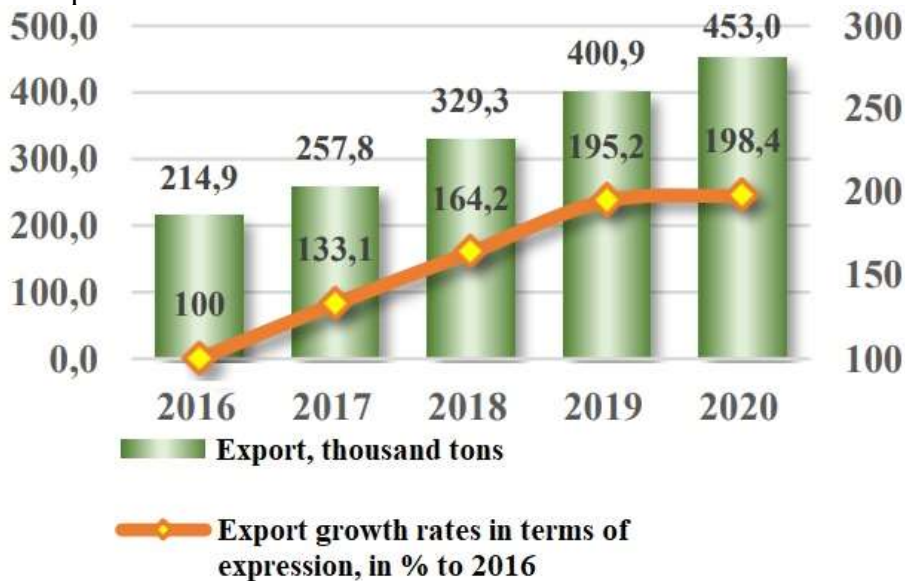


Figure 5. Dynamics of yarn export cotton for 2016-2020

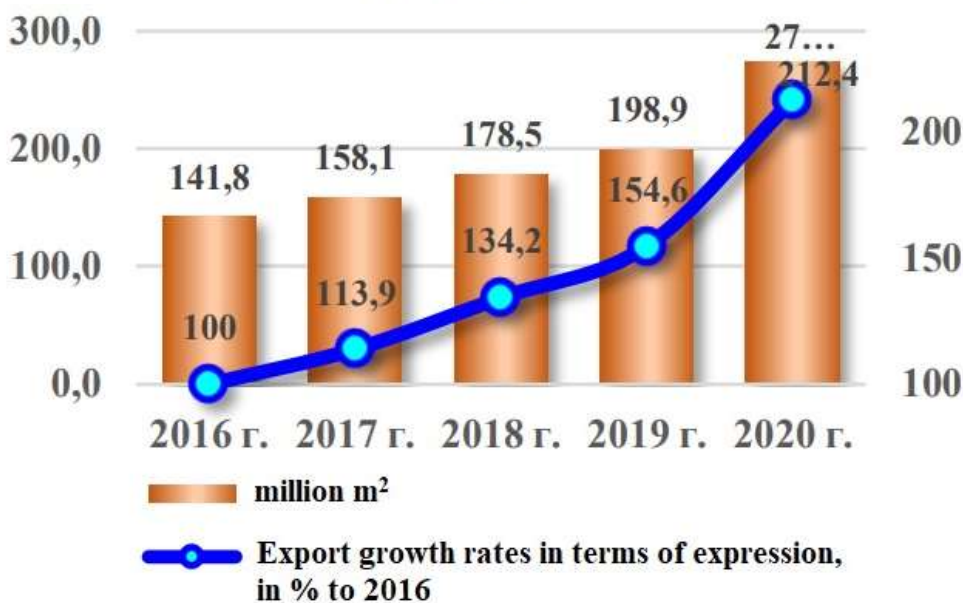


Figure 6. Dynamics of textile exports cotton containing 85 wt. % or more cotton fibers for 2016-2020

At the same time, Uzbekistan has the opportunity to become one of the important textile suppliers in Europe. The leadership of the Association Uztekstilprom has been constantly working on attracting a number of European large retailers and clothing brands for establishing cooperation with textile companies of Uzbekistan.

The achievements of Uzbekistan in cooperation with the Cotton Campaign coalition and report of the International Labor Organization on the results of the 2020 harvest year, which for the first time confirmed the absence of a systematic forced labor during the cotton harvest in Uzbekistan.

² <https://uzts.iz/review-of-development-of-the-textile-industry-of-uzbekistan-in-2o7-2o2o-years/>

There are more than 1300 textile enterprises in Uzbekistan industries operate according to international quality standards. This figure is expected to reach 1650 in 2022. Currently time international standards and certifications such as ISO 9001:2015 implemented in 1100 enterprises, 45 - OEKOTEX, 12 - BSCI, 6 - GOTS, 7 - SEDEX [4].

In March 2021, thanks to the successful work on implementation of international quality standards, management of the Association "Uztekstilprom" by representatives of the Swiss Certification SGS was awarded the ISO 9001:2015 international certification.

The increase in export potential is facilitated by the attraction of new investments combined with effective management, implementation the most modern equipment and innovative technologies with using digital platforms.

In addition, to receive assistance not only in promoting the Uzbek textiles to European markets, but also in the field of environmental protection, education, innovation, R&D, standards, industry and entrepreneurship, etc. cooperation with the Confederation will help EU apparel and textile associations EURATEX.

Growth of jobs and employment. In Uzbekistan the question employment of young people and women is one of the most relevant. The ever-increasing demand for both domestic and foreign market for industry products and high labor intensity production allow employment of a large number population, especially women, and testifies to the social industry direction.

Sustainable and dynamic development of the textile and clothing and knitwear industry of the country allows you to solve employment problem, especially in rural areas. This, in largely contributes to the presence of its own raw material base, high demand for garments in neighboring countries, non-capital-intensive sewing equipment.

The presence of these factors allows solve the most important task of creating additional jobs, especially for women. So, for four years in the production of textile products, the number of enterprises increased by 1748 units, and in the production clothes - by 4775 units. At the same time, according to the State Statistics Committee of the Republic Uzbekistan, for 2017-2020, the number of employees in the test industry grew by 36.0 thousand people, and in the production of clothing - by 28.1 thousand people Development of the cotton-cluster system in Uzbekistan in significantly contributes to the growth of employment, promotes improvement of the social situation, first of all, in the countryside and in small cities.

Further development of textile and sewing-knitwear industry is due to the ever-increasing demand of industries economy and population for textile and clothing products production, solving a number of systemic problems, reduced to integrated development, introduction of digital technologies, improvement level of competitiveness, expansion of export potential. Key strategic development priorities textile and clothing and knitwear industry in the next five years are:

- development of a full cycle of chain technologies for in-depth processing of cotton fiber (from the production of cotton yarn, ready-made fabrics for apparel and technical textiles up to sewing products from knitwear and textiles);
- ensuring the release of a wide range of high-tech, competitive in foreign markets products that meet international standards,
- transformation of the republic into a leading textile manufacturer in Central Asia,
- introduction of modern methods of quality management and international standards, creation of a certification system produced local products in accordance with international requirements;
- development of mutual cooperative ties between industries light industry and other sectors of the economy and on this basis increasing the level of localization of textile and clothing production products;
- increase in production and expansion of the range of finished fabrics, cotton, as well as non-cotton assortment (blended, synthetic, woolen, half-woolen pile, blanket, furniture and decorative, technical, special fabrics with chemical fibers, with special types of finishes - low-crease and low shrinkage, increased dimensional stability and lower material consumption);
- production of garments and knitwear, taking into account the increase level of modeling and designing clothes through the creation and development of domestic clothing brands, strengthening the role of fashion designers and designers in creating industrial collections, increasing production of clothes under licenses of

world-renowned fashion designers, production of modern fashionable knitwear of various styles and form using fabrics from new types of yarns, combined with a new generation of synthetic and artificial fibers and other factors.

Used Books:

1. Action Strategy for the Five Priority Development Areas Republic of Uzbekistan in 2017-2021, approved by Decree of the President of the Republic of Uzbekistan dated February 7, 2017 No. UP-4947.
2. Decree of the President of the Republic of Uzbekistan of December 21 2016 No. PP-2687 “On the Program of Measures for the Further Development textile and clothing and knitwear industry for 2017-2019”//<https://lex.uz/docs/3080758>.
3. R. Abaturov, “Overview of the development of the textile industry in Uzbekistan in 2017-2020”//<https://uzts.uz/obzor-razvitiya-tekstilnoy-otrasliuzbekistana-v-2o7-2o2o-godah/>.
4. “Association “Uztekstilprom” is the first among industry industrial organizations has implemented international ISO standards 9001: 2015”// <https://etextile.uz/2021/03/01>.