

Opportunities Increasing the Competitiveness of the Textile Industry of the Republic of Uzbekistan in the Conditions of Globalization

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Abstract: The article analyzes the state of the textile industry in Uzbekistan in recent years. In particular, possible economic benefits are considered due to the lifting of the boycott by the international community and specific measures are proposed to increase the production potential of the textile industry, which would increase the export potential of the republic's economy in the context of globalization processes in the world economy.

Keywords: integration, light industry, foreign trade turnover, export, import, economic competitiveness, taxes, foreign investment, diversification.

Currently, no state in the world can successfully develop without integration into the world economy. An integral economic system on a planetary scale is being formed, which dictates its own rules of the game for individual national economies. It practically affects all spheres of public life, including the economy, politics, ideology, social sphere, culture, ecology, security, lifestyle, as well as the very conditions of human existence.¹

In the context of globalization, the interconnection and interdependence of the economy and the hierarchy of relations between countries are increasing, the issues of ensuring the competitiveness and economic security of the national economy are acute, the increasing openness of the economy of countries, at the same time expressing a high degree of its dependence on external factors.

In this case, the state should direct its efforts to the development of foreign economic cooperation with countries near and far abroad and take part in global and regional economic processes in order to ensure sustainable economic development.

Uzbekistan, as a country striving for a market economy, should increase its foreign trade potential, in connection with this, it is necessary to increase the competitiveness of domestic products as a priority area

¹ Nayyar D. Globalization and Development Strategy: High Level Round Table on Trade and Development. Orientation for the 21st century. UNCTAD X Bangkok. 2000.12.02.

of the national economy, which requires extraordinary approaches and solutions to emerging problems, the search for new forms and methods of managing trade development.

Because competitiveness issues occupy a special place in the field of economic development, as they are one of the conditions for industrial and innovative development and liberalization of foreign trade activities of the republic. In modern conditions, the country's competitiveness is an indicator of the state and prospects for the development of the economic system, determines the nature of its participation in the international division labor, acts as a guarantor of economic security and the ability to produce goods and services that meet the requirements of the world market, the implementation of which contributes to the growth of the welfare of the population².

The formation and development of industry is determined by the fact that it creates the foundations of the infrastructure of the economy and plays one of the main roles in improving the welfare of the nation, macroeconomic stability, modernization of the economy and social well-being of the population.

As world experience shows, with effective state regulation of economic relations, positive economic results can be achieved, while state policy should not be limited solely to measures to influence consumers, but should also ensure the development of the potential of domestic industry³.

The light industry of any country is one of the most attractive sectors of the economy in terms of innovative development. In terms of consumption, light industry products are in second place after food products, which determines their importance. Given the significant role of light industry in ensuring economic and strategic security, employment of the able-bodied population and raising its living standards in the new geopolitical conditions, the leading world countries pay special attention to the development of the industry and provide it with significant investment support.

The development of the light industry of the republic will contribute to the development of an increase in the foreign trade turnover of the republic, the activation of the entry of the national economy into the system of world economic relations.

In recent years, the textile and clothing industry in the republic has experienced a boom in production and investment. In the period from 2016 to 2020, 288 projects worth \$2.3 billion were implemented in the regions. More than 8,000 enterprises operate in the industry. If the volume of production by enterprises in 2016 amounted to 12.6 trillion soums, then in 2021 it will be 51.7 trillion soums or 7% of the country's GDP. Employment in the industry amounted to about half a million people, more than doubling compared to 2016, when employment was less than 200 thousand people. The share of textile production in the structure of the manufacturing industry increased from 12% in 2020 to 13.7% in 2021. The physical volume of manufactured products in 2018-2021 increased immediately by 47%. The volume of clothing production amounted to 13.284 trillion sums or 2% of the country's GDP. If we combine the indicators of the textile industry and the production of clothing, then they together provide a contribution to 9% of Uzbekistan's GDP.⁴

The increase in the production potential of the textile industry contributes to an increase in exports abroad. In the structure of exports, textile products confidently take the second place, second only to gold.

² Temirova A. B. Competitiveness of products as an indicator of the development of foreign trade of the state of Astana, Collection of the Eurasian National University

³ K.K. Numanov. Improving the competitiveness of the economy of the Republic of Uzbekistan in the context of globalization. T.Agroictisodiet.2019.

⁴ What does lifting the boycott of Uzbek cotton mean? Spot.Tashkent.2022

However, in recent years, the textile industry has been increasing its export potential. In the near future, this export item may become dominant in foreign trade.

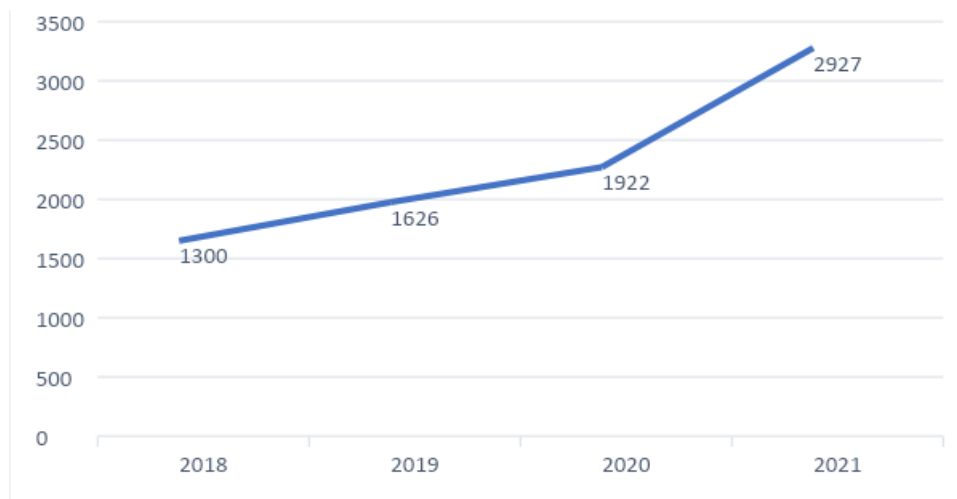


Figure 1. Export dynamics (mln USD)

The dynamics of exports of textile products shows a two-fold increase in the volume of textile exports from 2018 to 2021. In 2021, exports reached a psychological mark of \$3 billion. Even in the crisis year of 2020, it did not prevent the growth of exports of textile products.

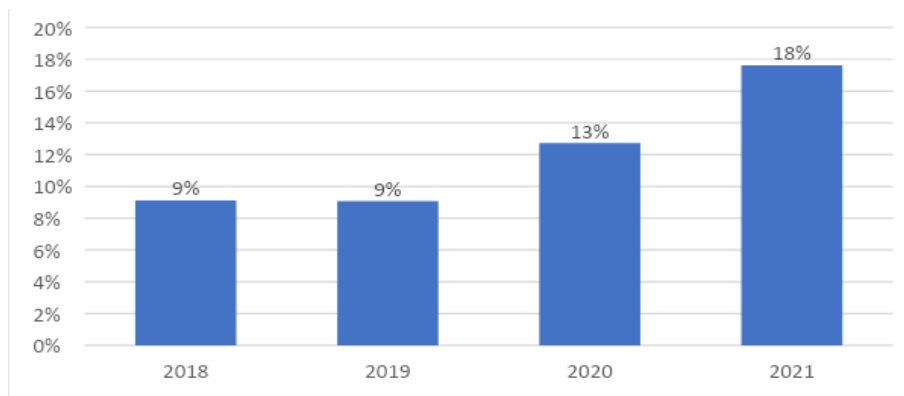


Figure 2 Share of textile exports in total exports

Simultaneously with the increase in absolute values, the share of textile products in total exports is growing. If during 2018 and 2019 the share of textile products did not exceed 10%, then in 2021 its share doubled and amounted to 18%. For example, gold accounted for almost a quarter of the country's total exports last year.

The main export commodity in the structure of textile products is cotton yarn. It accounts for more than half of all exports in 2021. Over the past four years, a 2.5-fold increase in exports of cotton yarn has been recorded. In general, all export items of textile products showed steady growth. For example, the second commodity after cotton yarn was ready-made knitwear and garments, which last year provided an inflow of \$644 million to the country's exports.



Figure 3 Structure of export textile products (mln USD)

Textile products of Uzbekistan are exported to more than 50 countries of the world, including the countries of the European Union. The absolute leader in the import of Uzbek textiles is Russia, significantly ahead of its closest competitor in the face of China. In 2021, Turkey was able to reach 3rd place, leaving behind Kyrgyzstan. Only a small amount of textile products is exported to other countries.

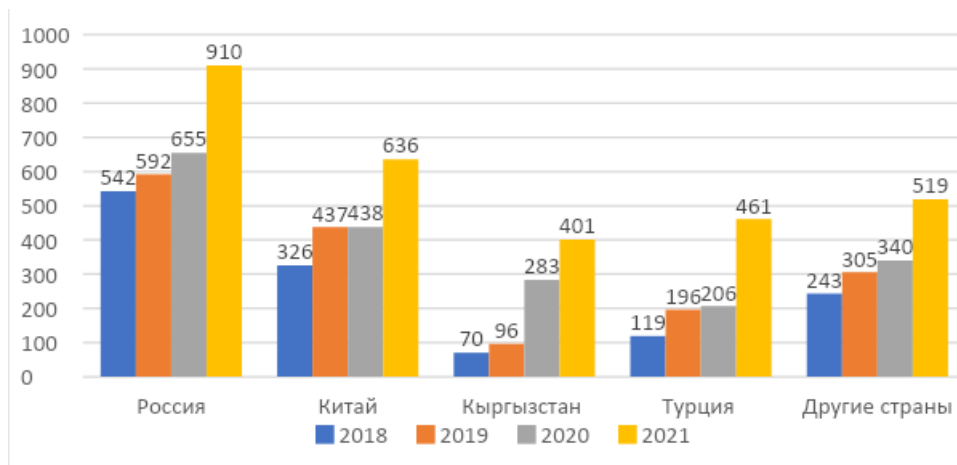


Figure 4 Structure of export textile products by countries (mln USD)

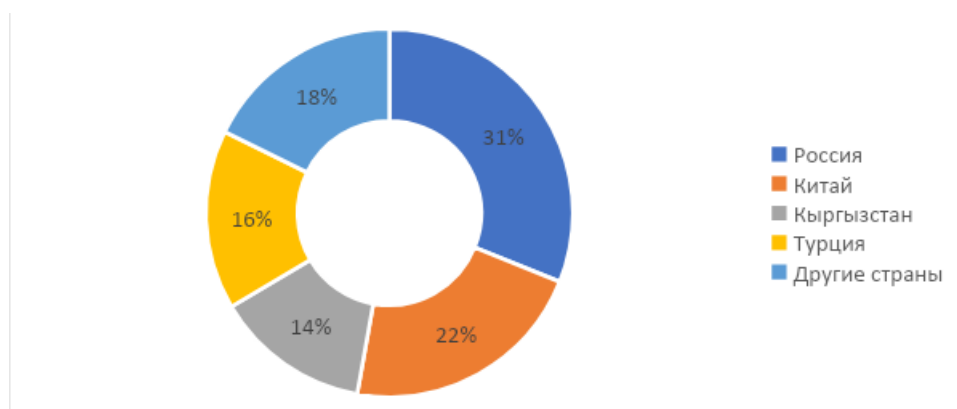


Figure 5 Export share of textile products by country in 2021

The main partner countries purchasing Uzbek textiles account for more than 80% of the total exports of this type of product. About a third of all textile exports go only to Russia. Last year, China, Turkey and Kyrgyzstan accounted for more than half of exports. This indicates a low level of diversification of sales markets.

In the structure of exports of textile products, the dominant role is occupied by cotton yarn, which accounts for up to half of the total volume. However, cotton yarn is a semi-finished product that is necessary to obtain the final product⁵.

In accordance with the Development Strategy until 2026, Uzbekistan is reoriented to the export of finished products, as it has a higher value added (profit). For the production of final products, foreign direct investment is needed, which will lead to an increase in productive capacity. Based on this, we should bet on attracting foreign direct investment (FDI) to the country. According to a survey by the Ministry of Economic Development of Uzbekistan, the lack of growth in FDI threatens plans to achieve high rates of inclusive growth and reduce poverty. To attract them, it is necessary to promote the formation of a favorable investment climate. This implies the protection of private property rights, the fight against corruption, a low level of bureaucratization of the economy, an independent judiciary and a reduction in the tax burden.

FDI contributes to the inflow of additional capital into the country, allowing it to increase production, upgrade the technological base, gain access to advanced technologies and attract highly qualified personnel.

The lifting of the boycott of cotton by the international community opens up great opportunities for Uzbekistan's economic growth. However, for this it is necessary to take a certain number of steps that will allow the republic to squeeze the maximum out of the current situation. Measures to be taken include the following:

The state has the necessary set of tools to stimulate the growth of the textile industry. A fast-growing industry needs state support, which can be expressed in different ways.

In particular, it is necessary to reduce the tax burden on manufacturers of textile products. This should go hand in hand with the reduction of bureaucracy and paperwork, as well as numerous checks to minimize corruption risks. The lower the costs of producers, the higher their competitiveness in the world market. With the growth of production volume, tax revenues to the budget will increase, and the whole country will benefit from this.

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