

## Prospects of Increasing the Export Capacity of Cotton-Textile Cluster

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### Abstract

*In this article, it was mentioned that as a result of the establishment of cotton-textile clusters in our country, including in the Namangan region, full processing of cotton raw materials is being carried out due to the development of finished products with added value and export of these products to world markets. Also, the issues that should be done in this regard have been touched upon, namely the need to set up the production of five-stage finished products in cotton and textile clusters in Namangan region.*

**Keywords:** cotton raw materials producer, processing enterprises, entrepreneurship, employment, Technopolis, Technopark, integration, export, cluster, modernization, diversification, credit, capacity, territory, competitiveness.

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### INTRODUCTION

As a result of the work carried out on the modernization and diversification of agricultural production, the development of the raw material processing industry, and the introduction of a new system of working in the agricultural sector - the cluster method, the possibility of 100 percent processing of the grown cotton raw materials was created. The export of raw cotton has completely ceased and has been replaced by the export of finished products with added value.

Currently, 134 cotton-textile clusters operating in the agrarian sector play a key role in the development of the cotton-textile industry in our country. Due to the fact that enterprises in the cluster system have become a leading force in the cultivation of cotton raw materials and its deep processing, special attention is paid to the development and support of this system. "For us, it is extremely important to radically increase the efficiency of agriculture, which is a strategic sector, and to diversify it. In particular, the development of the agrarian sector, processing of agricultural products on a cluster basis and ensuring food safety remain our urgent tasks," said President Sh. Mirziyoev in his speech at the joint meeting of the chambers of the Oliy Majlis held on November 6, 2021.[1]

The development strategy of the new Uzbekistan for 2022-2026 envisages increasing the volume of textile industry production by 2 times and labor productivity by 3 times in the direction of rapid development of the third-national economy and ensuring high growth rates. All this means that clusters, which have become a leading force in the cotton-textile industry, have a responsible task. In this regard, the cluster method is becoming more and more popular. As a result, this innovative system serves as the main factor in ensuring the employment of people living in rural areas, raising

their living standards by increasing their incomes, and increasing productivity in the agricultural sector.

President Sh. Mirziyoev, on October 27, 2021, at the meeting of the video selector on the development of the cluster system in agriculture, revolutionary initiatives and decisions aimed at further development of the new system, which has become a "locomotive" in the agricultural sector, were adopted, and ultimately, in the next 5 years, the productivity of the network will be at least 2 times, the sector the goal of increasing its export to 7 billion dollars has been set.

After the transition to the full cluster method in cotton farming, not only the cultivation of raw materials, but also its deep processing underwent radical changes. The fact is that in the first years of independence, approximately 7% of the cotton raw materials grown in our country were processed in our country, and in 2016 this figure was increased to 37%. Today, Uzbekistan has 100% processing capacity of its own cotton fiber. In return, the export of raw materials was completely stopped. On the contrary, it began to be processed and exported as a value-added product.

In other words, the volume of in-house fiber processing has increased, the spinning of kalava yarn has increased by 2 times, and the production of finished products has increased by 3 times. In turn, the amount of exports increased continuously and reached 3 billion dollars by the end of 2021. All this is explained by the virtue of clustering.[2]

On January 21, 2022, the decree of the President of the Republic of Uzbekistan "On measures to stimulate deep processing and production of finished products with high added value in textile and sewing-knitting enterprises and their export" was adopted in order to make more efficient use of the existing raw material base in our country. . This decree will create great benefits for further increasing the industrial potential of our country, in particular, for the development of the cotton-textile industry.

Studies show that 17 of the clusters in our country cover five stages of cotton raw material processing, 22 have four stages, 30 have three stages, 36 have two stages, and 16 have one stage. It can be seen that almost most of the clusters do not produce products with high added value.

The above Presidential Decree will create ample opportunities for all clusters to fully transition to the five-stage deep processing system in the near future. It is known that the cotton-textile industry is one of the promising sectors that supplies ready-made products with high added value to the foreign market.

On May 7, 2021, a forum entitled "Textiles of New Uzbekistan: a beneficiary of "GSP+" in the European Union" was held in Tashkent, dedicated to the development of the local textile industry and its promotion in the European Union market based on the "GSP+"<sup>1</sup> system. This event was organized by the "Uztoqimachilik sanoati" association with the support of the German International Cooperation Society (GIZ), the Embassy of Uzbekistan in Belgium and the Export Development Agency. The "GSP+" system creates great opportunities for the export of industrial products, including Uzbek textile and sewing-knitting goods, to European markets.

Today, Uzbekistan exports textile products to 65 countries, in particular to the European Union. For example, in 2020, 74 million dollars worth of products were exported by the enterprises of the

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<sup>1</sup> GSP stands for General System of Preferences. For information: the general system of preferences (GSP +) is a system of preferential customs tariffs for goods exported by developing countries to developed countries. GSP + covers almost all industrial and some agricultural products.

"Uztoqilimiksanoat" association system, in 2021, this figure was 142.1 million dollars, and in 2022, this figure is expected to increase even more.

According to the decision of the European Commission, Uzbekistan will receive the status of GSP+ (General System of Preferences Plus Beneficiary), Uzbek producers and exporters will start using unilateral tariff preferences when exporting their products to the European market.

It should be noted that the "GSP+" system requires that the products developed in local textile enterprises fully meet European standards. Today, the association "Uztoqiliksanoat" together with international partners and industrial enterprises is developing a strategy to bring textile products to the European Union market. After Armenia, Bolivia, Cape Verde, Kyrgyzstan, Mongolia, Pakistan, Philippines and Sri Lanka, Uzbekistan became the ninth country to receive the GSP+ status in the last five years.

This system makes it possible to increase the volume of exports several times by importing products into the territory of the European Union. It also affects the increase in the flow of investments and the increase in the volume of mutual trade.

Today, each cluster in the system of the Association of Cotton-Textile Clusters of Uzbekistan is implementing specific investment projects that take into account the requirements of the foreign and national markets. The favorable environment created for business activities in our country and the opportunities and conditions created for investors, as well as tax and customs benefits increase the investment attractiveness of the cotton-textile industry. This, in turn, expands the possibility of implementing promising projects using foreign and local investments on a large scale. An investment project for the production of ready-made textiles and sewing products is being implemented in the "TCT Cluster" agrocluster in the Lower Chirchik district of the Tashkent region. According to preliminary estimates, the total cost of the project is 140 million euros. 20,600 tons of fabric and 65,000,000 pieces of finished textile and sewing products are produced in this complex, which combines spinning, dyeing, weaving, finishing and sewing factories. 80 percent of the prepared products are exported to the CIS and European countries. In particular, within the framework of the first stage, 33.16 tons of high-quality kalava yarn will be produced per year, and the product worth 70 million euros will be sold abroad.

More than 357 projects will be implemented in 2022. As a result, the clusters in the system of the Association of Cotton Textile Clusters of Uzbekistan will absorb investments in the amount of 1.36 billion dollars, and more than 200 new capacities will be commissioned. Due to this, the volume of deep fiber processing will increase by 130%, more than 100,400 new jobs will be created. The export volume will increase by 1.5 times.[3]

All these can be recognized as measures aimed at increasing the export potential of our Republic, further strengthening the financial support of export enterprises, strengthening the competitiveness of national products in foreign markets, and ensuring the implementation of the tasks set for increasing foreign exchange earnings.

On August 20, 2021, the President of the Republic of Uzbekistan Sh. Mirziyoev also touched on this issue in his open communication with businessmen of our country. "The main thing is that the attitude towards entrepreneurs has changed in our country and in state agencies, their reputation and status in society is increasing day by day. As a result, a class of real entrepreneurs with a strong position, reputation and brand in the domestic and foreign markets began to form.

For example, enterprises such as "Chust Textile" (Ismatullaev brothers) and "Art soft Holding" (Babakhanov brothers) from Namangan region alone are now exporting products worth 10-15

million dollars. At the moment, it is remarkable that each of them has created thousands of jobs and become influential large companies".[4]

It is planned to increase the level of yarn processing by clusters from the current 50% to 70% in the next two years, using the existing raw material base in our country. Based on this, the introduction of new funding mechanisms for them was launched. In particular, financial grants are provided at the expense of the state, depending on the capacity of the enterprise, for the purchase of equipment for fabric dyeing and mixed fabric production. It is also planned to allocate another 150 million dollars for lending to such projects.

A new credit line of \$100 million will be opened by the state at low interest rates to support the export of dyed fabric and finished product manufacturing enterprises. For clusters and other textile enterprises that export at least 80 percent of the above goods, the social tax rate will be set at 1 percent instead of 12 percent for goods for a period of 3 years. They are also given the opportunity to pay the property tax with a delay of 3 years. Due to this, at least 500 billion soums per year will remain at the disposal of business enterprises.

As we mentioned above, starting from 2022, the practice of pledging cotton raw materials and fiber will be introduced in obtaining loans for yarn processing clusters.

Starting from 2020, Uzbekistan will stop exporting cotton raw materials and focus on selling finished textile products abroad. At the same time, it is necessary to widely introduce international standards to the cotton-textile industry in order to enter new markets in the world. In 2019-2021, 2 thousand industrial enterprises in the field of textiles received international certificates. As a result, their export increased by 1.5 times.

On March 10, 2022, the cancellation of the boycott of Uzbek cotton by the "Cotton Campaign" international coalition further expanded the opportunities for the products of cotton-textile clusters to enter new markets.[5] According to experts' calculations, the total volume of export of manufactured cotton-textile products can be doubled. This means the emergence of factories that produce clothes that meet the requirements of the world market. Also, it is planned to produce 20 billion dollars worth of ready-made fabrics and clothes by 2025 due to the processing of cotton raw materials grown in our country.

In the following years, the demand for cotton-textile products in the foreign market is increasing more and more. For this reason, the world's largest international brands are gradually switching to an environmentally friendly production system. In particular, "Adidas", "H&M", and "Nike" brands plan to supply products based on completely organic (environmentally friendly) cotton fibers by 2025. However, only 8% of cotton grown in the world today is organic.

The growing need for organic cotton fiber in the world market is a good opportunity for Uzbekistan. In our country, there are ample opportunities to enter the above new market and fill it with our own products, and practical work has been started in this regard.

From 2021, organic cotton cultivation began in the "BCT Cluster" in the Bukhara region and the "TCT Cluster" in the Tashkent region. This work was launched together with the representative office of the German International Cooperation Society in Uzbekistan and international certification organizations "CONTROL UNION".

It should be noted that organic cotton cultivation requires all processes to be natural. That is, it is required not to use chemically treated seeds in cotton cultivation, not to use chemical and synthetic fertilizers in cotton care, and not to use chemical means in the fight against various insects and

diseases. The international certification organization "CONTROL UNION", which followed these processes, was the first in Uzbekistan to issue an international certificate for organic cotton cultivation to "BCT Cluster" and "TCT Cluster". This gives an opportunity for clusters to sell fiber up to 50 percent more expensively on the international market. Also, the costs of chemicals are saved and conditions are created for reducing the cost of the product. It is known that the clusters are selling not the cotton fiber, but its processing as a ready-made product.

Clusters within the system of the Association of Cotton-Textile Clusters of Uzbekistan are gradually expanding their scope of activity and boldly entering the world textile market. The fact that they are opening their offices in foreign countries is an important first step in this regard. Art Soft Holding, one of the largest cotton-textile clusters in our country, was the first among the Uzbek clusters to open its representative office in Riga and started the operation of the cluster representative office and exhibition hall in the capital of Latvia. As noted at its opening ceremony, it is the first representative office and exhibition hall of the cluster in the EU countries. "Art Soft Holding" cluster informed that the main partner from Latvia is the "Shippleart" company, with the help of which the European office of the Republic commodity exchange is expected to be established in the future.

Today, taking into account the growing need for goods made of organic cotton fibers in the world market, cotton-textile clusters in Uzbekistan, including Namangan region, should switch to the cultivation of ecologically clean raw materials. Only then will the export of cotton-textile products made in clusters increase, and the export geography of our country will expand more and more.

In the future, it is appropriate to pay attention to the following considerations when developing cotton-textile clusters and increasing their export potential:

1. Ensuring the strict fulfillment of the terms of the contract on the cultivation of cotton raw materials between the business entities operating in the cluster system, in particular farms, and the clusters;
2. Arming cotton-textile clusters with advanced techniques and technologies based on modernization and diversification;
3. As in other regions of our country, in Namangan region, as well as in Namangan region, to establish the cultivation of organic cotton raw materials and determine the measures to increase it year by year. To do this, provide certain benefits for farms that grow organic cotton raw materials;
4. Transferring the activities of cotton-textile clusters in Namangan region to five stages, i.e. starting the production of finished products and developing a mechanism for state support for this process;
5. To expand the activities of logistics service centers that serve to increase the export potential of cotton-textile clusters;
6. Expansion of marketing research on increasing the export potential of cotton-textile clusters. To regularly study the demand and supply of cotton-textile products in the world market and determine measures to adapt to the market situation depending on the change in the ratio between them;
7. Further expansion of the export potential, taking into account the increased opportunities for textile enterprises to enter world markets due to the cancellation of the 2009 boycott of Uzbek cotton by the international coalition "Cotton Campaign" on March 10, 2022.

**CONCLUSION**

we can say that taking into account the above comments and suggestions will have a positive effect on the development of cotton-textile clusters, increase their export potential and solve socio-economic problems in the regions of our country.

Also, in the implementation of the tasks defined in the strategy of agricultural development of the Republic of Uzbekistan for 2020-2030, as a priority direction, the wide implementation of market principles in the purchase and sale of agricultural products, the development of quality control infrastructure, the production of competitive, high-value-added products in international markets with the aim of promoting exports The actual execution of the issue will be ensured.

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