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Status and Development Prospects of the Textile and Knitwear Market in Uzbekistan

Muminova N. M.
Department of "Corporate Management", Tashkent Institute of Textile and Light Industry, Uzbekistan
Corresponding author email: nargiza.maxsudjonovna@gmail.com

Abstract---*In order to develop a healthy competitive environment and the introduction of market mechanisms in the organization of production of raw cotton, the Decree provides for an experiment, in which for the first time local textile enterprises will place direct orders for raw cotton from farms and other agricultural producers. It is planned to introduce the system. This article discusses the status and development prospects of the textile and knitwear market in Uzbekistan.*
Keywords---*clothing industry, diversification, industrial clusters, international standards, logistics, modernization, neighboring, product market, raw materials, textile, European Union, transportation, Uzbektokimachilik, Uzbekyengilsanoat, working capital*

Introduction

PF-5285 "On measures to accelerate the development of the textile and clothing industry" dated December 14, 2017, consisting of more than 20 measures to improve the management and training system, production, modernization of technological processes and infrastructure development of the textile industry, activation of foreign economic activity, introduction of international standards in the textile industry Approved by the Decree of the President of the Republic of Uzbekistan "Road map". To date, local textile enterprises have been forced to purchase cotton fiber from "Uzpaxtasanoateksport", a monopoly supplier at export prices. This procedure has reduced the profitability and competitiveness of textile production (Abulqosimov, 2002; Adylova, 2008).

According to the experiment initiated by the President of the Republic of Uzbekistan, textile enterprises will finance the advance payment of at least 60% of the contract value of the main costs of farms for the production of raw cotton. In this case, the raw cotton supplied to the enterprises is used only for further deep processing and production of finished competitive products. In addition, in his Decree, the President supported the proposal of the textile industry, the meeting of shareholders of JSC "Uzbekyengilsanoat" and a number of agencies to establish an association "Uztokimachiliksanoat". At the same time, "Uzbekyengilsanoat"JSC, which includes regulatory and economic functions of the state, will be liquidated (Alimov et al., 2001; Astratova, 1996).

Results

This association has a wide range of tasks for the sustainable development of the textile industry of the republic. The fact that the management system of the industry does not meet modern trends in the development of the textile industry, its inability to support manufacturers, necessitated the adoption of this decision. For example, "Uzbekyengilsanoat" JSC includes 436 enterprises, which is only 6% of the total number. The activities of this society are mainly focused on collecting statistics, holding various meetings, organizing exhibitions. Its organizational form also does not correspond to the legal status of the joint-stock company (Axmedov, 2020; Bagiev et al., 2001). The experience of foreign countries has shown that one of the most effective forms of development of the textile industry is the establishment of clusters. This model envisages the establishment of a single production cycle, which includes the cultivation of raw cotton, primary processing, subsequent processing of products in

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ginneries and the production of finished textile products with high added value. Therefore, the special working commission was instructed to develop a draft concept for the development of cotton and textile clusters in the medium term, taking into account the results of the establishment of such clusters in Bukhara and Navoi regions. In addition, the Decree provides for measures to support enterprises in the textile industry, including the provision of benefits for the payment of customs duties (Muminova, 2020; Thomassey, 2010; Visser, 1999).

It should be noted that the low efficiency of product testing laboratories, the lack of international accreditation in many of them, hinders the access of domestic textile manufacturers to foreign markets. To address these problems, it is planned to improve the system of standardization and certification in the textile industry, including the development of comprehensive measures for the introduction of international standards (Erdil & Özdemir, 2016; Qian, 2002). In general, the implementation of the Presidential Decree:

- gradual introduction of market mechanisms in the process of improving the management system of the industry, production, pricing and sales of cotton
- further reduction of cotton exports and growth of deep processing of cotton in the domestic market
- stimulating the production of raw materials that are not produced in the country, including through the localization of certain types of products
- wide introduction of technological and marketing innovations
- using public-private partnership mechanisms
- construction of textile complexes
- ensuring the rapid development of the textile industry by increasing the number of local laboratories with international accreditation, harmonization of national standards of the textile industry with international standards.

The following table analyzes the production volumes of light industry by type of activity.

Table 3.1
Production volume by type of activity *(in billion soums)*

Direction	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Manufacture of textile products	4845,5	6736,9	7672,9	8898,3	10839,5	13241,7	13335,3	16763,3	24835,2	29946,6
Manufacture of clothing	575,8	795,2	996,8	1165,8	1308,7	1585,3	4318,5	6108,2	7732,2	9165,8
Manufacture of leather and related products	80,7	122,4	152,1	348,4	527,2	757,9	981,4	1414,6	1647,9	1588,8

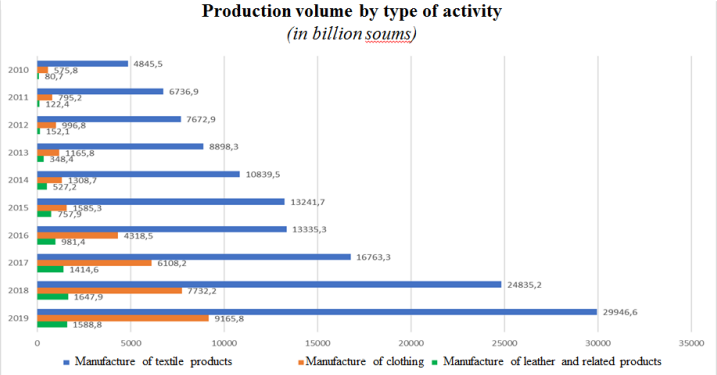

Figure 3.1 Production volume by type of activity *(in billion soums)*

According to the Statistics Committee, the volume of textile production in the period from 2010 to 2019 had an absolute growth trend. In 2019, the production volume increased by about 6.2 times compared to 2010 and by 2.3 times compared to 2015 (Gradišar et al., 1997; Margis et al., 2006). The growth rate of production volume was relatively slow between 2011-2013 and 2015-2016. The main reason for the slowdown is the decline in prices for textile products in the world market during this period. There was also an absolute growth trend in the volume of clothing production in the period from 2010 to 2019. In 2019, the production volume increased by 15.9 times

compared to 2010 and by 5.8 times compared to 2015. Between 2015 and 2016, this growth peaked. The volume of production of leather and related products had an absolute growth trend in the period from 2010 to 2018 (Malarvizhi & Devi,2018: Ariputra & Sudiana, 2019). In 2019, the production volume increased by 19.7 times compared to 2010 and by 2.1 times compared to 2015.

Table 3.2
Share in the manufacturing industry (in percentage)

Direction	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Manufacture of textile products	17,2	18,3	17,6	16,1	16,2	17,2	14,9	14,2	13,1	9,3
Manufacture of clothing	2,0	2,2	2,3	2,1	2,0	2,1	4,8	5,2	4,1	2,8
Manufacture of leather and related products	0,3	0,3	0,3	0,6	0,8	1,0	1,1	1,2	0,9	0,5

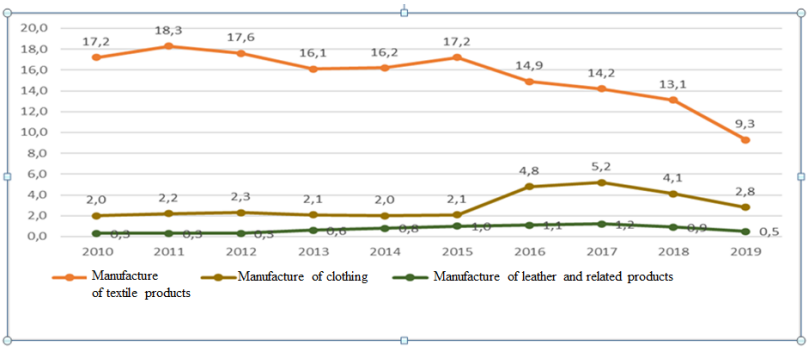

Figure 3.2 Share in the manufacturing industry (percent, %)

The share of textile production in the manufacturing industry had a declining trend. The sharp dynamic fluctuations occurred in the period 2018-2019, when the share of textile production in the manufacturing industry decreased by 1.4 times relative to each other (Morosini, 2004; Baños et al., 2014). The main reason for this is that the rate of economic growth in other areas of the manufacturing industry in recent years has been several times higher than the growth rate of textile production. The share of garment production in the manufacturing industry had an almost unchanging trend in 2010-2015, an absolute growth trend in 2015-2017, and an absolute decline trend in 2017-2019. During the period of a sharp increase in the volume of clothing production, its share in the manufacturing industry also increased accordingly, and during periods of slower growth than in other industries, its share decreased accordingly. The share of leather and related products in the manufacturing industry remained almost unchanged in 2010-2012, with an absolute upward trend in 2012-2017, and an absolute downward trend in 2017-2019 (Baldassarre et al., 2019; Shewan et al., 2014). The very small scale share of the production volume of leather and related products in the manufacturing industry means that it has sharply fluctuating statistics.

Table 3.2
Annual economic growth by type of activity (percent,%)

Direction	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Manufacture of textile products	144,0	102,3	109,6	113,2	104,1	115,8	108,8	102,1	113,3	105,3
Manufacture of clothing	137,4	120,6	101,5	83,8	125,5	116,8	110,9	114,9	104,9	108,7
Manufacture of leather and related products	104,0	151,5	101,1	162,4	119,8	121,4	117,3	123,0	102,1	78,0

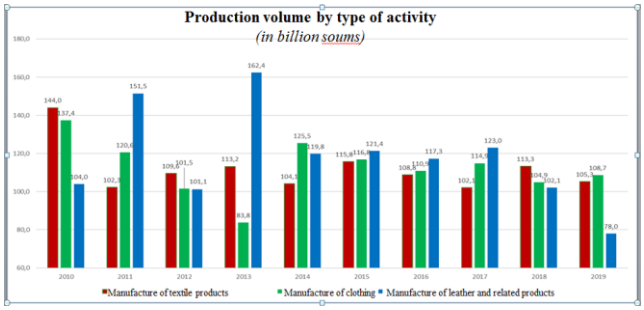

Figure 3.3 Production volume by type of activity (percent, %)

The fact that the economic growth indicators presented in the table do not have an absolute growth or decline trend means that the formation of value added in the sectors over the years is sharply different from each other (Bottomley et al., 2016; Gruber & Verboven, 2001). That is, while the volume of output produced increased, the absolute value of the trend was limited by the fact that the share of value added in the price of the product did not increase or decrease.

Conclusion

Measures are being taken to increase the volume of industrial production by creating a working group responsible for cooperation between the industry and the regions, solving the problems of enterprises and mobilizing additional resources. Of particular importance is the establishment of "industrial clusters". For example, Namangan has clusters that produce competitive products in the textile and related industries. But at the same time, the cluster needs to have science, innovation, design, finance, engineering and investment organizations to produce a competitive product. As a result of the pandemic, the income of 11,000 industrial enterprises has not been restored. Most of them are textile enterprises. Therefore, practical measures have been taken to revitalize enterprises that are not working at full capacity, to visit them and assist them in matters related to raw materials, working capital, product market.

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