

ENHANCING EXPORT STRATEGIES FOR LIGHT INDUSTRY ENTERPRISES

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Abstract

The article examines the export policy and management system in the Republic of Uzbekistan, focusing on the textile industry's current development and export activities. "Konteks Tashkent" LLC has proposed practical recommendations aimed at enhancing the Republic's export potential.

Keywords: potential export, implementation strategy, corporate strategy, balance payments, parity payments, exchange rate foreign.

Annotatsiya

Maqolada O'zbekiston Respublikasida eksport siyosati va boshqaruv tizimi, ayniqsa to'qimachilik sanoatining hozirgi rivojlanishi va eksport faoliyati tahlil qilingan. "Konteks Tashkent" MCHJ tomonidan Respublikaning eksport salohiyatini oshirishga qaratilgan faoliyati ko'rib chiqilgan.

Kalit so'zlar: eksport salohiyati, amalga oshirish strategiyasi, korporativ strategiya, to'lov balansi, paritet to'lovlar, valyuta kursi.

Аннотация

В статье рассматривается экспортная политика и система управления в Республике Узбекистан с акцентом на текущее развитие и экспортную деятельность текстильной отрасли. ООО «Konteks Tashkent» предложило практические рекомендации, направленные на повышение экспортного потенциала Республики.

Ключевые слова: экспортный потенциал, стратегия реализации, корпоративная стратегия, платежный баланс, паритетные платежи, валютный курс.

INTRODUCTION

Uzbekistan's textile industry boasts a rich history of cotton fiber processing, deeply rooted in its heritage. Historically, the Great Silk Road traversed the region, allowing Uzbek artisans to showcase their goods, particularly silk and satin fabrics, to a global audience.

Given the rising global demand for products made from natural fibers, Uzbekistan is well-positioned to establish itself as an exporter not only of raw cotton but also of finished textiles and light industrial goods.

The President of the Republic of Uzbekistan issued a decision on December 18, 2019, outlining a new approach for the creation and funding of state development programs, which included several crucial tasks aimed at enhancing exports.

The textile sector primarily focuses on consumer goods, significantly contributing to industrial production and saturating many domestic markets.

Additionally, the industry generates numerous jobs, predominantly for women, helping to maintain demographic balance in industrial regions. A key factor in this context is the growth of export potential, which correlates directly with the economic capacity of the republic and the living standards of its citizens.

Thus, the country's standing and potential within the global community hinge on its economic and social development levels. Enhancing the textile industry's export potential is a critical objective for Uzbekistan, making this topic particularly significant.

METHODOLOGY

The methodology underlying this research is grounded in normative documents created by the government regarding the development of export activities in the textile industry, as well as scientific studies conducted by both foreign and Uzbek scholars that address the management and advancement of export processes.

ANALYSIS AND RESULTS

The data utilized in this analysis comes from the "Uztoqimachilik sanoat" association and "Konteks Tashkent" LLC, supplemented by the author's calculations and analysis based on this information.

Uzbekistan's light industry has a long-standing tradition of processing cotton fibers. Historically, the Great Silk Road passed through the region, allowing goods crafted by Uzbek artisans, particularly silk and satin fabrics, to gain international recognition.

In light of the increasing global demand for products made from natural fibers, it is important to highlight Uzbekistan's significant potential to be recognized as an exporter of not only raw cotton but also finished textiles and light industrial goods.

The textile sector, which produces consumer goods, plays a crucial role in industrial production, leading to market saturation in many areas. Additionally, this industry creates numerous jobs, particularly for women, thereby helping to maintain demographic balance in industrial regions. A key factor in this context is the growth of export potential, which directly correlates with the overall economic capacity of the republic and the living standards of its population.

As of January 1, 2019, the "Uztoqimachilik sanoat" association comprises 1,512 industrial enterprises, including 369 textile companies and 1,143 in the knitting sector. Approximately one-third of all industrial employees work in the light industry, which accounts for 13.4% of total industrial output and 55% of consumer goods.

The light industry in Uzbekistan is rapidly advancing. In 1991, only 7% of the cotton fiber produced was processed, whereas now, 45% of the raw cotton is processed by light industrial enterprises. According to Resolution No. 2687 issued by the President on December 21, 2018, the processing rate for cotton fiber was expected to reach 76% in 2019. Key priorities have been set to achieve 100% processing of cotton raw materials, increase product exports by 2.5 times, and triple production volume.

At present, the annual processing capacity of cotton fiber enterprises exceeds 522,000 tons. The production capacity for yarn, including mixed and silk yarns,

amounts to 276 million square meters, while 101,000 tons of knitted fabric can be produced. Additionally, the annual capacity for sewing and knitting products stands at 270.5 million units, and the production capacity for garments and hosiery reaches 45 million pairs (table 1).

Table 1

Dynamics of product production volume in 2016-2019 in the enterprises of the "Uztoqmachilik sanoat" association¹

Product types	Unit of measure	2016 y.	2017 y.	2018 y.	2019 y.
Cotton thread	thousand tons	257,8	307,2	348,6	385,2
Ready yarn gauze	million m2	154,9	182,9	198,7	238,4
Silk thread	tons	1016,4	1077,7	1230,1	1291,5
Knitted fabric	tons	47700	53400	62800	69900
Knitted goods	million piece	166,3	184,7	219,4	274,3
Hosiery products	a thousand pairs	29200	38900	46100	49300
Sewing products at wholesale prices	million soum	28700	30800	37900	49300
Export	million dollar	865,1	1050,1	1170,0	1350,0

Between 2016 and 2019, the "Uztoqimaliksanoat" association experienced a notable increase in the volume of raw cotton processing. In 2016, 285,000 tons of raw cotton were processed; this figure decreased to 260,000 tons in 2017, but then rose significantly to 420,000 tons in 2018. By 2019, the processing volume reached 642,000 tons, marking a growth rate of 152.98% compared to 2018.

Examining the types of products produced by the "Uztoqimaliksanoat" association, the production of cotton yarn was recorded at 257,800 tons in 2016, increasing to 307,200 tons in 2017 and 348,600 tons in 2018. It is important to note that the spinning enterprises did not fully utilize their production capacity during this period, with utilization rates of 66.1%, 73.1%, and 75.8%, respectively. In 2019, cotton yarn production reached 385,200 tons, with a production capacity utilization rate of 81%. This represented a 110.5% increase in production volume compared to 2018, while the utilization rate for 2019 was 107% (table 2).

Table 2

Utilization of production capacity in textile industries dynamics, %²

Textile networks	2016 y.	2017 y.	2018 y.	2019 y.
1. Cotton fiber	50,7	76,1	77,3	80,0
2. Thread production	66,1	73,1	75,8	81,0
3. Production of raw syrup	64,5	75,6	78,0	80,0
4. Production of finished yarn gauze	64,2	77,5	80,1	83,0
5. Production of non-woven materials	63,7	74,3	77,8	80,0
6. Production of knitted fabric	64,6	73,5	78,0	89,0
7. Production of knitted goods	63,4	69,1	80,4	90,0

¹ Author's work

² Author's work

An analysis of yarn production in the weaving enterprises of the "Uztoqimaliksanoat" association reveals that 165 million linear meters were produced in 2016, increasing to 182.9 million in 2017 and 189.1 million in 2018. The growth rate for 2017 compared to 2016 was 110.8%, while the increase from 2017 to 2018 was 103.4%. In 2019, yarn production reached 238.4 million linear meters, reflecting a 125.9% increase from 2018. However, the weaving enterprises have not fully utilized their production capacities, indicating an opportunity for increased output through better utilization of existing resources.

Looking at the knitting enterprises, the production of knitted fabric was 49.4 thousand tons in 2017, rising to 53.4 thousand tons in 2018, which corresponds to a growth rate of 108%. For 2019, a production volume of 69.9 thousand tons is planned, with an anticipated growth rate of 131%. Currently, knitting enterprises are operating at 78% capacity, suggesting potential for further production increases.

Significant attention is also given to expanding the output of knitwear products. In 2017, 191.2 million units of knitting and sewing products were produced, which increased to 209.9 million in 2018, representing a growth rate of 110%. By 2019, production was expected to reach 274.3 million units, marking a growth rate of 131%. Presently, 89% of the capacity is utilized in these enterprises.

Hosiery production plays a vital role in meeting local demand for knitted goods. In 2017, 32.4 million pairs of hosiery were produced, increasing to 38.9 million pairs in 2018, a growth rate of 120%. By 2019, production rose to 57.6 million pairs, achieving a growth rate of 148%.

In response to evolving market conditions, the "Uztoqimaliksanoat" association aims to increase product output by an average of 18-20% annually. This growth is essential for saturating the domestic market with locally produced textiles, knitting, and sewing products, thereby meeting consumer demand for affordable and high-quality items. Expanding the range of cotton products enhances competition with imports in the local market.

The association is also focused on producing import-substituting goods and conducts thorough analyses of the import structures of its subsidiaries. In 2019, imports totaled USD 165.6 million, with USD 99.4 million allocated for equipment and spare parts, accounting for 60% of the total imports.

The global economic crisis has impacted production in numerous countries, prompting the association to formulate strategies to mitigate the negative effects of the financial downturn. These measures aim to maintain steady economic growth, ensure macroeconomic stability, and support the operations of branch enterprises. Efforts are being made to promote employment, with targeted initiatives for exporters, export activities, and small businesses. In 2019 alone, 12,536 new jobs were created, including 1,265 through household enterprises. Additionally, measures to reduce product costs by 6.3% have been implemented through efficient use of raw materials and energy, enhancing labor productivity, and minimizing non-production expenses. Consequently, a reduction in product costs by 17.1 billion soums was achieved in 2019.

Currently, the "Uztoqimaliksanoat" association is engaged in initiatives to boost

labor productivity, enhance product quality for the domestic market, increase export potential, and create additional job opportunities.

Textiles and light industry are highly labor-intensive sectors. By increasing production volumes and establishing new enterprises, the association aims to create numerous job opportunities, thereby improving living standards for the population. In 2019, over 12,500 new jobs are projected to be created through the modernization of existing facilities and the establishment of new production units, fulfilling local demand for high-quality textile and light industrial products while providing employment and enhancing living conditions for the community.

The implementation of state investment programs is crucial for the growth of the textile industry. In 2017, investments totaled USD 179.4 million, with USD 101.5 million coming from foreign direct investments. In 2018, foreign direct investments reached USD 117 million, and this amount remained the same in 2019.

Analyzing the investment utilization within the "Uztoqimachilik sanoat" association, the figures show that USD 173.8 million were utilized in 2017, rising to USD 183.8 million in 2018. In 2019, the amount increased further to USD 209 million. Foreign investments play a significant role in the overall investment volume dedicated to the development of the sector (table 3).

Table 3

Information on foreign investments made during 2008-2019 to support production in the enterprises of the "Uztoqamichilik sanoat" association¹

Years	Number of enterprises with foreign investment	The volume of foreign investment, mln. dollar
2008	25	110
2009	16	87,1
2010	17	102,4
2011	19	63,7
2016	24	32,8
2017	28	156,4
2016	29	182,03
2017	31	154,6
2018	33	180,3
2019	33	179,4

Sectors included in the structure of the textile industry differ from each other not only in terms of the products they produce, but also in terms of equipment and technology, raw materials, costs and other technical and economic indicators used in the enterprises of this sector.

CONCLUSION AND SUGGESTIONS

The textile sector plays a crucial role in producing consumer goods, significantly influencing industrial production and saturating various markets. According to Resolution No. 2687 issued by the President on December 21, 2018, cotton fiber processing was set to reach 76% in 2019. The resolution outlines priority strategies to

¹ Author's work

fully utilize 100% of the cotton raw materials grown in Uzbekistan, aiming to increase product exports by 2.5 times and production volumes by threefold.

Currently, the weaving enterprises within the "Uztoqimaliksanoat" association are not operating at full capacity. There are internal opportunities for these enterprises to enhance production by fully utilizing their existing capabilities.

In response to changing market conditions, the "Uztoqimaliksanoat" association is striving to increase product output by an average of 18-20% annually. This growth is resulting in a greater supply of domestically produced textiles, knitwear, and sewing products in the local market.

The association is actively working to boost labor productivity, enhance the quality of products available in the domestic market, increase export potential, and create additional job opportunities. Additionally, developing competitive products for the global market by diversifying the product range and adopting new technologies remains a key focus.

Uzbekistan exports textile products to over 50 countries and is a member of the International Textile Federation, having established cooperation agreements with textile associations in more than 30 countries. Since 1994, the export of light industrial products from Uzbekistan has increased 25 times, making up 70.2% of total manufactured products.

The geographical reach of the association's product exports continues to expand. In 2018, products were exported to 58 countries, including EU and CIS nations, as well as China, South Korea, Turkey, India, the UAE, and others. Specifically, exports to Turkey accounted for 8.3%, EU countries for 12.6%, South Korea for 14.1%, China for 5.4%, and CIS countries for 61.0%, with 3.6% going to other regions.

"Konteks Tashkent" LLC is a notable enterprise within Uzbekistan's textile industry. The company has implemented ISO 9001:2014 standards, with over 80% of its products being exported. In 2016, the enterprise experienced a 129.3% growth rate in product exports compared to 2015, but this figure declined to 70.8% in 2017 compared to the previous year, indicating a reduction in export potential.

We believe that the enterprise has opportunities to enhance its export capacity by developing new product types, conducting marketing research, and organizing weaving production.

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