

# MARKETING STRATEGIES FOR IMPROVING THE EXPORT POTENTIAL OF UZBEKISTAN (BY THE EXAMPLE OF TEXTILES)

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## ABSTRACT

This article discusses the state of light industry of the Republic of Uzbekistan, the process of development of the industry, as well as its role in ensuring economic growth. The prospects of further development of light industry in the Republic of Uzbekistan are analyzed, namely: increasing the export potential of the industry, equipping industry enterprises with modern equipment, using new technologies, further increasing the volume of finished products, including high-quality consumer products, increasing the depth of processing of cotton fiber, producing environmentally friendly pure textile product.

**KEYWORDS:** light industry, textile production, investment, state gift support, benefits, action strategy.

## INTRODUCTION

Uzbekistan remains one of the five largest producers and the second largest exporter of cotton. Nevertheless, more than 80% of the produced cotton fiber (about 800,000 tons) continues to be exported annually as a raw material. If we consider the prospects for the development of this sector based on the conditions that were discussed in Section I. (Figures 3a and 3b, demonstrating the possibilities of the supply chain of agricultural products), we can see the possibilities for increasing the volume of economic activity, added value and number of jobs in the case of the formation and effective management of value chains in the cotton sector and their integration into international networks, as well as their use as the foundation for Denmark and the integration of supply chains of other goods.

Light industry, especially one of its leading sectors, the textile industry, since the time of the industrial revolution has played an important role in the economic development of any industrial country and in expanding international trade relations for this study of various aspects of the economy of this industry, much attention is paid by scientists from different countries.

Particularly important in modern conditions are issues of industry competitiveness. For example, the factor approach to assessing the competitiveness of textile enterprises in the work of Gorina Ya.M. is interesting. [1], on the basis of cost analysis in the Republic of Kazakhstan, an analysis of possible directions for increasing the competitiveness of the textile industry was carried out [2]. Various aspects of industry competitiveness are affected to one degree or another in many works (see, for example, [4], [5], [6], [7], [8], [9]). Light industry is a strategic industry for the economy of Uzbekistan, providing a high level of employment and making a significant contribution to the socio-economic development of the country and increasing its international authority.

## REVIEW OF LITERATURE

The author has studied extensive literature on the problems of international marketing, international economic relations, economic integration, as well as on the development of the textile industry and export of Vietnam in the largest specialized libraries of Tashkent, Moscow and Hanoi. The works of Uzbek, Russian scientists and economists were used to write the thesis. Directly or indirectly devoted to this issue, such as Durmanov A.Sh., Gerchikova I.N., Kretova I.I., Liventseva N.N., Zavyalova P.S., Buglaya I. And others. Among the leading foreign and Vietnamese scientists, experts in the field of world economy and marketing, the works of Ansoff I, Aamben J., Doyle P, Porter M., Terpstra V., Saratie R., Bui Hack Vien, Dao Nguyen Kat were used, Nguyen Dang Zoan et al.

## **THEORETICAL AND METHODOLOGICAL BASIS OF THE STUDY**

As a theoretical and methodological basis of the research, the dialectic and comparative-historical method are used. When analyzing the state of the world textile market and the development features of the textile industry in Vietnam, its exports, modeling, forecasting and economic-statistical methods are actively used. In addition, various field research methods were widely used: personal observations and surveys of company leaders engaged in international marketing and in the textile industry of Uzbekistan.

## **RESULTS**

There are a number of studies that examined opportunities for increasing value added and developing the textile industry in Uzbekistan. In particular, this is a study conducted by IFC on the development of the textile sector in Europe and Central Asia in 2000-2018. And the UNDP analytical note "Textile Industry in Uzbekistan: Problems and Prospects" (No 5, 2018), prepared on the basis of a study conducted by the Center for Economic Research.

In addition, there are several examples of the formation of international value chains based on the processing of Uzbek cotton. So, the Samcintex Company is fully equipped with Swiss equipment and technologies for the production of cotton-cotton fabric. This company supplies white and color footballs to Europe, Canada and the USA, as well as gray cotton fabric to India, Bangladesh, Pakistan, Taiwan, Indonesia and Malaysia. Another division of this company, Silk Star, operates a raw silk factory in Samarkand. Another example is the activity of Olam International, one of the leading international trade companies. This company has created an effective cotton supply channel and an international network, making Tashkent its logistics base for quality control, management and coordination of supplies in Central Asia. This logistics base is integrated into the global network of Olam companies.

Uzbekistan is one of the most densely populated countries in Central Asia, as well as a major producer of cotton fiber in the post-Soviet space. It ranks sixth in the world in cotton production and third in its export, being also an active participant in the global textile market. More than 1 million 250 thousand tons of cotton fiber is produced annually in the republic, of which 60% is processed domestically, and in the medium term it is planned to increase the volume of domestic processing of cotton fiber and textile production to 70%. Over 8.2 thousand light industry enterprises operate in Uzbekistan, more than 500 of which are part of the Uzbekengilsanoat Joint Stock Company. According to the results for January – December 2016, Uzbekengilsanoat enterprises produced consumer goods worth 1,680.2 billion soums, the growth rate compared to the corresponding period of the previous year was 122.3%, and the volume of industrial production was 3,714.5 billion soums with a growth rate of 118.1%.

Provided privileges and preferences for local producers allowed for a short time to establish in the country the production of not only cotton yarn, harsh fabrics and knitted fabrics, but also finished knitted products, as well as semi-finished products for the clothing industry, which meet international standards and are worthy competitors of foreign analogues. Over the following years, the industry attracted foreign investment worth more than \$ 2 billion. Over 180 enterprises have been created with the participation of foreign investors from Germany, Switzerland, South Korea, Japan, Singapore, Turkey, the USA, India and other countries. More than 150 projects for the production of ready-made clothes (sportswear, clothing for adults, children's clothing, underwear and much more) have been implemented. Currently, the products with the trade mark «Made in Uzbekistan» are exported to over 50 countries<sup>2</sup>, in Vol. H. In the EU, the CIS and Latin America, as well as the Republic of Korea, China, Singapore, Iran, Israel, the US and others, in particular in the CIS, as well as in the EU, have dealerships, whose work allows you to navigate and actively work in the global market.

In order to increase the export potential of light industry, marketing support for manufacturers of textile and sewing and knitting industries, promoting domestic textile products to foreign markets by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan of 08.13.2007. No. 171 under the SJSC "Uzbekengilsanoat" created an Agency for the advertising and marketing of textile products. Today, there are more than 250 exporting enterprises in Uzbekistan, including 38 new ones. The company's enterprises are actively working to expand the range of finished products for export.

The share of goods with high added value in total exports is growing and now stands at more than 33%. Uzbekengilsanoat AK enterprises have created more than 40 trading houses and 50 dealer divisions of large exporting enterprises in the EU, CIS and Asia. In 2016, the share of industrial goods in the country's

GDP was 55.8%, and in 2015 - 53.8%. Analysis of the statistical data of the State Statistics Committee of the country allows us to draw the following conclusions. The structure of exports of the Republic of Uzbekistan is changing. So, according to the results of 2016, the share of non-primary goods in the total volume is about 70%, while at the beginning of the 90s of the last century this figure was less than 30%. At the same time, the share of cotton fiber in the country's exports is 25.5% (in 1990 this figure was 59.7%).

In the early 90s, 973.3 thousand spindles were involved in production and less than 10% of the cotton fiber harvested in the country was processed. Export of products did not exceed \$ 7.7 million.

The United States, and the region as a whole, was considered as a raw material base, where the output of finished goods was not developed [14]. Since 1995, over \$ 2.5 billion of foreign investment has been attracted to the industry. Initially, the right path allows you to get high results today: light industry has become one of the leaders in terms of exports of high value-added products. The industrial capacities of textile fiber processing enterprises increased from 7% of the total cotton production in 1991 to 45% in 2015. In 2016, the volume of cotton fiber processing in Uzbekistan reached 40% [15].

In recent years, export of textile products to Brazil, Chile, Croatia, Nigeria and other countries has been established. First export delivery companies within the industry have implemented in 1994. Then the volume of foreign supplies of textile, garment and knitwear products is only about \$ 7 million at the end of last year the figure has exceeded 1 billion, and the number of exporters. - mark to 260. Significant changes undergone and assortment of exported products. In 1994-1996 only harsh fabrics and cotton yarn were supplied to the foreign market, in 2003 terry towels and a knitted fabric were replenished, in 2010 - carpets and rugs, as well as sewing and knitting products. To date, this list has become even more voluminous: bamboo, modal and blended yarns, jacquard linen, fashionable outerwear models with original design solutions.

A powerful impetus to a new stage in the development of the industry was given by program documents adopted by the leadership of Uzbekistan over the years on the development of light industry. The implementation of these decisions, as well as the significant assistance provided by the government, made it possible to attract significant foreign investment in the implementation of projects to modernize and technologically upgrade the production base, and to acquire new equipment. At the same time, the main emphasis was placed on further steady and balanced growth in fiber processing with a gradual increase in the share of products with high added value and an increase in its competitiveness. The decree of the President of the Republic of Uzbekistan Shavkat Mirziyoyev "On the Program of Measures for the Further Development of the Textile and Sewing and Knitting Industry for 2017-2019" of December 21, 2016 opened up new opportunities for improving the industry.

According to the document, from January 1, 2017, the mandatory sale to authorized banks of part of the proceeds in foreign currency received from the export of the following types of products is canceled:

- finished cotton fabric;
- finished mixed fabrics;
- finished silk fabrics (except satin);
- finished garments, finished clothes (sewing, knitwear-products);
- hats (except for national hats);
- hosiery;
- textile haberdashery.

The program provides for the transition until 2020 to the full implementation of cotton fiber harvested in our country, an increase in industrial production by more than 2.7 times, and the supply of products to domestic and foreign markets. And this will make the products of domestic light industry competitive and confidently go with them to world trading floors. As part of the program, from 2017–2020. More than 2.2 billion dollars of investments will be attracted into the industry (almost half are foreign). Investment projects will create special textile complexes operating on the basis of a four-stage system that includes all processes - from primary processing of cotton fiber to the production of finished products, as well as create more than 27 thousand new jobs. It is also planned to organize 120 new and modernize more than 10 existing enterprises.

Manufacturers of the above products, as well as accessories and accessories, until January 1, 2020:

- are exempt from paying income tax and property tax, a single tax payment for microfirms and small enterprises, and paying mandatory contributions to the Republican Road Fund;

- are exempted from customs payments (except for customs clearance fees) for imported equipment and components;
- enjoy the right to defer payment of customs payments (except for customs clearance fees) for up to 60 days from the date of acceptance of the customs declaration when importing raw materials, supplies and accessories.

In addition, a specialized foreign trade organization, Uztekstilieksport LLC, was created in the structure of Uzbekengilsanoat AK, which will create trading houses abroad and promote products of the light industry of Uzbekistan at exhibitions, as well as assist textile workers in organizing the import of necessary components, equipment, raw materials and materials.

Another important step in the development of light industry in Uzbekistan was the creation of the Uzbekipaksanoat Association, which will radically improve the sericulture industry. The decision on its creation on March 29, 2017 was signed by the President of Uzbekistan Shavkat Mirziyoyev. Mulberry plantations existing in the country are not used efficiently enough, and in winter, the yield of mulberries is significantly reduced.

Due to the insufficient production of cocoon raw materials, the production capacities of silk-winding and silk-weaving enterprises are not fully utilized. Today, more than 80 million linear plantations and 51 thousand ha of mulberry plantations provide feeding of 450 thousand boxes of silkworm moths and the production of about 26 thousand tons of silkworm cocoons. To cover the deficit, 230-250 thousand boxes of silkworm grena are imported annually - up to 50% of the needs of the industry. Particular attention in the decree was paid to the production of grains and cocoons, their preparation and primary processing through the introduction of highly productive breeds and hybrids of the silkworm, modernization of existing and creation of new capacities for the production of raw silk, as well as the organization of deep processing of cocoons.

In 2017–2021 It is planned to implement a number of measures to develop the silk industry, to conduct a unified scientific, technical, technological, investment and export policy to provide comprehensive support and improve the regulatory framework.

A special working group has been created for this. The Decree provides for the provision, until January 1, 2023, of benefits for the payment of a single tax payment and a single social payment to organizations producing silkworm cocoons, as well as customs privileges for imported material and technical resources. The industry is also exempted from paying income tax for homeworkers engaged in growing live silkworm cocoons. The seniority of sericulture workers and homeworkers will include the period of seasonal work, counted over the year of work for the appointment of a pension.

The expansion of the feed base, the creation of complexes for growing cocoons in the immediate vicinity of mulberry plantations, the import of high-yielding (cold-resistant) mulberry seedlings, giving twice the yield, will increase cocoon harvesting by 35 thousand tons (35%), as well as ensure production products, including silk yarn and high value-added finished products. It is expected that by 2021 the total share of the processing of silkworm cocoons will be increased to 50% by creating new jobs and increasing foreign exchange earnings through export of products.

The work on attracting foreign designers to conduct master classes for domestic specialists and the joint development of modern clothing models with the subsequent organization of their industrial production at domestic enterprises deserves much attention. The growth in the volume of fabric makes it possible to satisfy the needs of the population in high-quality textile products. So, last year, the growth in industrial production by Uzbekengilsanoat enterprises amounted to 18.1% (3.7 trillion soums), consumer goods 22.3% (1.7 trillion soums), export of products - 32% (up to \$ 1.146 billion).

The indicators on the development of light industry in the country are calculated by the author by the method of regression analysis based on the statistical data of the State Statistics Committee of the Republic of Uzbekistan and are presented in the table. It is expected that in 2020 about bemsya light industrial goods (non-food items) increased by 23.1% in relation to 2017, amounting to 3 6847.5 billion soums. According to the forecast, the volume of processed cotton fiber will reach 1,632.3 thousand tons, and knitted goods - 1,390.6 million tons.

The introduction of new industrial technologies, the use of high-performance modern equipment in combination with effective management ensure high productivity at the enterprises of the industry, an increase

in production volumes and an increase in the quality of products. There is an annual increase in absolute indicators, and 61 types of new products have been added to the traditionally produced assortment.

In addition, systematic work was continued to implement measures aimed at reducing energy intensity and introducing energy-saving technologies. So, in 2015 P otreblenie electron roenergii on the output value of 1 billion soums fell 6%, consumption of natural gas - by 9.8%.

At the same time, the light industry of Uzbekistan poses no less promising tasks for this year as well. The priority areas of Uzbekengilsanoat this year will be: implementation of continuous technical and technological renewal of enterprises; faster development of infrastructure; further increase of export potential, attraction of foreign investments and creation of additional jobs. According to technical and economic forecasts, Uzbekengilsanoat AK plans to achieve a 2.5-fold increase in the production of cotton fabric, a 2.8-fold fabric, a 2.8-fold silk, a 2.7-fold silk, a 1.5-fold non-woven fabric, and a knitted fabric by 2020. 2.7 times. Production of finished web per year is planned to be brought up to 459.2 million square meters. m, which is 5.4 times more than was produced in 2013.

## CONCLUSION

During the years of independence, Uzbekistan began the reorganization of industry. Implementation of a targeted systemic state economic policy aimed at diversifying and modernizing the economy, increasing the competitiveness of domestic industry, supporting the development of its leading industries, including by deepening the processing of local raw materials and increasing the export potential of domestic industry, and supporting the development of its leading industries, including through deeper processing local raw materials and increasing export potential.

**Forecast of light production growth industry of the Republic of Uzbekistan**

| Year | Light industry (non- food goods) billion soums | clap kovoe fiber (thousand tons) | Mind boy the pattern pieces naya fabric (thousand tons) | Clap Chato pattern pieces naya yarn million m <sup>2</sup> | Trico platemaking canvas million pieces |
|------|------------------------------------------------|----------------------------------|---------------------------------------------------------|------------------------------------------------------------|-----------------------------------------|
| 2017 | 29 938.6                                       | 1,326.3                          | 370.6                                                   | 212.4                                                      | 1,097.3                                 |
| 2018 | 32,241.5                                       | 1,428.3                          | 399.1                                                   | 228.8                                                      | 1,181.7                                 |
| 2019 | 34 544.5                                       | 1,530.3                          | 427.7                                                   | 245.1                                                      | 1,266.2                                 |
| 2020 | 36,847.5                                       | 1,632.3                          | 456.2                                                   | 261.4                                                      | 1,350.6                                 |

Source: Author's calculations based on the data of the State Statistics Committee of the Republic of Uzbekistan.

In our opinion, for the further development of light industry in the country, it is necessary to carry out the following activities without changing the mechanism for attracting foreign investment:

- take into account the influence of external factors when making a forecast for the development of the industry;
- increase the export potential of the textile industry by increasing labor productivity;
- increase the competitiveness of industry products by introducing the latest technologies;
- create new capacities in the country for the production of finished types of textile products for foreign and domestic markets.

In addition, it is necessary to develop the production of cheap materials based on artificial, synthetic (viscose, acetate, polyester, polyester, polyamide, polyacrinitrile) threads and fabrics.

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