



Journal Website:
<https://theusajournals.com/index.php/ajast>

Copyright: Original content from this work may be used under the terms of the creative commons attributes 4.0 licence.

EXPERIENCE OF UZBEKISTAN IN ORGANIZING THE ACTIVITIES OF COTTON-TEXTILE CLUSTERS

Submission Date: Sep 20, 2024, **Accepted Date:** Sep 25, 2024,

Published Date: Sep 30, 2024

Crossref doi: <https://doi.org/10.37547/ajast/Volume04Issue09-06>

Sodikov Avazbek Madaminovich

Head of the Department of "State and Corporate Strategies" at the National University of Uzbekistan named after Mirzo Ulugbek, Doctor of Economics, Professor, Uzbekistan

ABSTRACT

The article is devoted to the experience of Uzbekistan in organizing the activities of regional cotton-textile clusters. It analyzes the capabilities of regional clusters in the economic development of industries and regions. The goals of clustering the cotton-textile industry in Uzbekistan and the measures being implemented to achieve these goals are described.

KEYWORDS

Regional cluster, integration, synergistic efficiency, cotton-textile clusters, contract farming, value chain.

INTRODUCTION

Since 2017, clusters have been established in various sectors of the economy in Uzbekistan as a means of “expanding intersectoral cooperation, modernizing and diversifying the economy and increasing the production and export potential of underdeveloped regions”[1]. In this regard, “regional agro-industrial clusters are considered a key factor in achieving goals such as the efficient use of land and water resources, the development of agricultural and industrial cooperation, and ensuring the balanced development

of regions”[2]. From 2022 to 2026, through the development of cotton-textile clusters, Uzbekistan plans to “double the volume of sectoral production”[2], including “increasing the processing rate of cotton fiber and yarn to 100% and quadrupling export volumes”[3]. Based on the information provided above, it can be concluded that the rapid development of the cotton-textile sector through clusters in the regions, and the improvement of

mechanisms for organizing production using the cluster method, are of critical importance.

A regional cluster is a group of interrelated enterprises located in a specific area that are part of the main technological chain of value creation. These enterprises achieve synergistic benefits from collaborative activities and ensure regional development through the efficient use of resources. Clusters are considered a key factor in driving economic growth in regions, primarily due to their ability to organize the effective utilization of local resources[4]. As a result of developing and implementing an effective policy for regional economic growth based on the cluster approach, economic growth points are formed at the regional level[5].

Clusters create an efficient value-added chain in economic sectors by making rational use of a region's natural and economic potential. They increase the income of economic agents by producing high value-added products[6]. Clusters act as unique "growth points," becoming the driving force behind regional economic development and stimulating the growth of related and interconnected industries. Through innovation diffusion, clusters also accelerate innovative processes in the region, which in turn fosters economic growth[7].

According to the operating principle of clusters, all available resources in the region must be fully processed. Cluster theory envisions creating a production structure where one sector's product can be utilized by another sector[8]. The joint use of regional resources through a unified technology, alongside the establishment of long-term, stable relationships between raw material suppliers, processors, and service providers, increases resource efficiency and drives the development of sectors and the regional economy. Vertical integration in clusters

reduces product costs stabilizes production and sales processes and creates competitive advantages in production, raw material supply, sales, and pricing, while also improving the adaptability of enterprises to market changes[9].

These characteristic and advantages have led many countries to choose clusters as a key tool for developing their economies at national, regional and sectoral levels. In Uzbekistan in the new phase of economic reforms, clusters are being established as a means of developing industries, sectors, and regions, and producing high value-added finished products. Reforms in clustering have been especially dynamic in the agro-industrial complex, with rapidly growing regional cotton-textile clusters being particularly noteworthy.

In our country, out of the 437 clusters established to date, 133 are regional cotton-textile clusters. The development of the sector based on the cluster model is linked to the positive multiplier effects of regional cotton-textile clusters. These clusters become economic growth drivers in the regions, increasing the gross regional product, positively influencing employment, and contributing to the development of social and production infrastructure. They also provide the population with affordable and high-quality products while enhancing the natural and economic potential of the region. Based on this, cluster projects aimed at efficiently utilizing raw material and labor potential, and promoting the socio-economic development of regions, are being implemented in the country, taking into account the unique natural and economic characteristics and specializations of each region.

The cotton-textile cluster model created in Uzbekistan has no equivalent in other cotton-producing countries. While Western Europe and Asian countries with

advanced light industries have successful textile clusters, there has not been an integration of cotton producers, processors, product distributors, suppliers, and service providers into a single group as seen in Uzbekistan. Globally, “contract farming” relationships have been established to strengthen the ties between cotton producers, processors, and exporters. In developing countries, this model is used to integrate small farmers into modern production and supply chains. Under cluster contracts, technical and financial assistance is provided to farms with the future purchase of their products guaranteed. However, issues arise when farmers, seeking quicker or higher profits, breach contracts and sell to other traders. As a result, processors, who are insufficiently protected by legal systems, lose interest in providing advances and technical support to farmers. This leads to financial shortages for the farmers.

Cotton-textile clusters in Uzbekistan cultivate raw cotton by directly leasing agricultural land, while farms voluntarily affiliate with a cluster. Legal protection of the parties' interests ensures that textile enterprises recover their investments made in financially and technically supporting the farms. Farmers receiving financial support from textile companies gain the ability to increase production volume and improve product quality. Although farmers in clusters may not receive a higher price for raw materials compared to contract farming, the efficiently organized value-added chain brings greater economic benefits.

Clusters are established at the initiative of textile companies, a practice not implemented in other countries. Regional cotton-textile clusters can be formed either as a single legal entity or without creating one. Organizing and managing cotton-textile production through a cluster approach involves inter-enterprise cooperation, where agreements are made

on principles such as supply, production, sales, and collaboration. This enables the active participation of both large investors and private enterprises of various sizes in the clustering process. In both cases, clusters maintain active cooperation with infrastructure facilities and state administrative bodies. Cotton-textile clusters cultivate raw materials based on direct leasing of agricultural land, contracting with farms, or using both methods simultaneously. There is a particular focus on creating a full technological chain for processing raw materials and producing high value-added products. As the value-added chain extends and develops, the efficiency of production and resource utilization increases.

The organization and management of cotton-textile clusters, as well as their relationships with other economic entities, are regulated by relevant legal documents. According to the Regulation on the Procedure for Organizing the Activities of Cotton-Textile Clusters, a 10-step system has been developed for establishing these clusters in various regions[10]. A four-party agreement is signed between the Ministry of Agriculture, the Uzbekistan Cotton-Textile Cluster Association, regional authorities, and applicants for a duration of 30 years (25 years for foreign applicants). Clusters are permitted to work with farmers under contract in their areas, and they are prioritized when leasing land plots.

The model developed in Uzbekistan for advancing the cotton-textile sector aims to establish textile enterprises not in major cities, as is common in developed Asian countries, but around smaller towns and rural districts. This approach helps mitigate the disadvantages associated with high concentrations of enterprises and addresses the socio-economic challenges faced by these regions.

CONCLUSION

In conclusion, the goal of establishing cotton-textile clusters in Uzbekistan is to create an optimal production structure that facilitates effective collaboration between producers, research and educational institutions. This will enhance the diffusion of innovations and improve the efficiency of utilizing the natural and economic potential of the regions. Uzbekistan has created a unique model for cotton-textile clusters, with no analogs in other cotton-producing countries worldwide.

REFERENCES

1. Decree of the President of the Republic of Uzbekistan No. PF-4947 dated July 7, 2017: "On the Strategy of Actions for Further Development of the Republic of Uzbekistan." Available at: lex.uz.
2. Decree of the President of the Republic of Uzbekistan No. PF-60 dated January 28, 2022: "On the Development Strategy of New Uzbekistan for 2022-2026." Available at: lex.uz.
3. Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 215 dated April 27, 2022: "On Additional Measures for the Comprehensive Socio-Economic Development of the Bukhara Region and Improving the Quality of Life of the Population for 2022-2026." Available at: lex.uz.
4. Porter, M. E. (1993). International Competition. Moscow: International Relations.
5. Pogona, A. V. (2012). "Economic Development of the Region Considering the Cluster Approach in the Context of Urban Economy." Bulletin of PGU. Series: Economics, 4. Available at: [Cyberleninka](http://Cyberleninka.ru).
6. Maximova, T. P. (2015). "Agro-Industrial Clusters in the Economy of the Russian Federation: Theory and Practice." In Education and Science: Current State and Prospects for Development. Collection of Scientific Papers. Tambov: LLC "Consulting Company Yukom."
7. Koziyeva, F. A. (2015). "Regional Development in the Context of the Growth Poles Theory." Fundamental Research, 11 (Part 3), 574-578.
8. Mamayev, R. A. (2011). Methods and Methodology for Effective Use of the Resource Potential of the Industrial Region. Dissertation for the degree of Doctor of Economic Sciences, St. Petersburg.
9. Masyuk, N. N., Bushueva, M. A., & Zheng, F. (2021). "Innovative Clusters: Global Trends and the Chinese Experience." Fundamental Research, 11, 135-139. Available at: Fundamental Research.
10. Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 733 dated December 4, 2021: "On the Approval of the Regulation on the Procedure for Organizing the Activities of Cotton-Textile Clusters." Available at: lex.uz.