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Modern Trends in the Development of Textile Clusters in Uzbekistan

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ABSTRACT

The article describes the importance of clusters to eliminate state planning and ordering in cotton production and to maximize economic benefits along the entire cotton value chain. Clusters are organized to benefit both producers and processors. On the one hand, producers can benefit from guaranteed access to the market, advisory services, and modern technologies. On the other hand, textile workers get access to raw cotton in agreed quantity and quality.

Keywords: clusters, investments, cotton and textile industry, cotton processing, farms.

Introduction: In recent years, our Republic has paid much attention to the implementation of a cluster system, which has proven its effectiveness in international practice and is of great importance for the development of the economy and ensuring its stability, as well as for the application of market relations and experience in practice. This not only contributes to the development of the economy, but also increases the country's export potential and ensures the production of competitive, high-quality products.

In the Republic of Uzbekistan, the cluster system was introduced in 2017. Based on the Decree of the President of the Republic of Uzbekistan No. DP-2978 dated May 19, 2017 "On measures to create a modern cotton-textile cluster in the Bukhara region", VST cluster LLC was established in the Bukhara region. According to the Presidential Decree No. DP-3279 dated September 15, 2017 "On measures to create a modern cotton-textile cluster in the Syrdarya region", Bek cluster LLC was established in the Syrdarya region as an experimental cotton-textile cluster. After the cluster system showed good results, various clusters were created throughout the country. Currently, cotton-textile, grain and fruit and vegetable clusters are operating in the republic.

In recent years, as in all other areas, large-scale plans have been outlined in agriculture. Ensuring development in this area serves to satisfy the immediate needs of the population for food products, provide industrial enterprises with raw materials and maintain their stable operation. Therefore, over the next five years, the subjects of the agricultural sector face the following main tasks: to increase crop yields at least 2 times, deepen the processing of raw materials, bring the sector's exports to 7 billion dollars, increase employment and incomes of the population.

Main part.

To be responsible investors, cluster organizers need to work harder on the following:

- Fulfilment of investment and responsible cotton production commitments: Clusters must fulfil their investment and compliance commitments related to sustainable cotton production, processing and value chain development. Many clusters have large investment plans, and some may be exaggerated. It is important for the Government to monitor the implementation of investment plans and, if necessary, make adjustments to the size of clusters. Some clusters may be too large and should be split up. This would also be good for increasing local competition. Overall, meeting investment commitments and responsible cotton production is an important task for the Government to increase confidence in clusters.
- Focus on Core Business: Cotton-textile clusters should prioritize investments in their core business of cotton production and processing. They were created to benefit both cotton producers and cotton processors. However, many clusters, often spurred by proposals from various ministries and agencies, have grandiose plans to invest in everything from cotton processing and textile manufacturing to grain storage facilities, greenhouses, vegetable oil production, and livestock farms. Such extensive investment plans distract clusters from their core cotton-textile business, increasing the risk of failure and contributing to their long-term dependence on government funds to finance cotton production and purchase.
- Providing efficient services to farmers: Farmers expect technical and financial support in exchange for their work in cotton production, which generates income for many actors in the value chain. Many clusters already employ local and foreign agronomists to help farmers adopt new technologies and farming practices. Other clusters should do the same. Importantly, this support should not be seen as a directive from above: the final decision on which inputs and technologies to adopt should rest with farmers. Particular attention should be paid to improving seed quality: clusters should be involved in the production, procurement, processing, storage and marketing of cotton seeds.
- Paying a fair price for raw cotton: Without government procurement prices and in the absence of a free market pricing mechanism for raw cotton, farmers and textile mills will have to negotiate their own prices for raw cotton. Expected prices based on production costs and international prices to be published quarterly, as specified in Presidential Decree No. PP4633, will inform these negotiations. Actual farm gate prices for raw cotton may be lower or higher than the export parity price, depending on the package of services provided by the clusters. If services are not provided, there is no reason why the actual price should be lower than the export parity price. If services are provided, the price may be lower, but cluster organizers must explain and negotiate with farmers to find a solution acceptable to both parties. Setting the price of raw cotton is one of the biggest risks for the cluster model, as without financial incentives, farmers will not be motivated to increase raw cotton production and improve its quality, which is an urgent task.

Conclusions.

The success or failure of clusters will also depend on the design and implementation of government support programs, including the following:

- Ensuring that hokims stop interfering with farmers' and clusters' production and marketing decisions: Presidential Decree No. DP-4633 prohibits hokims from interfering with the production of raw cotton, the selection of varieties and other inputs, and the use of credit by farmers and clusters. Time will tell how this new rule will be implemented. But without strict implementation, the cluster model will be discredited.
- Preventing cases of illegal seizure of land plots: In order to guarantee favorable conditions for producers, including preventing cases of illegal seizure of land plots, it would be advisable to transfer the khokim's decisions on termination of the lease agreement for land plots for cotton

production to special working groups consisting of the Chamber of Commerce and Industry, the Council of Farmers, Dehkan Farms and Owners of Household Lands and other relevant agencies for legal review.

- Refraining from import substitution policies on inputs: Tariff and non-tariff barriers increase the cost of fertilizers, agrochemicals, defoliants, and machinery. For example, in January 2020, import duties on agricultural machinery increased from 0 to 20%. In addition, state support is provided only for the purchase of locally produced fertilizers (preferential loans) and machinery (30% price reimbursement). A number of enterprises report frequent informal orders to local banks not to finance the purchase of imported fertilizers and agrochemicals. These import substitution measures increase farmers' costs without improving the quality of local inputs. They may also hinder the privatization of local input suppliers. Many farmers do not buy local cotton pickers, despite their low price compared to imported ones, as they often damage the quality of cotton during harvesting. If farmers and clusters continue to pay high import duties on inputs and are forced to buy locally, it will be very difficult to achieve significant changes in the adoption of modern technologies, especially mechanization. As mentioned above, only 5% of raw cotton in 2019 was mechanically harvested.
- Implementation of a comprehensive program to promote cotton mechanization: Subsidizing the purchase of locally produced cotton harvesting machines alone will not significantly increase mechanized cotton harvesting; additional government capacity-building and investment programs are needed: a) farmers should be trained to cooperate in weed control and the synchronous use of modern technologies to prepare cotton fields for harvesting with defoliants and stimulants; b) assistance is also needed in creating on-farm roads to enable large machinery to move between farm fields. Without such additional programs, the growth of mechanization will be very slow.
- Improving the quality of other public services: The Ministry of Agriculture and other government agencies should increase funding for and improve the quality of cotton variety selection, registration, seed production, seed multiplication and quality assurance, and work with high-quality seed production clusters. In addition, the Ministry of Agriculture should work more with clusters and Uztekstilprom to improve the quality and coverage of: a) information and advisory services; b) improving soil fertility and water management; c) collecting and disseminating market and statistical information, including forecasts of cotton production, trade, consumption and prices.

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