Development of Light Industry in Uzbekistan

ANALITICAL REVIEW OF THE MOST DEVELOPED AND MULTI-SECTORAL INDUSTRY OF UZBEKISTAN.
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1. Introduction.

Light industry is a strategic sector of the economy of Uzbekistan and its development, the expansion of markets and improving the competitiveness of products plays an important role in the economy. Uzbekistan currently offers a diverse and large textile and leather industry network. It accounts for above 25% of industrial production and more than 13% of the country's production capital. Uzbekistan has a rich raw material foundation (cotton, wool, karakul, silk) for the improvement and expansion among all light industry sectors, as well as suitable climatic, geographical, and human resources for quick economic development. Currently, all efforts focusing on the development of light industry sector to help companies become more economically efficient and produce competitive products.


Active channeling of foreign investment has helped the light industry grow rapidly. In the 1990s, Uzbekistan lacked the advanced technologies and equipment needed to process and manufacture high-quality textiles at international standards. For the accelerated development of the sector, Uzbekistan needed foreign investors who are willing to invest. The policy has justified itself. There has been a recent increase in foreign investment in the establishment of new factories in Uzbekistan. According to the recent studies by the end of the 2020s, over 410 textile industry and more than 1330 garment industry enterprises have been established respectively and number of employees in the textile industry raised up to 350 000. However, over 75 cotton-textile clusters also started their operation. Today “O’zto’qimachiliksanot” and “O’zcharmsanoat” associations are operating to demonstrate growth in economy and help the enterprises to grow.


Today Uzbekistan is one of the most dynamically developing, independent country in Central Asia. From 2000s, attention is paid to the creation and development of industrial sectors to produce export-oriented products. Several Decrees were issued to ensure that structural reform, modernization and diversification of production, and the ongoing development of the industry to serve as locomotives for stable economic growth. In 2019, the President of Uzbekistan Sh.Mirziyoyev assigned a decree on “On measures to further develop the light industry and stimulate the production of finished products”. This decree assigns the duty of achieving international recognition for national brands in the textile and garment industries, as well as implementing focused plans for the country's fashion
industry's future development. However, President Sh.Mirziyoyev signed a new decree on January 2022 to support the textile and knitting industries. According to the decree, Uzbekistan is taking steps to boost the production and export of finished clothes and textile items.

4. Investment Potential.

New facilities have been created and existing ones have been upgraded. International researchers have noted that the light industry is not only one of the most important sectors of the real economy in Uzbekistan, but it has also become an attraction for foreign investors, as measured by the number of joint ventures. Uzbekistan now ranks among the continent’s leaders in attracting known brands. Nowadays, it is common for world fashion houses to produce their products in Uzbek fabrics. According to the State Statistics Committee of the Republic of Uzbekistan, investments worth more than 32.4 trillion were attracted in the textile and sewing and knitting industries in 2017-2020. For 2020 – 12.3 trillion sum with an increase in investments compared to 2016 by almost 2.5 times. Over 20 years, quite 2.5 billion USD of foreign investments from South Korea, China, Russia, India, the UK, and Germany were drawn to the textile industry, as a part of the implementation of 180 investment projects. In textile industry, Uzbekistan has shown a competitive advantage of its low cost skilled labor (100-200 USD/months) and low electricity cost at 0.04 dollar/kwh. Another reason is enterprises are exempted from import payments for non-produced in Uzbekistan raw materials. In addition, if we look at the figures in leather industry, amount of investments

5. Export Potential.

The textile, garment and sewing and knitting industry is ultimate export-oriented among other industries. In agreements of the share of exports in the capacity of modern production – every sign characterizing the competitiveness of manufactured device, it is considerably ahead of other industries, while providing an important growth in this index between 2016-2020 from 25.7% to 45.5%. In 2019, Uzbekistan ranks 7th in the world largest producer of raw cotton (more than 3.5 million tons of raw cotton and, accordingly, about 1.2 million tons of cotton fiber). In 2020, among other types of finished products, exports of hosiery (by 142.8%) and knitted clothing (by 142.2%) grew most noticeably in value terms. Uzbekistan exports textile and clothing products to many countries of the world, and the geography of exports is expanding annually. For example, in 2016 products were exported to 60 countries, then in 2020 - to 71. However, the main consumers of Uzbek textile products more than 70 countries such as Russia, which accounts for 36.5%, China (21.6%), Kyrgyzstan (15.2%) and Turkey (11.4%). At the same time, 95% of exports of finished sewing and knitwear fall on the CIS countries. The export volume of leather products in 2020 amounted 401 million US dollars, increase of about 2 times compared to 2019 respectively. However, thousands of companies operate across the country and finished goods labeled “Made in Uzbekistan” and exported to more than 50 countries
around the world. Uzbekistan also offers some variety options of transport corridors to export the products. For instance, Ports of the Baltic States (through Kazakhstan and Russia), Transcaucasian corridor, Uzbekistan-Turkmenistan-Iran-Oman, Chinese ports, See routes and Highways. Government covers some of the costs of taking international certificates and 50% (subsidy) of transport costs to exporters.

6. Privileges and Preferences.

In accordance with the Tax Code of the Republic of Uzbekistan, enterprises that attract foreign direct private investment, specializing in production products in areas of the economy according to the certified list, are exempt from earnings tax on permissible entities. Moreover, property tax, tax on improvement and development of social infrastructure, sole tax fee, and necessary offerings to the Republican road fund and tax benefits such as;

- from 300 thousand USD to 3 million USD inclusive – for a period of 3 years
- over 3 million USD up to 10 million USD inclusive – for a period of 5 years
- over 10 million USD – for a period of 7 years
From February 2022 to January 2025, textile and knitwear exporting enterprises (earning at least 80% of revenue from foreign supplies) will receive tax benefits such as:

- the social tax rate is 1%
- deferred repayment of property tax arrears — up to 3 years, with subsequent payment in parts.

7. Conclusion and recommendations.

There are several developments should be made in this area to bring light industry sectors to higher levels, which can be addressed through the following tasks:

- Develop the textile industry, to create new capacities for the production of ready fabrics, including the production of modern types of products that are in demand in the domestic and world markets.

- Create high-end design products in the garment industry that meet international standards and are in demand in the domestic and foreign markets.

In conclusion, it is principle to note that one of the leading areas of the economy opens up economic and social opportunities for the textile, garment and clothing industry, in the way that developing export potential and high-quality products and presenting high fashion products.