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Support the activities of cotton-textile clusters, carry out a radical reform of the textile, clothing and knitting industry, further increase the export potential of the industry

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Abstract: The article explores and discusses simple methods of supporting the activities of cotton-textile clusters, radical reform of the textile and clothing-knitting industry, and the phased implementation of further increasing the export potential of the industry. Practical recommendations have been developed..

Keywords: Textile and garment-knitting industry, investments, export, complex, cotton fiber, yarn, competition, world markets, foreign manufacturers, textile products, level of use, gauze, knitted fabric and finished garment-knitted products, construction projects, agency.



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Introduction

In recent years, as a result of the implementation of comprehensive measures to develop the textile, clothing and knitting industry in our country, as a result of the implementation of comprehensive measures to support investment and export activities of industry enterprises, 45 percent of the cotton fiber and yarn produced in the republic is processed, as well as the annual export potential of the industry exceeded \$3.2 billion.

At the same time, increasing competition in world markets and reducing costs through the production of mixed products by foreign manufacturers require additional measures to develop this sector.

In the next five years, increase the production volume of finished products with high added value, textile products by 2.1 times and the volume of exports by 2.6 times due to deep processing of cotton fiber, as well as in order to bring the production of carpets and home textiles to a new level, supporting the activities of cotton-textile clusters, radical reform of the textile and clothing-knitting industry, further increasing the export potential of the industry, Decree DP No. 2 was issued by the Decree of the President of the Republic of Uzbekistan dated January 10, 2023.

According to the decree, the Ministry of Investment, Industry and Trade, through large-scale state support for the textile and clothing and knitting industry of the Association "Textile Industry of Uzbekistan", in order to increase the export potential of the industry to 5 billion US dollars, information is assigned for information on increasing the load of clothing and knitting production from 65 % to 81%, filling 35 thousand vacancies, including ensuring employment of the population included in social registers.

Main part.

The document states that in order to mobilize existing capabilities and new reserves in the textile, clothing and knitting industry:

a) Fund for Reconstruction and Development:

To provide working capital in the amount of US\$100 million in 2023 and US\$150 million in 2023 to the Export Support Fund under the Export Promotion Agency to provide working capital to enterprises exporting knitwear, fabrics and finished garments and knitted products, including on the basis of a revolving loan. 2024 will be allocated at an annual rate of 4 percent, with repayment terms starting from August 2024 until January 1, 2026;

In commercial banks, according to their order, in the amount of 50 million US dollars, for a period of 10 years, with a 3-year grace period at an annual rate of 4 percent and for the remaining period at an annual rate of 5 percent according to the following criteria - credit lines are open to projects for fabric production, carpet making, dyeing and finishing, finished garments and knitted products:

Acceptance of obligations to ensure exports in the amount of 50 percent of the total volume of products;

Determining the participation of own funds, including buildings and structures, in working capital of at least 30 percent;

The fact that there are no overdue debts on loan obligations.

Here:

If the enterprise fails to fulfill its export obligation, interest rates calculated during the credit period are recalculated at an annual rate of 5%;

The annual interest rate on loans issued by commercial banks at the expense of the Fund for Reconstruction and Development includes a bank margin of no more than 2%;

Based on the results of disbursement of the allocated funds, based on the conclusion of the Government Commission on Foreign Trade, Investment, Development of Local Industry and Technical Regulation, the Recovery and Development Fund will allocate an additional amount of 100 million US dollars in 2024;

b) Commercial banks provide working capital to textile and clothing-knitting enterprises through revolving lending in the amount of 1 trillion soums for a period of 24 months, including a grace period of 6 months, using a bank margin of no more than 2%;

c) The requirement to make a monthly advance payment for electricity consumption for textile and sewing and knitting enterprises will be canceled;

d) The Export Promotion Agency will cover 50 percent of the costs of introducing financial reporting of textile and clothing and knitting enterprises according to international standards, but not more than 25 thousand dollars. In this case, these expenses will be covered by the enterprise after attracting credit funds from international financial institutions and foreign commercial banks in the prescribed manner;

e) To finance exports and export-related trade operations from the Export Support Fund, financial resources will be allocated in the following amounts for a period of up to 3 years based on the volume of exports sold over the last 12 months:

With an export volume of up to 5 million dollars – up to 1 million dollars;

With an export volume of 5 to 10 million dollars - up to 2 million dollars;

With an export volume of 10 to 15 million dollars - up to 3 million dollars;

With an export volume of 15 to 20 million dollars - up to 4 million dollars;

With an export volume of more than 20 million dollars – up to 5 million dollars;

f) The costs of renting large commercial warehouses for the sale of textile, clothing and knitwear products on foreign markets will be covered by the Export Promotion Agency.

The Government Commission on Foreign Trade, Investment, Development of Local Industry and Technical Regulation has been instructed to approve the procedure for covering the costs of renting large commercial warehouses for a month.

Order to the Ministry of Economy and Finance:

Based on the order of the Export Promotion Agency, it was decided to provide additional funds in the amount of 100 billion soums from the republican budget to cover the costs of the fourth and fifth points provided for in subparagraphs “d” and “e” of paragraph 2 and paragraph 5 of this Decree and to take into account these expenses when forming budget parameters for the coming years;

Within a month, together with the Ministry of Agriculture, it was instructed to submit proposals to the Cabinet of Ministers on the non-application of penalties for late payment of value added tax accrued for the 2022 harvest.

In the document, the Ministry of Investment, Industry and Trade, together with commercial banks, will take measures to attract funds from foreign financial organizations in the amount of 500 million US dollars for a period of 2 years until April 1, 2023 in order to provide working capital to industrial enterprises.

According to the resolution of the Ministry of Investment, Industry and Trade, the Association “Textile Industry of Uzbekistan”:

Phased attraction of alternative sources of financing and funds from foreign financial organizations in the amount of 700 million US dollars based on the supply of cotton fiber by cotton-textile clusters;

Organization of representative offices of at least three large foreign companies providing international certificates for the products of local enterprises within six months;

Reimbursement of expenses associated with the participation of representatives of famous brands in exhibitions and fairs held annually in the republic from the Export Support Fund;

He was instructed to approve the proposals of the Textile Industry of Uzbekistan association to create a trading house (representative office) in European countries at the expense of the Export Support Fund as an experiment for a period of two months.

The document allows textile and clothing-knitting enterprises to transfer funds up to 100 thousand US dollars per year without a separate decision on creating a trading house and storing it abroad.

According to the resolution, by the end of the year, in accordance with the annex, small industrial zones for the textile industry will be created in the Andijan, Namangan and Kashkadarya regions and an industrial technology park for deep processing of textile and leather industry products in the Tashkent region.

Governments of Andijan, Namangan, Kashkadarya and Tashkent regions, Ministry of Energy, "Territorial Electric Networks" JSC, "Gas Supply Zone" JSC, "Water Supply of Uzbekistan" JSC, intended to ensure the construction of electricity supply networks, natural gas, sewerage, centralized water treatment facilities and other facilities infrastructure in small industrial zones provided for in the annex to this Decree.

The Cabinet of Ministers was instructed to make a government decision within a month on the creation of an industrial technology park in the Tashkent region, specializing in the deep processing of textile and leather industry products.

The Chamber of Commerce and Industry, the Ministry of Investment, Industry and Trade and the khokim of the Tashkent region have been tasked with the effective creation of an industrial technology park.

Until October 1, 2026, a list of certain goods exempted from customs duties when imported into the territory of the Republic of Uzbekistan by textile and sewing and knitting enterprises has been approved.

In the document, the Agency for Management of State Assets, together with the project office for the liquidation of "Cotton Industry of Uzbekistan" JSC and the "Textile Industry of Uzbekistan" Association, will within a month create small industrial zones on the basis of vacant cotton terminals, specializing in textiles on the balance sheet of "Cotton Industry of Uzbekistan" JSC, as well as warehouses for imported raw materials, it was instructed to submit a draft Government resolution to the Cabinet of Ministers.

The resolution instructed the Ministry of Poverty Alleviation and Employment to approve the proposal of the "Textile Industry of Uzbekistan" association to employ them at enterprises in the industry, subject to the inclusion of benefits provided to the population in social payments and registers are kept for 3 months.

In the document, the Ministry of Higher Education, Science and Innovation, the Ministry of Investment, Industry and Trade, the Chamber of Commerce and Industry and the Association "Textile Industry of Uzbekistan":

Until April 1, 2023, pilot projects have been assigned to train specialists in the dual education system and introduce foreign (Germany, Turkey) educational programs in the field of in-demand professional professions (tailor, cutter, spinner, mechanic) in the Republic of Karakalpakstan, Khorezm and Namangan regions;

By August 1, 2023, it was instructed to submit to the Cabinet of Ministers a corresponding draft decision regarding the creation of an institute of modern innovative technologies in the Andijan region in cooperation with the prestigious textile institute of Turkey and the introduction of foreign educational programs;

Starting from the 2023/2024 academic year, the Tashkent Institute of Textile and Light Industry, in collaboration with higher educational institutions in Turkey, Germany and other countries, has been tasked with developing and implementing joint educational programs for training specialists (engineers, technologists, designers, marketers) in demand in the textile industry.

In a resolution by the Ministry of Economy together with the Ministry of Investment, Industry and Trade, within two months:

Providing tax and customs benefits and preferences aimed at further supporting the textile, clothing and knitting industry, as well as raising funds for the implementation of investment projects;

Starting from the 2023 harvest, it is planned to make, based on accurate calculations, additional proposals for the introduction of an acceptable and transparent mechanism for paying value added tax on raw cotton for farms and cotton-textile clusters.

The document makes changes and additions to some documents of the President of the Republic of Uzbekistan and the Government of the Republic of Uzbekistan according to the appendix.

The decree instructed the Ministry of Investment, Industry and Trade, together with the Ministry of Agriculture, the Ministry of Economy and Finance, as well as interested ministries and departments, to submit proposals to the Cabinet of Ministers for amendments and additions to legislative documents within two months.

The Minister of Investment, Industry and Trade has been appointed responsible and is personally responsible for the effective implementation of this Decree.

The Prime Minister of the Republic of Uzbekistan was instructed to discuss the progress of implementation of the decree, coordinate and control the activities of the departments responsible for implementation

References

- [1] Decree of the President of the Republic of Uzbekistan DP-4453 dated September 16, 2019 “On measures to promote the further development of light industry and the production of finished products.”
- [2] Decree of the President of the Republic of Uzbekistan dated May 5, 2020 No. DP-5989 “On urgent measures to support the textile, clothing and knitting industry.”
- [3] Resolution of the President of the Republic of Uzbekistan RP-2 dated November 10, 2021 “On measures to improve the system of financing the production of raw cotton and the costs of its procurement.”
- [4] Decree of the President of the Republic of Uzbekistan dated January 21, 2022 No. DP-53 “On measures to promote deep processing and production of finished products with high added value and their export at textile and sewing and knitting enterprises.”
- [5] Decree of the President of the Republic of Uzbekistan dated September 30, 2022 No. DP-228 “On measures to further expand the export potential of business entities.”
- [6] Decree of the President of the Republic of Uzbekistan dated December 21, 2022 No. DP-268 “On additional measures to support the export activities of business entities.”
- [7] Decree of the President of the Republic of Uzbekistan dated February 12, 2019 DP-4186 “On measures to further deepen the reform of the textile, clothing and knitting industry and expand its export potential.” www.lex.uz/docs/4199421
- [8] Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated March 18, 2019 No. 230 “On measures for the further development of cotton and textile production.” www.lex.uz/docs/4245403
- [9] Resolution of the President of the Republic of Uzbekistan RP-4611 dated February 24, 2020 “On additional measures for the transition to international financial reporting standards.” <https://lex.uz/ru/docs/4746047>