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**SECTION 31. Economic research, finance,  
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## STATUS AND CONCEPT OF DEVELOPMENT OF COTTON PROCESS INDUSTRY

**Abstract:** This article substantiates the concept of development of the cotton ginning industry of the Republic of Uzbekistan, reveals the specifics of the reforms carried out in this sector. The legal foundations of measures for the accelerated development of the textile and clothing and knitted industries are presented, "in order to introduce modern forms of organization of cotton and textile production, efficient use of production capacities of cotton ginning enterprises and cotton-growing stations located on the territory of cotton-textile production. The author offered recommendations on ensuring the normal operation of the cotton ginning industry of the Republic, maintaining their high technical level and implementing the export potential in full.

**Key words:** cluster, textile industry, cotton products, cotton-textile production, export of products, cotton-ginning enterprises.

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### Introduction

Acceleration of the management of economic reforms, further direction for the liberalization of market-based management mechanisms, are primarily related to ensuring the further development of cotton growing.

In the world sector, there are 86 countries producing raw cotton and out of them only 8 countries produce more than 1 million tons of raw cotton.

In recent years, the world cotton market has seen a drop in sales prices. The main reasons for this are overproduction in the largest countries producing cotton fiber, a decrease in the volume of cotton fiber consumption and an increase in the share of residues to consumption in the world.

In general, the share of cotton fiber in the total production in the world in India is 25.9%, in China 24.5%, in the USA-13.5%, in Pakistan -8.0%, in Brazil-5.7% and in Uzbekistan-3.6%.

### The relevance of research

In the first row of national processing industries, there was always a cotton ginning industry. The development of cotton growing in Uzbekistan goes back to ancient times and the population has historically adapted to growing and

processing cotton. The production of the cotton ginning industry forms the basis of many traditional branches in the light and food industries. The derivatives of cotton growing are cotton fiber, cottonseed, lint, uluk and cotton down. All these products are in demand both in the world and in the domestic market. Moreover, despite the sufficient degree of stabilization of the world level of cotton fiber consumption, its production does not strongly fluctuate price levels, i.e. production and processing of cotton is practically beneficial at all temporal and spatial levels.

The author in a study of the problems of industrial restructuring in general and its ginning industry, in particular, widely relied on the works of domestic and foreign scientists, such as: Galiullin H.Ya. [5], Sagan OI, Ermakov GP [6-7], Pyatinkin SF, Bykova TP [8], Fleischer K. [9], Davaasuren B., Oyuntsetsag L. [10], RA Isaev., S.Kasimov [11], N. Mahmudov [12-13], Muratov TM [14] and others.

The textile industry of Uzbekistan is not only one of the fastest growing segments of the economy, but also a leader in attracting foreign investments and exporting products. Analysis of the activity of textile enterprises showed that practically all enterprises of the industry are equipped with modern energy-efficient equipment. Therefore, much attention is



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paid to the development of this one of the leading branches of the republic. The most important direction of our internal reserves and opportunities should be a step-by-step increase in the depth of processing of domestic raw materials, as well as expansion of the volumes and range of products with high added value.

In other words, the time itself requires switching to successive 3-4-stage cycles of processing raw materials into products in demand on the world market according to the scheme: basic raw materials - primary processing (semi-finished products) - finished materials for industrial production - finished products for final consumption.

At the same time, there is a need in the development and implementation of programs to trace the full cycle of deep processing for each type of primary raw materials - from semi-finished products to final finished products.

In short, it is necessary to ensure the forecasting of the entire cycle of production organization - from raw materials to finished products with justification of expediency and cost recovery.

In-depth processing of cotton fiber by modern technologies will allow to increase by 2030 the volume of production of environmentally friendly finished textile and light industry products in demand on the external and domestic market 5.6 times.

### **Legal bases of the organization of activity of cotton-textile manufactures and clusters in Uzbekistan**

Modernization and diversification of the textile and apparel and knitting industries are the most important condition for expanding the volumes and assortment of competitive finished products that are in demand on foreign markets, increasing the efficiency and profitability of production and processing of raw cotton.

With this in mind, the country is consistently implementing practical measures aimed at ensuring the further development of this industry. In particular, the Decree of the President of the Republic of Uzbekistan No. PP-2687 of December 21, 2016 approved the Program of Measures for the Further Development of the Textile and Sewing and Knitting Industries for 2017-2019.

For today in the republic the textile branch with the big industrial potential is formed, in which about 7 thousand enterprises function. Cotton fiber production capacity of 1.4 million tons was created, of which about 60 percent is used to meet the needs of domestic textile enterprises.

At the same time, the presence of systemic problems, primarily related to the production of finished textile products, management of the industry, the distribution of resources and production capacities, and low skill levels, leads to low

profitability of raw cotton production and processing, inadequate production and export of finished goods products.

The Decree "On Measures for the Accelerated Development of the Textile and Sewing and Knitting Industries", adopted by the President of the Republic of Uzbekistan, determined a set of priority measures to address existing problems, as well as expansion of production of high-quality textile products and its promotion to foreign markets.

This document defines such important areas for further reform of the textile industry as:

- increasing the share of the textile industry in the economy, increasing the volume and quality of the textile products produced in the country;

- Cardinal revision of the textile industry management system;

- further improvement of the system of standardization and certification in the field of the textile industry;

- wide introduction of advanced information and communication technologies into the industry;

- Implementation of a cluster model for the development of the textile industry;

- Ensuring the balance of the distribution of raw materials and the deployment of newly created enterprises in the industry in conjunction with the development of logistics and engineering infrastructure;

- wide introduction in the production process of advanced innovative technologies, know-how, design developments, localization of production of modern samples of fittings and accessories;

- cardinal improvement of the system of training, retraining and advanced training of personnel for the textile industry. [4]

It should be noted that this Decree is the most important step in the practical implementation of the Concept of Administrative Reform in the Republic of Uzbekistan, approved by Presidential Decree No. UP-5185 of September 8, 2017, which provides for further reduction of administrative influence, expansion of market mechanisms for managing sectors of the economy.

In particular, the Decree approved the Roadmap for the Accelerated Development of the Textile and Sewing and Knitting Industries in the Republic of Uzbekistan, which contains more than 20 measures to improve the system of management and training of personnel, modernization of production, technological process and development of textile industry infrastructure, enhancement of foreign economic activity, implementation of international standards in the textile industry.

In order to develop a healthy competitive environment and introduce market mechanisms in the organization of production of raw cotton, the decree provides for an experiment in which it is

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planned to introduce for the first time a system for ordering raw cotton directly from farms and other agricultural producers by domestic textile enterprises.

To date, domestic textile enterprises have been forced to purchase cotton fiber from a monopoly supplier - Uzpahtasanoatexport HC - at export prices. This procedure reduced the profitability of production and the competitiveness of textile products.

In accordance with the experiment initiated by the President of the Republic of Uzbekistan, the textile industry enterprises will finance the main costs of farms for growing raw cotton by advancing at least 60 percent of the value of the contract. At the same time raw cotton, supplied to enterprises, will be used exclusively for further deep processing and production of finished competitive products.

In addition, in his Decree, the Head of State supported the proposal of the textile industry enterprises, the shareholders' meeting of JSC "Uzbekengilsanoat" and a number of departments on the establishment of the Association "Uztekstilprom". At the same time JSC "Uzbekengilsanoat", combining state regulatory and economic functions, is liquidated.

The Uztekstilprom Association is assigned a wide range of tasks to ensure sustainable development of the textile industry of the republic.

The adoption of this decision is due to the fact that the industry management system does not meet the current trends in the development of the textile industry, is unable to support manufacturers. For example, JSC "Uzbekengilsanoat" includes 436 enterprises, which is only 6 percent of their total number. The activities of this society basically comes down to collecting statistics, holding various meetings, organizing exhibitions. Its organizational form also does not correspond to the legal status of the joint-stock company. [3]

As the experience of foreign countries shows, one of the most effective forms of development of the textile industry is the creation of clusters. This model implies the organization of a single production cycle, which includes the cultivation of raw cotton, primary processing, further processing at cotton ginning enterprises and the production of final textile products with high added value.

Proceeding from this, the special Working Commission was instructed to develop a draft Concept of Development for the medium-term perspective of cotton-textile clusters, taking into account the results of the organization of similar clusters in the Bukhara and Navoi regions.

Along with this Decree, measures are envisaged to support enterprises of the textile industry, including the provision of privileges for payment of customs payments.

It should be emphasized that the inefficiency of

laboratories for testing products, the lack of international accreditation for most of them, is hampered by the domestic producers of textile products entering foreign markets and increasing their export potential. To solve this problem, it is planned to develop a set of measures to improve the system of standardization and certification in the textile industry, including the implementation of international standards.

In general, the implementation of the Decree of the Head of State will ensure the accelerated development of the textile industry, including through:

- improving the management system of the industry, the phased introduction of market mechanisms in the production processes, pricing and sale of cotton;
- gradual reduction in the volume of cotton exports and ensuring the growth of its deep processing in the domestic market;
- stimulation of production of raw materials, materials not produced in the country, including by localizing certain types of products;
- wide introduction of technological, marketing innovations;
- construction of textile complexes using public-private partnership mechanisms;
- increase the number of local laboratories that have international accreditation, harmonize national standards of the textile industry with international ones.

### Main part

The modern cotton-cleaning industry of the Republic of Uzbekistan is one of the largest branches of the economy. A significant scientific and production potential has been created in the industry, and certain successes have been achieved in its development. Accelerated development of the cotton complex remains a priority direction of the policy of our state.

The cotton ginning industry plays a leading role in the cotton complex of Uzbekistan. Given the importance of this complex in the socio-economic development of our country, it is classified as the basic branches of the economy.

During the years of economic reforms, the activity of the cotton ginning industry of the Republic of Uzbekistan was aimed at developing the spheres of the economy identified as the main priorities of the country's economic strategy, providing for:

- sustainable provision of the economy with the relevant resources of the industry, creation of a reliable raw material base of the cotton complex;
- achieving full cotton independence, which guarantees the development of the country's economy.

The process of reform in the cotton-ginning

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industry was based on observing the following important aspects of economic development:

- creation of stable macroeconomic framework;
- the fastest pace of structural reforms in the industry, which will help create markets;
- organization of institutions necessary for the functioning of the market system.

The success of implementing market reforms in the agricultural sector is mainly due to the dynamic pace of development of processing capacities both at the expense of the republic's domestic resources and through foreign investment.

Today in Uzbekistan the problem of attracting foreign investments into the economy of the regions and the creation of joint ventures with a large share of foreign capital is topical and urgent. Therefore, attraction of foreign investments on a large scale pursues strategic goals and is one of the most important directions of the state policy pursued.

President of the Republic of Uzbekistan Sh.Mirziyoyev said: "The National Bank for Foreign Economic Affairs will implement the system when its territorial units, along with the fulfillment of the main tasks, will additionally provide a set of measures to involve both own funds and external sources of financing in their investment activities. ... "[1]

Liberalization of economic relations, wide attraction of foreign investments, as well as the creation of favorable socio-economic and other conditions, intensive development of market infrastructure have a positive impact on the attractiveness of the cotton ginning industry for investors.

It should be noted that the sale of cotton fiber to enterprises with foreign investments located on the territory of the Republic is carried out for freely convertible currency through foreign trade companies in volumes in accordance with their applications, without restrictions.

In the cotton ginning industry, the greatest return on investment can be obtained if: improving the adoption and implementation of investment programs and optimizing spending; effective control over the expenditure of trust funds and extensive use of sources; attract foreign investment by improving the incentive system in the final production sector.

At the same time, from our point of view, further deepening of economic reforms implies the development and implementation of a new strategy for attracting foreign investment, based on an integrated, program-targeted approach, consisting in the creation and implementation of targeted or integrated investment programs covering the whole set of enterprises in various industries, located in the same territory.

A study of the merits and demerits of existing forms of attracting foreign investment shows that investment loans are the most important source for

investment activity.

In addition, in a market economy, it is advisable to apply a venture financing model based on the joint participation of both domestic and foreign investors. This will attract foreign investors to the market, use the scientific and production reserves of the economy of the industry, bring domestic cotton products to higher world markets.

The most important factor in improving the investment process is an effective mechanism for its management. It is designed to combine a number of functions: analysis, forecasting and development of strategic directions of investment policy; Monitoring of investment projects that affect the development of the investment process. It should be noted that the measures taken by the state in recent years towards creating optimal conditions for functioning "

production and attraction of investments, have raised the tax regulation to a new level and have increased the interest of both domestic entrepreneurs and foreign investors. At the same time, proceeding from the peculiarities of the state of the cotton ginning industry, the system of state development banks can be used as the main mechanism for ensuring the rise of its activity.

This can be achieved by solving the following tasks:

- the formation of a methodological base that is acceptable and understandable for foreign investors;
- creation of an effective system of investment lending;
- providing more opportunities for convertibility of currency and its export;
- Creation of a really effective system of benefits for foreign investors in certain industries and regions.

Therefore, the promising requirements for the cotton ginning industry consist in: an increase in the demand for cotton products in the national economy and abroad; in maintaining the leading role of the industry in the economy of the republic; in increasing the growth rate of output of cotton products and improving its links with agricultural production, and others.

The development of such provisions requires the study of all the factors associated with this problem and the determination of the starting positions: the optimal

duration of processing of wet cotton according to the criteria for maintaining its quality before being put into processing; values of these specific volumes by regions; the most important technical and economic indicators for the future in terms of raw materials; distribution of the annual fund of working hours for operational and calendar periods.

It is also of interest to determine the duration of the annual cycle of cotton processing. Of course, the change in the long-term development in this direction can be carried out on the condition of the economic

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validity of its effectiveness, in comparison with the existing system of organization of production. Due to the fact that the cotton-ginning industry enterprises function in two spheres - production and circulation, in the same unity it is necessary to consider the economic indicators of production activity, somewhat deviating from the traditional methodological foundations. To this end, it is necessary to develop special sectoral methodological provisions for modern conditions, identifying the main ways to improve industrial production in a market economy. [15]

Therefore, in order to radically improve the management of the cotton industry, expand the production of high-quality, competitive finished products with high added value, and further promote it to large foreign markets, the Government adopted the Resolution of the President of the Republic of Uzbekistan No. IIII-3408 of 28.11.2017 "On Measures on the cardinal improvement of the management system of the cotton industry "and the same resolution, the main activities of JSC" Uzpahtasanoat "were The following tasks are divided:

ensuring the implementation of a unified policy in the field of the organization and implementation of a complex of works on the acceptance, storage, transportation and processing of raw cotton, the preparation of cotton sowing seeds, the creation of modern production facilities for the production of high-quality cotton products that meet the requirements of international standards;

organization of accounting and control over the reliability of data on the quantity, quality and grade of raw cotton taken from agricultural producers, the yields of cotton fiber and cottonseed, the quantity and quality of cotton fiber produced and marketed by cotton ginning enterprises through the wide introduction of modern information and communication technologies;

making timely and full mutual settlements for purchased raw cotton and cotton products shipped to consumers in accordance with concluded contracts (contracts);

the implementation of a unified technical policy and assistance to cotton ginning enterprises, cotton terminals in the implementation of modernization, the introduction of modern

high-performance equipment and advanced production technologies, wide attraction of investments into the industry, first of all, direct foreign ones;

assistance to cotton ginning enterprises in their

activities in the cotton-textile clusters system as processors of tolling raw materials;

development of scientific and technical and experimental research, introduction of innovative ideas, developments and technologies into the cotton industry;

the organization on a system basis of retraining and advanced training of cadres of enterprises of the cotton industry, including with the involvement of foreign educational institutions, as well as the implementation of close cooperation with the leading organizations of foreign countries in the field of development of the cotton industry. [2]

## Conclusions

In this regard, in terms of work on the further development of production, technical re-equipment of all enterprises of the cotton-ginning industry, modernization and reconstruction of industries that do not meet modern requirements is envisaged. In addition, for the effective development of the cotton-ginning industry, improving technology and organizing production is of no small importance.

Thus, in order to ensure the normal operation of the cotton ginning industry enterprises of the Republic, maintain their high technical level and realize the export potential in full, the following issues need to be resolved in the future:

- Creation of optimal operating conditions for the enterprises of the industry in order to ensure the accelerated processing of raw cotton and the development of competitive products;

- technological re-equipment of the enterprises of the industry with the introduction of new machinery and improved technological processes for the primary processing of cotton;

- development of the social and economic sphere and strengthening of the economy of corporatized enterprises.

To finance the program of technical re-equipment of the industry, it is necessary to use concessional loans from banks, as well as create conditions for long-term loans and provide for the increase in cost items in the calculation of wholesale prices for cotton fiber.

The implementation of the main directions of the prospective development of the cotton-ginning industry will allow solving large-scale production and economic tasks and ensuring its successful functioning in a market economy.

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