

STRATEGIES FOR SMALL BUSINESSES IN THE UZBEKISTAN TEXTILE INDUSTRY TO ENTER THE GLOBAL MARKET

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Abstract

The textile industry is one of the important sectors in the economy of Uzbekistan, playing an important role in the sustainable growth of the country's export potential. In recent years, state programs and strategies to support the entry of small businesses into international markets have been consistently implemented. This article analyzes the mechanisms for small businesses to enter global competition in the textile sector of Uzbekistan, the dynamics of export indicators, and existing problems. During the study, based on statistical data, the factors of economic growth, the impact of innovative management on export activities are highlighted, and scientific recommendations are given on effective strategic directions.

Keywords: Textile industry, small business, export potential, world market, innovative strategies, international integration, economy of Uzbekistan, export policy, sustainable development.

Introduction

In recent years, the textile industry has emerged as one of the strategic sectors in the diversification process of Uzbekistan's economy. Between 2020 and 2024, the sector's share in the gross domestic product increased from 3.5% to 5.1%, while export volume rose correspondingly from 1.9 billion to 3.1 billion USD [1]. This growth is closely linked to the modernization of production capacities, the introduction of digital technologies, the strengthening of the value chain from raw materials to finished products, and the emergence of local brands. Moreover, the active participation of small and medium-sized

enterprises (SMEs) in export activities has further strengthened the industry's growth dynamics.

Changes observed in the global textile market between 2020 and 2024 — such as the restructuring of global supply chains, the tightening of environmental standards, the slowdown of the “fast fashion” model, and the shift of consumers toward sustainable fashion — have opened a new window of opportunity for Uzbekistan [2]. In this context, local manufacturers have gained greater access to European, Asian, and Middle Eastern markets, as well as new opportunities to establish their own brands in the segment of eco-friendly and socially responsible products.

Small businesses are at the center of these transformations. Their flexibility in production, relatively low labor costs, utilization of digital marketing, and adaptive design capabilities have turned them into growth drivers of textile exports. However, they still face challenges such as limited access to financing, complex international certification procedures, and underdeveloped branding and marketing infrastructure. Under these conditions, expanding the role of small businesses in textile exports, integrating them into global supply chains, and accelerating innovative transformation have become priority directions of Uzbekistan's state policy. This process contributes to sustainable economic growth by enhancing economic inclusion, creating new jobs, and strengthening the competitiveness of national brands in international markets.

LITERATURE REVIEW

G. Gereffi [3] analyzes the renewal of manufacturing sectors and mechanisms of creative growth through the Global Value Chain (GVC) approach in the apparel industry. The author, referencing the late-1990s context, compares the success paths of China and other Asian countries and shows how lead firms and buyer-driven governance models elevate small suppliers into “package” and “brand” roles. The conclusions emphasize the necessity for SMEs to gain entry into GVCs and to implement certification and quality management.

C. Chen [4] presents an empirical case study of four textile SMEs in Taiwan, demonstrating how Industry 4.0 technologies (IoT, digitization) can create value. The case-study results reveal three roles that SMEs may play in GVCs (OEM, brand-manufacturer, intermediate trader) and show that digital solutions can increase production efficiency, win international orders, and diversify

customer service. The study recommends moderate technological investments and policies encouraging network collaboration.

M. Nugroho [5], using Indonesia as an example, analyzes mechanisms for integrating apparel SMEs into GVCs and expanding exports. Based on data from recent years (e.g., 2015–2020), the author shows that SMEs can enhance competitiveness through backward and forward integration, while compliance with certification, environmental requirements, and buyer specifications is a critical factor. Policy recommendations include strengthening clusters, export associations, and technical assistance programs.

R. Atif et al. [6] use firm-level panel analysis to investigate determinants of export activity among Pakistani textile firms. Results indicate that productivity, firm size, experience (age), and sunk costs are important for export entry; product diversification and a greater number of export destinations increase export volumes. For SME policy, the study recommends export-oriented training, market access measures, and improvements in energy reliability.

S. Kang [7] provides strong empirical evidence on how SMEs achieve upgrading within GVCs through strategic networks. The author emphasizes that long-term collaborations with lead firms, and learning of technological and managerial skills, lead SMEs to upgrade in product, process, and marketing dimensions. The research prioritizes network integration and development of managerial capabilities in export strategy.

R. Kaplinsky [8] discusses the theoretical foundations of value-chain analysis and how it can either exacerbate or reduce inequality under globalization. The author explores the relationship between value distribution, chain position, and technological upgrading with illustrative examples. The work suggests that small producers can capture higher added value through product differentiation, adherence to quality standards, and brand-building. For policy, the need for education, infrastructure, and stronger standards is highlighted.

J. Humphrey and H. Schmitz [9] examine insertion into global value chains and the upgrading processes carried out through regional clusters, using empirical examples. The authors demonstrate how buyer-driven and producer-driven governance types affect small firms' adoption of new technologies, market entry strategies, and capability development. Their conclusions show that long-term partnerships, technical assistance, network linkages, and export diversification stimulate product and process upgrading among small firms.

S. Ponte and P. Gibbon [10] analyze the role of quality standards, certification, and international conventions in GVC governance and how these processes create barriers or opportunities for small suppliers. The authors provide empirical evidence that environmental, labor, and ethical standards may raise entry barriers to international markets, but certified firms can access higher-value segments. Recommendations include standardization, technical assistance, and support for certification.

C. Pietrobelli and R. Rabellotti [11] give a detailed analysis of upgrading mechanisms for SMEs in global value chains and the role of regional clusters. The authors show that knowledge exchange, collaboration with lead firms, and innovative capabilities enable SMEs to upgrade by product, process, and marketing. The study recommends accelerating this process through local institutions, financial support, and training, and argues that policy should focus on promoting exports and strengthening cluster programs.

RESEARCH METHODOLOGY

In conducting this research, widely used scientific methods from economic analysis and empirical research methodology were applied. Data related to the export activities of small business entities in Uzbekistan's textile industry for the period 2020–2024 were analyzed. The study employed observation, grouping, comparison, analysis, and synthesis methods to draw conclusions based on the available data. Furthermore, through generalization and analogy methods, a comparative analysis with international experiences was carried out, and scientific-practical recommendations were developed to enhance the export potential of small enterprises.

ANALYSIS AND RESULTS

Between 2020 and 2024, Uzbekistan's textile industry became one of the most stable and promising sectors of the country's export growth. During this period, the industry not only significantly increased its export volume but also played an important role in the diversification of the national economy through the modernization of production technologies and the expansion of the share of eco-friendly products (Table 1).

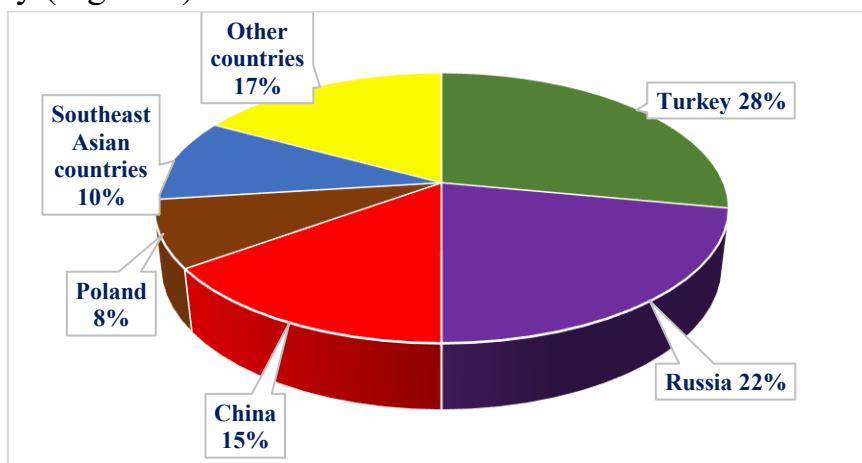
Table 1 Economic Indicators of Uzbekistan's Textile Industry [12]¹

Year	Export volume (billion USD) \$	Share in GDP (%)	Annual growth rate (%)
2020	1,9	3,5	—
2021	2,3	3,8	21,0
2022	2,6	4,2	13,0
2023	2,9	4,7	11,5
2024	3,1	5,1	6,9

As seen from Table 1, over the past five years, Uzbekistan's textile industry has followed a stable growth trajectory. In 2020, the export volume amounted to USD 1.9 billion, and by 2024 this figure had reached USD 3.1 billion — an increase of approximately 63 percent. At the same time, the sector's share in the country's gross domestic product rose from 3.5 percent to 5.1 percent, indicating its growing importance in the national economy.

In 2021, a post-pandemic recovery phase was observed, with a growth rate of 21 percent. In the following years, growth slowed somewhat but remained steady, which can be explained by the expansion of production capacities, improvements in domestic logistics, and the development of export infrastructure. During 2023–2024, the annual growth rate ranged between 6 and 11 percent, which can be assessed as an economic outcome of effective modernization processes.

During this period, the share of high value-added products in exports increased, particularly the proportion of finished garments within total textile exports grew significantly (Figure 1).



1- Figure. Export partners of Uzbekistan's textile industry.

¹ Author's elaboration based on data from the National Statistical Committee of the Republic of Uzbekistan

This figure illustrates the structure of Uzbekistan's main export partners in the textile industry for 2024, with Turkey leading the list at 28 percent. This figure reflects the close economic relations between the two countries, industrial cooperation, the compatibility of production technologies, and the wide range of transit-logistics opportunities. The Russian Federation ranks second with a 22 percent share, maintaining a stable demand, particularly for knitwear and ready-made garments. China accounts for 15 percent, primarily based on the export of raw and semi-finished products; however, price competition in this segment remains high. Poland and Southeast Asian countries (8 and 10 percent, respectively) are becoming important alternative markets in Europe and Asia. The remaining 17 percent attributed to other countries indicates a diversified export geography. Overall, while the main focus of exports remained on Turkey and Russia during 2020–2024, the strategic orientation toward new markets has ensured steady growth.

In Uzbekistan's industrial sector—particularly in the textile industry—small business entities serve as the main drivers of growth, and their share has increased significantly in recent years. Between 2020 and 2024, small enterprises accounted for approximately 45–50 percent of total exports. This demonstrates the growing role of the small business sector as a competitive supplier of products in global markets. The main factors behind this growth include government export promotion mechanisms, the expansion of the cluster system, and the modernization of production technologies.

The export potential of small businesses largely depends on their level of innovation and their compliance with international certification systems. Since 2020, projects focused on producing eco-friendly and internationally certified products have been introduced. As a result, the value-added content of export goods has increased, and access to European and Asian markets has expanded. Digital transformation processes have also enhanced the marketing and logistics efficiency of small enterprises. Electronic systems such as the “E-commerce Export Platform” have simplified access to export markets and reduced transaction costs. However, significant challenges remain, including limited access to financial resources, insufficient international marketing experience, and underdeveloped logistics infrastructure. Therefore, to ensure sustainable growth of small businesses in the global market, it is essential to strengthen their innovation capacity and expand export insurance and consulting services.

Although export growth in the textile industry has remained steady and new projects and opportunities have been introduced, small businesses still face difficulties fully adapting to international market requirements. Limited access to financing remains one of the main barriers for small enterprises. According to ADBI [13], only 27 percent of Uzbekistan's SMEs have free access to bank credit, which is almost twice as low as the average of 64 percent in the European Union. This disparity restricts opportunities for expanding export activities, accelerating technological modernization, and completing environmental certification processes—thereby slowing the integration of small businesses into global supply chains and hindering the full realization of the industry's innovation potential.

Difficulties in adapting to international certification and standards represent another major barrier to enhancing the export potential of small and medium-sized businesses. According to the OEKO [14] report, only 18 percent of Uzbekistan's exporting enterprises hold global quality certifications such as ISO 9001 or OEKO-TEX—significantly lower than regional competitors. Consequently, products manufactured under the "Made in Uzbekistan" brand still face challenges in meeting certification requirements, environmental norms, and consumer trust standards in European and U.S. markets. This situation affects not only export expansion but also the international reputation of the national brand.

Moreover, weaknesses in marketing and logistics infrastructure severely limit the ability of small businesses to fully realize their export potential. Analyses show that many small enterprises in Uzbekistan still make insufficient use of digital marketing tools, e-commerce platforms, and international branding strategies. At the same time, logistics costs account for 18–22 percent of total export value—about 1.5 times higher than the global average. As a result, delays in transportation systems and limited infrastructure reduce the competitiveness of export products and complicate entry into new market segments.

These systemic constraints hinder the integration of small businesses into global value chains and prevent them from fully leveraging their innovative management and design capabilities. Therefore, future state policies should focus on simplifying credit and collateral mechanisms, subsidizing export certification processes, and modernizing transport and logistics infrastructure.

CONCLUSION AND RECOMMENDATIONS

During 2020–2024, Uzbekistan's textile industry entered a stage of stable growth and became one of the strategic export sectors of the national economy. Small business entities formed more than 40 percent of the industry's exports, playing a key role not only in economic diversification but also in ensuring regional employment and strengthening social stability.

At the same time, in the process of deeper integration into global value chains, these enterprises still face limited access to financing sources, international certification systems, and marketing infrastructure. This continues to hinder the expansion of their export activities and prevents them from fully realizing their potential in producing high value-added products.

The analysis shows that in order to enhance the competitiveness of small businesses, the strategic approach should be strengthened in three key directions:

Subsidizing Technological Modernization and Environmental Certification

For small businesses, adapting to “green technologies” and environmentally sustainable production standards requires significant expenses. Government subsidies for obtaining environmental certifications, purchasing energy-efficient equipment, and implementing waste-reduction technologies can enhance their competitiveness. For instance, in OECD countries, such mechanisms reduce enterprise costs by an average of 25–30% and expand export opportunities.

Simplifying Credit and Collateral Mechanisms for Exporters

Most Uzbek enterprises face limited access to export financing due to insufficient collateral. Therefore, expanding “trade finance” lines in cooperation with the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC) is essential. This mechanism reduces the cost of short-term working capital loans for exporters and mitigates payment risks.

Digital Promotion of the “Made in Uzbekistan” Brand on International Platforms

Promoting the national brand on global e-commerce platforms enables direct access to consumers. Experience shows that certified “eco” or “national design” products on platforms like Amazon, Alibaba, or Zalando have achieved 2–3 times higher sales volumes. In this direction, it is advisable to establish digital cooperation programs between Uzbek marketing agencies and exporters.

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