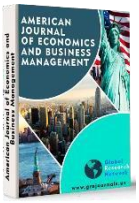

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*Article*

# Adapting Advanced Foreign Practices for Enhancing the Competitiveness of Small Textile Enterprises in Uzbekistan's Context

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**Abstract:** Uzbekistan's textile and apparel sector has expanded rapidly following reforms that redirected the economy from raw cotton exports toward domestic processing and export-oriented manufacturing. Yet many small textile enterprises (STEs) remain less competitive in price–quality–delivery performance and in compliance readiness for demanding export markets in most cases. This paper argues that advanced foreign practices from high-performing textile ecosystems—particularly Turkey, Vietnam and EU supplier bases—can be adapted to Uzbekistan's institutional and industrial realities. The study uses secondary statistics (trade and production data), sector diagnostics, and evidence on workplace and sustainability compliance with a comparative benchmarking design. Results show that competitiveness constraints for STEs cluster around limited upgrading from intermediate outputs to higher value-added products, technology diffusion gaps and weak productivity management routines, insufficient standards infrastructure for testing/certification and buyer compliance, and incomplete cluster spillovers for STE supplier development. The paper offers an adaptation roadmap that analyzes lean–digital upgrading packages for STEs, shared services (testing labs, design studios, training), compliance facilitation (Better Work/industry programs), and market diversification strategies leveraging GSP+ and regional corridors.

**Keywords:** Small Textile Enterprises, Competitiveness, Upgrading, Clusters, Compliance, Uzbekistan, Foreign Practices

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## 1. Introduction

The textile and apparel industry is a classic gateway sector for structural transformation because it combines scale economies with employment intensity and exportability. For developing countries economies, textiles can anchor learning-by-doing, standards adoption, and gradual movement into higher-value manufacturing. Based on evidence from Uzbekistan, reforms done by the government since 2017 accelerated vertical integration (cotton-to-garment), expanded industrial capacity, and improved export performance. However, competitiveness is uneven. For example, larger integrated groups often capture buyer relationships and upgrading opportunities, while small textile enterprises (STEs)—workshops and small factories in weaving, knitting, dyeing, finishing, garmenting and accessories—face persistent constraints in finance, technology, management practices and compliance.

Some economists mention that a competitiveness strategy for STEs requires more than subsidized credit or capacity expansion. International experience shows that sustained

export competitiveness typically emerges from bundles of practices such as operational excellence (lean production, quality systems), innovation (product development and design), standards compliance (labor and environmental due diligence), and networked ecosystems (clusters with shared services, training and supplier development). The central question is how Uzbekistan can adapt these advanced foreign practices to raise STE productivity and market access while reflecting local institutions, cluster structures and labor-market realities.

Research objectives are to diagnose key competitiveness gaps for Uzbekistan's STEs; to benchmark foreign practices that directly address these gaps and to propose an adaptation roadmap with measurable indicators.

**Literature Review**

Competitiveness in textiles is usually measured by analyzing through firm capabilities (productivity, quality, flexibility), value chain positioning (upgrading and governance), and the enabling environment (infrastructure, skills, standards institutions, trade policy). Value chain research underlines how firms upgrade through process upgrading (efficiency), product upgrading (quality and complexity), functional upgrading (design, branding, logistics), and inter-sectoral upgrading. Furthermore, small firms can upgrade when they access buyer knowledge, clusters, and public–private support systems that lower fixed costs of compliance and learning [1].

SME competitiveness literature stresses productivity diffusion. In many economies, digital and lean technologies concentrate in islands while most SMEs remain in traditional routines [2]. Therefore, policy should help diffusion through training, advisory services and incentives [3]. In textile ecosystems, shared testing/certification facilities and compliance programs can reduce transaction costs and help SMEs meet buyer requirements. International labor and sustainability initiatives can also affect competitiveness. For instance, they can improve working conditions and management systems, firms become more reliable suppliers in compliance-sensitive markets as a consequence [4]. Evidence from labor-intensive manufacturing further shows that sustainable industrial policies in textiles can improve labor outcomes and firm competitiveness together when linked to upgrading incentives [5].

For most developing countries, sector diagnostics describes that rapid capacity expansion and deepening of value chain stages, including growth in spinning, weaving, knitting and apparel production, alongside increased export orientation and logistics corridor diversification [6]. Yet a recurring concern is whether textile clusters generate broad spillovers for STEs or remain predominantly vertically integrated structures with limited supplier development. Recent compliance initiatives (e.g., Better Work Uzbekistan) provide new evidence on firm-level practices and constraints relevant to competitiveness.

## 2. Materials and Methods

The study uses comparative benchmarking with Uzbekistan's STE segment as the unit of analysis. Advanced foreign practices are defined as organizational, technological, and institutional mechanisms that mostly depend on higher productivity, higher value-added exports, and stronger compliance readiness in textile SME ecosystems.

The analysis synthesizes sector statistics on capacity and exports from a comprehensive Uzbekistan textile sector review. In addition. compliance and working-conditions evidence from Better Work Uzbekistan assessments and program reporting, SME productivity and competitiveness guidance from OECD publications and industrial upgrading and digital diffusion evidence from UNIDO are studied [7]. Methods and conceptual framing demonstrates value chain research guidance.

Descriptive statistics describe the structure and dynamics of Uzbekistan's textile sector. A practice-mapping matrix links foreign practices to diagnosed constraints. It also rates each practice by expected competitiveness impact and implementation feasibility (short, medium, long term). Results are shown in the comparative tables and an adaptation roadmap with indicators.

## 3. Results

Uzbekistan has expanded textile capacity across multiple stages. In 2023, sector indicators included extensive spinning capacity and significant fabric production. A sector review reports 175 spinning companies with 3.9 million spindles and 242,000 rotors; yarn production reached 1.3 million tons, with around 448,000 tons exported. Weaving output exceeded 1,364 million m² of fabric and exports around 589 million m² (about 45% of production) [8]. These indicators show scale, but STE competitiveness depends on moving from intermediate outputs to higher-value products and maintaining reliable quality and compliance for export buyers.

**Table 1.** Selected production and export indicators for Uzbekistan's textile value chain (latest reported year)

| Segment / indicator | Uzbekistan (latest reported) | Competitiveness relevance for STEs |
|---|---|---|
| Spinning firms & installed capacity | 175 firms; 3.9m spindles; 242k rotors (2023) | Scale exists; need productivity & quality systems |
| Yarn production & exports | 1.3m tons produced; ~448k tons exported (2023) | High exposure to price competition; upgrade to fabrics/garments |
| Weaving output & exports | 1,364m m² produced; ~589m m² exported (2023) | Opportunity for finishing & product upgrading |
| Knitted fabric exports (value) | Value rose from ~$11m (2017) to ~$61m (2023) | Export learning; potential for higher-value knitwear |

Export growth has been strong. However, outcomes indicate continued dominance of intermediate products relative to finished goods, constraining value capture by STEs. Finished-product upgrading requires design, quality assurance, and compliance readiness. This often costs high for small firms without shared services and supplier development programs. That's why intermediate products face intense price competition and demand volatility in international markets. This pattern reflects global textile trade dynamics [9].

**Table 2.** Illustrative upgrading gaps for small textile enterprises (STEs) in Uzbekistan

| Observed gap | Why it matters for competitiveness | Foreign practice commonly used | Adaptation lever in Uzbekistan |
|---|---|---|---|
| Intermediate-product bias vs. finished goods | Lower margins; buyer switching risk | Supplier upgrading; design support; buyer partnerships | Shared design studios + sample rooms; export coaching |
| Technology diffusion gap | Lower productivity & inconsistent quality | Lean + TPM; digital monitoring | Lean advisory + digital starter kits for STEs |
| Limited standards/testing infrastructure | Higher rejection; certification costs | Shared accredited labs; pooled audits | Regional labs + audit pools via associations |
| Weak spillovers in vertically integrated clusters | Limited learning for STE suppliers | Supplier development programs | Cluster KPIs for SME supplier inclusion + training |

International buyers increasingly require evidence of labor and environmental due diligence. Therefore, in Uzbekistan the Better Work Uzbekistan program was established to support improved working conditions and competitiveness in the garment sector. It also reported results from compliance assessments conducted between April and October 2024 [4]. For STEs, compliance readiness is a market-access capability that can unlock higher-value orders and longer-term buyer relationships. Independent due-diligence assessments also highlight reputational and compliance risks in textile sourcing, reinforcing the importance of transparent verification and monitoring mechanisms [10].

**Table 3.** Compliance-relevant mechanisms that reduce fixed costs for STEs

| Mechanism | How it supports STE competitiveness |
|---|---|
| Program-based assessments + advisory | Diagnostics, management-system improvements, credibility with buyers |
| Pooled audits + shared HR/OSH training | Reduces per-firm compliance costs; improves audit outcomes |
| Cluster-level environmental services | Lowers environmental compliance barriers; supports EU access |
| Digital traceability readiness | Prepares for due diligence and transparency demands |

**Table 4.** Practice bundles to adapt and feasibility assessment

| Practice bundle | What it looks like abroad | Expected impact | Feasibility | Key enablers in Uzbekistan |
|---|---|---|---|---|
| Lean + quality systems for STEs | Kaizen/lean coaching; SOPs; quality gates; TPM | High | Short–Medium | Advisor network; cost-sharing grants; buyer-linked pilots |
| Shared services in clusters | Testing labs; sample rooms; training centers | High | Medium | Accreditation; governance; user-fee model |
| Compliance facilitation | Assessment + remediation + social dialogue | High | Short–Medium | Association coordination; audit pool; trainers |
| Digital starter packages | MES-lite; barcode tracking; energy monitoring | Med–High | Medium | Connectivity; vendor ecosystem; data standards |
| Design/branding niches | Design clusters; co-branding; trade fairs | Medium | Med–Long | Design education; marketing platforms; IP support |

## 4. Discussion

The results demonstrate that Uzbekistan's STE competitiveness constraints are systemic and upgrading requires coordinated capability building, standards infrastructure, and incentives that make learning affordable for small firms. Evidence from the Uzbekistan textile sector review highlights both rapid capacity expansion and the importance of compliance efforts to maintain export advantages and market access. OECD evidence on SME productivity mentions that advisory services, training, and digital adoption support are important to prevent a widening gap between leaders and laggards. UNIDO's digital industrialization analysis similarly warns that many economies face technology islands and calls for structured diffusion strategies [7].

Adaptation should focus on bundled interventions. Lean programs underperform if firms lack testing facilities, stable utilities, or basic HR systems demanded by buyers. On the other hand, compliance training without productivity gains may raise costs without improving margins. The most actionable foreign practices are:

a. that reduce fixed costs via shared services;
b. build managerial routines for productivity and quality;
c. offer credible compliance pathways linked to buyer demand.

This consideration is particularly important for access to the European Union market, because in this market sustainability, traceability, and circularity requirements are increasingly embedded in textile trade policy frameworks [11]

A practical sequencing for Uzbekistan is:

a. short-term pilots in export-oriented clusters that combine lean coaching with compliance assessment and remediation;
b. medium-term scaling through shared labs, training-of-trainers, and pooled audits;\
c. long-term deepening into digital traceability, product development, and branding to increase the share of finished goods in exports.

## 5. Conclusion

This paper identified priority foreign practices that can be adapted to strengthen the competitiveness of small textile enterprises in Uzbekistan. For example, we can use following activities to improve competitiveness:

a. lean–quality management routines supported by advisory networks;
b. cluster-based shared services (testing labs, design/sample rooms, training centers) that lower fixed costs of upgrading;
c. compliance facilitation mechanisms that translate improved working conditions into buyer trust and market access;
d. digital starter packages for production monitoring and traceability. Main opinion is that competitiveness gains require coordinated practice bundles rather than isolated subsidies. Future research should complement this benchmarking with primary firm surveys and impact evaluations of pilots.

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