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CLUSTERS IN COTTON PROCESSING COMPLEX: DO THEY HAVE POSITIVE OR NEGATIVE EFFECTS?

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Abstract: The article highlights basics of cluster concept, together with factors of their formation, features of functioning and analyzes main advantages and disadvantages of clustering in cotton processing complex. Besides, during the research there have been identified the presence of key problems and recommended solutions to eliminate them.

Keywords: cluster, cotton, processing, complex, advantages, disadvantages, cotton–textile clusters.

Introduction

Recently, in our country, especially in the cotton industry, work has been carried out to organize production using the cluster method – a group of enterprises united in a single technological chain, where science, education and production are mutually integrated. In this integration, primary raw materials will gradually pass through all stages of processing, add value and turn into high-quality final products.

In order to improve the textile sector, and in particular the cotton complex, clusters were created in each region of our republic. Practice has shown that the clustering of the cotton industry has largely led to the improvement of reforms in the agricultural, farming and other subsectors of the cotton complex.

The process of forming the most effective forms of organization of textile production in Uzbekistan has begun recently. In 2018, the creation of cotton and textile clusters began in 13 regions of the country, and this process has not yet been completed.

In order to strengthen the regulatory framework for the organization and functioning of cotton and textile clusters in Uzbekistan, a number of programs and decrees were adopted. In particular, the Resolution of the President of the Republic of Uzbekistan PP-3408 of November 28, 2016 "On measures to radically improve the management system of the cotton industry", Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 744 of September 19, 2019 "On additional measures for the further development of cotton and textile industries ", Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 397 of June 22, 2020" On measures for the further development of cotton and textile production". In modern conditions, an industrial cluster is considered as a market mechanism for qualitative
changes in economic systems that promotes an integrated form of production organization that ensures high rates of economic development, accelerates innovation in specific conditions, increases labor productivity, strengthens the country's strategic priorities and maintains dynamic competition.

In general, the need to develop scientific proposals and practical recommendations aimed at solving issues related to the organizational and economic mechanisms of the development of cotton and textile production based on the cluster in the Republic of Uzbekistan shows the relevance of this research. In this regard, the study of positive and negative aspects of cotton and textile clusters undertaken in this work is significant both in scientific and practical features.

**Literature review**


The founders of the "cluster" theory and the most popular researchers in this field were A. Marshall and M. Porter. It is necessary to note the significant scientific works of these two economists in the emergence and development of the global concept of clusters.

According to the English economist of the twentieth century A. Marshall, who first drew attention to the reasons for the localization of production, the emergence of main production entails the emergence of auxiliary spheres that supply this production. He identified a prototype of the synergistic effect obtained through free access to suppliers, the availability of a skilled labor market and the interconnection between enterprises.

In addition, the works of the American Scientist M. Enright [8] also outlined regional differences in the competitive advantages of clusters.

Value added and "cluster chain compatibility, regional learning concepts" are also included in this group. It is in these theories of scientists that producer clusters are highly effective in increasing the competitiveness of their producers - their systems in combination with the activities of educational, scientific, technological, economic and other service providers in the region.

Research methodology

The theoretical and methodological basis of the study is the fundamental provisions of economic theory, including theoretical generalization and analysis of the foundations of clusters; regulatory and legislative documents of state bodies of the Republic of Uzbekistan. The research is based on the use of methods of induction, deduction, analysis and synthesis. The theoretical basis of the study was the works of domestic and foreign scientists on the problem of cluster formation. The paper uses the principles of comparative and structural-functional analysis, the principles of a systematic approach, abstract-logical, monographic, computational-analytical and computational-constructive, statistical-economic methods that together allowed to reveal the structure and analyze cause-and-effect patterns in modern economic systems.

Analysis and results

In addition to the obvious advantages of clusters mentioned above, there are also some imperfections of this system.

Therefore, it is necessary to note about the shortcomings and vulnerabilities of this system, in a different way, they can be called, a kind of pitfalls that appear in the cluster organization of production. With a deep knowledge of them, you can be prepared for numerous new educational problems and solve them in a more accurate way. The most important flaw in the cluster policy in cotton production is that this policy can eventually lead the industry or the economy as a whole to a high level of capitalism. This is due to the fact that the farmer or cultivator becomes the sole owner of the land and may have a monopoly right, if the state does not take appropriate measures to prevent autocracy. Such measures include de-monopolization of the industry through direct or indirect influence, external control over the fulfillment of farmers' obligations. But still, in our opinion, the state, nevertheless, should not interfere in every possible way with the functioning and proper development of cotton and textile clusters.

Table 1

<table>
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<tr>
<th>S (Strengths)</th>
<th>W (Weaknesses)</th>
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<td><strong>The effect of competitiveness.</strong> A cluster is a form of increasing competitiveness both within a single country and in the international market.</td>
<td><strong>The effect of absorption.</strong> The development of clusters is presented as the absorption of weaker business entities by stronger business entities</td>
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There is a close interaction of science, business and government in the formation of a cotton and textile cluster. The development of clusters is presented as the absorption of weaker business units by stronger ones. High monopolization of enterprises, firms and other economic entities.

The focus on high-tech development, the desire to ensure the entry of small businesses into the sales markets. The innovation activity of participating firms increases if the cluster works in the right way.

High monopolization of enterprises, firms and other economic entities.

The implementation of cluster activities can lead to conflict between individual related industries and departments.

As a result of localization of enterprises in one region, the distance between the locations of these enterprises decreases. This also reduces transportation costs and other transaction costs.

The effect of minimizing production costs.

The effect of integration.

The effect of focusing on high-tech development.

The effect of cooperation.

The effect of the conflict.

The effect of minimizing production costs.

The development of clusters is presented as the absorption of weaker business units by stronger ones.

The innovation activity of participating firms increases if the cluster works in the right way.

Source: Developed by the author based on a study of cotton-textile clusters of the Republic of Uzbekistan.
As we discussed earlier, a cluster is a tool for improving competitiveness both within a single country and at the international level. As a result of increased competition with foreign manufacturers, the quality of manufactured products increases, which in turn will lead to the formation of a national brand. But here it is important to note that the branding of goods forms a monopolization in the industry. In other words, the stronger and more global a cluster becomes, the more likely it is to be monopolized.

As the experience of departmental clusters has shown, sometimes relations within the cluster can be "unnecessarily closed", and then through extensive cooperation with government agencies, that is, under the supervision of the cluster country, in most cases this can lead to bureaucratic procedures. The class corruption. In addition, the formation and functioning of clusters can cause conflicts between different ministries and departments.

In our opinion, one of the shortcomings of public administration is the incompatibility of common policies and actions of various departments and the lack of continuity. Sometimes it turns out that the decisions of one ministry contradict the decisions of other relevant departments.

Among other things, relying on the development of the cluster should take into account such negative effects as the possibility of creating a company lock. Individual companies can be more competitive than cluster companies.

There is also a potential threat to the "branding" of the cluster. Particular attention should be paid to the process of designating the word "cluster", because in most cases the very concept of a cluster is automatically considered competitive. That is why the brand is actively used by many regions [16].

Consequently, we have discovered the main disadvantages of clustering, the elimination of which should become an essential part of the cluster policy of any region or country as a whole.

The ongoing cluster policy in the cotton and textile industry of our country has shown its positive results. As a result of the application of this policy, several indicators of the development of the cotton industry have been improved in the country. In particular, the average yield of raw cotton in the republic increased from 25.9 centners / ha to 27.99 centners/ha in the period of three years (Table 2). Also, at the moment, the share of domestic processing of cotton fiber is 100%. This indicates that the cotton fiber produced in the Republic of Uzbekistan will undergo a phased, deep processing and the final finished products are exported.

Table 2

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<th>№</th>
<th>Indicators</th>
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<th>2018</th>
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Indicators of cotton and textile clusters in Uzbekistan

1. Total number of clusters in the Republic: 15, 75, 96
2. Number of clusters with a full production cycle: 3, 25, 45
4. Area, ha (in hectares): 707, 907 783.0
5. The number of clusters where the drip irrigation system is implemented: 3, 26, 45
6. Processing of cotton fiber (percentage): 69 %, 80 %, 100 %
7. Cost of 1 kg of cotton fiber in the internal market (USD): 1.1, 1.4, 1.8

Source: Compiled by the author on the basis of research of cotton and textile clusters of the Republic of Uzbekistan

As shown in the table, the cost of 1 kg of cotton fiber in the domestic market is still very low compared to other countries where cotton is grown. For example, in China and India, this amount is 2.3 and 2, respectively.

Links in the value-added chains of clusters in Uzbekistan are insufficiently focused on the final result – the production of high-quality finished textile products. This is due to the fact that at the enterprises for production of finished knitwear and garment products do not produce more value added and, accordingly, create more opportunities for profitable work for all businesses other links of the chain. The technologies used, raw materials and materials in each link of the chain do not allow us to ensure high quality of the final finished products that meet the demand of domestic and foreign markets. In this regard, in some parts of the chain there are "gaps" due to unprofitability and financial instability of enterprises.

At the same time, it should be noted that there is unevenness in the formation of pricing of textile products in cotton-textile clusters today. In each chain of the cluster, with the transition to another stage, the added value increases (Figure 1).
In the above figure, it can be seen in detail that the highest added value is generated in the latter, in particular in the 5th and 6th stages of cotton processing. Despite the fact that the first stages of the cluster, such as sowing, growing cotton, cleaning, production of cotton fiber are more labor-intensive and weather-dependent compared to the other stages, the cost of products produced in these stages remains very low than in other countries. This, in turn, will lead to the unprofitability of farms and cotton gins.

From this, we came to the conclusion that reforms should be carried out and measures should be implemented to revise the pricing mechanism in the primary stages of production of cotton and textile clusters.

We find it necessary to emphasize the fact that so far we have had a system of agriculture, and a great deal has been done in this system. But so far, farmers have not kept up with modern development. Because the big problem we have is employment, production equipment, the introduction of water-saving technologies and dozens of other social problems [17].

If now there are 96 cotton and textile clusters in the republic, unfortunately not all clusters have implemented technologies for drip irrigation of the land. As the data from the table showed, today only 45 cotton and textile clusters in the country are equipped with drip irrigation systems. The reason for this is the low profitability of
farms, as it is no secret that the use of such high-tech systems requires sufficient funds [18].

However, among other things, world experience shows us that the advantages outweigh the disadvantages.

**Conclusion**

From the above analysis of the features of cluster formation in the cotton industry in relation to the agro-industrial complex, it can be concluded that integration processes are a complex multi-stage production and economic system with a multi-level structure.

Meanwhile, integration processes are quite mobile, adaptive and able to provide competitive positions for business entities.

When creating clusters, first of all, it is necessary to clarify the specific state model of investment partnership with participants and subjects of the main areas that affect national interests. When creating a cluster in the cotton industry, it is necessary to improve the mechanism of income distribution between the subjects of integration, depending on the ratio of prices in the market.

Currently, innovation and research are key to achieving new goals and creating healthy competition in all areas. In particular, the reform of the agricultural sector based on the effective application of modern methods and technologies gives significant results. Indeed, the growth of national competitiveness, improving the efficiency of domestic enterprises in the global and domestic markets is the goal of economic policy of any state.

An industrial development cluster is an innovative infrastructure that ensures the further development of production of interconnected networks, which rationally reduces costs and resources. Today, attention is paid to the placement of such industrial zones around large industrial cities.

In this regard, several advantages can be achieved by creating a single cotton-textile cluster, which includes the production of raw cotton, primary processing, subsequent processing of the product in factories and the production of finished textiles with high added value.

Geographically, the productivity of product development increases. The cost of transportation is reduced, and technological delays are eliminated.

Indeed, in modern conditions, the industrial cluster is considered as a market mechanism for qualitative changes in economic systems, contributing to an integrated form of production organization, ensuring high rates of economic development, accelerating innovation in specific conditions, increasing labor productivity, strengthening the country's strategic priorities and maintaining dynamic competition.
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