

NEWSLETTER

UZBEKISTAN

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Export potential of Uzbekistan's textiles

Uzbekistan's exports of textiles have grown strongly from USD 1.3 bn in 2018 to USD 3.3 bn or 22% of the total exports in 2022. This growth was accompanied by a continuous shift of the export structure towards consumer products which increased to 34%. However intermediate products, mainly cotton yarn and fabrics, are still dominating Uzbek textile exports. The Eurasian Economic Union (EAEU), primarily Russia, has remained the key destination.

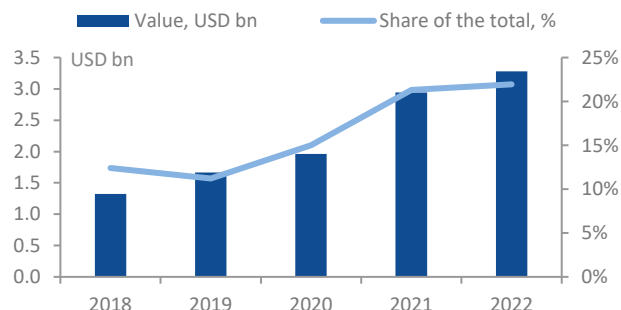
The analysis of the export potential of the Uzbek textile sector shows that the highest potential lies in knitted and crocheted apparel and fabrics. Currently, these goods find their top markets in the EAEU and the EU. The Middle East and South Asian markets hold significant potential if tariff barriers are removed.

Uzbekistan should aim to conclude relevant free trade agreements to realise its potential. On the side of companies, efficiency should be increased to reduce costs. Likely even more important would be the development of brands and a commitment to ethical and organic production, which would allow to charge higher prices.

Uzbekistan's exports of textiles

In 2022, Uzbekistan's exports of textiles amounted to USD 3.3 bn, an increase of 148% compared to 2018 and well above the country's average export growth. As a result, the share of textiles reached 22% in total goods exports, increasing by 10 percentage points (p.p.) over the last five years.

Uzbekistan's exports of textiles



Source: WITS, own estimates

The structure of Uzbekistan's textile exports has been gradually changing. Between 2018 and 2022, the share of intermediate products reduced by 7 p.p. to 66% of the total, as the role of consumer products increased by 7 p.p. to 34%. Still, the structure of Uzbekistan's exports

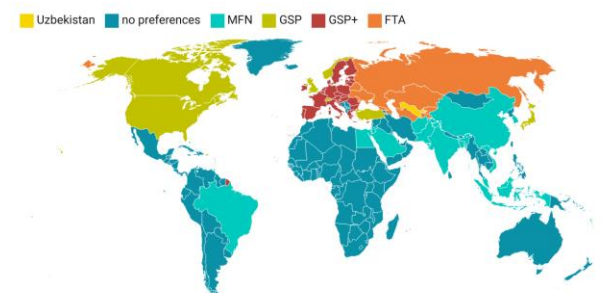
contrasts with the structure of the global trade in textiles, which is dominated by consumer products (68% of world exports in 2022).

The EAEU, primarily Russia, has remained Uzbekistan's key export market for textile products, accounting for 59% of the total. Other important export destinations are Turkey (16%), China (8%), and the EU (5%).

Trade regimes

Uzbekistan has preferential access to the market of the most important partners. These preferences include **Free Trade Area (FTA)**, e.g. signed with the CIS countries, Georgia and Ukraine, **unilateral preferences**, including GSP+ granted by the EU, GSP by other countries and **bilateral MFN Agreements**, e.g. concluded with China, Iran, and Bangladesh.

Uzbekistan partners by preferential treatment



Created with Datawrapper

Sources: WITS, WTO

In 2022, about two-thirds of Uzbekistan's textile exports were to FTA countries, 22% to partners with unilateral preferences, and 11% to MFN partners. Only 3% of the total was shipped to partners without preferential arrangements.

Assessment of the export potential: methodology

To identify the most promising export products as well as the relevant destinations, we analyse three dimensions:

The supply side dimension analyses Uzbekistan's export performance of different textile products. To do so we look at the export value, the export growth rate, revealed comparative advantage, the world market share and the trade specialisation index.

The demand side dimension reveals the most promising markets for the identified products by looking at the size and growth rate of the world market and individual markets.

Trade costs dimension indicates the costs of exports to a particular partner compared to other destinations.

The indicators used here include prices compared to competitors, proximity of markets and tariff protection. The analysis was done in two stages. First, the top 20 products were identified based on supply and global demand dimensions, and then the 10 top destinations were ranked based on demand and trade cost dimensions.

Uzbekistan's export potential in textiles

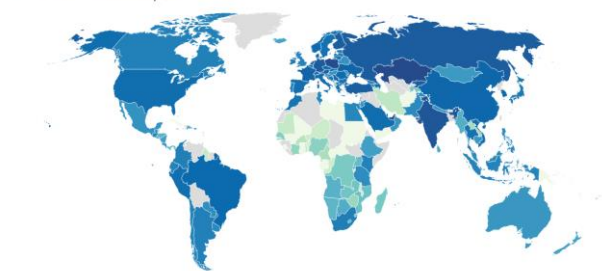
The analysis showed that Uzbekistan's top 20 products with the highest export potential include mostly knitted or crocheted apparel and fabrics.

Under the current tariff schedule, the EAEU and the EU are the destinations with the highest export potential. The Middle East and South Asia hold significant potential if they open their markets.

Export potential by partners: scenario of duty-free exports

sum of composite score, max = 2000

0 1,258



Created with Datawrapper

Source: own estimates

The analysis also allows statements to be made about the relative advantages and disadvantages that Uzbekistan has for the identified products and markets compared to competitors. Uzbekistan demonstrates a **good distance advantage**. The country is very often closer to the target markets than its competitors and should be able to supply products faster.

Uzbekistan shows a **moderate import duty advantage**: import duties faced by Uzbekistan are often lower than those of its competitors. Preferential trade agreements setting import duties at zero can further improve this situation.

Uzbekistan has a **poor price advantage**. This means that it can only offer a better price than competitors in a few cases. Its price advantage is mostly in fabrics and linen. In apparel, competitors often offer cheaper prices than Uzbekistan.

These results are also valid in the current situation of Russia's war of aggression against Ukraine and its impact on trade routes. Trade continues, especially for non-perishable products such as textiles, despite border closures between the EU and Russia, longer and much

less predictable shipment duration, and up to 30% higher costs, according to logistics companies.

Conclusions and recommendations

The analysis shows a high export potential for Uzbek textile products in the EAEU and the EU. The potential in the Middle East and South Asia is also high if tariffs on Uzbek products are lifted. The Uzbek government should, therefore, aim to create better access to these markets.

One disadvantage of Uzbek textile production is the high costs compared to competitors. Costs could be reduced by improving technologies and lowering trade costs. A parallel and likely even more promising strategy could be to justify higher prices. This would require developing own brands and ensuring an ethical and ecological production of textiles.

This newsletter is based on the Policy Briefing [Export Potential of Uzbekistan's Textiles and Apparel on the Global Markets](#)

Financed by the Federal Ministry for Economic Affairs and Climate Action, the German Economic Team (GET) advises the governments of Ukraine, Belarus*, Moldova, Kosovo, Armenia, Georgia and Uzbekistan on economic policy matters. Berlin Economics has been commissioned with the implementation of the consultancy.

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