

**THE ROLE OF THE APPLICATION OF THE «GSP+» SYSTEM TO TEXTILE
INDUSTRY PRACTICES IN INCREASE OF EXPORT CAPACITY****Isaev Ravshan Abdurakhmonovich****Professor of the Tashkent Textile and Light Industry Institute****O'tkirov Asilbek Jaxongirovich****Student of Tashkent Institute of Textile and Light Industry**Isayev_ravshan@mail.ru Tel. 90 126 32 88

Annotation. In the article, the issues of classifying the factors of increasing the volume of exports, actions to be implemented and summarizing the results based on the application of the GSP+ system in increasing the export potential of the textile industry are studied.

Keywords. Export potential, quality, quality system, GSP + preference, preference, subsidy.

INTRODUCTION

The textile industry is considered one of the important sectors in increasing the export potential of the Republic of Uzbekistan, and this sector developed more rapidly, especially during the years of independence. Increasing its production capacity is the focus of the government's attention, and sufficient investment funds have been allocated for the development of the sector in order to equip it in a technical and technological manner. However, in general, the existing potential and reserves of the textile network of Uzbekistan are not fully utilized. This increases the urgency of researching the resources and potential of textile enterprises in a deep scientific and practical way. It is of urgent importance for Uzbekistan to rapidly integrate into the world economy and to create a rational management system of textile industry enterprises using their potential, in particular production, financial and technical capabilities, in the conditions of a stable situation in world markets. The capabilities of any economic entity, that is, its potential, are determined by various internal and external factors. It is important that the Republic of Uzbekistan conducts a policy of effective use of the advantages of globalization in relation to exports in the process of implementing economic reforms. This, in turn, requires manufacturers to carry out an export-oriented policy on a large scale, which cannot be achieved without improving the incentive system. In this process, the use of international quality systems plays an important role in increasing the competitiveness of the national economy.

LITERATURE REVIEW

The concept of «power» comes from the Latin word «potential», which means power, latent possibility. Here, from the point of view of the general economy, Arkhipov V.M. [1] defines it as follows: «competency is the available means, resources and resources that can be used to solve set goals or set tasks». Although the interpretation given by the scientist is the basis for the formation of a general understanding of «authority», the influence of the factors forming «authority» is not economically justified.

At the enterprise level, the concept of «competence» was introduced by Kleiner G.B., Tambovtsev V.L. and Kachalov R.M. [2] gave an interesting interpretation, that is, in their opinion, the potential of a particular enterprise consists of components that describe its resources, status and behavior in the external socio-economic environment.

In our opinion, this interpretation can be the scientific and theoretical basis of the economic potential of enterprises.

Here Temnova N.K. The definition given by [3] to the concept of «competence» is noteworthy, that is, according to him: «competence» is not only resources, but also an opportunity to perform some goal-directed activity and get results. It also emphasizes the need for a synergistic approach to “competence”.

B. Ryan [4] defines organizational capacity in the following overview, that is, «organizational capacity refers to the actual and probable ability to perform a purpose-oriented job».

Here, from the point of view of financial and economic activity of the enterprise, Bogataya I.N. the definition of enterprise potential is interpreted from an accounting point of view. According to him [5], «enterprise potential is assets at the end of financial and economic activity, sources of its formation and their ability to lead to certain financial results».

Bogataya I.N. the interpretation given by is relevant in the conditions of today's market relations, and management of financial results of enterprises remains a priority issue today.

Let's consider the main definitions of the concept of «enterprise export potential». According to the resource-oriented approach, according to I.A.Rusakov, «the export potential of the enterprise is the general ability to sell its products abroad, attract foreign direct investment and participate in international cooperative industrial processes based on the enterprise's production and economic capabilities» [6]. Another Russian scientist, G. I. Yakovlev, connecting the production of products for export and selling them in the foreign market, said that «the export potential of the enterprise is the creation and production of competitive products for export, their promotion in the foreign market, profitable sales and the necessary level overall ability to provide services» [7]. And M.S.Sychev in his research, taking into account the time factor in

revealing the essence of this economic term, gives the following opinion: «the export potential of an enterprise is the available resources for the production of competitive products in the short term and in the long term, their sale in foreign markets, and the provision of services and opportunities” [8].

Munjal S., Basin N., Nandrajog D., Kundu S. The evolution of the competitive advantage of multinational enterprises in export activities was studied by [9].

The works of local scientists N.M. Muminova [10] are devoted to the study of problems of development of export potential and development of strategies of the textile enterprise.

RESEARCH METHODOLOGY. The research was based on the research results of foreign and local researchers on the subject and used methods such as statistical, selective observation, comparison, expert assessment.

ANALYSIS AND RESULTS

As of January 1, 2023, in the Republic of Uzbekistan, 5,852 enterprises engaged in the production of textile products have increased their activity, of which 177 are spinning enterprises, 175 are gauze fabric manufacturing enterprises, 270 are knitted fabric manufacturing enterprises, 270 are hosiery manufacturing enterprises. , 5115 of them are enterprises producing sewing and knitting products [11]. The analysis of data on the production capacities of these enterprises shows that in 2016-2022, the available production capacities by product types were as follows:

- if the yarn production capacity was 367 thousand tons in 2016, this indicator was 905 thousand tons in 2022 or increased by 2.46 times;
- gas production capacity in 2016 is 246 mln. square meter, this figure will increase to 810 million in 2022. square meter or increased by 3.29 times;
- if the production capacity of knitted fabric was 51 thousand tons in 2016, this indicator was 240 thousand tons in 2022 or increased by 4.71 times;
- if the production capacity of hosiery products was 51 million pairs in 2016, this figure will be 460 million pairs in 2022 or increased by 9.02 times;
- the production capacity of knitted products in 2016 was 204 mln. units, this figure will increase to 1380 million in 2022. made up a piece or increased by 6.76 times;
- the production capacity of ready-made sewing products in 2016 is 83 mln. units, this figure will increase to 920 million in 2022. made up a piece or increased by 11.22 times [12].

The results of this analysis indicate that the government of our republic has paid serious attention to the further development of the textile industry, as a result of which the production capacity of ready-made textile products, which create added value, has been increased.

From April 10, 2021, the European Union system of special preferences for sustainable development and effective governance (GSP+) came into force for Uzbekistan, where Uzbekistan was accepted as a beneficiary country under the Generalized Scheme of Preferences (GSP).

Uzbekistan is the first country to receive GSP+ status in the last 5 years. This is a success for both European countries and Uzbekistan, which will be able to expand trade-economic, investment, and institutional opportunities later.

After Armenia, Bolivia, Cape Verde, Kyrgyzstan, Mongolia, Pakistan, Philippines and Sri Lanka, Uzbekistan became the ninth country to receive the status of GSP+ beneficiary.

In 2017, Uzbekistan ratified the «textile protocol» with the European Union.

The European GSP system is the most advanced compared to the systems used by developed countries. The GSP system has a three-way tariff system. In particular, the first system is GSP standards for low- and lower-middle-income countries. This means the partial or complete removal of customs duties on two-thirds of the tariff lines. As of January 1, 2019, 15 countries are members of such agreements. The Agreement on Partnership and Cooperation signed between Uzbekistan and the European Union in 1996 is the main document regulating mutual relations. In this agreement, Uzbekistan was admitted to the Generalized System of Preferences (GSP) of the European Union.

The second standard is GSP+, which is a special incentive program for sustainable development and good governance. It envisages reducing tariffs to 0% for low and vulnerable low-income countries that implement 27 international conventions related to human rights, labor rights, environmental protection and good governance. According to this standard, a total of 8 countries (Armenia, Bolivia, Cape Verde, Kyrgyzstan, Mongolia, Pakistan, Philippines, Sri Lanka) were considered full members in 2019. From April 2021, Uzbekistan was added to this list.

The third EBA (Everything But Arms) is a special agreement that provides duty-free, quota-free access to all products except weapons and ammunition for developing countries. Agreements on this standard have been made with about 50 countries of the world.

Obtaining the status of GSP+ beneficiary by our country has created a solid foundation for domestic textile exporters, which has allowed for stable growth and diversification of the export product range, and serves the rapid development of mutually beneficial trade relations with EU countries in the field of textiles.

In order to widely use GSP+ preferences, on September 1, 2021, a forum on the topic «Uzbekistan GSP+ Beneficiary» was planned to be held with the participation of more than 100 foreign brands in cooperation with the German international cooperation organization GIZ and Amfori certification company, with the support of the «Uzto`qimachilik sanoat» association and the Embassy of Uzbekistan in Belgium. At the forum, Uzbekistan's opportunities were revealed on topics such as «Textile potential, development prospects of the cotton-textile industry, introduction of blockchain and digitization in production, ensuring stability and openness».

Until recently, Uzbekistan used the GSP regime, which allowed it to export 3,000 goods to the EU without customs fees and 3,200 goods at reduced rates. The tariff rates for textile products from Uzbekistan under GSP status ranged from 4% to 12% (Figure 1).

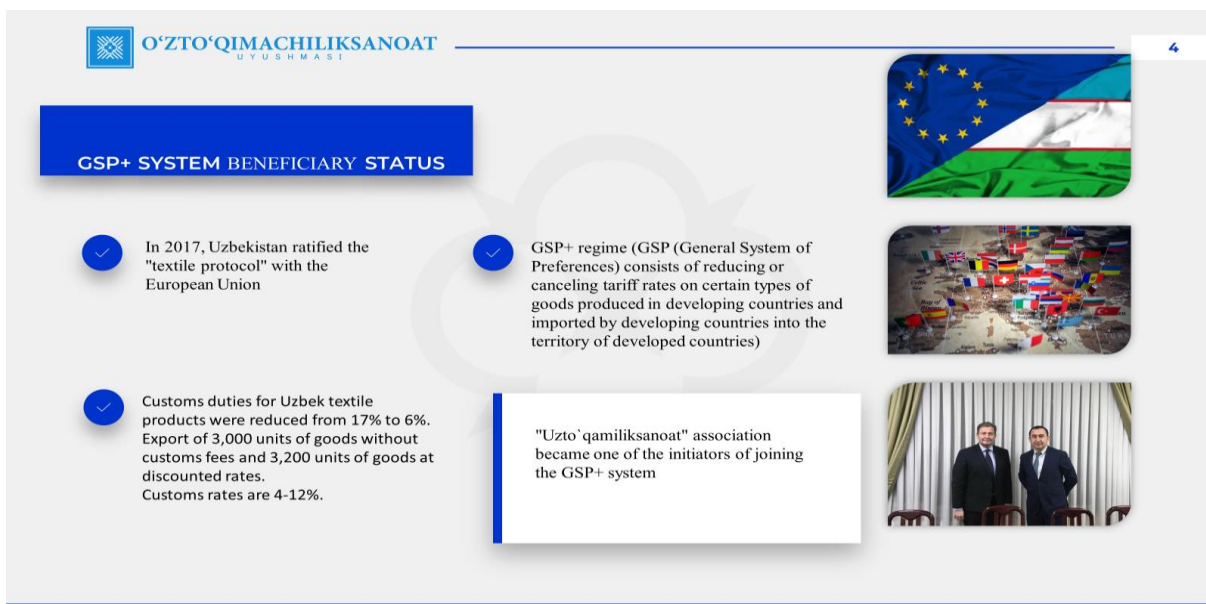


Figure 1. GSP+ System Beneficiary Status Description¹

In turn, GSP+ status not only created opportunities for export growth, but also made it possible to attract additional investments to our country, in particular, to the textile industry, through the implementation of joint prospective projects.

Factors that increase the volume of exports through the wide use of GSP+ preferences are listed as follows (Figure 2):

¹Author development.

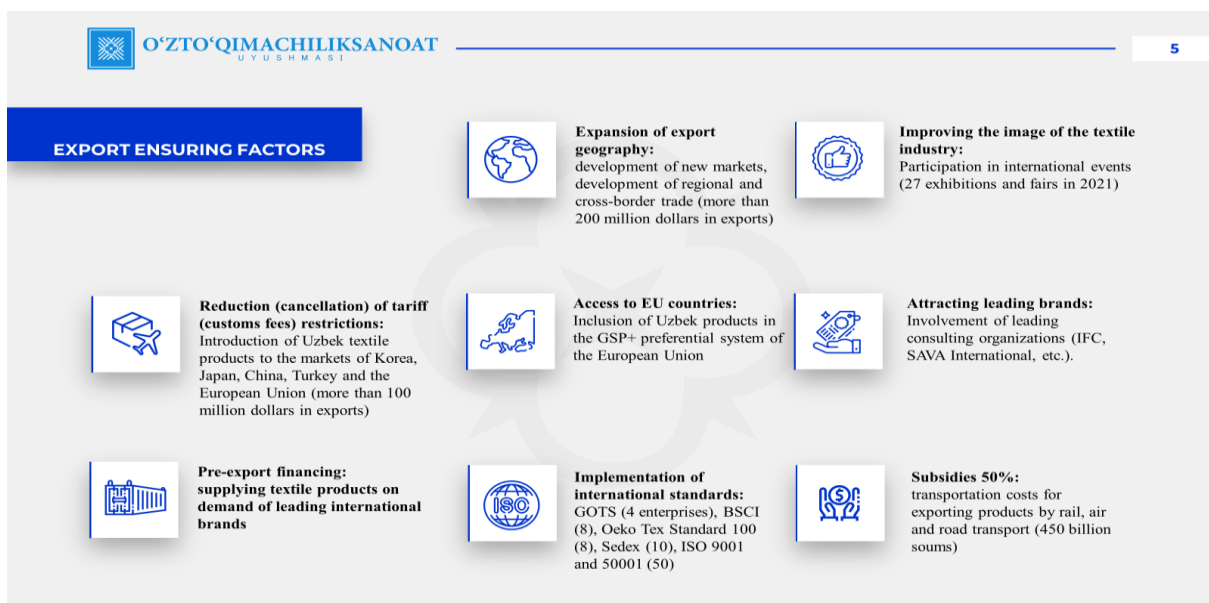


Figure 2. Factors to increase the volume of exports through the wide use of GSP+ preferences in the Republic of Uzbekistan²

reduction (cancellation) of tariff (customs fees) restrictions: introduction of Uzbek textile products to the markets of Korea, Japan, China, Turkey and the European Union (more than 100 million dollars in exports);

pre-export financing: ensures supply of textile products on demand of leading international brands;

expansion of export geography: development of new markets, development of regional and cross-border trade will receive additional funds of 200 million dollars;

Access to EU countries: the inclusion of Uzbek products in the GSR+ preferential system of the European Union is ensured;

introduction of international standards: GOTS (4 enterprises), BSSI (8), Oeko Tex Standard 100 (8), Sedex (10), ISO 9001 and 50001 (50) international standards will be introduced;

improving the image of the textile industry: participation in international events (27 exhibitions and fairs in 2021) will be ensured;

attraction of leading brands: attraction of leading consulting organizations (IFS, SAVA International, etc.) is achieved;

50% subsidies: 450 bln. transportation costs in the amount of soums will be covered (Fig. 2).

²Author development.

Today, the European Union has 300 bln. there is a consumer market of more than 100,000,000, and by joining the GSP+ system, local textile producers can work in profitable and favorable conditions, as well as increase the volume of duty-free export of local textile products to European countries.

In order to enter the European market and enter the global production chain, together with the German GIZ organization, international consulting companies are regularly held training - seminars on the GSP+ system and its effective use for local enterprises.

At the same time, in order to strengthen marketing and merchandising in textile enterprises when entering foreign markets, it is decided to organize trainings for textile enterprises with the participation of international experts, and at the first stage, 30 enterprise specialists will improve their knowledge and skills.

In order to encourage exporting enterprises, 100 percent of insurance costs, up to 70 percent of transportation costs, up to 50 percent of costs for advertising, trading houses, and opening warehouses have been introduced by the Export Development Agency.

Also, the share of exports of finished textile products

Enterprises with more than 60 percent are exempted from paying property tax,

Enterprises with more than 80 percent pay the single social tax at a reduced rate of 1 percent. A subsidy of up to 10 percent of the cost of equipment purchased within the framework of dyed and mixed fabric, gauze production projects, but no more than 500,000 dollars will be allocated.

In order to further support enterprises exporting to European countries, allocation of an additional low-interest financial resource in the amount of 100 million dollars for working capital, provision of credit on the basis of letter of credit agreements, reimbursement of 50% of the costs of the introduction of International Standards of Financial Reporting (ISFR), processing in the customs regime Proposals not to require supplies for the import of raw materials, to allow the production of manufactured products to be exported, and not to consider up to 5% of the foreign exchange earnings on export contracts as receivables were submitted for approval.

In 2019-2021 (until GSP+ was received in 16 months), 106 million dollars worth of goods were exported to the EU market under 198 product codes (an average of 7.0 million dollars per month), while in the first half of 2021-2022, exports under 268 codes volume is 223 mln. amounted to dollars (11.0 million dollars/month). In particular, 191 out of 268 commodity codes correspond to ready-made sewing and knitting products.

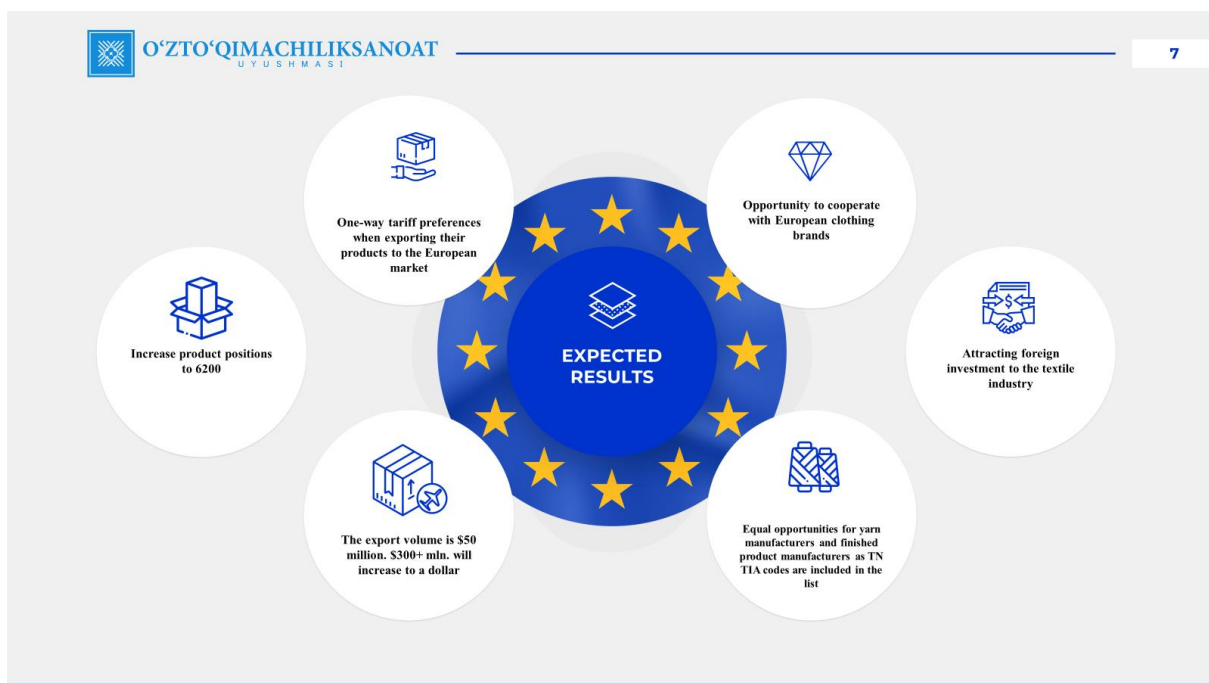


Figure 3. Expected results from the use of the «GSP+» system³

According to experts, by 2025 in the GSP+ preferential trade regime, the export volume of textile, sewing and knitting products will be 1.2 billion. will increase to a dollar.

To apply the «GSP+» system to the practice of the textile industry, the following was initially implemented:

Consultations with the European Commission have been carried out;

27 major international conventions on human rights and labor rights have been ratified, including those on ending child and forced labor in cotton picking and environmental protection;

The delegation of Uzbekistan visited Brussels.

«Uzto`gamichiliksanoat» association held seminar-trainings in 14 regions of the Republic on the topic of «Requirements for exporting to the European market» to familiarize with the benefits of introducing international standards, as well as the system of GSP+ benefits for exporting to the European market.

Expected results from the use of the «GSR+» system are as follows (Figure 3):

one-sided tariff preferences are granted when exporting their products to the European market;

There is an opportunity to cooperate with European clothing brands;

opportunities to attract foreign investments to the textile industry will expand;

³Author development.

equal opportunities arise for yarn manufacturers and finished product manufacturers, as TN TIA codes are included in the list;

export volume will increase from 50 million dollars to 300 million dollars;

product positions will be increased to 6200.

CONCLUSION/RECOMMENDATIONS

In order to improve the management through the existing legislation in order to increase the export potential by further developing the foreign economic activity of the network, it will be appropriate if the following interrelated works are carried out:

- it is necessary to develop and legally establish a single comprehensive program for managing foreign economic activity through tariffs and without tariffs;

- since the large number of introduced laws and acts under the law complicate the activities of subjects of foreign economic activity, it is necessary to prepare a single normative act for the purpose of managing currency accounts;

- Development of a strategy to protect the market of Uzbekistan and local producers of goods through the principles of liberalizing foreign economic activity and rationally combining protectionist policy;

- In order to eliminate complete dependence of Uzbekistan on other countries, it is necessary to implement the policy of diversification of foreign economic relations;

- determining the marketing price policy based on the dependence of the efficiency of product cultivation on the price level of that product during a certain period;

- to ensure the formation and development of international marketing strategies for the assortment of goods based on the assessment of the level of competition in this market based on the results of the study of foreign markets; helping exporters to obtain international certificates and licenses that fully meet the requirements of world standards;

- based on the results of studying the changes in the tastes and desires of consumers in the international market of sewing and knitting products with the help of marketing research, to select promising market segments for enterprises producing sewing and knitting products of Uzbekistan.

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