

FACTORS INFLUENCING THE DEVELOPMENT OF FOREIGN ECONOMIC ACTIVITY IN THE TEXTILE INDUSTRY OF UZBEKISTAN

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Most Uzbek entrepreneurs do not engage directly in foreign economic activity and therefore do not encounter the barriers associated with it. However, based on the results of surveys conducted among managers of enterprises producing export-oriented, high-technology products, it can be concluded that the main obstacles to the development of foreign economic activity are poorly established relationships and high customs duties. In particular, excessive customs procedures (64.5%), high transportation costs in the provision of export–import services (61.3%), and a high level of informal practices during customs clearance of goods (51.6%) are identified as major barriers.

In Uzbekistan, the costs associated with import operations are particularly high. While importing goods into the republic requires an average of 92 days, this indicator averages 36 days in developing countries. According to *Doing Business* data, in most countries this period does not exceed 50 days.

Let us consider some of the barriers to conducting foreign economic activity.

First, the excessive number and inefficiency of customs procedures. The main problems include the absence of clear and transparent rules for customs clearance, significant financial losses, substantial time consumption, psychological stress for participants in foreign economic activity, and widespread bureaucratic paperwork in customs administration. These issues are mainly manifested in the following aspects:

- the absence of clear rules for assigning customs codes to goods crossing the customs border in foreign economic activity;
- delays by customs authorities in cargo clearance for an indefinite period, leading to increased import costs due to storage in customs warehouses;
- mandatory certification of imported components, including products of globally recognized companies, due to the non-recognition of foreign certificates;
- the complexity of extending deadlines for the payment of customs duties, including the requirement for bank guarantees and collateral, which results in the system being practically unused and losing its effectiveness;
- the lack of clear and transparent rules for obtaining exemptions when customs duty privileges are available.

Another significant barrier to foreign economic activity is the difficulty related to the conversion of the national currency in import operations. Although there are no legal

restrictions on converting funds in soums into foreign currency, in practice the review of applications is often delayed. As a result, relationships with suppliers are disrupted, and suppliers may withdraw the preferential terms they offer to reliable customers.

Another aspect of this problem is the freezing of funds in bank accounts during the review of conversion applications. Given the lengthy processing period, entrepreneurs incur significant losses due to inflation, exchange rate fluctuations, and lost profits resulting from the withdrawal of funds from circulation.

The high level of customs duties is also considered one of the main barriers affecting foreign economic activity. Currently, the average level of customs duties in Uzbekistan amounts to 41.7%.

First, honest importers who fully pay high customs duties often lose competitiveness in many markets, as the actual market price of goods fails to cover their costs. This situation encourages importers to seek alternative, “informal” methods and attempt to bypass existing tariff barriers. Moreover, the higher the customs duties, the stronger the incentives for corruption.

Second, the expansion of such bypass practices undermines efforts to protect domestic producers who must compete with cheaply imported foreign goods that enter the market without customs payments.

Third, a high level of import protectionism is reflected in increased prices of imported resources necessary for producing high-quality and competitive domestic products.

Fourth, export-oriented sectors suffer more from protectionist policies. This can be explained by two main factors:

- while protectionism shields import-substituting industries, it also increases their investment attractiveness, leading to a flow of material and labor resources from export-oriented sectors to import-substituting industries;
- restrictions on imports reduce demand for foreign currency, which leads to an appreciation of the national currency. Consequently, export goods become more expensive in foreign markets, resulting in a decline in the country’s export potential.

This situation demonstrates the high level of import protectionism. The primary objective of imposing such strong tariff barriers is to protect domestic producers from foreign competitors. However, in practice, the negative consequences of this approach often outweigh the expected benefits.

Used literature

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