

ITME

Country Report Central ASIA



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Table of contents

4	Preface
5	ITMF – International Textile Manufacturers Federation
6	The Textile Industry in Central Asia
10	Investments in Textile Production
12	Spinning Plant Capacities and Investments in the Central Asian Countries
14	Training - the Key to the Future
15	UZTEX GROUP – Quality as Top Priority
17	BF TEXTILE – Flexibility and Stability
18	UZBEKISTAN – The Textile Industry in Uzbekistan
20	TURKMENISTAN – The Textile Industry in Turkmenistan

Preface

The aim of this publication is to inform the reader of the current economic situation and to continue through to the future perspectives of the countries in focus. The publication has been written by a team of experts which the reader can occasionally recognise by the different styles of writing.

In the second part of the country report, the textile ministries from Uzbekistan and Turkmenistan express their opinions.

COTTON AS A DRIVER OF GROWTH

All countries in Central Asia have a long tradition in cotton cultivation. Uzbekistan and Turkmenistan exploit this in order to increasingly process cotton fibres to yarns, textile fabrics and end products. The continual growth of these countries over the last 20 years is impressive. The expanding textile and apparel industry creates employment and prosperity.

OVERVIEW UZBEKISTAN

“We are creating a powerful textile and light industry sector. Moreover, we should integrate in the world market as other developed countries with the finished products excluding raw cotton.” The President of the Republic of Uzbekistan, A. Karimov Uzbekistan is the 5th largest producer of cotton in the world. The textile industry plays a major role in the economy of Uzbekistan. One third of jobs in the industrial sector are

covered by the textile industry. Producing more than one million tons of cotton fibre, Uzbekistan is rapidly increasing the volume of the cotton to be processed in local spinning mills. To achieve this goal, Uzbekistan has numerous opportunities such as the special support of the government for the development of the textile industry, the availability of vast stocks of raw materials, specifically high quality cotton fibre, low-cost energy resources and qualified labour.

OVERVIEW TURKMENISTAN

Turkmenistan is endowed with considerable natural resources of raw materials and one of these is cotton. Having its own raw material base creates favourable conditions for the accelerated development of the textile industry. Today, more than 70 major textile enterprises ensure the industry's place of honour amongst the top three export sectors. Incentives such as a stable economic situation, a favourable legal climate, presence of a raw material base, power resources and qualified personnel have combined to promote the textile industry. Today, some 30 000 employees are working in this sector. Active efforts towards revitalising this important sector of the economy and the realisation of Turkmenistan's potential by means of modern facilities and optimal utilisation of its wealth of raw materials are all factors which will ensure the industry's future economic role.

ITMF

This Country Report was produced in cooperation with Rieter Machine Works, Switzerland.

The International Textile Manufacturers Federation (ITMF) is an international association of the global textile industries. It has set out to keep its members over the whole world continually updated by means of questionnaires, studies and publications as well as by the organisation of annual conferences. Over and above this, the ITMF achieves this goal by its participation in the further development of the industry's value added chain and by the publication of well-considered opinions on future trends and international developments.

The ITMF is one of the oldest non-governmental organisations. It was founded in Zurich in 1904 on the initiative of the British cotton spinning industry. The newly founded organisation thereby adopted the name "International Federation of Master Cotton Spinners' and Manufacturers' Association". It was often referred to as the "International Cotton Federation". The organisation established its headquarters in Manchester, England. For many years and throughout both world wars, it represented and promoted the interests of the global cotton spinning and cotton production industries. The appearance of synthetic fibres extended the raw material basis of the cotton industry. Simultaneously, the structure of the industry was changed by the vertical integration of textile companies and its size thereby enlarged: meanwhile it has become a multi-fibre and multi-process industry.

In 1963, the organisation's headquarters was transferred from Manchester in England to Zurich in Switzerland in order to facilitate international contacts and to improve the administration services as well as the communication.

Since 1960, membership of the organisation has substantially increased and today comprises the greatest part of the worldwide textile production. It consequently also reflects the internationalisation process that has taken place in the field of textile manufacture since the end of the Second World War. So not only has the geographical location of the global textile industry's capacity drastically changed but the process of adjustment has also influenced the structure of trade associations in the industry. Their original fragmentation has gradually made way for a more strongly integrated and comprehensive form of representation.

Rieter is the leading supplier of installations for manufacturing yarns from short staple fibres. Rieter is a competent partner, dedicated to making customers' lives easier by offering care and support from the initial investment discussions to the successful operation of a spinning mill.

Rieter's comprehensive know-how from fibre through yarn to the finished textiles provides the basis for innovative machines and consistent yarn quality.

The Textile Industry in Central Asia

CENTRAL ASIA – FROM COTTON SUPPLIER TO INTEGRATED TEXTILE PRODUCER

Today, Central Asia is considered in the strict sense to comprise at least Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan and Turkmenistan. This classification of Central Asia is also used by the UN Census Bureau UNSD, alongside other organisations. In 2012, these five states had around 66 million inhabitants. Uzbekistan with around 29 million inhabitants is by far the most populous country. In terms of surface area, Kazakhstan is by far the largest country in Central Asia with an area of around 2.73 million km², followed by Turkmenistan with 488,100 km², Uzbekistan with around 447,400 km², Kyrgyzstan with around 200,000 km² and Tajikistan with around 143,000 km².

The contrasts could not be greater when we consider the countries of Central Asia themselves in relation to the economic development. Kazakhstan is the ninth largest country in the world in terms of area and only 17% smaller than India, but has almost 60 times fewer inhabitants than India. The per capita gross national product, adjusted for purchasing power parity, is with USD 14,100 almost as high as that of Turkey (USD 15,300). In contrast, Uzbekistan, Kyrgyzstan and Tajikistan have a significantly lower gross national product per inhabitant, as is more typical for developing countries in a more narrow sense. The per capita gross national product of Turkmenistan in 2013 was only just under USD 10,000. Turk-

Population and Gross National Product

	Population in millions	Per capita gross national product, adjusted for purchasing power parity, in USD
Uzbekistan	28.9	3 800
Turkmenistan	5.2	9 700
Kazakhstan	17.9	14 100
Tajikistan	8.1	2 300
Kyrgyzstan	5.6	2 500
In comparison Turkey	81.6	15 300

Table 1

Source: World Factbook, CIA

menistan can therefore be considered as an emerging nation (see Table 1).

The economic growth rate in these countries between 2010 and 2013 was exceptionally strong in comparison to the global economy (around 3.5%). In Uzbekistan the growth rate between 2011 and 2013 was between 8 and 9%, in Kazakhstan between 5 and 7%, in Turkmenistan between 9 and 14% and in Tajikistan between 7 and 7.5%. In Kyrgyzstan the economic growth fluctuated inconsistently and very strongly between 0 and 10%.

Cotton cultivation in Central Asia has a long tradition and thus to the present day cotton is grown in all five countries. Particularly in Uzbekistan and Turkmenistan, cotton production continues to play an important role, not only as a hard currency agent but also as the basis for industrial development.

COTTON PRODUCTION

According to the data of the ICAC, cultivation of cotton decreased significantly following the independence of the five Central Asian countries between 1991/1992 and 2013/2014, namely by more than 41%. The decline was especially sharp in Tajikistan (61%) and in Uzbekistan (41%). Before 1990, in the centrally planned economy of the former USSR, cotton production in Uzbekistan exceeded 3.08 million tons and thereby was over 100% higher than 1991/1992 and over 300% higher than 2013/2014 (see Table 2).

By far the most important country in this respect is Uzbekistan, which in 2013/2014 represented around 65% (= 849,000 tons) of the cotton produced in Central Asia of around 1.31 million tons. Turkmenistan with a share of around 21% or around 280,000 tons was the second most important producer. In contrast, Tajikistan, Kazakhstan and Kyrgyzstan together only produce around 14% of the regional total.

A glance at the worldwide cotton production over recent years shows that Central Asia as a region with a production of around 1.31 million tons (2013/14) had a share of just 5% of the global production of around 26.24 million tons (see Table 3).

A glance at the export statistics shows impressively that the cotton exports have decreased by over 50% since the beginning of the 90s. Thus, in relative terms, the decline in exports was more significant than the decline in cotton production,

Cotton Production in Central Asia (in 1,000 tons)

	91/92	95/96	00/01	05/06	10/11	13/14
Kazakhstan	94	78	85	138	60	69
Kyrgyzstan	19	24	27	38	15	14
Tajikistan	247	130	106	139	90	97
Turkmenistan	430	235	187	215	380	280
Uzbekistan	1 443	1 254	975	1 210	910	849
Total Central Asia	2 233	1 721	1 380	1 740	1 455	1 309

Table 2

Source: ICAC, Cotton: World Statistics, May 2014

which between 1991/1992 and 2013/2014 decreased by around 41% (see Table 4).

Comparing the cotton production with the cotton exports shows that the export quota of the Central Asian region in total initially increased between 1991/1992 and 2000/2001 and then consistently decreased. Consequently, since the beginning of the last decade, more cotton for further processing has remained within the country.

Worldwide Production of Cotton (in million tons)

	2009/10	2010/11	2011/12	2012/13Est.	2013/14Est.	2014/15Proj.
China	6.925	6.400	7.400	7.300	6.929	6.460
India	5.185	5.865	6.239	6.205	6.770	6.770
USA	2.654	3.942	3.391	3.770	2.811	3.570
Pakistan	2.158	1.948	2.311	2.002	2.076	2.100
Brazil	1.194	1.960	1.877	1.310	1.705	1.510
Uzbekistan	0.850	0.910	0.880	1.000	0.940	0.940
Others	3.369	4.401	5.722	5.073	5.008	4.920
World Total	22.335	25.426	27.820	26.660	26.239	26.270

Table 3

Source: ICAC, Cotton This Month, Nov 2014

A closer look reveals that the export quota in some countries such as Kazakhstan, Kyrgyzstan or Tajikistan has fluctuated over the period under review and has either remained very high or has risen even further. On the contrary, in the two largest cotton producing countries, Turkmenistan and Uzbekistan, a different picture is seen. After an initial rise in the export quota, a subsequent reduction could be observed which was stronger and quicker in Turkmenistan than in Uzbekistan (see Table 5)

PRODUCTION OF YARNS AND FABRICS

In real terms, downstream processing of the cotton is shown in the production of cotton yarns. In the countries Kazakhstan, Kyrgyzstan and Tajikistan, the production of cotton yarns declined strongly after 1992 by nearly 90% (see Table 6).

The situation is quite different in the two other countries. In Turkmenistan a continuous rise the cotton yarn production from 21,000 tons in 1992 to an estimated 128,000 tons in 2014 was established. This corresponds to an increase of around +510%. In Uzbekistan the production of cotton yarns was already more strongly pronounced in the 90s when it already reached 183,000 tons. In the following years, the yarn production fluctuated initially between around 100,000 and 150 000 tons, but increased continually from 2006 onwards to an estimated 219,000 tons in 2014. This corresponds to a rise between 1992 and 2014 of around +20%.

Cotton Exports from Central Asia (in 1,000 tons)

	91/92	95/96	00/01	05/06	10/11	13/14
Kazakhstan	70	70	93	132	54	56
Kyrgyzstan	3	16	28	40	17	15
Tajikistan	200	135	110	129	77	91
Turkmenistan	383	216	122	125	170	129
Uzbekistan	1 052	940	750	1 020	600	581
Total Central Asia	1 708	1 377	1 103	1 446	918	872

Table 4

Source: ICAC, Cotton: World Statistics, May 2014

Therefore, Uzbekistan meanwhile processes 30% of its domestic cotton production. The declared mid-term target is to increase this share to 60%.

It is interesting to take a closer look at downstream processing textile industry in the five Central Asian countries. According to the figures from the ICAC, Uzbekistan has a downstream processing textile industry of significant size. After 1992 when only 115,000 tons of cotton fabric were woven or knitted, fabric production also declined quickly and strongly parallel to yarn production but then since 2006 has made a continual recovery from around 52,000 tons to an estimated 79,000 tons (see Table 7).

From all five Central Asian countries, Uzbekistan and Turkmen-

Production of Cotton Yarn in Central Asia (in 1,000 tons)

	1992	1996	2001	2006	2011	2014
Kazakhstan	41	4	1	6	3	4
Kyrgyzstan	22	6	1	2	1	1
Tajikistan	24	12	14	10	5	9
Turkmenistan	21	26	54	80	103	128
Uzbekistan	183	105	181	144	200	219
Total Central Asia	291	153	251	242	312	361

Table 6

Source: ICAC, World Textile Demand and estimates ITMF

Cotton Export Quota in Central Asia (in%)

	91/92	95/96	00/01	05/06	10/11	13/14
Kazakhstan	74	90	109	96	90	81
Kyrgyzstan	16	67	104	105	113	107
Tajikistan	81	104	104	93	86	94
Turkmenistan	89	92	65	58	45	46
Uzbekistan	73	75	77	84	66	68
Total Central Asia	67	85	92	87	80	79

Table 5

Source: ICAC, Cotton: World Statistics, May 2014

istan have been especially successful in building up a continuous added-value textile chain that comprises all stages of production from the cotton fibre to the ready-made clothing. Even when the focus in both countries is still concentrated on cotton as well as on cotton yarn production, in the last ten years the step-by-step establishment of further production capacities has been successfully achieved, also in the subsequent production stages such as weaving and knitting as well as finishing and apparel.

According to the "State Joint-Stock Company Uzbekengilsanoat", a holding with more than 300 textile companies in Uzbekistan, considerable production capacities have been established in Uzbekistan in recent years (see Table 8).

Production of Cotton Fabrics in Central Asia (in 1,000 tons)

	1992	1996	2001	2006	2011	2014
Kazakhstan	15	2	1	6	3	3
Kyrgyzstan	10	3	1	0	0	0
Tajikistan	12	4	4	3	3	3
Turkmenistan	3	5	9	10	16	18
Uzbekistan	115	58	65	52	72	79
Total Central Asia	155	72	80	71	94	103

Table 7

Source: ICAC, World Textile Demand, Sep 2013, and estimates ITMF

The Uzbek textile industry not only produces for the domestic market but also for export. In 2013 textile and apparel goods to the total value of USD 827 million were exported. With almost 50%, the export of yarns to the value of approx. USD 409 million was the most important sector followed by clothing with USD 167 and fabrics with USD 35 million. Other textiles amounted to value of USD 216 million (see Table 9).

Between 2009 and 2013, the export volume has more than doubled from barely USD 400 million to almost USD 830 million. In comparison to 1994 the exports have even increased ten-fold (see Fig. 2).

Both the production capacities and the export volume in Turkmenistan have clearly increased in the last few years.

According to the Turkmen Textile Ministry, between 2000 and 2013 yarn production increased by +110% and fabric production by +220%. Exports of textile products rose in the same period by +320%.

A precondition for the rise in the Uzbek and Turkmen textile exports were first and foremost investments in new high-performance and efficient machines, with which the quality requirements of the export markets could also be fulfilled. Investments in new production facilities were frequently made in the last ten years, both by domestic and foreign investors. Since 1995, foreign direct investments of more than USD 2.5 billion and more than USD 1.8 billion flowed into the entire textile industry of Uzbekistan and Turkmenistan respectively.

Production Capacities in the Uzbek Textile Industry 2013

Cotton yarn	410 000 tons
Woven goods	281 million m2
Knitted goods	82 000 tons
Jerseys	256 million pieces
Hosiery	71 million pairs
Silk yarns	2 500 tons

Table 8 Source: State Joint-Stock Company Uzbekengilsanoat, Uzbekistan Textile 2014/2015

Uzbekistan's Textile Exports (in USD million)

	Yarns	Fabrics (woven and knitted)	Clothing	Other textiles	Total
2013	409	35	167	216	827

Table 9 Source: State Joint-Stock Company Uzbekengilsanoat, Uzbekistan Textile 2014/2015

Fig. 1 Production of the most important textile products 2014

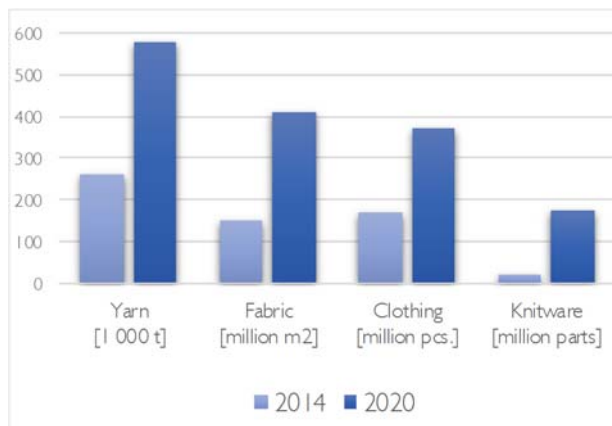
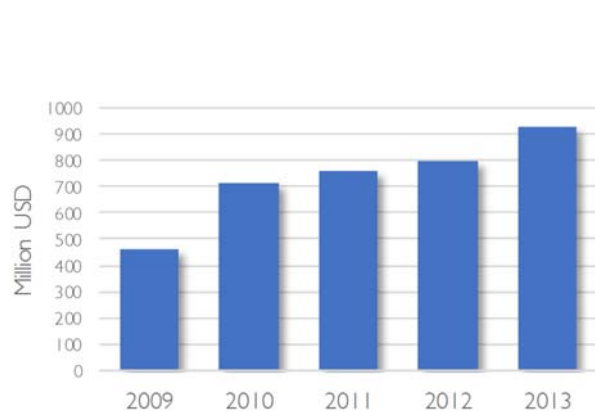


Fig. 2 Uzbekistan Textile Exports 2009 - 2013



Investments in Textile Production

The ITMF publication “International Textile Machinery Shipment Statistics”, which records the direct delivery of new textile machines, attests that in the five Central Asian countries the investments in the last ten years (2004-2013) in comparison to the ten years before have distinctly increased, in particular in Turkmenistan and Uzbekistan (see Table 10 & 11).

TURKMENISTAN

The investment activity in Turkmenistan has mainly accelerated in the last ten years. In the weaving sector, during the period 1994-2003 a total of 309 shuttle-less looms were imported, between 2004-2013 it was with 611 almost twice as many (> +100%). In the last 20 years, by contrast, practically no investments have been made in new, big circular knitting machines (42 units) or in new electronic flatbed knitting machines (4 units).

Nevertheless, in this period a great many new investments in cooperation with Turkish general contractors have been realised. These deliveries are included in the “International Textile Machinery Shipment Statistics” (ITMSS) of the ITMF in Tur-

key, and accordingly are missing in the statistics for Turkmenistan.

UZBEKISTAN

The investment activity in Uzbekistan has mainly accelerated in the last ten years in the weaving sector, during the period 1993-2004 approx. 2,600 shuttle-less looms were newly installed (even though the majority was based on outdated technology). Between 2004-2013, only 304 new shuttle-less looms were shipped but these were, however, technologically advanced machines. In the area of large circular knitting machines, the number of new machines has clearly risen. Initially (1994-2003) it was only 321 machines but in the last ten years (2004-2013) it was already 847, which corresponds to an increase of +164%.

Delivery of New Weaving and Knitting Machines (units, cumulative 1994-2003)			
	Weaving looms (non-shuttle)	Large circular knitting machines *	Flatbed knitting machines
Kazakhstan	178	29	n.a.
Kyrgyzstan	27	0	n.a.
Tajikistan	37	0	n.a.
Turkmenistan	309	9	n.a.
Uzbekistan	2 599	321	n.a.
Total Central Asia	3 150	359	n.a.

Table 10

* Period 1995-2003
Source: ITMF, ITMSS 2003 & 2013

Delivery of New Weaving and Knitting Machines (units, cumulative 2004-2013)			
	Weaving looms (non-shuttle)	Large circular knitting machines *	Flatbed knitting machines
Kazakhstan	308	24	136
Kyrgyzstan	43	11	69
Tajikistan	47	6	0
Turkmenistan	613	42	4
Uzbekistan	506	1068	78
Total Central Asia	1,517	1,151	287

Table 11

* Period 1995-2003
Source: ITMF, ITMSS 2003 & 2013

Significant reasons for the rise in foreign direct investments over recent years, both in Turkmenistan and in Uzbekistan, were attractive regional economic policies of the respective governments. Alongside the availability of cotton, a role was primarily played by investors having preferential and favourable access for downstream processing of the cotton.

In Uzbekistan, when the cotton is further processed locally to yarn, it can be purchased with a rebate of 15% of the world market price. In addition, the energy costs at approx. USD 0.05/kWh are internationally very attractive. In China, today the most important country in the textile sector, the price is USD 0.13/kWh. Also the labour costs of approx. USD 200/month (approx. USD 1.15/hour) are competitive in international comparison. In China, currently around USD 500/month (approx. USD 2.84/hour) are paid. Furthermore,

there are also various tax benefits such as exemption from VAT (value added tax) or the real estate tax as well as tax exemption for foreign investors for a certain period of time, which are an additional incentive for investments.

Also in Turkmenistan the preconditions for the use of domestic cotton are similarly beneficial as in Uzbekistan. Particularly the energy costs are very attractive in Turkmenistan. According to the Turkmen Textile Ministry, the costs for one kWh are only USD 0.047. The labour costs are similarly low as in Uzbekistan (around USD 200/month resp. USD 1.15/hour).

The following table shows as a comparison the production costs in nine traditional textile production countries for the short staple spinning sector, which illustrates the comparatively attractive production conditions (see Table 12).

Production Costs Short Staple Spinning Mill (in USD)

	Brazil	China	Egypt	India	Indo.	Italy	Korea	Turkey	USA
Hourly wage for skilled personnel	6.55	3.25	1.90	1.10	2.05	31.90	19.05	7.40	17.80
Hourly wage for machine operators	3.45	2.80	1.50	0.70	1.20	25.60	9.75	4.25	14.55
Hourly wage for unskilled personnel	2.75	2.30	1.15	0.55	0.80	25.05	8.65	3.20	11.85
Operating hours (per year)	8,600	8,400	7,700	8,400	8,600	5,500	8,400	7,800	7,800
Cost of electric power (per kWh)	0.12	0.13	0.04	0.09	0.08	0.22	0.09	0.08	0.05
Raw material costs (Ring) (per kg of cotton 1-1/8")	1.940	2.856	3.847	2.060	2.040	2.000	2.060	2.205	1.809
Raw material costs (Rotor) (per kg of cotton 1-1/16")	1.863	2.812	3.780	1.983	1.962	1.923	1.984	2.150	1.732

Table 12

Source:ITMF

Spinning Plant Capacities and Investments in the Central Asian Countries

In Table 13 the installed spinning capacities are shown divided into ring spindles and rotors. In the next chapter, comparison is made what percentage of these spinning capacities are new investments in the last ten years. From all the countries in this comparison, Uzbekistan has the highest installed capacity with ring spinning machines and rotor spinning machines, followed by Turkmenistan. Noteworthy with Turkmenistan is the swift and constant growth since independence in 1991. As cotton consumption in this period rose strongly, considerably more

spinning plants have been newly constructed than can be assumed from the ITMF “Shipment Statistics”. Major investments in spinning plants in Turkmenistan have also been made in cooperation with Turkish enterprises.

The cumulative “ring and rotor shipments” for the ten years 2004-2013 compared to the installed capacities are a good indicator to rate how modern the spinning plants in a country are. This modernisation rate is shown in Table 14.

Country Comparison of Modernisation Rates

Country	2013 installed spinning capacities		Cumulative shipments 2005- 14		Shipments 2014	
	Short-staple ring spindles	OE rotors	Short-staple ring spindles	OE rotors	Short-staple ring spindles	OE rotors
Uzbekistan	1,700,000	165,000	939,272	52,304	137,532	14,640
Turkmenistan	500,000	60,000	410,000	38,000		7,760
Kazakhstan	200,000	50,000	63,744	19,900		
Tajikistan	221,000	53,000	48,384	3,408		
Kyrgyzstan	64,000					

Table 13

Source: ITMF and estimates

Country Comparison of the Invested and Installed Spinning Machines

Country	Modernisation rate 2013		
	Short-staple ring spindles	OE rotors	Spindle equivalents
Uzbekistan	50%	43%	48%
Turkmenistan	82%	63%	75%
Kazakhstan	32%	40%	36%
Tajikistan	22%	6%	13%
Kyrgyzstan			

Table 14

Source: ITMF and estimates

The newest spinning plants are in Turkmenistan. This is hardly surprising when one considers the strong growth in cotton processing, which has increased from 88,000 t in 2004 to 144,000 t in 2013. The modernisation rate of the spinning plants in Uzbekistan is somewhat lower and there is a need to catch up. In comparison to the statistics for cotton consumption, the figures for the installed capacities for ring spinning and rotor spinning machines are too high in Kazakhstan and Tajikistan. It can therefore be assumed, that substantial parts of these capacities are not in operation or only produced sporadically.

Statements regarding the modernisation rate of the spinning plants of these two countries are thus of a rather theoretical nature.

NEW INVESTMENTS AND AUTOMATION

During the last ten years, Uzbekistan has not only invested in ring spinning machines with autodooffer (55%) but also in ring spinning machines without autodooffer (45%) where the full cops must be manually taken off. Turkmenistan has invested 100% in ring spinning machines with autodooffer, as have also Kazakhstan and Kyrgyzstan (see Table 15).

The new investments in rotor spinning machines in Uzbekistan were almost one quarter fully automatic rotor spinning machines and 70% semi-automatic machines, and only a few manual rotor spinning machines. Turkmenistan, Kazakhstan and Kyrgyzstan invested over the same period 2004-2013 in automatic rotor spinning machines, and Tajikistan in semi-automatic machines (see Table 16)

Automation Level of new Investments in Ring Spinning Machines

Cumulative Investments 2004-2013	Ring spinning machines	
	with Autodooffer	without Autodooffer
Uzbekistan	55%	45%
Turkmenistan	100%	
Kazakhstan	100%	
Tajikistan	38%	62%
Kyrgyzstan	100%	

Table 15

Source: ITMF and Rieter

Automation Level of new Investments in Rotor Spinning Machines

Cumulative Investments 2004-2013	Rotor spinning machines		
	automatic	semi- automatic	manual
Uzbekistan	23%	70%	7%
Turkmenistan	100%		
Kazakhstan	100%		
Tajikistan		100%	
Kyrgyzstan	100%		

Table 16

Source: ITMF and Rieter

Training – the Key to the Future

It is important for the development of the textile industry that attention is given to good training opportunities for the various textile professions. In total, there are 42 specialised establishments (colleges) in the whole of Uzbekistan where textile know-how is taught. Over and above, the “Joint-Stock Company Uzbekengilsanoat” has made an agreement with the “Korea Institute of Industrial Technology (KAYTEK)” according to which an “Innovation Centre for Textile Technology” will be set up in Tashkent. This will not only promote and strengthen the research and development of new textile products but also the education and further training close to

the textile locations. At this point it is also important to mention that in Uzbekistan, a strong local fashion industry has developed, to which the design centre “Sharq Liboslari” primarily contributed. Turkmenistan still needs to make up ground concerning training for various textile professions. It is therefore one of the targets with high priority to train professionals and engineers and to strengthen the structures of the training establishments. The Ashgabat Fashion House of the Ministry for the Textile Industry has established itself as the national centre for fashion design.

UZTEX GROUP

Quality as Top Priority

The UZTEX Group consists of five vertically-integrated companies and boasts the two most modern spinning mills in Uzbekistan. UZTEX produces high-quality yarn to global standards and exports 90% of its production. Strategic targets for expansion are not only founded on a quality first approach but also on highly-qualified personnel and cutting-edge technology.

UZTEX is an aspiring young enterprise in Uzbekistan's textile



sector. From the initial acquisition in 2007 of a knitting, finishing and sewing unit, in 2010 a first spinning mill in Tashkent went into operation producing 6,500 tons of 100% combed and carded cotton yarn annually. The second facility, UZTEX Shovot, began production in 2012, bringing the total of installed spindles up to 55,000. Most of the yarn produced is exported to the main markets Russia, China, Turkey, Iraq and several European countries.

STRATEGY

UZTEX is a private company in which European and Swiss businesses have also invested. This means that the company's strategy is decisively influenced by its shareholders, based on the performance of the group. Continuing investments in expansion are initially being channelled into further spinning facilities in Uzbekistan. Current expansion in combing is now responding to market requirements by producing combed yarn. Long-term strategy envisages also production locations abroad.

STRATEGIC SUPPORTS

Paramount for achieving strategic targets is UZTEX's concentration on top quality, from the yarn through to the final products. For this reason, UZTEX places great emphasis on employing highly-qualified personnel in the production and laboratory testing.

UZTEX was the first company in Uzbekistan to obtain USTERIZED accreditation in 2011. This is a very big achievement because at that time, only about 50 companies worldwide had secured USTERIZED accreditation.

EMPLOYEE SATISFACTION

Good working conditions are an important factor for ensuring success. UZTEX has very good facilities for personnel such as canteen facilities, free transport and social benefits. Satisfied employees add value to the quality of the company's products.

MARKET SITUATION

UZTEX has acquired a strong position in the local market, not only in yarn production but also in fabric and ladies garment production. In the global market, UZTEX is highly challenged by direct competition with other countries producing the same goods. However, support for the industry provided



Fig. 3 Mr. Rafael Tavkhidov, General Manager Uztex, Tashkent

by Uzbekistan's government in the form of incentives, preference buying of cotton and tax relief combines to aid success in the global market. For this reason, UZTEX exports over 90% of its production and is satisfied with the profitability achieved.

OUTLOOK AND IMPORTANT MILESTONES

A further 30,000 spindle project is now nearing completion and this will be followed by the next milestone to increase spinning capacity with another 70,000 spindles in the Namanagan area of Uzbekistan. UZTEX's target of 5 spinning mills is therefore well under way. In order to increase internal utilisation of their own yarn, a weaving plant is planned to expand in the field of home textiles. Consideration is also being given to investments in compact yarns for fine woven fabrics.

The possibility of expansion of production capacities further afield – in Russia or possibly locations in Asia – is also part of a long-term outlook.

PRODUCT BRANDING

Mr. Tavkhidov sees the future of the UZTEX Group in development of their own brands for yarn, garments and home textiles. "We have a very strong marketing department and we have some experience in the creation and development of our own brands", he says. Top quality brands, satisfied employees and investment in state-of-the-art machinery are drivers for the success of the UZTEX Group in the future.

BF TEXTILE**Flexibility and Stability**

BF Textile, part of the BO Group (Turkey), is an integrated textile factory founded in 2005 and located in Tashkent, Uzbekistan. The company has a wide product range from yarn production up to ready-made garments. It operates with the



most advanced technology and exports different types of high quality fabrics and ready-made garments to various countries of the world, like Russia, Ukraine, Belarus and Turkey. Factory capacities cover yarn production, fabric knitting, dyeing & printing as well as sewing units.

STRATEGY

Uzbekistan offers low-cost labour and energy in addition to a state discount of 15% for local cotton. BF Textile's main advantage, however, is that the holding company is located in Turkey which is a very good sales market for its products.

Sales support is provided by the holding company. BF Textile has a vertically-organised structure with activities ranging from cotton yarn production to finishing. The company views its greatest opportunity in the future to lie in the central European markets.

MARKET SITUATION

BF Textile's main market is currently Russia. But actual political and economical changes are challenges for future development. A further hindrance is the exchange rate of the dollar and the rouble.

INVESTMENT REQUIREMENTS

General Director, Mr. Imomnazarov Ilhom Mannonovich, states that "In the first place, the quality of the machines is the priority for investment and then the technical sustainability of the machines. These are the main criteria for a decision in favour of a supplier."

OUTLOOK AND IMPORTANT MILESTONES

BF Textile now has an open-end mill and its next milestone is to establish a new, modern ring facility producing 100% combed yarn. The plan is to realise this venture in the next 12 years. It is foreseen that the produced yarn will be used to manufacture Tricot fabric, mixing open-end and combed ring yarns.

FLEXIBILITY

Mr. Mannonovich confirms the company's aim to become more flexible. "The main issue is not to be dependent on other factories that are producing combed ring yarn but to have our own yarn – this is the main aim." At present, BF Textiles purchase their requirements of combed yarn. Increasingly, the trend for other textile companies who are selling and exporting finished products is to have their own combed yarn available. So sourcing "stability" is here of prime importance and the reason for BF Textiles wishing to upgrade its own production.



Fig. 4 Mr. Imomnazarov Ilhom Mannonovich, General Director BF Textile, Uzbekistan

UZBEKISTAN**The Textile Industry in Uzbekistan**

The textile industry in Uzbekistan has enjoyed a long tradition of processing cotton since the times of the Great Silk Road. Today, textile and garment production occupies a significant niche in the macro-economic complex of the country. The sector is presently one of Uzbekistan's fastest growing industries and one of the most important for the production of consumer goods.

IMPORTANCE FOR THE ECONOMY

The increasing importance of the textile industry in the Republic of Uzbekistan is reflected by its share in the country's GDP of 3.3%. The volume of industrial production accounts for more than 6.3% and its total exports amount to 4.2% of the national economy. 293 textile companies are currently members of the state joint stock company "O'zbekyengilsanoat" (Uzbekyengilsanoat) which incorporates the bulk of textile enterprises functioning in different regions of Uzbekistan.

Since the 1990s, the volume of domestic processing of cotton fibre has increased impressively from only 7% to 30% in 2013. Experts predict that this growth will rise to 70% by 2016.

PERCENTAGE OF THE POPULATION EMPLOYED

Currently, 2,200 enterprises (including small businesses) are operating in the textile sector and have different forms of ownership. The share of the SME in the total industrial output of the companies is 27.9%. The textile sector employs one third of the population working in industry.

CHALLENGES FACING THE TEXTILE INDUSTRY

With the rapid growth of knowledge and ongoing modernisation processes, a shortage of highly specialised engineering personnel has resulted. To counter this trend, equipment suppliers committed to further training of young Uzbek experts are providing the most modern equipment. Special attention is given to the quality of training for technical personnel as well as professionals of all links at all process stages, including the organisation of production managers, marketing specialists services, staff modelling, design and fashion design, etc. Agreements exist with training centres in Italy, Korea, India and Japan for training and retraining specialists.

**FUTURE OUTLOOK**

Certain areas are prioritised for development:

- growth of the local processing of raw materials (cotton, silk, wool) increasing the share of products with high added value, especially readymade garments
- further restructuring, technical modernisation of existing enterprises, partially through attracting direct foreign investment
- increase of production and exports by at least 20% annually
- creation of a favourable business environment for small business development
- creation and strengthening of the "Made in Uzbekistan" brand
- raising the welfare of the population, creating new jobs and improving the system of training and retraining.

MAIN INVESTMENT ADVANTAGES

Uzbekistan offers numerous incentives for further expansion in the textile industry. The availability of local raw textile resources (cotton, silkworm cocoons, raw silk yarns) as well as low energy costs combined with relatively cheap and skilled labour make investment attractive. In addition, the presence of international, regional and local markets and the support given by the government through provision of benefits and preferences have all contributed towards attracting foreign investment of more than USD 2.1 billion. Compared to 1995, exports of textile and finished products increased by more than 115 times to USD 1 bln.

MARKETS AND PRODUCTS

Demand in the world market for finished products made from natural cotton fibre is steadily growing. Therefore, local enterprises are constantly working to improve the quality and production volume of finished products. Every year some 20 new product lines are added to the range (compact, dyed yarn, hosiery, ready-made fabrics, sportswear, suits, shirts, terry products, etc.) and these are in great demand both in local and foreign markets. The main international markets

are CIS countries with an annual requirement of USD 16 billion, as well as European countries and prospective markets such as China, Bangladesh, Japan & Korea.

Opportunities for growth are seen in spinning, weaving (fabric production of a new generation of various types of textile yarns, including technical textiles), nonwoven production, knitting, finishing processes and product design. Consequently, it is in these areas that development of new products is being strongly focused on.

The Uzbekistan textile industry faces the highest level of competition from the European Union, the USA and South-east Asia.

ROLE OF UZBEKYENGILSANOAT IN DEVELOPING THE INDUSTRY

Uzbekistan offers most favourable conditions to absorb foreign investments from other countries, through leading textile centres and finance centres. The government has set priorities to strengthen in-depth analysis of the industry and to provide practical assistance in dealing with problematic issues such as finding the required facilities, production buildings, infrastructure, financing etc. Investors have various options when implementing a project:

- green field project (design by project initiator)
- developing the project using existing buildings
- developing existing projects (projects requiring new management).

To support textile producers, the following incentives are provided:

- producers of hosiery and garment are exempted from all taxes (except VAT)
- textile exporters are exempted from property tax
- 7 year tax holiday for foreign investment
- 15% discount on the world cotton price (average Cotlook Index A and Uzbek Component) and VAT repayment at export (additional 9.11% discount)
- 100% exemption from customs payments on technological equipment as well as on raw materials and accessories not produced in Uzbekistan (synthetic fibre, fabric, dyestuff, etc.).

The importance placed on expansion combined with the support given in providing attractive conditions for investment are driving factors for a successful and profitable development of Uzbekistan's textile industry in the future.

TURKMENISTAN

The Textile Industry in Turkmenistan

Turkmenistan is endowed with considerable natural resources of raw materials and one of these is cotton. Having its own raw material base creates favourable conditions for the accelerated development of the textile industry. Today, more than 70 major textile enterprises ensure the industry's place of honour amongst the top three export sectors.

HISTORICAL DEVELOPMENT

Turkmenistan has long been famous for its traditional woven carpets produced by its indigenous tribes. Despite abundant local resources, less than 15 textile companies existed in Turkmenistan two decades ago. Since independence in 1991 and the foundation of the Ministry of Textile Industry of Turkmenistan in 1995, the textile branch has rapidly become one of the core industries in the country's economy. Now, more than 70 enterprises are operational in the manufacture of cotton yarn, cotton fabrics, knitted clothes, ready-made sewn and knitted products, silk processing, shoe factories and also factories for leather pre-processing.

INVESTMENT AND EXPANSION

The country's independence and neutrality have attracted major investments in the textile industry. Further incentives such as a stable economic situation, a favourable legal climate, presence of a raw material base, power resources and qualified personnel have combined to promote this trend. Since independence, over USD 1.8 billion has been invested in building new plants and in reconstruction and modernisation of existing enterprises. Dozens of factories, equipped with the most advanced high-performance machinery, have been commissioned in the post-independence era. Today, some 30,000 employees are working in these companies.

Based on the agreements entered into with foreign companies, joint ventures have also been created with a modern management organisation and marketing strategy, answering to the world standards.

LOCAL ADVANTAGES

Turkmenistan has considerable natural resources of raw materials and one of these is cotton. Every year in Turkmenistan approximately 330,000 tons of cotton fibres are manufactured. In Turkmenistan the prices for energy carriers are

more advantageous in comparison to other countries.



STATE HELP FOR THE TEXTILE INDUSTRY

Thanks to a purposeful state policy, considerable industrial potential is created. To achieve competitive production in the world market, the state gives a certain discount for cotton fibre. This has allowed an increasing level of industrial processing of domestically produced cotton fibre from 3 to 50% amounting to 165,000 tons. For construction of new textile enterprises the state offers long-term soft loans.

COMMODITY MARKETS AND CHALLENGES

The textile and apparel industry of Turkmenistan is highly export orientated, with 70% of production being exported to the USA, Canada, Russia, countries in Western Europe, Turkey, Hungary, China, the Baltic States, Ukraine and other markets.

Potential for development of the textile industry exists in all areas. At present the Ministry of Textile Industry of Turkmenistan manages the basic direction for processing of cotton fibre and manufacture of cotton yarn. However, difficulties in the field of marketing and realisation of ready-made sewn and knitted garment production in the world market must still be addressed.

GROWTH RATES

Today, the textile branch is becoming one of the most dynamically developing branches of the Turkmen economy. From 2000 2013 manufacture of cotton yarn has increased around 2.1 fold and cotton fabrics around 3.2 fold. For the last few years, a stable growth rate of 10-15% p.a. has been recorded in the manufacture of textiles. Annually the production volume achieved by the textile enterprises exceeds 1,175 million Turkmenistan New Manat (TMT), that is equivalent to USD 412 million. In the same period, export has increased around 4.2 fold (USD 303.1 million) and by 2020 export is targeted to reach up to USD 350 million.

QUALITY, ENVIRONMENT AND SAFETY ISSUES

Along with introduction of the newest technologies, considerable attention is paid to questions of quality improvement and

conformity of production to meet ecological safety requirements. The production of leading companies in the textile branch has obtained international recognition and received the international certificates ISO 9001 and 9002 "Control system of manufacture and quality assurance", and also ISO 14001 "Preservation of environment". In addition, a number of the enterprises apply the standards WRAP "Universal responsibility in production of ready-to-wear clothes" and OHSAS 18001 "Control system of labor safety and safety precautions". The production of these enterprises, corresponding to international quality standards, has generated interest for cooperation in such large world brands as: IKEA, Sears, Berska, Wal-Mart, Levis, Zara, and Foot Locker.

FUTURE PROSPECTS

According to the programme for social and economic development of the Turkmen textile industry for the period 2011-2030, creation of some new, modern enterprises is foreseen. Their commissioning will allow the annual processing of up to 230,000 tons of cotton fibre. Yarn manufacture by 2020 is planned to increase to

193.2 thousand tons per year and cotton fabric to 319.5 million square metres. The volume of investments in the textile branch is scheduled at USD 2 billion.

It is planned to install textile production facilities in all cotton-growing regions which will allow creation of an additional 10,000 workplaces. Programme performance will permit an increase by 2020 in the output volume of the textile branch of approximately 1.4 in comparison with 2013, an increase in cotton yarn of approximately 1.8, fabrics approximately 1.8 and knitted products and garments approximately 1.5. One of the current primary goals is training of highly-skilled personnel for the textile branch (mechanics, electronic engineers, textile technologists and others).

Ongoing expansion of the textile sector combined with a high product standard is the key to increasing global demand. Active efforts toward revitalizing this important sector of the economy and the realisation of Turkmenistan's potential by means of modern facilities and optimal utilization of its wealth of raw materials are all factors which will ensure the industry's future economic role.



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