



Tropentag, October 11-13, 2006, Bonn

“Prosperity and Poverty in a Globalised World—
Challenges for Agricultural Research”

The Cotton Chain in Central Asian Uzbekistan: One Step Forward, two Back?

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Abstract

The cotton sector, contributing a considerable share to total export revenues, always was of paramount importance to Central Asian Uzbekistan. However, it also was blamed as the cause for the human-induced ecological disaster in the Aral Sea Basin. Concurrently, affected by fluctuations in prices at the world cotton market, the export of cotton fiber caused the Government of Uzbekistan (GoU) between 1998–2001 a loss of USD 1.479 bln. Hence a continuation of the cotton monoculture and export of low value fiber can no longer be regarded as the vehicle for a permanent, broad-based, and environmentally sustainable growth. A shift from the primary commodity exports to the export of value added cotton products and the removal of trade barriers became key of recent reforms. The GoU and the private sector have shown in the recent past substantial interest in reviving the cotton-textile sector by supporting foreign direct investments, the emergence of numerous textile Joint Ventures, creating a favourable climate for textile enterprises, simplifying taxation, and granting exemption from customs duties and discounts on the purchase of cotton fiber. A Value Chain Analysis (VCA) was applied to examine existing and newly established cotton-textile companies and recent developments in the Khorezm Region as an example for Uzbekistan. VCA linked agriculture, ginning and textile industries in one cotton value added chain and provided a comprehensive picture of the process of creating value added. VCA allowed a closer insight on interactions among all actors in the entire chain and GoU. Finally, VCA revealed both the impact of present regulations and reforms on the cotton textile sector and obstacles for its further development into a sector with comparative and competitive advantages. There is room for improvement of the ecological and economic situation in Uzbekistan if anticipated reforms are streamlined and sequentially consider the whole cotton chain rather than the state revenues.

Keywords: Comparative advantages, cotton, value chain analysis