

SCIENCE BRIEF 1

Uzbekistan's cotton clusters: Implementation in practice and further reform needs

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Summary

In 2018, Uzbekistan initiated a clustering policy in the national cotton sector. Based on case studies, this science brief investigates the recent changes in cotton production under the emerging clusters. Our findings show a mismatch between the meaning of clusters in the industrial policy literature and practice in Uzbekistan. Cotton-growing supervision passed from the state to private enterprises (clusters). This transformation has perpetuated monopsony conditions under which farmers have no alternative marketing channels. The input markets have been disconnected from state agencies. However, farms need access to private input markets since clusters supervise the input use. Our analyses show that forced and child labor has receded. In general, the cluster reform should have considered the best practices of industrial policy. For example, the establishment of clusters among farmers widely needed more transparency. Instead of a hastened establishment of large-scale clusters, an institutional environment that enables bottom-up initiatives should be promoted.

Background

As the biggest cotton producer in the region, Uzbekistan earned a reputation as an especially slow and opaque reformer. However, the change of government in 2016 accelerated the pace of reform, triggering a plethora of new policy initiatives, more open debate of reform proposals, and an increasing role of international donors. In early 2018, the government started implementing a new local production and processing arrangement focusing on cotton, the 'cluster system.' However, what exactly "cluster" means in the context of current cotton reforms in Uzbekistan and what effects should be expected to materialize in production practice has not yet been studied in the academic literature. Thus, we demonstrate how cotton clusters were established and investigate changes in the cotton value chain inputs and services, credit, labor mobilization, crop choice, cotton price, and marketing channels. We frame our analysis within the recent debate on the industrial policy concept.

Methodology

The qualitative approach is used to study cotton clusters by conducting interviews and visiting production sites. We also use 'grey literature' as a supportive material for our qualitative data. Four cotton clusters from different provinces are studied as cases. The results below summarise the findings of Babadjanov and Petrick (2023).

Results

Our empirical analysis elucidates the striking differences between the cluster definitions in the economic literature on

the one hand and the implementation in Uzbekistan on the other. Table 1 below recaps the significant differences of the cluster approach in international experience and in Uzbekistan.

Elements of clusters	International practice	Uzbekistan
Cluster participants	Various stakeholders	Single textile firm
Cluster boundaries	No limit	Limited
Choice to join or not	Free choice	No choice
Policy design	Bottom up	Top down

Table 1 The different characteristics of clusters.

1. The main difference is about the cluster participants. The cluster definition in the literature refers to a group of interconnected independent economic actors in a particular location (Porter, 1998), while for Uzbekistan, a cluster is a single company from the textile industry.
2. In the view of the international literature, the boundaries of clusters may cross administrative borders, but our case clusters are just based on territories of districts and sub-districts. The clusters are the privatized successors of the former semi-state ginneries in their existing locations.
3. The cluster members are free to join and exit, while in Uzbekistan, the clusterization process failed to give choice to the farmers.
4. The policy design of clusters in Uzbekistan represents a top-down approach, while international experts and literature advocate for bottom-up initiatives to make the policy successful.

Recommendations

This empirical study from the cotton sector of Uzbekistan contributes to discussing the top-down vs. bottom-up dichotomy in policy designs. One of the disadvantages of a top-down approach is the exclusion of various actors from the decision-making. Zorya and Babaev (2020) are concerned about the need for more transparency for the farmers during the organization of clusters. International observers and researchers suggest a bottom-up approach in policy designs involving a wide array of stakeholders, which are crucial to making the policy successful. The government should support clusters that evolve naturally due to the initiatives and interactions of actors: farmers, processors, input suppliers, and other actors. As part of such an institutional environment, the cluster reform should address the accountability and considerations of various stakeholders in the cotton sector. These questions should be discussed more openly: Are farmers, as leading cotton growers, ready to work with clusters? Do legal frameworks to organize clusters exist? Which norms, rules, and procedures function in practice?



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Reference

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