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RULES OF ORIGIN, COMPLIANCE AND MARKET CONCENTRATION: WHY UZBEKISTAN'S TEXTILE INDUSTRY UNDERUSES ITS GSP+ ACCESS TO THE EUROPEAN UNION

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Abstract. The paper examines why Uzbekistan's textile industry, which has been a beneficiary of the European Union's GSP+ arrangement since April 2021, still directs only a marginal share of its finished textile exports to the European market. Using UN Comtrade data for 2020–2025, including partner-country mirror statistics for 2025, and preliminary data of the National Statistics Committee for 2025–2026, the study compares the export structure of Uzbekistan with that of Pakistan, Vietnam and Türkiye and links the observed gap to rules of origin, compliance capabilities and buyer concentration at the firm level. The findings show that Uzbekistan's vertically integrated cotton base gives it a latent advantage under the GSP+ double transformation rule, while the realisation of this advantage depends on firm-level management of origin documentation, certification and buyer portfolios.

Keywords. textile exports, GSP+, rules of origin, compliance, market concentration, foreign economic activity management, Uzbekistan

Introduction

Preferential market access is often treated in policy debates as a sufficient condition for export upgrading, yet the experience of developing-country textile exporters suggests that tariff preferences translate into higher value-added exports only when firms possess the managerial capabilities required by demanding buyers. Uzbekistan offers an instructive case, because since 10 April 2021 its exports have benefited from the EU GSP+ arrangement, under which tariffs are removed on about two thirds of tariff lines in exchange for the implementation of 27 international conventions (European Commission, 2021), and since March 2022 the international call for a boycott of Uzbek cotton has been lifted (Cotton Campaign, 2022), so that the main institutional barriers to the European market have been removed. The present paper asks why these institutional changes have not yet been reflected in a significant shift of Uzbek finished textile exports towards the European Union, and which firm-level management factors explain this gap.

Data and methods

The analysis relies on UN Comtrade data on Uzbekistan's exports of textiles and clothing (HS chapters 50–63) for 2020–2024, on the 2025 import statistics of the European Union and Kazakhstan for goods originating in Uzbekistan, which serve as mirror statistics because Uzbekistan has not yet

reported its 2025 data by product and partner, and on the preliminary 2025–2026 foreign trade data of the National Statistics Committee of the Republic of Uzbekistan (UN Comtrade, 2026; National Statistics Committee, 2026a, 2026b). Export structure is compared with Pakistan, Vietnam and Türkiye, which were selected as a cotton-based structural analogue, an assembly-based competitor without a cotton base and a vertically integrated full-package supplier respectively, while market concentration is measured with the Herfindahl–Hirschman index (HHI) calculated over partner-country shares.

Results

The comparison reveals that Uzbekistan's export structure differs sharply from that of its competitors, since in 2023 cotton yarn accounted for 35.6 per cent of Uzbekistan's textile and clothing exports, compared with 6.4 per cent in Pakistan, 5.5 per cent in Vietnam and 1.4 per cent in Türkiye, while finished products accounted for only 39.0 per cent against 62.7–79.3 per cent in the three competitors (Table 1).

Table 1. Structure of textile and clothing exports (HS 50–63), 2023, per cent

Indicator	Uzbekistan	Pakistan	Vietnam	Türkiye
Cotton yarn (HS 5205) in total	35.6	6.4	5.5	1.4
Finished products (HS 61–63) in total	39.0	77.4	79.3	62.7
Textiles and clothing in national merchandise exports	19.1	56.1	11.4	12.9

Source. Author's calculations based on UN Comtrade data.

A comparison of rules of origin shows that this structure contains a latent advantage, because under GSP+ clothing must undergo double transformation, which in practice requires the fabric to be produced in the beneficiary country (Uddin, 2021), whereas assembly-based exporters such as Vietnam, where about 60 per cent of the textiles used in export-oriented garment chains were imported in 2020 (Goto, 2023), find it difficult to meet such requirements, and Bangladesh faces the same problem as it graduates from the least developed country category and loses single-transformation treatment. Uzbek producers that use domestic cotton yarn and fabric are therefore structurally better placed to qualify for preferential tariffs than most competitors in the same price segment.

Nevertheless, the realised market structure points in the opposite direction, since in 2024 the European Union accounted for only 4.0 per cent of Uzbekistan's exports of finished products (HS 61–63), while 75.5 per cent were shipped to Russia, and the HHI for knitted clothing exports (HS 61) increased from 0.425 in 2020 to 0.643 in 2024 while the share of Kyrgyzstan, which may have served as a transit route, fell from 37.1 to 2.2 per cent (UN Comtrade, 2026). Mirror statistics indicate a first positive shift, as EU imports of finished products from Uzbekistan rose from USD 34.1 million in 2024 to USD 58.9 million in 2025, including an increase in knitted clothing from USD 18.0 million to USD 39.0 million, yet this level still corresponds to only about 4 per cent of Uzbekistan's finished textile exports, which reached about USD 1.43 billion in 2025 according to the National Statistics Committee (2026a). A further risk arises from the growing reliance on imported intermediate inputs, because Uzbekistan's imports of knitted fabric (HS 60) doubled from USD 45.2 million in 2020 to USD 93.4

million in 2024, and garments made from non-originating fabric would not satisfy the double transformation requirement.

Firm-level evidence from comparable exporters helps to explain why access alone is insufficient. A randomised experiment in Bangladeshi garment factories found that the enforcement of occupational safety requirements improved compliance mainly in factories with stronger management practices (Boudreau, 2024), while order-level data show that exporters earn higher markups from relational buyers than from spot buyers (Cajal-Grossi et al., 2023). Taken together with the observed concentration of Uzbek finished exports, these findings suggest that entry into EU markets is constrained less by tariffs than by firms' capabilities in certification, traceability, origin documentation and the management of long-term buyer relationships, which become even more important under the EU Corporate Sustainability Due Diligence Directive (European Union, 2024).

Conclusion

The study shows that Uzbekistan's textile industry combines a structural advantage under GSP+ rules of origin with a strong dependence of finished exports on a single market, and that the gap between potential and realised EU access is rooted in firm-level management capabilities rather than in tariff barriers. Policy support should therefore shift from general export incentives towards building origin-documentation, compliance and buyer-management functions within firms, while firms themselves should treat rules of origin and certification as core objects of foreign economic activity management. Future research will test these propositions with customs and interview data from four textile enterprises, using a diagnostic matrix that relates the quality of foreign economic activity management to export outcomes.

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