

TRADE PROMOTION PROGRAMME IN TAJIKISTAN

THE WAY TO RUSSIA

Tajik manufacturers of textile and clothing products have ability to enter the Russian market and strengthen their presence in it in the case of using more strategic approach to be competitive and demanded.

International Trade Center (ITC) under the Trade Promotion Project in Tajikistan recently conducted research on Russian textile & clothing market. This market research covered the Russian market for Textiles and Clothing (T&C), with particular emphasis on exploring information useful for producers and exporters from Tajikistan. Ms. Rupa Ganguli, ITC expert on textile and clothing sector says, the objective of this study is to enable Tajikistan textile and clothing enterprises and sector-related structures to better understand the current and fast evolving market requirements, opportunities and challenges in this large emerging market. The research shows a clear picture of the Russian market, several buyers' views and the potential share of this growing retail market which Tajik producers can target.

Despite of the financial crisis of two last years, Russia remains as an attractive market to retailers, manufacturers and exporters worldwide who are seeking markets with high growth potential. The textile and apparel market in Russia has a value of approximately \$37 to \$40 billion USD, with about \$25 billion in apparel alone. Textiles have upwards of \$12 billion in retail sales. Over 30% of Russia's retail sales are in the Central Federal District (Moscow) with another 7% in St Petersburg. According to various secondary sources, women's wear makes up the majority of the apparel market (60% in 2008) with the rest split between men's (25%) and children (15%). Prior to 2008, both children and men's wear were growing as a percentage of the market.

The Russian Federation has relatively high tariff regime for goods coming from outside the Commonwealth of Independent States (CIS), as well as a bureaucratically intense customs clearance process. For suppliers from Tajikistan, this can be a competitive advantage as they, per the CIS tariff agreement, should only pay Valued Added Tax (VAT) in Russia (18% on most textile and apparel products).

China has a market share of 38% by value of "white" (officially custom cleared) import to Russia. Turkey and some EU countries come in next above several CIS countries. Kyrgyzstan is the one of the top exporters to Russia, exporting largely women's blouses & shirts. In general, in spite of tariff advantages, Central Asian countries do not come up high in the list of key textile and clothing exporters to Russia. This is partly a result of the low impression that most Russian importers have of CIS suppliers in terms of product quality, design and export competitiveness overall.

For Central Asian textile and apparel companies targeting the Russian market for sustainable export orders, (either yarn, textile or finished garments) some key factors of competitiveness should be taken onboard. These include: participating in trade shows – preferably in Asia to start, as that's where Russian buyers are most actively looking to establish new supply relationships; attending Russian trade shows to keep track of market trends; preparing a clear marketing strategy to convince Russian customers that quality and service issues are being taken very seriously as a priority area. This should include the demonstration of investments in quality control, new equipment and process controls; working as a block to raise awareness of the potential for cooperation with Central Asian CIS producers. At the country and regional level, a brand (re) building exercise is necessary as well as establishing the right partnerships in Russia so as to eliminate Russia specific market challenges that fall outside core production competencies.

In addition to the textile and clothing market structure and characteristics of Russia; tariffs; overview of logistics; packaging, labelling, shipping and other requirements, this study includes information about most important fairs, contacts and recommendations how to enter the market and to stay in it competitively. The study utilizes primary sources such as Russian Federation Customs where available, RosStat, interviews with market participants and secondary sources such as trade journals and trade specific websites.

The electronic copy of the study report is available via an e-mail or phone request.

The overall objective of the Trade Promotion Program in Tajikistan, implemented by the ITC and funded by SECO, is to contribute to the sustainable expansion and diversification of SMEs' exports in Tajikistan through increasing the competitiveness of the textile and clothing industry and improving the quality management infrastructure of the country.

For more information please contact:

Abdulfattoh Shafiev

National Consultant on Public Relations

Trade Promotion Program in Tajikistan

International Trade Centre UNCTAD/WTO (ITC)

Tel: + 992 918 85 45 43; +992 372 2240877 E-mail, M-Agent and Moy Mir: abdulfattoh@inbox.ru