



# INTERNATIONAL COTTON ADVISORY COMMITTEE

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From the Secretariat

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## INTERNATIONAL CONFERENCE “TEXTILE INDUSTRY AND NATIONAL STRATEGIES FOR SUSTAINING GLOBAL COMPETITIVENESS”

**Moscow  
May 18, 2010**

An international conference under the theme: “TEXTILE INDUSTRY AND NATIONAL STRATEGIES FOR SUSTAINING GLOBAL COMPETITIVENESS” was held on May 18, 2010 in Moscow, Russia. The Ministry of Economic Development of the Russian Federation, the Secretariat of the ICAC and the Russian Cotton Association organized the conference. Representatives of the Ministry of Industry and Trade, Russian Union of Textile and Light Industry Businessmen, and representatives of the textile and cotton industries from Russia, Central Asia and other countries participated in the conference.

The conference focused on strategies for sustaining competitiveness of the cotton textile and garment industries, the role of government support to the industry and an outlook for the Russian textile industry.

According to participants, the biggest constraint faced by Russian mills is the tight credit needed to modernize equipment. Textile companies often do not have enough collateral to qualify for commercial loans to update machinery. Textile companies would like government quarantines to facilitate credit for purposes of modernization in order to improve competitiveness. Russian mills would also like government support for training of textile workers, as qualified labor becomes scarce and mills do not have enough facilities and resources to undertake training programs.

Factors that are negatively affecting the Russian textile industry include trade protection, duties on exports, illegal imports, unfair competition by importers because of smuggling and false documentation in order to evade tariffs. Yarn imports from Turkmenistan and Uzbekistan are rising, and both governments are supporting their textile industries with subsidized cotton and new equipment. Cotton yarn from Turkmenistan sells in Russia at prices lower than the cost of cotton delivered to Russian mills.

An estimated 30% of net domestic textile consumption is produced in Russia and 70% is imported, and an estimated 45% of imported textiles and apparel are smuggled. Total Russian textile market value is estimated at \$7-\$10 billion. Most Russian mills are producing for domestic markets, and the share of military orders, including uniforms and heavy canvas, remains high. Military procurement is expected to sustain domestic production in the future. However, military purchases are not stable affecting mills' use of capacities. Exports of textiles from Russia were expanding into Europe during the 2000s, aided by a weaker ruble, but are declining currently because of contracting textile demand in Europe. There are still substantial cut & sew operations in Russia, and textile companies from Europe are looking for opportunities for joint ventures in the production and retail sale of textiles and apparel in Russia.

Russian imports of cotton originate mostly from Uzbekistan, Tajikistan and Turkmenistan. Mill use in Russia declined in 2009 and was estimated at 190,000 tons, down from 240,000 tons in 2008. Uzbekistan accounted for only 23% of cotton imports in 2009 and Kazakhstan is now the largest supplier to Russia. The decline in the ruble may reduce imports of yarn and could lead to higher cotton mill use in the future.

It was emphasized at the conference that the government of Russia is providing support to the industry by subsidizing interest rates on loans to the textile industry, providing funding for textile industry research, working to improve customs statistics, and the Ministry of Industry and Trade is developing a reference book of state-of-the-art spinning equipment as a guide to machinery imports. Imports of textile machinery, which is not produced in Russia, are duty free. The government of Russia has no benchmark or target for national textile production.

However the government is emphasizing technology development, tax policy, renovation, and enforcement of customs regulations. Production of technical textiles and heavy textiles and garments, such as military uniforms, is encouraged. The government is also encouraging the use of chemical fibers.

It was noted that Russia is philosophically supportive of free trade and realizes that the center of textile production is moving toward East Asia. Russia is interested in joining the WTO. Russia, Belarus and Kazakhstan are considering WTO accession as a customs union. It was observed that proximity to production does not guarantee competitiveness, as evidenced by the decline in mill use in the U.S. and the rise in garment production in Mauritius and Bangladesh. Productivity, efficiency and labor costs are more important than proximity to cotton production. However, proximity to cotton production could be advantageous, and the Ministry of Industry and Trade in Russia is asking the Ministry of Agriculture to reactivate a plan to produce cotton in Russia.

The conference included presentations about government support to the textile industries in Turkey and Kazakhstan. It was observed that exports of textiles and garments from Turkey are rising, but Turkey's share of world trade is declining. Textile and clothing are a major contributor to net export revenue. Turkey cannot produce as cheaply as China, and Turkey is not a fashion center like Italy. Turkey is emphasizing smart textiles, technical textiles, and fashion products. The government has helped industry to establish a fashion academy, an R&D center and a clothing-consulting center in Istanbul (Istanbul Moda Academic Center, TurQuality).

Textile producers in Turkey are currently experiencing growing demand. Their strategic worry is that cotton production is dropping. The government of Turkey is considering increased subsidies to encourage cotton production. It was said that the example of the U.K. indicates that Turkey needs to maintain a base of cotton production to support the textile industry.

It was noted that Turkey is a leading user of anti-dumping and countervailing duties in the WTO. Turkey implements "reference prices," estimated production costs for textile and apparel products, and if landed values are below a confidence interval, Turkey files a case in the WTO. "State aids" (subsidies) are primarily for enterprises operating in Eastern Turkey.

In Kazakhstan about 10% of production is retained for mill use. The government has established a textile cluster, a duty free economic zone for textile mills. Up to 15 new textile enterprises are being encouraged in this special economic zone in the South to use up to 100,000 tons of cotton. The government has a goal of supplying 30% of retail consumption domestically for national security.

Participants of the conference called on the government of Russia to expand support programs, including expanding credit guarantees for modernization of equipment and funding training programs for textile workers. Participants appreciated information on support measures implemented by other countries and it was emphasized that stronger more comprehensive support is needed, in order to improve industry competitiveness.

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The Secretariat of the Committee publishes information related to world cotton production, supply, demand and prices, and provides technical information on cotton production technology. Detailed statistics are found bimonthly in *COTTON: Review of the World Situation*, \$185 per year via email, \$225 per year in hard copy. A monthly outlook is available by email for \$295 per year. Access to the latest weekly estimates of world cotton supply and use by the Secretariat is available on the Internet for \$460 per year. Access Secretariat reports at <www.icac.org>.