

# **Russia: Huge Potential for Exports of Indian Manmade fibre Textiles and Technical Textiles**

## INTRODUCTION

Russia - the largest country on earth area-wise with around 150 million people and its territory extends from Eastern Europe to Northern Asia, sharing borders with 14 countries and covering nine time zones. Russia has transitioned from a centrally planned economy to a more market-based economy in which many state-controlled firms have been privatized and sectors of the economy are liberalized. Russia is a member of the Asia-Pacific Economic Cooperation (APEC) and the Eurasian Economic Union (EAEU).

## RUSSIAN ECONOMY

The Russian Economy has gradually transformed from a planned economy into a mixed capital economy. It has enormous natural resources, particularly oil and natural gas. It is the world's ninth-largest economy by nominal GDP, and the sixth largest by PPP. Russia's became a Member of the WTO 2011.

## CURRENT SCENARIO

Ever since the Russia-Ukraine war broke out, Russia has been under unprecedented western economic sanctions, be it Banking services or trade and commerce. Americas and EU countries have cut down their trade and business to and from Russia in all areas.

Reports indicate that Russia's economy has weathered the West's unprecedented economic sanctions far better than expected. Russia will keep bringing in oil income, even at lower prices. Goods are skirting sanctions through imports from third countries that aren't penalizing Russia. For example, Armenia's exports to Russia jumped around 50% in the first half of 2022. Chinese goods are increasingly available. Apple has stopped selling products in Russia, but Wildberries, the country's biggest online retailer, offers the iPhone 14 for about the same price as in Europe. Furniture and home goods remaining after IKEA exited Russia are being sold off on the Yandex website. Nespresso coffee capsules have run short after Swiss-based Nestle stopped shipping them, but knockoffs are available. Though, the economy teeters between sanctions and resilience, what every day Russians can buy has stayed remarkably the same.

## HUGE TEXTILE MARKET

The Russian Federation has been one of the leading textile consuming countries around the world and it is the largest textile market in the CIS region. In 2021 Russia imported around US\$ 13 billion of textile and clothing in which US\$ 3 billion was of MMF textiles alone.

Current import of textiles and clothing by Russia from India is around US\$ 260 million only and the share of Indian MMF textiles is mere US\$ 55 million. Despite Russian Federation having cordial relationship with India and promising a huge market, we are unable to tap the Russian textile markets due to geographical distance, logistics, Customs issues, currency & payment mechanism, etc. However, there have been continuous improvements of all these parameters at

significant levels in recent times. There is huge untapped export potential for both Indian MMF textile exporters and T & C exporters. **(Details are given in Table 1).**

After the war broke out, some of the western sanctions on Russian Federation have turned into new opportunities for Indian textile exporters. All the western suppliers of textiles including MMF textiles have stopped exporting to Russia, leaving huge room and scope for India and other competing countries to cater to the Russian markets. The advantage that Indian exporters gain over others is the close G2G ties between India and Russia and the trust that the Russian companies have in Indian suppliers. Moreover, the quality of Indian textiles is well acclaimed in all over world and through Russia too.

## RUPEE TRADE MECHANISM

Nine Russian Banks opened Vostro Accounts in Indian Banks after RBI Approval. This move to open the special vostro account clears the deck for settlement of payments in Indian rupee for trade between India and Russia, enabling cross-border trade in the Indian currency. Sberbank and VTB Bank -- the largest and second-largest banks of Russia, are the first foreign lenders to receive the approval after the RBI announced the guidelines on overseas trade in the rupee in July. Another Russian bank Gazprom - which does not have its bank in India - has also opened this account with Kolkata-based Uco Bank. Nine accounts that have been opened are one in Uco Bank, one in Sber, one in VTB and 6 with IndusInd Bank. The Rupee trade mechanism by accepting rupee payments for settling trade between India and Russia is a big booster for enabling huge exports of textiles from India to Russia.

## EXPORTS OF INDIAN MMF TEXTILES TO RUSSIA

Exports of Indian MMF textiles to Russia in 2019-20 exports were US\$ 28 million that reached to around US\$ 50 million in 2021-22 witnessing a growth of around 79%. In the export basket of Indian MMF textiles to Russia, yarns were the dominant with nearly 44% share followed by fabrics (25%), fibre (16%) and made-ups (15%). **(Details are given in Table 2).**

## IMPORT TARIFF IN RUSSIA

The Customs duties imposed by Russia on import of MMF textiles are around 12% of CIF value.

Fibre: 5%, Yarn: 5%, Fabrics: 7% and Made-ups: 12.50%

**Table 1. Export Potential for India in Russian Federation in T&C and MMF textiles**

Segment	Russian Federation's imports from India (In US\$ mn)				Russian Federation's imports from world (In US\$ mn)				Potential for India in Russian Federation (In US\$ mn)			
	2019 (Jan - Dec)	2020 (Jan - Dec)	2021 (Jan - Dec)	2022 (Jan)	2019 (Jan - Dec)	2020 (Jan - Dec)	2021 (Jan - Dec)	2022 (Jan)	2019 (Jan - Dec)	2020 (Jan - Dec)	2021 (Jan - Dec)	2022 (Jan)
Textile & Clothing	266.78	226.12	264	27.23	11492.28	11510.53	13025.64	1071.43	11225.5	11266.16	11228.28	11465.05
Man-made Fibre Textiles	37	34	55	7.33	2469	2380	3015	250.17	2432	2346	2960	242.84

**Table 2. Exports of Indian MMF textiles to Russian Federation**

Segment	2019-20 (In US\$ mn.)	2020-21 (In US\$ mn.)	2021-22 (In US\$ mn.)
Fibre	4.27	10.35	15.43
Yarn	18.05	17.77	27.41
Fabrics	2.32	1.75	2.81
Made-ups	2.84	4.32	3.93
<b>TOTAL</b>	<b>27.48</b>	<b>34.19</b>	<b>49.58</b>

**Table 3. Potential MMF Technical Textiles India can focus for Russian Federation**

Sl. No.	HS code	Product label	Russian Federation's imports from India (in US\$ mn)			India's exports to world (in US\$ mn)			Russian Federation's imports from world (in US\$ mn)			Indis's % share
			Value in 2019	Value in 2020	Value in 2021	Value in 2019	Value in 2020	Value in 2021	Value in 2019	Value in 2020	Value in 2021	
1	'560314	Nonwovens, whether or not impregnated, coated, covered or laminated, n.e.s., of man-made filaments, ...	0.536	0.820	0.483	14.040	7.210	11.170	57.190	57.380	68.150	0.71
2	'560312	Nonwovens, whether or not impregnated, coated, covered or laminated, n.e.s., of man-made filaments, ...	0.307	0.185	0.154	64.258	93.047	127.329	47.744	62.255	59.322	0.26
3	'560311	Nonwovens, whether or not impregnated, coated, covered or laminated, n.e.s., of synthetic or ...	0.056	0.096	0.043	19.635	25.809	19.415	34.888	49.080	74.293	0.06

4	'560210	Needleloom felt and stitch-bonded fibre fabrics, whether or not impregnated, coated, covered ...	0.023	0.008	0.024	3.604	3.307	5.919	14.705	12.349	17.524	0.14
5	'560393	Nonwovens, whether or not impregnated, coated, covered or laminated, n.e.s., weighing > 70 ...	0.000	0.000	0.010	3.247	3.776	6.090	20.707	22.984	28.392	0.04

**Table 4. Potential Man-made Fibre Fabrics having huge export scope to Russian Markets**

Sl. No.	HS code	Product label	Russian Federation's imports from India (in US\$ mn)			India's exports to world (in US\$ mn)			Russian Federation's imports from world (in US\$ mn)		
			Value in 2019	Value in 2020	Value in 2021	Value in 2019	Value in 2020	Value in 2021	Value in 2019	Value in 2020	Value in 2021
1	'540761	Woven fabrics of yarn containing >= 85% by weight of non-textured polyester filaments, incl. ...	0.525	0.498	0.628	9.23	6.03	8.36	117.48	118.47	158.13
2	'540720	Woven fabrics of strip or the like, of synthetic filament, incl. monofilament of >= 67 decitex ...	0	0.115	0.151	331.83	204.12	178.75	20.00	18.56	304.31
3	'540752	Woven fabrics of yarn containing >= 85% by weight of textured polyester filaments, incl. monofilament ...	0.031	0.102	0.150	124.77	75.01	112.31	25.21	21.52	32.65
4	'551219	Woven fabrics containing >= 85% polyester staple fibres by weight, dyed, made of yarn of different ...	0.363	0.126	0.165	13.77	12.85	24.67	35.27	29.21	38.26
5	'551422	Woven fabrics containing predominantly, but < 85% polyester staple fibres by weight, mixed ...	0	1	0	1.55	1.04	1.99	45.09	43.90	64.81

**Table 5. Potential Man-made Fibre Yarns having export scope to Russian markets.**

Sl. No.	HS code	Product label	Russian Federation's imports from India (in US\$ mn)			India's exports to world (in US\$ mn)			Russian Federation's imports from world (in US\$ mn)		
			Value in 2019	Value in 2020	Value in 2021	Value in 2019	Value in 2020	Value in 2021	Value in 2019	Value in 2020	Value in 2021
1	'540233	Textured filament yarn of polyester (excluding that put up for retail sale)	14.169	11.817	22.41	734.83	460.89	767.29	47.50	44.90	62.22
2	'540110	Sewing thread of synthetic filaments, whether or not put up for retail sale	0.647	0.266	0.338	11.00	9.04	12.38	20.60	19.97	25.56
3	'540419	Synthetic monofilament of $\geq 67$ decitex and with a cross sectional dimension of $\leq 1$ mm (excluding ...	0	0.001	0.005	6.191	5.68	9.04	9.13	13.76	21.87
4	'540220	High-tenacity filament yarn of polyesters (excluding that put up for retail sale)	6	0	0	18.07	13.70	21.52	44.51	40.46	58.65
5	'550912	"Multiple ""folded"" or cabled yarn containing $\geq 85\%$ nylon or other polyamide staple fibres ...	0.020	0	0	0.823	0.673	0.614	23.70	21.25	25.52

**Table 6. Potential MMF Made-ups India can export to Russia.**

Sl. No.	Product code	Product label	Russian Federation's imports from India (in US\$ mn)			India's exports to world (in US\$ mn)			Russian Federation's imports from world (in US\$ mn)			Indis's % share
			Value in 2019	Value in 2020	Value in 2021	Value in 2019	Value in 2020	Value in 2021	Value in 2019	Value in 2020	Value in 2021	
1	630532	Flexible intermediate bulk containers, for the packing of goods, of synthetic or man-made textile ...	0.003	0.004	0.003	0.703	0.628	0.983	0.032	0.033	0.039	6.82

2	630790	Made-up articles of textile materials, incl. dress patterns, n.e.s.	0.842	0.001	0.001	0.394	0.312	0.408	0.138	0.746	0.210	0.64
3	630392	Curtains, incl. drapes, and interior blinds, curtain or bed valances of synthetic fibres (excluding ...	0.068	0.154	0.108	7.05	8.54	11.23	66.56	67.43	93.58	0.12
4	630140	Blankets and travelling rugs of synthetic fibres (excluding electric, table covers, bedspreads ...	0.416	0.176	0.533	26.40	24.83	41.44	20.69	16.85	22.85	2.33