



Kyrgyzstan Textiles Market

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Market Overview

The Kyrgyz textile and apparel market has developed largely without any government interference or foreign investment. It is primarily an export oriented industry. In the past few years it has been growing rapidly and exports of textiles have been almost doubling year on year for the past three years and reached almost \$80 million in 2007. Trade in textiles with the United States has been rather limited, although there is significant potential for trade and investment.

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Textile Imports from USA | \$10,720 | \$53,280 | \$3,508 | \$0 | \$2,745 | \$27,651 |
| Total Textile Imports | \$17,472,523 | \$19,881,859 | \$11,852,580 | \$9,175,317 | \$15,192,326 | \$9,173,864 |
| Textile Exports to USA | \$3,187,865 | \$9,615,486 | \$6,614,854 | \$3,730,630 | \$1,796,917 | \$84,748 |
| Total Textile Exports | \$5,752,035 | \$14,795,315 | \$23,207,637 | \$23,212,169 | \$47,743,737 | \$79,084,669 |

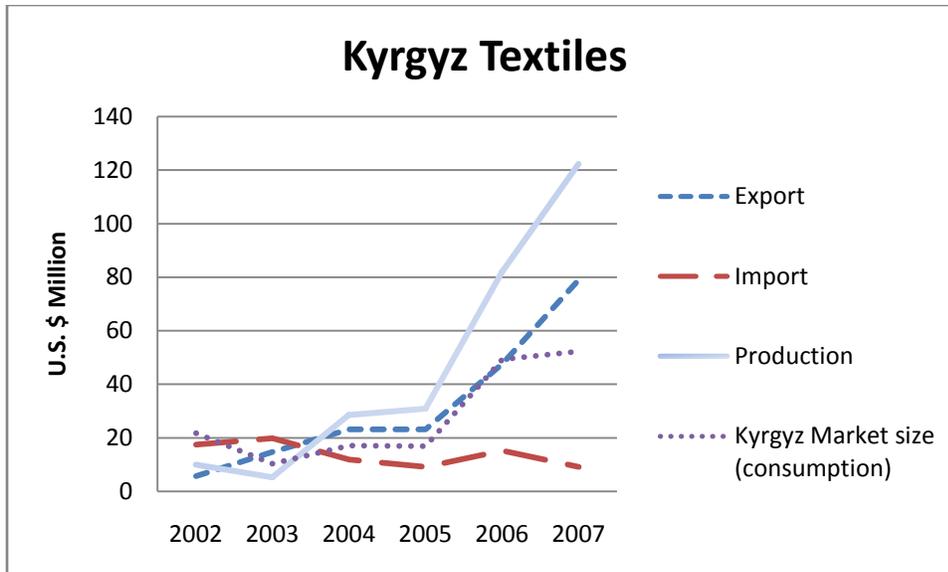
Source: National Statistics Committee and <http://tse.export.gov>

Table 1. Kyrgyz trade in textiles apparel with U.S. and the world 2002-2007

The 'Made in Kyrgyzstan' brand has been well-received in Russia and some other neighboring states, as well as in Kyrgyzstan. Clothes produced in Kyrgyzstan can be found throughout the region, from open markets in Kyrgyzstan to high-end boutiques in Russia.

Due to local conditions, it is hard to estimate the true volume of textile trade and production. Despite the Kyrgyz government's efforts to stimulate transparency in this sector, little improvement has been seen. Companies involved in transporting apparel to neighboring states disclose approximate figures of volumes of exports to the Kyrgyz government.

Around 150,000 people and over 35,000 companies are involved in the apparel production industry in Bishkek, Kyrgyzstan. That is about 15% of the population of the capital. Over 60 million pieces of apparel were exported in 2007. Salary costs for seamstresses range between \$200 to \$300 a month. Designer salaries range between \$1000 to \$1500 per month. A small company with 20 workers can produce 1500 pieces of apparel per week.

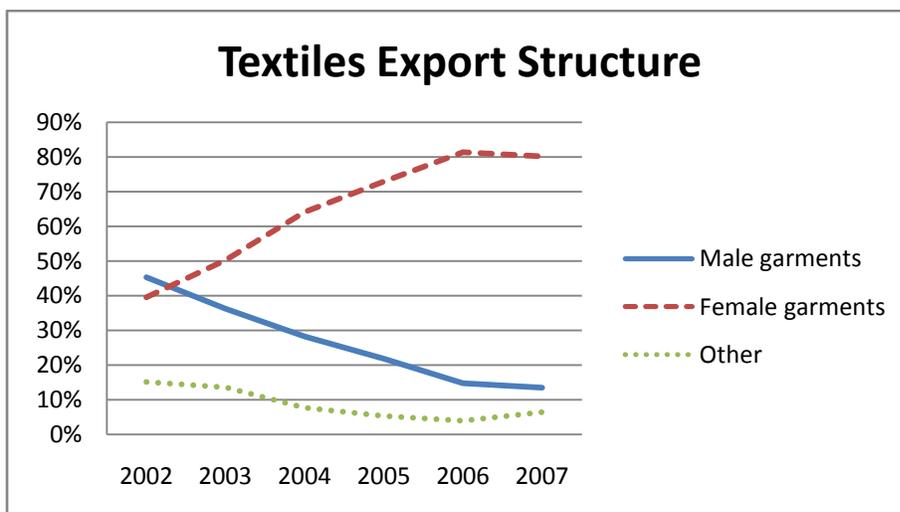


Source: National Statistics Committee

Graph 1. Kyrgyz textiles and apparel – production, trade and market size 2002-2007.

Exports

According to industry specialists the primary line of production is apparel for women. The share of women’s apparel in exports has grown significantly in the last five years, increasing from 40% to 80%. The most popular types of women’s apparel are women’s suits, dresses, jackets and blouses. Most popular male garments are formal suits.



Source: National Statistics Committee

Graph 2. Kyrgyz Textiles Export Structure

According to the National Customs Committee, nearly 95% of Kyrgyz textiles are exported to Russia. However, industry experts believe that Russia absorbs only 60% of Kyrgyz textile exports with the remainder going to Kazakhstan and other neighboring states.

The collapse of exports to the United States, as indicated in table 1, is likely due to the closure of factories exporting specifically to the U.S. market and/or the completion of contracts for export of goods to the United States.

Imports

The local market is saturated with clothes from different parts of the world, especially China and Turkey. Many clothing items available on the market are of poor quality and counterfeit goods are commonplace. Quality apparel costs two to three times more than similar goods in the United States. Quality, affordable apparel can be sold in Kyrgyzstan.

Local Distribution Channels

Kyrgyz textiles and apparel are distributed through a number of retail outlets, including bazaars (open markets), on-street shops and shopping malls. While bazaars retain around 70% of retail trade, their share is gradually decreasing in favor of big shopping malls.

Dordoi bazaar, a 55 hectare land plot located north of Bishkek, is the biggest open market in Kyrgyzstan, and the main wholesale outlet for most consumer goods, including Kyrgyz textiles. It has been the only wholesale marketplace for Kyrgyz textile producers for a number of years. In the past few years Kyrgyz apparel producers started to establish direct contacts and channels with buyers without using Dordoi bazaar.

Transportation

Kyrgyzstan is a land-locked country without direct sea access. Nevertheless, it is accessible to international railway, auto and air transportation routes. Vehicular and rail shipments are the most common means of transport for the export of Kyrgyz textiles and apparel.

Textiles Association

“Legprom” is a light industry association that lobbies on behalf of local apparel producers. This association drafts and advocates laws to assist the textile industry. This association is also very protective in terms of assisting local producers, training seamstresses, etc., but is not very open to potential foreign investors in the Kyrgyz apparel sector. A joint venture operation, with a local partner, would likely be the best mechanism for foreigners to use to enter the local market.

Raw Materials

Almost all raw materials are imported. Most raw materials are brought from China, where they can be obtained rather cheaply. Industry specialists indicate that the local market is now ready for locally produced, high quality raw materials, but lament that local producers have not yet been able to deliver consistently suitable and reliable raw materials.

Fashion & Trade Shows

Local fashion designers, modeling agencies and textiles industries have been rather active in the past few years in organizing fashion shows as well as trade shows, where people from different parts of the world can be exposed to the Kyrgyz textile and apparel sector.

Intellectual Property Rights Protection

While there are many companies producing under local brands, there are still many firms making counterfeit products with international labels. Intellectual property right protections are enshrined in Kyrgyz law, but are not sufficiently enforced.

Opportunities for U.S. Companies

- Rather low production costs create a favorable climate to establish a production facility of high quality apparel, which can then be further exported anywhere, as well as sold locally.
- A lack of locally produced raw materials creates another excellent opportunity for U.S. companies to invest in raw materials production. Kyrgyz farmers can supply locally grown cotton and wool.
- Local demand for high quality affordable apparel and, especially, footwear is a great opportunity for U.S. exporters to export U.S. apparel to Kyrgyzstan

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