

RUSSIA

A. THE MARKET

There are 30 million families in Russia, averaging three persons per family. Commercial officers at the Canadian Embassy in Moscow suggest roughly six million families can afford high end towels, that each family member uses a minimum of six towels, and that these towels are replaced every three to five years.

Local towel production has always been insufficient, and a permanent shortage of towels of all types is prevailing feature of the Russian retail market.

Russian manufacturers face an inadequate supply of cotton from Commonwealth of Independent States countries, which prefer exporting the commodity for hard currency elsewhere. Consequently, Russian towel production continues to decline as lack of hard currency further restricts alternative supplies of raw material from overseas.

While Russian manufacturers are having difficulty meeting demand for towels in Russia, others have stepped into the breach. Asian manufacturers, from China, Korea and Taiwan, for example, have begun introducing low end towels into Russian Pacific markets, in addition to supplying those markets with inexpensive everyday clothing.

Towels imported into Russia are in good demand from a variety of buyers, including the army, navy, railways, maritime and river transport and lower income groups in the general population.

B. BUSINESS ENVIRONMENT

Embassy commercial staff advise that hotels in Moscow and other Russian cities could become regular clients of foreign towel makers. There are now (Dec 1993) over 80 hotels in Moscow, and more are being built in what is becoming a major new industry.

There are in addition several major department stores in every large Russian city which may be interested in supplies of foreign-made towels as well. In Moscow alone, there is GUM, TSUM, Moskovsky, Moskva, Detsky Mir, Petrovsky Passage, and others.

In addition, there are many lower calibre stores, plus many recently privatized retailers. These businesses either arrange the import of merchandise on their own, or obtain their supplies from local wholesalers, foreign companies or their agents.

Imported towels are subject to 15 per cent import tax, and a 20 per cent value added tax. No other barriers or quotas are imposed.