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СЦЕНАРИИ РОСТА ПРОИЗВОДСТВА ОДЕЖДЫ В АРМЕНИИ

Аннотация. Цель: *разработать сценарии роста сектора производства одежды и выявить роль правительства Армении, а также те факторы, которые определят рост производства одежды и объемов экспорта в соответствии с различными сценариями после присоединения страны к Евразийскому экономическому союзу (ЕАЭС).* ***Методологический подход:*** *разработка сценариев является основным инструментом для представления перспектив развития отрасли после вступления Армении в ЕАЭС в течение 5-летнего периода. При разработке сценариев были сделаны допущения, что новые и местные компании смогут нанять на работу или обучить сотрудников, которые удовлетворят требованиям работодателей. В основе разработки сценариев легли различные прогнозы по стратегиям аутсорсинга ведущих фирм, статистические данные по мировому экспорту одежды, сектору производства одежды и т. д.* ***Результаты:*** *были выявлены и разработаны четыре сценария роста сектора производства одежды: становление Армении в качестве одного из ведущих поставщиков одежды и аксессуаров на рынках России и других государств-членов ЕАЭС; ворота в ЕАЭС; рост сектора, обусловленный аутсорсингом; двойной характер роста сектора по производству одежды.* ***Выводы:*** *в рамках разработанных сценариев рост сектора будет обусловлен различными субъектами или игроками: армянские производители и/или транснациональные корпорации (ТНК). Рост объемов производства будет в значительной степени зависеть от темпов восстановления российской экономики в случае трех из четырех сценариев. Ключевые и/или благоприятные факторы успеха, обеспечивающие рост сектора, различаются в зависимости от сценариев. Успешная реализация маркетинговой и/или стратегии национального брендинга при всех четырех сценариях будет ключевым фактором для роста экспорта и привлечения целевых ТНК.* ***Практическое применение:*** *полученные результаты могут быть использованы Министерством экономического развития и инвестиций Республики Армении и Фондом развития Армении в разработке стратегий по продвижению экспорта, привлечению прямых иностранных инвестиций и теми структурами, которые вовлечены в процесс разработки и проведения экономической политики.*

Ключевые слова: *аутсорсинг, производство одежды, экспорт, сценарии роста, Армения.*

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SCENARIOS OF GROWTH OF THE WEARING APPAREL IN ARMENIA

Abstract. Purpose: *to build the wearing apparel industry growth scenarios and identify the role of the Government of Armenia and factors that would determine the success of the growth of the industry, and clothing exports under various scenarios upon country's accession to the Eurasian Economic Union (EAEU).* ***Design/methodological approach:*** *Scenario-building is the main tool to provide the industry growth prospects upon Armenia's accession to the EAEU over the 5-year period. An assumption is made that both newcomers and local companies could hire or easily train the workforce to meet the employers' requirements. The background information is the existing forecasts on the sourcing strategies of lead firms, world exports, industry performance and other statistical data.* ***Findings:*** *Four wearing apparel industry growth scenarios are identified and built: Emergence of Armenia as one of the leading suppliers of apparel and clothing accessories in Russia and other EAEU member states; Gateway to the Eurasian Economic Union; Outsourc-*

ing-led growth; and Dual-nature growth. ***Conclusion:*** *Under the built scenarios, different actors would lead the growth of the industry: Armenian manufacturers and/or Transnational Corporations (TNC). The growth of the output would largely depend on the pace of the recovery of the Russian economy in case of three out of four scenarios. Key success or enabling factors ensuring the industry growth vary across the scenarios. Successful implementation of marketing and/or nation branding strategy under all four scenarios would be the key factor to export growth and attraction of the targeted TNCs.* ***Practical Implication:*** *The findings could be used by the Ministry of Economic Development and Investments of the Republic of Armenia, and the Development Foundation of Armenia in designing the export promotion, foreign direct investment attraction strategies and by those institutions that are engaged in the process of elaboration and carrying out of the economic policy.*

Keywords: *Outsourcing, wearing apparel, exports, growth scenarios, Armenia*

Introduction

The textile and apparel industry is one of the "*most globally dispersed*," and "*helped many western countries, as well as the developing countries of the southern hemisphere, to jumpstart their economic development and upgrade their industrialization bases*" (Kim et al., 2006:3) [3, p.3]

The dual nature of Armenian wearing apparel industry is described by the two types of manufacturers that are focused on two different markets [1, p.34] [2, p.5]. The representatives of the first group of manufacturers are those companies that serve outsourced orders by delivering sewing and/or stitching services to European brands mainly from Italy and Germany namely: La Perla, SARTIS, VERSACE, LEBEK International Fashion, KUBLER Bekliedungswerk, and etc. [1, p.34]. The European client companies provide required input materials to Armenian manufacturers that receive them 'under temporary import' and deliver "*the final output*" [1, p.34]. Those that manufacture their own production mainly sell the final output: knitted wear items, stockings at the domestic market, and some "*produce custom-made items for local/foreign clients*." [1, p.34]. In both cases the production takes place in the facilities that were established in the Soviet era and in the case of the own production, it is accommodated in units established upon Armenia's independence from the Soviet Union [1, p.34].

Although according to the "*Conceptual model of global production involvement*" proposed by Moon et al. (2009:478), the Armenian wearing apparel industry could be described by the presence of the "purely domestic producers," and/or companies that are involved in other stages of industrial upgrading: namely, functional one[1] and who are exporting mainly to Russia (see figure 2 and 3), however those companies that are merely involved in conducting the Assembly/CMT (cut, trim and make) activities for market "lead firms" of the branded apparel from the EU member states don't fit the description of the remaining four types (experimental global producer, active global producer, committed global producer, fully committed global producer) [5, p.478-479]. These lead firms, as the buyers in the developed countries (retailers, brand marketers, brand manufacturers, and trading firms (Gereffi and Frederick, 2010 [4 p. 16]) that "*coordinate the chain and entry of other firms, and the distribution of activities and value-addition and profits, and how they are allocated among different actors,*" (OECD/WTO/IDE-JETRO, 2013:22) in the "buyer-driven" apparel value chain [6, p.22] by significantly controlling "*how, when, and where manufacturing will take place, ... how basic value-adding activities are distributed along the value chain.*" (Fernandez-Stark et al., 2011:12) [7, p.12]. Hence, in the apparel global value chain, higher value is associated with the activities such as the design, branding and product marketing and "*not related to manufacturing per se*," and are "*performed by lead firms*" (Gereffi and Frederick, 2010:11) [4, p.11], and the companies from the developing countries need to undergo upgrading to capture higher added value. Gereffi and Frederick (2010:15) provide the types of Lead Firms in the Apparel Value Chain, and state that "*as capabilities in the global apparel supply base improved, brand manufacturers, marketers, and retailers expanded their*

[1] Based on the study of Humphrey and Schmitz (2002), Fernandez-Stark et al. (2011:13-15) state four types of industrial upgrading (functional, product, process, and intersectoral) and provide 4 main stages of functional (capturing higher value added by moving across higher value adding functions) upgrading (entry into the chain via Assembly/CMT, OEM/Full Package/FOB, ODM/Full Package with Design, and OBM). [7, pp.13-15]. Based on the concept of value-chain proposed by Porter (1998:77-78) [8, pp.77-78]. i.e. stages that product could go through to add, gain higher value: the successful execution of primary and secondary value-adding activities, McColl and Moore (2014:137) formulate fashion retailer value chain model [9, pp.137-138].

sourcing networks" [4, p.15]. Concerning the shifts in the sourcing strategies, Gereffi and Frederick (2010:17) state that new forms of "*coordination and management in the apparel supply chain*" are associated with the East Asian transnational manufacturers, and traders and agents that had emerged as intermediaries [4, p.17]. And as for the EU-15, except China and Hong Kong, the apparel suppliers from the Asian developing countries were the beneficiaries of Generalized System of Preferences (GSP) program (to varying degrees) in 2008, while suppliers from Eastern European Countries were the part of the EU or EU Customs Union (Gereffi and Frederick, 2010:6) [4, p.6].

Armenia is enjoying an access to the Eurasian Economic Union, the European Union and the United States under 0% or reduced tariff rates (GSP+, and etc.) [14]. The favorable trade regime with the source market (EU member states), "proximity sourcing" (Berg and Hendrich, 2014:61) [10, p. 61] practices of the EU-based fashion retailers, the previous experience of European companies with Armenian manufacturers prior to the Global Financial Crisis [1, pp.34-35] enabled Armenia mainly to increase exports to Italy and Germany (see figures 2-3). The Armenia's accession to the Eurasian Economic Union (EAEU)) in January 2015, the depreciation of the Russian rubble in the second half of 2014 [15], Russia's ban on the Turkish produce in December 2015 [16], enabled Armenia to boost the clothing exports to Russia (see figures 2-3) and other CIS states (see figure 1). However, it is hard to predict what would happen to the exports mainly to Russia when the Russian rubble starts to appreciate, and the embargo on Turkish light industry produce is lifted: could Armenia maintain the position gained in the Russian market or which group of wearing apparel needs to be the main target to be focused on in the case of the Armenian manufacturers? One thing is clear EU-based fashion retailers had a positive experience working with the local manufacturers, and Armenia can utilize and translate it into more sourcing opportunities due to "*proximity sourcing*". Although we do admit that Russian market is very important export destination for Armenia, and the market share captured from 2015 to 2016 needs to be at least maintained, Armenia has a chance to become one of the leading suppliers for EU-based and Russian trade partners both by exporting own manufactured items for the Russian market, and the final output produced for EU-based fashion retailers to be consumed both in the EU and EAEU markets.

Hence the main purpose is to build scenarios of the wearing apparel industry (hereafter the industry) and identify the role of the Government of Armenia and factors that would determine the success of the growth of the industry and clothing exports under various scenarios upon country's accession to the Eurasian Economic Union (EAEU). Even if the EU-based fashion retailers decide to channel the final output of Armenian manufacturers to Russia as well, it would be the outsourcing that could allow Armenia to also report higher growth of exports to Russia (coupled with the exports of own produce), thus promoting and advancing "Made in Armenia" under the brands of own and/or the of EU-based lead companies.

Design/methodological approach

Scenario-building is the main research tool to provide the industry growth prospects upon Armenia's accession to the EAEU over the 5-year period. For building various scenarios the following assumption is made: availability of the local workforce with respective skills that both existing companies and newcomers could hire or easily train to meet the requirements of newly created jobs by the employers. Since the light industry was among those industries that were selected by the Government of the Republic of Armenia as the main targets of the Export-led Industrial Policy Strategy [28], as well as for the industrial cooperation among the EAEU member states [26] hence the government will be interested and would assist the companies by ensuring opportunities for both formal and on-job training. By reviewing the existing forecasts on the sourcing strategies of various lead firms and statistical data on world exports released by the World Trade Organization (WTO) [18]; and analyzing the performance of the industry and export composition [19] by relying on various statistical reports of the National Statistical Service of Armenia (NSS) [20-25] and statistics on exported items released by the UN Comtrade Statistics [17] we identify possible 4 scenarios the industry could be headed to and state the conditions or key enabling factors that could ensure that growth.

Findings

Global Clothing Industry Outsourcing Prospects: Being one of the most labor-intensive industries of the manufacturing and "*suitable for low-skilled workers*" owing to low investments per worker, the sector has been affected by the globalization of the business activities that impedes the growth of the industry both in the developed and developing countries, since "big corporations" of the advanced nations "*have engaged in fly-by-night strategies*": easily moving production facilities from one location to another (Kim et al., 2006: 3-4) [3, pp.3-4]. According to Kim et al. (2006:2), the US trade policy was credited for such "*dispersion*" and promoted the growth of textile and apparel industry in the southern hemisphere [3, p.2]. Developing countries are competing with one another for the investments and outsourced orders and/or contracts of "*global brand owners.*" (Gereffi and Frederick, 2010:11) [4, p.11]. China, Turkey, and India by developing their capabilities to vertically integrate into the apparel global value chain have started to diminish their dependence on the apparel exports because "*upgrading processes facilitate broader industrial diversification*" (Gereffi and Frederick, 2010:8) [4, p.8]. From information compiled from various trade journals and online sources for 2008, Gereffi and Frederick (2010:34) concluded that Cambodia, Bangladesh, Sri Lanka, the countries with high apparel export dependence were emphasizing "*CMT assembly and have limited full-package capabilities*" (Gereffi and Frederick, 2010:8) [4, p.34, 8-9]. The same was practiced by Viet Nam as well, however the apparel export dependence of Viet Nam was rather low, since it highly depended on the export of agricultural products (Gereffi and Frederick, 2010:9) [4, p.9].

From 2010 to 2014 major Asian, Eastern European suppliers and Turkey were reporting growth (y/y) in clothing exports, except Hong Kong and Indonesia (see Table 1). In the case of Pakistan, and India decline was reported in 2012 (y/y). The world exports were in constant rise during the reported period, and the decline of 2015 accounted for about 7.4% (y/y) (see Table 1), which according to Lu (2016b), who by referring to the World Trade Organization (2016) states that it could have been explained by the following factors: "*falling prices for oil and other primary commodities, economic slowdown in China, a severe recession in Brazil, strong fluctuations in exchange rates, and financial volatility.*" [13]

Table 1:

Largest Apparel Exporters from the Asian Continent, Eastern Europe, Turkey, Georgia and Armenia from 2010 to 2015 (US dollars)

	2010	2011	2012	2013	2014	2015
World	354,150,720,594	418,523,086,763	421,553,934,674	462,004,994,055	490,167,619,865	453,894,179,808
China	129,820,286,391	153,773,607,747	159,753,638,000	177,530,289,000	186,704,009,000	174,082,232,018
Bangladesh	14,854,800,000	19,214,470,000	19,788,140,000	23,500,980,000	24,583,960,000	26,602,700,000
Viet Nam	10,389,595,924	13,149,072,085	14,442,810,254	17,148,429,244	20,174,268,831	23,462,855,029
Hong Kong, China	24,048,955,252	24,504,787,059	22,572,965,487	21,921,575,637	20,510,191,880	18,416,413,972
India	11,229,331,868	14,671,994,102	13,927,859,646	15,542,328,683	17,742,479,038	18,254,191,875
Turkey	12,760,244,840	13,947,693,562	14,289,647,110	15,393,251,483	16,667,624,429	15,120,787,791
EU-Eastern Europe*	12,776,752,160	14,951,261,845	13,864,639,582	14,844,190,352	16,080,062,925	14,302,211,979
Indonesia	6,819,974,722	8,045,240,376	7,523,721,237	7,692,497,620	7,669,791,628	7,593,294,569
Cambodia	3,041,094,289	3,994,506,325	4,294,331,909	5,025,329,817	5,338,854,754	5,937,767,220
Pakistan	3,930,180,485	4,549,630,398	4,213,961,287	4,548,912,760	4,991,029,840	5,023,322,428
Georgia	28,038,397	26,382,954	44,766,065	61,454,950	90,964,871	88,316,405
Armenia	5,067,826	7,240,482	18,228,197	38,007,504	49,541,210	70,605,180

Source: [18]. Author's own calculations.
Note: Poland, Romania, Bulgaria, Slovak Republic, Slovenia, Czech Republic, Latvia, Lithuania, Estonia, Hungary. Since Croatia joined the EU in 2013, we didn't include the export value of Croatia into to the aggregate.

Berg and Hendrich (2014:58-59) by surveying 29 chief procurement officers at the world's largest apparel companies in 2013 stated that the majority of respondents would face higher labor and energy costs, forcing them to consider other options, by moving some portion of their manufacturing from China into new locations, and Bangladesh was among most-favored sourcing market that was expected to gain more importance in the coming year [10, pp.58-59]. Seventy percent of respondents mentioned that they were considering the option of moving "more of manufacturing closer to Europe", in case of the US-based companies an option could be Latin American manufacturers, and overall the interest was in "*proximity sourcing (either near-shoring or on-shoring) when it comes to high-quality products and fast-fashion items*" (Berg and Hendrich, 2014:61) [10, p. 61].

According to Lu (2016a), 72.1% of respondents of the Just-Style State of Sourcing Survey mentioned that they would be in search for alternative suppliers in 2017 compared with 69.2% of the respondents in 2016 [11]. Lu also states that the popular emerging sourcing destinations would be Central American nations, the United States, EU, UK, Vietnam, Bangladesh, Indonesia, and Kenya; however, China would continue to dominate as the top supplier [11]. According to Lu (2017) NAFTA, ASEAN–China Free Trade Area, and the common EU market could be credited for textile and apparel supply chain becoming more regional-based and integrated, however, fashion brands and apparel retailers often opt for Western-Hemisphere and EU-based supply chains in addition to the Asia-based supply chain "for more fashion-oriented or time-sensitive items." [12]

Armenian Wearing Apparel Industry from 2010 to 2016: In 2011, the Armenian wearing apparel industry upon reporting a tremendous growth of the output by 36.3% (y/y) experienced a decline by 10% (y/y) in 2012 (see figure 1). The year of 2013 was somehow a recovery period for the industry, followed by a solid growth period 2014-2016; with output real annual growth exceeding 16% (see figure 1). The output growth of the period 2014-2016 was mainly driven by the growth of exports that comprised about 50% of the sales turnover of the industry in 2016 (about 36% in 2013) (see figure 1). From 2011 to 2014, the growth of export of the industry was mainly associated with outsourced orders of the EU-based branded clothing and/or apparel companies (see figures 1-3) that comprised more than 83% of the industry exports. Upon Armenia's accession to the EAEU, and Russia's ban on Turkish produce of the light industry, Armenia's exports of the wearing apparel industry to the Russian market experienced skyrocketing growth. The growth of exports to Russia, and in general the EAEU member states especially in 2016 [17] could be explained by the fact that Armenian light industry was among those priority types of economic activity that were selected for industrial cooperation among the EAEU member states [29] as well. The share of the European exports was gradually decreasing from 2015 to 2016 and in 2016 it only comprised about 65% of the total exports (see figure 1).

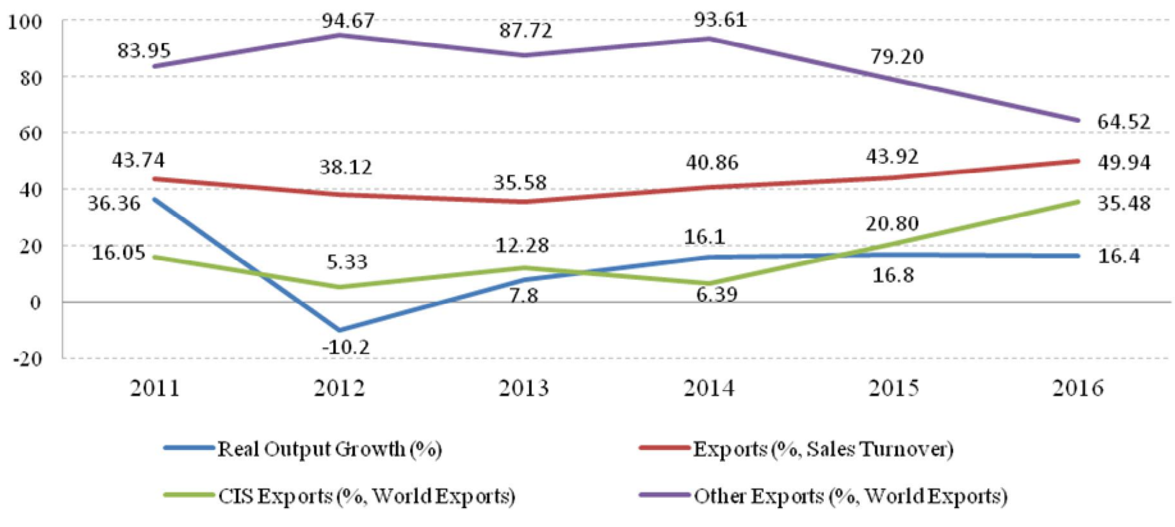

Figure 1: *Armenian Wearing Apparel Industry Performance from 2011-2016*
Source: [20], [21], [22], [23], [24], [25]. Author's own calculations.

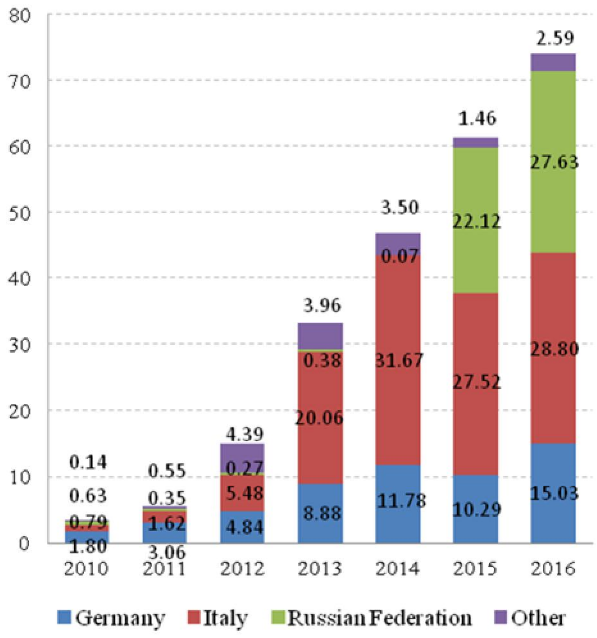

Figure 2: *Exports of Apparel and clothing accessories; not knitted or crocheted from 2010 to 2016 (million USD)*

Source: [17]. Author's own calculations.

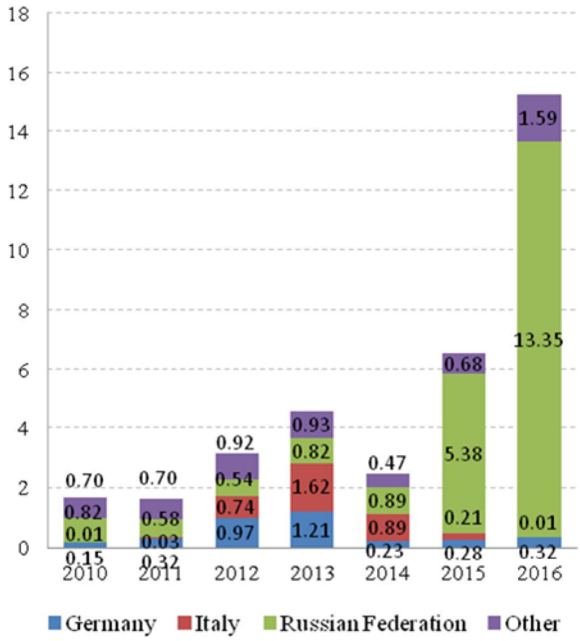

Figure 3: *Exports of Apparel and clothing accessories; knitted or crocheted from 2010 to 2016 (million USD)*

Source: [17]. Author's own calculations.

The exports of articles of apparel and clothing accessories, not knitted or crocheted (hereafter Group 62)[2] was the major export Group that dominated over the exports of articles of apparel and clothing accessories, knitted or crocheted (hereafter Group 61) from 2010 to 2016 (see figure 2-3). From 2012 onwards the major drivers of export growth have been outsourced orders of the Italian and German companies that were supplied with men's or boys' and women's or girls' overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles; men's or boys' and women's or girls' suits, ensembles, jackets, blazers, trousers, bib and brace over-alls, breeches and shorts (other than swimwear), babies' garments and clothing accessories (classified as predominantly Group 62 items) (see appendix 1, table 1). From 2015 to 2016 the export to Russia although were exceeding the exports to Germany, however, the overall outsourcing (mainly exports to Italy and Germany) was on the rise and was the main source of exports. Both groups of items were gaining the market share in Russia that needs to be at least maintained if the ban on Turkish produce is lifted up.

Based on the performance of the sector and global outsourcing prospects four industry growth scenarios of the wearing apparel industry have been identified:

1. Emergence of Armenia as one of the leading suppliers of apparel and clothing accessories in Russia and other EAEU member states;
2. Gateway to the Eurasian Economic Union;
3. Outsourcing-led growth;
4. Dual-nature growth;

Scenario #1: Emergence of Armenia as one of the leading suppliers of apparel and clothing accessories in Russia and other EAEU member states

Through deeper integration and cooperation, Armenia manages to increase exports of both groups to Russian market by designing and producing both own items and custom-made products by serving the contracts of Russia-based companies. Armenian manufacturing companies that served the outsourced orders of the EU-based companies by gaining the required expertise could increase their technical capacities to start prioritizing the EAEU exports over outsourcing opportunities by reaching

[2] According to Harmonized System of Commodity Nomenclature of the World Customs Organization [27].

partnership agreements with the Russian retailers to sell own goods and supply the partners with the custom-made items in the Russian market. Under this scenario, the growth of the sector would be led by the Armenian private sector with the active involvement and the role of the government. The outsourcing is expected to be at the same level or grow at a slower pace.

The role of the government: The government could co-fund the training opportunities of Armenian designers abroad or market research and marketing services; provide additional incentives (including tax) in the case of purchase of new equipment to ensure operational effectiveness to stay cost-effective producers in case of appreciation of the Russian Ruble over the medium-term. The incentives the Government of Armenia could grant the local manufacturers need to be in line with the rules stated in Appendix 28 to the Agreement on the Eurasian Economic Union especially with respect to subsidies [29].

Key success or enabling factors: Among several factors that could ensure the expected growth of the sector are: the recovery of the Russian economy; slow rates of appreciation of the Russian ruble; cost-effective production; strong marketing campaigns and country branding initiatives to promote “Made in Armenia” as an equal quality to the branded apparel and clothing items especially among retailers and Armenian Diasporan community.

Scenario #2: Gateway to the Eurasian Economic Union

Under this scenario the source of the industry growth are both Transnational Corporations (TNC) and other foreign-owned companies that would like to penetrate the Russian market and come to Armenia and establish either subsidiaries or separate entities either in the form of Greenfield or Brown investments (especially in those cases that the apparel lead company is the brand manufacturer (Fernandez-Stark et al., 2011:8) [7, p.18]). These investors are mainly efficiency seekers that are attracted by the efficiency-adjusted cost of labor, and availability of skilled workforce. The TNCs would produce items for the EAEU member-states, and by taking into account Armenia’s proximity to the Middle Eastern nation and Iran (including free trade regime with the nation) these markets could be considered as target export destinations as well. Under this scenario, it is assumed that the outsourcing is expected to be at the same level or grow at the slower pace.

The role of the government: By relying on the efforts of the Development Foundation of Armenia the Government could target the prospective investors (including Diasporan ones) to attract into Armenia. Here again, the government could grant incentives (that would not violate the rules of the Protocol on Unified Rules on Provision of Subsidies to the Industry [29]). Nation branding initiatives to attract foreign investors would benefit the growth of the sector.

Key success or enabling factors: Among several factors that could ensure the expected growth of the sector are: the recovery of the Russian economy; slow rates of appreciation of the Russian ruble; cost-effective production; strong marketing campaigns by the TNCs that would enter Armenia.

Scenario #3: Outsourcing-led growth

Under this scenario it is expected that Armenia would emerge as a favored “proximity sourcing” destination by growing number of the EU-based lead companies that will be attracted due to local companies’ success stories that manufacture high-quality products. Armenia would manage to benefit from the positive experience of the EU-based companies that were dealing with Armenian manufacturers and to appeal to and position the country as a reliable “near-shoring destination” for apparel EU-based brands through aggressive marketing and/or nation branding strategy. Armenia could attract the contracts of those EU–based companies that would like to enter especially the Russian market or would like to shift the production to Armenia due to Armenia’s accession to the EAEU since it would provide various cost-effective and cost saving opportunities in case of the brand names that would like to gain more market share in Russia; or due to Armenia’s favorable trade regime with markets of interest to the EU-based brands. Under this scenario, it is expected that the exports to the Russian market and other EAEU member-states will grow at least at the same rate.

The role of the government: Aggressive marketing and/or nation branding strategy implemented by the Development Foundation of Armenia to attract “near-shoring sourcing” contracts of the EU-based apparel lead companies that would increase the exports from Armenia. Here again, the government could grant incentives to Armenian manufacturers, not violating the rules on subsidizing the industrial companies [29].

Key success or enabling factors: Economy growth prospects in the EU-15 member states, cost-effective manufacturing opportunities; proximity to the EU markets, favorable trade regime with the EU and other markets of interest; accession to the EAEU; the recovery of the Russian economy; slow rates of appreciation of the Russian ruble; successful implementation of marketing and/or nation branding strategy.

Scenario #4: Dual-nature growth

This scenario combines Scenario #1and Scenario #3.The growth of the industry would be led by the Armenian private sector with the active involvement and the role of the government in attracting "near-shoring sourcing" contracts of the EU-based apparel lead companies and assisting the local manufacturers to come to an agreement with the Russian retailers to sell manufactured clothing, and supply the Russian companies with custom-made items to be consumed by the EAEU customers. This scenario would require serious efforts from the Government to ensure the success of the scenario.

The role of the government: The same as under Scenario # 1and Scenario #3

Key success or enabling factors: The same as under Scenario # 1and Scenario #3.

Conclusion

Under the identified four strategies, different actors would lead the growth of the industry. Under Scenarios of Emergence of Armenia as one of the leading suppliers of apparel and clothing accessories in Russia and other EAEU member states; Outsourcing-led growth; Dual-nature growth (Scenarios #1, 3 and 4), Armenian manufacturers would be the drivers of growth of the industry output and exports both to Russia, EAEU-member states, and the EU nations. Under the Scenario of Gateway to the Eurasian Economic Union (Scenario #2), the growth of the industry output would be led by the Transnational Corporations (TNC) and other foreign-owned companies that would like to penetrate the Russian market. However, under all scenarios, the role of the government is crucial in ensuring the success of each of the identified scenarios. Except Scenario #3 (by excluding those cases that sourcing takes place due to chances to enter the Russian market) the growth of the output of the industry would largely depend on the pace of the recovery of the Russian economy and rate of appreciation of the Russian ruble against the US dollar. Key success or enabling factors will vary across the scenarios. Successful implementation of marketing and/or nation branding strategy under all four scenarios would be the key factor to ensure export growth and attraction of targeted TNCs.

Practical Implications

The findings of the article could be used by the Ministry of Economic Development and Investments of the Republic of Armenia, and the Development Foundation of Armenia in designing the export promotion, foreign direct investment attraction strategies and by those institutions that are engaged in the process of elaboration and carrying out of the economic policy.

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