EXPORT PROBLEMS
IN
TURKISH TEXTILE SECTOR

by

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I certify that this thesis satisfies all the requirements as a thesis for the degree of Master of Science.

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M. S. Thesis - Industrial Engineering
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ABSTRACT

The subject of this thesis is textile, ready-made clothes and problems of Turkish Textile Sector. In consists of seven chapters including introduction and conclusions. First chapter is Introduction chapter, that gives a general information about European Union. Second chapter is about trade and export adoption. Third chapter is the Overview of World Textile and Read-Made Clothes Sector. Fourth chapter is also Overview of Turkey's Textile and Ready-Made Clothes Sector. In this chapter Turkey's export examined by details in both two sector textile and ready-made clothes. And also they examined according to importers countries. Fifth chapter is an application of forecasting study about textile and ready-made sector. A forecasting study of textile and ready-made clothes sector is made by using exponential smoothing model which is the best model for this study according to last 25 years datas. In the sixth chapter, there is a survey about export problems of Turkish textile exporters. Results of the survey were analyzed by a scala and the most important problems were defined by pareto analysis. Last chapter is the conclusions part containing general results of the study and summary.

Keywords: Textile, Ready-Made, Export, Forecasting.

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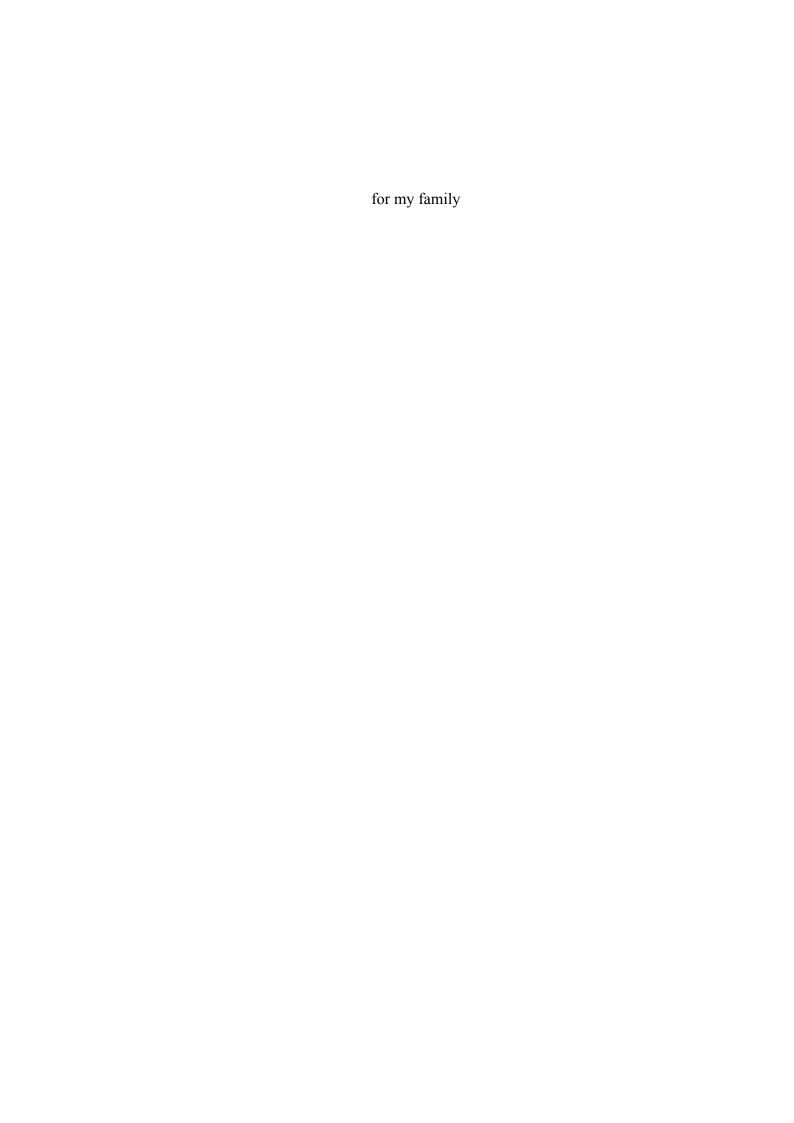# SEKTÖRÜNDE
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ÖZ

Tezin konusu tekstil, hazır giyim sektörü ve problemleridir. Tez, giriş ve bitiş kısımlarını da içine alan yedi bölümden oluşmaktadır. Birinci bölüm olan giriş bölümü Avrupa Birliği hakkında genel bilgiler vermektedir. İkinci bölüm ticaret ve dış ticaretle ilgilidir. Üçüncü bölüm Dünya Tekstil ve Hazır Giyim Sektörüne genel bakış bölümüdür. Dördüncü Türkiyedeki Tekstil ve Hazır Giyim Sektörüne genel bakıştır. Bu bölümde Türkiye'nin tekstil ihracatı hem de hazır giyim ihracatı detaylarıyla incelenmiştir. Ayrıca ihracat ülkeler bazında da incelenmiştir. Beşinci bölüm tekstil ve hazırgiyim sektöründe talep çalışmasıdır. Bu talep çalışması sektörün geride kalan 25 yıllık verilerine en uygun model olan exponential smoothing modeliyle yapılmıştır. Altıncı bölümde ihracat sorunlarıyla ilgili bir anket yeralmaktadır. Anketin sonuçları derece yöntemiyle incelenmiş olup en önemli sorunlar pareto analiziyle tesbit edilmiştir. Son bölüm çalışmanın genel sonuçlarını ve özetini anlatan bitiş bölümüdür.

Anahtar Kelimeler: Tekstil, Hazır Giyim, İhracat Sorunları, Tahmin

for my family

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CHAPTER 1

INTRODUCTION

Globalization is a phenomenon of the twentieth century and there are many benefits brought by it; with globalization, larger markets are created and purchase of goods from the best production source at lowest prices is ensured. On the other hand, standards of living get better due to effective distribution of resources and sharing risks.

Globalization is defined as a "Gradual increase of economic, political, social and cultural contacts and activities between countries and nations caused by various factors like shrinkage of the world, tendency of economic and political borders towards disappearance and eventual spread of material and moral values all over the world overcoming national borders, which appear to be a result of breath-taking developments in technology and communication occurred especially in the last quarter of the 20th century". (Enis Coşkun, 2002)

As a result of these new developments such concepts as economic liberalization (opening economy to domestic and foreign competition), liberal Market economy, democratization and supremacy of law have become common values of mankind.

"Federation" and "confederation" plans oriented towards unification of Europe have periodically appeared on the agenda since the Middle Ages. When we look at the history of the European Union Thought; we can see the plans of Saint-Pierre and Victor Hugo concerning establishment of "The United States of Europe", project of Immanuel Kant focusing on "provision of perpetual peace", and many other thinkers like Montesquieu, Voltaire, Proudhon and Saint Simon who argued for an integration or union based on political liberalism and peace.(Henning Behren-Paul Noack, 1984).

In the 17th century, Emeric Cruce suggested improvement of international trade through decreasing the number of customs and establishment of a "Union of European States". In the 18th century, J. J. Rousseau too argued that it was possible to resolve disputes and ensure peace among the states by means of a federal union having a supranational nature. However, all projects proposing a union, functional or federal, towards the integration of Europe had been facing a problem of implementation. (İbrahim S. Canpolat, 1998).

Two separate unifications that took place in the 19th century have a special significance in the process of the European unification. These are the German Customs Union (Zollverein) and Unification of Italy. Both have a feature of being a model and pioneer for economic and political integration in Europe. (İbrahim S. Canpolat, 1998)

"The European Union, which is the largest and most successful economic union of the world with its population of 375 million people, was established on April 18, 1951 as the European Coal and Steel Community. The ECSC treaty was first signed in Paris by Belgium, Germany, France, the Netherlands, Italy and Luxembourg, and these first signatories are regarded as "the Six". The ECSC is shortly regarded as the Paris Treaty in order to distinguish it from subsequent founding treaties. The ECSC institutions were High Authority assisted by a consultative committee, Common Assembly, Council of Ministers and Court of Justice."(Enis Coşkun, 2002)

Later, after the Treaty of Rome was signed on March 25, 1957 by West Germany, France, Italy, Belgium, the Netherlands and Luxembourg, it entered into force as a European Economic Community (EEC) in 1958. The EEC, which initially aimed at Customs union among the member states, and then at free flow of goods, services and capital, realized the CU in 1968. And due to the initiation of free flow of goods, services, people and capital with its objective of a single Market, which was on the agenda since the middle of 1987, the name of the community was changed to the European Community (EC), and the EC eventually achieved single Market in 1992.

And since with the Maastricht Treaty (Treaty on European Union), which was signed in 1992 and entered into force in 1993, community came to the phase of

realizing the goals of monetary and political integration, and the community started to be regarded as the European Union (EU). One of these integrations, a monetary union, was established, and political union have now become a final goal expected to be achieved.

The European Community (EC), which was established with the Brussels Treaty in 1965 and became effective in 1967, joined the three European organizations which existed at that time: the European Coal and Steel Community (ECSC), European Economic Community (EEC) and European Atomic Energy Community (Euratom). The ECSC was established in 1952 in order to follow a common policy concerning supply of coal and steel. The EEC was established in 1958 with the aim of establishing a Common Market for the member states and providing free flow of goods, personnel and services. And Euratom was founded in 1958 in order to ensure the use of atomic energy for peaceful purposes. In the beginning, all three organizations had six members; Belgium, France, Federal Republic of Germany, the Netherlands, Luxembourg and Italy, "Europe of the Six". The European Union, too, was constituted by the same six countries. The European Union continued to follow the policies of the organizations it was comprised of, and as its own long-term objective, an international political cooperation was provided having a much more comprehensive nature compared to what could be achieved by the ECSC, EEC and Euratom separately. On January 1, 1973, England, Ireland and Denmark became the members of the European Union. Greece became the tenth member of the European Union on January 1, 1981. Negotiations concerning accession of Spain, Portugal and Turkey still continue. Currently, the number of member states is 12.

"Under the Integrated Tariff of the European Community (TARIC), the EU first signed and ratified a Free Trade Agreement (FTA) with EFTA countries (Norway, Sweden, Island and Liechtenstein), then these FTAs were signed with Central and Eastern European Countries, Baltic Countries, and many African and Middle East Countries. FTA between Turkey and EFTA countries was signed on December 10, 1991 and entered into force on April 01, 1992. With a decision of CU, Turkey made a commitment that it will give priority to signing FTAs with Central and Eastern European Countries (CEEC), except for Russia and Ukraine, and North African and Baltic Countries, except for Libya, within 5 years as of 1996   for the purposes of

compliance with Common Trade Policy of the EU. Establishing FTAs with these countries is beneficial for Turkey since first of all, for the time being Turkey has a comparative dominance in the industrial goods trade with these countries. On the other hand, since the EU member states have already signed FTAs with these countries, industrial goods imported from the EU countries enter the said countries being free of any duty. The FTAs that will be signed between Turkey and these countries will bring an end to unfair competition of the EU in these countries, and eventually our exports to these countries will increase." (Enis Coşkun, 2002).

CHAPTER 2

EXPORT MARKETING

2.1   What Is Export Marketing and Trade

Trade can be defined as entire purchase-sale transactions that ensure goods and services produced reaching the end users in return for a certain charge. These purchase-sale transactions are constantly repeated, services of many firms and organizations join in these transactions, and various payments are made in return for these transactions. Trade is generally divided into two, domestic trade and foreign trade. Despite the fact that both methods are identical, there are some points that distinguish foreign trade from domestic trade.

Foreign Trade is related to the flow of goods and capital across national borders. It is realized in two forms, export and import. Export is dispatching produced goods in accordance with the legislation of that country to another country and bringing its paid value to the country of production. Whereas, import is bringing goods from other countries and paying their value. In exports, there is an inflow of money and outflow of goods.

With the process of globalization, documents, definitions and applications used in worldwide export procedures are being standardized. With the Customs Union Treaty, Turkey also took part in this process of standardizing, and made amendments to its laws and regulations in order to comply with the standards.

Export marketing is a typical type of international business involvment among firms and is an extension of domestic marketing which is represented as an attractive way of tapping foreign market opportunities.

The extension of a nation's exports has positive effects on the growth of the economy as a whole as well as individual firms.

Trends in the balance of payments of most show that substantial trade deficits are the main reasons to become highly interested in exports that have significant advantages.

'The consensus among the business, finance and government leaders is that the best way to redress the trade deficit problem is to stimulate exports rather than restrict imports. A stronger export level is essential to balanced growth of any economy. Export not only effects to debit items in the balance of the payment, but also it creates more employement. And export speed technological and marketing innovation and provoke specialization and efficiency'. (Business Week, 1978)

2.2. Motivations For Exporting

Bilkey (1978) suggests four groups of factors as likely internal determinants of firms engaged in exporting.

A) Derived from the nature of the firm's products, markets, technological orientation and resources are differential firm advantages. Examples are competitively priced products, technically superior products and technological intensiveness, of the firm's production. But they are not sufficient by themselves to initiate export marketing. These unique advantages are important in starting and providing initial mativation for exporting.

B) Strength of managerial aspirations for various business goals, including growth, profits and market development could be listed as the second factor. The emprical studies support the expectations that there is a positive relationship between export marketing behaviour and decision maker's preferences for business goals.

According to Bilkey (1978), heightened managerial interest in exporting is supported by the firm's competitive advantages in initiating export marketing activity.

C) Management expectations effect in initiating exporting. Managers tend to form expectations or opinions about the profitability and riskiness of export marketing on the basis of their own and/or other firm's experiences.

Environmental variables are reflected in management's subjective evaluation to export.

D) Level of organizational commitment which is the simultaneous devotion of both financial and managerial sources to export marketing is the last factor.

However, Dicht, Leibold, Koglmayr and Muller (1984) suggest five groups of export motivators and/or determinant for export success. These are listed below in details:

1) Domestic Market: Competitive situation, size and technological level of the internal market, consumer behaviour and export promotion programmes.
2) Foreign Market: Competitive situation, consumer behaviour, economic risks, trade impediments, delivery requirements.
3) Firm: Legal form, company philosophy, organizational structure, number of employees, production programme, market share.
4) Decision Maker: Experience abroad, proficiency in foreign language, attitudes toward risk, proneness to innovation, number of person involved in export decision.
5) Non-Economic Environment of Decision Maker: Cultural distance to foreign markets, personal values, level of education, perception of political risks, social and legal framework.

However, the above factors are not sufficient enough to identify the decisive attributes of non-exporting firms which are trying to survive in foreign markets.

According to Bilkey (1978) declining domestic market shares or saturated home markets may be strong motivators for initiating export activity. Among other motivators which have been found to be correlated, initial export involvements are found to be the receipt of unsolicited foreign orders; aspirations for greater profits and sales growth, to spread risks, to achieve stability through diversification are the other motivators. (Tesar; 1975)

2.3 Export Adoption

2.3.1) Export Adoption Processes

The export adoption process is an organized decision process which includes a series of subdecisions made toward the assignment of the responsibility for the export operation.

Lee and Brasch (1978) have hypothesized four alternative adoption processes. 'First process is a problem-oriented adoption process in which the initiating force is one or a combination of interrelated problems such as a mature product, increased competition within the domestic market, decreasing sales or profit, definite desire for market expansion plan or other comparable problem sor needs as perceived by one of more decision maker's.

Second process is innovation-oriented adoption process in which the initialing force is either precise knowledge of the existence of a market opportunity in a foreign market for the brand or product or gaining technical knowledge of exporting. The information on the existence of the market opportunity or export technique may be passively received from other firms, governmental agencies, banks, middleman, or potential buyers in foreign countries.

The third process is rational adoption process in which the decision makers use a wide variety of more authorative sources of information, both utilize value planning and deliberation and give specific and economically sound justifications for taking action.

The last process is non-rational adoption process for which the decision makers use less authorative or less varied sources of information, neither use net value, much planning, or deliberatic and do not or cannot give economically sound justifications for actions taken.' (Lee and Brasch, 1978)

2.3.2) Management

Managers tend to form expectations about the profitability, riskiness and costliness of exporting, based upon their own and/or other firm's experiences as well as

their perception of potential impact of the constantly changing environment of international market.

Many investigators asserted that interest and commitment at the top management level is a critical determinant for export behaviour among firms. Cavusgil (1983) hypothesized that variations in export activity can be explained by organizational and management characteristics. Expansion of export activity among the firms is clearly related to management, concerning for the exporting effects that will have on firm's growth, market development and profits.

According to Doyle and Schommer (1976) a number of normative guidelines for export management can be drawn as below.

First, managers should attempt to determine how foreign market can help to accomplish their firm's goals.

Secondly, managers should devote adequate time and resources to explore exporting opportunities.

According to Cavusgil (1984) organizational and managerial characteristics are predictors for export activity. Firm's profitability of export could be increased bey the top management by stressing the importance of growth and then committing its resources for market developing an export policiy.

In the study of Doyle and Schammer (1976) indicated that exporters tend to rate their managements as being more aggressive than non-exporters. Such studies showed that exporting firms tended to have better management than non-exporters (Bilkey 1978)

2.3.3) Firm Size

Bilkey (1978) has proposed that medium sized firms have more tendency to export than smaller or larger size firms. He hypothesized that smaller firms may be physically unprepared to export. In larger firms, however, size may also be a source of differential advantage, enhancing performance in export marketing. Meanwhile, empirical findings

show an unclear relationship between firm size and export behaviour due to several different views trying to show the same relationship.

The large size usually implies greater availability of production, financial and managerial resources. It seems, that there is no relationship between export behaviour and size, but it is among various advantages which accrue to exporting behaviour of firms.

In this sense firm size serves as a proxy for various advantages associated with export. (Bilkey, 1978) Bilkey has also suggested that the relationship between firm size and export activity may be complicated by a possible correlation between size and the quality of management.

Czinkota(1981) have brought out the hypothesis that the managers of smaller firms assume that large firms can be more successful in exporting.

In addition, Walters(1985) have anticipated that with regard to corporate size, size and export planning activity would be directly related. Thus, the larger the exporter, the greater is the propensity to undertake export planning activity.

2.3.4) Export Risks and Problems

Export marketing is a very risky area whether a firm is experienced or not in all types of country. (Business Week, 1987)

Some researchers, in the U.S.A., claim that the real problem lies in the attitude of many corporate managers, that exports are marginal business and in the anti-export policy of congress and successive administration. (Business Week, 1987)

Some studies have found exporting firms to perceive fewer export barriers, where others have found greater barriers and there were also other findings showing no significant relationship between perceived barriers and exporting.

The problems of exporting have been documented by Kaikati (1981). He mentioned several major impediments encountered by the firms explaining why current

and potential exporters could not maximize their foreign market potential. The first one is negative attitude that exporting is too risky and complicated.

The second is the lack of information on the mechanics of exporting and lack of information on foreign market, business practices and competition. The third one is lack of adequate personnel, financial and other resources in order to have management commitment. The last one is foreign government policies, and assistance in export promotion. In Bilkey's study (1978), high risk, low short term profit potential, insufficient financal resources, protective foreign government regulations, inadequate distribution channels, insufficient knowledge of connections are the most often cited barriers to exporting.

In the study of Yaprak (1985), the major barriers to exporting are cited as slow payments of buyers, poor deteriorating economic conditions in markets, language barriers, transportation difficulties, payment defaults, lack of personnel for export operations and other (i.e. political risks, foreign Exchange risks, business risks)

2.3.5) Export Market Strategy

In a survey made by Piercy and Nigel (1980), the majority of the exporters deal with as many markets as they can, and thus do not limit number of markets. They ignore differentiation between markets and don't deal with a particular market.

The first element is that product specialization leads to large number of markets. Specialized products tend to have a large number of small geographical markets throughout the world. In the technical term it may be that cluster of small country markets more valid and appreciable targets. The reason for large number is to gain adequate or maximum sales volume and to spread risk.

In summary, some exporters are market spreaders whereas some of them are concentrators, that is, they aim profit, active internalization, make more primary research and get market based price. But others aim to increase volume, reactive internalization; they do less primary research; they have cost-based price.

Bilkey (1978) has hypotesized that rather than beginning to export to one country and only gradually expand their operations to additional countries, most firms export to a wide variety of countries.

Exporting tends to begin, psychologically, from the closest country, and then extend to countries that are psychologically more and more distant. (Johanson and Vahine 1977)

In a study in the U.S.A., it was found that light exporters tend to drive most of their export earning from Canada, whereas heavy exporters tended to derive their export earnings from West Europe (Tesar, 1975)

2.3.6) Competition in Exporting

Export competition, as a price and non-price form are important anda re debated at great length.

For some types of exporters price, being the dominant form of competition, requires management in the short term. But some types of exporters plan to develop guidelines in the long run and therefore facilitate the transition from price to non-price strategies of competitiveness.

Some analysts argue that price competition is generally undesirable bas efor export competition, causing depression of profits. The non-price competition is more effective. (Piercy and Nigel; 1980) While, price is found to be the most important factor in exporting, in a study made in the United Kingdom, overall product quality was found as the most important marketing factor yet in another study, price was rated highest, among the marketing variables, such as advertising, personal selling and distribution.

According to Cavusgil (1980), the level of technological intensity of the firm is a differential advantage for exporting. Larger firms may also be a source of differential advantage enhancing performance in exporting.

CHAPTER 3

AN OVERVIEW OF THE WORLD TEXTILE AND

READY-MADE CLOTHES SECTOR

3.1 The World Textile and Ready-Made Clothes Trade

During the period of 1990–1998, the average annual increase of textile trade was 5%, and that of ready-made clothes trade was 7%. While in 1980 the share of textile in the world textile and ready-made clothes trade was 57.5%, it became 49.2% in 1990, and decreased to 45.6% in 1998.

While in 1990 the largest textile exporters of the world were industrialized countries, namely Germany, Japan, Italy, USA, Belgium, Luxembourg and France, during the period of 1990-1998, Hong-Kong, China, South Korea and Taiwan reached the top increasing their exports over the average. After an economic crisis in 1998, which affected Asian countries, their exports became stagnant. As a result, Hong-Kong, China and South Korea, which were the top three countries in 1997, went down in this rating, while Germany and Italy took the first and third places, respectively. Increasing its exports during the period of 1990-1998 with the average annual rate of 12%, Turkey moved up to the fifteenth place among the largest textile exporting countries with its share of 2.4% in the world trade in 1998.

Table: 1

World Textile Trade

	1990		1998	
	Billion $	**(%)**	**Billion $**	**(%)**
EXPORT				
Germany	14,0	13,4	13,3	8,8
Hog-Kong	8,2	2,1	13,0	0,9
Italy	9,5	9,1	13,0	8,6
China	7,2	6,9	12,8	8,5
South Korea	6,1	5,8	11,3	7,5
Taiwan	6,1	5,9	11,0	7,3
USA	5,0	4,8	9,2	6,1
France	6,1	5,8	7,6	5,0
Belgium-Luxembourg	6,4	6,1	7,5	4,9
Japan	5,9	5,6	6,0	4,0
Total	**68,5**	**65,5**	**93,0**	**61,6**
EU	50,8	48,7	60,6	40,1
Except EU	15,1	14,5	22,9	14,6
IMPORT				
Hong-Kong	10,2	3,8	13,5	1,8
USA	6,7	6,1	13,5	8,6
China	5,3	4,8	11,1	7,0
Germany	11,9	10,8	11,0	7,0
England	7,0	6,4	8,3	5,3
France	7,6	6,9	7,5	4,8
Italy	6,1	5,6	6,6	4,2
Belgium-Luxembourg	3,6	3,3	4,4	2,8
Japan	4,1	3,7	4,4	2,8
Canada	2,3	2,1	4,0	2,6
Total	**58,8**	**53,5**	**72,6**	**46,9**
EU	50,4	45,7	56,4	36,4
Except EU	14,2	12,9	18,7	12,1
World	**104,5**	**100,0**	**151,0**	**100,0**

Source: WTO.

The largest textile importers are basically developed countries. China, which is the largest exporter of ready-made clothes in the world, has moved up to the third place in the rating of the largest textile importers. What lies beneath the large trade volume of Hong-Kong is re-export. While during the period of 1990-1998 the textile imports of the USA showed an annual increase of 9%, imports of Germany decreased by 1%. In 1998, textile imports of Far Eastern countries decreased in parallel with the decline of their exports. And in the said year, Turkey became the fifteenth largest textile importer with its 1.5% share in the world textile imports.

Table: 2

Classification Of The World's Largest Ready-Made Clothes Exporters

Country	Value 2000	% in the World Exports			Variation(%) 2000/99
		1980	1990	2000	
1- China	36.07	4.0	9.0	18.1	14
2- Hong Kong, China	24.22	-	-	-	5
Domestic Export	9.94	11.5	8.6	5.0	1
Re-exports	14.28	-	-	-	9
3- Italy	13.22	11.3	11.0	6.6	1
4- Mexico	8.70	0.0	0.5	4.4	31
5-USA	8.65	3.1	2.4	4.3	13
6-Germany	6.84	7.1	7.3	3.4	-1
7- Turkey *	6.53	0.3	3.1	3.3	7
8- France	5.43	5.7	4.3	2.7	2
9- India	5.15	1.5	2.3	2.8	8
10-South Korea	5.03	7.3	7.3	2.5	-4

Source: WTO

In this table based on data of the World Trade Organization (WTO), exports of Turkey in 2000 are shown as 6.53 million dollars. Whereas Ready-Made Clothes Exports of Turkey in 2000 announced by the Undersecretariat of Foreign Trade of the Republic of Turkey are shown as 7.45 million dollars. This difference stems from the difference between the Standard International Trade Classification (SITC) and classification of the Undersecretariat of Foreign Trade of the Republic of Turkey.

If we take the data provided by the Undersecretariat of Foreign Trade of the Republic of Turkey as a base, Turkey is in the 6th position in the classification of the world's largest ready-made clothes exporters.

Table:3

Classification Of The World's Largest Textile Exporters

Country	Value 2000	% in the World Exports			Variation(%) 2000/99
		1980	1990	2000	
1- China	16.14	4.6	6.9	10.2	8
2- Hong Kong, China	13.44	-	-	-	5
Domestic Export	1.18	1.7	2.1	0.7	-6
Re-export	12.27	-	-	-	7
3- South Korea	12.78	4.0	5.8	8.1	8
4- Italy	11.96	7.6	9.1	7.6	2
5- Taiwan – China	11.69	3.2	5.9	7.4	7
6- Germany	11.02	11.4	13.5	7.0	8
7- USA	10.96	6.8	4.8	7.0	8
8- Japan	7.02	9.3	5.6	4.5	2
9- France	6.76	6.2	5.8	4.3	1
10- Belgium	6.40	-	-	4.1	-
11-India	5.09	2.1	2.1	3.4	10
12-Pakistan	4.53	1.6	2.6	2.9	5
13- England	4.21	5.7	4.2	2.7	0
14- Turkey	3.67	0.6	1.4	2.3	10
15- Indonesia	3.51	0.1	1.2	2.2	11

Source: WTO

3.2 Cotton In The World

The world cotton production in the period of 2001-2002 is expected to increase by 8% in comparison to the period of 2000-2001, and to reach the level of 20.9 million tons. While the biggest increase with 700 thousand tons is expected to occur in China, in the USA and India increase in cotton production is anticipated to be 600 thousand

and 200 thousand tons, respectively. These three countries constitute a half of the world's total cotton production.

Turkey, which realizes 62% of cotton production of Europe, in comparison to the previous year, will increase its production by 12% and reach 880 thousand tons.

Productivity of Turkish cotton is much higher than the world averages, and it holds the first place with 1.133 kg/ha.

Table: 4

Classification of The World Cotton Production

Countries	1999/00	2000/01	2001/02 November	2001-02 December
1.China	3.8	4.4	5.1	5.1
2.USA	3.7	3.7	4.4	4.4
3.India	2.7	2.4	2.7	2.6
4.Pakistan	1.9	1.8	1.8	1.7
5.Uzbekistan	1.1	1.0	1.0	1.0
6.Turkey	0.8	0.8	0.9	0.9
7.Brazil	0.7	0.9	0.7	0.7
8.Australia	0.8	0.8	0.7	0.7
9.Greece	0.4	0.4	0.4	0.4
10.Syria	0.3	0.4	0.3	0.3
Other Count.	2.8	2.7	2.3	3.1
World Total	19.0	19.3	21.1	20.9

Million Ton   Source: USDA

Table: 5

Classification of The World Cotton Consumption

Countries	1999/00	2000/01	2001/02 November	2001-02 December
1.China	4.8	5.1	5.1	5.1
2.India	2.9	2.9	2.9	2.9
3.USA	2.2	1.9	1.8	1.7
4.Pakistan	1.7	1.8	1.8	1.8
5.Turkey	1.2	1.1	1.2	1.2
6.EU	1.1	1.1	1.1	1.1
7.Brazil	0.9	0.9	0.9	0.9
8.Indonesia	0.4	0.5	0.5	0.5
9.Mexico	0.5	0.5	0.4	0.4
10.Thailand	0.3	0.4	0.4	0.4
Other Countr.	4.0	3.8	3.9	3.9
World Total	20.0	20.0	20.0	19.9

Million Ton   Source: USDA

Whereas cotton consumption of Europe in 2001-2002 is expected to increase by 4.3% and reach 2.5 million tons being affected by the increase in cotton consumption in Turkey. Devaluation and increase of textile exports in Turkey are the most significant factors creating the abovementioned pattern.

3.3. EU Foreign Trade

3.3.1) The EU Policy Concerning Textile and Ready-Made Clothes Sector

a) Since the EU is not willing to protect itself from unfair competition like USA, Mexico and Far Eastern countries, it has set very loose origin and customs regulations oriented towards the textile and ready-made clothes sector, and moreover, it has been unilaterally signing Free Trade/Free Quota agreements with more than 20 countries of the Third World, totally ignoring fundamental interests of Turkey.

b) The FTAs concluded and being concluded between the EU and the Third World Countries, and existing EU Regulation on Origin Concerning Free Circulation of Textile / Ready-Made Products (sufficiency of simple procedures) clearly indicate that the EU has given up its Textile and Ready-Made Clothes sector.

c) Going even further, without getting any opinion and consent of Turkey, the EU have adopted NAFTA "Yarn Forward" regulation on origin in the EU-Mexico Free Trade Agreement and blocked duty- and quota-free entrance of the textile and ready-made products produced in Turkey to Mexico over the EU. However, it has allowed free flow of Mexican textile and ready-made products to Turkey over the EU.

d) Contrary to the USA and other countries, the EU sacrifices its Textile and Ready-Made Clothes sector to the Third World Countries in order to ensure easy market access for its products and services of advanced technology in these countries;

"We did not make a useless present; everything is based on mutual concession.", Pascal Lamy, EU Trade Commissioner.

3.3.2) EU Textile and Ready-Made Clothes Trade

The total textile imports of the EU during the period of 1995-2000 increased by 24.95% and became 17,914 Billion EURO in 2000, whereas its textile exports during the same period increased by 38.19% and became 3,861 Billion EURO in 2000. As it can be seen in the graph, despite the fact that there are quotas and measures of supervising concerning imports in the Far Eastern countries, during the period of 1995-2000, South Korea, Taiwan and China showing increases of 145.08%, 106.39% and 90.57%, respectively, surpassed Turkey (75.49), which is the only member of Customs Union with the EU.

The total ready-made clothes imports of the EU during the period of 1995-2000 increased by 66.95% and became 51,600 Billion ECU in 2000, whereas its ready-made clothes exports during the same period increased by 39.58% and became 16,654 Billion ECU in 2000. As it can be seen in the graph of the EU Ready-Made Clothes imports distribution, the Far Eastern countries like South Korea, China, Sri Lanka, and Indonesia again have much higher increase percentages than that of Turkey (73.87%).

Again as it can be seen in the graphs of the distribution of Supplier Countries in EU's Textile and Ready-Made Clothes Imports, enormous increases of supply volumes of such Eastern European countries as Romania, Poland, Hungary, Czech Republic, Slovakia, and Mediterranean countries like Tunis and Morocco, clearly indicate that the EU has shifted its textile and ready-made clothes investments especially to Eastern European and Northern African countries and excluded Turkey from this process.

Table: 6

The Main Textile Suppliers of the EU in 1998-1999

	1998 (1000 Euro)	1999 (1000 Euro)	Variation 99/98 (%)
1-Turkey	1.770.391	2.035.107	15.0
2- China	1.413.453	1.980.326	40.1
3- India	1.637.059	1.931.201	18.0
4- USA	1.317.490	1.459.621	10.8
5- Switzerland	1.136.469	1.165.385	2.5
6- Pakistan	936.511	1.048.791	12.0
7- South Korea	735.812	933.497	26.9
8- Czech Republic	656.718	846.359	28.9
9- Japan	692.432	732.628	5.8
10-Taiwan	589.766	614.604	4.2

Source : Euratex

When we look at the Main Textile Suppliers of the EU in 1999-2000, we see that China, which had increased its textile exports by 40%, is in the second position with 1.980 million Euros after Turkey.

In 2000, Turkey's textile exports to the EU reached 2.035 million Euros.

Table: 7

The Main Ready-Made Clothes Suppliers of the EU in 1999-2000

	1999 (1000 Euro)	2000 (1000 Euro)	Variation 00/99 (%)
1- China	6.556.239	7.759..200	18.3
2- Turkey	4.567.776	5.273.939	15.5
3- Hong Kong	2.767.053	3.094.016	11.8
4- Tunusia	2.377.053	2.547.862	7.2
5- Rumenia	2.085.495	2.546.743	22.1
6- Bangladesh	1.760.107	2.526.872	43.6
7- Morocco	2.114.433	2.357.163	11.5
8- India	1.653.106	2.003.425	21.2
9- Indonesia	1.410.688	1.808.567	28.2
10- Poland	1.784.222	1.807.148	1.3

Source : Euratex

When we look at the ready-made clothes suppliers of the EU in 1999 and 2000, we can see that in 2000 Bangladesh had increased its exports to the EU by 43.6% compared to the same period of previous year and reached 2.527 million Euros. Whereas Turkey's exports of ready-made clothes to the EU increased by 15.5% and became 5.274 millionEuros.

Table: 8

The Main Textile Products Customers of the EU in 1999-2000

	1999 (1000 Euro)	2000 (1000 Euro)	Variation 00/ 99 (%)
1-USA	2.343.424	2.877.778	22.8
2-Poland	1.803.041	1.965.431	9.0
3-Rumenia	1.137.749	1.408.715	23.8
4-Tunusia	1.317.836	1.406.991	6.8
5-Morocco	1.158.390	1.258.281	8.6
6-Switzerland	1.072.046	1.105.987	3.2
7-Turkey	820.253	1.024.982	25.0
8-Czech Republic	767.411	889.694	15.9
9-Hong Kong	734.506	881.182	20.0
10-Macaristan	784.849	852.444	8.6

Source: Euratex

When we examine the main textile products customers of the EU in 1999-2000, we can see an increase of 25% in textile exports made to Turkey. Rumenia, USA and Hong Kong have big increases after Turkey. Eventhough Turkey has the biggest inscease, USA is still the biggest customer.

Table: 9

The Main Ready-Made Clothes Customers of the EU in 1999-2000

	1999 (1000 Euro)	2000 (1000 Euro)	Variation00/ 99 (%)
1-USA	2.158.599	2.656.456	23.1
2-Switzerland	2.054.610	2.104.462	2.4
3-Japan	1.308.639	1.444.570	10.4
4-Norway	665.096	660.321	-0.7
5-Russia	364.822	612.775	68.0
6-Rumenia	443.827	552.641	24.5
7-Hong Kong	434.574	536.009	23.3
8-Tunusia	374.252	443.589	18.5
9-Hungary	357.220	404.618	13.3
10-Poland	437.700	398.642	-8.9

Source: Euratex

When we look at the main ready-made clothes customers of the EU in 1999-2000, we can see that there is an increase of 68% in ready-made clothes exports made to Russia. Rumenia, Hong Kong and USA have big increases too. Whereas in case of Poland, there is a decrease of -8.9%. Also there is a little decrease in Norway too.

CHAPTER 4

AN OVERVIEW OF TURKISH TEXTILE AND

READY-MADE CLOTHES SECTOR

4.1 Position Of Textile and Ready-Made Clothes Sector In Turkey

Textile sector and ready-made clothes sector, which is related to the former, are currently two of the most important sectors of our country. While the exports increase depending on the economic changes, the biggest share in this increase is taken by these sectors. The history of textile industry in Turkey goes back to the first years after the establishment of Republic. The textile sector, which initially was focusing on domestic consumption, gradually increased its exports of cotton threads along with cotton exports, and as a result, its added value increased, and by the end of 1970s, Turkey had become a cotton threads supplier of the countries of the European Union. And since 1970s, it had started to make exports of ready-made clothes, which increased its added value even more. Nowadays, the textile industry has reduced the exports of cotton and threads sector, and makes production mainly for ready-made clothes sector.

Exports of textile and ready-made clothes, which were 131 million dollars in 1980, nowadays have become the largest sector of exports reaching the level of 7-8 billion dollars. Currently, its share in total exports is about 40%. Despite quotas, anti-damping measures, patent laws and regulations such as conforming to customs union, the sector will maintain its important position in exports because Turkey is among top ten countries in terms of capacities of threads and weaving sectors. It renews and improves its ready-made clothes investments in the same fashion. Today, the share of textile and ready-made clothes sector in Turkish manufacturing industry is around 20%,

and it provides employment for about 2 million people. Out of this figure, about 1.5 million people work in ready-made clothes sector.

Turkey has to keep quality and technology at high level in order to be able to compete with the world. Turkey has reached European and world standards in terms of production technologies. Rich raw material resources, manpower and ability to use technology show that Turkey has a potential to reach a much more advanced position in the world market of textile and ready-made clothes.

Textile sector in Turkey gained a great impetus since early 1980s, and by the end of 90s it became a sector providing one third of our total exports. In the beginning, i.e. in early 1980s, our country had been exporting mainly textile products such as fabrics, threads and cotton, however, in 1985, it started to make exports of ready-made clothes, which have a high added value.

Table: 10

Export and Import Of Turkey's Textile and Ready-Made Clothes Sector by Years

	TEXTILE *1000 usd		READY- MADE *1000 usd	
	Export	Import	Export	Import
1970	198.755	34.776	457	66
1975	327.771	98.411	17.951	116
1980	602.321	107.366	81.815	10
1985	1.228.221	287.839	744.849	1.467
1990	1.424.249	1.049.012	2.898.349	17.984
1995	2.130.665	2.621.797	6.188.502	52.279
1999	2.730.714	3.380.520	7.089.043	230.597

'The fact that ready-made clothes constitute around one third of total exports of our country shows importance of this sector in terms of our economy. It is known that in textile sector, 475,910 people work at 44,192 enterprises. Of course this figure does not

include workers of ancillary industries.'(Bayrak F. Inspection of Man Trousers Production,Denizli, 2000).

'Our businessmen, who are far from scientific investment tradition, generally get disappointed in evaluation of situation in terms of finance since they usually tend towards the logic of gaining profit from investments they make according to their own knowledge in shortest time possible. When people who adopt investment tradition, which ignores feasibility, face high costs, they start to panic and come to the point of early exhaustion.' (Barıner E.,Denizli,2000)

Yet, the most important reason of such rapid development of our textile sector can be shown as cheap labor force. India, Pakistan and Far Eastern countries, which joined this market later, have become our tough rivals, and have succeeded to leave us behind, at least a little bit.

Such a great competition has forced our enterprises to reorganize themselves. Especially, standards of quality have bee raised to a pretty high level. And we can classify elements influencing the quality under two main headings;

- Technological conditions, under which production is realized,
- Human resources used in production,

In this case, human resources, which we have mentioned in the second group, i.e. labor force of managers or employees, is very easily found in our country, but at the same time, this national treasury of our country is in catastrophically bad condition when it comes to the phase of efficient use.

The method of showing to the worker the work to be done and after that inspecting the work done is no more used in modern systems. The purpose of human resources is to get the highest efficiency from employees. However, while performing this, human resources also has an objective of ensuring that all kinds of human needs of the employees are taken into consideration.

Having machinery of high technological level is maybe one of the most determining factors influencing quality. However, at the same time, there is an extreme necessity of qualified labor force that would use this technology, especially in ready-made clothes sector.

4.2 Historical Development Of Ready-Made Clothes Industry

One of the most outstanding elements of progress and growth in the countries all over the world is achievements they make in respect to the development of manufacturing industry sector.

The textile industry, which is a sub-industry group of manufacturing industry of our country, being one of the most important ones in terms of its total production value and its shares in employment and foreign trade, have been developing since the early years of Republic. And now, it plays a role of locomotive sector in our economy, and have become one of the world leaders in terms of its production, capacity, exports, quality, etc.

Weaving and ready-made clothes industry, which was one of the earliest established branches of industry, rapidly developed during the planned period, and got great sales opportunities especially by the end of the forth planned period.

Worker strikes that occurred in 1960s all over the world, including Europe, and oil crisis that took place in early 1970s caused switching to custom manufacturing, especially in textile and ready-made clothes sector. In its broadest sense, "Custom" is defined as an exchange relation between 2 industrial firms. In custom relation, there is a condition that one of the firms should be economically superior to the other. Custom connection requires a continuous existence of relation.

If we take into account that in early 90s, when there was a boom in textile and ready-made clothes exports, the number of small workshops also increased by almost 20%, we can state that there is an increase of "small business places" depending on the custom manufacturing. At the same time, one can observe that about 40% of small enterprises are also engaged in custom manufacturing. This rate reaches its peak in textile and ready-made clothes industry with the value of 50%.

The Gulf Crisis had a deep impact on especially export-depending sectors of Turkey, which have adopted a model of industrialization based on exports since the very beginning of 1980s. And now, in this period when preparations for the customs union continue, there is a desire to reduce the costs of labor force to the lowest possible

level in order to be competitive on the international arena. And this leads the firms on one hand, towards searching for new production organizations, and on the other hand, towards the model of custom manufacturing, which enables firms to reduce wages and, by doing so, to gain competitive power with low costs.

The elasticity of demand market seems to be a much more influential factor in the spread of custom manufacturing than labor force costs considerations since excessive demand fluctuations in some sectors force the companies to make unprofitable investments. And the only possible way to prevent this is to be able to switch to "custom manufacturing".

Turkey has been following an economic policy based on exports since 1980. And in ready-made clothes industry, which is a sub-industry group of textile industry and possesses the biggest share in our exports, the custom manufacturing have become prevailing. Nevertheless, Turkey has succeeded to become one of the most important players in the foreign market of quality production industry. We can summarize the causes of this phenomenon as follows.

1-) Being geographically close to the markets
2-) Being well-informed on fashion trends in a short period of time
3-) Having established production facilities that are flexible and give results rapidly
4-) Having raw material resources
5-) Having young and qualified entrepreneurs.

Turkish Textile Producers, who had been making exports in small volumes with their own efforts before 1980s, have acquired an important place in world exports thanks to export-oriented economic policies that have been implemented as of 1980s. While in 1980, Turkey was in the 33rd place in the rating of exporter countries of the world, nowadays, it is one of the top 10 countries. Besides the development and increase of ready-made clothes industry during these years, the nature of its exports also experienced great changes. Before 1980, the ready-made clothes industry was exporting raw materials and processed products that had low added values, while now, it produces and sells goods with high added values that have a quality conforming to consumer preferences.

In brief, Turkish ready-made clothes industry has shifted from production with traditional methods to technology-intensive production, from goods with low added values to those of high quality and with high added values.

4.3 Market Of Ready-Made Clothes

The market of ready-made clothes is one of the markets that have the biggest share in Turkey. In this market, which addresses a wide range of people, there are many producer companies with big and small capacities producing various classic, sports and other clothe models. When we look at classic clothes, which is one the groups of goods produced in this market, these consist of certain products like suit jackets, trousers, shirts, jackets and duffle coats, and their complementary products.

In production project of a ready-made clothe, in the first stage, one provides the product with a certain style. This is called design stage. In the second stage, after determining fabrics and materials to be used in the product, one selects collection. Then, the product enters the stage of development. The main stage of production is the stage of development. In this stage, a sample of final product is formed. Then, production goes into the stage of manufacturing, which covers cutting out patterns, sewing, printing and finishing works.

Although technological development in ready-made clothes industry is slower than that in textile industry, this industry is in the phase of reorganization. Traditional production is being gradually replaced by technologic tools, which minimizes losses stemming from production and increases speed and capacity of production.

The structure of ready-made clothes industry is a labor-intensive one. Due to the fact that costs of labor force in developed countries are high, these countries have shifted their human resources to technology-intensive industries. Industrialized countries, with their developed technologies and capital powers, direct their investments towards the countries with low labor costs. Owing to this, advancements of developing countries in the sector of ready-made clothes gain impetus by means of foreign capital investments.

Fashion and consumer preferences also play a determining role in the demand of the ready-made clothes industry. There is a an increase of a demand for high-quality,

more classic and branded products of ready-made clothes, rather than for low-quality unfashionable products produced in bulk.

Table: 11

Export Values of Textile and Ready-Made Clothes Sector

Export Values – 1000 $

	2000 year	2001 year	01/00 Variation %
Turkey Total Export	27.201.538	31.063.595	14.2
Total Textile and Ready-Made Clothes Export	10.041.984	10.356.542	3.1
Turkey Ready-Made Clothes Export	7.451.166	7.489.459	0.5
Turkey Textile Export	2.590.818	2.867.083	10.7

Source: ITKIB

According to the figures recorded by Exporter Unions; in 2001, Turkish Ready-Made Clothes and Textile exports increased in comparison to 2000 only by 3.1% despite the devaluation of Turkish Liras against American Dollars. In this increase, there is a great contribution of Textile exports which showed an increase of 10%.

Table: 12

Monthly Change Textile and Ready-Made Clothes Export in 2001

	Ready-Made %	Textile %
January	10.3	21.2
February	1.5	4.9
March	-8.0	5.1
April	-3.0	10.4
May	2.3	17.2
June	-2.8	2.1
July	-3.5	13.4
August	0.0	10.8
September	-0.7	10.5
October	-0.2	11.0
November	1.0	11.5
December	0.5	10.7

Source: ITKIB

In 2001, Turkish Ready-Made Clothes Industry, which is a locomotive sector of Turkish economy, had its exports performance lowered due to high labor costs, expensive energy and difficulties in the supply of raw materials, as well as because of bureaucratic obstacles standing on the way of exports. And at the same time, this industry came to the point of loosing its advantageous position in terms of competition on the international markets.

As it can be understood from the tables provided above, after a Crisis of February, there was a constant decrease in ready-made clothes exports during the whole year. Still, this sector, which recovered during the last two months of the year, realized the

largest volume of exports among industrial products and constituted 24.1% of total exports of Turkey in 2001.

Table: 13

Comparison of Istanbul and Anatolian In Ready Made Clothes Export

	Istanbul %	Anatolian %
1996	81,9	18,1
1997	80,6	19,3
1998	78,5	21,5
1999	77,8	22,2
2000	73.8	26.2
2001	71.9	28.1

Figure:1

Comparison of Istanbul and Anatolian In Ready Made Clothes Export

According to data provided by Exporter Unions of Istanbul, while 28.1% of total ready-made clothes exports in 2001 were realized by the Unions present in Anatolia, 71.9% were realized by the Unions present in the Marmara Region. When examining the shares of Marmara and Anatolian regions in the exports of the ready-made clothes according to years, we can see that since 1996, the exports of Anatolia have increased by 55%.

Table: 14

Turkish Ready-Made Clothes Export In 2000 and 2001 According To The Countries

Countries (1000$)	2000	2001
Germany	2.580.281	2.419.563
USA	1.231.288	1.180.769
England	846.506	996.648
France	461.023	521.188
Holland	368.047	369.212
Belgium-Luxemburg	201.635	197.633
Italy	159.644	168.938
Denmark	104.379	135.118
Switzerland	102.348	107.563
Spain	75.866	77.423

Source: ITKIB

According to the records of Exporter Unions of Istanbul (ITKIB), in 2001, the greatest volumes of exports were directed to Germany (2,419 million dollars) and the USA (1,181 million dollars). The exports of ready-made clothes to the USA remain well below their potential due to quantity restrictions (quotas) applied.

Table: 15

Turkish Textile Export In 2000 and 2001 According To The Countries

Countries (1000$)	2000	2001
Italy	310.304	330.345
Germany	227.972	240.870
England	205.689	200.887
USA	187.243	197.183
France	125.928	117.403
Spain	75.935	91.779
Rumenia	49.330	73.980
Russia	48.497	72.259
Belgium-Luxembourg	56.886	62.009
Iran	57.469	61.392

Source:ITKIB

According to the records of Exporter Unions of Istanbul (ITKIB), in 2001, the top five countries, to which Turkey made the largest textile exports, are Italy (330 million dollars), Germany, England, USA and France.

Table: 16

Turkish Ready-Made Clothes and Textile Imports

Import – Million $

	2000 12 Months	2001 9 Months	2000 9 Months
Turkey Total Import	53.983	30.452	39.308
Total Textile and Ready-Made Clothes Import	3.441	2.206	2.571
Turkey Ready Made Clothes Import	256	168	175
Turkey Textile Import	3.185	2.038	2.397

Source: DTM

According to data provided by the Undersecretariat of Foreign Trade **(DTM),** during the first nine months of 2001, there was a total decrease of 16.5% in the imports of ready-made clothes and textile products. And during the same period, the volume of imports of ready-made clothes, which decreased by 4.1%, was 168 million dollars.

Table: 17

Turkish Ready-Made Clothes Imports According To The Countries

Countries	2000 / 9 $	2001 / 9 $
Italy	40.793.054	39.730.600
China	20.885.572	21.307.714
England	23.081.990	17.300.131
Spain	16.291.183	11.062.539
Germany	13.570.016	10.937.670
France	12.399.505	9.858.570
Pakistan	178.977	5.085.818
USA	2.356.850	3.604.018
Hong-Kong	4.704.162	4.302.244
Bulgaria	1.082.745	3.112.415

Kaynak : DTM

According to data provided by the Undersecretariat of Foreign Trade **(DTM),** during the nine months both 2000 and 2001 Italy is the biggest customers of Turkey in Ready-Made Clothes export. In 2000 England has more export than China but in 2001 China has more. Pakistan has the biggest increase in 2001 according to 2000.

Table: 18

Turkish Textile Imports According To The Countries

Countries	2000 / 9 $	2001 / 9 $
Italy	252.591.585	248.456.924
USA	274.552.515	207.063.511
Germany	245.061.339	203.529.334
South Korea	147.889.963	124.015.500
China	150.173.039	105.213.052
India	120.721.670	91.142.971
Greece	113.472.771	74.402.285
France	80.768.606	65.660.595
England	74.396.967	64.703.828
Holland	65.901.536	62.752.931

Source: DTM

According to data provided by the Undersecretariat of Foreign Trade **(DTM),** In year 2000 USA is the biggest customer but year 2001 Italy. This change is not because of the increase in Italy, it is because of lower decrease of Italy than USA. We see that there is decrease in all countries Textile import from Turkey in 2001.

Table: 19

The Most Exported Products From Turkey To EU

	1.000 Euro	1.000 Kg.	Euro / Kg.
1-T-Shirt	292.982	16.456	17.81
2-Woven Trousers	153.847	7.765	19.81
3-Sweat Shirt	152.174	8.751	17.39
4-Knit Trousers	70.089	4.439	15.79
5-Autres Art Chaussant	50.479	4.679	10.79
6-Pyjamas	43.203	3.221	13.41
7-Men Shirt	32.794	1.365	24.02
8-Overcoat and Jacket	30.760	1.172	26.25
9-Under Sportswear	22.233	2.126	10.46
10-Other Sportswear	20.159	916	22.01

According to the table, T-Shirt, Woven Trousers and Sweat Shirts are the most exported Ready-Made clothes of Turkey.

Table: 20

The Ready-Made Clothes Suppliers Of The EU(January-March 1999)

	1.000 Kg.	1.000 Euro	Euro / Kg.
1-China	91.356	1.617.433	17.7
2-Turkey	64.074	1.177.358	18.4
3-Hong Kong	34.388	701.027	20.4
4-Tunus	29.874	612.309	20.5
5-Fas	29.204	529.911	18.1
6-India	37.523	527.108	14.0
7-Rumenia	22.854	484.309	21.2
8-Poland	19.850	477.751	24.0
9-Bangladesh	44.996	413.929	9.2
10-Indonesia	18.385	291.916	15.8

As can be seen from the data provided above, Turkey is in the second place among the markets of ready-made clothes mostly preferred by the EU. In recent times, Turkey has focused on ready-made clothes in terms of exports.

Table: 21

7- Year Distribution OF Turkey's Export To The Top 6 Markets Of Ready-Made Clothes

	92	93	94	95	96	97	98
EU	3.28	3.24	3.26	4.37	4.40	4.59	5.17
Germany	2.07	2.06	2.11	2.86	2.88	2.83	2.92
USA	0.33	0.39	0.56	0.62	0.59	0.75	0.84
England	0.35	0.35	0.28	0.35	0.36	0.48	0.57
France	0.27	0.27	0.28	0.39	0.35	0.41	0.49
Holland	0.23	0.25	0.26	0.34	0.35	0.35	0.40
Russia	---	---	---	0.67	0.42	0.72	0.37

With penetration of famous fashion brands in Turkey especially after 1990, there was an increase in proportion of imports in consumption. By means of investments made in most up-to-date technology that ensures the best mass production in terms of quality and developments in design and quality, the ready-made clothes sector is expected to penetrate new markets and increase its share in foreign trade.

Turkey, which is the closest to Europe in terms of its geographical location in comparison to the rival countries, have made use of this advantage in the best way possible and with its fastidiousness in production and delivery, have taken the first place among the non-member states in terms of foreign purchases made by the EU.

In Turkey, which has a great competitive power in ready-made clothes sector, domestic demand is met by means of national production. Nevertheless, increase observed in imports generally stems from luxury clothes of worldwide known brands of high quality.

The ready-made clothes producers located in outstanding fashion centers of the world and known for their quality and fashion styles eagerly make efforts to increase

their sales in Turkey, especially in the recent years. As a result, Turkish ready-made clothes industry is forced to make production ensuring not only wide range of colors and models, but also quality so that to be able to compete with famous brands, which of course is a positive factor contributing to the development.

CHAPTER 5

FORECASTING

5.1. What Is Forecasting And Why We Forecast ?

A Planning for the future is en essential mission for good organizations. An organization establishes goals and objectives, seks to predict environmental factors, then selects actions that will result the stdudies of these goals. Organization's success is related to how well management is able to foresee the future and develope good strategies. Determinin what will happen in the future in order to make good decisions is an important problem for both personnel lives and business world. We use the term forecast to mean some definite method, rather than just a guess, of predicting future events. Forecasting is needed to decrease management dependence on chance, by scientific ways. Forecasting is used in many areas. Short, medium and long term forecast play an important role in today's organizations such as:

1) Scheduling: Scheduling is required to use the resources effectively in production, transportation, etc.

2) Acquiring Resources: The lead time for acquiring raw materials, hiring personel, etc can vary from days to years. Forecasting is required to determine required resources.

3) Determinin Resources Requirements: Organizations must determine long-term resource requirements. Such decisions depend on market opportunities, environmental factors, financial developments, etc are technological resources.

5.2. Forecasting Steps

There are commonly used 6 steps in forecasting.

      1.Problem definition.

      2. Select the items to be forecasted.

      3.Gather the data needed to make the the forecast.

      4. Determine the time horizon of the forecast.

      5. Select the forecasting model.

      6.Using and and evaluating the forecast.

5.3. Forecasting Approaches

There are two general approaches of forecasting. One is qualitative approach and other is quantitative analysis. Quantitative techniques depend on mathematical models and require historical data on the variable of interest. Qualitative methods generally involve expert judgement to develope forecast and incorporate such factors as the decision maker's emotions, personnel experiences.

5.3.1. Qualitative Approaches

5.3.1.1. Delphi Method

Delphi method consist of three groups; decision makers, staff personnel, respondents. There are 5 to 10 expert in a decision makers group to make actual forecast. Staff personnel prepare, distribute, collect and summarize a series of questionnaire and survey results. The respondents are often located in different places and their judgements have important value.

5.3.1.2. Expert Judgement

Expert judgement method is recommended when the conditions in the future will not be in the past. In this stiuation any of the quantitative method can't be used, so the forecast of expert judgement method is usefull in many situations.

5.3.1.3. Scenario Writing

Scenario writing consists of developing a conceptual scenario of the future based on a well-defined set of assumptions. Decision makers decide how likely each scenario is and then to make decisions accordingly.

5.3.2. Quantitative Methods

5.3.2.1. Moving Average

Moving average method depends on forecasting the next data by using the average of recent n data values in the time series.

$$\text{Moving Average} = \frac{\Sigma(\text{most recent n data values})}{n}$$

5.3.2.2. Exponential Smoothing

Exponential smoothing uses the weighted average of past time series values as the forecast. The basic exponential smoothing model is;

$$F_{t+1} = \alpha Y_t + (1-\alpha) F_t$$

Where;

F_{t+1} = forecast of the time series for period t + 1

Y_t = actual value of the time series in period t

F_t = forecast of the time series for period t

α = smoothing constant ($0 \leq \alpha \leq 1$)

t = time

5.3.2.3. Trend Projection

Trend projection depends on a slope.

$$T_t = b_0 + b_1 t$$

Where;

T_t = trend value in period t

b_0 = intercept of the trend line

b_1 = slope of the trend line

$$b_1 = \frac{\Sigma\, tY_t - (\,\Sigma\, t\, \Sigma\, Y_t\,)\,/\,n}{\Sigma\, t^2 - (\,\Sigma\, t\,)^2\,/\,n} \qquad\qquad b_0 = Y_{av} - b_1\, t_{av}$$

Where;

Y_t = actual value of the time series in period t

n = number of periods

Y_{av} = average value of the time series

t_{av} = average value of t

5.4 Collecting Data

In my study all sales data were taken from ITKIB (İstanbul tekstil ve konfeksiyon ihracatçıları birliği) I've tried to find long term datas to make long term forecasting. For country sales I've found 9 years sales but for general export I' find 25 years sales. The datas were up to 2005.

Table: 22

Turkish Textile and Ready Made Clothes Export (1980-2004)

TURKISH TEKSTILE AND READY MADE CLOTHES EXPORT BY YEAR						
	TOTAL EXPORT	READY-MADE CLOTHES EXPORT	RATIO	TEXTILE EXPORT	RATIO	TEXTILE AND READY-MADE	RATIO
YEAR	(1000 $)	(1000 $)	%	(1000 $)	%	(1000 $)	%
1980	2.910.000	106.000	3,6	671.000	23,1	777.000	26,7
1981	4.703.000	302.000	6,4	915.000	19,5	1.217.000	25,9
1982	5.746.000	367.000	6,4	1.069.000	18,6	1.436.000	25,0
1983	5.728.000	544.000	9,5	1.055.000	18,4	1.599.000	27,9
1984	7.134.000	989.000	13,9	1.181.000	16,6	2.170.000	30,4
1985	7.958.000	936.000	11,8	1.151.000	14,5	2.087.000	26,2
1986	7.457.000	1.069.000	14,3	1.043.000	14,0	2.112.000	28,3
1987	10.190.000	1.728.000	17,0	1.133.000	11,1	2.861.000	28,1
1988	11.662.000	2.127.000	18,2	1.334.000	11,4	3.461.000	29,7
1989	11.625.000	2.448.000	21,1	1.338.000	11,5	3.786.000	32,6
1990	12.959.289	2.898.349	22,4	1.424.249	11,0	4.322.598	33,4
1991	13.593.539	3.219.350	23,7	1.374.357	10,1	4.593.707	33,8
1992	14.365.414	4.009.615	27,9	1.369.322	9,5	5.378.937	37,4
1993	15.345.000	4.157.997	27,1	1.457.490	9,5	5.615.487	36,6
1994	18.107.000	4.490.043	24,8	1.944.818	10,7	6.434.861	35,5
1995	21.637.041	6.188.502	28,6	2.130.665	9,8	8.319.167	38,4
1996	23.224.465	6.344.252	27,3	2.352.142	10,1	8.696.394	37,4
1997	26.261.072	7.088.669	27,0	2.730.421	10,4	9.819.090	37,4
1998	26.973.952	7.644.051	28,3	2.811.763	10,4	10.455.814	38,8
1999	26.588.264	7.145.053	26,9	2.733.641	10,3	9.878.694	37,2
2000	27.774.906	7.194.609	25,9	2.818.768	10,1	10.013.377	36,1
2001	31.339.991	7.335.856	23,4	3.060.947	9,8	10.396.803	33,2
2002	35.081.121	8.897.369	25,4	3.152.868	9,0	12.050.237	34,3
2003	46.877.598	11.150.155	23,8	3.926.468	8,4	15.076.623	32,2
2004	62.773.654	12.649.981	20,1	4.950.081	7,8	17.600.062	28,0
Source: ITKIB							

Table: 23 a

Turkish Textile Export According to Countries

	1996 ($)	1997 ($)	1998 ($)	1999 ($)	2000 ($)
GERMANY	176.230.786	219.759.213	214.743.923	228.918.321	229.322.454
FRANCE	131.491.289	132.279.100	164.689.800	144.685.900	130.883.120
İTALY	269.064.273	319.420.783	320.641.158	340.341.551	342.794.002
BELGIUM / LUXEMBOURG	67.272.982	60.887.168	77.440.407	76.537.066	64.516.402
HOLLAND	31.748.705	35.754.218	42.545.741	38.301.515	42.048.668
ENGLAND	251.365.537	269.207.554	253.182.304	233.633.323	232.979.812
İRELAND	11.483.680	10.991.804	7.690.755	7.117.346	12.252.321
DENMARK	11.474.680	11.901.817	12.856.858	12.178.811	18.207.916
GREECE	25.663.476	41.859.670	58.339.246	74.321.838	67.902.075
SPAIN	42.192.350	48.336.351	54.486.369	75.600.261	83.493.586
PORTUGAL	23.438.740	25.339.130	65.912.425	59.644.686	48.383.170
AUSTRALIA	14.824.260	12.509.853	12.550.076	12.962.090	11.772.194
FİNLAND	1.160.150	2.198.078	3.112.437	3.203.829	4.261.164
SWEDEN	6.593.933	5.372.681	7.578.891	8.651.917	8.253.434
EU (15) TOTAL	1.064.004.841	1.195.817.420	1.295.770.390	1.316.098.454	1.297.070.318
MALTA					
ESTONIA					
LATVIA					
LİTHUANIA					
POLAND					
CZECH REPUBLIC					
SLOVAK REPUBLIC					
HUNGARY					
SLOVENIA					
OTHER REGIONS					
NEW EU TOTAL					
EU (25) TOTAL					
USA	145.859.169	176.467.209	194.617.114	221.781.655	236.350.427
CANADA	31.850.654	28.465.431	43.926.216	23.930.935	26.175.079
RUSSIA	53.303.192	76.787.205	54.576.395	38.673.294	49.293.444
SWITZERLAND	40.371.534	72.041.781	13.632.640	14.358.016	12.864.373
NORWAY	1.372.184	1.523.118	866.574	956.590	937.409
İCELAND	664.588	47.215	101.027	101.240	65.712
EFTA TOTAL	42.408.306	73.612.114	14.600.241	15.415.846	13.867.494
TURKEY'S TOTAL	2.352.142.191	2.730.420.665	2.811.763.344	2.733.654.793	2.845.325.547
TURKEY'S GENERAL EXPORT	23.224.465.000	26.261.072.000	26.973.978.000	26.587.225.000	27.774.906.000

This table shows the tectile customers of Turkey between 1996 and 2000. Italy is the biggest customer of Turkey. England and Germany are the other big customers.

Table: 23 b

Turkish Textile Export According to Countries

	2001 ($)	2002 ($)	2003 ($)	2004 ($)
GERMANY	260.246.875	239.649.943	289.222.423	316.837.763
FRANCE	127.437.279	119.260.032	125.035.120	133.046.815
İTALY	383.455.259	315.188.128	410.378.603	497.060.785
BELGIUM / LUXEMBOURG	62.265.371	63.068.319	60.726.791	76.617.993
HOLLAND	41.251.024	42.456.603	56.321.967	69.995.336
ENGLAND	223.351.536	199.980.018	196.414.402	214.021.940
İRELAND	7.905.819	6.950.495	5.502.467	6.327.919
DENMARK	21.562.546	17.661.181	18.108.889	23.941.719
GREECE	70.366.343	72.015.222	99.987.810	127.857.255
SPAIN	97.201.264	98.514.889	122.890.625	158.694.644
PORTUGAL	69.444.828	39.817.104	51.830.994	78.279.445
AUSTRALIA	14.019.817	15.908.949	16.719.043	18.230.284
FİNLAND	4.983.928	6.572.545	10.632.784	12.670.585
SWEDEN	7.351.609	8.298.206	12.090.770	15.694.254
EU (15) TOTAL	1.390.843.498	1.245.341.634	1.475.862.688	1.749.276.737
MALTA		11.703.907	7.676.711	10.580.778
ESTONIA		2.175.043	2.729.384	5.390.406
LATVIA		1.079.299	1.420.020	2.630.651
LİTHUANIA		6.605.165	15.688.389	23.676.949
POLAND		89.471.353	110.182.522	173.935.812
CZECH REPUBLIC		19.564.460	21.163.493	23.251.738
SLOVAK REPUBLIC		4.952.627	6.907.252	8.338.098
HUNGARY		31.442.789	35.702.820	48.472.720
SLOVENIA		3.904.431	6.198.037	7.043.640
OTHER REGIONS		-	-	-
NEW EU TOTAL		170.899.074	207.668.628	303.320.792
EU (25) TOTAL		1.416.240.708	1.683.531.316	2.052.597.529
USA	216.448.544	226.443.101	207.323.578	257.226.914
CANADA	20.395.595	25.421.495	21.326.921	25.641.340
RUSSIA	79.768.368	119.885.414	192.352.302	270.250.050
SWITZERLAND	8.906.694	7.678.386	7.677.294	10.850.496
NORWAY	1.292.486	2.079.505	2.176.242	1.707.764
İCELAND	120.769	101.969	134.077	104.312
EFTA TOTAL	10.319.949	9.859.860	9.987.613	12.662.572
TURKEY'S TOTAL	3.060.947.140	3.204.383.448	3.943.498.522	4.950.081.052
TURKEY'S GENERAL EXPORT	31.339.991.000	36.059.089.000	47.252.836.000	62.773.654.000

According to the table Italy is stil biggest in 2004 but there is a decrease in England so Germany has more import than Italy.

Table: 24 a

Turkish Ready-Made Clothes Export According to Countries

	1996 ($)	1997 ($)	1998 ($)	1999 ($)	2000 ($)
GERMANY	2.948.721.769	2.807.852.650	2.894.327.936	2.704.059.649	2.636.325.712
FRANCE	380.994.189	442.755.131	493.734.172	494.573.050	492.592.360
İTALY	101.222.411	133.851.448	170.970.423	161.484.648	165.988.540
BELGIUM / LUXEMBOURG	115.017.921	163.749.854	231.584.339	211.481.709	208.754.501
HOLLAND	357.931.245	360.832.931	406.292.847	385.299.540	380.187.621
ENGLAND	398.140.924	489.931.534	571.623.542	667.548.099	861.915.614
İRELAND	10.489.418	17.184.940	18.428.598	21.711.465	17.188.784
DENMARK	69.618.920	80.393.041	100.820.151	107.526.827	109.705.566
GREECE	6.350.908	12.681.253	18.030.472	26.134.037	25.405.303
SPAIN	32.885.647	40.283.726	54.579.252	75.632.770	87.548.730
PORTUGAL	912.002	1.038.207	1.711.629	2.062.371	2.022.863
AUSTRALIA	117.172.955	106.223.159	107.644.817	96.839.419	86.048.877
FİNLAND	10.168.484	12.018.648	13.146.797	14.179.244	15.930.402
SWEDEN	51.492.860	68.427.549	90.782.482	94.082.318	105.792.871
EU (15) TOTAL	4.601.119.653	4.737.224.071	5.173.677.457	5.062.615.146	5.195.407.744
MALTA					
ESTONIA					
LATVIA					
LİTHUANIA					
POLAND					
CZECH REPUBLIC					
SLOVAK REPUBLIC					
HUNGARY					
SLOVENIA					
OTHER REGIONS					
NEW EU TOTAL					
EU (25) TOTAL					
USA	597.567.030	690.501.525	807.135.558	928.417.400	1.238.936.575
CANADA	14.360.113	16.678.480	21.672.009	27.442.822	36.022.559
RUSSIA	422.932.690	676.608.447	373.544.063	129.758.000	103.403.531
SWITZERLAND	71.242.025	82.291.971	74.602.636	73.504.643	69.723.486
NORWAY	29.834.344	40.770.159	50.394.813	44.105.226	44.732.227
İCELAND	190.698	233.934	381.754	468.700	799.457
EFTA TOTAL	101.267.067	123.296.064	125.379.203	118.078.569	115.255.170
TURKEY'S TOTAL	6.344.251.658	7.088.668.782	7.644.051.081	7.145.053.462	7.256.315.728
TURKEY'S GENERAL EXPORT	23.224.465.000	26.261.072.000	26.973.978.000	26.587.225.000	27.774.906.000

According to table Germany is the biggest customer of Turkey in Ready-Made Clothes sector, eventhough it is not biggets in textile sector.

Table: 24 b

Turkish Ready-Made Clothes Export According to Countries

	2001 ($)	2002 ($)	2003 ($)	2004 ($)
GERMANY	2.499.224.654	2.731.264.916	3.400.317.538	3.569.489.355
FRANCE	550.411.021	658.920.114	850.669.580	931.179.086
İTALY	180.689.476	217.459.130	308.126.583	437.269.144
BELGIUM / LUXEMBOURG	205.709.228	224.053.999	258.325.805	268.842.875
HOLLAND	383.045.362	476.031.558	658.091.070	758.965.804
ENGLAND	1.012.471.261	1.399.503.501	1.640.748.206	1.971.519.594
İRELAND	22.454.674	39.147.420	70.376.105	84.415.694
DENMARK	138.366.427	199.251.266	284.341.510	340.780.656
GREECE	28.150.095	41.882.064	61.641.426	93.249.403
SPAIN	91.196.297	144.478.104	269.652.919	428.656.017
PORTUGAL	3.409.219	4.525.494	5.993.714	8.177.558
AUSTRALIA	83.207.544	101.511.212	120.089.315	106.106.016
FİNLAND	19.221.340	25.287.154	30.028.088	32.456.371
SWEDEN	116.254.132	147.807.284	200.033.226	216.435.170
EU (15) TOTAL	5.333.810.730	6.411.123.216	8.158.435.085	9.247.542.743
MALTA		712.856	724.892	1.525.499
ESTONIA		1.667.575	1.649.530	3.050.084
LATVIA		978.271	1.564.319	2.021.676
LİTHUANIA		1.524.696	3.806.700	5.336.753
POLAND		43.004.562	46.040.074	42.153.507
CZECH REPUBLIC		15.522.457	24.112.637	2.949.579
SLOVAK REPUBLIC		3.302.874	1.184.318	1.279.381
HUNGARY		11.924.175	15.767.215	21.529.301
SLOVENIA		8.942.527	12.586.635	15.572.972
OTHER REGIONS		-	-	-
NEW EU TOTAL		87.579.993	107.436.320	95.418.752
EU (25) TOTAL		6.498.703.209	8.265.871.405	9.342.961.495
USA	1.210.990.560	1.471.537.359	1.542.453.475	1.523.185.768
CANADA	45.880.408	56.055.550	64.694.235	74.907.241
RUSSIA	57.677.587	69.070.222	111.246.285	145.726.101
SWITZERLAND	69.564.261	81.831.176	97.484.938	110.868.120
NORWAY	38.733.816	39.744.747	55.850.598	61.737.193
İCELAND	1.130.973	875.162	952.310	715.677
EFTA TOTAL	109.429.050	122.451.085	154.287.846	173.320.990
TURKEY'S TOTAL	7.335.856.229	8.951.802.196	11.178.369.997	12.649.981.824
TURKEY'S GENERAL EXPORT	31.339.991.000	36.059.089.000	47.252.836.000	62.773.654.000

Germany is stil the biggest during 2001 and 2004. We also see a big increase in England import. France and Holland has big increase too.

5.5 Method of Analysis

In my study data I've used exponential smoothing method. I've not use any qualitative method because I got the mathematical values for past years and it seems that situation will be same in next years. In this part of the study I made forecast for the next 5 years of datas. I made forecasting for both ready-made clothes and textile and I made forecast for both general and by counties. I've used exponential smothing model. Because MSE(Mean Square Error) is smaller in exponential smoothing method rather than moving average and trend analysis.

Table 25

Turkey's Textile Export Forecast for 2005

Exponential Smoothing   **1000 USD**

date	year	Yt(time series)	Ft (exp. smoot.)	Forecast error	Squared error	absolute error
1980	1	671.000				
1981	2	915.000	671.000	244.000	59.536.000.000	244.000
1982	3	1.069.000	912.560	156.440	24.473.473.600	156.440
1983	4	1.055.000	1.067.436	-12.436	154.644.147	12.436
1984	5	1.181.000	1.055.124	125.876	15.844.677.752	125.876
1985	6	1.151.000	1.179.741	-28.741	826.059.081	28.741
1986	7	1.043.000	1.151.287	-108.287	11.726.163.692	108.287
1987	8	1.133.000	1.044.083	88.917	7.906.255.274	88.917
1988	9	1.334.000	1.132.111	201.889	40.759.237.472	201.889
1989	10	1.338.000	1.331.981	6.019	36.227.057	6.019
1990	11	1.424.249	1.337.940	86.309	7.449.276.092	86.309
1991	12	1.374.357	1.423.386	-49.029	2.403.833.831	49.029
1992	13	1.369.322	1.374.847	-5.525	30.528.819	5.525
1993	14	1.457.490	1.369.377	88.113	7.763.856.203	88.113
1994	15	1.944.818	1.456.609	488.209	238.348.152.146	488.209
1995	16	2.130.665	1.939.936	190.729	36.377.586.258	190.729
1996	17	2.353.142	2.128.758	224.384	50.348.310.008	224.384
1997	18	2.730.421	2.350.898	379.523	144.037.588.290	379.523
1998	19	2.811.763	2.726.626	85.137	7.248.347.665	85.137
1999	20	2.733.641	2.810.912	-77.271	5.970.749.908	77.271
2000	21	2.818.768	2.734.414	84.354	7.115.646.869	84.354
2001	22	3.060.947	2.817.924	243.023	59.059.956.376	243.023
2002	23	3.152.868	3.058.517	94.351	8.902.153.740	94.351
2003	24	3.926.468	3.151.924	774.544	599.917.652.375	774.544
2004	25	4.950.081	3.918.723	1.031.358	1.063.700.221.698	1.031.358
2005			4.939.767		2.399.936.598.355	4.874.464

α	0,99		**MAD:**	203.103	
Forecast for 2005		4.939.767	**MSE:**	99.997.358.265	

Table 26

Turkey's Ready-Made Clothes Export Forecast for 2005

Exponential Smoothing   **1000 USD**

date	year	Yt(time series)	Ft (exp. smoot.)	Forecast error	Squared error	absolute error
1980	1	106.000				
1981	2	302.000	106.000	196.000	38.416.000.000	196.000
1982	3	367.000	300.040	66.960	4.483.641.600	66.960
1983	4	544.000	366.330	177.670	31.566.486.764	177.670
1984	5	989.000	542.223	446.777	199.609.416.089	446.777
1985	6	936.000	984.532	-48.532	2.355.377.644	48.532
1986	7	1.069.000	936.485	132.515	17.560.139.798	132.515
1987	8	1.728.000	1.067.675	660.325	436.029.299.466	660.325
1988	9	2.127.000	1.721.397	405.603	164.513.997.601	405.603
1989	10	2.448.000	2.122.944	325.056	105.661.424.274	325.056
1990	11	2.898.349	2.444.749	453.600	205.752.561.127	453.600
1991	12	3.219.350	2.893.813	325.537	105.974.335.506	325.537
1992	13	4.009.615	3.216.095	793.520	629.674.577.535	793.520
1993	14	4.157.997	4.001.680	156.317	24.435.068.172	156.317
1994	15	4.490.043	4.156.434	333.609	111.295.079.667	333.609
1995	16	6.188.502	4.486.707	1.701.795	2.896.106.534.204	1.701.795
1996	17	6.344.252	6.171.484	172.768	29.848.764.864	172.768
1997	18	7.088.669	6.342.524	746.145	556.731.882.760	746.145
1998	19	7.644.051	7.081.208	562.843	316.792.745.600	562.843
1999	20	7.145.053	7.638.423	-493.370	243.413.528.193	493.370
2000	21	7.194.609	7.149.987	44.622	1.991.150.045	44.622
2001	22	7.335.856	7.194.163	141.693	20.076.969.456	141.693
2002	23	8.897.369	7.334.439	1.562.930	2.442.749.973.062	1.562.930
2003	24	11.150.155	8.881.740	2.268.415	5.145.707.970.200	2.268.415
2004	25	12.649.981	11.127.471	1.522.510	2.318.037.165.967	1.522.510
2005			12.634.756		16.048.784.089.595	13.739.113

α	0,99			**MAD:**	572.463	
Forecast for 2005		12.634.756		**MSE:**	668.699.337.066	

Table 25 and Table shows us the export forecast of Turkey in Textile sector and Ready-Made Clothes sector. Exponential exponential smoothing model and 0,99 α used to have the lowest MSE. According to Table 25 Turkeys Textile export will be 4.939.767.000 USD in 2005. And according to the Table 26 Turkeys Ready-Made Clothes export will be 12.634.756.000 USD in 2005. These values are calculated according to past values. Eventhough there is an increase in every year exponential smoothing model shows that there may be a decrease in 2005 because of past data.

Table 27

Turkey's Total Export Forecast for 2005

Exponential Smoothing   **1000 USD**

date	year	Yt(time series)	Ft (exp. smoot.)	Forecast error	Squared error	absolute error
1980	1	2.910.000				
1981	2	4.703.000	2.910.000	1.793.000	3.214.849.000.000	1.793.000
1982	3	5.746.000	4.685.070	1.060.930	1.125.572.464.900	1.060.930
1983	4	5.728.000	5.735.391	-7.391	54.622.446	7.391
1984	5	7.134.000	5.728.074	1.405.926	1.976.628.178.978	1.405.926
1985	6	7.958.000	7.119.941	838.059	702.343.324.831	838.059
1986	7	7.457.000	7.949.619	-492.619	242.673.880.538	492.619
1987	8	10.190.000	7.461.926	2.728.074	7.442.386.690.580	2.728.074
1988	9	11.662.000	10.162.719	1.499.281	2.247.842.731.516	1.499.281
1989	10	11.625.000	11.647.007	-22.007	484.316.527	22.007
1990	11	12.959.289	11.625.220	1.334.069	1.779.739.904.852	1.334.069
1991	12	13.593.539	12.945.948	647.591	419.373.700.843	647.591
1992	13	14.365.414	13.587.063	778.351	605.830.134.261	778.351
1993	14	15.345.000	14.357.630	987.370	974.898.547.439	987.370
1994	15	18.107.000	15.335.126	2.771.874	7.683.283.781.536	2.771.874
1995	16	21.637.041	18.079.281	3.557.760	12.657.654.345.869	3.557.760
1996	17	23.224.465	21.601.463	1.623.002	2.634.134.185.064	1.623.002
1997	18	26.261.072	23.208.235	3.052.837	9.319.813.846.099	3.052.837
1998	19	26.973.952	26.230.544	743.408	552.656.004.824	743.408
1999	20	26.588.264	26.966.518	-378.254	143.076.025.195	378.254
2000	21	27.774.906	26.592.047	1.182.859	1.399.156.504.092	1.182.859
2001	22	31.339.991	27.763.077	3.576.914	12.794.310.863.294	3.576.914
2002	23	35.081.121	31.304.222	3.776.899	14.264.967.083.110	3.776.899
2003	24	46.887.598	35.043.352	11.844.246	140.286.163.103.835	11.844.246
2004	25	62.773.654	46.769.156	16.004.498	256.143.970.953.376	16.004.498
2005			62.613.609		478.611.864.194.005	62.107.218

α	0,99		**MAD:**	2.587.801	
Forecast for 2005	62.613.609		**MSE:**	19.942.161.008.084	

This table shows us the Turkeys total export by years. We see that there is a decrease in every year just like in Textile and Ready-Made Clothes sector. We also used exponential smoothing model for Turkeys total export too. According to our exponential smoothing forecast Turkeys total export will be 62.613.609.000 USD in 2005.

Table 28

Forecast for Textile Sector According to Countries

Exponential Smoothing   **1000 USD**

Country	A	MSE	Forecast for 2005
GERMANY	0,94	836.230.074	315.006
FRACE	0,01	187.005.747	131.723
İTALY	0,95	3.222.904.582	492.496
BELGIUM / LUXEMBOURG	0,01	51.810.769	67.309
HOLLAND	0,99	59.906.366	69.857
ENGLAND	0,99	240.656.726	213.845
İRELAND	0,52	6.336.248	6.498
DENMARK	0,95	12.366.254	23.649
GREECE	0,99	302.943.045	127.576
SPAIN	0,99	334.629.625	158.334
PORTUGAL	0,55	433.236.125	65.885
AUSTRALIA	0,99	2.322.778	18.215
FİNLAND	0,99	3.385.390	12.649
SWEDEN	0,99	4.633.417	15.658
MALTA	0,28	5.405.583	10.577
ESTONIA	0,99	2.472.451	5.363
LATVIA	0,99	529.548	2.618
LİTHUANIA	0,99	49.256.128	23.595
POLAND	0,99	1.506.613.731	173.295
CZECH REPUBLIC	0,99	2.330.020	23.230
SLOVAK REPUBLIC	0,99	1.975.373	8.323
HUNGARY	0,99	60.770.106	48.344
SLOVENIA	0,99	2.005.252	7.034
USD	0,97	695.313.223	255.746
CANADA	0,31	56.209.689	25.102
RUSSIA	0,99	1.933.411.973	269.464
SWITZERLAND	0,51	440.370.086	9.991
NORWAY	0,99	180.076	1.712
İCELAND	0,90	48.325	107

Table 28 shows us the forecasting of Textile export of Turkey according to Countries. Exponential smoothing model was used for all countries, because for all countries it gives the minimum MSE. We have used different α in every country to have the minimum MSE in all. According to our forecast Italy will be the biggest and than Germany and England.

Table 29

Forecast for Ready-Made Clothes Sector According to Countries

Exponential Smoothing   **1000 USD**

Country	A	MSE	Forecast for 2005
GERMANY	0,99	77.727.488.328	3.567.730
FRACE	0,99	8.213.297.152	930.355
İTALY	0,99	3.668.884.279	435.968
BELGIUM / LUXEMBOURG	0,99	1.134.795.502	268.733
HOLLAND	0,99	6.902.589.679	757.938
ENGLAND	0,99	51.016.018.540	1.968.187
İRELAND	0,99	197.121.646	84.271
DENMARK	0,99	1.972.868.862	340.207
GREECE	0,99	217.590.815	92.931
SPAIN	0,99	5.650.090.257	427.053
PORTUGAL	0,99	1.352.773	8.155
AUSTRALIA	0,99	155.223.759	106.224
FİNLAND	0,99	10.783.266	32.431
SWEDEN	0,99	638.248.031	216.266
MALTA	0,99	213.979	1.517
ESTONIA	0,01	637.837	1.681
LATVIA	0,99	185.878	2.016
LİTHUANIA	0,99	2.539.591	5.320
POLAND	0,01	3.331.364	43.026
CZECH REPUBLIC	0,01	78.011.950	15.481
SLOVAK REPUBLIC	0,96	1.495.343	1.279
HUNGARY	0,99	16.137.879	21.471
SLOVENIA	0,99	7.471.293	15.542
USD	0,99	26.094.772.681	1.523.370
CANADA	0,99	65.751.222	74.804
RUSSIA	0,99	27.705.990.279	145.377
SWITZERLAND	0,99	97.249.615	110.733
NORWAY	0,99	73.263.134	61.677
İCELAND	0,99	47.290	717

Table 29 shows us the forecasting of Ready-Made Clothes export of Turkey according to Countries. Exponential smoothing model was used for all countries, because for all countries it gives the minimum MSE. We have used different α in every country to have the minimum MSE in all. According to our forecast Germany will be the biggest and than England and France.

CHAPTER 6

ANALYZING EXPORT PROBLEMS

6.1 Objectives

In this study, our main aim is defining export problems that textile firms faced oftenly, their extent and defining main problems by using pareto analysis.

6.2 Data Collection Procedure

This study can be considered as a descriptive research because it's aim is describing most important problems of textile sector. This study is a cross-sectional study measuring the sample of elements from the population of interest at a single point of time. A structured questionnaire was used which has been instructed to be answered by export staff. 24 questions were asked and all of them were utilized in data analyzing.

6.3 Method of Analysis

The data was collected by face to face interviews and mails. Questions were presented exactly in same order and with same wording to provide standardization. The questions were multiple choice type. Everybody was forced to answer all questions eventhough he/she has no opinion about that problem.

There were two sections in questionnaire. The first section was to know the sctructure of textile companies. There were 9 questions in the first section.

Section 1

Question 1   For how many years you have been exporting?

Question 2   What is the percentage of exporting to total sales?

Question 3   What is the number of employees in the firm as worker?

Question 4   Do you have any advertisement organizations in foreign countries?

Question 5   Do you visit the firms that you export to?

Question 6   Do you have any office in the countries that you export to?

Question 7   What is the payment type of your sales?

Question 8   What is the delivery type of your sales?

Question 9   Do you search the international prices of your goods?

Section 2

The questions in this section were derived from personal meetings held with the managers of the textile export companies. There were 24 multiple choice questions. A scale was used to determine the degree of the problems. The categories of the questions were always, frequently, sometimes and never.

Question 1   High production cost.

Question 2   High energy cost.

Question 3   High salary cost.

Question 4   Poor quality of production for foreign markets.

Question 5   Lack of qualified export staff.

Question 6   Difficulties in providing raw materials.

Question 7   Difficulties in finding cheap export finance.

Question 8   Unstable prices due to inflation.

Question 9   Difficulties by governmental agencies for export.

Question 10   Difficulties in communication to importer companies.

Question 11   Difficulties in export insurance.

Question 12   Difficulties in transportation.

Question 13   Difficulties in highway transportation.

Question 14   Difficulties in seaway transportation.

Question 15   Difficulties in airway transportation.

Question 16   Problems in delivery time.

Question 17   Lack of service of representative companies.

Question 18   Lack of advertisement in foreign markets.

Question 19   Competitor countries that have low production cost.

Question 20   Poor quality in by-products.

Question 21   Custom difficulties due to importer's regulations.

Question 22   Importer requiring guarantie.

Question 23   Delays in payment by importer companies.

Question 24   Difficulties in finding new markets.

6.4 Statistical Methods of Analysis

SPSS (Statistical Package Program for Social Sciences) was used for analyzing the data. Also EXCELL program was used too. Pareto Analyze was used for the relations between the problems.

6.5 Summary Findings

The results of the frequency analysis applied on the data will be cited in the tables.

Table 30
Frequencies of the results.

Variables	Number of Firms	%
Years in export		
0 - 5	6	12,77
5 - 10	16	34,04
More than 10	25	53,19
	47	100,00
Export rates to sales		
less than 30%	10	21,28
30% - 70%	17	36,17
more than 70%	20	42,55
	47	100,00
# of staff		
less than 50	3	6,38
50 - 100	19	40,43
100 - 200	20	42,55
more than 200	5	10,64
	47	100,00
Advertisement in foreign countries		
Yes	36	76,60
No	11	23,40
	47	100,00
Visits to importers		
Yes	10	21,28
No	37	78,72
	47	100,00
Offices in importer countries		
Yes	8	17,02
No	39	82,98
	47	100,00
Payment Type		
Cash	8	17,02
Letter of credit	35	74,47
Payment credit	4	8,51
	47	100,00
Delivery Type		
Fob	37	78,72
Cif	6	12,77
Cf	4	8,51
	47	100,00
Searching International Prices		
Yes	36	76,60
No	11	23,40
	47	100,00

6.6 Export Problems of Textile Companies

Problems discussed will be examined in four points; production, research, bureaucracy, transportation and importer related problems.

In this section we will discuss the frequency and type of problems that the exporters encounter. The questions will be shown by tables with scalas of 1 = Always, 2 = Frequently, 3 = Sometimes, 4 = Never

Table 31

The Problems of Textile Exporters in Production Stage

Problems	n	Always %	Frequently %	Sometimes %	Never %	Mean x
High Production Cost	47	40,43	27,66	19,15	12,77	2,04
High Energy Cost	47	25,53	17,02	46,81	10,64	2,43
High Salary Cost	47	23,40	25,53	31,91	19,15	2,47
Poor quality of production for foreign markets	47	10,64	21,28	55,32	12,77	2,70
Difficulties in providing raw materials.	47	4,26	25,53	57,45	12,77	2,79
Problems in delivery time	47	29,79	36,17	23,40	10,64	2,15
Poor quality in by-products	47	8,51	25,53	59,57	6,38	2,64

In Production stage high production cost and delivery times problems are the most faced problems. We see that there is not a big problem in quality and raw material.

Table 32

The Problems of Textile Exporters in Research Stage

Problems	n	Always %	Frequently %	Sometimes %	Never %	Mean %
Lack of qualified export staff	47	31,91	27,66	21,28	19,15	2,28
Difficulties in communication to importer companies	47	10,64	14,89	31,91	42,55	3,06
Lack of advertisement in foreign markets	47	38,30	27,66	21,28	12,77	2,09
Competitor countries that have low production cost	47	63,83	14,89	17,02	4,26	1,62
Difficulties in finding new markets	47	27,66	46,81	12,77	12,77	2,11

In this stage most important problem is competitor countries. According to tables that we used in this study China is a big developing competitor of textile manufacturers.

Table 33

The Problems of Textile Exporters in Bureaucracy Stage

Problems	n	Always %	Frequently %	Sometimes %	Never %	Mean %
Difficulties in finding cheap export finance	47	29,79	34,04	25,53	10,64	2,17
Unstable prices due to inflation	47	14,89	27,66	42,55	14,89	2,57
Difficulties by governmental agencies for export	47	10,64	27,66	25,53	36,17	2,87
Difficulties in export insurance	47	4,26	17,02	21,28	57,45	3,32

In Bureaucracy stage there are not many and big problems. Expensive Finance is the most faced problem of this stage. Inflation is an another problem but nowadays many manufacturer dont take it as an important problem.

Table 34

The Problems of Textile Exporters in Transportation Stage

Problems	n	Always %	Frequently %	Sometimes %	Never %	Mean %
Difficulties in railway transportation	47	6,38	14,89	63,83	14,89	2,87
Difficulties in midway transportation	47	4,26	12,77	19,15	63,83	3,43
Difficulties in seaway transportation	47	10,64	6,38	31,91	51,06	3,23
Difficulties in airway transportation	47	31,91	27,66	21,28	19,15	2,28

In transportation stage most faced problem is airway transportation. The problem about it is price. Manufacturers think that airway transportation is so expensive and if they use airway transportation, their production cost will higher and they will not compete with competitor countries.

Table 35

The Problems of Textile Exporters in Importer Related Problems Stage

Problems	n	Always %	Frequently %	Sometimes %	Never %	Mean %
Lack of service of representative companies	47	2,13	12,77	55,32	29,79	3,13
Custom difficulties due to importer's regulations	47	0,00	10,64	59,57	29,79	3,19
Importer requiring guarantie	47	10,64	14,89	34,04	40,43	3,04
Delays in payment by importer companies.	47	0,00	14,89	70,21	14,89	3,00

The problems in this stage are because of customers. In this stage there is not an important problem. Only payment delays seems most faced problem in this stage.

6.7 Results

Table 36

Most Important Problems of Textile Exporters

Problems	Mean x	Problem Effect %
Competitor countries that have low production cost	1,62	2,5
High Production Cost	2,04	3,2
Lack of advertisement in foreign markets	2,09	3,3
Difficulties in finding new markets	2,11	3,3
Problems in delivery time	2,15	3,4
Difficulties in finding cheap export finance	2,17	3,4
Lack of qualified export staff	2,28	3,6
Difficulties in airway transportation	2,28	3,6
High Energy Cost	2,43	3,8
High Salary Cost	2,47	3,9
Unstable prices due to inflation	2,57	4,1
Poor quality in by-products	2,64	4,2
Poor quality of production for foreign markets	2,70	4,3
Difficulties in providing raw materials.	2,79	4,4
Difficulties by governmental agencies for export	2,87	4,5
Difficulties in transportation	2,87	4,5
Delays in payment by importer companies.	3,00	4,7
Importer requiring guarantie	3,04	4,8
Difficulties in communication to importer companies	3,06	4,8
Lack of service of representative companies	3,13	4,9
Custom difficulties due to importer's regulations	3,19	5,0
Difficulties in seaway transportation	3,23	5,1
Difficulties in export insurance	3,32	5,2
Difficulties in highway transportation	3,43	5,4

According to the table most important and effective problems of textile sector are:

1 Competitor countries that have low production cost

2 High production cost

3 Lack of advertisement in foreign markets

4 Difficulties in finding new markets

5 Problems in delivery time

6 Difficulties in finding cheap export finance

7 Lack of qualified export staff

Percentage of these problems are 22,7 %. These are the most effective problems. Solving these problems probably will be resulted by sales increase.

CHAPTER 7

CONCLUSIONS

The textile and ready-made clothes sector in the Turkey has already experienced by a long history of challanges resulting in re-structuring and modernisation. In it's response to these challanges, the sector has developed its competitive advantages by improving creation and quality, research, innovation and labor force skills, technological content and value added, and also by developing a dynamic clustering behaviour.

The EU's trade policy should play an important role by offering to the Turkish textile and clothing sector. In a highly globalized sector such as textile, a level playing field is essential international trade.

This study was conducted to fourty seven textile exporter firms by collection procedure of administering questionnaire. 53,19 of firms had more than ten years of export experience and 42,55 of firms had more than 70% export in sales.

The questionnaire included questions that probed into organizational characteristics, attitudes and problems in all stages of export.

The questionnaires were filled up by the staff of export firms. Datas were analyzed by SPSS(Statistical Package for Social Sciences) computer program and sub-programs like excell. In the following paragraphs, the findings of the study will be summarized and conclusions will be given.

Our findigs show that most of the Turkish Textile Exporters are frequent user of Letter of Credit.

It is not very popular among Turkish exporters ta have a share in importer firms, that is only a few of them are true partners of the firms that export.

Free On Board is a favourite delivery type of Turkish exporters. 78,12% of them use Free On Board.

Turkish exporters have a good knowledge and are well aware of the price of their export items, as well as, their competitors in international markets. They list their competitors like other countries, other Turkish firms and local firms of importer countries.

In general,export problems of Turkish Textile Sector may be classified in production stage, research stage, bureaucracy stage, transportation stage and importer related problems stage.

When we look at from the aspect how often the problems arise in the stage of production, the most frequent problems are high production cost, problems in delivery time and high energy cost.

In research stage our findings show that most improtant problem of textile sector is competitor countries with a mean 1,62. Mostly, China is a very big competitor for Turkish Textile Sector. With a cheap salary and energy China decrease the production cost and increase their export according to other countries. Finding difficult markets and lack of advertisement in foreign countries are the other main problems of research stage.

Many of the firms have frequent problems with bureaucracy mainly in finding cheap export finance and unstable prices because of inflation.

Most frequent problems related related to transportation are difficulties in airway transportation and difficulties in seaway transportation. Main problem in airway transportation is high cost and in seaway time is a problem.

In terms of importer country related problems, main problems are delays in payment and guaranty required by improter firm.

On an overall basis, major problems are competitor countries that have low production cost, high production cost, lack of advertisement in foreign markets, difficulties in

finding new markets, problems in delivery time, difficulties in finding cheap export finance and lack of qualified export staff.

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