

**ÇANKAYA UNIVERSITY
GRADUATE SCHOOL OF SOCIAL SCIENCES
INTERNATIONAL TRADE AND FINANCE**

MASTER THESIS

**THE EFFECTS OF THE EU-TURKEY CUSTOMS UNION ON TURKISH TEXTILE
AND READY-WEAR INDUSTRY**

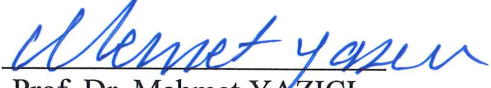
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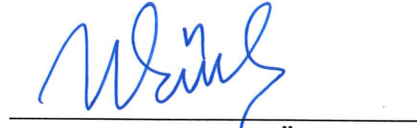
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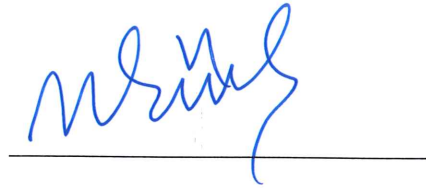
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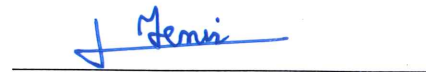
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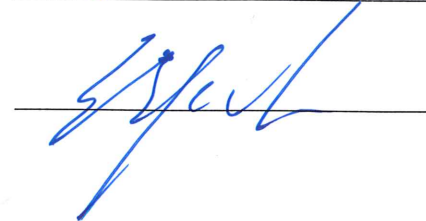
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ABSTRACT

THE EFFECTS OF EU-TURKEY CUSTOMS UNION ON TURKISH TEXTILE AND READY-WEAR INDUSTRY

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In this thesis, the EU and Turkey's trade relations are examined. Especially, Customs Union stages are important for the development of trade relations between the EU and Turkey. EU is the most powerful importer of the world and it is the biggest market of Turkey. Turkey's economic power shaped with the textile and ready-wear industry's exports to the European Union member countries. In this study the stages of the Customs Union and exports to the European Union are examined in detail. The effects of the Customs Union have been determined with the help of the data about the exports before and after the Customs Union. For the development of the textile and ready-wear industry, a new survival solution is founded after the determination of whether Customs Union affects positively or negatively the driving sectors of the Turkish economy.

Keywords: Exports to European Union, Customs Union, textile, ready-wear, technical textiles, WTO.

ÖZET

AVRUPA BİRLİĞİ- TÜRKİYE ARASINDA GERÇEKLEŞTİRİLEN GÜMRÜK BİRLİĞİ'NİN TÜRK TEKSTİL VE HAZIR GIYIM SANAYİİNE ETKİLERİ

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Bu tez çalışmasında öncelikle Avrupa Birliği ve Türkiye'nin ticaret ilişkileri incelenmektedir. Ticari ilişkilerin incelenmesinde Gümrük Birliği süreci oldukça önem taşımaktadır. Avrupa Birliği dünya genelinde en fazla ithalat yapan ülke konumundadır ve Türkiye için önemli bir pazardır. Türkiye'nin ekonomik gücünün şekillenmesine sebep olan tekstil ve hazır giyim sanayii'nin Avrupa Birliği ülkelerine yaptığı ihracat tezin asıl konusudur. Türkiye'nin Gümrük Birliği öncesi ve sonrası ihracat rakamları detaylı bir biçimde incelenmiştir. İncelemelere dayanarak ortaya çıkan etkilerin belirlenen sonuçlarından yola çıkarak Türkiye için yeni bir strateji belirlenmiştir.

Anahtar Kelimeler: Avrupa Birliği, Gümrük Birliği, ihracat, Dünya Ticaret Örgütü, Tekstil, Hazır Giyim

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LIST OF ABBREVIATIONS

EU	: European Union
CU	: Customs Union
ITKIB Exporter's Association	: The General Secretariat of Istanbul Textile & Apparel
GATT	: General Agreement on Tariff and Trade
MFA	: Multi-Fiber Agreement
ATC	: Agreement on Textile and Clothing
WTO	: World Trade Organization
DPT	: State Planning Organization
DTM	: Under Secretariat of Foreign Trade
TUIK	: Turkish Statistical Institute

INTRODUCTION

The textile and ready wear industries played the most crucial role in the global industrialization process. Initially the industries allowed the further growth of the developed countries' economies, later global focus switched to developing countries for their cheap labor costs and now production in Turkey has reached its maturity state. Since the founding of the Republic production in the industry steadily grew and eventually became the cornerstone of the Turkish economy. With its dynamic structure the textile industry allowed the growth of the economy and plays an important role in the global manufacturing industry. When considering how much of the global market for the industry is located in the EU, Turkey's ever improving textile trade relations with the EU is crucial. Increasing competition in the global market caused countries to look for new markets. Thanks to the Customs Union with the EU Turkey has gained a significant advantage in the global market, allowing it to stay strong in the global market. The fact that the EU is the biggest market for Turkish textile and ready-wear goods did not change over the years and still remains as such. The Customs Union allowed the medium and long term survival of the industry. In order to the Turkish textile industry to keep up with the global changes and protect its share in the global market it has to continuously renew itself and improve further. Up until the abolishment of quotas by the World Trade Organization Turkey was able to successfully utilize the advantage it gained from the Customs Union. However as the far eastern countries started to further industrialize and focused on the textile and ready-wear industries the global focus shifted towards them and Turkey started to lose its advantage in the global market. When China joined the World Trade Organization and quotas on them were abolished the manufacturing and marketing opportunities for Turkey suffered a significant setback. With its cheap labor costs, cheap raw material procurement and its low production costs the far eastern countries pose a threat for Turkey. Increasing hardships in the procurement of raw materials, increasing costs of production and the decreasing export opportunities affected Turkey significantly especially after 2008. Since then the share of the textile and ready-

wear industries in the total manufacturing industry figures has been in a constant decline. The contribution of the ready-wear industry to economy surpassed the contributions of the textiles. Since the textile and ready-wear industries are complimentary industries they have to keep up with global changes together or else they cannot improve on their own.

This study consists of three parts. Starting from the first part the study examines the growth of the industry before and after the Customs Union Agreement. In part one the general situation and trend of the global industry is examined. The subtitle further examines the industry in the EU as it is crucial for Turkey and therefore this report. Later the important International agreements that affect the textile and ready-wear industries are explained and examined.

The second part consists of the throughout inspection of the Turkish textile and ready-wear industries and their sub-sectors. When examining the sub-sectors there is a focus on their situation before the Customs Union. The sub-sectors of the Turkish textile industry are examined and then the process of the Customs Union and the abolishment of the quotas and their effects are mentioned. In order to properly examine the advantages and the disadvantages that come from the Customs Union it is crucial to look at the figures from the years 1996 to 2005 mainly because the most significant improvements in the raw material production and overall manufacturing happened in between these years. Over the years the Turkey's ability to procure raw materials and its production suffered and this process was cross-examined in regards to the overall state of the global market and other countries.

In the last part of the study the relations between Turkey and the European Union are examined. The interesting state of Turkey, in which it is a part of the Customs Union but not the EU and the effects of such a position are observed. After an examination of the static and dynamic effects of the Customs Union their more specific effects on the industry are studied. Up until the third part the figures from the process of implementing of the Customs Union were used but in this part the situation of the industry after the Union is observed in a yearly fashion. The part is split in to two as the performance of both the textile and the ready-wear industries are reviewed between the years of 2001 and 2011. The yearly reports allow us to see the changes in the share of these industries in the economy over the years. In this study the Turkish exports to the EU countries are

examined thoroughly. Lastly the existing problems of the Turkish industry are evaluated and are followed by a SWOT analysis. In conclusion it is decided that in order to keep up with the global market Turkey must focus on the production of technical textiles.

When taken as a whole most of the study is made up of the examination of the European Union and Turkey. The information and figures are examined in a yearly fashion without specifically dividing the time times before and after the Customs Union. The state of the Turkish industry is shown through its figures. Changing the trend of the now matured state of industry and its growth is the main aim.

CHAPTER 1

THE GLOBAL TEXTILE AND READY-WEAR INDUSTRY

1.1 DEVELOPMENT OF THE TEXTILE INDUSTRY IN THE WORLD

Textile industry always plays an important role in the world history because the basic commodities of the people which are nutrition and sheltering also brings back to cover themselves. With the necessity of covering themselves people started to benefit from animals. Later, this basic commodity of people started to develop with the different strategies and has succeeded to the position where it is today. Hundreds of years in the development of textile industry, the trafficking of textile products has a significant place. Resulting from the basic needs of the people, emerging and developing textiles has become an industry with the Industrial Revolution in UK. Thus, textile is the first industrialized sector in the process of industrialization. In the second part of the 18th Century mechanical spinning processes have been developed. The first mechanical weaving loom with a commercial use was realized and patented by Edward Cartwright in 1785(Öngüt,E. 2007:3).¹

In the length of time, production technics that are used in the textile sector have developed. These developments have led to passing to the new methods in production techniques such as using water, steam and electricity. Also, techniques do not only related with natural resources but also related with fashion. In the fashion part of textile there are three main actors in the world and these are France, USA and Italy.

Finally, textile products are important because they correspond the basic needs of people and they become requirements in the lives of people.

1.2 TEXTILE AND READY-WEAR INDUSTRY IN THE EUROPEAN UNION

As the textile industry promotes growth in economies and transforms its structure to labor-intensive production, production of goods starts to shift towards developing

¹ Öngüt, E. (2007). *Türk Tekstil ve Hazır Giyim Sanayiinin Değişen Dünya Rekabet Şartlarına Uyumu*, Expertise Thesis, Publication No:2703, Ankara, DPT pp: 3

countries rather than developed ones. As the global textile and ready-wear industry grew, it became an important part of the global economy by increasing the circulation of goods among countries. Even though the EU doesn't have low labor costs like developing countries, through their industrialized and highly technological structure they have an edge on developing countries as they can promise high efficiency and quality which inevitably leads to better brand imaging and higher fashion value. They are able to produce high-end goods with higher return value than other countries. Over time, different countries in the EU became more and more specialized in different types of textile goods and therefore each have their own important place in the global textile industry. When these specialized countries are taken into account as one, as the EU, they make up a significant portion of the global ready-wear and textile industry. The leading countries in the EU which are strong in this industry are Italy (especially as through time it started to be treated as the fashion capital of the world), UK, France and Germany. While some of the EU countries focus heavily on ready-wear industry others focus more on textile industry. While countries like UK, Germany, Belgium, Holland and Austria are known for their textile industry, countries like Italy, France, Spain, Portugal and Greece are more famous for their strength in the ready-wear industry.

To sum up, the EU has a strong place in the global textile and ready-wear industry with its highly technological production lines, high value goods and important brands that controls how fashion evolves throughout the world.

1.3 STATUS OF THE MARKET AND ITS COMPETITIVE FORCES

The yearly reports show that there is decrease in the total products produced and sold in the textile and ready-wear industries. Sudden changes in the industry and new regulations are one of the main reasons for this decrease. There is also a visible decrease in employment levels and a significant shift of focus towards the ready-wear industry. The main cause of the decrease in the employment rate is the ever increasing efficiency of technology, especially in the EU. According to graph 1, in the EU only 4% of employed workers are in the textile industry while only 3% is in the read-wear industry, making up 7% percent of entire EU region. The decrease in the employment levels in the

ready-wear is directly related to the fact that there more investment being directed towards the textile industry.

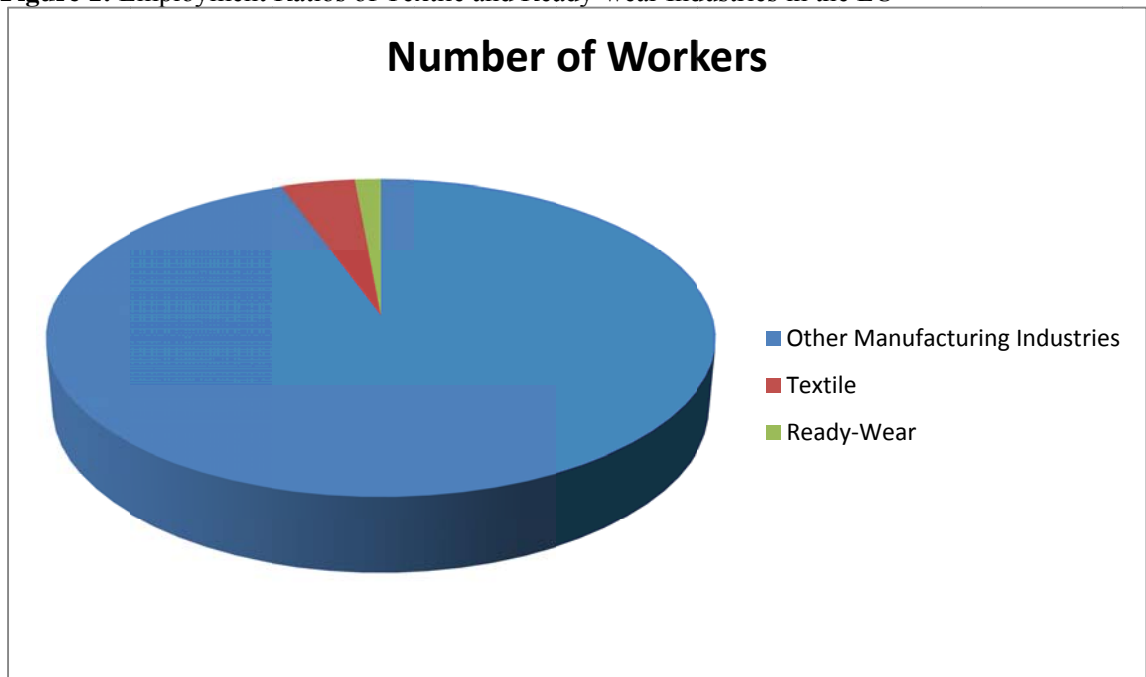
Table 1: The Ratios of Investments Made on the Industries in Turkey (%)

Years	2000	2001	2002
Ready-Wear	16	19	30
Textile	84	81	70
Total	100%	100%	100%

Source: ITKIB (The General Secretariat of Istanbul Textile & Apparel Exporter's Association), 2006

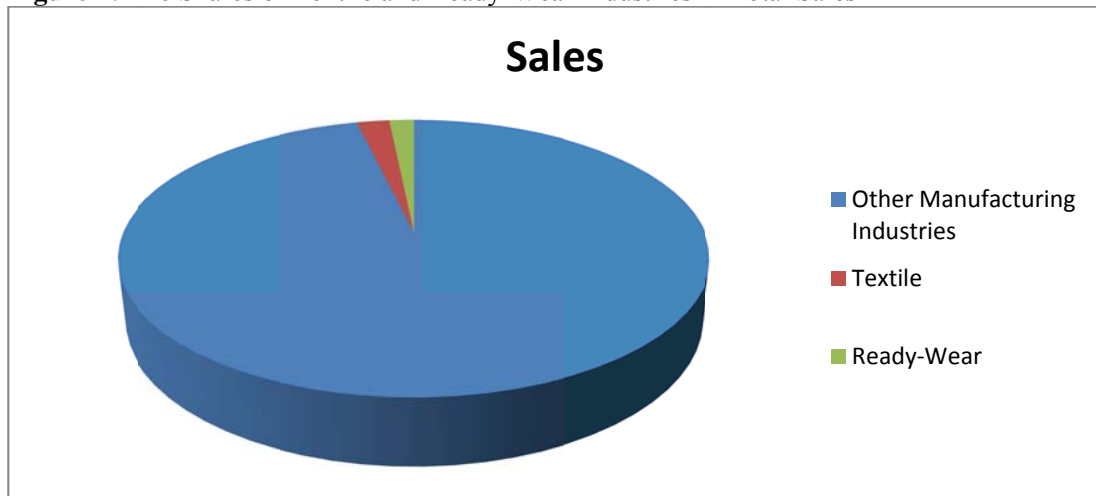
As seen in the table 1, the total textile investments was higher than total ready wear investments. After the years given in the table 1, in the year of 2003 there was an 11% decrease in investments in the textile industry, and a %7.3 decrease in the investments in the ready-wear industry (Aras.G,2006:14).

Figure 1: Employment Ratios of Textile and Ready-wear Industries in the EU



Source: Eurostat

Figure 2: The Shares of Textile and Ready-Wear Industries in Total Sales



Source: Eurostat

Table 2: Sales Volume of the EU Textile and Ready-Wear Industries (%)

Years	Textile	Ready-Wear
1995	119,1	63,8
1996	121,6	65
1997	126,6	68
1998	127	68,8
1999	120,3	66,7
2000	127,2	67,7
2001	124,5	68,6
2002	119,1	66,9
2003	111,3	63

Source: Euratex, 2004

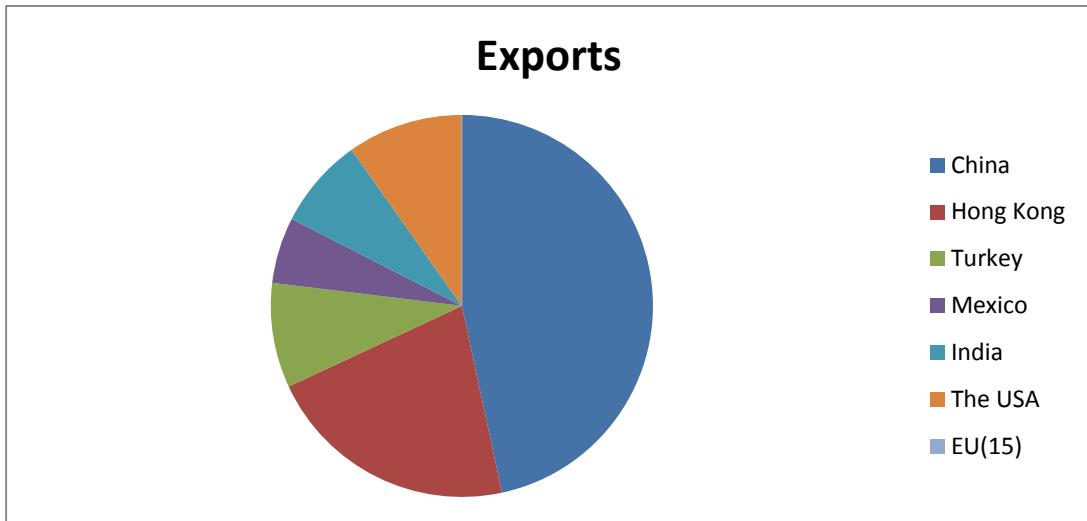
The textile industry sales make up a %2.1 and the ready-wear industry sales make up 1.6% of the whole production and sales of the EU (Graph 2). When the sale volumes of the two industries are compared between the years of 1995 and 2003, the textile industry has a much bigger volume (Table 2).

1.3.1 Competitive Forces

EU countries are in a very important position in the world ranking in both importing and exporting textile and ready-wear goods. Italy, Germany, France and UK were considered to be the leading countries in the production of textile and ready-wear

goods. The fact that they are still considered to be very strong in these industries is a reflection of the stability and the strength of the EU in these industries. The EU exports and also imports a significant amount of goods in both the industries as well. Therefore, the EU is not only one of the main suppliers but can also effect the demand as they make up a significant part of the demand themselves. As a collective the EU can be considered to be the world's biggest importers of textile and ready-wear goods. Six out of the ten biggest importers in the global clothing industry are EU countries.² The six that are in the in top ten are; Germany, UK, France, Italy, Belgium and Spain. Out of these countries Germany, Italy, France and UK are also important exporters. But, overall the EU is considered to be net importer.

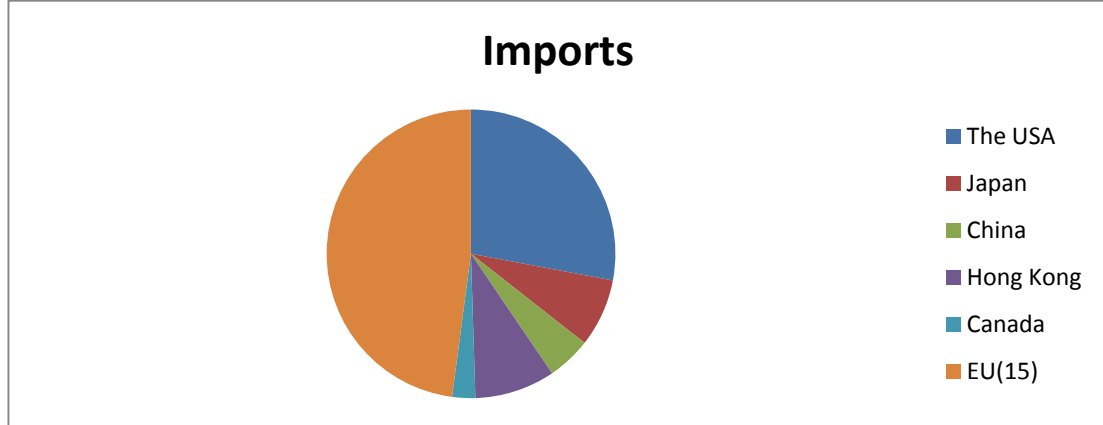
Figure 3: The Leading Exporters of the Global Market



Source: Aras. G. (2006), *Avrupa Birliđi ve Dünya Pazarlarına Uyum Açısından Türk Tekstil ve Konfeksiyon Sektörünün Rekabet Yeteneđi*, İstanbul: İTKİB, pp: 21

² Aras.G, (2006), *Avrupa Birliđi ve Dünya Pazarlarına Uyum Açısından Türk Tekstil ve Konfeksiyon Sektörünün Rekabet Yeteneđi*, İstanbul: İTKİB, pp:20.

Figure 4: The Leading Importers of the Global Market



Source: Aras. G, 2006, 'Avrupa Birliđi ve Dünya Pazarlarına Uyum Açısından Türk Tekstil ve Konfeksiyon Sektörünün Rekabet Yeteneđi', İstanbul: İTKİB, pp: 21

The leading exporter countries in the world and the percentages of their shares in the global market: China:%20, Hong Kong: %9,2, Turkey:%3,8, Mexico:%2,4, India:%3,3, USA:%4,2, EU: %30 (Graph 3).

The leading importer countries in the world and the percentages of their shares in the global market: USA:%22,7, Japan: %6,2, China: %4, Hong Kong:%7,3, Canada: %2,1, EU: %38,9 (Graph 4).

1.4 INTERNATIONAL REGULATIONS ON THE TRADE OF TEXTILE AND READY-WEAR

1.4.1 General Agreement on Tariff and Trade (GATT)

Over the years as the textile industry grew so did its importance in international trade and global economy. While the industry started to grow immensely in the developed countries over time, the production shifted towards the developing countries and started to fuel their economy. Producing goods for the textile industry is a labor-intensive job and quickly became too costly in the developed countries, creating a natural opportunity for developing countries with much lower labor costs. The sudden strengthening of some countries (mainly due to their low labor cost and other low production costs) in the global industry resulted in limitations in both the global textile and ready-wear industries. The

dual agreements signed by the developed countries that limit the global textile and ready-wear industries rendered the General Agreement on Tariffs and Trade (GATT) obsolete. To correct this situation the following agreements were signed:

- 1961- Short Term Agreement on International Cotton Textile Trade.
- 1962- Long Term Agreement on Cotton Goods – Extended to 1973.
- 1974- GATT Regulations Agreement on Multi-Fiber Textiles (MFA).

In addition to these international agreements, textile and ready-wears were generally regulated by the 1947 GATT and later the World Trade Organization.

1.4.2 Multi-Fiber Agreement (MFA)

As it was mentioned previously, the advantages of the developing countries over developed countries negatively affected the free trade environment. In order to stop the negative effects of unfair export prices and dumping on their own production and trade, the member states of the European Economic Community³ signed the Multi-Fibers Agreement with the developing countries that were posing a threat⁴ in 1974. The purpose of the MFA was to protect local industries imports by implementing tariffs and quotas on exports. MFA consists of many agreements that were either two-sided and sometimes one-sided. With this agreement the textile and ready-wear industries were considered to be an exception to the GATT and they were to follow the rules of the MFA. The MFA was initially supposed to last for four years but was then extended. At the end of the Uruguay Round of the GATT process, the MFA was extended until year 1993. The Dunkel Report that was created in the Uruguay Round stated that the regulations of textile and ready-wear industries should in 10 years' time change into the GATT regulations and these changes would be determined in the Agreement of Textiles and Clothing (ATC). ATC dictated that the quotas would be abolished in a step by step process over the following 10 years. These steps were;

1. In according to the 1990 imports a 16%

³ USA, Austria, Sweden, Canada, Finland, Japan, Norway, Switzerland, EU (The EU countries are considered to be a single country as a whole)

⁴ Argentina, Macedonia, Maldives, Nepal, Bulgaria, Turkey, Slovakia, Macao, Peru, Romania, Sri Lanka, China, Uruguay, Bangladesh, Egypt, North Korea, Malaysia, India, Philippines, Mauritius, Thailand, Singapore, Vietnam, Czech Republic, Brazil, Hong Kong, Pakistan, Poland and South Korea.

2. After 1 January 1998 another %17,
3. After 1 January 2002 another %18,
4. And after 1 January 2005 the remaining 49% of all trade would be quota-less.⁵

Table 3: The Transition Calendars of the World Trade Organization According to the ATC

Years	Export and import rates of countries
01.01.1995	16%
01.01.1998	17%
01.01.2002	18%
01.01.2005	49%

Source: Under secretariat of Foreign Trade, 2004

To summarize after the 1994 Uruguay Round it was decided that in order to integrate the global regulations into the GATT and to make GATT effective again, the World Trade Organization was to be established.

1.4.3 World Trade Organization (WTO)

The World Trade Organization was established in January 10th of 1995 and is considered to be the continuation of the GATT. According to the Agreement of Textiles and Clothing after the year 2005 all quotas and limitations on the global textile and ready-wear industries are to be abolished resulting in much more freedom in these industries. However in 2005 the ATC get repealed and it was agreed upon that the global ready-wear industry would continue to function under the guidance of the rules made by the WTO. Rules determined by the WTO can be considered to be the international equivalent of any national laws made on one industry. In this period five agreements were signed:

1. Agreement on Technical Barriers on Trade: Technical regulations on the international trade of the member states were determined. Its main aim was to allow member countries to trade while minimizing the trade barriers between them without favoring any of the sides. These technical regulations were made in order to ease the flow of trade globally.
2. Agreement on Rules of Origin: This agreement with the purpose of locating the origin of a good is crucial in foreign trade.

⁵ Official Gazette, 25 February, 1995 , pp:63-65

3. Agreement on Subsidiaries and Compensatory Measures: Government gives advantageous subsidies to firms. These advantages are only to be used on trade interests of the government. There are three different types of subsidies in the agreement. These are; the red subsidies, green subsidies and yellow subsidies.
4. Anti-Dumping Measures Protocol: According to the GATT regulations, the export price of a good should not be less than 95% of its local price. Extremely low prices on exports create an unfair competition for local goods. Also if an exported product is sold for less than its manufacturing costs it is considered dumping as well.
5. Agreement on Trade-Related Aspects of Intellectual Property Rights: To stop any confusion that may occur in international trade goods are to be registered. This agreement protects copyrights, brands, patents and geographical signs in the global market.

CHAPTER 2

TEXTILE AND READY-WEAR INDUSTRIES IN TURKEY

2.1 THE GROWTH OF TEXTILE AND READY-WEAR INDUSTRIES BEFORE CUSTOMS UNION IN TURKEY AND THEIR CURRENT POSITION

Just like every other developing country over the last few centuries, Turkey has taken very important steps in industrialization. Even though most of the major technological advances in the textile industry happened in the 18th century, after the Industrial Revolution, the roots of the Turkish textile and ready-wear industry date all the way back to the Ottoman Empire. In the beginning most of the production in Turkey was made in small-sized firms that focused primarily on weaving and silken goods. While Denizli and Tokat were the leading provinces in weaving, Bursa was the capital of silken goods in Turkey.

Table 4: Number of Textile Firms in 1915

Sector	Number of Firms (Overall)	Number of Firms (Textile)
Public Sector	22	18
Incorporations	28	10
Private Sector	214	45
Industrial Firms	264	73

Source: General Directorate of Industry ,2010

As it can be seen in the table 4, the textile industry had a strong place in the Turkish economy in the year 1915, as nearly a third of Turkish firms were textile firms. On a closer look, we can see the importance of the textiles as 73 of the 264 industrial firms in Turkey were textile firms. Out of these firms 18 were government firms, 10 were incorporations and 45 were private sector firms.

Eventually Sümerbank was created in order to sustain the increasing needs of the textile industry. Sümerbank was to make sure capable workers with extended knowledge

were raised and supplied to firms, plan and coaudit the management structure of governmental firms in the industry, give credit to new companies that were to open up and overall lead how the textile industry was to grow in Turkey. Establishment of Sümerbank was an important stepping stone in the growth of the Turkish textile and ready-wear industries. With the founding of Sümerbank, every factory and firms in the textile and ready-wear industry was collected under one roof and since the beginning of Turkish Republic had an organized structure, ready to grow even more. On top of its immediate effects, Sümerbank also encouraged the private sector, resulting in an increase of investments that sky rocketed around the years of 1950s. As a result, the textile industry's share in the private sector increased, the number of government firms decreased.

As the investments to the private sector increased by Sümerbank's backing, the private sector freed itself from the governments control. While the private sector only made up a 28% of the whole market in 1952, by the year 1990 90% of the industry was made up of private firms (Table 5).

Table 5: The Growth of Private Sector Companies Over the Years

Years	Shares
1952	28%
1962	62%
1990	90%

Source: General Directorate of Industry, 2010

Along with its rising share in the exports, share in the GNP the textile industry generated jobs and gave Turkey a respectable economic position in the global market, turning the industry into the very engine that supported its economy. Even though the industry itself is considered to be a capital-intensive sector of the economy, it generated a considerable amount of jobs as the amount of workers needed increased. As the products made by the textile industry, reach the ready-wear industry the process shifts from being a capital-intensive one to labor-intensive one. With the rise of the textile industry the ready-wear industry also got stronger, leading to even more exports. Ultimately the ready-wear industry's share in Turkey's exports surpassed the share of the textile

industry. The inter-dynamics of the textile and ready-wear industries allow them to fuel each other, resulting in their simultaneous strengthening.

To summarize, the textile industry has a very important place in the general industrialization of a country and therefore plays a critical role in the growth of developing countries. Even though the global textile industry first bloomed in developed countries during the industrial revolution, the need for raw materials and cheap labor caused its focus to shift towards developing countries, allowing them to grow economically in the process. The industry was especially crucial in the growth of Turkish economy as its production technology always remained on par with the world standards. Approximately half of the established production capacity of the European Union remains in Turkey.⁶ Even though Turkey has a strong infrastructure in both the textile and the ready-wear industries the global focus has shifted yet again as even cheaper labor became available in other developing countries leading the Turkish industries to their current mature state.⁷

2.1.1 Current Position

As a developing country, Turkey first surfaced in the global market through its exports in the textile and ready-wear industries in the 1980's and continued to advance thereafter. Textile and ready-wear industries are an important driving force of production, employment and exports in the Turkish economy. The capacity created by the excessive investments made with the push of the Customs Union led the Turkish economy into crisis but it was quickly reversed due to the dynamic structure of the industry. The Customs Union did not only affect the textile and ready-wear industries but also became the first stepping stone of a turning point for the Turkish economy as a whole. Even though the Customs Union has improved the foreign trade potential of Turkey, the imports increased much more than exports during this growth. Along with the Common

⁶ Özipek, B. and Bora D, (2010) *Avrupa Birliği'ne Uyum Sürecinde Türk Tekstil Sektörü'nün Durumu* , Publication No:2010-44, İstanbul, İTO, pp: 12

⁷ Öngüt, E. (2007). *Türk Tekstil ve Hazır Giyim Sanayiinin Değişen Dünya Rekabet Şartlarına Uyumu*, Expertise Thesis, Publication No:2703, Ankara, DPT, pp: 39

Customs Tariff coming in to effect, taxing and the rights Turkey acquired in quotas caused changes in the general system of the Customs Union established. After the European Union decided to abolish the limitations on quotas of developing countries, Turkey lost the edge it had gained due to the Customs Union. As more and more exports started to enter into the European Union from Eastern Europe and Asia, Turkey's exports started to stagger. Unable to compete with its new competitors' low labor costs, Turkey's exports suffered, effectively limiting their contribution to Turkish economic growth. The textile and ready-wear industries played such a crucial role in the Turkish economic growth for such a long time that this staggering of exports is having a negative impact on the Turkish economy.

With the abolishment of all quotas in 2005 came the rise of Chinese goods, causing a significant increase in cheap products in the global market and the unit price of exported goods plummeted. This new situation created a natural global price war resulting in a highly competitive industry with low prices. Even though the export value of the industry rose the quantity of Turkish exports fell short. However the staggering exports did not change the competitive nature of the industry in Turkey as it still played a crucial role in the growth and planning of the Turkish economy. Textile and ready-wear industries still make up a 10% of the total production in the economy. According to these values the ratios of the two industries production to the total production of the Turkish economy is much higher than the same ratios in European Union.⁸ On top of these, the new quotas put in by the USA on Chinese exports in 2005 gave a relief to the Turkish exports. However, this advantage was a short-lived break to the Turkish economy because they were to be abolished in 2008.

One of the main importance of the industry in the Turkish economy is its help in the employment rate. According to research made by the TUIK, over 700,000 people are currently working in the industry. Further research into the workplace records shows that the two most common type of companies in the industry are "cotton weaving" companies (5,663) and companies "that produce non-clothing ready textile goods" (5,676). Employment wise "cotton weaving" companies are leading with (113,900) workers

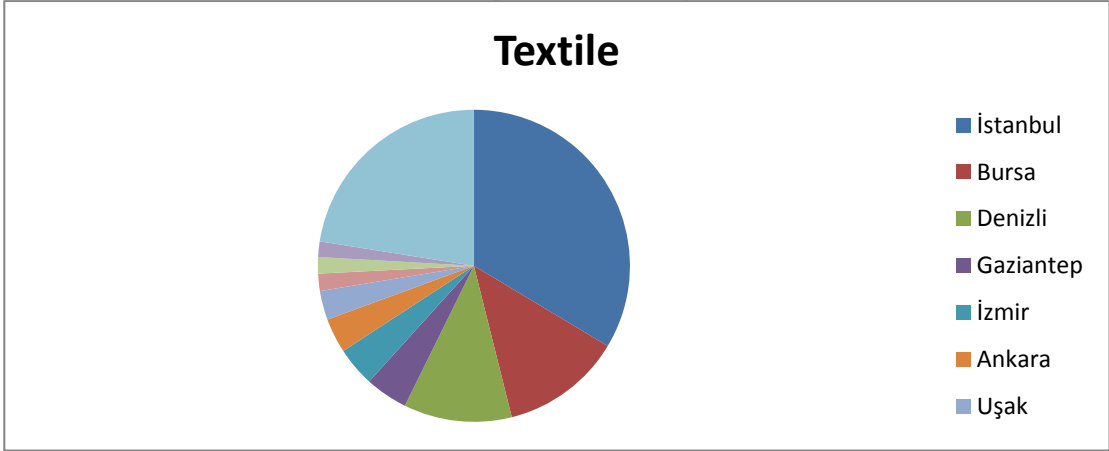
⁸ Aras, G, (2006), *Avrupa Birliđi ve Dünya Pazarlarına Uyum Açısından Türk Tekstil ve Konfeksiyon Sektörünün Rekabet Yeteneđi*, İstanbul: İTKİB, pp:95

followed by companies “that specialize in the readying and spinning of natural and synthetic cotton fibers” that have (71,671) workers. In the case of the ready-wear industry the two leading type of companies are ones “that produce other outerwear” (22,410) followed by ones “that produce underwear” (7,699). In the case of employment companies “that produce other outerwear” are leading with (156,739) workers, followed by the companies “that produce underwear” which employ 112,132 workers. However, off the record employments are common in Turkey and therefore these numbers can only be considered an approximation. According to the 9th Development Plan report made by the State Planning Organization approximately 1,950,000 people are working in the industry. A detailed inquiry shows that there are high employment rates of female workers and less-skilled workers in the industry. According to the records, female workers make up a 57% of the total workers.

Textile and ready-wear industries in Turkey are overall made up of small firms and ready-wear firms are higher in number. The reason behind this focus is the labor-intensive nature of the industry and the added value created by it. According to the Turkish Statistical Institute (TUIK) records, the average number of workers in the textile industry is 18 while the average numbers of works in the ready-wear industry is 9. The average number of workers in the whole of the industry is 12.5. The provinces that focus heavily on textile firms are İstanbul, Bursa and Denizli. Meanwhile ready-wear firms are primarily located in İstanbul.

As is can be seen in the graph 5, the provincial distribution rate of textile firms are as follows; İstanbul % 33,6 – Bursa % 12,5 – Denizli % 11,2 – Gaziantep % 4,4 – İzmir % 4,1 – Ankara % 3,6 – Uşak % 3 – Adana % 1,8 – Aydın % 1,7 – Konya % 1,6 – Other % 22,5.

Figure 5: The Distribution of Textile Companies According to Provinces



Source: Turkish Statistical Institute

Figure 6: Distribution of Ready-Wear Companies According to Provinces



Source: Turkish Statistical Institute

As it can be seen in the graph 6, the provincial distribution rate of ready-wear firms are as follows; İstanbul % 36,5 – İzmir % 7,8 – Bursa % 4,7 – Ankara % 4,1 – Adana % 2,7 – Konya % 2,3 – Denizli % 2,1 – Manisa % 2 – İçel % 1,8 – Gaziantep % 1,8 – Other % 34,2.

When the EU is considered to be a single country, Turkey ranks as the 8th largest exporter of textile goods and 3rd largest exporter of ready-wear goods to the Union (WTO,2004). According to the table 6, as the international quotas fell in 2005 Turkey's growth on the industries' exports was only 7.6% adding up to 18.7 billion dollars. Approximately 8.7 billion of this total belonged to the textile industry while the remaining 9.9 billion belonged to the ready-wear industry, effectively proving that the

ready-wear industry had a stronger influence in the Turkish economy. Even though these numbers are positive, this should not mask the fact that Turkey was greatly affected by the changes of 2005 and its growth rate in exports was greatly stunted as it lost its advantage that came through the Customs Union. The fact that 65% of Turkey's exports were going to the EU, making them the biggest importer of Turkish goods did not help either. When we take a closer look at the years of 1996 through 2005, the years in which the Customs Union between the EU and Turkey was still functional, in regards of the shares of textile and ready-wear industries in the total manufacturing industry.

Table 6: The Shares of Textile and Ready-Wear Industries in Total Manufacturing Until the Abolishment of Quotas

Years	Textile	Ready-Wear	Total of Textile&Ready-Wear	Percent Change	Manufacturing Industry	The Share of Manufacturing Industry
1996	3.817,80	4.829,70	8.647,50		20.525,80	42,1
1997	4.450,10	5.442,10	9.892,30	14,4	23.312,80	42,4
1998	4.794,00	5.715,60	10.509,60	6,2	24.064,60	43,7
1999	4.557,60	5.270,10	9.827,70	-6,5	23.957,80	41
2000	4.614,10	5.417,10	10.031,20	2,1	25.517,50	39,3
2001	4.943,50	5.397,50	10.341,00	3,1	28.826,00	35,9
2002	5.532,80	6.615,20	12.148,00	17,5	33.701,60	36
2003	6.841,20	8.153,90	14.995,10	23,4	44.378,40	33,8
2004	7.998,10	9.340,20	17.338,20	15,6	59.579,10	29,1
2005	8.732,60	9.918,90	18.651,60	7,6	68.630,00	27,2

Source: Turkish Statistical Institute, Foreign Trade Statistics

Until the year 2000 the two had a continuous growth and made up nearly half of the total exports of country. After 2000 even though their growth continued, other industries surpassed their growth, resulting in their decreased share of the manufacturing industry as a whole. The total of the textile and ready-wear industries grew by 23.4% in 2003 and 15.6% in 2004, but these high growth rates plummeted back to 7.6% in the year 2005. This drop in growth took a turn for the worse by the end of 2005 and continued decline throughout 2006.

As previously mentioned, the textile and ready-wear industries had a great influence in the Turkish economy due to its help in both exports and employment rates. When the ATC quotas fell in 2005 it had a great impact on the social, economic and political structure of Turkey. As the global market suddenly became much more

competitive and the cheap export champion China entered this already heated price war, Turkey's share in the global market plummeted greatly affecting its economy as a whole. Without the protection of the quotas just like many other countries Turkey could not stand its ground and exports fell against the low prices of Asian countries that had very cheap labor and therefore production costs. In order for Turkey to get back in to its former power it has to revitalize the industry with new technology, follow the worldly fashion trends carefully, create diversity in its production, get better in branding and focus on value-added products. Their aims should turn into becoming a leading fashion country that the rest of the world follows just like Italy, Germany or France. In this new highly competitive global market more and more people are investing in places with low labor and raw material costs. In the last couple of years foreign investment in the Turkish textile and ready-wear industry has decreased significantly and to make things worse even Turkish investors are leaving for China and other developing countries in their long term plans, leaving the Turkish economy even more vulnerable than it had become.

2.2 STATUS OF THE SUB-INDUSTRIES

2.2.1. Cotton Goods Industry

Cotton is a very important raw material in the textile industry. Turkey is one of the leading producers of cotton. Cotton goods make up a significant amount of both the textile industry and ready-wear industries' goods. Cotton goods are considered to be value-added goods as their raw material; cotton itself is a value-added good. On top of this, the growth of the global textile industry began and continued through the production of cotton goods. The initial growth was followed by the production natural and synthetic fibers. Even though technology improved greatly and raw materials increased in both variety and quantity, cotton goods are still considered to be the most lucrative in textile industry. Giving Turkey, a country that is strong global in the production of cotton, an advantage in the global market.

Table 7: The Main Cotton Suppliers in the Global Market (%)

Countries	2006	2007	2008	2009
China	6,2	7,7	8,1	8
India	4,1	4,7	5,2	4,9
USA	5,2	4,7	4,2	2,8
Pakistan	2,2	2,2	1,9	2
Brazil	1	1,5	1,6	1,2
Uzbekistan	1,2	1,2	1,2	1
Turkey	0,8	0,8	0,7	0,4
Total Production	25,4	26,6	26,1	23,4

Source: U.S Cotton Market,2010

Before the Customs Union, with its 26% share in the global market China is the leading supplier of cotton, followed by USA with its 19.7% share in the global market. Turkey makes the 6th place in the list of cotton suppliers with its 4.8% share of the entire global market.⁹ Even though Turkey is in the top 6, there still is a significant gap between Turkey's share and China share in the global market. As it can be seen in the table 7, after Customs Union between the years 2006-2009 Turkey fell down the 7th place in the list of cotton suppliers. Even though cotton production is decreasing in Turkey, it still has an important place in the Turkish economy. This decrease in production is not a problem that is specific to Turkey but is a general issue that affects the entire global cotton market. Main issue is the change in the global climate and its new irregularities. The negative effects of globalization on the climate are leading to a decrease in the areas that are optimal for cotton production. Even though the global supply of cotton is decreasing, its demand continues to increase.

⁹ FAO (2004), *The Main Cotton Suppliers in the Global Market*, Food and Agriculture Organization.

Table 8: The Yearly Global Figures for Planted Areas, Production and Yield of Cotton

Years	Planted Area(Hectare)	Production(Ton)	Yield(Kg/Da)
1997	33.956.827	54.374.752	160
1998	33.345.648	51.885.163	156
1999	32.611.052	52.884.385	162
2000	31.561.755	53.143.086	168
2001	34.433.546	60.508.684	176
2002	32.281.621	54.165.613	168
2003	32.374.092	56.969.044	176

Source: FAO, 2004

Table 9: World Cotton Consumption (%)

Countries	2006	2007	2008	2009
China	9,8	10,9	11,2	9,8
India	3,6	3,9	4	3,9
Pakistan	2,5	2,5	2,6	2,5
Turkey	1,5	1,6	1,3	1,1
Brazil	1	1	1	0,9
Total Consumption	25,4	26,9	26,9	24,2

Source: Cotton Outlook

The global consumption has continuously increased throughout the years (Table 9). Due to the increasing global demand and decreasing supply, the price will go up and production costs will increase. In Turkey even though the government is backing the sector with incentive bonuses, the absence of it in the past has made the industry suffer.

In short, due to the Chinese effect, the prices shall fall even though production costs are increasing which will turn back as a decrease in Turkish supply and Turkish cotton industry will suffer. After China joined the World Trade Organization, they have been in a crucial place in the textile industry, with their endless production potential they have rendered all advantageous agreements like the Customs Union Agreement obsolete for other countries. This also happened in the cotton industry, as the Chinese invaded the global industry global cotton prices to fall immediately.

As the cotton production started to suffer in Turkey, the country was forced to start importing. The increasing gap between the imports and exports reflect that Turkey has been importing expensive goods while exporting for a cheap price (Aras. G, 2006:67). Being one of the main raw materials for ready-wear industry, this situation also

caused an increase in production costs. On top of this entering the Customs Union did not have the desired effect and a redundant amount of investments were made to increase capacity.

2.2.1.1 Cotton Threads

Cotton spinning is a crucial part of the cotton industry. There are two main methods for spinning cotton. These are the open-end method and the ring method. There are other systems like the friction method or the air jet method but these are rarely used. The open-end method and ring method are very easy to compare.

Open-end Method:

- Utilizes a rotor system.
- Production speed is high.
- High production speed reduces production costs.
- Produces a thick thread that has 15-20% lower durability than the ones produced with the ring method.
- Due to the ability of producing very large coils the time lost by changing coils is negated.
- Mostly short fibers are used in production.
- Due to the production method and the nature of the fibers used there are certain amounts of irregularities in the thread.
- Turkey stands in the 6th place in global rotor capacity.
- Its usage is increasing.
- Its most commonly used in the making of pants, jeans, adolescent clothing, sports clothing and child clothing.

Ring Method:

- Dates back to the 1850s and the first machine used was a ring thread weaving machine.
- Uses a spindle system.
- Produces thin and durable threads.

- Ring method produces higher quality threads in comparison to the open-end method.
- There are no raw material or number limitations in the system
- Also has a certain disadvantage; during the spinning creates spinning triangle this negatively effects the physical structure of the thread.
- Turkey stands in 4th place in global spindle capacity.

General Situation in Imports and Exports of Cotton Threads:

- The first cotton thread factory was established by Sümerbank.

Total Firms: 275	
Ring-Open End Unit	25%
Ring Spinning Unit	75%

- With the backing of the government the production of cotton threads speeded up around 1970 and 1980.
- Production started to stagnate around 1990. One of the main reasons for this stagnation was the cheap imports available from the Far East.
- After 1990 anti-dumping taxes were put into effect by the European Union there was a significant decrease in exports.
- Entering the Customs Union did not cause the desired effect and there wasn't a big leap in exports.
- The decreasing production capacity negated the giant leap of 71% that happened in 1993.
- After the Customs Union Turkey became an exporter.

2.2.1.2 Cotton Weaving

Cotton weaving is a sector whose roots go even deeper than the cotton threads and makes up the second step of cotton textiles. Cotton fabrics are important in both the textile and ready-wear industries. In production either a shuttle loom or a shuttle less loom is used. The industry is led by shuttles technology and can be divided into two different types of firms; integrated large businesses or medium to small sized family-owned businesses. Just like any other industry that involves cotton, far eastern countries

also play a crucial role in the cotton weaving industry. Over time the capacity ratio in the sector is decreasing and a combination of imports made from the Far east, rising costs and overinvesting due to the Customs Union has caused the industry to shrink.

To summarize the final state of affairs of the cotton industry; Turkey is a cotton producing country. Up until 2006 Turkey was the 6th largest cotton supplier in the global market but according to a report published by the İstanbul Chamber of Commerce Turkey has fallen to 7th rank.¹⁰ The largest supplier is China followed by USA and India. As mentioned before, the cotton consumption is more than its production. Cotton production has a historic value to Turkey and therefore Turkey should diversify and continue to grow in the industry. In order to diversify Turkey should focus on **organic cotton** production.

2.2.1.2.1 Organic Cotton

Organic farming is critical new trend in the world. As the demand for agricultural products increased more and more, chemicals started to get used. Worries about health issues and environmental issues increased, resulting in shift towards organic farming. Europe especially, a major importer of Turkish agricultural goods, prefers to buy organic cotton products. Even though the costs of productions, therefore the final price increases when organic cotton is used in the textile and ready-wear industries the European Union is starting to enforce their usage. Since a significant amount of exports were already being shipped to Europe, Turkey should focus on enlarging its production capacity of organic textile goods.

¹⁰ Özipek, B. and Bora D, (2010) *Avrupa Birliği'ne Uyum Sürecinde Türk Tekstil Sektörü'nün Durumu* , Publication No:2010-44, İstanbul, İTO, pp: 66

Table 10: Global Cotton Production and Consumption Levels

YEARS	PRODUCTION	CONSUMPTION
1996/1997	19.392	18.522
1997/1998	19.455	19.043
1998/1999	19.725	19.013
1999/2000	18.435	18.416
2000/2001	18.715	19.502
2001/2002	18.869	19.504
2002/2003	21.281	20.310
2003/2004	19.150	21.152
2004/2005	20.469	21.399
2004/2005	25.958	23.287
2005/2006	22.996	23.905

Source: Cotton Outlook – 9th Government Development Plan, 2006

2.2.2 Woolen Industry

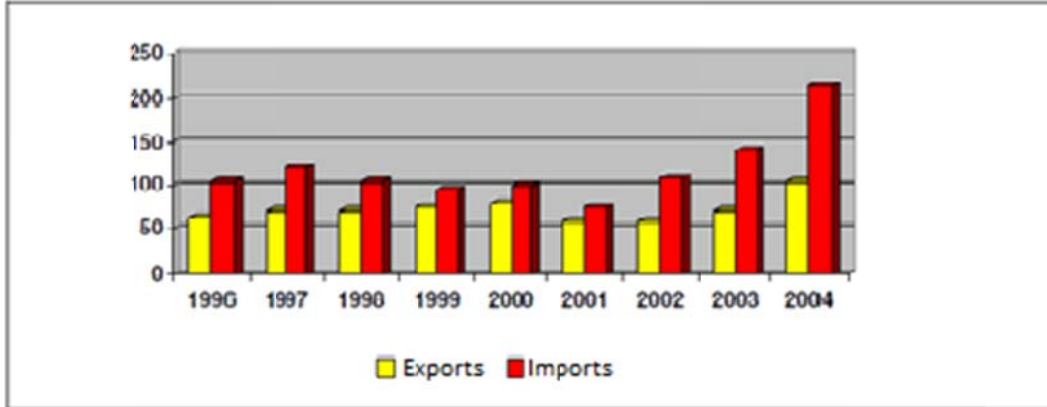
There are three main parts of the production of woolen goods: Raw materials, Threads and Fabric. Production-wise the woolen goods industry systems are:

1. Worsted system,
2. Strayhgarn system,
3. Semi worsted system.

The number of sheep from which wool is produced, is a direct reflection of a country's raw material efficiency in their woolen industry. According to the State Planning Organization the world's largest sheep population is in China.¹¹ Between the years 1990-1997 there has been an 11% decrease in the world sheep population. Even though Turkey lost a large amount of sheep the decrease was global and therefore Turkey's ranking did not change. The leading countries of the global woolen industry are (in order of their share of the global market) China, Australia, Russia, Indian, Iran, New Zealand and Turkey. The supply of woolen threads fell short of its demand around 1990's and 2000's but there has been a constant increase in exports after 1996. According to the Secretariat of Foreign Trade's information below the imports have erratic over the years.

¹¹ DPT(2006), *Tekstil, Hazır Giyim ve Konfeksiyon Alt Komisyon Raporu*, Dokuzuncu Kalkınma Planı, Ankara, DPT Müsteşarlığı, pp:36

Figure 7: Export and Import Rates of Woolen Threads



Source: Under Secretariat of Foreign Trade

According to the statistics of State Planning Organization there are 2270 looms in Turkey, of which 2000 are shuttle-less and the rest are shuttle-looms.¹² The industry plays an important role in employment rates as it has a labor-intensive structure. Before the Customs Union the sector was stuck in technologies that were available in the 80's but after the Customs Union investments were made and the technology caught up with modern techniques. The main rivals of Turkey in this industry are Italy and Far Eastern countries. Even though China has the biggest production capacity, Italy produces higher quality goods essentially becoming a strong rival against Turkey. As it will be much debated in the coming years, Turkey failed to keep up with its rivals in fashion, brand imaging and technology. Italy is the leading country in respect of those three. There is a global fluctuation of quality in this industry due to uncontrolled exports of the cheap labor countries, rise in energy prices, high financing costs and the production of low quality raw materials.

2.2.3 Linen, Hemp and Jute Industry

The three types of fibers used in both the long and short fiber systems are linen, hemp and jute. Linen fibers are used together with cotton, viscose and polyester in order to produce threads. Cotton once again proves crucial in this industry as the most commonly used combination is the linen-cotton combination. Linen fibers have full

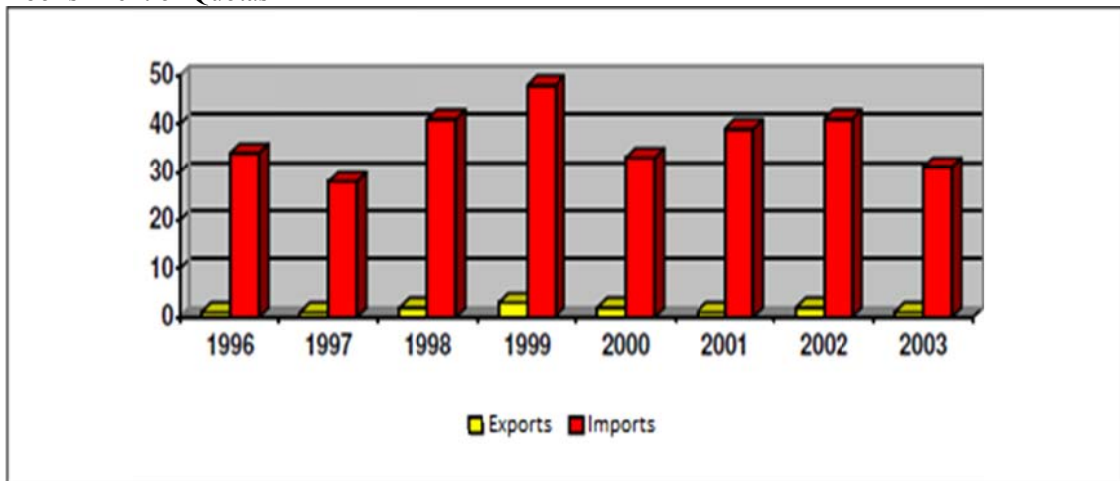
¹² DPT(2001), *Tekstil ve Hazır Giyim Sanayii Özel İhtisas Komisyon Raporu*, Sekizinci Beş Yıllık Kalkınma Planı-Publication No:2549, Ankara, DPT, pp:51

structure and can be divided into two categories. Thick fibers; used in the production of ropes, strings and twines. Thin fibers; used in the production of outerwear and home textiles. Linen fibers are produced in a similar fashion to the woolen worsted and strayhgarn systems. According to the data available from the Secretariat of Foreign Trade linen and jute fibers are all imported and hemp fibers are primarily produced in the western Black sea region (DPT, pp:89). Main competitors of Turkey in the hemp industry are Bulgaria, Romania, Yugoslavia and Egypt. Spindle technology levels available in Turkey in this industry are as follows;

- Linen fiber production capabilities of 1960-1990,
- Hemp fiber production capabilities of 1933-1987,
- Jute fiber production capabilities of 1980.

The production capacity decreased significantly after the year 1995, which in return affected the sustainability of synthetic and cotton fiber industry which are the rivals of the three. Even though Turkey produces hemp, all three of hemp, linen and jute fibers are imported. According to graph 8, between the years of 1996-2003 there hasn't been a big change in their imports or exports.

Figure 8: Turkish Export and Import Figures of Linen, Hemp and Jute Fibers Until the Abolishment of Quotas



Source: Under secretariat of Foreign Trade

The linen-hemp-jute industry is heavily dependent on imports. The last factory that was producing linen fibers was closed down in 1998. At that point only two factories

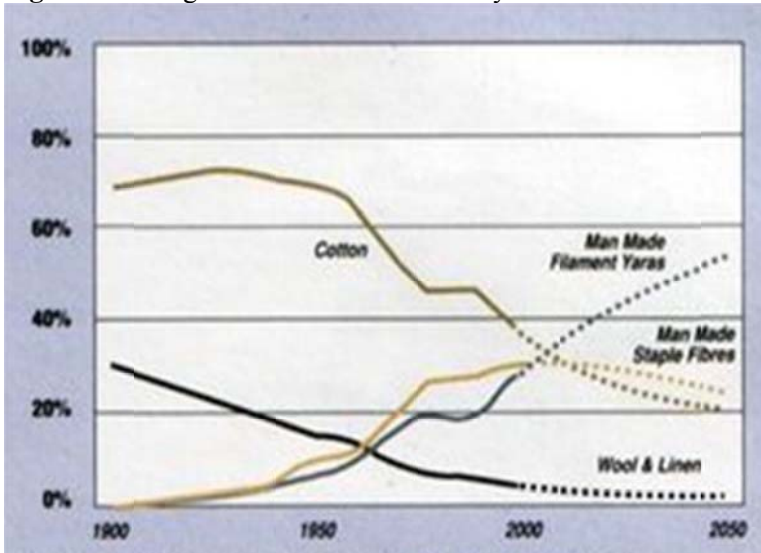
each were remaining in hemp and jute fiber production. Although, one of the jute fiber factories also shut down later on. (DTM, 2001:89).

2.2.4 Synthetics Industry

Synthetics industry is made up of the production of synthetic fibers, filaments created through a mixture synthetic and other materials, and production of synthetic fabric (Aras, G,2006:74). Synthetics industry is mostly made up of production of polyester filaments. According to Işık Tarakçıoğlu (2002:1), after the year 2003 in the list of most produced fibers polyester would take over first place from cotton.¹³ Also the continuing increase in the production and usage of synthetic fiber and filaments show that eventually they will make up a 80% of the market. Threads will change in to filament threads and according to evaluations in 2050 more than half of all threads will have changed into filament threads.

Even though production capacity has been increased, there still is more demand than its supply. In Turkey there are some fluctuations in the import-export levels. The cause of these irregularities are the far eastern countries, imported fabric from that costs 20% less than Turkish goods.

Figure 9: Changes in Global Demand of Synthetics

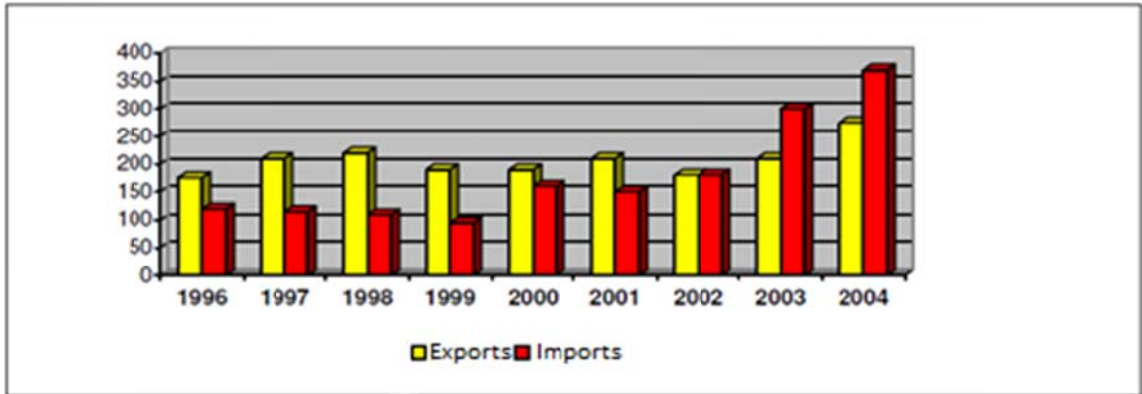


Source: Textile Employers Magazine, Number: 276 December 2002

¹³Tarakçıoğlu, I. (December 2002), Türk ve Dünya Tekstili, *Türkiye Tekstil Sanayii İşverenleri Sendikası Aylık Dergisi*, pp:1

As the demand for synthetic threads increased, production failed to keep up. Production is mainly focused on polyester and filaments, followed by nylon and viscose threads.

Figure 10: Turkish Export and Imports Figures of Synthetic Threads (US Dollars)



Source: Under Secretariat of Foreign Trade

As it can be seen in the graphic, there was more exports than imports until the year 2002. After 2002 imports surged and stayed way over the exports. In the following years how import dependent Turkey has become can be seen through the rise in exports.

Synthetic fibers are processed into threads which are in turn used to produce fabric through the techniques of weaving and warp knitting. While woven fabrics are generally used for clothing warp knitted fabrics are commonly used for furnishing and interior fitting. Turkey's advantage over the EU is its younger machinery pool but China has still an even younger machinery pool.

During the transition period of the Customs Union exports were expected to rise, instead the synthetics industry was in crisis. Işık Tarakçıoğlu was able to foresee that there would be surge in consumption of synthetic filaments as soon as the crisis died down. Just like he predicted the export and import rates sky-rocketed after the 2001 when the sector stabilized.

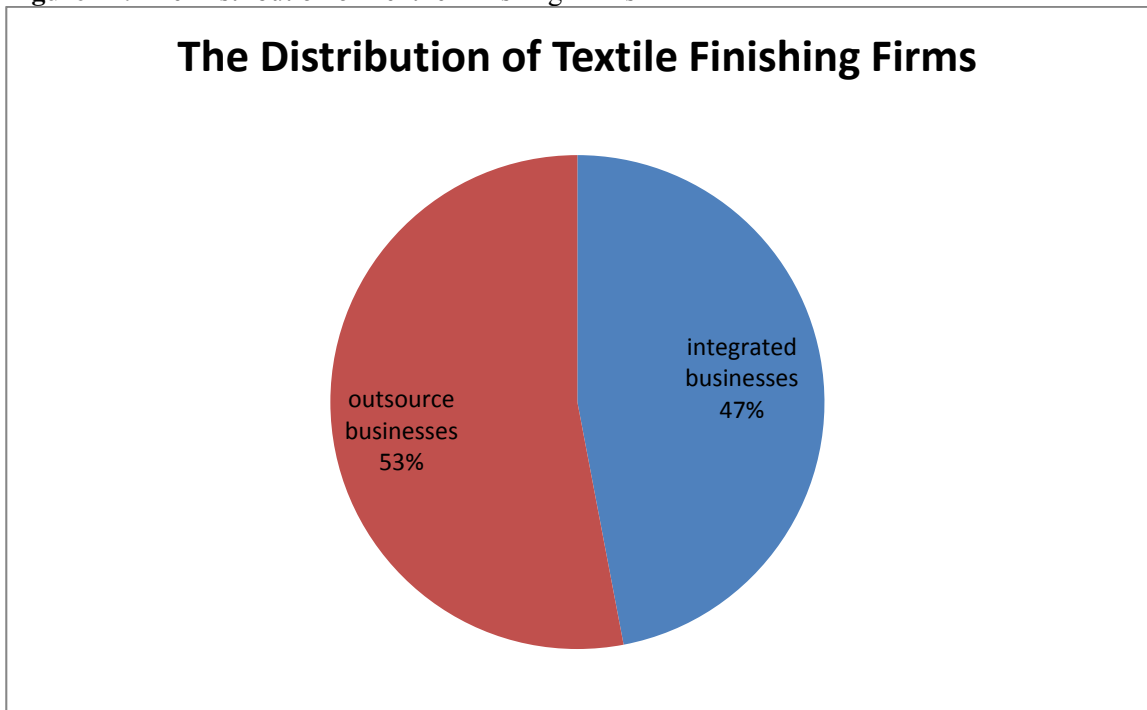
According to the reports of İstanbul Chamber of Commerce Turkey has fine machinery pool with enough production capacity and they are younger than EU's and

USA's pool. The ratio of machinery that are not older than 10 years to all machinery is twice as high of the global average.¹⁴

2.2.5 Textile Finishing

Cotton is once again the most crucial raw material in the textile finishing sector. There are a little over 400 textile finishing firms in Turkey. Finishing firms are divided in to two; integrated firms and contact manufacturing firms. Finishing companies are gathered mostly in the Marmara Region. Other than Marmara there are some woven goods manufacturing companies in Çorlu, Çerkezköy and Lüleburgaz. Turkey has the largest textile finishing production capacity in Europe is considered to be very successful in production of mid-quality goods. Even though China is a strong rival with its cheap labor and raw material costs, Turkey is still preferred by Europe due to its geographical position and its higher quality goods.

Figure 11: The Distribution of Textile Finishing Firms



Source: Under secretariat of Foreign Trade (DTM) Textile, Leather and Clothing Industry Commission, 2007

¹⁴ Özüpek, B. and Bora D, (2010) 'Avrupa Birliği'ne Uyum Sürecinde Türk Tekstil Sektörü'nün Durumu', Publication No:2010-44, İstanbul, İTO, pp: 70

Before the Customs Union integration there has been a 100% shrinking in the cotton production in the industry. During this time the usage of cotton-synthetic mixtures became common in finishing. Cotton finishing companies continues to decrease in number, affecting mostly the integrated plants. The decline was not only limited to cotton finishing production capacity, but also evident in woolen finishing. The industry is in a real bottleneck due to limited investments made by the leading companies, the non-renewal of the production technologies and the rising energy costs.

2.2.6 Ready-Wear Industry

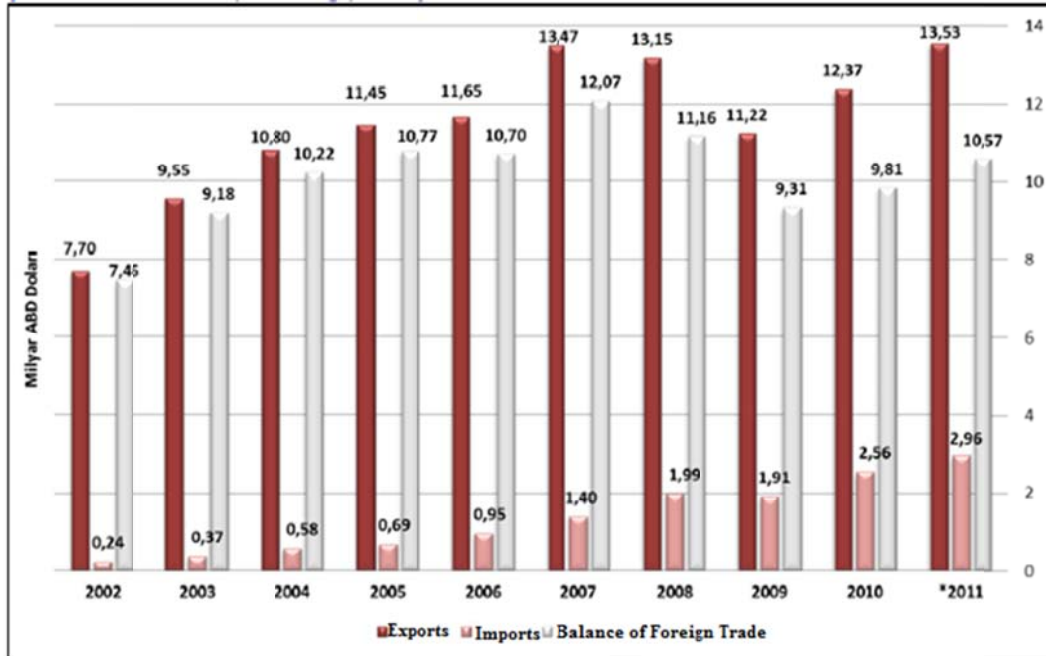
Ready-wear industry produces end use products and is the final step of the textiles. Ready-wears are the highest value-added products of the industry. Unlike the textiles it's a labor-intensive industry. It progressed rapidly after the year 1980 when a foreign outreach policy started to support the free market economy. Up until the 80's Turkey had focused on exporting textile goods but after 1984 ready-wear exports grew to be more important. The steady increase of exports through ready-wear goods revitalized the industry, raised the importance of the industry in the country's economy and allowed more employment to be created.

After the steps of producing fibers, threads and weaving comes the last element of the industry, ready-wears. The fabrics and other accessories produced are used in standardized production techniques to create ready-wear goods. Manufacturing of ready-wear goods is a step-by-step process. These steps are; modeling, molding, drawing of cutting templates, cutting, sewing cleaning and packaging. All of these steps are labor-intensive and therefore even small-sized firms are able to produce goods without machinery.

After the 80's the industry started to grow continuously, eventually attuning itself to the foreign markets and thanks to this natural process Turkey became one of the leading exporters of ready-wear goods. According to the statistics, in regards to Turkey's share in the global export levels; by 80's Turkey only supplied a 3.2% share of the global

market which rose to 4.2% by 1990 and by the late 90's Turkey had become the fifth largest exporter.¹⁵

Figure 12: The Yearly Figures of Ready-Wear Trade



Source: General Directorate of Industry, 2012

Between the years 1990-2000 the ready-wear industry survived through four different economic depressions and still managed to triple its exports. Also during these years its market share, utilization ratio and employment levels all increased. According to the reports made by ITKIB (2010) Europe is the main buyer of Turkey's clothing goods with a 70% share of its exports.

The main igniting force behind this growth is the advantage gained through entering the Customs Union. China is the leading exporter to the EU followed by Turkey. When the yearly numbers are examined we can see that throughout the years China did not only catch up to Turkish exports but slowly surpassed them. Only after China became a part of the World Trade Organization and quotas placed upon them were dismissed in 2005, its real workforce had started to be utilized and Chinese products swamped the market, endangering all other exporting countries, Turkey included.

¹⁵ DTM (2007), *Tekstil, Giyim, Deri ve Deri Ürünleri Komisyon Raporu*, Ankara, DTM

Table 11: The Export Levels to the EU of Main Exporters Up Until the Abolishment of Quotas (Million Euros)

Countries	Years								
	1990	1995	1996	1997	1998	1999	2000	2001	2002
China	1.451	3.109	3.738	4.574	4.803	5.661	6.545	7.057	7.910
Turkey	1.846	3.178	3.438	3.936	4.373	4.574	5.283	5.747	6.696
Romania	329	929	1.113	1.429	1.785	2.005	2.463	3.164	3.496
Morocco	1.004	1.600	1.637	1.828	1.999	2.072	2.313	2.653	2.524
India	863	1.547	1.513	1.504	1.527	1.610	1.938	2.098	2.204

Source: ITKIB

As it can be seen in the table 12, between the years of 1990-2002 there wasn't a significant gap between the exports of Turkey and China. However a statistical study made by the State Planning Organization showed that if and when China joined the World Trade Organization the industry would not be able to compete and halve in size. After the quotas fell in 2005 biggest importers of Turkey were the EU, Germany and USA.

As it can be seen in the table 13, between the years of 1992-2003 the most steady increase in exports was to the EU market. Especially the rise in exports during the years of 2002, 2003 and 2004 reflect the pre-quota abolishment success of Turkey in the global market. Turkey's main advantage was its location. Out of all the European countries Germany was biggest market as they imported a 35% of the total goods manufactured.¹⁶

¹⁶ G.Aras, (2006) *Avrupa Birliđi ve Dünya Pazarlarına Uyum Açısından Türk Tekstil ve Konfeksiyon Sektörünün Rekabet Yeteneđi*, İstanbul: ITKIB , pp:88

Table 12: Growth of Export Levels of Turkey Up Until the Abolishment of the Quotas (Million Dollars)

	EU	Germany	USA	Britain	France	Netherlands	Russia
1992	3.280	2.070	330	350	270	230	
1993	3.240	2.060	390	350	270	250	
1994	3.260	2.100	560	280	280	260	
1995	4.370	2.860	620	350	390	340	670
1996	4.400	2.880	590	360	350	350	420
1997	4.590	2.830	750	480	410	350	720
1998	5.170	2.923	840	567	470	405	373
1999	5.012	2.705	952	671	479	374	135
2000	5.195	2.636	1.228	861	492	380	103
2001	5.333	2.499	1.210	1.012	550	383	57
2002	6.383	2.721	1.468	1.391	656	472	69
2003	8.155	3.399	1.542	1.639	850	658	111
2004	10.997	3.886	1.780	2.185	1.064	829	416

Source: Under secretariat of Foreign Trade

Lastly if the total exports of ready-wear industry are put in a ratio with the total exports of the textile industry it's obvious that the ready-wear industry has become much more crucial to the Turkish economy.

Table 13: Annual Changes of Turkish Textile and Ready-Wear Exports

Turkish Textile and Ready Wear Exports (Million Dollars)							
	2003	2004	2005	2006	2007	2008	Avarage Change
Total Textile Export	3.943	4.950	5.477	6.146	7.355	6.641	
Annual Change		25, 5	10, 6	12, 2	19, 7	-9,7	11, 7
Total Ready-Wear Export	11.171	12.649	13.411	13.558	15.560	15.240	
Annual Change		13,2	6	1,1	14,8	-2,1	6,6
Export	15.114	17.595	18.818	19.705	22.915	21.880	
Annual Change		16, 4	7	4,7	16,3	-4,5	8

Kaynak: İTKİB

According to the reports of İstanbul Textile and Ready-wear Exports Union, textiles only make up a 27-30% of the exports of the industry while ready-wears have a 70-74% share of the total exports.¹⁷

¹⁷ Özipek. B and Bora. D, (2010) *Avrupa Birliği'ne Uyum Sürecinde Türk Tekstil Sektörü'nün Durumu*, Publication No:2010-44, İstanbul: İTO, pp:79.

2.3 COMPETITIVE POWER OF THE TURKISH TEXTILE AND READY-WEAR INDUSTRIES

The global textile and ready-wear industries are a very important and extremely competitive part of the global market. Its competitive nature works through individual firms and therefore it is crucial for companies to create strategy and plan their future steps carefully. The main factors that shape up the nature of the competition in both the national and international markets are:

- Exchange rate policies,
- Costs,
- Employment,
- Established capacity and machinery pool,
- Incentive policies,
- Marketing Opportunities and Branding,
- Geographical Location and Fast Delivery,

2.3.1 Exchange Rate Policies

Exchange rate is the rate in which one currency will be changed into different countries' currencies. When thinking about another currency for competitive reasons a real exchange rate is used. Real exchange rate compares purchasing power of a currency in the current exchange rates and prices. Turkey is highly effected by exchange rates especially because its main importers, most of the European Countries all use the euro as currency. Turkish textile and ready-wear industry is successful in utilizing Turkish goods when manufacturing and exports more than half of the goods they produce. Since most of the exports are to the EU most of the income is in the form of Euros while because of the aforementioned reason, costs are mainly in the Turkish currency. After the year 1980, with the new foreign outreach policy the value of the Turkish lira was decreased on purpose. However, in the mid 80's it was decided to raise value back, leading to its sudden rise. However the value of the TL increased more than the anticipated amount, resulting in a decrease of exports. For the success of the Turkish textiles and ready-wear

industry, a realistic exchange rate policy should be implemented. A rather stabilizing policy that will allow a steady growth is a must.

2.3.2 Costs

Manufacturing Costs: Raw materials and direct materials make up most of the manufacturing costs. The textile and ready-wear industries offer a vast variety of goods and therefore have vast variety of manufacturing costs. Main sources of costs of the industry are procurement of raw materials, financing costs, shipping costs, communication costs, direct labor costs and energy costs. If we take the entire industry as a whole process the production of ring threads and open-end threads are the most costly part. Also direct labor costs of the ready-wear can make up to 30% of its costs whereas in the textile finishing industry energy costs can make up a 15% of its entire costs.

Labor Costs: For a long time labor costs gave Turkey an advantage in the global market. Even though the Turkish labor costs are lower than most of the developed countries, especially the EU, they are still higher than China, India and Pakistan (Table 15). This situation is limiting the amount of foreign investments we receive. The constant search for educated and qualified workers in the textile industry has caused a rise of labor costs in Turkey. On top of this, the rising social security bonuses that every company has to pay is also causing the labor costs to increase. The social security costs added to the minimum wage make up 41% of the labor costs in Turkey¹⁸

Table 14: The Hourly Labor Costs (USD/Hour)

Countries	Labour Costs
Indonesia	0,50
India	0,57
Pakistan	0,34
China	0,41
Thailand	1,24
Turkey	2,13

Source: Textile Employers Magazine, December 2005, pp:32

¹⁸ Öngüt, E. (2007). *Türk Tekstil ve Hazır Giyim Sanayiinin Değişen Dünya Rekabet Şartlarına Uyumlu*, Expertise Thesis, DPT-2703, Ankara, pp: 96

Energy Costs: Energy costs along with water and fuel costs are a part of the manufacturing costs. The textiles use a noteworthy amount of electrical energy. In comparison to other developing countries, Turkey has higher energy costs and therefore has a disadvantage in this area when compared to the global market.

Table 15: Electric Costs (cent/kwh)

Swedish	2,42
China	3,40
France	3,66
USA	4,70
Greece	4,80
Britain	5,42
Germany	7,90
Italy	9,30
Turkey	9,44

Source: <http://tekstilşveren.org>

2.3.3 Employment

When informal workers are also taken into account there are around 450,000 workers in the textiles and approximately 1,500,000 workers in the ready-wear industry, adding up to two million jobs created by the industry. According to the November-2009 Work Statistics report of the Turkish Ministry of Labor and Social Security there are 674,832 workers employed in 40,806 companies in the industry.¹⁹

2.3.4 Established Capacity and Machinery Pool

Until the year 1990, the global competitive power of the Turkish textile and ready-wear industries were on the rise. With this competitive power a lot of foreign and local investors joined the industry allowing the development of further technologies. Especially after Turkey joined the Customs Union in 1996 the expected growth in exports due to the abolishment of quotas resulted in even more investments to the industry, which backfired when joining the union did produce the desired effect. Overinvestment lead to a surplus of goods. The 1999 Asian depression affected the manufacturing of textile and

¹⁹ Sanayi Genel Müdürlüğü (2010), *Tekstil, Hazır Giyim, Deri ve Deri Ürünleri Sektörleri*, Ankara, T.C. Sanayi ve Ticaret Bakanlığı, pp:5

ready-wear machinery. Turkey has a rather young and higher quality machinery pool but in terms of their short fiber manufacturing capacity China, USA and India are stronger. In regard to long fibers the EU has the highest manufacturing capacity followed by Turkey, China, Italy and USA. Meanwhile in the weaving industry China, Russia, Indonesia, Taiwan, Japan and Turkey have the highest number of shuttle-less looms. In terms of shuttle looms the leading countries are as follows; China, Indonesia, India and Turkey. Turkey is the 6th strongest country in respect of the number of spindles they own and has 3.5% of the total global capacity to produce short fibers and 5% of long fibers. In regard to rotor capacity Turkey ranks 4th in the global market with a 6% share of the global capacity. Turkey has 30.7% of the short fiber capacity, 11.7% of the long fiber capacity, and 12.3% of the e-rotor capacity of the European spindle capacity.²⁰ These figures show the obvious competitive power of the Turkish industry in the global market.

According to the year 2010 report of the Turkish General Directorate of Industry Turkey's production capacities are as follows; 2,300,000 tons of short fiber threads, 400,000 tons of long fiber threads, 800,000 tons of filament threads, totaling to capacity of 3,500,000. The estimated total capacity of the textile industry is 1,350,000 tons and the manufacturing capacity of the weaving industry is 2,250,000 tons.²¹

Table 16: Capacity Utilization Rates (%)

Economic Activity	Years	Capacity Utilization Rate
Textile	2007	81,4
	2008	75,5
	2009	71,8
Ready-Wear	2007	83,4
	2008	80,1
	2009	75,8

Source: TUIK (Turkish Statistical Institute)

²⁰ Aras. G , (2006), *Avrupa Birliđi ve Dünya Pazarlarına Uyum Açısından Türk Tekstil ve Konfeksiyon Sektörünün Rekabet Yeteneđi*, İstanbul: İTKİB , pp:112

²¹ T.C. Sanayi ve Ticaret Bakanlığı (2010), *Tekstil, Hazır Giyim, Deri ve Deri Ürünleri Sektörleri*, Ankara, Sanayi Genel Müdürlüğü, pp:5

2.3.5 Quality of the Machinery Pool

Compared to other developing countries, Turkey has higher capacity and utilization ratio. In the textile and ready-wear industries, the quality of the machinery pool is as important as the utilization ratio since technology plays an important role and continuously evolves. Newer more technological machinery gives competitive advantage. Even though there was a lot of investments to the technology of the industry around the 90's, after 1997 these investments stopped. Between the years of 2002 and 2003 a more focused investment started and the open-end rotors and shuttle-less loom capacities were increased. Shuttle-less looms only made up a 7% of the total established production capacity in 1998 but by the year of 2003 this number increased to 28%. Also the among of spindles bought in comparison to the total established production capacity was 5.5% in 1998, however this percentage nearly doubled and was at 10% in the year 2003.²²

Turkey does not have the necessary infrastructure to produce new technology or machinery for the industry. Therefore Turkey is dependent on foreign technology and machinery which creates a natural handicap for Turkey in the global market. Half of the Turkish machinery is exported from the EU. Another major supplier of machinery are the far eastern countries.

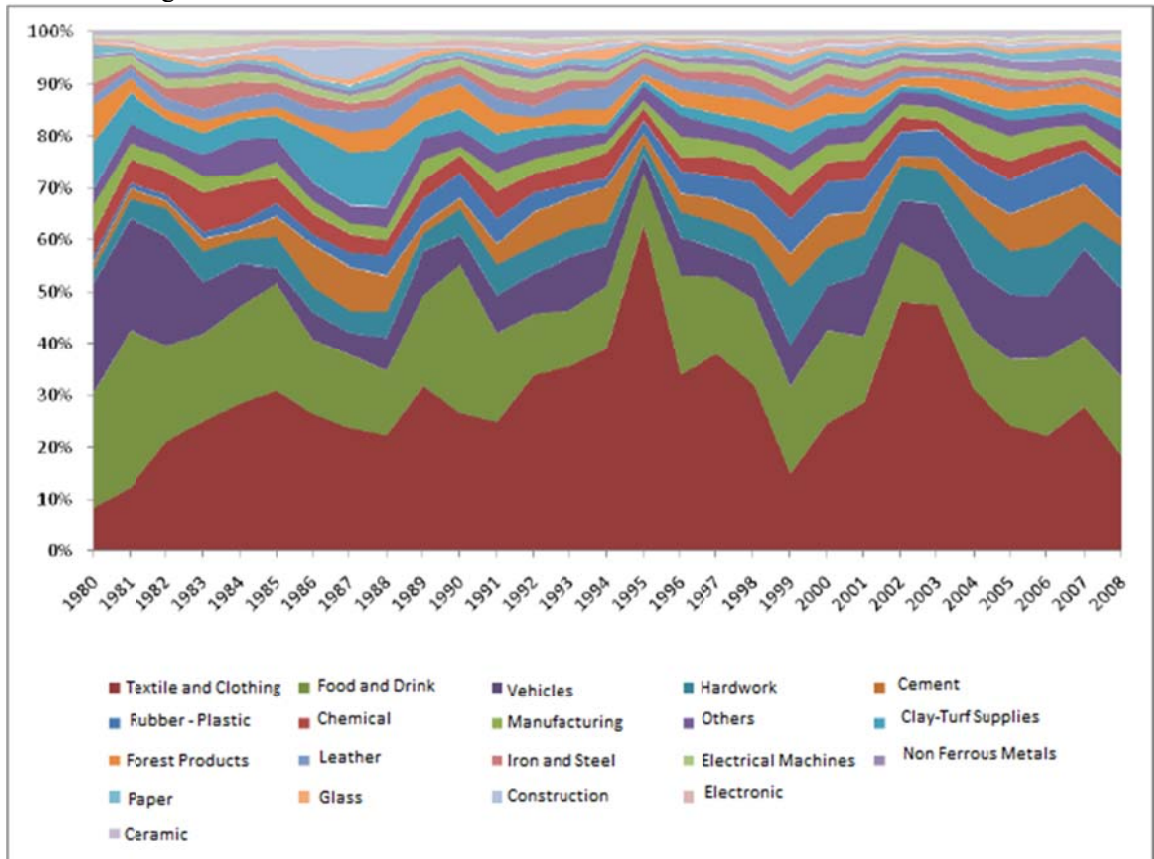
2.3.6 Incentive Policies

Turkey prioritizes production and therefore most of its incentive policies focus on manufacturing industry. As it can be seen in the graph 12, between the years of 1980 and 2008 half of the incentive investments were made towards manufacturing. Ever since the establishment of the modern Turkish Republic, its economy has been dependent on the manufacturing industry. The strongest sectors in the Turkish manufacturing industry are the textiles and ready-wears. Therefore lots of incentive policies were implemented to strengthen these industries between the years of 1990-1995. The average incentive certificates given in the textile industry was around 300, but in 1995 this number sky

²² Aras.G, (2006), *Avrupa Birliđi ve Dünya Pazarlarına Uyum Açısından Türk Tekstil ve Konfeksiyon Sektörünün Rekabet Yeteneđi*, İstanbul: İTKİB, pp:115

rocketed to a 2,360. (Yavan.N,2011:146). The textiles receive a third of the incentive certificates that are given to the manufacturing industry.

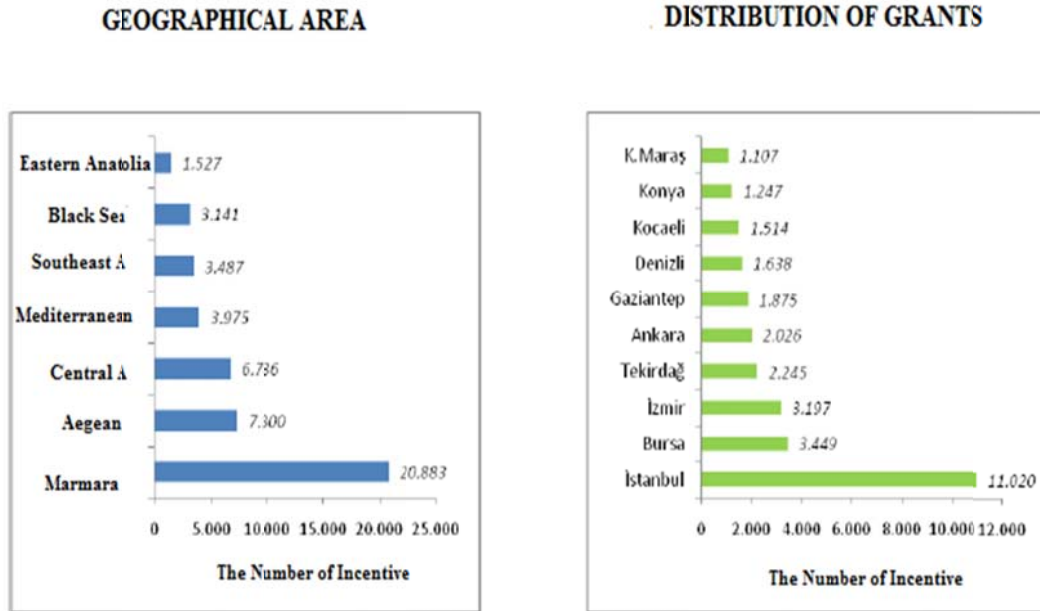
Figure 13: The Changes in the Number Incentive Certificates Received by Sub-Sector Manufacturing Industries in between 1980-2008



Source: Y, Nuri. (2011). Teşviklerin Sektörel ve Bölgesel Analizi: Türkiye Örneği, *Publication No: 27, Ankara, HUV Publications*, pp: 149

The textile and ready-wear industries have been the top receiver of both investments and incentive certificates for over thirty years now. As shown in the graph 13, geographically speaking the Marmara region received the highest amount of incentives throughout the years. The Marmara region also plays a crucial role in the national revenue, national industry, exports and receives a considerable amount of foreign direct investment. The main driving force of this region is the economic and trade hub of Turkey, İstanbul. If specific provinces are examined, unexpected provinces like Kahramanmaraş also receive a lot of incentive but this is due to textile and ready-wear industries presence there.

Figure 14: The Geographical Distribution of Incentive Certificates in Between the Years of 1980-2008



Source: Y, Nuri. (2011). Teşviklerin Sektörel ve Bölgesel Analizi: Türkiye Örneği, *Publication No: 27, Ankara, HUV Publications*, pp: 150

2.3.7 Marketing Opportunities and Branding

Turkish textile and ready-wear industries are generally made up of small and medium-sized companies. Small and medium-sized companies generally do not possess the necessary knowledge and competitive power to join the global market and therefore have been rather unsuccessful in their export attempts. Government support is necessary in this area. The CU and other free trade agreements have given the industry some elasticity by making transportation easier. The establishment of government backed Foreign Trade Capital Companies and Sectoral Foreign Trade Companies was an important step for the industry. These steps were essentially taken in order for the Turkish companies to specialize in foreign trade and for them to be active and effective in the global market. It is important for the textile and ready-wear industries to follow a new and more effective marketing strategy in the global market. Successful branding of individual companies will improve the perception of Turkish goods as whole make marketing easier in the global market for the entire industry. Turkey is already an important figure in the global market and as it lost its advantage of cheap goods, therefore Turkey should focus in producing

high quality goods with high value added. Investments in R&D should be encouraged and steps should be taken in order to manufacture more functional and technical textile goods.

2.3.8 Geographical Location and Fast Delivery

Geographical proximity, cultural proximity and trade history are important deciding factors of foreign trade capacity between two countries. Geographical proximity is especially important as it governs the transportation costs. Turkey's nearliness to the EU market results in favorable transportation and insurance fees when compared to its biggest competition, China. Turkey's continuous exports to the EU even before joining the Customs Union is due to its geographical proximity. Proximity also allows efficiency as less time is lost in transportation. Fast transportation and delivery is an important competitive strength in the global market. Especially in the textile and ready-wear industries fashion and customer demands are ever-changing, to keep up a constant timely delivery of new products is important. A late delivery will result in shorter period of time where the good is "in-fashion" and therefore a shorter period of time in which it can be sold in full price. So all-in-all Turkey makes up for its rising manufacturing costs with fast delivery thanks to its geographical location in the EU market.

2.4 INTERNATIONAL COMPARISONS INTERMS OF COMPETITIVENESS

Table 17: Factors Regarding Labor: Advantage Levels of Different Countries

Advantages: 0 (weak competitiveness), 5 (competitive)									
Labor&How-Know	Labor Costs	Cost Unit	Providing Workers	Operation Skills	Management Skills	Knitting/Weaving How-Know	Finishing/Dyeing How-Know	Ready-Wear How-Know	Total Average
China	4	5	5	5	4	4	3	5	4
India	4	4	5	4	3	4	2	4	3
Pakistan	5	3	5	4	3	3	1	2	2
Bangladesh	5	3	5	4	3	2	1	4	2
South Korea	0	1	1	5	5	5	5	5	2
Turkey	2	3	4	4	4	5	4	5	3
Bulgaria	3	4	3	5	3	4	3	5	3
Romania	3	4	4	5	3	3	3	5	3
Morocco	2	3	4	4	3	2	2	4	2
Tunis	2	3	3	4	3	2	2	4	2

Source: General Directorate of Industry, March 2010

Table 18: Factors Regarding Raw Materials and Machinery: Advantage Levels of Different Countries

Advantages: 0 (weak competitiveness), 5 (competitive)									
Raw Materials and Machinery	Cotton Supply	Wool Supply	Artificial Synthetic Fibers Supply	Spinning Machines	Weaving Machines	Knitting Machines	Finishing/Dyeing Machines	Ready-Wear Machines	Total Average
China	5	2	4	5	5	5	3	3	4
India	5	1	3	4	3	2	2	3	3
Pakistan	4	1	3	3	3	2	1	2	2
Bangladesh	2	1	1	2	1		2	2	1
South Korea	1	1	4	4	5	4	5	5	4
Turkey	5	1	3	4	5	5	4	4	4
Bulgaria	3	1	2	1	2	2	3	3	2
Romania	1	1	1	2	2	3	3	3	2
Morocco	1	1	1	1	1	2	2	3	1

Source: General Directorate of Industry, March 2010

Table 19: Factors Regarding Marketing: Advantage Levels of Different Countries

Advantages: 0(weak competitiveness), 5(Competitive)								
Marketing	Safe Delivery	Quality Level	Appropriateness	Flexibility	Design&Fashion Capacity	Geographical Proximity to the EU	Language & Culture	Total Average
China	4	4	4	2	2	0	2	2
India	2	3	3	4	2	1	2	2
Pakistan	2	2	2	1	1	1	1	1
Bangladesh	2	2	3	3	1	1	1	1
South Korea	4	5	4	4	4	0	3	3
Turkey	4	4	4	5	4	5	4	4
Bulgaria	4	4	4	4	2	5	4	4
Romania	4	4	4	3	2	5	4	4
Morocco	3	4	3	4	2	5	4	3
Tunis	3	4	3	4	2	5	4	3

Source: General Directorate of Industry, March 2010

Table 20: General Factors: Advantage Levels of Different Countries

Advantages: 0(weak competitiveness), 5(competitive)						
General Factors	Funding	Energy Costs	Operating Costs	Transportation	Infrastructure	Total Average
China	5	4	3	4	3	4
India	3	2	1	3	2	2
Pakistan	3	3	1	2	1	1
Bangladesh	2	2	1	2	1	1
South Korea	4	3	4	4	5	4
Turkey	2	3	5	5	5	4
Bulgaria	1	3	4	4	2	3
Romania	2	3	4	4	3	3
Morocco	2	2	2	4	2	2

Source: General Directorate of Industry, March 2010

CHAPTER 3

TURKEY-EUROPEAN UNION RELATIONS and TURKISH TEXTILE & READY-WEAR INDUSTRIES

3.1 EVALUATION OF TURKEY-EU RELATIONS

After the WW2 the general structure of Europe changed greatly, as more and more countries in Eastern Europe entered the communist bloc western Europe started to worry, new economic and political organizations were established. The European Coal and Steel Community, European Atomic Energy Community and European Economic Community were established to keep the vast power of Germany in check. Meanwhile Turkey was focused in westernization and wanted to be a part of the new western European system. For this goal the country started to make changes in its economic and political structure. In 31 July 1959 Turkey applied to join the European Economic Community. After a 4-year process finally in 12 September 1963 the Ankara Agreement was signed and was put in to effect in 1 December 1964. The purpose of the Ankara Agreement was; To improve all trade and economic relations between the sides in an active and fair manner while keeping in mind the support of the fast development of the Turkish economy, Turkish employment rate and Turkish living standards as a whole.²³ A three-step partnership process between Turkey and Community started after the treaty. This process that began with the treaty ultimately leads to the creation of the Customs Union and eventually to Turkey's full membership in the Customs Union.

²³Gümrük Birliği'nin Türkiye Ekonomisi 'ne Muhtemel Etkileri, *Vakıfbank Publication* , 3rd Edition , pp:33
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3.2 CUSTOMS UNION

Customs Union is a form of trade agreement under which certain countries preferentially grant-free market access to each other's imports and agree to apply a common set of external tariffs to imports from the rest of the world.²⁴ The Customs Union is defined as a sort of economic integration for Turkey and its main aim is to secure of the free movements of goods between the EU and Turkey. A shipment of goods in the Customs Union is to be free of any obstructions and the free circulation principle is fundamental. The member states are to use the same competition rules and make decisions according to mutual trade policies. The Customs Union between Turkey and the EU came into operation on 1 January 1996. Turkey is the first country to join the Customs Union without becoming its official member. According to Ankara Agreement there are three phases for the integration of Turkey.

Preparatory Stage: This period started in 1 December 1964 and ended in 1 January 1973. In this period Turkey took some financial aid from European Economic Community. Also, Turkey took advantage of the preferential trade conditions with EU. During this phase Turkey made concessions, condoning one-sided tariff quotas. The implementation of tariff quotas was in the form of; within the quota limits a preferred customs tariff was to be used and in case of a quota overfill regular quotas were to be employed. This period did not have an impact on the exports. In 23 November 1970 a new Additional Protocol was signed in order end the preparation period and to decide the circumstances of the transition stage. The protocol however was effectuated in 1973.

Transitional Stage: In this stage all tariffs and trade barriers are abolished. The circumstances, techniques and procedures that were decided on in the Additional Protocol were applied in this stage.²⁵ The purpose of the treaty was to create an official Customs Union in between 5 to 12 years that allowed free circulations of goods and effectively connecting the European Economic Community and Turkey. Gradually the customs fees

²⁴ Andriamananjara,,S. 'Customs Unions', Retrieved from <http://siteresources.worldbank.org/INTRANETTRADE/Resources/C5.pdf> on 16 August,2014, pp:111

²⁵Gümrük Birliği'nin Türkiye Ekonomisi 'ne Muhtemel Etkileri, *Vakıfbank Publication* , 3rd Edition , pp:33
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and taxes are to be brought down, quota and quota overfill regulations were to be abolished and the common customs tariff that is used throughout the members of the European Economic Community was to be implemented. In 1 September 1971 a Temporary Protocol was signed that abolished custom taxes on goods excluding cotton fiber, cotton thread and refined oil products (İyibozkurt,E.1996:11).²⁶ In this stage because of the economic problems in the country Turkey cannot fulfill the requirements of tariff reduction.

The practices agreed on in the Additional Protocol are:

- The transition period is established in order to organize the structure in which workforce, capital, services and goods are to circulate in between Turkey and the Community.
- At the end of the transition stage a Customs Union that is compatible with commercial and fiscal policies of both sides was to be established.
- EEC was to abolish all customs taxes and quotas on exports except the few types of goods mentioned in the Temporary Protocol.
- There additional protective measures that are only to be implemented when both Turkey and the Community face economic hardships.
- The first customs tax reductions were made by Turkey in 1973 and 1976 to the exports of the Community.
- In 1978 Turkey was forced to declare that any further tax reductions had to be postponed for five years due Turkey's stagnating economy and asked for further financial support from the Community.
- The five year postponement request was accepted and the Turkey-EEC relations were frozen in 1979. The Turkish economic depression continued for years and the relations could only be re-kindled in 1988.

Final Stage: In this stage agricultural goods and industrial goods were added to free movements of goods between the EU and Turkey (S,Vogt.2008:5).²⁷ The main goal of this period was to align the new Customs Union's economic policies to the existing EU

²⁶ İyibozkurt, E. (1996) *Türkiye-AB Gümrük Birliği*, Bursa: Ezgi Kitapevi Yayınları, pp:11

²⁷ Voigt, S. (2008), *The Customs Union Between Turkey and the Eu: How Did Affect Turkey?*Hamburg: Diplomica Verlag, pp:5

economic policies. The Customs Union and its member states are to apply and follow the same foreign trade policies. The same import policies are to be implemented in all countries. The usage of a common customs tariff will protect the members from any situations that will disrupt the trade flow.

Turkey's full membership to the Customs Union was only accepted when all the goals of the end period were met. The final step that allowed the official establishment of the Customs Union was the 1992 Lisbon Declaration. The importance of Turkish exports for the EU played an important role in speeding up the Customs Union process. The initial plan was that the Customs Union would come into effect in 1995, however it was delayed until 1 January 1996.

3.2.1 Effects of the Customs Union

The Customs Union had many positive effects and negative effects. The free trade in the Customs Union and the common customs tariff encouraged exports and imports between the member states. On the other hand the quotas which are implemented to third countries resulted in a shortage of product variety, decreasing welfare. The Union also affected the economic structure of the member states there were changes in the production, consumption, trade and income distribution of the member states. In this situation, economic integration creates two different forms. These are static effects and dynamic effects of the Customs Union.

Static Effects (Short Term Trade Effects): Static effects related to the impact of the establishment of the Customs Union on welfare.²⁸ In the short run the Customs Union improved trade between the member states. The static effects were immediate and they were the expected results that were easy to calculate. Static effects also examine the welfare of the member countries before and after the establishment of Customs Union. The static effects include trade creation effect and trade diversion effect.²⁹

²⁸ Michalopoulos. C and Tarr. D, (2004), *Are Customs Unions Economically Sensible in the Commonwealth of Independent States*, World Bank, pp:4

Trade Creation Effect: It is created through the replacement of expensive local goods with their cheaper exported substitutes from other Customs Union Members. Trade creation effect improves local production efficiency and increases the living standards of member states. The trade volume in the Union increases and resource efficiency also increases.

Trade Diversion Effect: This effect is created through the buying of expensive goods in the union rather than outside sources. So it is when the expensive in-union export replaces cheaper exports from outside actors. Trade diversion effects reduce economic welfare.

Dynamic Effects (Long Term Effects)

Dynamic Effects are long term effects and change the very structure of the member states' economy. These effects are dependent on outside factors, unpredictable and can only be found through dynamic analysis. The effects of dynamic effects on the growth of member states are as follows:

Competition Effect: Are the increased competition that result from the increased flow of foreign investments resulting from the Customs Union. As the investments increase the number of firms and production levels in member states rise, causing a decrease in costs and an increase in efficiency overall. As member states gain global competitive force the global trade scales also change.

Investment Incentive Effect: This effect is a direct result of other static and dynamic effects of the Customs Union. The positive effects encourage further investments from both the member states and other countries.

Economies of Scale: Economies of scale that result from the decreased factor costs and increased efficiency create a better market, marketing techniques, quality labor

²⁹ Josic. Hrvoje and Mislav, 'Static and Dynamic Effects of Customs Union', retrieved from https://bib.irb.hr/datoteka/626074.Static_and_dynamic_effects_JosicH.JosicM.doc on 16 August, 2014, pp.4

and machinery. Through the expansion of the local market through the advantages of the Customs Union member states are able to utilize their production capacity better and decrease manufacturing costs. As the scale of firms increase the product diversification also increases.

Technological Advancement Effect: The increased competition in the Union, rise in investments and production companies focus on technological advances. They focus on R&D projects. Increased R&D investments increase efficiency in production and quality of goods, resulting in a further increase of competition.

Outer Economies Effect: Economies of scale, competition and technological advances created through the Union effect other outer countries. As costs decrease other countries are also affected, allowing for them to grow, further encouraging both local and foreign investments.

3.2.2 An Overview on the Effects of the Customs Union on Turkey

3.2.2.1 Positive Effects and Results of the Customs Union

In regard to international relations the Customs Union ensures the continuous interaction between Turkey and the EU states. The new partnership between the EU and Turkey allowed Turkey to improve its economic state, trade, institutional structure, legal system and finances. Thanks to the abolishment of customs tariffs and quotas the member states enjoyed a better product range with higher quality goods and low prices. Manufacturing industries are also boosted as cheap but high quality raw materials are readily available. With continuous good foreign relations and increasing production capacity, export levels also rise. After Customs Union EU became the largest market of Turkey. To summarize, the EU is an important market for Turkey and the Customs Union made exporting significantly easier for Turkish companies. Also, the free circulation of goods in the Customs Union positively affected Turkey. The integration process of the EU and Turkey is also improving the trading relations between the member states.

According to the World Bank, the integration levels of the EU and Turkey improved greatly.

3.2.2.2 Negative Effects and Results of the Customs Union

In the 90's, while waiting for the official establishment of the Customs Union, a lot of overinvesting was made to the Turkish textile and the ready-wear industries that later proved to be mis-investments as well. The new investments overestimated the effects of the Customs Union and therefore created a surplus of supply. With the economic depression of 1998 the demand fell, as the surplus increased the industry fell into crisis. In this period of time the exports were on a standstill while imports gradually increased. Even though the EU stayed as the biggest exporter of Turkish goods, an ever-increasing trade balance deficit was born after the introduction of the Customs Union. The real crisis however started in 2005 when according to the regulations of the WTO all quotas were to be abolished. Since Turkey is not a member of the EU it cannot take advantage of the benefits of the dual free trade agreements that the EU made with other countries. Due to Turkey's membership in the Customs Union, Turkey can only import EU manufacturing goods without customs taxes while they have to implement the taxes that the Union has forced on any other imports. This situation made Turkey extremely dependent to the EU market for its foreign trade.

The Negative Effects Of The Customs Union On The Turkish Economy:

- Competitiveness effect,
- Employment effect,
- Trade balance deficit,
- Common customs tariff effect (forced compromise effect, loss of compromise effect, cheap input effect).

As the last step in the creation of the Customs Union, Trade Committee number 113 was established in order to act as a decision-making body, and Turkey was not a part of it. Due to this situation Turkey had a hard time following the policies created by the Committee and was blocked in its attempts to improve trade relations with third parties.

Different Views on the Effects of the Customs Union to Turkey:

- Between the years of 1996-2005 the share of agricultural goods in exports decreased and the share of the manufacturing goods increased. However most of the improvement was due to investments in semi-finished products. The exports of value added final goods like clothing and other textile goods actually decreased.³⁰
- The Customs Union did improve the total exports of Turkey but it also caused an even larger increase in the imports as well. The increase in the total trade volume of Turkey is mostly due to the increase in imports, not exports.³¹
- Even though the total revenue of the textile and ready-wear industries is constantly increasing, its share in the total Turkish exports is decreasing. According to Turkish Industry and Business Association (TÜSİAD), the Customs Union did not negatively affect the Turkish economy and encouraged much needed investments in the manufacturing industry. It is possible to export large quantities of semi-finished products to the EU.³²
- Even though Turkey had rising competitive power in the production and exports of clothing and clothing accessories between the years 1990-2003 after the CU, Turkey started lose this force in the EU market.³³
- The diversity of exported Turkish manufacturing goods after joining the Customs Union is significant. Turkish goods are low-tech goods with rather higher prices and therefore if the EU is to take down the export limitations to third parties, Turkish goods will not be able to compete with others. Low-tech goods generally compete with other goods through price. In 1996, 64% of the total Turkish

³⁰ Yükseler,Z., and Türkan, E. , (2006), ‘Türkiye’nin Üretim ve Dış Ticaret Yapısında Dönüşüm: Küresel Yönelimler ve Yansımalar’ , TUSIAD- Koç University Economic Research Forum.

³¹ Seki, İ. (2005) , ‘Gümrük Birliği’nin Türkiye’nin Net İhracatı Üzerine Etkileri’.

³² TUSIAD (October 2003): ‘Avrupa Birliği’ne Uyum Sürecinde Gümrük Birliği’nin Dış Ticaretimize Etkileri’ , Published Number: TUSIAD-T/2003-10-364

³³ Utkulu, U. and Seymen, D. , (2004) :’ Revealed Comparative Advantage and Competitiveness: Evidence for Turkey vis-a-vis the EU/15’ , European Trade Study Group Sixth Annual Conference, ETSG 2004, 9-11 September

exports was in the form of low-tech goods, 18% in resource-incentive goods, 12.8% in mid-tech goods and 5% in the form of high-tech goods.³⁴

3.3 THE GROWTH OF THE TEXTILE AND READY-WEAR INDUSTRIES AFTER TURKEY'S MEMBERSHIP IN THE CUSTOMS UNION

In this part the growth of the textile and ready-wear industries throughout the years of 2001-2011 and the ten year export figures of Turkey will be examined. The examination of the yearly export figures between Turkey and the EU is crucial in determining the advantages and disadvantages of the trade integration in between the two sides.

3.3.1 Textile Industry

3.3.1.1 Performance Review of Year 2001:

According to the records of ITKIB, between 2000 and 2001 Turkey's export figures rose by 10.7% totaling in 2.8 billion dollars. When compared to the ready-wear exports the textiles have stronger market domination and 45% of these exports are to the EU countries. In regards to rise in total export figures the textile industry has a 5.4% share, which is higher than the share of the ready-wear industry. The main reasons for the better performance of the textile industry are; there wasn't any significant price changes in the sectors main raw material, cotton and the existing infrastructure of the textile industry is better than the ready-wear's'.

Important factors in the export performance of the textile industry are; the increasing prices of raw materials of synthetic fibers, textile chemicals and other production goods.

³⁴ Lall, S. , (August 2000): ' Turkish Performance in Exporting Manufacture: A Comparative Structural Analysis' , QEH Working Paper Series, No:47.

3.3.1.2 Performance Review of Year 2002:

In 2002 even though the textile exports increased by 3.9% this figure was actually small when compared to the overall increase in exports.³⁵

Table 21: Turkish Textile Exports to Country Groups (%)

	2001 January-December	Share in Total Textile	2002 January-December	Share in Total Textile	Change %
EU Countries	1.257.716	43,9	1.173.713	39,4	-6,7
OECD Countries (The U.S.A , Canada, Switzerland)	235.867	8,2	249.556	8,4	5,8
The Middle Eastern Countries (Saudi Arabia, Israel)	199.847	7	194.086	6,5	-2,9
Other European Countries (Macedonia, Albania)	254.798	8,9	317.627	10,7	24,7
U.S.S.R (Russia, Azerbaijan)	110.989	3,9	149.279	5	34,5
African Countries (Egypt, Tunis)	117.684	4,1	120.700	4,1	2,6
Other Countries	58.960	2,1	57.484	1,9	-2,5
The Countries that are not placed this table	630.011	22	717.026	24,1	13,8
Total Textile Export	2.865.872	100	2.979.471	100	4

Source: ITKIB

In 2002 textile exports to Turkey's biggest importer, the EU has started to fall. As the EU countries' share in imported Turkish goods started to decrease other European countries like Romania and Bulgaria's share started to increase. In 2002 the export rates to the EU fell by 6.7% with a final figure of 1.17 billion dollars (Table 21). Since the textile industry produces raw materials for the ready-wear industry the two are interlinked and a recession in the textile will also affect the ready-wears. In 2002 the main factor that protected the competitive advantage was the fall of cotton prices in the global market.

³⁵ ITKIB (2003), 'Tekstil ve Konfeksiyon Sektörlerinin 2002 Yıllık İhracat Performans Değerlendirmesi', ITKIB, pp:21

3.3.1.3 Performance Review of Year 2004:

The industry was able to grow considerably that year due to increasing import demands of the countries Turkey trades with. Their successful economic growth reflected on the Turkish economy as well. According to the World Bank records the global economy grew by 4% in 2004.³⁶ This global economic growth spurt was important for all developing countries and had a significant impact on Turkish exports. According to table 23, the textile industry under-performed in 2003 however in 2004 exports increased by 33.7% and there was a 24.7% growth in the industry. However just like previous years the increase in textile exports was lower than average increase of the other industries and therefore the textiles' share in total exports actually fell to 7.1% from its previous 7.6% share.

Table 22: The Share of Textile Exports in General Exports of Turkey

	2003 January-December	2004 January-December	Change %
General Export of Turkey	47.880.277	64.010.231	33,7
Textile Exports	3.661.104	4.565.602	24,7
The Share of Textile Exports	7,6	7,1	

Source: ITKIB

When the list of main exporters of Turkish market is examined, it is clear that the EU countries are still a crucial market for Turkey as 44.5% of all exports went to the EU. Between 2003 and 2004 there was only a slight (0.1%) decrease in export rates of these countries. Meanwhile shares in exports of the other European countries like Bulgaria, Northern Cyprus, Macedonia and Romania increased from 8.4% to 8.9%. The yearly export figures rose to 32.3% in between 2003 and 2004. Exports to other European countries actually caught up to the export made to the EU-25 countries. European countries with emerging textile industries (EU-10) started to import Turkish threads and fabrics which raised the total export figures made to the EU. Since the beginning of the 2000's the export levels of the EU-10 increased steadily. Since the EU is based on an integrated economical system the newer members (EU-10) actually have similar

³⁶ ITKIB (2005), ' *Tekstil Sektörünün 2004 Yılı İhracat Performans Değerlendirmesi ve 2005 Yılına Bakış* ' , ITKIB, pp:iii

economic structures to the old ones and export the same time of goods which in the case of textiles are semi-finished goods like threads and fibers (Table 23).

Table 23: Turkish Textile Exports to the Country Groups

	2003 January-December	Share in Total Textile	2004 January-December	Share in Total Textile	Change %
EU Countries	1.662.657	45,4	2.031.835	44,5	22,2
OECD Countries (The U.S.A , Canada, Switzerland)	241.239	6,6	282.994	6,2	17,3
The Middle Eastern Countries (Saudi Arabia, Israel)	285.803	7,8	366.405	8	28,2
Other European Countries (Macedonia, Albania)	307.104	8,4	406.186	8,9	32,3
U.S.S.R (Russia, Azerbaijan)	246.578	6,7	350.557	7,7	42,2
African Countries (Egypt, Tunis)	173.013	4,7	262.759	5,8	51,9
Other Asian Countries	158.210	4,3	153.257	3,4	-3,1
Other Countries	586.499	16	711.607	15,6	21,3
Total Textile Export	3.661.104	100	4.565.602	100	24,7

Source: ITKIB

3.3.1.4 Performance Review of Year 2005:

Sectoral export levels of the textiles rose by 6.5% in 2005 but once again this increase was rather weak compared to the 14.7% rise of national export levels of Turkey.

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Even though the EU still has the highest share of the total textile exports of Turkey with 42.1% there was actually a decrease in its shares of the exports. Figures show that the exports to the EU-15 actually decreased both in regards to total in dollars

³⁷ ITKIB (2007), *Tekstil Sektörünün İhracat Performansı Yıllık Değerlendirme 2006*, ITKIB, pp:10

and in its shares of the total exports. The industries' share in the total export figures fell from 38% to a 35.5% share in 2005. Even though the growth spurt of the newer EU countries slowed down they still imported a 7.3% of the total exported textile goods effectively raising the share of textile goods in total exports to a 6.6%. In 2005 import levels of some of the biggest importers of Turkish goods (Germany, Italy, UK, Spain and France) decreased considerably. Only the import levels of Germany and Spain increased ever so slightly otherwise export potential of the EU-15 shrunk.³⁸

Table 24: Turkish Textile Exports to Country Groups

	2004 January-December	Share in Total Textile	2005 January-December	Share in Total Textile	Change %
EU Countries	2.031.706	44,5	2.047.577	42,1	0,8
OECD Countries (The U.S.A , Canada, Switzerland)	282.895	6,2	280.586	5,8	-0,8
The Middle Eastern Countries (Saudi Arabia, Israel)	366.578	8	347.284	7,1	-5,3
Other European Countries (Macedonia, Albania)	405.483	8,9	507.456	10,4	25,1
U.S.S.R (Russia, Azerbaijan)	350.536	7,7	510.899	10,5	45,7
African Countries (Egypt, Tunis)	262.865	5,8	285.216	5,9	8,5
Other Asian Countries	153.211	3,4	183.590	3,8	19,8
Other Countries	711.485	15,6	698.680	14,4	-1,8
Total Textile Export	4.564.760	100	4.861.288	100	6,5

Source: ITKIB

Utilization ratio of the industry actually increased when compared to the previous year or the ready-wear industry. However this improvement in utilization ratio was still lower than the expected amount. The most valuable raw material of the sector, cotton, is expensive in Turkey when compared to global cotton prices and Turkey is suffering from a shortage of raw materials. As such import levels are increasing and procurement of raw materials is becoming harder in Turkey. The increasing costs of the factors of production such as labor are directly effecting production and efficiency of the industry.

³⁸Additional List of Table, Table 1

3.3.1.5 Performance Review of Year 2006:

Between 1998 and 2006 there has been a slow but steady growth in textile exports in Turkey. Even though the growth was small the Turkey is still recognized as a crucial player in the global textile market with a recognized competitive force. Between the years of 1998-2006 the textile exports has increased by 10.2%. Even though the textile exports actually doubled in those 9 years this was still considered a small growth next to the total increase in Turkish exports. With 14.7% growth the total revenue from textile exports reached a 5.6 billion dollars. However the average growth rate of the Turkish exports was at 16.8% and once again textiles were below this average. Even though the ready-wear industry is much more profitable with its high value added goods its growth was even smaller than the textile industries'.

Table 25: The Share of Textile Exports in General Exports of Turkey

	2005 January-December	2006 January-December	Change %
General Export of Turkey	73.444.821	85.761.134	16,8
Textile Exports	4.860.887	5.576.097	14,7
The Share of Textile Exports	6,6	6,5	
Industry Exports	62.691.423	73.908.460	17,9
Textile Exports Share in the Exports of Industrial Products	7,8	7,5	

Source: ITKIB

Biggest Markets of the Turkish Textile Industry:

Top three countries that Turkey exports are:

1. Italy,
2. Germany,
3. The Russian Federation.

Table 26: Biggest Markets for Turkish Textile Exports (Million Dollars)

Years	Export to Italy	Change %	Export to Germany	Change %	Export to Russia	Change %
1998	332.953		248.270		58.652	
1999	360.266	8,2	279.854	12,7	46.769	-20,3
2000	310.304	-13,9	227.972	-18,5	48.497	3,7
2001	330.345	6,5	240.870	5,7	72.259	49
2002	279.793	-15,3	241.198	0,1	113.102	56,5
2003	417.274	49,1	267.112	10,7	184.061	62,7
2004	507.182	21,5	300.601	12,5	254.724	38,4
2005	495.153	-2,4	308.298	2,6	381.468	49,8
2006	588.680	18,9	356.099	15,5	485.042	27,2
Total Average		9,1		5,2		33,4

Source: ITKIB data

ITALY → Italy is Turkey's biggest market for textile goods. The average yearly growth rate in Turkish textile exports is 9.1%. However there have also been reductions in 2000, 2002 and 2005. Other than those years there was a constant increase in exports to Italy, biggest one being in 2003. In 2004 exports decreased however this did not affect the course of exports overall. The total exports that belong to Turkey changed by 10.2%. When compared, growth rate of the exports to Italy falls a little bit short of the total growth rate of exports.

GERMANY → Germany is the country which Turkey exports the second most amounts of textile goods. Germany's position however later dropped to third place in 2005. The stagnation of the economy not only affected the ready-wear industry but also the trade in textile industry. When the numbers are checked, the continuous fluctuation in the amounts of exports made to Germany are clearly visible. The shaky trade relations between Germany and Turkey suffered especially in 2000 and 2005. The yearly growth rate of the nation's textile imports are 5.2%.

THE RUSSIAN FEDERATION → According to the information available from the Eurostat Russia ranks as the 19th largest importer of textile goods. The main reason as to why Russia is considered an importer is because they do not possess textile machinery. Even though up until 2005 the exports made to Russia that less than ones made to Germany or Italy but when compared in regards of growth rate, Russia has always been the first. There has been growth rate drops in 2000, 2004 and 2006 however the total exports made to Russia in dollars has been in a steady increase. After 2005 Russia took over second place of Germany in regards of textile exports bought. Russia has a 33.4% growth rate in imports from Turkey which is way over the average growth.

Italy, Germany and Russia are the biggest international markets for Turkish textile exports. The share of exports made to the EU make up a 44.5% of total textile exports. With an increase rate of 21.2% export figures reached 2.5 billion dollars in 2006. In 2006 export made to both the EU-10 countries and EU-15 countries increased. Exports to EU-15 reached to 37.4% share of the total textile exports with a growth rate of 20.8%. The constant growth of the EU-10 countries has also continued this year. Exports shares to the newer EU countries rose to 7.1% and growth rate of exports rose to 23.3%.

Table 27: Turkish Textile Exports to Country Groups (%)

	2005 January-December	Share in Total Textile	2006 January-December	Share in Total Textile	Change %
EU Countries	2.047.832	42,1	2.482.093	44,5	21,2
OECD Countries (The U.S.A , Canada, Switzerland)	280.492	5,8	272.682	4,9	-2,8
The Middle Eastern Countries (Saudi Arabia, Israel)	347.280	7,1	365.485	6,6	5,2
Other European Countries (Macedonia, Albania)	507.288	10,4	597.416	10,7	17,8
U.S.S.R (Russia, Azerbaijan)	510.585	10,5	636.974	11,4	24,8
African Countries (Egypt, Tunis)	285.215	5,9	349.753	6,3	22,6
Other Asian Countries	183.643	3,8	202.107	3,6	10,1
Other Countries	698.552	14,4	669.587	12	-4,1
Total Textile Export	4.860.887	100	5.576.097	100	14,7

Source: Net Export Information System

Out of all the traditional EU countries only total exports to Finland in dollars decreased. Highest increases were observed in Italy, Germany, Belgium, Holland, Portugal and Greece. Among the newer EU countries exports to Estonia, Latvia and Malta have decreased. Out of all the EU-10 countries exports to Poland have been the highest in dollars and the countries share in the total exports rose to 4.2%.³⁹

Even though the developments in the global textile industry haven't been all good, the Turkish textile industry is still a force to be reckoned with in the global arena. Utilization ratio of the Turkish textile industry increased in the other years. The investment incentive certificates dedicated to the industry however halved in number. As the share of the investment incentive certificates given to the manufacturing industries increase the ones given to the textile industry decreased.

According to the estimates of the Cotton Outlook, Turkey ranks as the 7th largest cotton producer globally in 2006. However the amount of cotton consumed in Turkey far exceeds the amount produced. Therefore Turkey is forced to import the remaining cotton that is needed. On top of this, the cotton prices in Turkey is higher than the global market. The high costs of the factors of production in Turkey affects the manufacturing industry. As costs increase other countries with less costs, therefore lower prices gain an exporting advantage in the global market. China is the most successful in decreasing costs and has the largest share in exports to EU. The introduction of the quota-less period caused a grave danger to Turkish exports but when the abolishment of quotas were postponed to 2008 the buyers were forced to return to their original sellers. This postponement allowed Turkey to utilize the advantages of the Customs Union for a bit longer.

3.3.1.6. Performance Review of Year 2007:

After the integration of the Customs Union started, the textiles followed the growth spurt of the total exports between 1996-1998. However, between 1998 and 2007 as the total export numbers surged, nearly quadrupled in size, the textiles started to lose steam and only managed to double in size. After a 23.5% growth the total export figures reached 106 billion dollars in 2007. With a 17.5% growth the exports of textile and textile

³⁹ Additional List of Table: Table 2.

raw materials reached a total figure of 6.6 billion dollars. 6.5% share of the textile exports in the total exports of 2006 decreased to 6.2% in 2007.⁴⁰ The 2007 growth rate of the textile exports was also behind the average growth rate of the Turkish manufacturing industries. Exports to the EU countries increased by 14.5% and the final total exports were at 3.5 billion dollars. On the other hand even with that growth the importance of EU in Turkish exports decreased. The share of the other European countries increased after the 28.1% growth of exports to them. Out of all European countries largest quantities of goods are exported to Italy. The Russian Federation, Germany, Romania, Poland and UK also receive a considerable amount of exports. Even though the Russian Federation is not a part of the EU, they still receive the second higher number of Turkish textile exports.

Table 28: Turkish Textile Exports to Country Groups (%)

	2006 January-December	Share in Total Textile	2007 January-December	Share in Total Textile	Change %
EU Countries	3.053.916	54,8	3.498.220	53,4	14,5
OECD Countries (The U.S.A , Canada, Switzerland)	272.767	4,9	307.335	4,7	12,7
The Middle Eastern Countries (Saudi Arabia, Israel)	365.417	6,6	401.231	6,1	9,8
Other European Countries (Macedonia, Albania)	130.976	2,3	167.804	2,6	28,1
U.S.S.R (Russia, Azerbaijan)	654.634	11,7	873.774	13,3	33,5
African Countries (Egypt, Tunis)	349.743	6,3	432.905	6,6	23,8
Other Asian Countries	202.385	3,6	242.560	3,7	19,9
Other Countries	546.870	9,8	627.957	9,6	14,8
Total Textile Export	5.576.708	100	6.551.786	100	17,5

Source: ITKIB

⁴⁰ ITKIB (2008), 'Tekstil Sektörünün İhracat Performansı Yıllık Değerlendirme 2007', ITKIB General Secretariat, pp:6

The Biggest Markets for the Turkish Textile Industry:

Main countries that Turkey exports to are:

- Italy,
- Russian Federation,
- Germany.

Table 29: Biggest Markets For Turkish Textile Exports(Million Dollars)

Years	Export to Italy	Change %	Export to Russia	Change %	Export to Germany	Change %
1998	332.953		58.652		248.270	
1999	360.266	8,2	46.769	-20,3	279.854	12,7
2000	310.304	-13,9	48.497	3,7	227.972	-18,5
2001	330.345	6,5	72.259	49	240.870	5,7
2002	279.793	-15,3	113.102	56,5	241.198	0,1
2003	417.274	49,1	184.061	62,7	267.112	10,7
2004	507.182	21,5	254.724	38,4	300.601	12,5
2005	495.153	-2,4	381.468	49,8	308.298	2,6
2006	588.829	18,9	485.042	27,2	356.162	15,5
2007	657.952	11,7	653.727	34,8	390.980	9,8
Total Average		9,4		33,5		5,7

Source: Under Secretariat of Foreign Trade

ITALY → Italy is the receiver of the largest quantities of textile exports in the EU. Between the years of 1998-2007 the records show that there have been serious decreases in the exports to Italy in the years of 2000, 2002 and 2005. However in 2003, 2004 and 2006 the growth rate of the industry was high. The average growth rate in exports for the years 1998-2007 was 9.4%. Since Turkey's growth in exports of textile goods was at 11% Italy failed to catch up to this increase. In the year 2007 exports to Italy grew by 11.7% and reached a final total of 657,952 million dollars.

RUSSIAN FEDERATION → Until 2005 Russia was third in the amount of exports received from Turkey following Germany closely, but in 2005 Russia finally caught up and has been second ever since. Even though Russia is not a part of the EU and therefore the Customs Union, it still receives a significant amount of the Turkish textile exports. After the year 2000 there has been a steady increase. Exports to Russia peaked in 2003. The constant rise in exports to Russia was strong enough that it helped in the

33.5% total growth of exports. The total share of the Turkish exports to Russia and its growth rate makes Russia a very important market for Turkey.

GERMANY → For a long period of time the second biggest amount of Turkish textile goods were shipped to Germany, but Russia's fast growth in imports caused Germany to fall into third place after 2005. Germany has one of the strongest economies in Europe and therefore has always been an important market for Turkish exports. There have been some economic fluctuations that also affected the exports to Germany, but overall Germany did not lose its position as one of the main markets for the textiles, only the growth of its competitive force staggered in the global market. Between 1998-2007, only in 2000 was there a significant fall in exports to Germany. Even though there have been increases in every other year, Germany lost its velocity in growth. In 2007, the final figures of exports shipped to Germany was 390.980 million dollars after a 9.8% growth. This figure is only about a half of the amount that was shipped to either Italy or Russia. Also the yearly average increase in exports to Germany is only 5.7% half of the growth rate of Turkish exports overall.

The 54.8% share of the exports to the EU countries fell to 53.4% in 2007. The share of the exports to the traditional EU countries fell by 1% when compared to 2006. The new EU countries on the other hand made a 15.1% growth. Romania, after joining the EU in 2007 became the third biggest importer of Turkish textile goods in the EU. It also has first place in imports in the new EU countries (Table 28).

There were several different factors that affected the export performance of 2007. The increased unit price of exports was one of the important factors. Turkey is both an exporter and an importer country. Raw materials and semi-finished goods are imported and used in manufacturing other export goods. Therefore the import performance affects the export performance in the textile industry. The utilization ratio in manufacturing that had a rising trend for a long time decreased this year but the textiles were not affected and their ratio increased by 0.9%. at the same time the number of incentive certificates given to the textile and ready-wear industries doubled in size. The rise in manufacturing costs

results in a decrease in the competitive force of the Turkish textile goods. The shortage in production of cotton and its above average price is causing manufacturing costs to increase as cotton is the main raw material in the textiles industry. Although the energy and labor costs also increase these two will not be as important until 2008 when the custom quotas are abolished and the very cheap Chinese goods flock the industry.

3.3.1.7 Performance Review of Year 2008:

The main engine of the Turkish economy, the manufacturing industry, is growing in line with foreign trade. After the full integration was implemented in line with the Customs Union the Turkish textile industry and ready wear-industry started to grow in a structure that best accommodated the needs of the EU. Over the years total exports of Turkey and the exports of the textile industry both have been increasing, although since the textiles are growing slower than the rest of the economy and so its share in exports have been decreasing every year. The growth rate of the industry is also losing steam and slowing down.

Table 30: The Share of Textile Exports in General Exports of Turkey (Billion Dollars)

	2007 January-December	2008 January-December	Change %
General Export of Turkey	105.964.665	127.498.828	20,3
Textile Exports	6.554.048	6.807.831	3,9
The Share of Textile Exports	6,2	5,3	

Source: ITKIB

With a growth rate of 20.3% the total export figures of Turkey reached 127 billion dollars in 2008. The textile industry only grew by 3.9% and its export figures reached 6.8 billion dollars. Even with this growth, the share of textile exports in total exports fell by 0.9%. After 1998 the share of textiles in exports has constantly been decreasing. Even though the export revenue and growth rate of the industry are always increasing, its share in the total exports fell to 5.3% from 6.2%.

Between 1998-2008 only in 1999 did both the total Turkish export and the exports of the textiles decreased. Otherwise both the Turkish textile exports and the total exports are in a steady rise. Especially in 2007 and 2008 the net export revenue in dollars

increased considerably, but the textile exports had only a little part in this leap. The yearly reports show that the share of Turkish textile exports in total exports is constantly decreasing, reflecting an obvious loss of performance and stagnation in the growth of the industry. The once most crucial manufacturing industry, the textiles are losing their strength in the Turkish economy.

Table 31: Shares of Textile Exports in General Exports of Turkey in Between 1998-2008

Years	General Export	Change %	Textile Exports	Change %	Share of Textile %
1998	28.054.932		2.631.227		9,4
1999	26.992.209	-3,8	2.565.465	-2,5	9,5
2000	27.201.538	0,8	2.590.818	1	9,5
2001	31.063.595	14,2	2.867.083	10,7	9,2
2002	36.205.090	16,6	2.979.471	3,9	8,2
2003	47.880.277	32,2	3.661.104	22,9	7,6
2004	64.010.231	33,7	4.565.602	24,7	6,1
2005	73.444.821	14,7	4.860.887	6,5	6,6
2006	85.774.644	16,8	5.576.708	14,7	6,5
2007	105.964.665	23,5	6.554.050	17,5	6,2
2008	127.498.828	20,3	6.807.831	3,9	5,3
98-08 Average		16,9		10,3	

Source: ITKIB

The EU has always been the most important market for Turkish textile exports. Over the years exports to the EU countries as a whole has been decreasing, effectively damaging the growth of the textile industry as a whole. In 2008 the EU's share in the total textile exports fell by 3.5%. Along with it the total revenue of exports shipped to the EU also fell to a 3.38 billion dollars. Both the decrease in revenues and the decrease in the growth rate of exports to the EU resulted in a 3.8% fall in the share of exports to the EU in a total exports of the industry (Table 32). Fall of exports to the EU, with which Turkey has a Customs Union and both sides make trade compromises constantly, delivers a heavy blow to the industry overall.

Table 32: Turkish Textile Exports to Country Groups

	2007 January-December	Share in Total Textile	2008 January-December	Share in Total Textile	Change %
EU Countries	3.498.473	53,4	3.376.011	49,6	-3,5
(The U.S.A , Canada, Switzerland)	306.875	4,7	307.674	4,5	0,3
Other European Countries (Macedonia, Albania)	167.804	2,6	196.868	2,9	17,3
U.S.S.R (Russia, Azerbaijan)	874.034	13,3	1.099.291	16,1	25,8
The Middle Eastern Countries (Saudi Arabia, Israel)	401.416	6,1	514.838	7,6	28,3
African Countries (Egypt, Tunis)	433.702	6,6	518.991	7,6	19,7
Asian Countries (China, India)	242.748	3,7	237.920	3,5	-2
Other Countries	628.998	9,6	556.238	8,2	-11,6
Total Textile Export	6.554.050	100	6.807.831	100	3,9

Source: ITKIB

Biggest Markets for Turkish Textile Exports:

Main countries that Turkey exports are:

- The Russian Federation,
- Italy,
- Germany.

RUSSIAN FEDERATION → Previously Italy received the largest quantity of exports from Turkey, however with the constant rise in demand in Russia and the negative fluctuations in the EU market, Russia finally surpassed Italy after Germany and became the largest market for Turkish textile exports in 2008. Ever since 2000 there has been a constant increase in exports to Russia that readily speeded up after the year 2002, eventually resulting in exports to Russia surpassing both Germany and Italy. The maximum growth in exports to Russia was in 2003 with a 62.7% growth and only in 1999 there was a decrease in growth. Even though the growth of exports slowed down over the years the net revenue in dollars have remained high in the industry. In 1998 exports to

Russia added up to 58 million dollars, this figure rose up to 817 million dollars by 2008 with an average increase rate of 32.7%. Since the average growth rate of the total Turkish textile exports is only 10.3% the importance of Russia for Turkey and it's amazing growth in importing capacity is quite obvious.

Table 33: Biggest Markets For Turkish Textile Exports

Years	Export to Russia	Change %	Export to Italy	Change %	Export to Germany	Change %
1998	58.652		332.953		248.270	
1999	46.769	-20,3	360.266	8,2	279.854	12,7
2000	48.497	3,7	310.304	-13,9	227.972	-18,5
2001	71.838	48,1	330.313	6,4	240.673	5,6
2002	113.102	57,4	279.793	-15,3	241.198	0,2
2003	184.061	62,7	417.274	49,1	267.112	10,7
2004	254.724	38,4	507.182	21,5	300.601	12,5
2005	381.468	40,8	495.153	-2,4	308.298	2,6
2006	485.042	27,2	588.680	18,9	356.099	15,5
2007	653.896	34,8	657.923	11,8	391.014	9,8
2008	817.782	25,1	641.382	-2,5	385.493	-1,4
Total Average		32,7		8,2		5

Source: ITKIB

ITALY → Italy was the biggest market for Turkish textile exports between the years of 1998-2007, but later lost its place to Russia as Italy's growth started to stagger. Exports to Italy have been growing unsteadily. When the yearly figures are examined it is easy to see the constant ups and downs of the exports to Italy. Exports to Italy show significant drops in the years of 2000, 2002, 2005 and 2008. With a 15.4% decrease the biggest drop in exports was in 2002. However, the recovery was fast and 2003 followed with 49.1% increase in revenues in dollars. After that there have been increases in export revenues in 2004, 2006 and 2007. Finally in 2008 the shaky nature of the trade relations showed its face again and there was 2.5% decrease in exports. In the ten year period between 1998 and 2008 the average change in Turkish textile exports shipped to Italy is 8.2%, which is considerably lower than the average growth rate of Turkish textile exports as a whole. The final figure of Turkish exports in 2008 was 641 million dollars.

GERMANY → Until 2005 Germany was the second biggest market for Turkish textile goods but in 2005 it was surpassed by Russia and stayed as third ever since. There have been no significant changes in exports to Germany. Yearly numbers show that the growth rate of exports to Germany are pretty stable but also small and therefore total exports to Germany in dollars did not change much over the years as well. Only in 2000 and 2008 did the exports to Germany decrease. There haven't been any notable changes in exports but specifically in 2008 the total value of exports fell to 385 million dollars. The biggest increase in exports to Germany was in 2006 with a growth rate of 15.5% growth. The ten year average growth rate of Turkish textile exports to Germany is only 5% which is nearly half of the average growth of the total Turkish textile exports.

After taking a close look at the figures in the yearly evaluation of ITKIB (2008)⁴¹, it is obvious that Turkey's success in exporting textile goods to the EU countries is diminishing. Even though the EU market hasn't been able to grow in terms of importing Turkish goods, the EU is still the main market for Turkish textile goods as it buys a 49.6% part of all Turkish textile exports. Out of all the traditional EU countries only exports to Austria and Ireland increased. Performance in any other country was below expectations. In 2008 there was a 4.8% shrink in exports to the EU-15. This shrink also reduced the share of the EU-15 in total textile exports to 33.4% from 36.4%. Total exports figures also decreased to 2.2 billion dollars. The biggest decreases in export revenues were caused by the decreased importing from France, Holland, UK, Spain and Italy. The total textile exports to these countries are significant enough to change the average and total values of the EU-15.

Even though exports to Lithuania, Slovenia and other regions were stable exports to other new EU countries also decreased. Exports to Malta and Poland showed no growth both in their share of Turkish textile exports. However, final export figures in dollars increased. Out of the new EU countries Estonia and Latvia had the biggest growth in Turkish exports. The most important markets for Turkish textile exports in the new EU countries are Romania, Poland and Bulgaria. Just like the EU-15, 2008 exports to the new EU countries also decreased by 0.6%, effectively decreasing their share in Turkish

⁴¹ ITKIB (2009), *Tekstil Sektörünün İhracat Performansı Yıllık Değerlendirme 2008*, , pp: 37 – Table of Turkish Textile Exports to the European Countries.

textile exports to 16.2% from 17%. Their final export figure for 2008 was 1.104 billion dollars.⁴²

Even though Turkey's export performance in EU region suffered there are still many important countries in the region for Turkish textile exports. These countries are Italy, Germany, Romania, Poland, Bulgaria, UK and Greece. Their positions as importers of textile goods are still strong. According to table 35, the EU countries in the order of biggest decrease in their exports from Turkey are Romania, UK, Italy, Germany and Greece. Bulgaria and Poland are also EU countries but exports to them did not suffer like it did for the rest of the EU. Exports to Bulgaria grew by 12.1% and exports to Poland grew by 2.7% when compared to the previous year.

According to the 2008 records Italy is the second most important importer of Turkish textile goods in the global market and is the biggest market for Turkey in the EU region. However exports to Italy decreased by 2.5% and their share in the total Turkish textile exports also decreased by 0.6%. The situation was similar in Germany, as exports to Germany decreased by 1.4% reducing their share in the total Turkish textile exports by 0.3%. Exports to Romania suffered the most in 2008 as their share in total textile exports decreased by 1%. As previously mentioned, Poland and Bulgaria were the only two EU countries to whom exports increased. As Poland's share in total textile exports stayed the same Bulgaria's share increased by 0.3% The seventh biggest importer of Turkish textile goods, UK's share in the market decreased by 0.5%. Lastly, exports to Greece decreased by 0.8% which in turn reduced their share in Turkish exports by 0.1% (Table 34).

⁴² ITKIB (2009), *Tekstil Sektörünün İhracat Performansı Yıllık Değerlendirme 2008*, ITKIB, pp: 37 – Table of Turkish Textile Exports to the European Countries.

Table 34: Biggest Markets For Turkish Textile Exports (1000\$)

Countries	2007 December	2008 December	Change %	2007 January- December	Share in Total Textile	2008 January- December	Share in Total Textile	Change %
Russia	48.916	34.266	-29,9	653.896	10	817.782	12	25,1
Italy	43.219	31.855	-26,3	657.923	10	641.382	9,4	-2,5
Germany	30.017	22.100	-26,4	391.014	6	385.493	5,7	-1,4
Romania	27.312	13.838	-49,3	381.070	5,8	327.598	4,8	-14,0
Poland	19.484	15.591	-18,1	296.751	4,5	304.759	4,5	2,7
Bulgaria	18.917	12.678	-33	244.806	3,7	274.487	4	12,1
Britain	18.268	12.408	-32,08	254.490	3,9	233.799	3,4	-8,1
The USA	15.126	15.097	-0,2	218.229	3,3	219.251	3,2	0,5
Iran	20.387	22.278	9,3	154.560	2,4	213.696	3,1	38,3
Greece	13.649	8.813	-35,4	196.055	3	194.427	2,9	-0,8
Sum of the First 10 Countries	266.296	189.284	-26,8	3.448.794	52,6	3.612.674	53,1	4,8
Total Textile Export	519.600	376.908	-27,5	6.554.050	100	6.807.831	100	3,9

Source: ITKIB

The common decrease in exports to the entirety of the EU region became the biggest issue for the Turkish textile industry. Upon a closer inspection of the Turkish textile industry it is easy to see why the exports suffered and also what problems this decrease of exports caused in the industry. One of the main issues of the Turkish textile industry is the decrease in the capacity utilization ratio. As the utilization ratio of the Turkish manufacturing industry suffers so does the Turkish textile industries. The capacity utilization ratio decreased by 7.9% in comparison to the 2007 value. As the textile industry and the ready-wear industry are closely linked, the decrease in the capacity utilization ratio of the textiles also affected the ready-wear industry.

The internal narrowing of the importing capacity in Turkey's biggest markets is causing a loss of performance in exports. Economic setbacks in the EU countries are causing them to search for better quality goods for cheaper prices. Countries are shifting their focus away from Turkish goods as manufacturing costs, therefore the price of the exported goods increase and new cheaper exports from other countries are becoming readily available. It is a known fact that international trade plays a crucial role in an

economy's growth. But in developing countries like Turkey where industries like the textiles and ready-wears are cornerstones of the economy, even small fluctuations in exports can have devastating effects.

3.3.1.8 Performance Review of Year 2009:

In the third quarter of the year 2009 the global economic stagnation came to an end and international trade started to rekindle. Economic reforms in developed countries and the new revitalizing trade relations with the Asian countries caused a global economic growth. After a global depression this economic growth resulted in an increase in consumption. However, unlike the rest of the world for some of the developing countries like Turkey the economic blow from the recession was too strong to make an immediate recovery. According to this global image, the decrease in exports to developing countries are to continue in 2009 and a comeback from Turkish economy seemed unlikely until 2010.

Table 35: Shares of Textile Exports in General Exports of Turkey

	2008 January-December	2009 January-December	Change %
General Export of Turkey	132.027.196	101.629.000	-23
Textile Exports	6.816.679	5.514.480	-19,1
The Share of Textile Exports	5,2	5,4	

Source: ITKIB

The final Turkish textile export figure was at 5.5 billion dollars, a 19.1% shrink when compared to the figures of 2008. Since the entire economy was suffering the share of the textiles in total exports actually increased by 0.2% even though its exports had actually decreased. When compared to other industries in Turkey, the textile industry was the one that shrank the least.

When the 2009 monthly figures are examined, it is evident that the Turkish textile exports were regaining its former position in the global market. Especially in the last months of 2009 there was a significant rise in exports. Even with the final rise and the global economic growth the Turkish textile industry wasn't able to cancel out the previous fall in exports and the final figures came out negative. Even the utilization ratio

increased back up to 73.9% yet again this value still remained as one of the lowest values of the 2000's.

Table 36: Turkish Textile Exports to Country Groups

	2008 January-December	Share in Total Textile	2009 January-December	Share in Total Textile	Change %
EU Countries	3.376.732	49,5	2.724.064	49,4	-19,3
OECD Countries (The U.S.A , Canada, Switzerland)	307.578	4,5	221.205	4	-28,1
Other European Countries (Macedonia, Albania)	196.868	2,9	156.646	2,8	-20,4
U.S.S.R (Russia, Azerbaijan)	1.099.224	16,1	784.739	14,2	-28,6
The Middle Eastern Countries (Saudi Arabia, Israel)	521.048	7,6	488.663	8,9	-6,2
African Countries (Egypt, Tunis)	519.291	7,6	497.495	9	-4,2
Asian Countries (China, India)	237.562	3,5	208.611	3,8	-12,2
Other Countries	558.376	8,2	433.057	7,9	-22,4
Total Textile Export	6.816.679	100	5.514.480	100	-15,5

Source: ITKIB

As can be seen in the table 36, in 2009 the Turkish textile exports to the EU countries decreased by 19.3% when compared to the previous year. With this setback the EU's share in the total exports decreased by 0.1% and the final tally was 2.7 billion dollars. Even with the continuation of shrinking in exports to the EU, it still remains to be the main market for Turkish textiles. Also exports to the other European countries decreased by 20.4% decreasing their share in the total textile exports to 2.8%.

Biggest Markets for Turkish Textile Exports:

Main countries that Turkey exports are:

- The Russian Federation,
- Italy,
- Germany.

THE RUSSIAN FEDERATION→ In 2009 the Russian Federation continued to be the leading importer of Turkish textile products, a position kept since they surpassed Italy in exports of 2008. The average yearly growth in exports to Russia in between 1998-2009 was 31.7%. However that year exports to The Federation plummeted by 30%, ending the year with only 572 million dollars' worth of exports. Even with this decline in exports to Russia, the final figures were still higher than exports to Italy (Additional list of table; table 3).

ITALY→ Just like 2008 in 2009 there was a decrease in Turkish textile exports to Italy. With a 16% decline the final figure for exports to Italy was 538 million dollars. This drop did not change Italy's place in the global market as the second biggest importer of Turkish textiles. The average growth rate of exports to Italy between 1998-2009 were 5.8% while the average growth rate of the total Turkish exports were at 8.7% in the same time period (Additional list of; table 4).

GERMANY→ With an average 2.5% growth in exports to it in between 1998-2009, Germany stands as the third biggest importer of Turkish textile goods. German market was no different than Italy and Russia in 2009 and exports to Germany also decreased by 12.3% after a total export value of 338 million dollars. Its average growth in exports is also lower than average growth of total Turkish exports (Additional list of table; table 5).

When excluding the exports to the Russian Federation, EU countries make up a major part of the market for Turkish textile exports. According to yearly report of ITKIB (2009), in 2009 exports to every EU-15 country, except Ireland, decreased. When compared to their 2008 figures biggest drops in exports were in the following order: Luxemburg, Austria, Sweden and Finland. With a drop rate of 48% Luxemburg's share in total Turkish textile exports neared 0%. With only a 8.1% drop the least decrease in

exports happened to Holland. Ireland was the only European country whose imports increased when compared to the figures of 2008. The export performance lost in the traditional EU countries amounted up to a 17.8% and the final export amount was 1.8 billion dollars.

Among the new EU countries Latvia had the worst drop in growth with a 55.5%. Latvia is followed by Malta, Czech Republic, Hungary and Slovenia. Few countries to whom exports increased to are Estonia, Lithuania and the Slovak Republic. When taken as a whole the exports to the new EU countries fell by 22.4% and their final tally in exports was 856 million dollars. The new EU countries' share in the total Turkish textile exports also decreased by 0.7% when compared to 2008.⁴³

3.3.1.9 Performance Review of Year 2010:

Since the textile industry can be considered to be the infrastructure of the ready-wear industry, the growth in the ready-wear industries pulls up the textiles along with it, which in turn reflects well for the country's economy. The textile exports increased by 18.4% in 2010 and its final figures went up to 6.5 billion dollars. Its share in the total exports also rose by 0.3%.

Table 37: Shares of Textile Exports in General Exports of Turkey

	2009 January-December	2010 January-December	Change %
General Export of Turkey	102.142.613	113.685.989	11,3
Textile Exports	5.513.638	6.528.299	18,4
The Share of Textile Exports	5,4	5,7	

Source: ITKIB

Even though the global market bounced back up from a recession in 2009, the Turkish textile exports were not able re-energize as fast as the developed countries. However, the recovery period continued in 2010 revitalizing the economies of developing countries and resulted in an 11.2% growth in Turkish textile exports to EU countries. Except for Greece and Ireland that are called the GIPS countries there was an increase in

⁴³ ITKIB (2010), *Tekstil Sektörü 2009 Yıllık İhracat Performans Değerlendirmesi*, ITKIB , pp: 45 – Table of Turkish Textile Exports to the European Countries.

exports to every traditional EU country. Even though the EU was successfully coming out of the depression in 2010 the GIPS countries and their continuing negative economic situation was weighing down the EU and its performance. Out of the EU-15 countries the most noticeable growth in receiving Turkish exports was Luxemburg and Finland. Just like the previous years the strongest importers of the community were Italy and Germany. In comparison to the previous year exports to the EU-15 countries increased by 12.7% and the total exports shipped to them were worth 2.1 billion dollars. The EU-15's share in total textile exports was at 32.2%.⁴⁴

There was a growth in exports to all of the new EU countries. In order, Malta Estonia, Latvia, Czech Republic and Slovenia had the largest growth rates in 2010. Romania, Poland and Bulgaria are important countries for Turkish textile industry as they all have a high share in the total exports. Turkey's exports to the aforementioned countries rose by 7.9%, adding up to 924 million dollars and their share in the total Turkish textile exports became 14.2%.⁴⁵

As it can be seen in the table 39, just like the previous years the largest importers of Turkish textile goods were the Russian Federation, Italy and Germany. Since there weren't any significant changes in the exports figures the import rankings did not change since 2010. Even though there were noticeable changes in exports to Italy and Germany it wasn't enough for them to surpass Russia.

Six out of the ten top importers of Turkish textile goods are a member state of the EU and in all six of them there was a growth in import figures when compared to the previous year.

Overall in 2010 the growth rate of the Turkish textile exports to all EU countries reached their former, higher levels. The increase in production was accompanied by an increase in consumption. There was a 10.9% increase in capacity utilization ratio of the industry. The capacity utilization ratio of the textile industry was higher than the ratio of the ready-wear industries.

⁴⁴ ITKIB (2011), *Tekstil Sektörü İhracat Performans Değerlendirmesi 2010 Ocak-Aralık*, ITKIB, pp: 27 – Table of Turkish Textile Exports to the European Countries..

⁴⁵ ITKIB (2011), *Tekstil Sektörü İhracat Performans Değerlendirmesi 2010 Ocak-Aralık*, ITKIB, pp: 27 – Table of Turkish Textile Exports to the European Countries.

Table 38: Biggest Markets For Turkish Textile Exports

Countries	2010 January-December	Share in Total Textile	Change %
Russia	825.172	12,6	44,2
Italy	628.262	9,6	16,7
Germany	389.996	6	15,3
Romania	278.620	4,3	9,2
Poland	239.806	3,7	1,1
Iran	238.040	3,6	4,6
UK	233.900	3,6	28,5
Egypt	221.316	3,4	34,6
Bulgaria	220.742	3,4	6,5
USA	215.547	3,3	37,9
Total Export	3.491.401	53,5	21,3

Source: ITKIB- Exporters of Turkey Performance Evaluation

3.3.1.10 Performance Review of Year 2011:

In the past Turkey's growth in the global textile market has been unstable over the years. Especially in the last five years the global recession resulted in significant ups and downs in yearly export figures. The industry received an especially heavy blow in 2009. After 2009 there was a constant growth in exports that continued in 2011 with a 21.9% increase in exports. When the Customs Union was established the Turkish textile exports made up a 9.5% of the general export of Turkey, although over the years the industry could not keep up with the increase in general exports and lost its power and finally in 2011 its shares in total exports was only 5.9%.

Table 39: Shares of Textile Exports in General Exports of Turkey

	2010 January- December	2011 January-December	Change %
General Export of Turkey	113.883.219	134.571.338	18,2
Textile Exports	6.522.737	7.953.651	21,9
The Share of Textile Exports	5,7	5,9	
Industry Exports	93.456.511	111.537.870	19,3
Textile Exports Share in the Exports of Industrial Products	7	7,1	

Source: ITKIB

After a 21.9% growth from the previous year Turkish textile exports figure reached 7.9 billion dollars. The industry's share in general exports became 5.9% after 0.2% increase. Turkish textile exports performed better than the total manufacturing exports. The textile exports had the highest share in total exports out of all the Turkish manufacturing industries. As it was in previous years, the EU was the biggest market for the textile exports of Turkey. After a 23.9% increase total textile exports to the EU countries reached 3.7 billion dollars. The EU-27 has a 47.1% share in the total exports of the Turkish textile industry. There was a 0.8% increase in the share of the EU countries in the total exports. The Turkish textile industry expanded its export range in the global market. Turkey is exports to new countries is a clear indication of the new trade relations of Turkey in the global market.

Table 40: Turkish Textile Exports to Country Groups

	2010 January- December	Share in Total Textile	2011 January- December	Share in Total Textile	Change %
EU Countries	3.023.124	46,3	3.745.201	47,1	23,9
U.S.S.R (Russia)	1.213.217	18,6	1.526.595	19,2	25,8
Other European Countries	16.150	0,2	17.074	0,2	6

Source: ITKIB

Even in the new and expanded list of importers 7 out of the top ten importers of Turkish textile goods are EU countries. The reason for the focus on EU countries was clearly the Customs Union. Just like the last few years the industries' main importer was the Russian Federation, and as usual, Russia was followed by Italy and Germany. Even though Germany managed to come out of the recession it was in there was not a big enough impact on the exports to change its ranking in the list. Italy was in, a state of crisis due to foreign investment. When the figures of the Turkish textile exports are examined the following results can be observed (Table 41):

- The Russian Federation: Russia's share in total textile exports of Turkey was 12.8% and after a 12.8% growth the final tally was 1 billion dollars.
- Italy: Italy's share in total textile exports of Turkey was 10.2% and after a 29.6% growth the final tally was 813 million dollars.

- Germany: Germany's share in total textile exports of Turkey was 5.9% and after a 21% growth the final tally was 471 million dollars.

Out of the top ten importers of Turkish textile goods Italy showed the highest growth rate. Out of the usual top three Germany showed the least amount of growth in the figures. The rather small growth of Germany caused its share in total textile exports to drop by 0.1%. out of the top ten importers Germany and Bulgaria were the only two countries whose export figures increased as their share in total exports decreased.

Table 41: Biggest Markets For Turkish Textile Exports

Countries	2011 January-December	Total Share in Textile	Change %
Russia	1.015.679	12,8	23,1
Italy	813.269	10,2	29,6
Germany	471.163	5,9	21
UK	302.389	3,8	29,3
Iran	302.295	3,8	27
Poland	296.183	3,7	23,6
Romania	295.023	3,7	6
USA	277.299	3,5	28,8
Belgium	237.657	3	7,8
Spain	226.853	2,9	28,4
Total Textile Export	4.237.810	53,3	23

Source: ITKIB, 2011 Performance Evaluation

As it can be seen from the table 41, the total exports to the top ten countries amount up to 4.2 billion dollars. They make up more than half of the share in total textile exports of Turkey and their average growth rate of Turkish exports to these countries are 23%.

As previously mentioned, the EU countries are the main importer of Turkish textile goods. As the textile industry can be considered as the engine of the Turkish economy, then the EU is the igniting force of the industry. When compared to the 21.9% growth rate of the Turkish textile exports as a whole, the average growth of exports to EU countries was higher. In order of the quantity imported the following are the leading EU importers of Turkish textile goods: Italy, Germany, UK, Poland and Romania. Italy has the highest share in total Turkish textile exports. Overall there weren't any drops in exports to any of the EU countries in 2011.

The Turkish textile industry grows parallel to the textile exports growth. There was a significant fall of 5.1% in the capacity utilization ratio of the textile industry since December 2010. As the textile industry manufactures the raw materials of the ready-wear industry the fall in textile industries utilization ratio also pulled down the utilization ratio of the read-wears. As the effects of the global depression started to fade, production in the textile industry started to speed up. Also the cotton prices decreased in Turkey and since it's the main raw material of the textiles the drop in prices allowed further growth in exports.

Another advantage for Turkey was how deeply the Chinese textile and ready-wear industries exports were affected by the financial crisis of the EU countries. The fluctuations in the EU economy caused a decrease in demand and an increase in costs. This situation caused the Chinese industry to lose its competitive force in the global market. In 2011 as the Turkish exports to the EU increased, Chinese exports suffered, clearly indicating the shrink in the Chinese exports and Turkey's advantage.

3.3.2 Ready Wear Industry

3.3.2.1 Performance Review of Year 2001:

The ready-wear industry is more profitable when compared to the textile industry as ready-wears have high added value. The economic growth of Turkey in 2001 was accompanied by a growth in ready-wear industry. With a 24.1% share in total exports, ready-wear industry is the most important manufacturing industry in exports.⁴⁶ Even though the industry kept its position as the highest exporter, it's exports have been in a decline ever since 1998. There was a 2.1% increase in exports to the EU countries.⁴⁷ The biggest factors in the aforementioned decline in ready-wear exports were the financial structure of the economy, the ongoing depression, high raw material costs, foreign exchange rates and quotas and tariffs forced on unit price of goods.

⁴⁶ ITKIB (2002), *2001 Yılı Tekstil, Hazır Giyim, Deri ve Halı Sektörlerinin İhracat Performans Değerlendirmesi ve Performansı Etkileyen Faktörler*, ITKIB, pp:1

⁴⁷ ITKIB (2002), *2001 Yılı Tekstil, Hazır Giyim, Deri ve Halı Sektörlerinin İhracat Performans Değerlendirmesi ve Performansı Etkileyen Faktörler*, ITKIB, pp:2

3.3.2.2 Performance Review of Year 2002:

According to the records of the Exporters Union in Turkey; the figures improved by 22.7% when compared to the figures of 2001. The Marmara region which received the highest number of government incentive certificates and İstanbul, the province where the highest number ready-wear firms are located in, have played a crucial role in the growth of the industry.

The European countries are the biggest market for Turkish ready-wear export goods. In 2002 there was a 23% increase in exports to the EU countries. The other countries that import Turkish ready-wear goods include the OECD countries (USA, Canada, Switzerland), other European countries, old U.S.S.R. countries, Middle Eastern countries, North African countries and other countries (China, Pakistan).

After a 23% increase, the total ready-wear exports to the EU countries reached a final figure of 6.3 billion dollars. On top of this, with a 69.2% share in total ready-wear exports, the EU countries are the biggest market for Turkish ready-wear industry. Exports to the other European countries on the other hand have a higher growth rate. With 121 million dollars' worth of exports there was a growth of 44.2% in the other EU countries, making up a 1.3% of the total ready-wear exports.

Table 42: Turkish Ready-Wear Exports to Country Groups

	2001 January- December	Share in Total Ready- Wear	2002 January- December	Share in Total Ready- Wear	Change %
EU Countries	5.164.658	69	6.352.292	69,2	23
OECD Countries (The U.S.A , Canada, Switzerland)	1.329.484	17	1.618.271	17,6	21,7
The Middle Eastern Countries (Saudi Arabia, Israel)	148.264	2	157.140	1,7	6
Other European Countries (Macedonia, Albania)	83.925	1,1	121.007	1,3	44,2
U.S.S.R (Russia, Azerbaijan)	73.725	1	89.404	1	22
African Countries (Egypt, Tunis)	79.593	1,1	126.571	1,4	59
Other Countries	5.451	0,1	5.803	0,1	6,5
The Countries that are not placed this table	598.515	8	712.952	7,8	19,1
Total Ready-Wear Export	15.740.051	100	9.183.440	100	22,7

Source: İTKİB

When the EU countries are examined more closely (table 43); In 2002 Germany has the biggest share in total ready-wear exports. Germany's share in the total ready-wear exports is 29.2%. It is followed by the U.K. with 15.2% share and France with 6.9% share in the total ready-wear exports.

In 2002, one of the main factors for the growth in the exports is the EU's rising manufacturing costs. As the labor costs surged in Europe, ready-wear production suffered immensely as labor costs is the main factor in the ready-wear production. With the rising costs, Europe started to export from Turkey rather than focusing on manufacturing ready-wears themselves. Also Turkey, thanks to its geographical location, is one of the few exporters that can keep up with the high demand for fast delivery to continue in the same pace with new fashion trends in the global market. Lastly, the oil prices were on the rise as well, boosting the economy of countries that produce oil and therefore boosting their demand for imports.

Table 43: Turkish Ready-Wear Exports to EU Countries

	2001 January-December	Share in Total Ready-Wear	2002 January-December	Share in Total Ready-Wear	Change %
Germany	2.416.539	32,29	2.681.656	29,2	10,97
Austria	80.370	1,07	102.093	1,11	27,03
Belgium- Luxembourg	196.719	2,63	212.876	2,32	8,21
Denmark	134.438	1,8	197.013	2,15	46,55
Finland	19.144	0,26	24.605	0,27	28,53
France	520.836	6,96	637.565	6,94	22,41
Netherlands	368.563	4,93	464.428	5,06	26,01
UK	995.371	13,3	1.396.435	15,21	40,29
Ireland	22.607	0,3	39.208	0,43	73,44
Spain	77.727	1,03	131.358	1,43	69,66
Swedish	107.393	1,44	139.209	1,52	29,63
Italy	168.868	2,26	206.090	2,24	22,04
Portugal	31.051	0,41	79.907	0,87	157,34
Greece	25.335	0,34	39.850	0,43	57,29
Total of EU Countries	5.164.658	69,02	6.352.292	69,17	23
Total Turkey Export	7.483.185	100	9.183.440	100	22,72

Source: ITKIB

3.3.2.3 Performance Review of Year 2003:

When compared to the previous year, there was a 25.6% increase in ready-wear exports but industries share in total exports decreased.⁴⁸

Table 44: Turkish Ready-Wear Exports to Country Groups

	2002 January-December	Share in Total Ready-Wear	2003 January-December	Share in Total Ready-Wear	Change %
EU Countries	6.268.566	68,3	8.029.030	69,7	28,1
Other European Countries (Macedonia, Albania)	120.794	1,3	152.953	1,3	26,6

Source: ITKIB

In 2003 due to the increases in manufacturing costs there wasn't a big increase in export figures, but EU countries remained to be the main importer of Turkish ready-wear goods. 70% of all Turkish ready-wear exports were to the EU countries. Export income comes in the form of euros while export figures were in dollars. As such, when euro gains value against the dollar it negatively affects the ready-wear industry. On top of this, China started to put its weight on the global market in 2003. When China imported large quantities of cotton from USA, cotton became scarce in the global market and therefore its global price increased. This increase in price affected the Turkish industry as well.

3.3.2.4 Performance Review of Year 2004:

The ready wear industry remained to be a critical industry for the Turkish economy thanks to its share in exports. Exports reached 13.1 million dollars in 2004. When compared to 2003, ready-wear exports grew by 13.7%. Its share in total exports was 20.5%.

⁴⁸ ITKIB (2004), *Hazır Giyim ve Konfeksiyon Sektörünün 2003 Yılı İhracat Performans Değerlendirmesi*, ITKIB, pp:1

Table 45: Shares of Ready-Wear Exports in General Exports of Turkey

	2003 January-December	2004 January-December	Change %
General Export of Turkey	47.880.277	64.010.231	33,7
Ready-Wear Exports	11.516.422	13.097.851	13,7
The Share of Ready-Wear Exports	24,1	20,5	
Industry Exports	32.318.092	44.111.578	36,5
Ready-Wear Exports Share in the Exports of Industrial Products	35,6	29,7	

Source: ITKIB

With a 74% share in ready-wear exports, the EU countries remained to be the main importer of Turkish ready-wears. Growth rate of exports to all country groups, including the EU, decreased. Even though there were small growths, the general increase of the share in exports was still a significant event for the industry.

Table 46: Turkish Ready-Wear Exports to Country Groups

	2003 January-December	Share in Total Ready-Wear	2004 January-December	Share in Total Ready-Wear	Change %
EU Countries	8.509.134	73,9	9.693.996	74	13,9
Other European Countries (Macedonia, Albania)	76.602	0,7	83.337	0,6	8,8

Source: ITKIB

When examining the EU countries (table 47), splitting into two as the EU-15 and the new EU countries, allows a better understanding of the evolution and growth of the exports to these countries. The EU-15 is made up of EU countries with stronger economies and therefore better figures in exports. Especially Germany and U.K. are important importers of Turkish ready-wears. As it can be seen from the table, the EU-15 has much higher shares in total ready-wear exports received than the EU-10. Poland, Czech Republic, Hungary and Slovenia are the leading importers in the EU-10. Out of the four, only Poland's exports decreased in 2004. EU-15 alone receives a 73% of all Turkish ready-wear exports, the EU-10 increases this share by only 1%. The very low share of the new EU countries is due to the fact that they export semi-finished goods rather than final products. Exports to other EU countries like Bulgaria, Cyprus, Macedonia and

Romania only add up to 0.6% of the total ready-wear exports. The 0.1% decrease in their performance shows that the trade of semi-finished goods are also important for these countries.

Table 47: Turkish Ready-Wear Exports to the EU Countries

	2003 January-December	Share in Total Ready-Wear	2004 January-December	Share in Total Ready-Wear	Change %
Germany	3.494.730	30,3	3.680.002	28,1	5,3
Austria	123.163	1,1	110.339	0,8	-10,4
Belgium	263.926	2,3	275.801	2,1	4,5
Denmark	289.969	2,5	348.405	2,7	20,2
Finland	30.831	0,3	33.138	0,3	7,5
France	877.903	7,6	964.172	7,4	9,8
Netherlands	672.458	5,8	784.289	6	16,6
UK	1.686.186	14,6	2.034.711	15,5	20,7
Ireland	71.549	0,6	87.118	0,7	21,8
Spain	281.436	2,4	454.371	3,5	61,4
Sweden	202.717	1,8	220.796	1,7	8,9
Italy	323.638	2,8	460.831	3,5	42,4
Luxembourg	2.582	0	2.994	0	16
Portugal	6.258	0,1	8.808	0,1	40,7
Greece	64.451	0,6	97.205	0,7	50,8
EU (15) COUNTRIES	8.391.796	72,9	9.562.979	73	14
Czech Republic	25.357	0,2	30.310	0,2	19,5
Estonia	1.852	0	3.063	0	65,4
Southern Cyprus		0	3	0	
Latvia	1.644	0	2.049	0	24,6
Lithuanian	3.945	0	5.547	0	40,6
Hungary	16.708	0,1	22.686	0,2	35,8
Malta	807	0	1.604	0	96,7
Poland	48.910	0,4	45.301	0,3	-7,4
Slovak Republic	4.521	0	4.414	0	-2,4
Slovenia	13.593	0,1	16.039	0,1	18
NEW EU COUNTRIES	117.338	1	131.017	1	11,7
EU (25) TOTAL	8.509.134	73,9	9.693.996	74	13,9
Turkey Ready-Wear Export	11.516.422	100	13.097.851	100	13,7

Source: Net-Export Information System

3.3.2.5 Performance Review of Year 2005:

Even though the industries' share in total exports was low, there was still a 4.7% increase in ready-wear exports. Even though this growth seems rather insignificant when yearly figures are compared, 2005 was the year in which quotas were lifted and many

new rivals entered the global market. Therefore, the small increase in exports was still an important accomplishment.

While there was a growth in total exports figure, the ready-wear industry still lost its share in total exports. There was a noticeable performance loss in 2005.

Between 2003-2004, there was a 12.9% rise in exports to EU countries. In 2005 the growth rate dropped to 6.7%. Only the total value of exports in dollars increased. If we take a closer look into the EU, exports to EU-15 only increased by 6.3% while there was a 34.4% increase in exports to the EU-10.⁴⁹ The increase in exports to the new EU countries was remarkable. Turkey was able to keep its place in the global market, as China was only able to increase its market share to 33% from 22%, thanks to the precautions taken by the EU against Chinese products.

Table 48: Shares of Ready-Wear Exports in General Exports of Turkey

	2004 January-December	2005 January-December	Change %
General Export of Turkey	64.026.635	73.426.151	14,7
Ready-Wear Exports	13.095.495	13.708.378	4,7
The Share of Ready-Wear Exports	20,5	18,7	

Source: ITKIB data

Table 49: Turkish Ready-Wear Exports to Country Groups

	2004 January-December	Share in Total Ready-Wear	2005 January-December	Share in Total Ready-Wear	Change %
EU Countries	9.692.651	74	10.344.429	75,5	6,7
Other European Countries (Macedonia, Albania)	83.136	0,6	129.495	0,9	55,8

Source: General Secretariat of ITKIB

The small increase in growth of exports to the traditional EU countries was mainly due to the stagnation in the German economy. Exports from Turkey to Germany suffered as oil prices increased and the German people started to save up rather than spending in the wake of the stagnation. Germany wasn't the only EU country to whom exports suffered exports to Belgium, Ireland and Luxemburg also decreased, effectively

⁴⁹ ITKIB (2006), *Hazır Giyim ve Konfeksiyon Sektörünün 2005 Yılı İhracat Performans Değerlendirmesi*, ITKIB , pp:16-Table 4

limiting the growth of exports to the EU-15. On the other hand, exports to Italy, Greece, Finland, Austria and Spain increased remarkably, making up for the loss in the other EU-15 countries these countries were the reason behind the EU's increase in share of total exports. As manufacturing costs increased in Spain, Italy and Greece, these countries started to buy from Turkey.

Thanks to the new marketing strategies applied by the large ready-wear firms in Turkey, there was a large growth of exports to the EU-10. Several Turkish firms consociated with foreign companies in order to enter new markets.

3.3.2.6 Performance Review of Year 2006:

The growth rate of Turkish ready-wear exports increased in comparison to year 2005. Share of ready-wear exports in total exports increased by 2.1%, but this growth was small in comparison to the one in 2005. For years the ready-wear industry had the highest share in total exports of Turkey.

Table 50: Shares of Ready-Wear Exports in General Exports of Turkey

	2005 January-December	2006 January-December	Change %
General Export of Turkey	73.444.821	85.761.134	16,8
Ready-Wear Exports	13.699.068	13.987.651	2,1
The Share of Ready-Wear Exports	18,7	16,3	

Source: ITKIB data

However in 2006 ready-wear exports lost to manufacturing exports. Even in second place the ready-wear exports were having a small but steady growth over the years, there is a noticeable decline in the growth rate of the industry.

Table 51: Turkish Ready-Wear Exports to Country Groups

	2005 January-December	2006 January-December	Change %
EU Countries	10.335.694	10.677.153	3,3
Other European Countries (Macedonia, Albania)	129.454	276.100	113,3

Source: ITKIB data

In 2006 there was only a slight increase of 3.3% in exports to EU countries. Exports to other EU countries on the other hand had a remarkable growth spurt. There was an amazing increase in both the total export figures and the growth rate of the exports. Since the EU is the main importer of Turkish ready-wear goods, growth in exports to the EU are critical for the industry's future. The EU received 76.1% of all Turkish ready-wear exports in 2006. When examining the exports to EU, splitting it into the EU-15 and EU-10, gives a better understanding of the market (Additional list of table; table 6).

Status of the EU-15 Countries: The most important importer of Turkish ready-wear goods in the EU is Germany. In 2006 there was a 4.8% drop in exports to Germany. There were also a decline in exports to France and Holland. The countries that started to import from Turkey due to increasing labor and manufacturing costs in their own economy continued to play an important role in 2006 exports as well. Exports to Spain, Italy, Denmark and Ireland had high growth rates when compared to other countries. Even though there was a growth in the total value of exports sent to EU, and growth rate of these figures, the growth increases were smaller in comparison to previous years. What stopped the rise of Turkish exports to the EU-15 was the shift of focus towards Chinese exports.

Status of the EU-10 Countries: The growth rate of the new EU countries increased since 2005. The most noteworthy increase in total export figures were to Czech Republic, Hungary, Poland and Slovak Republic. Turkey supplies a 15% of Poland's ready-wear exports, 10% of Hungary's and 17% of Slovenia's. There was a decline in exports to Estonia, Lithuania and Malta. The individual changes in the exports received by the new EU countries are direct results of the changes in the respective countries' economies. Also the fact that some of the large ready-wear companies located in the traditional EU countries shifted their focus to Turkey, also helped exports.

Import Potential of the EU Countries: The production rate in the country, chances of exporting to that country again and changes in demand are important factors to consider when exporting to EU countries. Center for the Promotion of Imports From Developing Countries (CBI) classified the EU countries in accordance to their importing nature. According to this classification:

- Very rapidly decreasing imports: Germany, Holland and Luxemburg → %9
- Rapidly decreasing imports: Ireland → %6
- Slowly decreasing imports: France and Denmark → %0-%3
- Stable imports: Austria, Sweden, Portugal, Greece and Finland
- Rapidly increasing imports: U.K. → %4
- Very rapidly increasing imports: Spain and Italy → %10-%20

Turkey's export potential to its main importer, the EU countries, is decreasing. Since Germany is the most important importer of Turkish ready-wear products, the continuation of the stagnation in the German economy is affecting the growth of the industry. Turkey is also affected by the increase in costs and raw material procurement issues. China is also an important factor in the global industry. Chinese exports to the EU were increasing. Even though Turkey could not raise its share in the market, it was still able to keep up its performance overall.

3.3.2.7 Performance Review of Year 2007:

Prices of ready-wear goods in the global market were decreasing to keep up with the prices of countries like China and India who had much lower manufacturing and labor costs. As the unit price of exports fell globally, the prices started to increase in Turkey. Export performance of the industry was affected by the rising manufacturing costs. After a 23.5% growth, the final figure of the general export of Turkey reached 105 billion dollars. The share of the Turkish ready-wear exports in its total exports decreased by 15.2% but with a 14.8% growth rate, the final figure of the industry reached 16 billion dollars. If the fact that Turkey could not reach its 2007 target when economic growth is considered, the ready-wear industry's growth even when outside factors are weighting down on it is a big success. Internal problems in the EU, economic stagnations in the countries, changes in the global trade structure and rising manufacturing costs were negatively affecting the industry.

Table 52: Shares of Ready-Wear Exports in General Exports of Turkey

	2006 January-December	2007 January-December	Change %
General Export of Turkey	85.774.644	105.925.486	23,5
Ready-Wear Exports	13.986.002	16.049.056	14,8
The Share of Ready-Wear Exports	16,3	15,2	

Source: ITKIB

Table 53: Turkish Ready-Wear Exports to Country Groups

	2006 January-December	Share in Total Ready-Wear	2007 January-December	Share in Total Ready-Wear	Change %
EU Countries	10.918.117	78,1	12.774.939	79,6	17
Other European Countries (Macedonia, Albania)	90.424	0,6	225.658	1,4	149,6

Source: ITKIB

With a 79.6% share in total ready-wear exports of Turkey, the EU continues were the most important market for the industry in 2007. The final value of exports in dollars increased and the growth rate of the industry was 17%. The growth rate of exports to EU was higher than the growth rate of total ready-wear exports. Exports to other EU countries like Macedonia and Albania surged in 2007 with a record growth rate of 149.6%.

When the EU countries are examined as a whole, the following are found:⁵⁰Just like every other year, in 2007 Germany is able to keep its position as the largest importer of ready-wears. After a 9.8% growth, exports to Germany reached a final value of 3.8 billion dollars. Exports to U.K. increased by 14.8%, reaching a final figure of 2.7 billion dollars. Export figures in dollars to countries like France, Holland, Spain and Italy also increased and they solidified their rankings in the list of main importers of Turkish ready-wear goods. Exports to Luxemburg, the country with the lowest export volume, increased by 72.9% in 2007. Between the years of 2004 and 2007 there was a constant decrease in

⁵⁰ITKIB (2008), *Hazır Giyim ve Konfeksiyon Sektörü 2007 Ocak-Aralık İhracat Performans Değerlendirmesi*, ITKIB General, pp:22- Table of Turkish Ready-Wear Exports to the European Countries

performance of exports to the EU-15. 2007 was the first year in which the performance started to improve.

The new EU countries who had the most growth in receiving Turkish imports were Czech Republic, Hungary, Romania and Poland. The highest growth rate belonged to Estonia, followed by Hungary and the Slovak Republic. Out of all the new EU countries, only exports to Bulgaria decreased, exports to every other country increased. After a 34.6% increase in exports to the EU-10, their share in the total ready-wear exports of Turkey reached 4.2%.

Exports to other European countries⁵¹ showed a 149.6% increase and had a final figure of 225 million dollars. Over the last few years, there has been a steady increase in exports to these countries.

There was neither a large leap in exports of the ready-wear industry, nor a decrease of the industry's share in the total exports of Turkey. Factors like the Customs Union's failure to produce the desired effects, the start of the period without quotas, growth of countries like China which have low manufacturing costs slowed down the growth of the Turkish ready-wear industry. Even though the growth rate was declining, exports figures were still increasing. The rising utilization ratio had a very positive effect on the industry. Especially in 2006 and 2007 as new high-tech systems were implemented in the industry, the utilization ratio increased considerably. In the previous years the number of government incentive certificates received by the ready-wear industry was declining. But in 2007 the number of certificates received by the industry doubled. 2007 was an important year for Turkey as the EU was to abandon all quotas on Chinese goods.

3.3.2.8 Performance Review of Year 2008:

The economic depression that flared up in USA during 2007 spread to the EU in 2008. Since the EU is such a critical market for Turkish textile and ready-wear industries and since these two industries are the backbone industries of Turkish exports and the economy overall, the depression in EU affected Turkey very negatively. Exports of all manufacturing goods from Turkey suffered as the global market entered a recession period. Both local and international demand decreased causing a decrease in production

⁵¹ Serbia, Albania, Cyprus, Bosnia and Herzegovina, Macedonia

which in turn stopped Turkey from reaching its economic goals for the year. On top of all these, the utilization ratio also plummeted, reaching an all-time low. In 2007, the average utilization ratio of manufacturing industries decreased by 20% while the ratio of the ready-wear industry decreased by 7%. When the demand decreased, production also decreased causing Turkey to import more to keep its economy running. Imports of ready-wear goods have increased by 43%. As China became stronger in the global market, Turkey's strength wavered.

Table 54: Shares of Ready-Wear Exports in General Exports of Turkey

	2007 January-December	2008 January-December	Change %
General Export of Turkey	105.964.665	127.498.828	20,3
Ready-Wear Exports	16.059.858	15.722.503	-2,1
The Share of Ready-Wear Exports	15,2	12,3	

Source :ITKIB data

There was an increase general Turkish exports, but for the first time ready-wear industry's share in the total exports decreased. The growth of the industry had slowed down over the years but in 2008 exports actually decreased. As the growth rate plummeted so did the final export figure in dollars, clearly showing that Turkish ready-wear exports were being affected heavily by the global economic fluctuations. The ready-wear industry's share in total exports decreased from 15.2% to 12.3%. The stagnation in the manufacturing industry did not seem to affect the exports. Most of the Turkish ready-wear exports originate from the Marmara Region. Also İstanbul continues to be the city that receives the highest number of government incentive certificates.

Table 55: Turkish Ready-Wear Exports to Country Groups

	2007 January-December	Share in Total Ready-Wear	2008 January-December	Share in Total Ready-Wear	Change %
EU Countries	12.775.234	79,5	12.496.543	79,5	-2,2
Other European Countries (Macedonia, Albania)	225.658	1,4	151.019	1	-33,1

Source: ITKIB

When compared to other country blocks, the EU countries are still the main market for Turkish ready-wear exports. Even though the final export figures came out lower than that of the previous year, the EU countries were able to keep their share in total ready-wear exports received. Over the years, growth rate of exports to the EU countries have been on a decline, but in 2008 for the first time exports of the industry shrank rather than growing. Since the EU is really important for the Turkish ready-wears, this shrinking affected the industry a lot. There was a 2.2% decrease in exports to the EU countries. Exports to other European countries like Macedonia and Albania also decreased. Until 2008 they have been in a steady and strong increase but that year both the total figure of exports and their share in total exports decreased considerably. Exports to other EU countries decreased by 33.1%. After a 2.1% decline the total ready-wear exports amounted up to 25 billion dollars. 79.5% of Turkish ready-wear exports are shipped to the EU countries and 1% to the other EU countries.

With a closer examination (table 56) of Turkish exports to the EU it is easy to see that the decrease in total exports and this decline is causing the share of exports to the EU-15 to also decrease. There was a 1.1% decrease in the share of exports to traditional EU countries. There was a drop of 3.5% in the growth rate of the total exports. The changes in total dollar figures of exports to a country do not reflect the changes in that countries' share in total Turkish exports. There were some countries which received more imports than last year, but their share in total exports decreased anyways. The fact that Turkey trades by using the euro, but these statistics are in dollars makes these figures seem unreliable. Germany, U.K., France, Holland and Spain are the main EU-15 countries in order of their imports from Turkey. Out of these countries only exports to France and Spain increased. The growth rate was higher in France than it was in Spain.

The new EU countries showed a small growth in final export figures and its share in the total ready-wear exports was higher by 1% when compared to 2007. There was a significant drop in growth that year.

The new EU countries in order of the magnitude of their imports are Romania, Estonia, Poland, Czech Republic and Hungary. Out of these countries the highest growth rate in exports belonged to Estonia. Biggest drops in growth rates were to the Slovak Republic and Hungary. When taken as a whole, growth rates of exports to new EU

countries are slowing down. Export performance to the EU countries is declining, total exports in dollars decreased but the EUs share in total ready-wear exports remained the same. The annual export growth rate was -2.2%. Exports to new EU countries were not strong enough to change the growth rate of EU countries overall (Table 56).

In previous year's growth rates of exports to other EU countries were over 100% but in 2008 the growth rate was decreased to a 33.1%. Overall, there are downwards trends in ready-wear exports to all countries. As the growth of exports to those countries also decreased, the negative trend in Turkish exports speeded up. Exports to Serbia and Macedonia suffered as their economies weakened causing a decline in Turkey's export performance, mainly due to the importance of Serbia and Macedonia in Turkish exports.

One of the main factors in the decline of Turkish ready-wear exports in 2008 was the rise of Peoples' Republic of China in the global market. After the start of the period without quotas in 2005, heavy protests from the EU countries postponed the abolishment of quotas on Chinese goods, giving a break to the Turkish ready-wear industry and keep its strength in exports. However, in 2008 the quotas on Chinese goods were abolished again, leaving Turkey face-to-face its greatest rival in the ready-wear industry. The unexpectedly high rise in the unit price of exports gave the Asian countries an advantage in the global market as their manufacturing costs are considerably lower. The fact that Turkey lost its competitiveness in the global market was the main reason why exports from Turkey suffered. Also, Turkey lacks high added-value goods, ability to effect fashion trends and proper branding. These factors limit the demand for Turkish ready-wear products in the global market.

Table 56: Turkish Ready-Wear Exports to EU Countries

	2007 January-December	Share in Total Ready-Wear	2008 January-December	Share in Total Ready-Wear	Change %
Germany	3.798.367	23,7	3.797.479	24,2	▲ -0,02
Austria	166.134	1	195.730	1,2	▲ 17,8
Belgium	284.944	1,8	299.060	1,9	▲ 5
Denmark	526.040	3,3	482.122	3,1	▲ -8,3
Finland	39.452	0,2	39.646	0,3	▲ 0,5
France	1.091.354	6,8	1.158.134	7,4	▲ 6,1
Netherlands	1.064.090	6,6	1.042.952	6,6	▲ -2
UK	2.681.072	16,7	2.131.983	13,6	▲ -20,5
Ireland	102.141	0,6	81.411	0,5	▲ -20,3
Spain	1.008.796	6,3	1.027.441	6,5	▲ 1,8
Sweden	301.743	1,9	300.352	1,9	▲ -0,5
Italy	802.195	5	864.241	5,5	▲ 7,7
Luxembourg	2.568	0	3.925	0	▲ 52,8
Portugal	11.758	0,1	13.726	0,1	▲ 16,7
Greece	226.521	1,4	242.769	1,5	▲ 7,2
EU (15) COUNTRIES	12.107.175	75,4	11.680.971	74,3	▲ -3,5
Bulgaria	83.176	0,5	75.597	0,5	▲ -9,1
Czech Republic	109.077	0,7	110.019	0,7	▲ 0,9
Estonia	22.160	0,1	159.903	1	▲ 621,6
Other Regions	177	0	5	0	▲ -97,2
Latvia	11.239	0,1	13.332	0,1	▲ 18,6
Lithuanian	9.139	0,1	10.214	0,1	▲ 11,8
Hungary	135.189	0,8	98.080	0,6	▲ -27,4
Malta	2.509	0	2.881	0	▲ 14,8
Poland	100.198	0,6	113.311	0,7	▲ 13,1
Romania	134.269	0,8	180.206	1,1	▲ 34,2
Slovak Republic	37.834	0,2	31.813	0,2	▲ -15,9
Slovenia	23.092	0,1	20.211	0,1	▲ -12,5
NEW EU COUNTRIES	668.059	4,2	815.572	5,2	▲ 22,1
EU (27) TOTAL	12.775.234	79,5	12.496.543	79,5	▲ -2,2
Turkey Ready-Wear Export	16.059.858	100	15.722.503	100	▲ -15,5

Source: Net-Export Information System

3.3.2.9 Performance Review of Year 2009:

There was a 23% decrease in general Turkish exports in 2009 figures. The decrease in exports hit the total revenue in dollars especially hard. Just like the general exports, there was a decrease in ready-wear exports. After a 15.5% decrease the final figure for the ready-wears was 13 billion dollars. Since the decrease in ready-wear exports were lower than the general exports, the share of the ready wears in total exports increased. According to 2009 figures the highest fall in exports were in the exports of manufacturing goods. The ready-wear industry performed better than both the manufacturing industry and general exports.

Table 57: Shares of Ready-Wear Exports in General Exports of Turkey

	2008 January-December	2009 January-December	Change %
General Export of Turkey	132.027.196	101.629.000	-23
Ready-Wear Exports	15.740.051	13.297.909	-15,5
The Share of Ready-Wear Exports	11,9	13,1	

Source: ITKIB

When the industry is examined in its exports to specific country groups;

- The EU countries are the biggest market for Turkish ready-wear goods. After a 0.4% increase their share in total ready-wear exports reached 79.8%. Even though their share in exports increased, total exports to EU actually decreased. There was a 15.1% decrease in total ready-wear exports to EU countries in comparison to 2009.
- Exports to other EU countries, including countries like Macedonia, Serbia, Cyprus, Bosnia Herzegovina and Albania, decreased by 28.4% and the final figure for exports to the region was 108 million dollars. The share of the country group in Turkish ready-wear exports received was 0.8%.
- After a 15.5% decrease the final figure for Turkish ready-wear exports was 13 billion dollars.

Table 58: Turkish Ready-Wear Exports to Country Groups

	2008 January- December	Share in Total Ready-Wear	2009 January- December	Share in Total Ready-Wear	Change %
EU Countries	12.498.564	79,4	10.616.822	79,8	-15,1
Other European Countries (Macedonia, Albania)	151.019	1	108.132	0,8	-28,4

Source: ITKIB

When compared to 2008 figures, exports to EU countries decreased by 15.1%, adding up to 10.6 billion dollars in exports. Due to its importance, Turkey's ready-wear exports should be examined closely. The shares of the EU-15 and new EU countries in total Turkish ready-wear exports and their distributions are as follows (Table 59):

Exports to all EU-15 countries except for Belgium decreased in comparison to the previous year. There were several countries to which exports decreased but their share in total Turkish ready-wear exports increased. These countries are Germany, Austria, France, U.K., Ireland, Spain and Sweden. On the other hand, the countries to whom exports decreased and whose share in total exports also decreased are Denmark, Finland, Holland, Italy and Greece. The only two countries to whom exports decreased but whose share in total exports remained the same are Portugal and Luxemburg. Total exports to the traditional EU countries decreased by 14.1% since 2008. With this decrease, the final figure of exports was 10 billion dollars but the share of the EU countries in total exports rose to 75.4%. Their share in total exports received increased by 1.2% since the previous year.

Exports to new EU countries decreased by 28.4% and their final value was 583 million dollars. The share of export to these countries in total exports fell to 4.4%. The strongest EU-15 countries in importing Turkish ready-wear goods were Germany, U.K., France and Spain. In comparison to 2008, the biggest drops in exports were to Holland, Finland, Greece and Italy. Only increase in exports were to Belgium with a growth rate of 9.1%. The countries in the new EU that receive the highest quantities of Turkish ready-wear exports are Romania, Czech Republic, Poland and Hungary. Biggest drop in export growth rates was to the others region and Estonia. Czech Republic and the Slovak Republic are the only two new EU countries to whom exports actually increased in 2009.

Generally, Turkish ready-wear exports to EU countries decreased significantly in 2009. Even though the EU's share in total ready-wear exports received increased, the year actually ended with a big decrease in revenue from exports to EU.

Table 59: Turkish Ready-Wear Exports to EU Countries

	2008 January-December	Share in Total Ready-Wear	2009 January-December	Share in Total Ready-Wear	Change %
Germany	3.798.962	24,1	3.290.382	24,7	-13,4
Austria	195.767	1,2	176.021	1,3	-10,1
Belgium	298.978	1,9	326.283	2,5	9,1
Denmark	482.116	3,1	405.493	3	-15,9
Finland	39.645	0,3	29.368	0,2	-25,9
France	1.157.780	7,4	1.052.725	7,9	-9,1
Netherlands	1.042.739	6,6	655.793	4,9	-37,1
UK	2.132.647	13,5	1.838.588	13,8	-13,8
Ireland	81.475	0,5	80.417	0,6	-1,3
Spain	1.027.517	6,5	1.005.954	7,6	-2,1
Sweden	300.330	1,9	268.292	2	-10,7
Italy	864.741	5,5	702.066	5,3	-18,8
Luxembourg	3.925	0	3.527	0	-10,1
Portugal	13.720	0,1	11.797	0,1	-14
Greece	242.693	1,5	186.410	1,4	-23,2
EU (15) COUNTRIES	11.683.035	74,2	186.410	1,4	-14,1
Bulgaria	75.597	0,5	48.888	0,4	-35,3
Czech Republic	110.019	0,7	120.923	0,9	9,9
Estonia	159.903	1	64.626	0,5	-59,6
Other Regions	5	0	2	0	-60
Latvia	13.332	0,1	6.766	0,1	-49,2
Lithuanian	10.214	0,1	5.170	0	-49,4
Hungary	98.080	0,6	70.043	0,5	-28,6
Malta	2.881	0	2.135	0	-25,9
Poland	113.311	0,7	95.066	0,7	-16,1
Romania	180.163	1,1	121.343	0,9	-32,6
Slovak Republic	31.813	0,2	35.064	0,3	10,2
Slovenia	20.211	0,1	13.680	0,1	-32,3
NEW EU COUNTRIES	815.529	5,2	583.706	4,4	-28,4
EU (27) TOTAL	12.498.564	79,4	10.616.822	79,8	-15,1
Turkey Ready-Wear Export	15.740.051	100	13.297.909	100	-15,5

Source: ITKIB

There was a global growth trend in economies in the year 2009. Economic recovery in developing countries were not as fast as in the developed countries. Even though the Turkish economy also recovered from its previous state, export figures decreased overall. The recovery process of the ready-wear industry was continuing

slowly and only reached its full speed in December 2009. This last minute revitalization was due to the rising utilization ratio of the industry. Even with the increase the utilization ratio was fairly low in comparison to other years. One of the main factors that affected the Turkish exports was the economic status of the EU. Germany, Italy and France entered a recovery period. U.K. on the other hand was still in an economic depression. Even though this recovery period was too late to change export values in 2009 it had a significant impact on year 2010.

3.3.2.10 Performance Review of Year 2010:

The worldwide economic recovery that started in 2009 continued in 2010. Export rates and consumption rates of many countries increased. The economic re-growth was also causing an increase in foreign debts in the global market. One after another the EU countries started to face a debt crisis. In 2010 the recoveries of developed countries were slower than the ones in developing countries and most developed countries could not reach their economic targets for the year. As we already know, the EU countries have a very important place in importing Turkish goods. Therefore the weak state of the EU also affected the Turkish economy. The new and improved state of one of the strongest EU economies, the German economy's regrowth reflected positively on Turkish ready-wear exports. Another event that defined the course of Turkish exports in 2010 was the issue of PIGS countries. The continuing debt crisis and the poor recovery performance of Greece, Ireland, Portugal and Spain were weighting down heavily on the EU market as a whole.

The recovery of the EU countries reflected positively on Turkish ready-wear export figures. With a 10.1% growth rate exports to the EU reached a final sum of 14.6 billion dollars. There was 0.1% decrease in the share of ready-wears in total Turkish exports but this was due to an even higher growth rate of the general exports.

Table 60: Shares of Ready-Wear Exports in General Exports of Turkey

	2009 January-December	2010 January-December	Change %
General Export of Turkey	102.142.613	113.685.989	11,3
Ready-Wear Exports	13.301.704	14.644.153	10,1
The Share of Ready-Wear Exports	13	12,9	

Source: ITKIB

Exports to the main importer of Turkish goods in 2010, the EU countries, increased by 10.4%. With this increase, the share of the EU in exports reached an all-time high of 80%. With a 0.3% growth in comparison to the previous year exports to EU reached a final tally of 11.7 billion dollars.

Except for three countries there were no decreases in Turkish ready-wear exports to the EU-15 countries. EU countries whose shares in total Turkish ready-wear exports increased are Germany, U.K., France, Spain and Italy in order of their growth. The reason as to why Italy is in last place is because its economic problems continued in year 2010. Germany, France and U.K. on the other hand were in a recovery process. With a 9.9% growth rate exports to the traditional EU countries reached a final value of 11 billion dollars in 2010. The share of exports to EU-15 in total Turkish ready-wear exports reached 75.2%.⁵²

The new EU countries that import the highest share of Turkish ready-wear goods are Romania, Czech Republic, Poland and Bulgaria. Czech Republic and Poland have the same share of imports even though in dollar value Czech Republic imported more. Among all the new EU countries the Slovak Republic had the highest growth rate in Turkish ready-wear exports. Romania, Bulgaria and Letonia rank high in the list of countries whose growth in exports increased. With a 18.8% increase, the total exports to the new EU countries reached 693 million dollars. Their share in total ready-wear exports reached 4.7% after they increased by 0.3%.⁵³ According to the figures of the Exporters Union, it is evident that the exports of the Turkish ready-wear industry increased and its growth rate was also boosted in 2010.

Exports to other EU countries decreased both in their final dollar value and their share in total exports. After a 8.7% decrease exports reached an annual value of 98 million dollars.

The top ten importer countries of Turkish ready-wear industry are: Germany, U.K., France, Spain, Italy, Holland, Denmark, USA, Belgium and the Russian

⁵² ITKIB (2011), *Hazır Giyim ve Konfeksiyon Sektörü 2010 Yıllık İhracat Performans Değerlendirmesi*, ITKIB ,pp:23

⁵³ ITKIB (2011), *Hazır Giyim ve Konfeksiyon Sektörü 2010 Yıllık İhracat Performans Değerlendirmesi*, ITKIB, pp:23

Federation.⁵⁴ Upon an examination of the list of importers made by the Exporters Union it is very clear that EU countries are still the main market for Turkish ready-wear exports. To the labor-intensive industry who increases value added to the economy exports to the EU are much more significant than exports to the rest of the global market. Lastly the utilization ratio also increased in 2010. After the global recession ended, the 7.1% increase of the capacity utilization ratio reflects the revitalizing of the industry.

Table 61: Turkish Ready-Wear Exports to Country Groups

	2009 January-December	Share in Total Ready-Wear	2010 January-December	Share in Total Ready-Wear	Change %
EU Countries	10.607.568	79,7	11.712.293	80	10,4
OECD Countries (The U.S.A , Canada, Switzerland)	634.762	4,8	740.424	5,1	16,6
Other European Countries (Macedonia, Albania)	108.094	0,8	98.645	0,7	-8,7
U.S.S.R (Russia, Azerbaijan)	405.361	3	534.440	3,6	31,8
The Middle Eastern Countries (Saudi Arabia, Israel)	504.518	3,8	575.888	3,9	14,1
African Countries (Egypt, Tunis)	349.966	2,6	333.196	2,3	-4,8
Asian Countries (China, India)	53.028	0,4	66.743	0,5	25,9
Other Countries	638.408	4,8	582.524	4	-9
Total Ready-Wear Export	13.301.704	100	14.644.153	100	10,1

Source: İTKİB

3.3.2.11 Performance Review of Year 2011:

The recovery period of the European Union countries continued in year 2011 but the fact that developed countries like the ones in the Euro area were slower in recovering than developing countries was negatively affecting the global economy. The PIGS crisis was still continuing in the EU. Especially the debt crisis in Greece and Italy's high foreign debt was weakening the EU economy as a whole. Economic growth of Turkey in year 2011 was 8.3%. Even though the crisis in the Euro Area was not affecting the

⁵⁴ İTKİB (2011), *Hazır Giyim ve Konfeksiyon Sektörü 2010 Yıllık İhracat Performans Değerlendirmesi*, İTKİB, pp:21

Turkish exports significantly at the time, it was expected to limit the further growth of exports to the region. The employment rates in the EU region was lower than the employment rates in developing countries. Also the decrease in private consumption and spending in the region limited the exports of Turkey to the region.

As demand for cotton in the global market decreased in 2011, so did its prices. Since cotton is the main raw material of both the textile and ready-wear industries this had a positive impact on Turkish exports.

Table 62: Shares of Ready-Wear Exports in General Exports of Turkey

	2010 January-December	2011 January-December	Change %
General Export of Turkey	113.883.219	134.571.338	18,2
Ready-Wear Exports	14.622.591	16.186.506	10,7
The Share of Ready-Wear Exports	12,8	12	

Source: ITKIB

After a 18.2% growth since 2010 the Turkish general export values reached 134 billion dollars. The Turkish ready-wear industry on the other hand had a 10.7% growth rate and the final value of exports was 16 billion dollars. There was a 0.8% decline in the shares of ready-wears in total Turkish exports.

Table 63: Turkish Ready-Wear Exports to Country Groups

	2010 January-December	Share in Total Ready-Wear	2011 January-December	Share in Total Ready-Wear	Change %
EU Countries	11.688.169	79,9	12.846.989	79,4	9,9
Other European Countries	244.261	1,7	262.158	1,6	7,3

Source: ITKIB

Growth rate of Turkey's total exports to the EU countries decreased in comparison to the 2010 figures. After a 9.9% increase in 2011, exports to the EU countries reached 12.8 billion dollars in total. The previous 80% share of the EU in total Turkish ready-wear exports decreased down to 79.4% in 2011. With a 121.5% jump, exports to Lithuania had the most significant growth out of all the EU-27 countries. In decreasing order of growth Lithuania was followed by: Estonia, Poland, Finland and Latvia. The leading country to which growth rate of exports decreased was Cyprus. Out

of all the EU countries the following received the largest exports from Turkey: Germany, U.K. , Spain, France, Holland and Italy.

Table 64: Biggest Markets For Turkish Ready-Wear Exports

Countries	2011 January-December	Share in Total Ready-Wear	Change%
Germany	3.983.771	24,6	10,1
UK	2.083.670	12,9	1,1
Spain	1.410.896	8,7	21,1
France	1.288.299	8	8,2
Netherlands	876.810	5,4	21,4
Italy	854.267	5,3	17,3
Denmark	464.745	2,9	6,5
USA	442.427	2,7	5,2
Belgium	425.333	2,6	6,3
Russia	319.996	2	12,7
Total Export	12.150.216	75,1	10,2

Source: ITKIB – Annual Performance Evaluation, 2011

When the growth rates of exports to these countries are examined, a general increase is observed. Except a few exceptions, there were no decreases in the quantities of exports to the EU countries. Since the creation of the Customs Union, Turkey’s ready-wear exports to the EU countries never reached the expected values. When compared to its 2010 value, there was a 5.1% decrease in the utilization ratio of the industry.

3.4 CURRENT PROBLEMS IN THE TEXTILE AND READY WEAR INDUSTRIES AND SOLUTION SUGGESTIONS

As the focus of the global textile and ready-wear industries shifted from developed countries to developing countries, they became the very engine that supported the growth of the Turkish economy. Ever since the first years of the Republic, the textile and ready-wear industries played a crucial role in the economic development of Turkey. Thanks to its high manufacturing capacity, raw material procurement advantage and labor capacity of Turkey have always been strong in the global textile and ready-wear market. Even though the changes in the global economic structure slowed down the growth of the Turkish industries, Turkey still had a very important geographical proximity advantage

that boosted its exports over the years. The very structures of the textile and ready-wear industries are changing globally. If Turkey is to sustain its competitive force in the global market, it has to adopt to these changes. Employment, Government incentives and labor costs make up the biggest issues in these industries.

Employment

The textile and ready-wear industries have the highest employment rates in Turkey and are mainly made up of small or medium-sized companies. There is a significant amount of informal employment in the ready-wear industry. This high number of informal employment rate affects the industry negatively. For better branding and strengthening exports, Turkish companies have to institutionalize more. The high informal employment rate is bad for institutionalization. The industry needs to focus on long term profits and rather than using contract manufacturing and specialize in the production of their own goods. In the ready-wear industry government incentives are important and the high informal employment rate gives an unfair advantage to some companies and others are not able to receive the adequate amount of regional government incentive certificates and branding incentive certificates. In order to stop this unfair rivalry in the country unions and chambers of commerces have to move in unity.

Government Incentives on Exports

As established before, Turkish textile and ready-wear industries have been in an integration process with European Union. During this process government subsidies were adjusted and government incentives on exports increased. The most helpful government subsidy in the industry would be in R&D researches. To be able to adjust to the changing structure of the global market investing in research and development is crucial. Other government subsidies come in the form of:

- Readying of infrastructure and environment for production,
- Appropriate market research in order to maximize exports,
- Labor subsidies in order to overcome informal employment rate,
- Support on outside the country office and shops,
- Patent support to increase the product range of the industry,

- Support in international fairs hosted,
- Support in the attendance of international fairs hosted in other countries,
- Support in any and all branding activities.

Labor Costs

The textile and ready-wear industries have a labor-intensive production structure. Especially the ready-wears are even more labor intensive than the textiles. Therefore a change in labor costs has a direct effect on exports. The main reason as to why the global focus shifted towards developing countries in these industries is cheaper labor costs. During the time period where Turkey was considered especially successful in textile and ready-wear exports, low labor costs played an important role in this success. However, when the international quotas were abolished this advantage turned into a disadvantage as global focus on production shifted yet again towards the Asian countries. India and China have especially low labor and manufacturing costs. The advantages Turkey gained from the Customs Union were more or less negated when quotas against China were discontinued. China is able to produce large quantities of goods for cheaper costs than the rest of the world and therefore has the power to lower prices throughout the entire global market. The yearly growth of Turkish exports is somewhat unstable, but the capacity utilization ratio and manufacturing efficiency have been constantly improving. However as energy and labor costs started to increase Turkey started lose some of its competitiveness in the global market. Another important factor was the fact that for a long time investing in Turkish textile and ready-wear industries were the main trend. With the rise of countries with even cheaper labor and energy costs foreign investors shifted their focus away from the Turkish industries. Turkey's main advantage in the global market is its proximity to the EU and its ability in fast delivery of goods.

Even though there has been decreases in exports to the EU every now and then, overall the EU has played a critical role for the Turkish economy as it has remained to be the main market for Turkish textile and ready-wear exports throughout the years. For this reason, it is imperative to create a SWOT analysis on the trade relations between the EU and Turkey for these industries.

3.4.1 SWOT Analysis

3.4.1.1 Strengths

Contributions of the companies of the industry: The large number of small and medium sized companies that are located in the Marmara Region contributes to the industry. The raised added value of the goods also had a positive effect on the industry. Both in production and in employment the industry has been playing a crucial role in the Turkish economy for a long time. Proper branding efforts of companies improved the general image of Turkish products, making exports easier for other Turkish companies. The high number of skilled laborers working in the industry gives Turkey an edge in the industry.

Know-How: Turkey has a remarkable amount of know-how accumulated in the industry over the years. Turkey continuously renews its machinery pool and always follows new technologies. Also, during the integration period with the EU, environmental and social standards in the industry also improved.

Geographical Location: Turkey is the only country that has a Customs Union with the EU even though it's not a member state. Turkey has been the main supplier for the EU in the textile and ready-wear industries for years. The geographical proximity to the EU is a crucial factor for exports.

3.4.1.2 Weaknesses

Constant increases in manufacturing costs: There is a constant rise in raw material, labor and energy costs in Turkey. In comparison to its rivals Turkey has very high energy costs. Procurement of raw materials became harder and more costly over the years. The industry consumes more raw materials than it is produced in Turkey, thus companies are forced to import raw materials. As more raw materials are imported the cost of production increases. Also the shaky exchange rate in Turkey negatively affects the industry and its competitive force.

Bureaucratic Barriers: The bureaucratic barriers in Turkey are limiting the growth of the industry. The fact that the Turkish legal system doesn't always work properly and the constant intellectual property right issues are limiting exports and their

growth. Also the late administration of dual agreements made with other countries is weighting down exports.

Problems in the sub-industries and other manufacturing issues: Factors like the high informal employment rates, high usage of contract manufacturing and little or no collaboration in the sub-industries are hampering the growth of the industries.

Lack of innovative structure: In comparison to its rivals Turkish textile and ready-wear industries are lacking in proper branding, investment in R&D and education.

3.4.1.3 Opportunities

If Turkey better utilizes its geographical proximity it will gain an advantage over its rivals in the global market. Therefore, better supply chain management is required in the Turkish textile and ready-wear industries. Specializing in fast delivery and cargo trafficking will create a good opportunity for the industry. Turkey also has to focus in regional leadership in the global market.

The Turkish textile and ready-wear industries have reached their maturity period. Therefore, diversity in products and services are required. A better range of products will allow branding in the industry. Diversity in high added value goods will give an advantage to Turkey in the global market.

Strategic collaboration between small and medium sized companies and their joint ventures will create opportunities in the industry.

3.4.1.4 Threads

The Asian Countries: After the abolishment of the quotas, the share of Asian countries in both production and exports in textile and ready-wear goods surged. Especially China and India flooded the global market with their goods and quickly dominated the market with their low prices. China is not only able to manufacture goods with little costs they are also started to specialize in design heavy production. Previously, Turkey and similar developing countries were receiving the foreign investments in the global market. After the abolishment of quotas all investments suddenly shifted towards the Asian countries. For this reason, most of the manufacturing of transnational companies and similar successful companies are made in China. China is very successful

in utilizing its advantages in the industry and therefore able to dominate the global market. As the share of Chinese imports increases, the imports from Turkey are dropping.

Situations created by the European Union: Even though Turkey is a part of the Customs Union it is not a part of the EU member states. Therefore, Turkey does not have a saying in decisions made by the EU. The fact Turkey is not able to be a part of the decisions in trade policies is a threat to Turkey. Turkey is only a candidate country in the EU and therefore doesn't have visa-less travelling in the EU and only has limited rights in the EU. At the same time, the EU is constantly signing new trade agreements with third parties and not including Turkey in them. Therefore, the Turkish textile and ready-wear industries are forced into one-sided trade relations with third parties. Turkey is not able to sign new dual trade treaties with other countries. The biggest threat for Turkey is the EU-USA Free Trade Agreement that Turkey is not a part of. This situation is limiting the circumstances and the freedom of Turkish foreign trade. If the negotiations in Transatlantic Trade and Investment Partnership (TTIP) succeed, a new free trade agreement will come into force that influences 30% of all global transactions, and it will determine the future of the Customs Union.⁵⁵ All changes in the circumstances of the Customs Union affect the Turkish international trade very strongly.

Turkey is a country in which the manufacturing costs are constantly increasing. As the costs of raw materials, energy and labor increase, Turkey is forced to sell its goods for higher prices in comparison to its rivals. The rises in the prices of semi-finished goods used in production are also causing an increase in manufacturing costs. At the same time, Turkish companies need to specialize in design rather than contract manufacturing.

As it can be seen from this SWOT analysis, Turkey has an advantage over its rivals in the market, but in order to protect this advantage Turkey has to change the course of its productions. With more technical knowledge and a change in strategy Turkey can revitalize its textile and ready-wear industries. With these changes Turkey can focus on fashion design and proper branding in the industry and therefore raise its force in the global market.

⁵⁵ World Bank (2014), 'Evaluation of Turkey and Customs Union', World Bank Report Report Number:85830-TR, pp:28

3.4.2 The Necessary Actions for the Future of the Turkish Textile and Ready-Wear Industries

There is decrease in the growth of textile and ready-wear industries. Turkey is one of the countries that entered the maturity state in these industries. The new companies in the industry are lacking the necessary knowledge in their marketing and branding efforts. The amount of know-how that accumulated in the Turkish industries, the existing investments and its weight in the global market is advantageous for Turkey. After the abolishment of quotas in 2005 developed countries shifted their production focus to countries with low labor costs. Turkey needs to take a lesson from the Asian countries and focus in fashion design. In order to increase the trust in Turkish goods and to achieve for better global reputation for Turkish brands, Turkey needs to follow the strategies developed by the developed countries. The production of high added value goods is only possible through proper focus in R&D. A proper advertisement campaign for new product lines designed through R&D is necessary for further growth. The establishment of shops and sales chain in potential countries are important for the future of the industry. As previously mentioned, the government supports the industry in these processes as the textile and ready-wear industries play a crucial role in the Turkish economy.

The necessary actions and precautions that the Turkish textile and ready-wear industries have to take in order to keep up with the ever-changing global market are:

- Manufacturing costs should be brought down.
- International cooperation is necessary.
- Informal employment needs to be stopped. In order for the informal economy to shrink stopping informal employment and tax evasion must be stopped. Raising awareness in the companies is important.
- Government back R&D practices need to be better planned. Better work in design development and application are needed. Companies need to focus in long terms profits rather than short term profits and therefore focus on R&D. Through R&D the industry needs to focus on intelligent textile goods.
- Better quality control systems need to be implemented in order to ensure future profits and progression. Discontent in exported goods in the global market is unacceptable for the future of the industry.

- Strategic cooperation between firms are crucial for success in the global arena. A global vision of the country needs to be established through investment and aims.
- One of the biggest disadvantages of the country, bureaucratic legislations should be decreased. Cooperation between the government and the private sector is needed in order to simply by the export process. Rather than the existing ever-changing government policies a stable long-term textile export policy needs to be implemented.
- According to the records of the World Bank⁵⁶ between the years of 2006-2009 there were 2,480 textile production companies and 2,836 ready-wear production companies. Most of these companies were created by Turkish capital. Since Turkey does not have free circulation rights in the EU the high number of firms that specialize in international trade creates a disadvantage. In order to overcome this problem chambers of commerce and industries in important provinces have to work together to create a general survey.
- Protection of intellectual property rights is a must. Its important to fill the holes in the legal system.
- Government support in the training of educated workers is necessary. Large number of educated workers are needed in the industry. The İŞKUR education programs needs to be better utilized to compensate for the lack of workers.
- As previously mentioned, the textile industry produces the raw materials of the ready-wear industry. Better cooperation in between the two industries is important.
- Usage of high tech in production will have a big impact on the industry. The multi-usage textile goods are becoming crucial in the global market. Turkey needs to focus on intelligent textile production.
- Environmental policies applied through the integration with the EU need to be continued. Green production techniques that do not process health issues will help the industry grow in the global market.
- A decrease in energy costs is a must.

⁵⁶ World Bank (2014), *Evaluation of Turkey and Customs Union*, World Bank Report Report Number:85830-TR, pp:97

- The limitations that are born from the fact that Turkey is a part of the Customs Union but not a member of the EU is slowing the growth of the industry. The process of becoming a member state of the EU is crucial and needs to be hastened.
- The EU is the main market for the Turkish textile and ready-wear industry. For future investments Turkey has to widen its markets rather than focusing on a single region.
- In the changing global market, fashion and branding are the main factors in determining the competitive power of a country. For this reason companies need to follow global fashion trends closely. Attendances to national and international fairs need to increase.
- For further success in the global market Turkey needs avoid production of cheap low quality goods. The Turkish industry needs to focus in production of high quality goods. Turkey needs to stop competing with countries that have low labor costs. Rather, Turkey should be competing with countries like Italy, France or UK that are leading the fashion world.

The international expansion policy of the Turkish textile and ready-wear industries since the 1980's has been successful and Turkey became one of the main exporters in the global market. Thanks to the industry foreign relations also improved. The contributions of the industry strengthened the economy which in turn allowed the growth of other industries. To summarize the international expansion and exporting policy has been rather successful for the industry as well as the country. Factors that are limiting the further growth of the industry should be reduced. Small and medium-sized companies should be organized in order to deal with the ever-rising threat of Asian countries. New marketing tactics should be implemented.

Upon a closer examination it is easy to see that the Turkish textile and ready-wear industries are still growing and they have potential to grow a lot more. They have a lot of experience that comes from the long trading history with other countries. For further healthy growth the textiles should focus in widening its product range through manufacturing technical textile goods. The industry has started to support the

construction, medicine, machinery, infrastructure and automobile industries as well as the ready-wears.

3.5 TURKEY AND TECHNICAL TEXTILES

According to the definition of the Textile Institute; The technical textiles are textile materials and goods that are produced for their functions and technical performance advantages rather than aesthetics or decorative purposes. Technical textiles are made up of all kinds of textile goods that are used in a wide variety of different industries. As the production of technical textiles become more common its changing the dynamics of the entire global textile industry.

The technical textiles are separated into 12 main groups in their functions:

1. Agrotech Textiles
2. Buildtech Textiles
3. Clothtech Textiles
4. Geotech Textiles
5. Hometech Textiles
6. Medtech Textiles
7. Indutech Textiles
8. Packtech Textiles
9. Mobiltech Textiles
10. Ecotech Textiles
11. Protech Textiles
12. Sporttech Textiles

The already wide area of utilization in technical textiles are still growing over the years. In the last few years two new groups, the food textiles and intelligent textiles came up. Focusing in production of intelligent textiles will have the greatest effect on the industry. Intelligent textiles are textile products that can sense the changes in outside factors and respond to these changes.⁵⁷ The intelligent textiles are divided in to two groups. If the product is only able to sense the change in an outside factor it is called

⁵⁷ Marmaralı, A. ‘Türkiye’de Teknik Tekstiller Sektörü’ , Ege Üniversitesi, pp:1

passive intelligent textile goods. If the goods is also able to respond to this change then it is considered to be an active intelligent textile good.

Over the last few years, the technical textile industry grew considerably and has a very high growth rate still. As the technical textile industry increases its usage in the textile and ready-wear industries its becoming a new and promising industry for the Turkish economy. The industry has a high potential as new products are constantly being invented and marketed. It is expected to outgrow the traditional textile industry in the near future. Turkey's main aim in the industry is to produce high quality goods with competitive prices. Since the Turkish textile industry is already advanced, it has an advantage in entering the technical textiles industry. In its current situation Turkey's raw material procurement, geographical location, labor quality and R&D studies are a proof of the fact that Turkey can grow in this industry.

Table 65: Turkish Technical Textile Exports (1000 USA \$)

Countries	2009	2010	2011	2011/2010 Change %	2011%
Germany	139.942	161.680	186.512	15,4	11,4
France	94.219			13	9,7
Russia	52.434	65.064	88.347	35,8	5,4
Italy	57.999	69.610	86.839	24,8	5,3
USA	40.521	62.717	73.376	17	4,5
UK	47.886	52.599	64.141	21,9	3,9
Spain	37.893	61.327	60.618	-1,2	3,7
Netherlands	34.030	39.599	53.857	36	3,3
Iran	35.595	29.040	46.600	60,5	2,8
Romania	43.746	42.381	45.219	6,7	2,8
Other	483.656	632.001	776.063	22,8	47,3
Total Export	1.067.927	1.357.348	1.641.304	20,9	100

Source: TUIK

As we already know the EU is the main market for Turkish textile and ready-wear industries. In the growing technical textile industry the EU countries are once again an important market. Highest export figures are to Germany, France and Italy. Meanwhile Turkey mainly imports Chinese, German and Italian technical textile goods. Other countries that Turkey imports from are South Korea, France, Romania, UK, USA, Czech Republic and Poland. The largest shares in global technical textile exports belong to China, Germany and USA.

CONCLUSION

As we already know the textile and ready-wear industries as a duo are one of the main forces that support the growth of the Turkish Economy. Both in its internal market and the international market Turkey was able gain its current competitive force through these industries. The government policies implemented in the 1970's strengthened the industries and by the 1980's they became the cornerstones of the Turkish economy. Turkey, a country that belongs in the developing countries, has always been an important actor in the global textile market thanks to its raw material resources, low labor costs and therefore low total manufacturing costs. Turkey was able cement its place in the global market further thanks to its geographical proximity to the European Union, its ability to meet the demands and its higher quality final goods. The industry was able to utilize the advantages of the Customs Union well and became the strongest manufacturing industry in Turkey. Later on the quotas implemented in the Agreement on Textiles and Clothing (ATC) weakened the competitive force of the Turkish industry. The shift of focus from developed countries to developing countries was not only helpful to Turkey but also to the far eastern countries. Turkey's ability to adapt to the ever changing conditions of competition became directly proportional to the country's economic growth. Over time the inability to meet the increasing raw material demand, the increasing manufacturing costs, the changing demands of the market countries and the abolishment of quotas counteracted the advantages gained from the Customs Union.

The biggest mistake on Turkey's part in the industry is the fact that a lot of unplanned investments were made. The effects of the Customs Union were positive but did not live up to the expectations; therefore a lot of unplanned overinvestment was made resulting in a surplus of production capacity. Since Turkey was able to keep its place in the global market thanks to its natural advantages there has never been an important focus of branding and technology developing. As the quotas were abolished and the conditions of competition changed drastically demand for Turkish goods decreased. One of the main way-outs from this situation comes from focusing on goods with high added value and

diversifying production. Turkey should stop competing in prices against China and focus on competing in global fashion and branding. Meantime global climate changes have drastically effected the procurement of raw materials. It is a well-known fact that Turkey is one of the main suppliers of cotton in the global market. Over the years cotton production could not keep up with the consumption and Turkey became dependent to exports. Against all odds Turkey's exports bounced back up through proper utilization of its existing advantages. Geographical proximity, fast delivery, production that can meet the demands, young machinery pool and the diversity of goods can be considered to be the main advantages of Turkey. When the shares of the Turkish textile and ready-wear industries in the EU market are examined separately; in the textile industry Turkey had a 39.4% share in the market, this figure rose up to 47.1% by year 2011. Between the same years share in the ready-wear industry rose from 69.2% to 79.4%. Throughout these years Turkey's exports and growth in both these industries suffered. The economic contributions of the ready-wear industry are more important than the ones from the textile industry for the country. The main causes of slowing growth of Turkish exports are; rising labor and energy costs, problems in raw material procurement, technological disadvantages, competitive advantages of rival countries, the change in the flow of investments towards China, exchange rates, not renewing the production lines, unplanned growth attempt and the loss of cost advantage in the global market.

The necessary actions that are needed to be taken in order for Turkey to keep its place in the global market and overcome the international competition conditions are stated clearly. On top of these if the European Union was to include Turkey in its decision-making and acknowledge its importance in the global market it would be a great help for the industry.

Lastly, as an economic integration model, the Customs Union has both its advantages and disadvantages for Turkey. As Turkey is not able to become a part of the EU it is not able join the economic decision making process of the Customs Union as well, resulting in limited gains. The positive image of the Union increased investments and gave the industry a stable look, allowing the full utilization of the advantages gained by the Union. The textile and ready-wear industries were able keep their importance for Turkey and now are back on the rise. As a result, there should be an exact conclusion

whether Customs Union affects Turkish textile and ready-wear sector or not. Thus, I want to reach a conclusion with an empirical study after this thesis and I will specify the last result of this research.

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BS	Bilkent Univ. <u>Political Science</u>	2011
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WORK EXPERIENCE

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FOREIGN LANGUAGES

Advanced English, Elementary Italian

HOBBIES

Wood painting, reading books, sports

ADDITIONAL LIST OF TABLES

Table 1: Turkey's Textile Exports to the European Countries

	2004 January- December	Share in Total Textile	2005 January- December	Share in Total Textile	Change %
Germany	300.595	6,6	308.264	6,3	2,6
Austria	17.112	0,4	20.827	0,4	21,7
Belgium	69.201	1,5	65.881	1,4	-4,8
Denmark	23.699	0,5	28.603	0,6	20,7
Finland	12.984	0,3	15.049	0,3	15,9
France	132.752	2,9	130.136	2,7	-2
Netherlands	71.216	1,6	68.128	1,4	-4,3
England	212.063	4,6	200.222	4,1	-5,6
Ireland	6.112	0,1	7.049	0,1	15,3
Spain	166.118	3,6	170.661	3,5	2,7
Sweden	13.897	0,3	15.836	0,3	14
Italy	507.292	11,1	495.050	10,2	-2,4
Luxembourg	5.518	0,1	4.034	0,1	-26,9
Portugal	80.638	1,8	76.068	1,6	-5,7
Greece	114.413	2,5	121.778	2,5	6,4
EU (15) COUNTRIES	1.733.609	38	1.727.588	35,5	-0,3
Czech Republic	23.141	0,5	27.002	0,6	16,7
Estonia	5.433	0,1	5.741	0,1	5,7
Southern Cyprus	0	0	14	0	0
Latvia	2.713	0,1	3.354	0,1	23,6
Lithuanian	24.182	0,5	28.052	0,6	16
Hungary	47.828	1	51.230	1,1	7,1
Malta	10.950	0,2	6.752	0,1	-38,3
Poland	168.351	3,7	180.463	3,7	7,2
Slovak Republic	8.245	0,2	10.749	0,2	30,4
Slovenia	7.254	0,2	6.633	0,1	-8,6
NEW EU COUNTRIES	298.097	6,5	319.989	6,6	7,3
EU (25) TOTAL	2.031.706	44,5	2.047.577	42,1	0,8
Turkey Ready-Wear Export	4.564.760	100	4.861.288	100	6,5

Source: ITKIB Information System

Table 2: Turkish Textile Exports to the European Countries

	2005 January-December	2006 January-December	Share in Total Textile	Change %
Germany	308.298	356.099	6,4	15,5
Austria	20.827	23.257	0,4	11,7
Belgium	65.891	101.760	1,8	54,4
Denmark	28.597	33.600	0,6	17,5
Finland	15.049	14.885	0,3	-1,1
France	130.070	150.605	2,7	15,8
Netherlands	68.127	91.477	1,6	34,3
England	200.198	230.567	4,1	15,2
Ireland	7.049	8.126	0,1	15,3
Spain	170.683	200.530	3,6	17,5
Sweden	15.857	19.047	0,3	20,1
Italy	495.153	588.680	10,6	18,9
Luxembourg	4.034	4.451	0,1	10,3
Portugal	76.199	104.596	1,9	37,3
Greece	121.765	159.845	2,9	31,3
EU (15) COUNTRIES	1.727.797	2.087.525	37,4	20,8
Czech Republic	27.002	35.173	0,6	30,3
Estonia	5.741	4.388	0,1	-23,6
Other Regions	14	16	0,0003	14,3
Latvia	3.354	2.888	0,1	-13,9
Lithuanian	28.026	33.191	0,6	18,4
Hungary	51.317	61.158	1,1	19,2
Malta	6.752	3.255	0,1	-51,8
Poland	180.463	231.920	4,2	28,5
Slovak Republic	10.749	13.590	0,2	26,4
Slovenia	6.617	8.989	0	-8,6
NEW EU COUNTRIES	320.035	394.568	7,1	23,3
EU (25) TOTAL	2.047.832	2.482.093	44,5	21,2
Turkey Ready-Wear Export	4.860.887	5.576.097	100	14,7

Source: ITKIB

Table 3: Turkish Textile Exports to the Russia

Years	Export to Russia	Change %
1998	58.652	
1999	46.769	-20,3
2000	48.497	3,7
2001	71.838	48,1
2002	113.102	57,4
2003	184.061	62,7
2004	254.724	38,4
2005	381.468	40,8
2006	485.042	27,2
2007	653.896	34,8
2008	817.782	25,1
2009	572.273	-30
Total Average		31,7

Source: ITKIB

Table 4: Turkish Textile Exports to the Italy

Years	Export to Italy	Change %
1998	332.953	
1999	360.266	8,2
2000	310.304	-13,9
2001	330.313	6,4
2002	279.793	-15,3
2003	417.274	49,1
2004	507.182	21,5
2005	495.153	-2,4
2006	588.680	18,9
2007	657.923	11,8
2008	641.382	-2,5
2009	538.561	-16
Total Average		5,8

Source: ITKIB

Table 5: Turkish Textile Export to the Germany

Years	Export to Germany	Change %
1998	248.270	
1999	279.854	12,7
2000	227.972	-18,5
2001	240.673	5,6
2002	241.198	0,2
2003	267.112	10,7
2004	300.601	12,5
2005	308.298	2,6
2006	356.099	15,5
2007	391.014	9,8
2008	385.493	-1,4
2009	338.163	-12,3
Total Average		2,5

Source: ITKIB

Table 6: Turkish Textile Export to the European Countries

	2005 January- December	2006 January- December	Change %
Germany	3.632.482	3.459.566	5,3
Austria	132.462	146.585	10,7
Belgium	238.953	254.009	6,3
Denmark	373.444	428.081	14,6
Finland	42.392	38.924	-8,2
France	1.012.384	969.633	-4,2
Netherlands	899.914	887.047	-1,4
UK	2.237.917	2.336.226	4,4
Ireland	79.853	89.411	12
Spain	552.916	751.316	35,9
Sweden	239.845	245.419	2,3
Italy	574.606	658.104	14,5
Luxembourg	2.327	1.485	-36,2
Portugal	9.204	9.953	8,1
Greece	130.972	149.786	14,4
EU (15) COUNTRIES	10.159.671	10.425.545	2,6
Czech Republic	55.724	71.926	29,1
Estonia	46	11	-76,1
Other Regions	4.862	6.754	38,9
Latvia	5.393	9.166	70
Lithuanian	9.900	7.269	-26,6
Hungary	24.399	49.655	103,5
Malta	2.416	2.245	-7,1
Poland	48.455	69.813	44,1
Slovak Republic	6.144	18.060	193,9
Slovenia	18.684	16.709	-10,6
NEW EU COUNTRIES	176.023	251.608	42,9
EU (25) TOTAL	10.335.694	10.677.153	3,3
Turkey Ready-Wear Export	13.699.069	13.987.651	2,1

Source: ITKIB

