



**SCREENING CHAPTER 20
ENTERPRISE AND INDUSTRIAL POLICY**

AGENDA ITEM XX: TEXTILES AND CLOTHING INDUSTRY

**Country Session: The Republic of TURKEY
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CONTENT

- Overview
- Trends and Competitiveness
- Policy Documents
- Institutions
- Consultation Mechanism
- Policy Instruments
- Leather And Footwear Industry



OVERVIEW

- The T&C industry is the largest and one of the first established industries
- Nearly two thirds of exports have been directed to EU
- The performance of T&C industry has been affected positively so far by;
 - Proximity to the EU market, EU trade policy,
 - Domestic cotton production,
 - Trained work force, low labour cost compared to EU,
 - The progress achieved in infrastructure and telecommunication systems,
 - Existence of large domestic market.



OVERVIEW

- **No 1 in the manufacturing sub sectors in terms of**
 - Employment (32,8% in 2002)
 - Export (27.2% in 2005)
 - Production (25,0% in 2004)
- **Turkey ranks**
 - 8th in world textile exports with share 3.3 %
 - 3rd in world clothing exports with share 4.3 %
 - 2nd after China in both textiles and clothing imports of the EU



OVERVIEW

- Cotton textiles, knitting and knitwear has the highest share within the subsectors,
- Textile industry is heavily located in Istanbul (33.6% of textile enterprises), Bursa (12.5%) and Denizli (11.2%),
- Clothing industry is heavily located in Istanbul (36.5% of clothing enterprises).



OVERVIEW

Firm Size in T&C

Textile Enterprises with Employees	Share in Total Number of Textile Enterprises (%)	Clothing Enterprises with Employees	Share in Total Number of Clothing Enterprises (%)
1-9	81.4	1-9	85.9
10-49	13.5	10-49	11.3
50-99	1.9	50-99	1.4
100-150	1.0	100-150	0.5
151-249	0.9	151-249	0.4
250+	1.3	250+	0.5

Source: TURKSTAT



TRENDS AND COMPETITIVENESS

Production (change form previous year)

Year	Textile (%)	Clothing (%)
2000	10.0	6.6
2001	-5.3	-3.1
2002	11.4	3.2
2003	2.3	1.7
2004	-1.5	3.5
2005	-11.9	-12.5

Source: TURKSTAT



TRENDS AND COMPETITIVENESS

Exports (Mio €)

Year	Textiles	Clothing	Textiles and Clothing	Percentage Change from Previous Year	Share in Manufacturing Exports (%)
2000	5,008.3	5,880.0	10,888.3	18.2	39.3
2001	5,532.9	6,041.1	11,574.0	6.3	35.9
2002	5,826.4	6,966.3	12,792.7	10.5	36.0
2003	6,063.2	7,226.6	13,289.7	3.9	33.8
2004	6,437.6	7,517.9	13,955.5	5.0	29.1
2005	7,013.1	7,965.8	14,978.9	7.3	27.2

Source: TURKSTAT



TRENDS AND COMPETITIVENESS

Export Market Shares (%)

Textile	2000	2005	Clothing	2000	2005
Germany	22.8	15.8	Germany	36.7	26.0
UK	10.0	8.4	UK	12.0	16.7
USA	11.5	8.0	USA	18.3	8.5
Italy	6.9	6.7	France	6.2	7.0
Russian Fed.	1.5	5.4	Netherlands	5.1	6.8
France	7.2	5.2	Spain	1.5	4.6
Romania	1.6	3.6	Italy	2.2	4.0
EU-25	60.3	54.0	EU-25	69.4	75.5

Source: TURKSTAT



TRENDS AND COMPETITIVENESS

- Access to EU market without quota restrictions or tariffs made great contribution to T&C exports growth.
- In 2004 value of imported products by the EU from Turkey which is under quota for other countries is 8.1 billion Euro.
- In 2005 value of imported products by the EU from Turkey which is under quota for China and some other non-WTO countries is approximately 6 billion Euro.
- There is high competitive pressure from low labour cost countries, especially from China
- Following programmed liberalisation in 2008 Turkey has a challenge of sustaining its export level
 - EU Trade policy for T&C
 - Competitiveness of the Turkish T&C not based on cost competition



POLICY DOCUMENTS

- 8th Five Year Development Plan (2001-2005)
 - Enhancing competitiveness of traditional industries,
 - In the textile sector, special importance shall be given to design, collection type production, promotion and marketing activities, in order to gain a greater share from the world markets by protecting competitiveness, utilising idle capacities and diversification of the market in an environment where competition will further increase with the liberalisation of the world textiles and clothing trade by the year 2005. Taking into account that creating trademarks within a short time has its difficulties, it is of utmost importance to create an image of high quality Turkish goods at first.
- Medium Term Programme (2006-2008)
 - Appropriate measures will be taken to minimise the adverse effects of quota removal in the year 2005.



INSTITUTIONS

Public Institutions	Area of Responsibility
State Planning Organisation	Policy Issues
Undersecretariat for Foreign Trade	Foreign Trade Related Issues
Undersecretariat of Treasury	Investment Incentives
Ministry of Industry and Trade	Domestic Market Related Issues
KOSGEB	SME Development
TUBITAK	R&D Development



CONSULTATION MECHANISM

- Ad hoc committee for the T&C industry is established for the next development plan
 - Committee consists of various academic, public and private sector representatives to make recommendations for improving the competitiveness of the sector,
 - Committee held several meetings and the final report is under preparation.



POLICY INSTRUMENTS

Textiles and clothing industry can benefit from public support programmes and general industrial policy measures

Institution	Basic Programmes
Undersecretariat of Treasury	Support for investments, Regional development, SMEs
Undersecretariat for Foreign Trade	Support for training, R&D and SMEs
TURK EXIMBANK	Export credits and insurance
KOSGEB	Support for SMEs
Ministry of Finance, Turkish Revenue Administration	Tax exemption and exceptions, public land sales, regional aid
Ministry of Industry and Trade	Regional aid, R&D support (Organised Industrial Zones, Technology Development Zones)
TUBITAK	Support for R&D



POLICY INSTRUMENTS

- Fashion and Textile Cluster Project has been implemented with EU support:
 - To improve networking and competitiveness of the SMEs active in the sector,
 - Developed by the UFT and Istanbul Textile and Apparel Exporters' Association (as the beneficiary),
 - 13 million Euro total budget,
 - Istanbul Fashion Academy, R&D Centre, Consultancy Centre Cluster Coordination Agency to be established.



POLICY INSTRUMENTS

- To minimise the adverse effects of the surging imports from China at the domestic market, import quotas have started to be implemented since the beginning of 2005. Quotas are also applied to some non-WTO countries
 - 42 categories of textiles and clothing products were subject to quota for the year 2005
(Official Gazette: 9 January 2004, No: 25695)
 - For the year 2006, the quota category number is increased to 44
(Official Gazette : 17 December 2005, No: 25695)



POLICY INSTRUMENTS

- Other projects implemented by KOSGEB, supported by the EU, to improve the competitiveness of the T&C sector;
 - Vocational Training for Clothing Industry,
 - Fashion Net,
 - Fashion to Future,
 - Environmental Standards for the Textile Industry.



LEATHER AND FOOTWEAR INDUSTRY

OVERVIEW

- Traditional sector of the Turkish industry.
- Turkish tanning industry is specialised in sheep and lambskin (10% of world sheep and lambskin is tanned and finished in 2005).
- 1462 tannery plants in 21 areas (8 of those areas have a significant capacity).
- Leather garments is the most competitive sub sector (3rd biggest leather garments manufacturer in the world).
- Footwear industry is the 11th biggest manufacturer in the world (Specialised in slipper and leather footwear).
- In recent years, the sector has adversely affected by low cost competition, especially from China, in domestic and international market.



LEATHER AND FOOTWEAR INDUSTRY

POLICY INSTRUMENTS

- Institutions related to leather and footwear industry is same as mentioned in the textiles and clothing industry.
- The aim of the tanning industry policy is to solve pollution problem, wider use of modern technology and better tannery plants by gathering them together in Organised Leather Zones.
- There are three big Organised Industrial Zones in Izmir-Menemen, Istanbul-Tuzla and Tekirdag-Corlu with treatment facility. These zones have 70% of total capacity.
- 5 Organized Industrial Zones are still under construction.



LEATHER AND FOOTWEAR INDUSTRY

POLICY INSTRUMENTS

- To improve competitiveness of the footwear industry enterprises are gathered in small industrial estates.
- Denizli, Gaziantep and Izmir small industrial estates for footwear industry is in operation.
- There are more than 1,500 enterprises operating in these sites.
- To provide skillful labour force to the footwear sector, education institutes for footwear industry in Istanbul and Ankara is being established with EU support



Thank you for your attention