

DEFINITION AND EXTENT OF THE MANUFACTURING INDUSTRY OF TEXTILE

Manufacturing industry of textile has converted the traditional production that started in the early periods of history to mass production with the industrial revolution and become an indispensable branch of industry in industrialisation stages of countries. Today, it remains an important branch of industry for all countries with the support of technological developments and diverse and functional products.

The manufacturing industry of textile is in the 13. group in NACE.2 sector categorisations. This section covers the preparation of textile fibre including the weaving of the textile and twisting; finishing textile and clothing goods, dyeing etc. and manufacturing of textile products (excluding the manufacture of clothing goods).

DEVELOPMENT OF THE SECTOR AND MAIN INDICATORS

Number of enterprises, which was 19.726 in 2004, increased to 23.012 in 2011. Number of waged workers increased by 2,6 percent in the same period and reached to 342.474 in 2011. Nominal production value was 31,65 billion TL in 2004 and increased to 59,76 billion TL in 2011. Value added created by the manufacturing industry of textile was 7,8 billion TL in 2004 while increasing to 11,81 billion TL in 2011 with nominal values. The manufacturing industry of textile has been making substantial investments for years. A total of 5,23 billion TL was made in 2011.

The highest share in the number of enterprises in the manufacturing industry of textile belongs to the sub-sector of home textile with 38,3 percent. The sub-sector of preparation and twisting of textile fibre has the biggest share of production value with 27,8 percent. The highest value added in the manufacturing industry of textile is created by the sub-sector of knitting with 27,3 percent. The highest investment in the manufacturing industry of textile is made by the sub-sector of knitting with 30,3 percent.

The general share of the manufacturing industry of textile in the general manufacturing industry in terms of investment has remained nearly the same in the period of 2004-2011. Its share in the employment has declined from 16,0 percent in 2004 to 12,0 percent in 2011. Its share in production,

which was 11,09 percent in 2004 has declined to 8,58 in 2011. Its share in the yielded value added was 11,67 percent in 2004 while decreasing to 9,16 percent in 2011. Its share in investments in 2011 has been 10,58 percent.

Production in the manufacturing industry of textile decreased by 8 percent between 2005-2012. Thus, it fell behind the average growth of the manufacturing industry of textile, which grew 27,3 percent in the same period.

Export of the manufacturing industry of textile was 7,08 billion dollars in 2005 while increasing to 11,09 billion dollars in 2012. The share of the export of manufacturing industry of textile in the overall export of Turkey has declined from 9,6 percent to 8,1 percent. Import of textile, 4,44 billion dollars in 2005, increased to 6,59 billion dollars in 2012 while its share in the overall import decreased from 3,8 percent to 2,8 percent.

The highest share of import among the sub-sectors under the manufacturing industry of textile belongs to rugs and other floor coverings. Export of rugs and floor coverings was 2,0 billion dollars in 2012. The second highest export belongs to the category of other readymade goods and sets made of materials convenient to knitting, primarily being home textile. The export of this sub-group was 1,90 billion dollars in 2012. Export of textile threads was 1,67 billion dollars, export of synthetic and artificial filaments was 1,59 billion dollars, export of knit fabric was 1,45 billion dollars and export of cotton weaving was 1,15 billion dollars.

Quantity in the export of manufacturing industry of textile and average unit values of export goods increased in 2003-2012. Unit value in export increased 44 percent in dollar between 2003-2012. The export amount increased 47 percent between 2003-2012.

Export markets in the Turkish manufacturing industry of textile are quite diverse. The most important market of the sector is the EU countries, while Russia has become the largest market as of 2012 with its recent development. Among the EU countries; Germany, Italy, England, France and Holland remain traditional and important markets. The USA is the fourth biggest market of the sector. Saudi Arabia, Iraq and Egypt are important markets in the Gulf, Middle East and Northern Africa. Romania, Poland, Bulgaria and Ukraine also constitute the developing and potential market of Turkish textile sector for both intermediate inputs that they use in the production and final products like home textile.

Net foreign exchange earning of the manufacturing industry of textile, calculated with the gap between export and import of final products has been 4,49 billion dollars in 2012.

As of 2011, number of employees for research and development activities in the manufacturing industry of textile was 947. Expenditures for research and development activities increased for years and calculated as 80 million TL in 2011.

Trademark registers in the manufacturing industry of textile has been substantially increasing for years. 546 local trademark registers were made in 2000 while this number increased to 3,971 in 2012. The sub-sector where the highest number of trademarks have been registered is the fabric and home textile subsector.

Within the frame of Code about the Promotion of R&D Activities numbered 5746, there is an R&D Centre under the body of 8 companies to benefit from R&D activities by employing at least 50 employees in the manufacturing industry of textile.

Turkish manufacturing industry of textile started export-based production especially after 1980 and rose to an important position thanks to close cooperation with the EU. Custom union completed with the EU accelerated the development of the sector. Turkish manufacturing industry of textile is among the most competitive sectors in the world thanks to factors like its compliance with technical regulations and standards brought by the customs union, closeness to big markets primarily being the EU, source of qualified personnel and strong supply chain. The sector reinforces this strength with capabilities of flexible production, product development, innovativeness, design and branding.

Turkish thread industry has the largest thread production capacity in Europe with 7,5 million spindles, more than 600 thousand rotors and young machinery.

Main varieties of fibre and thread produced in Turkey are cotton, polyester, acrylic and polypropylene. Production capacity of cotton, silk and wool thread is 958 thousand tonnes; of artificial and synthetic thread is 1,43 million tonnes.

Cotton weaving sector in Turkey has a fairly new machinery. As of September 2013, production capacity of textile fabric is 1,56 billion square meters. Established capacity of the knit fabric sector is envisaged to be in the level of 1,2-1,5 million tonnes. As of 2012, total production of the sector is approximately 650-700 thousand tonnes.

Having the largest capacity in Europe with 962 thousand tonnes, Turkish textile finish industry has a wide experience in the production of especially medium-quality products.

Turkish home textile sector has entered an important development process especially since the 2000s in terms of production capacity, production and export and has become one of the most important and competitive sub-sectors of the textile sector. Production capacity and production of home textile sector is enlarging and increasing in an export-oriented way. Production value of home textile has been 13,84 billion TL and sales has reached to 13,35 billion TL in 2012.

Technical textile sector in Turkey has entered a development process in the recent years. Sufficient production capacity has been achieved with investments made in the areas of felt and nonwoven surfaces in the recent years. Especially in the last two years, a substantial investment is made in felt and unwoven fabric surface machinery.

There is a developed textile and readymade clothing side-industry in terms of product quality and diversity. Side industry of textile and ready made garment is able to produce side-industry input and accessories in any kinds, quality and characteristics; and to meet the principal part of the needs of textile-readymade garment industry nationally.

In addition to traditional production, rugs sector in Turkey has improved especially in also machine-woven rugs. As of 2012, the production capacity of rugs sector has reached to 400 million m². Turkish rugs sector has a 11 percent share in the total production with this capacity.

WORLD TEXTILE INDUSTRY AND THE POSITION OF TURKEY

Production and manufacturer countries in the world has entered a transformation process substantially with developments in the world trade. Following the Agreement on Textile and Clothing that was signed in 1995 by World Trade Organisation, which envisages the overall liberalisation of textile and ready-made garment trade, the fact that China has been a party by signing the agreement has started a new era in the world textile sector.

In this new era, China has converted to a global production centre. China started to gain its importer and investor identity in this era. Among the developing countries; India, Pakistan, Bangladesh and Indonesia have become substantial manufacturers and exporters through lower production costs, optional trade agreements and

regulations signed with prominent importer countries. India has become the second biggest manufacturer.

Second biggest manufacturer in this sector, the EU countries both continue their investments and remain the biggest purchasers by making manufacturer countries like China, Turkey, Bangladesh and India manufacture products.

Developed countries like South Korea, Taiwan, Japan and the USA maintain their substantial existence by focusing on technology and production with high value added with their technical textile production and exports.

Countries like Egypt, Morocco, Tunisia, Romania, Bulgaria, Sri Lanka and Cambodia, which are close to large markets like the EU and the USA and countries where fabric supplier ready-made sectors are produced, stand among the manufacturer countries.

Export of world manufacturing industry of textile reached to 295,7 billion dollars in 2011. However, this figure declined by 4 percent in 2012 and was calculated to be 284 billion dollars. Share of the manufacturing industry of textile in the overall export in the world has declined since 2005 from 2,03 percent to 1,59 in 2012.

When distribution of the export of manufacturing industry of textile in terms of sub-sectors, the highest rate of export as of 2012 has been realised by textile threads with 54 billion dollars. Export of special threads and nonwoven hosiery that involves technical textiles ranks the second with 46 billion dollars.

In 2012, China has made the largest export in world textile export with 95,45 billion dollars. India is the second with 15,27 billion dollars. Following countries are Germany with 13,88, the USA with 13,46 and Italy with 13,16 billion dollars. South Korea is the sixth country in technical textile-based export. Turkey ranks the seventh.

The USA is the first in world textile import with 25,96 billion dollars. China is the second and Germany is the third biggest importer.

Turkey has significant scales and rankings in the areas of production and export in Europe and the world in terms of sub-sectors.

When Turkey is assessed in terms of production, it ranks the first in thread production in the Europe and the third in the world. It ranks the second in the production of short fibre ring thread in the Europe and the fifth in the world. It is the first in open end thread in Europe and second in the world.

It ranks the second in textile fabric in Europe and the fifth in the world. In the knit fabric sector, it is the biggest manufacturer in Europe and the

second manufacturer following China in the world. In the textile finishing sub-sector, Turkey has the largest production capacity in Europe and the third largest production capacity in the world following China and India. It is the biggest manufacturer in home textile in Europe and the fourth biggest in the world. In rugs sector, it is the second biggest manufacturer in Europe and the third in the world.

Turkey has a share of 3,9 percent in the world textile export with 11,09 billion dollars in 2012 and ranks the seventh in export. Turkish textile export has managed to increase its share in the world textile export limitedly but gradually. It has increased its share in the world export 0,57 points since 2005. When shares of sub-sectors in the world export, rugs and other floor covering has the first ranking with a share of 12,62 percent.

MAIN COMPETITIVE FACTORS AND DEVELOPMENTS IN THE MANUFACTURING INDUSTRY OF TEXTILE

Main competitive factors in the manufacturing industry of textile are identified under the headings of value chains. Ring of the value chain comprises of raw material and input supply, production, technological activities, marketing-sales, financing-financial structure, human resources and condition of the market and the sector.

Although Turkey is quite eligible to grow cotton in terms of geographical feature, the production of cotton has substantially diminished, foreign-dependency has emerged in cotton and the quality of the produced cotton during the picking and transportation for processing. Our important rivals in textile sector, namely China, India and Pakistan produce sufficient cotton for themselves. A substantial production capacity has been lost because of the pressure created by foreign competition in also artificial and synthetic fibre production as an important input. Asian countries have the advantage of lower production costs and advantageous intermediate input usage in this area.

Even though the textile sector is capital intensive sector, labour and energy costs remain determinant in the international competition. When rival countries are compared, labour costs in Turkey are very high.

When energy costs are compared; Turkey has nearly the same energy costs as India, Pakistan and China while it has higher energy costs compared to Egypt, Vietnam, Indonesia and Bangladesh.

Sustainable green production has become another important competitive factor. Turkey is advantageous in this area as it makes production in compliance

with the EU norms; however, it has to bear additional costs compared to especially Asian countries. Turkey has yet to be a standard-setter in product standards and thus it has to comply with the already set standards. Turkey is a very important textile manufacturer while being foreign dependent in the production technology. One of the areas where Turkish textile sector is advantageous is the level of vertical and horizontal integration in the production.

Research and development activities of the textile sector have not reached the sufficient and required level yet. However, design, collection and fashion capacity in the sector has been developing rapidly in all stages. Turkish textile sector has been able to compete with its Asian and other rivals that enjoy lower production costs and price advantage by manufacturing products with higher value added.

Active marketing in abroad has not reached the required level yet. Branding is an area where the sector has given weight in recent years. Turkish brands in fabric, home textile, side-industry and rugs have been reinforcing their native and local specialties.

In addition to this, Turkey manufactures high-quality, flexible and high value added products that are gradually increasing and has the competitive advantage with "Made in Turkey" label.

Another advantage of Turkey is its closeness to European markets and surrounding markets in the flight distance of 2-3 hours and logistical opportunities for these markets.

Profitability is an important problem in Turkish textile sector. Both price pressure and increases in the costs diminishes the industrial profitability in the international competition.

A substantial amount of qualified labour is ready in the sector with the experience of long years. However, the sector has been losing its former charm in the new recruitments and has troubles in the employment of qualified labour. Moreover, new generation human resources problems needed in the changing competitive dynamics are also present.

Audit of export and domestic market is an important problem. Non-standard, low quality, cheap- dumping, hazardous products on human health can be imported and these products can enter the country. Besides, off-the-record products produced in the country also create an unfair competition.

Standard and laboratory infrastructure is not at the required level. Dependent on many various standards, testing, measurement and calibration processes are carried out in mainly foreign laboratories and this foreign dependency both inhibits flexibility and rapid movement and creates additional costs.

SWOT ANALYSIS OF THE MANUFACTURING INDUSTRY OF TEXTILE AND EVALUATIONS

Within the frame of the SWOT analysis of the Turkish manufacturing industry of textile, current strong and weak sides of the industry, faced threats and opportunities are identified and evaluated. Evaluations of the SWOT analysis are grouped and presented as assessments about the rings of the value chains in the industry.

Strong Sides of the Sector

The fact that Turkey is eligible to grow cotton geographically, availability of younger and more modern machinery compared to European countries, current production capacity in all sub-sectors, diversity and sufficiency, that the ability of rapid, flexible, boutique and small parties of production has been achieved, knowledge and experience in production, total integration in the sector, high level of quality in production, production of products with higher value added, that collection and design capacity in line with trends in the recent years have been achieved, the ability to rapid loading and supply, domestic and foreign logistics opportunities in transportation and delivery, closeness to EU, Russian, Middle Eastern, African and Central Asian markets (maximum 3-4 hours), presence of experienced and knowledgeable labour force and the employment of qualified labour force in all stages.

Weak Sides of the Sector

Foreign dependency caused by insufficiency in the cotton production and decreased quality. Foreign dependency in also the artificial and synthetic fibre production and the decrease in the source of wool. High production costs, the fact that research and development activities that the companies realise in their bodies are not directly supported. That applications within the frame of Turquality and Brand support programs for branding are bureaucratic and delayed, the tendency to use technical textile remains limited. Insufficiency in active marketing and promotion. The absence of sufficient free trade agreements and similar trade agreements to facilitate the access to target markets. The fact that industrial profitability is low and decreasing. The lack of sufficient labour force (unskilled labourer) in the sector, additionally, the absence of sufficient new generation human resources. The fact that businesses cannot benefit from state supports in the wide range because of the disorganised information and application. Troubles caused by the Customs Union with the EU and insufficient public observation and audit in exports and domestic market.

Threats of the Sector

Informality created by the high production costs and corresponding unfair competition between formal and informal production, the necessity to restructure the production facilities in Istanbul locationally according to the new city plan, different incentive plans in various regions and different cost structures in different regions. That the motive of the manufacturers to remain in the sector has diminished and new enterprises in the sector have remained limited. Additionally, the fact that supports for the new investments in the industry have been limited to only the 5th and 6th regions and these provinces have insufficient industrial culture, qualified labour force and infrastructure. Financial burdens created by different VAT rates in the sector (8 and 18 percent) and high financing costs.

The fact that branding process, which will enable the industry to produce products with high value added and increase its competitive powers, develops slowly because of the lack of sufficient R&D expenditures, and that branding tendency remains limited.

Troubles caused by the new generation free trade agreements between the EU and third countries. Political uncertainties and corresponding markets risks in regions and surrounding countries which are regarded as alternative and potential markets. The fact that standards have been causing a technical obstruction in international markets gradually and each country has started to demand special standards. Because of the negative approach about the future of the sector in public opinion, the decrease in the attractiveness of the sector for the labour force and the inability to employ qualified labour force. That the sector cannot find the diversified, new generation, qualified labour force it needs. Because of the ineffectiveness in the audit of exports and domestic market, cheap, low quality and non-standard products that enter the country and create unfair competition. Negative perception about the future of the sector in the public opinion.

Opportunities in the Sector

Possession of a major part of quality and standard requirements, named as "code of conduct" in the international arena. The fact that many manufacturers and exporter companies meet these requirements and Turkey is much ahead when compared to rival countries. Rapidly-growing domestic market, quality in the domestic market, the rise of the awareness of brand and modern retail and correspondingly expanding demand. Popularity of Turkey and Turkish brand increasing in surrounding countries. The fact that these surrounding countries have limited ability to meet their needs of intermediate

input (thread/fabric, side industry etc.) while their ready-made garment consumptions and needs are increasing. Especially the purchase of European brands together with the opportunity to expand with Turkish brands in currently developed markets and opportunities of cooperation and partnership with European manufacturers. The fact that Turkey has converted to a local shopping mall and a local fashion centre accordingly, being determinant in fashion activities and trends. The fact that production costs have started to increase in China. The fact that demands of small, frequent and rapid parties of products by the European brands and purchasers have been increasing gradually and certain price margins of the European purchasers and the continuation of the trend to buy high quality products.

SECTOR STRATEGIES AND POLICIES

15 strategic targets have been identified based on primarily the value chain of the sector under the heading of strategies and policies of the manufacturing industry of textile. 1 for raw material and inputs, 4 for production, 2 for technological activities, 3 for marketing and sales, 1 for human resources, 4 for conditions of the market and sector, a total of 15 strategic targets have been defined. These are;

1. To support national raw material sources and diminish dependency on imports
2. To improve the production costs and decrease the production costs of current businesses
3. To improve investment promotions
4. To protect convergence in the stage of restructuring the industry in Istanbul in terms of location and provision of suitable options and conditions
5. To arrange and apply the regulation of convergence
6. To reinforce and support the development of design products and branding capacities of companies
7. To expand the R&D activities, to improve the conditions of using the R&D supports numbered 5746
8. To realise 20 billion dollars of export in 2023
9. To increase the export to the European Union and surrounding countries with the supplier title and brands and to enhance the support for that purpose

10. To strengthen the specialty of local fashion and shopping center
 11. To raise qualified and new generation labour force for the sector and promotion of the employment in the sector
 12. To modify the corresponding perception in the public opinion
 13. To increase and activate supervision in exports and domestic market
 14. To improve and enlarge the standard, testing, measurement and accreditation capacity
 15. To make modifications in state subsidies and applications
- c. Establishment of the Active Marketing Infrastructure
 - d. Establishment of New Marketing Channels
 - e. To Enhance the Business Capacity
4. Branding
 - a. To Change Perceptions in Businesses and to Make Long-Term Strategic Plans
 - b. Branding and Positioning the Brand
 - c. To Determine and Manage the Brand Identity
 - d. The Selection and Management of New Sales Channels

SUGGESTIONS FOR COMPANIES

Companies operating in the manufacturing industry of textile should transform in their own bodies and apply transformation strategies for that in order to adapt to new competitive conditions and increase their current competitive powers. Transformations strategies that companies will apply are made of four areas: These areas are respectively Production, Design, Marketing and Branding

1. Production
 - a. Application of Flexible and Small Parties of Production Models and Transformation
 - b. Application of Plain Production Models
 - c. Adoption of Innovativeness and Creativity in Production
 - d. The Use of Advance Production Technology
 - e. Compliance with Product Standards
 - f. Compliance with Quality Standards
2. Design
 - a. The Need for the Establishment of Design Capacity
 - b. Planning and Management of the Design Capacity
 - c. To form the Design Capacity
 - d. To Commercialise the Designs
3. Marketing
 - a. Marketing and Direct Sales on the Spot of Purchasers and Customers
 - b. Establishment of the New Marketing Management and Marketing Teams