II. INTERNATIONAL ISTANBUL TEXTILE CONGRESS, 22-24 APRIL 2004, ISTANBUL

Turkish Textile and Clothing Industry After 2005: A Future Projection

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ABSTRACT

Textile industry had stimulated world's industrialization progress, and now, it has considerable amount of world trade and output. Not only did this sector play important role as providing employment in the world economy, but also performed social role amongst nations, which directly affects daily life of people.

The textile and clothing industry is also crucial both economically and socially for Turkey. Therefore, this research predicts competitive position of the Turkish textile and clothing industry after 2005, in which date the quotas will be demolished. In order to investigate this purpose Porter's diamond model was used.

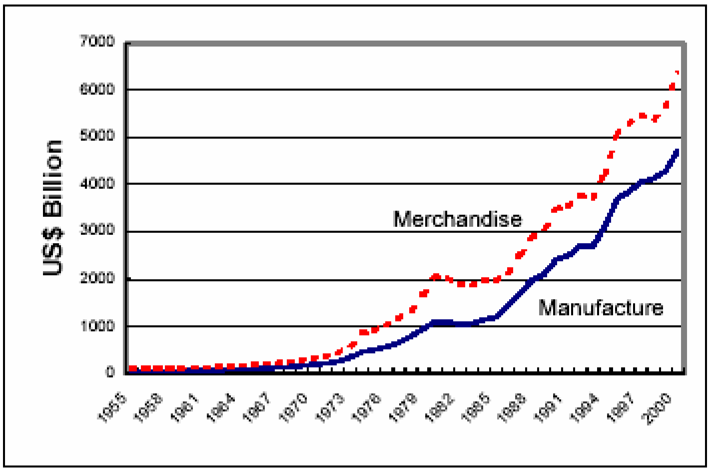
WORLD TEXTILE INDUSTRY

Textiles and clothing are among the first manufactured products an industrializing economy produces as well as food and material based products. The textiles and clothing industry played both critical and crucial roles in the early stage of in Britain, parts of North America, Japan, and since last two decades in the export-oriented growth of Turkish economy.

Advanced industrial countries in Western Europe and the US dominated the world economy and controlled most of the industrial production before World War II. Nevertheless, the less-developed countries (LDCs) tended to concentrate in the production and supply of raw materials. Particularly, after 1940s, major textiles and clothing industrial production has shifted out from developed countries and moved to Japan. Since then, Japan was the leader in industrialization and economic development in the Asian region. In 1970s, the high cost of production and labor shortages had compelled Japanese textiles and clothing firms to invest their production in other Asian nations. Following Japan, Hong Kong, South Korea and Taiwan became three of the four Asian newly industrializing countries (NICs) with textiles and clothing as their major export industry (Au and Chan, 2003).

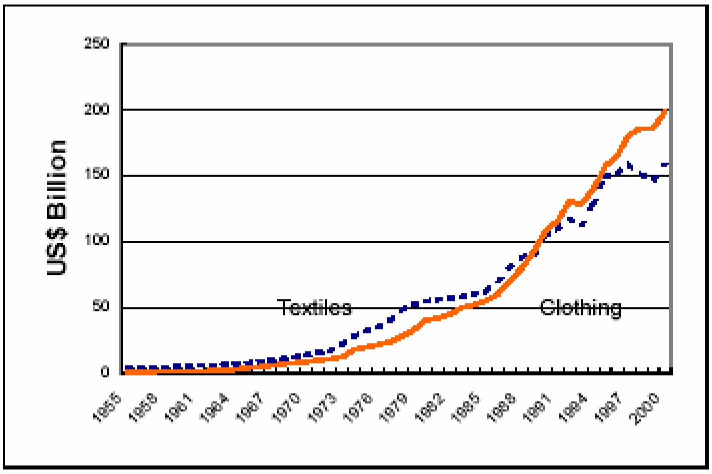
From 1955-2000, world export trade in total merchandise had increased by 64.8 times from US$ 96 bn. to US$ 6,243 bn. For the same period, total manufactures' exports demonstrated an amazing increase by 112 times from a value of US$ 41 bn. accelerated to US$ 4,630 bn. (Fig. 1). For the textile and clothing (textiles and clothing) export trade, despite having been conducted through a series of quantitative export restrained stages, also demonstrated increases of 34 times and 249 times respectively (Fig. 2).

Figure 1: World Merchandise and Manufacture Trade, 1955-2000



Source: WTO Statistics

Figure 2: World Textile and Clothing Trade



Source: WTO Statistics

TURKISH TEXTILE and CLOTHING INDUSTRY

Textile and clothing industry has played an important role in the industrialization process and market orientation of the Turkish Economy (Ercan, 2002). The sector can easily be claimed that it is the crucial driving sector of the economy. The sectors hold the 5.5% share in GNP with a production value of US$20 billion. The share of the sector in total industrial manufacturing is about 20%. The sector as a whole comprises about 10% of the total employment in the country (SIS, 2004; IGEME, 2004).

Another outstanding aspect of the industry is its high export orientation. On the other side, the sector is the first segment in the Turkish manufacturing industry to experiment with exporting. Thus, the sector gains significance because it was open to competition before any other sector, and also had to evaluate its competitiveness in relation to the EU due to imposition of quantitative restrictions at a relatively early stage of its development (Undersecretariat of the Prime Ministry for Foreign Trade, 1999).

Historical Background

Development of the Turkish Textiles and Clothing Industry has grown out of a tradition in Turkey. Textiles had a very important place in the Ottoman Empire period. The development was based on cotton production. On the other side, there were small workshops processing cotton and yarn.

The new Turkish Republic had 8 factories and over 10,000 loops in the textile industry remaining from Ottoman's. The period beginning from the foundation of the Republic in 1923 and ending in the early 1930s can be considered as relatively *liberal* in Turkish economic history. At the Izmir Economic Congress, which was organized in 1923, the crucial role of the woven textiles was pointed out, and textile was placed to be in the protected sectors of the new republic. This decision accelerated the investments in the textile capacity and the capacity increased very fast.

Turkey began to emulate the relative success of the planned economies, which started a new period (1933 – 1945) in Turkish economic history, called *etatism*, during which the government heavily intervened both in production and consumption of goods and services. This policy required the production to be based on agricultural goods. The first supported sector was textiles, which should be based on cotton. *Sumerbank* was established in this period to support textiles sector. All the state owned textiles entities had been collected under Sumerbank. In addition to this Sumerbank opened new factories. The first yarn and textile factories have been established in the period of First Five Year Industrial Plan in major cities of Turkey and towns, Kayseri, Nazilli, Eregli, and Malatya, in 1933 – 37.

The government invested in the sector to meet the domestic demand. In this period nearly 30% of the cotton yarn was imported.

Till 1950's the government was the major player in the sector through *Sumerbank*, after that the role of private sector increased. Although, Sumerbank was established as a bank, later entered into production and retailing of textile goods. It was providing retailing facilities, rather than banking services. The private companies were small scaled. All the production was carried on small work-shops.

As the importance of industrialization increased in 1960s, the role of woven textiles in the economy decreased. The efficiency of Turkey in cotton yarn production was higher than that of Portugal, USA, and Pakistan in that time. The only country that had a higher productivity was Hong Kong. In late 1960s, the exports of cotton yarn started for the first time. In the early years of 1970s, the state investments in cotton yarn production started again. Istanbul, Izmir, and Adana were the main cities of textiles sector. In 1970, the share of the textiles and clothing in total exports was 2.96% (Dunya, 1998).

The beginning of 1980s and preceding decades can be named as the first phase of development, namely textiles oriented exports period. The textile and clothing industry benefited from the process of trade liberalization that Turkey began in the 1980s (Ata Securities, 1997). In 1980 the government started to employ export oriented manufacturing policies. This new policy has accelerated the export performance of the sector. Although the investments were fluctuating in 1980s, the portion of textiles and clothing investments increased to nearly 25% in total manufacturing industry investments by 1983 (Dunya, 1998). Cheap labor, an abundance of quality cotton, and proximity to export markets made Turkish textile and clothing industry the export locomotive. In the first half of the 1980s, Turkey put emphasis on textiles exports. Although the cotton yarn production was capital intensive, the add value was low. Exports were based on basic items. Turkey was the largest supplier of cotton yarn to EU. Turkey was competing in the lower end of the market, which was very open to fierce competition. The level of international competition in low value added products jumped and countries reacted with increased tariffs, quotas, and anti-dumping taxes. The dynamics for Turkey changed when the Asian countries invested heavily in production of basic textile products. An 12% anti-dumping tax imposed by the EU on Turkish Yarn, made in Turkey (Ata Securities, 1997).

The second phase, beginning with the second half of 1980s, can be named as clothing oriented exports period. The sector experienced the transition to clothing, which based on availability of low cost of labor. Sector enjoyed the high growth rates between 1982-1988 period, in which the textile and clothing exports were promoted. The sector moved towards more finished goods made of cotton and other fibers. The focus had shifted to clothing (Ata Securities, 1997). Clothing exports caught up with textile exports in 1986 and by 1990 were running at a rate of nearly US$3 billion per year.

However, the largest development has taken place in the product variety of the exports. While Turkey was exporting only crude cotton, cotton yarn, or cotton woven fabric in the beginning of 70s, Turkey appeared as the primary clothing supplier of European Union. Textiles and clothing sector entered to 1990s as the most important sector of the country. In 1990, the sector had an export volume of US$2.9 billion coupled with 22% share in exports. The country became the sixth biggest exporter in the world with 2.6% share. The sector became the second biggest supplier of Europe after Italy. At the same time textiles imports increased to US$ 1.2 billion. It can be explained by the tendency of the clothing industry to source cheaper raw materials. The clothing exports reached to US$ 5 billion in the crisis year of 1994. The share of clothing was equal to 24.3% in total exports. In 1995, the clothing sector experienced an amazing growth and exports reached to US$6.7 billion. The share of clothing exports approached to 30% of the total exports.

On the other side the sector had experienced by the Customs Union (CU) agreement, which has been effective since 1996. Barriers to trade had been reduced by Turkey's progressive integration into the European Union, culminating in a customs union at the end of 1995 that pushed Turkey's average tariff rates down to 3.6%. The country entertained high hopes that textiles and clothing trade would greatly benefit from the customs union with the EU, but increases in exports have not reached expectations. In the short run, the Customs union was likely to aggravate the Turkish trade deficit and reduce governmental revenues, but the EU had promised support by means of investments and subsidies worth up to $3 billion.

Turkey is the EU's largest clothing supplier, slightly ahead of China. Turkey's clothing industry expanded rapidly during the 1980s, helped by low labor costs and cheap raw materials – including home grown cotton. The manufacture of textiles is one of the oldest industries in India, and one of the main pillars of national economy.

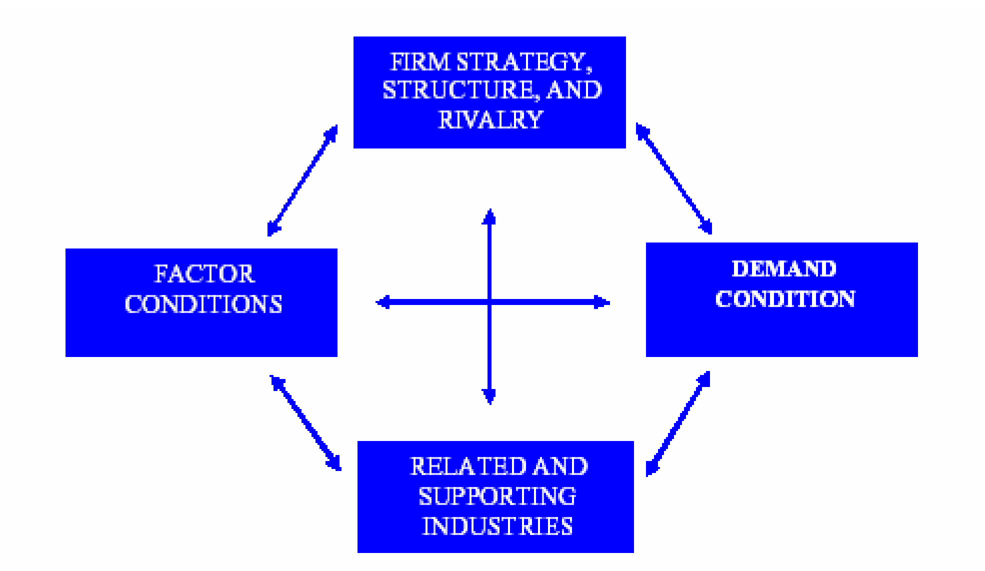
However, in July 1998 the EU did not include Turkey in its anti-damping investigation, and also went back to its initial plans to impose a permanent tax burden on the importation of crude cloth from outside the organization. These have given the industry a much-needed breathing space. In 1998 the total exports of Turkey increased to US$10 billion and the sector's share as a whole increased to 38% (Dunya, 1998). Nevertheless it is one of the most competitive textiles industries in the world and from 2005, as laid down by the Agreement on Textiles and Clothing (ATC), all quotas will be lifted.

Today, the leading Turkish entrepreneurs in the textile industry are now focusing on how to make Turkey more competitive under the pressures of globalization and constricting domestic capacity. As a result a wide spread desire has been expressed for pulling out from the production of low value added products and to move into the production of value added textiles by utilizing Turkey's highly skilled and productive labor force (DEIK, 2000).

DIAMOND MODEL FOR TURKISH TEXTILE INDUSTRY

Porter (1990) introduced a model that allows analyzing why some nations are more competitive than others are, and why some industries within nations are more competitive than others are in his book, titled Competitive Advantages of Nations. This model of determining factors of national advantage has become known as Porter's Diamond. It suggests that the national home base of an organization plays an important role in shaping the extent to which it is likely to achieve advantage on a global scale. This home base provides basic factors, which support or hinder organizations from building advantages in global competition. Porter distinguishes four determinants, namely Factor Conditions; Demand Condition; Firm Strategy, Structure, and Rivalry; and Related and Supporting Industries.

Figure 3: Porter's Diamond Model



This model a generic analysis tool, which can be applied to national structure, sectoral structure, or, even, firm structure. We also used this model for Turkish textile industry as for the following:

Factor Conditions

Turkey has been basing its strategy on low labor costs for long years. However, the country is losing its cheap labor cost advantage in the recent years. During the period of rapid expansion in the first half of the 1980s, the average hourly wage cost was fairly stable, rising from US$ 0.95 in 1980 to only US$ 1.05 in 1985. But after 1989, during a period of liberal pay settlements, the hourly wage rate climbed to US$ 4.44 by 1993. This was reflected in higher prices, which slowed export growth for the textile as well as the clothing industry. Some relief came in 1994 when Turkish lira was rapidly devalued during a period of economic crisis. This caused the average wage cost to drop to US$ 2.31 per hour. By 1996 hourly wage costs had fallen further to US$ 2.02 (ITKIB, 1998). However, the hourly wage cost increased to US$ 2.48 by 1998.

Although wage rates are still very low compared to developed countries, they remain four to six times as high as in some of Turkey's main competitors. Based on 1998 data, hourly rates are only US$ 2.23 in Mexico, US$ 2.05 in Czech Republic, US$ 1.89 in Morocco, US$ 1.76 in Tunisia, US$ 0.62 in China, US$ 0.60 in India, and US$ 0.24 in Bangladesh (ITKIB, 1999).

There does not exist any similar research on wages of clothing sector. However, in general, the hourly wage costs in clothing are lower than that of textiles. One of the most supporting reasons is that, mostly women are employed in clothing, where needed qualifications are lower (ITKIB, 2000).

On the labor side, one of the most important advantages Turkey has is the accumulated quite skillful labor pool. However, the huge number of unregistered workers creates disputes within the industry. The huge number of small scaled production units are not easily controlled and these firms employ unregistered workers, where they pay no taxes and this creates unfair competition (Bodgener, 1997). Working hours can be adjusted to meet unexpected changes in demand. This is an advantage for Turkey. However, high usage rates of child labor and unregistered labor creates unfair competition in the sector.

On the other hand, lack of blue colored and skilled employees in administrative level creates disadvantages for advanced factors. Although textiles and clothing sector is one of the most important industries for Turkey, the sector is not attractive for very well educated people to enter. Special textile engineering departments in Universities like Istanbul Technical, Aegean, Cukurova and Uludag are available. But these four faculties still indicate a very low focus in the sector. On the fashion side, a limited number of design and styling courses of Ministry of Education are available in Istanbul and Bursa. The fashion companies send their designers abroad for further training.

Another factor that Turkey has concentrated on has been the abundance of raw materials, such as cotton. Turkey is the six biggest producer of cotton in the world (Textile Employers Monthly Magazine, 1999). The overall irrigated land area for cotton in the world is approximately 34 million hectares and Turkey holds 2% of the total. There are four main regions that the cotton is grown. These are Aegean, Cukurova (Adana), South East Anatolia, and Antalya. The most productive lands are in Aegean (Capital Textile, 1998).

There is a decreasing trend in the world cotton production. This is mostly due to the financial crisis in the Asian countries, which are among the world main demand sources. Total cotton production is expected to be 18.5 million tones in 2000/2001; however it is expected to have increase in the demand, due to recovery in Asian countries and increasing textile production in Mexico (Hedef, 2000). However, the production share of cotton among all fibers, which was 45% in 1995, and 41% in 1997, is expected to decrease to 39% in 2003.

The textiles and clothing industry, in common with other Turkish industries, suffer from two energy related problems: high domestic prices compared with international tariffs, and power cuts.

Power cuts are gradually becoming more frequent. Small to medium sized manufacturers are most vulnerable to these sudden and unpredictable power cuts, since larger integrated plants have started to build their own power sources (Bodgener, 1997). Turkey has been struggling for many years now with high electricity tariffs. The energy cost in turkey is nearly 3 times that of the average of

OECD countries. When compared to competing countries in Eastern Europe and Mexico, Turkey is very expensive. Italy, competing in the differentiation and high end dimension, has higher energy costs with respect to many countries, but still can sustain its competitiveness.

Government supports the cities in the developing region of Turkey (East and South East) through subsidizing energy costs. The energy is available at discounts changing from 25% to 50% (ITKIB, 1999).

Turkey exports clothing and textiles mainly to Europe. The concentration rates to Europe are 66% for clothing and 56% for textiles. Exports were expected to make further gains in 1996, following the establishment of a customs union with the EU at the start of the year. A surge of capital investment in 1995, much of it from foreign sources, was directed towards expansion. However, the export rise failed to materialize. Weaknesses in European export markets were partly to blame. Exporters also faced huge rises in domestic costs, and inflation (Bodgener, 1997). Turkey is competing with China in the Europe market and the prices are relatively cheap in China. The quotas to China will be lifted by 2005. Currently, Mexico has signed an agreement with EU, where special tariff and quotas will be applied. These developments have adverse affects for Turkey's market. Since EU market is the most important market for Turkey with high concentration rates.

Turkey's geography and location is relatively advantageous, reflecting, in part, the country's proximity to its principal trading partners in Europe. Turkey's proximity to Europe, both in geographical and cultural perspective creates an advantage against Far Eastern countries (Bodgener, 1997). However, the same advantages apply to Eastern Europe and North African countries, where these countries started to get bigger share from the cake, with respect to Turkey. EU has lifted the quotas for Poland, Bulgaria, Romania, Hungary, Czech Republic, and Slovakia by January 1st 1998. The proximity of these countries and lifted quotas increased the amount of sub-contracting from Europe to these countries. If we take the example of Germany, who is the biggest market for Turkey, we see that same pattern applies. Turkey, which was holding the ninth place among textiles and clothing countries sub-contracting to Germany in 1997, slightly went down to tenth place in 1998. The first 9 countries are Poland, Romania, Czech Republic, Tunisia, Hungary, Slovenia, Morocco, Slovakia, and Croatia (Dunya Textile Magazine, 1999).

Turkey is highly dependent on machinery and equipment imports. The textile machinery production in Turkey is low. The buyers in Turkey say that machines produced in Turkey are not very reliable and after sales service is very low. So the tendency is importing, mainly from Italy and Germany. However, Turkey still needs technical support of these foreign machinery producers. These producers place their own staff temporarily within the factories. This provides substantial accumulation of technical knowledge within the factories. However, the Turkish buyers still ask the help of the foreign technicians and invite them Turkey for the problems occurring during the production. Calling the technicians from abroad both increases the costs and increases the time spent for solving the problem.

The huge investments in Turkey led the machinery track to be renovated, but created the problem of access capacity. The open end systems are more used in basic products. So, there has been a wrong investment in machinery.

The R&D investments in terms of process development, fiber and fabric development, and design development in Turkey are very low. In fact, these are main causes of losing competitiveness of Turkey. The companies running in the short term behavior never invest money and time for R&D research.

Textiles requires more capital than clothing. However, the capital accumulation is limited and the dependency to bank loans is high. As the economic environment worsens, the need for working capital increases and this is sustained through bank loans. This loop results in bankruptcies and high costs.

The infrastructure is fairly developed with respect to many developing countries. Energy cuts creates problems, but big companies are establishing their own energy generator units.

Firm Strategy, Structure, and Rivalry

The industry is dominated by small and medium sized manufacturers on the garments side. About 40,000 medium-sized businesses are currently in operation. Among them exists lots of small scaled cotton, cloth, and toweling workshops. But, there are also nearly 100 substantial, integrated textile and apparel companies among country's largest 500.

Turkey is mainly subcontracting to main world brands or producing for world brands both in textiles and clothing. Nearly 90% of all exports are produced for big buyers in the world. Competition to supply retailers is extremely fierce. It is expected that rivalry would bring innovation to the sector, but mostly the game is played around price cuts, which harms Turkey in the end.

Although the retailing is developing in Turkey, Turkey still can not benefit from the advantages of being a world wide retailer. The retailing structure in Turkey is described under related and supporting industries.

The flexibility and adaptability of Turkey's manufacturers to changing fashion trends creates an advantage for Turkey. Unlike China, Turkey has a very strong fabric market and is able to produce new models within a very short time period. The production in Turkey complies with internationally accepted ecological standards. The country's laws do not allow the use of carcinogenic materials in dye manufacture, unlike some Far Eastern and Asian manufacturers who are still using these materials (Bodgener, 1997). Turkish Clothing and Textile Industry is over concentrated on European markets, particularly Germany and USA. Especially when there is a slow down in the market, Turkey is very much affected. The sector sorely needs to diversify its markets abroad.

The herd mentality has resulted in huge investments in 1995–1996. The industry attracted investments from other sectors in anticipation that Turkish textile and clothing would be more competitive and profitable in European markets following the establishment of Customs Union between Turkey and the EU. The investments were supported by borrowings, where capital was not sufficient. Without having market and consumer knowledge, there have been lots of bankruptcies.

Most of the companies are family owned and managed. There is a lack of well trained management and lack of professional management. The industry still can not attract well educated, promising young people. Although the industry is the country's most important export dynamo, the industry can not take on the status of national priority and prestigious place to work. So the talented people do not flow into it and demonstrate unusual commitment and effort. The delegation of authority is very limited in family companies. Most of the decisions, concerning price bids to customer selection to machinery investment, are being taken by the owners. Short term gains are more important than long term planning, which restricts the firms from advancing themselves and investing in research and development.

E-business is not well understood and applied in the sector. Although the infrastructure in Turkey is fairly good for e-environment, the perception of e-business is limited to having web site.

Demand Condition

Turkey is one of the most attractive countries for developed countries along with 70 million young population, capturing a big market structure together with increasing per capita income. The largest consumer group by volume is the C socio-economic class with $1,350 GNP per head, by followed by D - $597 , B - $2,720, and A -$8,729. Inhabitants of 6 large cities account for 1/3 of the total population and 23% of the total population is between 24-30 years old.

The textiles and clothing industry traces the beginnings of its growth to the early 1970s, when it was stimulated by growing domestic demand. The sophistication increased due to imports after 1980s. Some Turkish consumers are very much quality and fashion oriented, they shop from high end boutiques, which import from Italy, France, USA, Spain. Others are very much cost oriented and shop from bazaars.

Purchasing behavior studies indicate that despite the fact that the consumer is quite brand conscious, price/quality relationship is the main determining factor. Clothing and Shoes currently account for 9 % of the total disposable income. Fiber consumption of Turkey is 20 kg per head per year. Turkish textile and clothing production is 2.5 larger than its internal requirements, so Turkey is very much dependent on exports.

Related and Supporting Industries

The presence of internationally competitive supplier industries in a nation creates advantages in downstream industries in several ways. The first is via efficient, early, rapid, and sometimes preferential access to the most cost effective inputs. In global competition, components, machinery, and other inputs are available on global markets. More significant than access to machinery and inputs is the advantage that home based suppliers provide in terms of ongoing coordination. The most important feature lies in the process of innovation and upgrading. Close working relationships facilitates the exchange of R&D and joint problem solving. Proximity of managerial and technical personnel, along with cultural similarity, tends to facilitate free and open information flow (Porter, 1990).

The related and supporting industries all together form the cluster of textiles and clothing. The cluster is collection of companies, institutes, organizations in the field that are responsible for producing a unique product that the country can compete. When applied to textiles and clothing production, the related and supporting industries in the cluster will be the companies starting from the raw material, mostly cotton, textile companies that produce fiber, yarn and fabric out of it, the dyeing and finishing that handle the processing of the material, garment producers, cutting and sewing, the exporter, broker, transporter, wholesaler, retailer, quality controller, accessories firms, together with the fashion business, academia, education institutions, media, machinery, government, banks, and associations.. Together their efforts constitute the competitiveness of the cluster. The strength of the cluster in the international arena depends on the strength and international competitiveness of each member in this chain (Porter, 1990).

Turkey is one of the lucky countries in the world of textiles and clothing. The diversified and established structure of the Turkish textile sector, gives the clothing producers a major advantage over the competitors. Only a few competing countries can match the level of integration in Turkey between textiles and clothing manufacture. The government is leading the industry to put more emphasis on textiles.

However, the clothing and textile companies do not benefit from this mutual existence in the home market. The lack of cooperation and disputes between participants, make the clothing companies to source from Far East or Europe, and the textile companies to sell their goods to Europe or other markets. In this structure the country loses the chance to create more value added goods and benefits of being a cluster. These disputes between textiles and ready-wear sub-industries result in blaming of each side to the other (Bodgener, 1997).

Geographical concentration is not a must, but facilitates the benefits of being a cluster. Italy is a very good example of geographical clusters. There are many cities in Italy specialized on production of an item. In Turkey, the geographical clusters are not very well developed, however we can still see some concentrations in the regions. Marmara, Aegean, and South East Regions are mainly engaged in textiles and clothing. However, Marmara and Aegean regions are the most industrialized regions in Turkey, other industries has also developed in these regions. There are some cities specialized in textiles and clothing. Bursa, Adana and Denizli are typical examples of this. Antep, Maras have developed textiles and clothing. South East Region is one of the developing regions of Turkey and the investments in this region are subsidized by government.

CONCLUSION

Turkey has both experiences in domestic and export markets of textiles and clothing. Exporting nearly half of the Turkey's export, textiles and clothing is a very important sector for Turkey. However, Turkey is facing threats of losing its position in most important export markets.

A nation's firm gain competitive advantage if it possesses low-cost or uniquely high quality factors of the particular types that are significant to competition in a particular industry. Competitive advantage from factors depends on how efficiently and effectively they are deployed. Basic factors, like cotton, energy, labor, are either unimportant to national competitive advantage or the advantage they provide is not sustainable. This is what we are experiencing in Turkey. We are losing our advantages on these basic items. However, advanced factors are the sources for advantage. Advanced factors are often built upon basic factors. Turkey needs to develop these advanced factors, like creating schools where more engineers are educated, where the designers grown, develop R&D on technology and machinery.

The access to EU market, free of quotas is one of the latest developments for Turkey. However, Turkey is not the only country benefits from these developments, and overall its competitiveness as a supplier of upstream commodity-like products is declining. However, its largest competitor for the EU market is China, although it has some strong advantages here. Turkey's delivery is much faster and because China is not yet a member of the WTO. By 2005, all the quota based advantages will disappear. Turkey should be preparing itself by focusing on differentiation and moving away from cost based competition.

Competing in the lower segments of the clothing market against exporters in the Far East, Eastern Europe, or other countries with low manufacturing cost is no longer regarded as a viable option. The future is seen to lie in moving up market, investing in design and brand, diversifying away from a top-heavy concentration on West European markets and becoming less dependent on subcontracting work for foreign clothing companies.

Turkey has some major advantages. Textiles and clothing is a long established sector, and the workforce is experienced and skilled. This means that it could prosper by concentrating on producing high quality, branded design, and quit the production of items that can be produced cheaper in Pakistan, China, and India. Production of commodity items could be outsourced to the CIS countries, with Turkish producers focusing on final processes and in-house design. It is generally the case that the big profits in textiles and clothing do not go countries with cheap labor and abundant cotton, but those with direct access to designs, brands, and retailing operations in growing markets.

Turkey should be well prepared to the environment where quick and reliable delivery will become increasingly important over labor costs as the competition among retailers in the EU and the US intensifies, requiring faster deliveries of sourced products. This trend can be observed in the increased share of Turkey and Eastern Europe in Europe purchases in recent years, and in the rise of Mexico, Canada, and the Caribbean in US sourcing.

Developing a well functioned cluster structure and giving importance to the technology will help Turkey to take new steps in the competition. Textile people should focus on developing the quality of the products, creating design, providing alternative fabrics, rather than lobbying the government for cost cuts on cotton, labor, energy. To increase profitability they have to shift to specific fabrics. Clothing should focus on quick response system, and adopt this new information technology to its own structure. Focus on creating designs, offering alternatives to buyers, rather than copying the designs and adopting the specifications. The due date performance is very important. For better due date performance a well functioning cluster together with related and supporting industries are required. The government should focus on educating and training designers to the sector and establish new designer schools in cooperation with the world leading designer schools.

Successful companies in the sector are likely to be the ones who carry their domestic brand creation, design, customer service, and retailing experiences into international arena. In the long run, further advantage could be gained by a switch in marketing strategy from non-brand toll production to

Europe, towards focusing on the retailing of Turkish brands in Turkey itself, Eastern Europe, the CIS, and other countries which at present do not have strong and established retail sectors. Turkey needs diversification of its export markets. Turkey is very dependent on market and growth conditions of these two major countries. New markets should be added to the portfolio.

We have to upgrade ourselves from being responders to seekers, and ultimately, to creators. Instead of extracting and exporting the basic wealth of our country, we need to learn how to understand demand and the dynamics of competition better so that we might find more attractive customer segments. That is what meant by seeking. If we understand our customer preferences so closely that we could anticipate them and perhaps even help shape them, we would be on our way to becoming creators. The associations and unions should be functioning to impose a vision that will bring momentum to the sector. They should organize training organizations to regularly update the companies in latest technological or structural issues like lean manufacturing or quick response. The success stories from world should be thought. The projects that add value to the products should be sponsored.

Finally, branding the industry should be the latest target of Turkey. Turkish textile and clothing industry sustains within relatively high-cost environment thanks to advantages of branding, which provides benefits over basic factors of competitive advantage like energy, labor, raw materials.

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