

THE EFFECTS OF INTERNATIONAL ECONOMIC CRISIS ON TURKISH READY- MADE CLOTHING INDUSTRY

Nurgul KILINC

Selcuk University, Vocational Education Faculty

Assist. Prof. Dr.

E-mail: nkilinc@selcuk.edu.tr

Yıldız ERSOZ

Researcher

E-mail: yildizersoz@hotmail.com

Fatma GURSOY

Selcuk University, Vocational Education Faculty

Research Assistant

E-mail: fyildiran@selcuk.edu.tr

—Abstract —

Textile and ready-made clothing sector is one of the sectors that globalize in an advanced level due to employment it provides, value-added created by it during the manufacturing process and high share in export revenue.

In this research, 5 international economic crises determined since the foundation of the Turkish Republic, Turkish textile and ready-made clothing sector have been examined depending on journal archives and export - import data.

Economic crises emerged in the world between 1974 and 2008 from which Turkey has been affected as well have been examined by document analysis method, which is a qualitative data gathering method in this research.

By this research, which has studied international economic crises occurred in fragile and vulnerable Turkish economy since 1974 as regards to reason, result, effects and which has aimed to detect their effects on textile and ready-made clothing sector. It has been realised that textile and ready-made clothing sector that is the locomotive sector of export of Turkey is the premier sector of the sectors those are being affected initially and directly from the negative developments in Turkish economy.

Key Words: Economic Crisis, Ready-Made Clothing Sector

JEL Classification: L67

1. INTRODUCTION

Turkish ready-made clothing industry and textile sector is one of the most remarkable sectors in Turkey with its employment and exportation. Turkey has started to become yarn-raw clothe supplier of Europe with production for the domestic market and industrialization for this production since the beginnings of 1970s in ready-made clothing industry. Ready-made clothing, since 1980, has expanded its exports to Europe for 10 years using advantages based on cost-price competition in very simple and main products, turning into a structure producing in nature and size of contract manufacturers and small ateliers for foreign markets (Sanal, 2005).

The sector entered a new period in the beginnings of 1990s and transformed into a structure in which numerous middle scale businesses take part, instead of atelier sizes. In the ready-made clothing industry maintaining its expanding on exportation sense in that period, product properties also started to increase while exportation was expanding in European markets. While total ready-made clothing export was 6, 2 billion dollars in 1995, the share of total exports increased to 29% (DPT, 2001).

Since the beginning of 1996, the transition to European Union (EU) and Customs Union has been an improvement point for ready-made clothing industry. The sector has gravitated to large machinery investments for capacity increase and technological development, and conveyed its production technology to international standards while providing a rapid industrialization. In that period when fashion and brand consciousness also started to settle in, Turkish companies developed their own designs and collections and began to take part in international markets with their own brands for the first time. Product quality and qualification began to develop rapidly, accordingly foreign investments also started to increase (Sönmez, 2002: 49).

Since January 1st, 2005, world has entered a new competition period in trade. In that new period, economies of states in gradually becoming global world have become dependent on each other (Saritoprak, 2009). In this research, the effects of Turkish ready wear sector international economic crisis in which Turkey was also affected between 1974 and 2008 are intended to be researched.

2. MATERIAL AND METHODS

The effects of 5 international economic crises in the last 40 years on Turkish ready wear and textile sector have been researched by virtue of newspaper

archives and import-export data. Document analysis technique, one of the qualitative data collection methods, has been used in the research.

Research data intending to propound the effects of 1974 (Oil) Crisis, 1980 Crisis, 1991 Crisis, 1997 (Asia) Crisis and 2008 (Global Economic) that occurred after 1970 in the world and from which Turkey was also affected on Turkish ready-made clothing sector, were obtained by editing news about ready-made clothing industry and textile sector on national newspapers. Dates and newspaper names in scope of the research are given in Table 1.

Table 1. Dates and newspaper names in scope of the research

Researched Newspapers	Publication Years	Research Years
Cumhuriyet Newspaper	between 1923-2010	between 1974-2008
Milli Newspaper	between 1973-1987	between 1974-1987
Günaydın Newspaper	between 1968- 1998	between 1974- 1998
Milliyet Newspaper	between 1950-2010	between 1974-2008

3. RESULTS AND DISCUSSION

3.1. 1974 Oil Crisis

With the oil embargo that Organization of Arab Petroleum Exporting Countries (OAPEC) declared in 1974, there happened an abrupt increase in oil prices in the world. After the oil crisis and Cyprus Peace Operation experienced in 1974, foreign trade of Turkey was affected negatively and these processes brought remarkable burdens on payment balances (Özgür, 2010: 1).

There were speculations in 1973 and unusual price increases occurred however, this situation gave place to a dangerous stagnation and regression in 1974. For instance, while the price of cotton per kilo was 1, 80 USD, it decreased to 1, 05 USD showing 41, 6% fall. This decrease was owing to abundant production of cotton and normal price levels which were high in the previous year because of speculations.

While all these situations were being experienced in textile sector in Turkish economy, textile crisis appeared in the whole world; textile manufacturer countries like England, Belgium, France, USA and India faced with a certain crisis. Textile factories in European countries reduced their production between 17-22 rates and decreased their working time from 40 to 32 hours (November, 13th, 1974, Milliyet Newspaper, 9).

3.2. 1980 Crisis

Real leaping of oil prices, the fact that money demand lessening in USA increased real interest limits many times, re-collapsing of agricultural prices caused 1980 crisis (Kazgan, 2010: 5). The most important factor in the crisis reaching large dimensions is that the countries with serious debts could not pay their debts to private banks (Ardıç, 2004: 12). Turkish economy experienced exactly a bottleneck at the end of 1979, production and investment stopped, inflation increased and foreign exchange went on the black market.

Textile sector constituting 15% of world trade and 20% of employment was affected from the 1980 crisis in that period. Turkey targeted to start its orientation works in industrialization towards external sales, not as an importer substitute and made investments in large proportions. Textile problem began to emerge between EU countries and Turkey after Greece started to become an advantageous competitor (February, 22nd, 1980, Milliyet Newspaper, 2). Economic stagnation and inflation that started with 1974 oil crisis caused unemployment and closing down of businesses in textile industry in EU countries. EU countries tried to take restrictive measures for Turkey's exportation in order to surmount their own problems (February, 22nd, 1980, Milliyet Newspaper, 2).

Since 95% textile product was exported to countries that are EU members, an opportunity for seeking an alternative market was not possible at all. Comparative superiorities in ready-made clothing exportation and EU countries' high rate of import indulgence, rise of ready-made clothing export to EU from 1% to 5% (this rate is 38% for yarn) adducted Turkey to 1 billion-dollar export target stipulated in 4th Five-Year Development Plan (Ardıç, 2004: 26).

After the crisis in 1980 and Decisions of 24th January, high rates of increases were seen in Turkey's exportation, especially in ready-made clothing and textile. While ready-made clothing export was 106 million dollars in 1980, this rate went up to 302 million dollars with 185% rate of increase in 1981. Similarly, textile exportation showed 36, 4% increase rate in 1981 and registered as 915 million dollars compared to the previous year (ITKIB, 2008). Thanks to laws and incentives introduced for stimulation of the investments and the foreign market, old machines were renewed quality increased and new investment areas expanded (January 6th, 1982, Milliyet Newspaper, 5).

EU countries' desire to impose restriction for Turkey exportation also continued in 1982 and the processes that began with England proceeded to the event that France demanded import ban decision against Turkish t-shirts and shirts and

issued the decision in EU official journal (May 26th, 1982, Milliyet Newspaper, 4). In July of 1982, EU and Turkey agreed upon a certain contingent and price. EU informed Turkey about the contingents it would conduct in January 1983. EU gave a quota to Turkey for 10 million 990 thousand t-shirts in 1983 whereas previous year approximately 17 million t-shirts had been imported from Turkey. The contingent for shirts, on the other side, was set as 2 million and 41 thousand to all EU countries (March 6th, 1983, Milliyet Newspaper, 8). While there were still nuisances with EU, Turkish exporters entered the leather apparel market and exportation to England increased rapidly. For starters, an enterprise sold 100.000 pound-worth goods and received an order for 500.000 pound next year owing to the increase in demand (March 25th, 1983, Milliyet Newspaper, 9).

In the second half of 1983, EU prolonged the restriction it was implementing on Turkish textile products till the end of the year. Since therefore, until the end of the year, Turkey was allowed by EU to export only 1975 tons of cotton weaving, 3 million 140 pieces of t-shirts and 1010 tons of bed sheets (July, 18th, Milliyet Newspaper, 4).

3.3. 1991 Crisis

With invasion of Kuwait by Iraq in 1990, a new conjuncture took place in Gulf area. As a result of Iraq's refusal of retreat, Gulf War 1st began with the interference of coalition forces on USA leadership in January in 1991 (Öztürk, 1990-1991). Because of the fact that Gulf crisis was around our borderline and Iraqi refugees came in Turkey, affected Turkish economy negatively.

In 1991, EU commission put provisional customs tax for polyester yarn and yarn import to community countries from Turkey. In that period, pursuant to the coastal trade agreement made between Soviet Union and Turkey, the first Turkish ready-made clothing shop was opened in Sochi city on Black Sea coast by a businessman embarking on an enterprise (Sönmez, 2004: 127).

Export of textile and ready-made clothing products of Turkey showed a significant rate of increase. The rate of increase in textile product exportation in the period of 1980-90 was 15% per year whereas this rate was 38% in ready-made clothing products. Textile export which was 343 million dollars in 1980, increased about 320% rate and reached to 1 billion 440 million dollars in ten years. As to ready-made clothing exportation which was 131 million dollars at the same year reached 3 billion 331 million dollars with a record increase as 2443% in 10 years. Besides, textile and ready-made clothing sectors generated 16,3% of Turkey export in 1980 and 36,5% in 1990 (DPT, 2003: 13).

Ready-made clothing sector in 1990s experienced a crisis due to both quota of EU countries on textile and ready-made clothing products manufactured in Turkey and foreign market restrictions that Gulf War created; causing not getting through production volume and size and composition of stocks. Turkey's exportation that was affected by Gulf War and West's quota implementations reflected mostly ready-made clothing and textile sector and employees in that sectors. Employees of ready-made clothing industry who were influenced from this situation most started to lose their jobs with closing down of ateliers and factories as well their production causalities and became the greatest indicator of the crisis (December 8th, 1990, Milliyet Newspaper, 5).

3.4. 1997 Crisis (Asia Crisis)

The crisis that kidnapping of money out of Thailand in February, 1997 established a ground and that started with 40% devaluation of Thailand Baht in July, affected Malaysia, Indonesia, Philippines and currencies of Malaysia and Indonesia lost value. The crisis which also afflicted Singapore and Hong Kong, threatened the whole world's economy as well as Asia-Pacific including also South Korea, with excessive borrowing of private sector (TTM, 2010: 1).

The most affected sectors in Turkey on which the crisis was excessively effective were ready-made clothing and textile, banking and automotive sectors. Ready-made clothing and textile sectors that economic crisis affected in that period were the ones in which the most serious problems appeared with their shares as 37% in total export, 21% in employment, 19,4 in GSMH (Ekin, 1999: 1). Due to labour-intensive feature of ready-made clothing sector, employment was influenced from these crises very much (Lordođlu, 1999: 1-2). The fact that exportation of textile and ready-made clothing products of Turkey was affected from the crisis in 1997 can be inferred from the export figures. While 23% rate of increase was seen in textile sector in 1997 compared to the previous year, after the crisis, namely in 1998 6,1% rate of increase is seen. Similarly in the same periods, while the increase in ready-made clothing exportation in 1997 was 10, 2% compared to the previous year, the increase in 1998 was 5, 6% compared to 1997 (DPT, 2001).

With elimination of quotas after Customs Union performed in 1996, new investments for the sector increased as of 1995 with anticipation of ready-made clothing and textile product exportation to EU, which is considered to be the most important market of Turkey. However, extreme capacity occurring as a result of not having the expected demand increase combined with the merciless competition that Asia crisis brought along and caused bankruptcy and employee

lockouts in the sector (Tekstil İşveren Journal, 1999: 13). 85.413 people had to abandon their jobs as of the end of December in 1998. To the end of 1998, a report for concrete steps to set “Made in Turkey” image and for the matter of turning South-East Asia crisis still threatening ready-made clothing and textile sector into an advantage of the sector was presented to the government by Turkey Clothing Industry Institution manager (November 24th, 1998, Milliyet Newspaper, 10).

3.5. 2008 Global Economic Crisis

The crisis that started as reimbursement problems in American mortgage market transformed into liquidity and credit crunch in 2008 and 2008 and damaged the “trust” element in the markets. Besides, it appeared as a new crisis in banking and finance areas with bankruptcy of giant finance corporations in 2008, dramatic declines in the stock markets and serious rises in currencies were seen (Coşkun and Balatan, 2009: 5).

The sector increased its available capacity with investments made in the last 30 years, achieved the condition of an important supplier in world ready-made clothing sector by setting sight on exportation within outward-oriented economic growth model (Arslan, 2008: 11). In that period, 70% of our textile and ready-made clothing exportation was being made to EU countries. Except for EU, our main export market is consisted of Russia, Ukraine and North Africa (Arslan, 2008: 57).

While the share of ready-made clothing in general exportation was 16% in 2006 and 15% in 2007; this rate regressed to 12% in 2008 and the share of textile export in general exportation, on the other hand, regressed to 5% in 2008 while it was 6% in 2007. When export figures are studied, it can be seen that ready-made clothing import increased 40% in 2008 compared to the previous year and exceeded 2,1 billion dollars whereas textile import decreased 9% compared to the previous year and regressed to 7,3 billion dollars (İTKİB, 2008: 3). Regression up to 30% in textile and ready-made clothing exportation in 2009 continued and the number of corporations that were closed down greatly increased.

Invalidation of quota restrictions that were necessitated to the trade of textile and ready-made clothing products in the world as of 2005 became the trigger of a new competition environment. The most important advantages that Turkey has so far against EU countries, which are the closest market and competitors of Turkey, are that Turkey has various superiorities like being close to the market, fast delivery, easy communication, flexible production structure, qualified labour and being

able to keep the costs down. High production costs at this point, however, became the greatest problem of the sector. Especially due to labour and energy costs, competition chance with China, India, Bangladeshi has reduced and on the other hand, financial crisis that has been experienced recently has aggravated necessary financial opportunities (Arslan, 2008: 57).

Ready-made clothing and textile sectors which are in the first sector position of Turkey became one of the most damages sectors in the presence of global crisis that influenced the whole world in 2008. Constrictions experienced in internal and external demands made many companies working with stock under the debt burden and the number of companies ceasing their productions, going bankrupt or pulling out of the market has greatly increased. Despite of these all negative and tough conditions, ready-made clothing and textile sectors maintain their positions that cannot be ruled out or thrown off for Turkish economy.

4. CONCLUSIONS

Economic crises experienced in world markets are seen to affect Turkish economy and export directly and to be ascendant on Turkish ready-made clothing and textile sectors which have been growing as based especially on exportation after 1980. It can be said that international economic crises experienced in the world, generally induce a fall on export figures since the sector itself is based on exportation. Into the bargain, corporations that are unable to export because of labour-intense structure of the sector prefer to dismiss employees in order to reduce labour costs generating the most important production cost during crises.

Another common effect of international economic crises on the sector is the increase in the number of corporations closing down.

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