

IMPACTS OF INCREASED EXPOSURE TO INTERNATIONAL COMPETITION: THE CASE OF THE TURKISH TEXTILE INDUSTRY

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Economic theory holds a market system free of market power, restrictions and externalities as efficient and thus superior and desired. Based on that, the world economy has been through massive changes in the last decade. Central amongst these is the vigorous drive to liberalising international trade and finance. The Uruguay Round of trade talks has been finalised and the WTO came into existence. Within this framework a multilateral deal¹ on Textiles and Clothing (TC) was agreed in 1994. On a parallel level, and seemingly in contradiction with this liberal drive, there has been a resurgence of regionalism. The phenomenon called new or global regionalism is polarising the world economy around a few powerful economic blocs like the EU, NAFTA, etc. Within this latter context, Turkey has signed a Customs Union agreement with the EU. The impact of liberalisation and regionalism on world trade, world manufacturing and on textiles is still being debated. This paper aims to evaluate the impact of these trends on Turkey's TC industry.

1. THE GLOBAL FRAMEWORK: MULTILATERAL AND BILATERAL ENVIRONMENTS

1.1. Textiles and global developments

Historically, the production and trade of textiles were the backbone of the industrial growth in Europe in the last century. During this century, textiles played a pivotal role in the industrial evolution of Japan and the Newly Industrialised Countries (NICs). Protectionist policies disrupted the natural evolution of comparative advantage, both in the production and trade of fabrics, and thus prevented today's Developing Countries (DCs) from reaping similar benefits. Yet, it is widely agreed that TC is an important source of DCs' foreign exchange earnings as well as an important source of employment.

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¹ The Agreement on Textiles and Clothing (ATC) is usually referred to as the Marrakech Declaration.

The infamous Multi-Fibre Arrangements (MFA) deformed the TC trade while their alterations (1974, 1978, 1982, and 1986) complicated the rules further. They caused loss of efficiency, resources, and arbitrary transfers between exporting and importing countries, and between producers and consumers. It is agreed that the MFAs have slowed down the natural shift in trade flows from the developed to the DCs, and within the DCs, from the NICs to other DCs (Faini, 1993, p.1). Indeed, since their introduction, the MFAs have hampered the liberal evolution of TC trade. They tilted the competitive balance against the DCs and in favour of high cost producers in the developed world and the NICs (Hamilton, 1990). 'Instead of liberalising TC trade, as originally intended, successive bilateral agreements under the MFA appear to have grown progressively more restrictive' (Trela and Whalley, 1990).

To restore efficiency to the TC trade, it was essential to review the MFA system, which the Marrakech Agreement has addressed. The ATC's final target is to bring the TC trade in line with current trade rules. The Agreement comprises four stages over which the MFA quotas are to be phased out. Phase one, which started in January 1995, was set to dismantle a minimum of 16 per cent of the existing quota. Phase two, which started on 1 January 1998, was set to eliminate another 17 per cent; and phase 3 was set to eliminate a further 18 per cent. The final phase, which starts on 1 January 2005, should eliminate all remaining TC quotas. About a third of the programme period has elapsed and the fulfilment of the set targets, though technically on track, is disappointing in the overall assessment, in particular in fulfilling the objective of freeing the TC trade.

The ATC, like most other international agreements, is not without loopholes. As such, these have already been obstacles to the fulfilment of the ATC promise. Major TC importers, viz., the EU and the US, have already misapplied some of the ATC licit allowances to disguise protection. Such abuse, when considered in conjunction with the quantitative restrictions still in place, amounts to double protection and thus creates an even more stringent TC trading regime. Examples of these are first, the frequent unjustified use of transitional safeguard mechanisms which serves as an addition to the quantitative restrictions already in place², second, the recurrent misuse of anti-dumping procedures³.

² Safeguards are legitimate actions under the ATC, but their recurrent abuse runs counter to the spirit of the ATC agreement itself.

³ The EU initiated a series of anti-dumping cases against textile imports from certain textile-exporting developing nations including Turkey, India, Pakistan and Egypt.

However, even in the case of the full accomplishment of the ATC, the anticipated rewards of such liberalisation would not be readily available to all TC exporting countries. Substantial transfers may result across countries, and between industries within a single country. Such transfers may be a source of substantial costs to many in the short term, but some benefits would accrue to some in the medium to long term. This view maintains that there may be at least losses of revenue and rent to the TC sector in Turkey, as and if the country loses the special terms it enjoys under EU-TR deal.

1.2. Bilateral developments

There has been a frenzied resurgence of global regionalism, which has polarised the world economy into a few powerful economic blocs. Within this context and in parallel with multilateral UR of trade talks, Turkey has negotiated a bilateral trade agreement with the EU. This latter deal culminated in the signing of the EU-TR deal. As a form of Preferential Trade Agreements, Customs Unions are by nature exclusive clubs, which aim to secure certain benefits to their members. In this respect, EU-TR is a restrictive arrangement that should run counter to the principle of non-discrimination under the WTO.

1.3. Prospects for global and Turkish TC sectors

The EU-TR and the advent of the WTO system are expected to transform the trading conditions facing Turkey. The awaited increase in exposure to worldwide competition will help realign factors and products prices within, and across, national borders. Accordingly, competition on the world scale would be in line with the principle of universal competition, such as the comparative advantage. Impacts on Turkey's TC sector competitiveness will depend mainly on the fulfilment of the already signed accords. Based on this, a number of scenarios are conjectured, the main ones of which are discussed below.

1.3.1. WTO rule-based trading system

The first of these is the full and faithful implementation of the UR agreements that oblige participants in the TC market to act according to the rules of the WTO. This is a uniform system which would be applied everywhere. Under this scenario, all tariff and non-tariff restrictions to international trade would be eliminated. Global trade would take place solely in accord with the principles of natural comparative advantage. In principle, this could be the most efficient scenario everywhere, ie on the national and the international scales. There would be transfers of rent neither between exporting and

importing nations nor between factor owners within the same country. Thus, the exchange and consumption of TC would also be efficient.

This outcome is not likely to materialise even by the end of the last phase in the year 2005. At best, only a limited fulfilment of the accord is likely. As current practices continue, extensive restrictions would still remain; which would make the new system qualitatively similar to the previous one.

1.3.2. The WTO and regional groupings

The EU imposes certain quality standards on the imported products. It also requires some *ad hoc* labour and environmental standards to be met by exporting countries⁴. Taking these into consideration, Turkey along with many other EU partners –the countries and country groups with similar arrangements with the EU⁵– may continue to enjoy special access to the EU markets. However, EU trade rules require partners to apply EU rules with regard to third parties after an agreed grace period. After such periods, Turkey and the other EU partner would have to reciprocate all privileges to each other. Harrison *et al* (1996) found no clear evidence that Turkey's external trade would gain extra market access from the new relationship with the EU *per se*, as such access had already been there before their customs union agreement. However, they estimated that Turkey's new gains would come from the mandatory reciprocal access with the other EU trade partners. If that is indeed so, then we may not see any significant change due to the EU-TR deal until 2003, that is the time set for this reciprocity to begin.

Turkey is one of the main textiles producing and exporting developing countries. It is among the 15 largest producers of textiles in the world, and is one of the 15 largest developing country producers of wearing apparel. Since 30 September 1987, Turkey participated in the MFA and mostly has incurred some losses from the MFA flaws. However, Turkey's proximity to Europe and its special relations with the West⁶ may have helped to dampen the negative effects of the MFA quotas on its economy. The bilateral quotas may have even

⁴ These are some of the problem areas and points of departure between developed and developing countries' interpretations of the UR agreements.

⁵ These include all the EU-Mediterranean FTA partners, the Eastern European Countries with whom the EU has Association Agreements, and the African, Caribbean and Pacific countries that are part of the Lomé convention (see Harrison 1996, p2).

⁶ In the post World War II era, Turkey has kept close strategic and economic ties with the West. It has been an original member of OECD since 1960 and a member of NATO.

Real GDP	4.0	4.6	2.7	4.6	4.7	3.7	4.6
Real PC-GDP	1.9	2.7	0.8	3.1	2.5	1.8	2.3

Data source: Main Economic Indicators, State Planning Organisation.

The impact of reforms is also noticeable in the country's production. Turkey's industrial production has notably increased since 1980. During 1981-97, the increase in private industrial production was twice as much that of the public sector. Production in the latter stagnated since the 1990s but had quadrupled in the former. A similar but more pronounced pattern is evident in the performance of the manufacturing sector. More striking was the performance of the energy sector where the production index of energy in the private sector has approached the 600-point mark in 1997Q3 compared to 150 in 1994Q2. In all three sectors, the private sector held significant weight (Appendix Table 3). This is also clear in the close correlation of each sector's total index to that of the private sector. It is thus within this overall framework that the development in the Turkish TC sector will be studied.

TABLE 2: COMPARING ANNUAL PRODUCTION INDICES OF DIFFERENT INDUSTRIES 1992=100

	Textiles		Industrial	Manufacturing	Energy	Mining
	Cotton	Wool				
1986	89.0	84.0	73.0	75.5	59.3	79.1
1987	92.4	85.3	80.7	83.6	66.3	83.1
1988	94.1	86.9	81.9	84.4	71.8	78.8
1989	99.9	91.0	84.9	86.2	77.6	88.7
1990	96.4	94.1	92.9	94.4	86.0	94
1991	99.6	97.1	95.4	96.2	89.2	103.6
1992	100.0	100.0	100.1	100.1	100.0	100
1993	104.5	101.8	108.2	109.0	109.7	90.9
1994	107.2	102.6	101.5	99.9	116.4	98.3
1995	110.0	108.0	114.3	113.4	128.4	101.3
1996	117.8	105.7	107.8	106.7	112.7	102.4
1997	123.6	110.4	106.7	103.0	116.0	106.3

Source: SIS Web site. (<http://www.die.gov.tr>). Table 1.17.

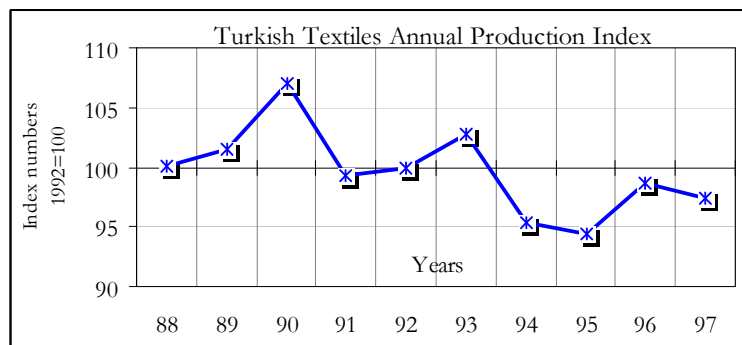
2.2. Development of the TC industry in Turkey

The TC industry is among the most important industrial sectors in Turkey. It contributes close to 25 per cent of manufacturing output, which in turn makes 23 per cent of the country's GDP. The sector engages some 30 per cent of the total work force in manufacturing. More importantly, it contributes about 35 per cent of the country's total exports on average.

Textile production in Turkey had been increasing consistently since the 1950s. Its highest average growth rates were achieved in the fifties, soon after the industry was established. Average growth was modest in the following two decades. The domestic market was nearly saturated. The official policies then –viz., self-sufficiency, Import Substitution Industrialisation (ISI), and central planning – had checked the growth of domestic demand and no external markets to speak of existed. Thus, while the industry’s available technical capacities were getting somewhat dated and slackened with time, they were yet sufficient to fulfil that level of demand (Appendix Table 3).

As the leading manufacturing sector in Turkey, TC is the sector that has been most affected by reforms. Production of textiles in Turkey has declined in absolute terms following reforms, as many of the old establishments exited the industry (Graph1). With that, however, the structure of the industry, its productive base quality of production has been substantially transformed.

GRAPH 1

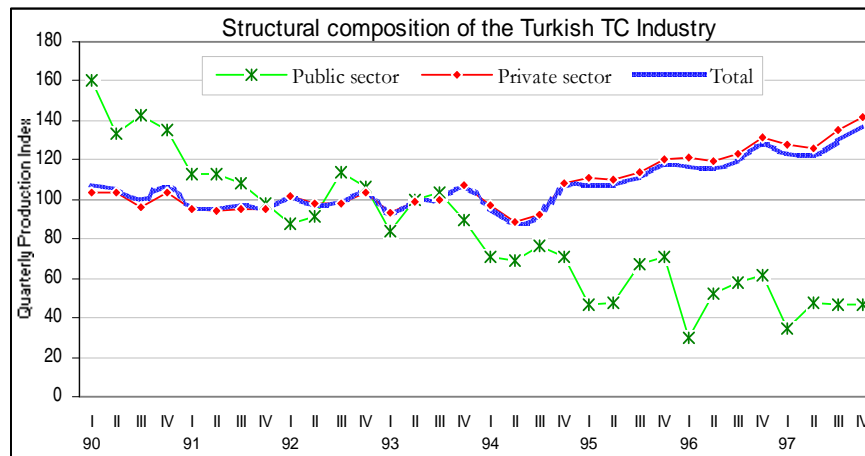


Before 1983, the textiles industry was predominantly state-owned through the influence of the Sumerbank industrial complex that spearheaded the development in the sector. However, with the transition of Turkey’s overall economic direction, both the domestic and foreign demands for textiles expanded, and so did the industry. The change helped the restructuring of the industry in the form of more private sector involvement and injection of state of the art technologies. Whereas the public sector still controls a large share of the industry overall, its contribution to the final output is fast diminishing (Graph 2.). Its output share nowadays does not surpass 30% of the industry’s total output. Public sector capital investments are relatively dated and thus less cost-effective than the up-to-date private sector establishments.

Since 1992, the TC sector's overall performance has gone from strength to strength with the private sector asserting its position in the industry. By inspecting the sector's production growth trends, we observe a high correlation between the TC sector total and that of the private sector (Graph 2). This association continues despite the sharp drop in the public share, which reflects the relative weight of the two sectors. Except for a brief slump in production in the crisis year 1994, the sector continued to grow. In 1995, textiles was the second fastest-growing manufacturing sector in the economy increasing by 16.1 per cent.

The year 1996 marks the start of a new era in Turkey's foreign trade relations. With the introduction of the EU-TR, all trade barriers between the two parties have *legally* been removed, and Turkey began applying EU customs tariffs to third parties (TÜSİAD 97). Not hindered by the limitation of domestic demand and the large stocks left from 1995, TC firms, *behaving independently*, continued to expand production even further in 1996. This *conduct* was based on the hope that the effect of EU-TR will boost the demand for the sector products. However, the anticipated sharp increase in foreign demand for Turkey's textiles in the EU markets did not materialise in the 1996/7 season, and may not evolve by 1998/9 either. From a macro perspective, such high expectations were not strictly justified, due mainly to the following three reasons:

GRAPH 2



First, before the recent trade deals, Turkey's products – textiles included – have enjoyed high access to the EU markets, in comparison with most of its main competitors. Thus, recent trade deals may have taken away some of

Turkey's historical advantage. "The Custom Union will result in Turkish industries being exposed to international competition to a greater extent than has already been the case to date." (Harrison *et al*, 1996, p.5).

Second, while the demand for textiles, in the EU markets is almost saturated, the industry is being revived in some parts of the EU, particularly in Italy, Germany, France, the UK and Ireland.

Third, despite the recent trade promotion deals, substantial protection still remains. Some of this protection is due to the old regime that is still in operation, and will be so until 2005. Nevertheless, substantial new-sprung restrictions to trade have crept up through loopholes in the new system, and by the misuse of some of the licit allowances and safeguards. Already some of these have been twisted and misconstrued. For instance, there are many reported cases of abuse of the ATC safeguard mechanism and the anti-dumping clause (Malik, 1998, pp.7-9). In a number of instances, both old and new types of restrictions are being practised, which amounts to double protection.

3. CAPACITY UTILIZATION (CU) AND PERFORMANCE

3.1. Capacity use: A theoretic note

Optimising the use of economic resources is one of the central questions in economics. Developing capacity and efficiency of resources use is among the main goals of reform. The extent to which factor resources are utilised is a useful proxy to performance. The paper uses this proxy as a guide to the performance of the Turkish TC sector.

3.2. Assessment of CU in textiles and manufacturing in Turkey

In Turkey, the total average capacity use in the TC sector – weighted both by number of firms and by production value – is notably higher than the gross manufacturing average. The sectoral composition of these total averages is more significant. Capacity utilisation in the TC public sector is rapidly falling; and is lower, than that of the private sector, which is steadily increasing. The disparity in capacity utilisation between public and private manufacturing is not as large as that of Textiles (Table 3).

To analyse the public-private dichotomy we classed the industry into four groups by levels of CU, weighted once by number of firms and another by production value. The former gives us an idea as to the industry's clustering and concentration, while the latter shows the productive efficiency of each

sector. The four CU groups respectively are: 1/ CU under 39 per cent; 2/ Between 40 and 59 per cent; 3/ Between 60 to 79 per cent; and 4/ CU over 80 per cent.

The public sector concentration pattern tended to shift from the more-efficient, high CU ranges, to the less-efficient, lower CU ranges, which is contrary to the private sector. For instance, in 1992, public sector establishment distribution was: 6.4 per cent in range 1; 21 per cent in 2; 41.6 per cent in 3; and 30.1 per cent in range 4. In 1997, this changed to 39.4 per cent in range 1; 24.1 per cent in 2; 12.2 per cent in 3 and 24.3 per cent in range 4. Thus, while 28.3 per cent of public sector firms operated in the lowest two ranges in 1992, 63.5 per cent of them were in that range in 1997 (Table 4).

TABLE 3: CAPACITY UTILIZATION
Weighted by Number of Establishments (N) %

A. Turkish Textiles Industry (averages)						
	1992	1993	1994	1995	1996	1997
Public Sector	68.4	69.7	57.4	50.5	52.7	52.5
Private Sector	72.3	75.1	73	77.7	77.8	77.3
Year Average	71.9	74.7	71.9	76.5	76.5	76.1
B. Turkish Manufacturing (averages)						
Public Sector	66.3	65.7	61.8	61.1	63.9	63.8
Private Sector	65.3	68.9	64.3	69.3	69.3	70.6
Year Average	65.4	68.4	63.9	68.4	68.7	69.9
II. Capacity Utilisation (CU) Weighted By Production Value (PV)%.						
A. Turkish Textiles Industry (averages)						
Public Sector	74.4	76.6	62.3	63.3	60.8	59.7
Private Sector	80	81.8	80.1	83.5	83.7	83.7
Year Average	79.3	81.4	78.5	82.3	82.6	82.5
B. Turkish Manufacturing (averages)						
Public Sector	77.8	79.2	78.3	80.5	82	81.3
Private Sector	75.7	79.8	70.8	77.9	76.5	78.7
Year Average	76.4	79.6	70.8	77.9	76.5	78.7

The picture in the private sector was one of a consistent shift from the lower to the higher ranges. In 1992, 6.4 per cent were in 1; 14.3 per cent in 2; 33.5 per cent in 3, and 45.8 per cent in 4. In 1997, 5.8 per cent remained in 1; 8.7 per cent in 2; 27.6 per cent in 3; and 57.9 per cent in range 4. Thus, while 20.7 per cent of private firms were operating in the lowest two ranges in 1992, only 14.5 per cent of them remained there in 1997. Accordingly, both initial conditions as well as rates of progress of private sector firms were superior to those of public sector firms.

From the perspective of the value of production, this picture is much clearer as the contrast between the two sectors' initial conditions, and between their involvement is much striking. It suffices to mention that only 16.8 per cent of public sector production had been in the lowest two CU ranges compared to 36.4 per cent in 1997. Private sector production then shifted from 9.4 per cent to only 7.1 per cent. Therefore 92.9 per cent of private sector textiles production is produced relatively efficiently. Over 70 per cent of private TC production was produced efficiently, while only 27.8 per cent of public sector production was at that level.

TABLE 4: CU OF PUBLIC & PRIVATE TEXTILES SECTORS IN TURKEY**A: Average CU (Weighted by Number of Firms)**

	Turkish Textiles Public Sector				Turkish Textiles Private Sector			
	CU<39	59>CU>40	79>CU>60	100>CU>80	CU<39	59>CU>40	79>CU>60	100>CU>80
1992	6.4	21.9	41.6	30.1	6.4	14.3	33.5	45.8
1993	7.2	19.1	38.2	35.6	5.3	10.2	32.6	51.9
1994	18.5	35.2	29.3	17	7	13.5	32.8	46.7
1995	44	22.1	16.6	17.4	5.4	9.3	27.1	58.2
1996	35.9	20.7	27.1	16.3	5.4	9.3	26.8	58.6
1997	39.4	24.1	12.2	24.3	5.8	8.7	27.6	57.9
B: Average CU (Weighted by Production Value)								
1992	2.3	14.5	44.6	38.6	2	7.4	28.2	62.5
1993	2.4	14	33.6	50	1.6	5.3	27.3	65.9
1994	10.3	32.7	39	17.9	2.5	8.6	28.4	60.6
1995	15.4	23.1	32.8	28.7	1.1	5.8	26.8	66.4
1996	19.7	22.9	42.9	14.5	2	4	23.7	70.4
1997	24.8	11.6	35.8	27.8	1.7	5.4	22.5	70.6

Together, these observations support the following conclusions: First, in Turkey, private sector manufacturing is invariably becoming more efficient than public sector manufacturing. Second, average efficiency of resources use is higher in the Turkish TC industry than in the Turkish manufacturing sector overall. There too the public-private disparity is clear. Third, the pace of reform is faster in the TC sector than in the rest of the Turkish manufacturing in particular and in the economy in general.

3. 3. Obstacles to full capacity utilisation

Table 5 abridges some of the results of the regular business survey⁷ that is carried by SIS. It deals with the obstacles hindering the Turkish industries from operating at their full potentials. We, in turn, have classed these obstacles according to their economic bearing into three categories; viz., demand shortages, supply bottlenecks, and the third category is others, which includes the remaining obstacles such as management and external problems. The demand-related problems are again classed into domestic and foreign demand deficiencies; and the supply-related ones into labour and finance shortages and a third sub-group which contains shortages of other inputs such as domestic and foreign raw materials as well as energy.

⁷ The Manufacturing Industry Monthly Tendency Survey (MIMTS).

TABLE 5: OBSTACLES TO FULL CAPACITY UTILIZATION (FCU) IN THE TURKISH TEXTILES SECTOR COMPARED TO THOSE OF TURKISH MANUFACTURING (BY PROBLEM TYPE)

First: CU Percentages Weighted By Production Value						
Industry Type	Textiles			Manufacturing		
<i>Obstacle type ↙ / Sectors →</i>	Public	Private	Total	Public	Private	Total
I. Demand Problems: of which	57.4	63.6	62.8	47.8	75.2	68.3
1. Domestic demand deficiency	46.6	39.9	40.8	35.9	57.1	52
2. Foreign demand problems	10.8	23.7	22	11.9	18.1	16.3
II. Supply Bottlenecks: of which	37.2	15.5	18.4	23.6	11.3	13.3
1. Labour problems	21	5.5	7.6	6	1.6	3.2
2. Finance shortages	12.7	5.1	6	10	4.4	4.1
3. Other inputs problems: of these	3.5	4.9	4.8	7.6	5.3	6
a. Domestic raw material shortages	2.7	1.5	1.7	3.9	2.3	3
b. Imported raw material problems	0.6	1.7	1.6	2.4	2	1.9
c. Energy shortages	0.2	1.7	1.5	1.3	1	1.1
III. Other Problems: Admin. etc.	5.5	21	18.9	28.2	13.6	18.6
Second: CU Percentages Weighted By Number Of Establishments						
	Textiles			Manufacturing		
<i>Obstacle type ↙ / Sectors →</i>	Public	Private	Total	Public	Private	Total
I. Demand Problems: of which	60.6	59	59.2	34.9	65.9	54.5
1. Domestic demand deficiency	50.5	33.4	37.8	30.8	50.1	43
2. Foreign demand problems	10.1	25.6	31.4	4.1	15.8	11.5
II. Supply Bottlenecks: of which	31.9	24.9	26.9	45.1	20.7	29.8
1. Labour problems	14.7	8	9.7	10.9	3.5	6.3
2. Finance shortages	10	9.3	9.6	9.8	8.9	9.3
3. Other inputs problems: of these	7.2	7.6	7.6	24.4	8.3	14.2
. Domestic raw material shortages	4.7	3.1	3.6	21	4.8	10.8
. Imported raw material problems	2	3.1	2.8	2	2.2	2.1
. Energy shortages	0.5	0.4	1.2	1.4	1.3	1.3
III. Other Problems: Admin. etc.	7.6	16.3	14	19.9	13.2	15.7

Source: SIS, Manufacturing Industry Monthly Tendency Survey.

Performing this exercise revealed the following significant findings:

1. Both Turkish Textiles and Manufacturing industries are bound mainly by demand rather than by supply problems — 62.8 and 68.3 per cent of demand-related problems as against 18.8 and 13.3 per cent for supply-related ones, respectively. The demand-related obstacles are more evident in the private Textile and Manufacturing sectors reaching 63.6 and 75.2 per cent each.

2. Within the demand-related problems, the limitedness of the domestic market is blamed for over 40 per cent of the Textiles Sector problems and over 50 per cent of the problems facing the Manufacturing Sector overall. On its own, this share is more than double the sum total of the supply-related problems. This finding is of great significance, as it should direct planners to focus on the domestic market as much as they do on the international market. Moreover, the limitation of domestic demand adds to the importance of the question of competitiveness as industries strive for larger market shares both in the foreign and the domestic markets.
3. Foreign demand problems account for 22 per cent of the obstacles in textiles and for 16.6 per cent of those in Manufacturing. Most of these foreign demand problems affect mainly the private sector since it is the sector dealing more in foreign markets.
4. Supply problems are of lesser magnitude generally, but they are more pronounced in the public sector which appear to suffer more difficulties with labour and financial problems.
5. Here again the public-private sector divide is clear, and the private sector appears to suffer notably from other problems. While management is one of these, there are also problems of regulation and unforeseen events.

4. EXPOSURE AND COMPETITIVENESS

4.1. Methodology

4.1.1. Observing and assessing competitiveness status

The preceding chapters found evidence of an increase in the international competition facing Turkey as a result of new trade deals. The statement by Harrison *et al* (1996) spoke explicitly of Turkish industries being exposed to greater international competition as a result of EU-TR. The paper argued for a mixed impact on the Turkish economy. Application of the EU's 'common external tariff' on imports from third countries will cause substantial tariff revenue losses in the short term. Yet the medium- to long-term competitive benefits in the form of increased access to third party countries and increased trade volumes are estimated to outweigh these losses. The explicit aim of the UR and the EU-TR agreements is to facilitate trade flows between the parties concerned. Both legal documents have set limits and methods through which this objective is to be achieved. In all, these include mechanisms that are

designed to liberalise the markets of the contributing economies by reducing regulation and increasing competition.

Since Turkey is active in these and many other arrangements, it is understood that the Turkish economy has been exposed to greater competition. In this section, the paper discusses the aspects of Turkey's economic and business structures. The aim is to examine the impact of this greater competition on the Textiles sector in Turkey.

4.2. Increased exposure and production

4.2.1. Production and capacity utilisation (CU) trends

In previous sections we observed the following effects:

First, sustained rises in textile production throughout the reform period, but more so in the mid-nineties which is a likely response to the agreements.

Second, change in the structure of the industry in the forms of liberal regulatory environment and conduct codes, and structural shifts in favour of the private sector

Third, capacity use figures confirmed the stated observations and provided further evidence of the effects of exposure to international competitiveness.

Primary impacts of the increased exposure following the recent deals already appeared in the first part of the nineties, especially in 1995 and 1996, as a higher level of textile output. The expansion was contrived by private textile firms to meet predicted increases of EU demand for their products. As managers were informed about the EU-TR starting date on 1 January 1996, production additions were initiated some six quarters before – Q21994 – and have been steadily maintained ever since. The behaviour of the public sector provides a useful clue as to the source of the developments. Public sector production decisions do not normally follow market signals; and its production is mainly for the local market. This is why it showed no response as its production continued to fall. The distinct behaviour of the two sectors suggest the following:

First, the factors causing output growth have not been readily apparent or available to all firms operating in the sector.

Second, factors are more likely to be stemming from abroad since only the private sector production responded.

Third, the private textiles sector in Turkey is the dominant party in the industry, as total production continues to rise despite the sharp drop in the public sector production figures.

Fourth, the Turkish textiles private sector is well informed, and is equipped enough to foresee and to respond in advance to future demand conditions. Yet, it lacks the necessary overall co-ordination between its numerous players, which makes it likely to overrate the size of the market.

4.2.2. International ranking of TC producers

Table 5 shows the ranking of the top thirty producers of textiles in the world in the years 1980, 1985, 1992 and 1994, with part A ranking the top 15 producers in the world (**W**), and part B listing the top 15 producers among the developing countries (**DCs**). Table 6 shows a parallel picture for Wearing Apparel. In the four years examined in the two tables, the total shares of world and DCs top producers exceeded 75 per cent of their respective groups.

Consider first textiles, which is an age-old established activity in Turkey. In 1980, Turkey ranked fourteenth world producer (W14th) and seventh among the top 15 developing country producers (DC7th) with respective shares amounting to 1.7 and 5.2 per cent. Turkey climbed one rank up to W13th and DC6th in 1985. By 1992, Turkey's ranking improved to W7th and DC2nd, with a 3.6 and 9.9 per cent shares respectively; thus displacing the UK and surpassing seven other important countries, namely Spain, Brazil, Korea, Argentina, Taiwan, Canada, and Mexico. Turkey's position and shares receded somewhat in 1994.

TABLE 6: RANKING OF LEADING PRODUCERS OF TEXTILES (ISIC 321)

(A) 15 World Leading Producers								
	1980		1985		1992		1994	
Rank	Country	share*	Country	Share*	Country	share*	Country	share*
1	USA	15.9	Japan	17.2	USA	18.2	USA	19.8
2	Japan	11	USA	15.5	Italy	9.7	Japan	12.9
3	Italy	9.0	Italy	9.6	Japan	9.1	Italy	10.4
4	Germany	6.4	Germany	6.3	India	5.9	India	5.2
5	France	6.0	France	5.3	Germany	5.4	Germany	4.9
6	India	4.9	UK	4.2	France	4.1	France	4.3
7	UK	4.2	India	3.7	Turkey	3.6	Brazil	3.2
8	Brazil	3.7	Brazil	3.3	UK	3.5	Taiwan	3.1
9	Spain	3.3	Taiwan	2.8	Spain	3.1	UK	3.0
10	Mexico	2.8	Spain	2.5	Brazil	2.8	Korea	2.7
11	Argentina	1.9	Korea	2.4	Korea	2.6	Spain	2.4
12	Taiwan	1.8	Yugoslav.	1.9	Argentina	2.3	Turkey	2.3
13	Korea	1.7	Turkey	1.7	Taiwan	2.0	Canada	1.6
14	Turkey	1.7	Canada	1.4	Canada	1.6	Argentina	1.6

15	Yugoslavia	1.6	Iran	1.4	Mexico	1.5	Pakistan	1.4
	Sum	75.9		79.2		75.4		78.8
(B) 15 Leading Developing Countries								
1	India	15.2	India	12.7	India	16	India	15.9
2	Brazil	11.5	Brazil	11.6	Turkey	9.9	Brazil	9.8
3	Mexico	8.5	Taiwan	9.6	Brazil	7.6	Taiwan	9.5
4	Argentina	6.0	Korea	8.2	Korea	7.2	Korea	8.3
5	Taiwan	5.5	Yugoslav.	6.5	Argentina	6.2	Turkey	7.0
6	Korea	5.4	Turkey	5.9	Taiwan	5.5	Argentina	4.8
7	Turkey	5.2	Iran	4.8	Mexico	4.2	Pakistan	4.3
8	Yugoslav.	5.0	Mexico	3.9	H.Kong	4.0	Iran	3.5
9	Iran	3.2	Pakistan	3.9	Iran	3.2	H.Kong	3.4
10	Pakistan	3.1	Argentina	3.1	Indonesia	3.1	Indonesia	3.3
11	Egypt	2.5	H.Kong	2.7	Pakistan	2.4	Mexico	3.0
12	H.Kong	2.5	Egypt	2.7	Egypt	2.4	Egypt	1.7
13	Colombia	1.9	Peru	2.0	Thailand	2.1	Colombia	1.7
14	Philipp.	1.7	Colombia	1.6	Colombia	2.0	Peru	1.7
15	Thailand	1.5	Indonesia.	1.3	Morocco	1.8	Malaysia	1.1
	Sum (%)	78.7		80.5		77.6		79

Notes: * Percentage of world total value added at constant 1980 prices.

** Percentage of total value added of developing countries at constant 1980 prices.

Source: UNIDO, International Industrial Statistics 1995 & 97.

**TABLE 7: RANKING OF LEADING PRODUCERS OF WEARING APPAREL
(ISIC 322)**

(A) 15 World Leading Producers								
Year	1980		1985		1992		1994	
Rank	Country	Share*	Country	Share*	Country	Share*	Country	Share*
1	USA	24.2	USA	21.6	USA	25.9	USA	26
2	Italy	11.2	Japan	12.9	Italy	11.5	Japan	11.3
3	Germany	8.3	Italy	9.2	Japan	6.2	Italy	8.7
4	France	6.6	France	8.2	Germany	5.3	France	5.7
5	Japan	6.5	Germany	6.4	UK	4.9	UK	4.2
6	UK	4.6	Brazil	5	France	4.4	Germany	3.9
7	Spain	4.2	UK	4	H. Kong	3.8	Brazil	3.8
8	H. Kong	2.6	Spain	3.2	India	3.4	H.Kong	2.9
9	India	2.4	Korea	2.1	Spain	3.3	Spain	2.8
10	Canada	2.3	H.Kong	2	Canada	2.1	Canada	2.4
11	Brazil	1.9	Canada	1.9	Korea	2.1	Korea	2.3
12	Mexico	1.9	Taiwan	1.5	Argentina	1.9	Argentina	1.6
13	Yugoslav.	1.5	Yugoslav.	1.4	Mexico	1.8	Portugal	1.5

14	Switz.	1.4	Australia	1.3	Belgium	1.6	Belgium	1.3
15	Belgium	1.3	Portugal	1.3	Brazil	1.2	Australia	1.2
	Sum (%)	80.9		82		79.4		79.6
(B) Leading Developing Countries								
1	H.Kong	12	Brazil	21.2	H.Kong	13.9	Brazil	14.5
2	India	11.2	Korea	9.1	India	12.6	H.Kong	11.2
3	Brazil	9.1	H.Kong	8.4	Korea	7.7	Korea	8.8
4	Mexico	8.7	Taiwan	6.3	Argentina	6.8	Argentina	6
5	Yugoslav.	6.9	Yugoslav.	6.1	Mexico	6.6	Turkey	3.4
6	Korea	5.5	Turkey	4.6	Brazil	4.3	Taiwan	2.9
7	Argentina	5.1	Argentina	3.4	Taiwan	2.2	Philipp.	2.7
8	Philipp.	3.4	India	2.7	Philipp.	2.1	India	2.2
9	Taiwan	2.6	Mexico	2.4	Algeria	2	Sri Lanka	2.1
10	Cuba	2.2	Tunisia	1.6	Iran	1.8	Mexico	2
11	Algeria	1.6	Iraq	1.5	Malaysia	1.7	Tunisia	1.7
12	Colombia	1.5	Algeria	1.5	Colombia	1.6	Iraq	1.6
13	Venezuela	1.3	Venezuela	1	Iraq	1.5	Malaysia	1.3
14	Chile	1.2	Morocco	1	Morocco	1.2	Morocco	1.3
15	Uruguay	1	Singap.	1	Venezuela	1.1	Algeria	1.2
	Sum (%)	73.3		71.8		67.1		62.9

Notes: * Percentage of world total value added at constant 1980 prices.

** Percentage of total value added of developing countries at constant 1980 prices.

Source: UNIDO, International Industrial Statistics 1995 & 1997.

Its world ranking declined by four ranks to W12th, and by four ranks among developing countries to DC5th. Thus, its respective shares regressed to 2.3 and 7.0 per cent. Among the leading developing country producers, Turkey moved up from the seventh in 1980 to the second leading position in 1992, with a 9.9 per cent share, which was second only to India's 16 per cent. In 1994, its rank went down to DC5th with a reduced share of 7.0 per cent (Table 6).

The second largest and fastest growing activity in the TC sector is wearing apparel. Production of wearing apparel has a long history in Turkey. Before, wearing apparel products were inferior to imported products in terms of quality, even in the local market. Since the mid-eighties, however, Turkey's wearing apparel industry has remarkably improved. In response to world demand and to the shift in the country's policy orientation, sizeable capital investments went into the wearing apparel sector; thus bringing with them new production styles, modern technical skills and sales techniques. By the beginnings of the 1990s, Turkey's wearing apparel industry was competing on equal footing with the world's best. Accordingly, Turkey ranked DC6th in 1985 and DC5th in 1994, producing 4.6 and 3.4 per cent of developing countries'

total share respectively. Turkey has not yet figured among the world leading producers of wearing apparel. However, if the current pace and momentum of development and growth are sustained, that is only a matter of time (Table 7).

Such growth represents a clear evidence of Turkey's strong standing in the global production picture. Turkey's manufacturing still enjoys a relative advantage over EU producers due to its relatively low labour cost per unit, but this is not the case of other developing country producers such as India, Brazil and Egypt. This advantage will continue to hold for many developing countries for some time to come. In the case of Turkey and the other EU-ETA partners, it will be expected to even up, as they are required to gradually take on and apply the EU quality and labour standards.

4.3. External trade and competitiveness

Foreign trade is one of the economic activities that are closely related to the issues of exposure and competitiveness. Short-term competitiveness of foreign trade rests mainly on relative prices. In the case of textiles, therefore, the relationship between relative prices of textile products and their traded quantities is of special significance

As of 1990, the bulk of Turkey's foreign trade has been with OECD countries: 69.1 per cent of imports and 64.8 per cent of exports on average. Of that, the EU has the lion's share, 47.4 per cent of imports and 51.3 of exports. This leaves only 31 per cent of imports and 35.2 per cent of exports of trade shares for the rest of the world. Of these, the Middle East and North Africa region (MENA) assumes the largest part – 13 per cent of Turkey's imports and 17.9 per cent of its exports – which is close to 50 per cent of Turkey's trade with the rest of the world (Table 8 and Graph 3).

It is clear from the figures that, even before the recent trade deals, some 82 per cent of Turkey's foreign trade was taking place within the regions with which Turkey made agreements later. In the light of this, it is perhaps valid to suppose that the main aim of the new trade deals – from the point of view of the signing parties – is to secure existing advantages. It is also fitting to believe that new bilateral trade deals are the parties' way of coping with the development in the global trading environment, and as pre-emptive or countering measures against increased competitiveness. As such, these may be seen as pre-actions, which are aimed to neutralise the expected competitive impacts of the developments on the multilateral front. In this sense, most if not all, of the recent bilateral trading alliances and deals fall within this group of measures, and are thus consequences as well as causes of increased

international exposure. This line of evidence appears to confirm the hypothesis put forward earlier by Harrison *et al* (ibid. p.5).

TABLE 8: TREND AND DISTRIBUTION OF TURKEY'S FOREIGN TRADE
US\$ millions, monthly averages

Imports	1990	1991	1992	1993	1994	1995	1996
OECD Countries	14896	14741	15995	21022	15839	24403	29189
% of total	66.8	70.0	69.9	71.4	68.1	68.3	68.7
Of which:							
EU%	44.5	47.0	46.6	47.1	46.9	47.2	52.6
Rest of OECD %	22.3	23.0	23.3	24.3	21.2	21.1	16.1
Rest of the World	7406	6306	6876	8407	7432	11305	13275
% of total	33.2	30.0	30.1	28.6	31.9	31.7	31.3
Of which							
Centre & East Europe %	7	8	8	2	2	3	2
MENA%	16	14	14	11	14	11	11
Others	9.5	8.2	7.6	15.4	16.1	18.3	18.5
Totals	22302	21047	22871	29429	23271	35708	42464
Exports							
OECD Countries	9067	9269	9761	9504	11283	13827	13990
% of total	70.0	68.2	66.3	61.9	62.3	64.0	60.6
Of which:							
EU%	55.5	54.0	53.9	49.5	48.0	51.3	49.8
Rest of OECD%	14.5	14.1	12.4	12.4	14.3	12.7	10.9
Rest of the World	3890	4324	4954	5845	6823	7771	9092
% of total	30.0	31.8	33.7	38.1	37.7	36.0	39.4
Of which							
Centre & E. Europe %	5	6	7	2	2	3	4
MENA%	19	20	19	18	17	15	17
Others %	6	6	8	18	19	18	19
Exports Total	12957	13593	14715	15349	18106	21598	23082
Trade Balance (+/-)	-9345	-7454	-8156	-14080	-5165	-14110	-19382
EX/IM Coverage Ratio	58.1	64.6	64.3	52.2	77.8	60.5	54.4

Source: OECD Economic Surveys - Turkey 1997.

TABLE 9: TURKEY'S TC EXTERNAL TRADE COMPARED WITH TURKEY'S MANUFACTURING AND TOTAL EXTERNAL TRADE

(Values in US\$ millions, percentages and average annual growth rates)

Turkey's TC Foreign Trade	1991	1992	1993	1994	1995	1996	1997	Growth*
TC imports	447.8	594.7	902.9	1023.9	1664.2	2076.8	2316.9	26.5
TC exports	4759.0	5645.3	5808.0	6619.2	8476.4	8648.2	9893.6	11.0
TC trade balance (surplus)	4311.2	5050.6	4905.1	5595.3	6812.2	6571.4	7576.8	8.4
TC foreign trade value	5206.8	6240.0	6710.9	7643.1	10140.6	10724.9	12210.5	12.9
TC trade shares in manufacturing trade %	18.8	20.2	17.9	22.1	20.8	18.9	19.1	<i>19.7**</i>
TC trade shares in total trade %	15.0	16.6	15.0	18.5	17.7	16.0	16.3	<i>16.4**</i>
Turkey's Manufacturing Trade								
Trade balance (deficit)	-6354.7	-6311.4	-11915.3	-3513.3	-10617.0	-15980.5	-17839.2	15.9
Total manufacturing foreign trade value	27726.4	30883.9	37503.1	34549.0	48795.6	56696.8	64071.1	12.7
Share in total trade %	80.0	82.2	83.8	83.5	85.1	84.8	85.5	83.6**
Turkey's Total Trade								
Trade balance (deficit)	-7453.6	-8156.4	-14083.3	-5164.1	-14072.0	-20402.2	-22410.5	17.0
Total foreign trade value	34640.5	37585.7	44773.4	41375.9	57346.1	66851.2	74901.5	11.6

Data source: SIS Monthly Statistics Reports.

* Average annual growth rate (%).

** Simple averages.

Since the nineties, Turkey's TC volume and balance of trade have been rapidly improving. During 1991-1997, Turkey's TC trade volume increased by 13 per cent – from \$5206.8m to \$12210.5m -- and its trade surplus rose by 8.4 per cent – from \$4311.2 to \$7576.8m. This progress was realised despite the decline in Turkey's foreign trade in general, and in its manufacturing foreign trade in particular.

The shares of TC in manufacturing and total trade were sustained during the 1990s. In contrast to manufacturing, TC trade balance continued to be in surplus, which makes the sector a net source of foreign currency.

4.4. International competitiveness: A cross -country analysis

4.4.1. Appraisal of value added in textiles and wearing apparels

Table 10 (A & B) ranks – in descending order – the value added in textiles (**T**) and wearing apparel (**WA**) industries in selected leading producing countries by comparing two measures of the value added. The ranking is carried first by the rate of growth of value added generated per employee in each country; and the second compares the current dollar value added produced per employee in the different countries. According to the first criterion – Growth of VA/Worker – VA in Turkey's **T** sector grew by 6.6 per cent during the period 1980-91, second only to Hong Kong in the sample of countries included. In 1985-93, Turkey's position and record of the same measure declined to only 3 per cent. In **WA** Turkey's figured moderately in the second period with again a 3 per cent rise, but no record was available in the first period.

Considering the second criterion – the present dollar value added per employee – it is Western countries that topped the list. They were headed by Germany with 59 dollar worth of VA/Employee in both periods, followed by Japan, Canada, the US, etc. During the early nineties, Average VA/Employee in current dollar value – in both **T** & **WA** – for Western countries was close to \$39,000, while that of the remaining developing country producers was just above \$14,000. With \$20,000 worth of value added per employee, Turkey's average record during the period was mid-way between the two averages. Therefore, Turkey needs to raise its rate of value added per employee growth in order to match the standards generated in the western countries.

TABLE 10: A CROSS-COUNTRY ANALYSIS OF VALUE ADDED

A. The Textiles Industry ISIC-321: Value added Per Employee.							
Real Annual Growth Rate (%)				Current 1000 US dollar			
Country	1980-91	Country	1985-93	Country	1991	Country	1993
H.Kong	7.7	H.Kong	9.3	Germany	59	Germany	59
Turkey	6.6	Malaysia	7.4	Japan	52.4	Japan	56.3
Korea	5.9	Taiwan	6.9	Canada	45.6	USA	51.6
Taiwan	5	Brazil	4.4	Italy	45.1	Canada	46.5
Spain	4.7	Korea	4	USA	44.7	UK	36.1
India	4	India	3.9	France	41.2	France	35.6
Colombia	3.9	Spain	3.6	UK	36.1	Korea	34.7
UK	3.6	Indonesia	3.3	Spain	31.2	Spain	34.2
Canada	3.5	Turkey	3	Argentina	30.4	Greece	26.2
USA	3.1	Canada	3	Greece	26.2	Argentina	23.9
Italy	3	USA	2.7	Korea	25.6	Taiwan	23.3
Egypt	2.9	Greece	2.5	Taiwan	24.2	Turkey	22.7
Argentina	2.7	France	1.6	Brazil	21.8	Brazil	21.9
Germany	2.3	Germany	1.3	Turkey	19.7	H.Kong	20.8
Greece	2.1	Colombia	-0.2	Mexico	18.4	Peru	14.1
France	1.3	Japan	-0.9	H.Kong	18.2	Malaysia	11.2
Indonesia	0.7	UK	-1	Colombia	12.9	Colombia	11.2
Japan	0.6	Morocco	-1.4	Egypt	8	Iran	7.1
Brazil	0.5	Peru	-1.9	Thailand	7.3	Morocco	6.3
Morocco	-0.4	Thailand		Morocco	5.4	Indonesia	6.1
Peru		Italy		Indonesia	3	Egypt	2
Malaysia		Mexico	..	India	2.3	India	1.6
Thailand	..	Iran	..	Peru		Thailand	
Mexico	..	Egypt	..	Malaysia		Italy	
Iran	..	Argentina	..	Iran	..	Mexico	..
B. ISIC-322 Wearing Apparel Industry: Value Added Per Employee							
H.Kong	6.5	H.Kong	14	Germany	48.6	Germany	48.6
Belgium	5.3	Malaysia	7.4	France	47.5	France	46.7
Korea	4.9	Belgium	7.1	Italy	36.3	USA	39.3
UK	4.1	Taiwan	6.9	USA	33.3	Japan	33.6
USA	3.5	Canada	5.2	Belgium	32.8	Spain	30.6
Taiwan	2.1	India	3.9	Canada	31.2	Belgium	29.7
France	1	USA	3	Japan	30.6	Canada	29.6
Germany	0.7	UK	3	Spain	27.8	Korea	27.2
Canada	0.7	Turkey	3	UK	27.1	UK	27.1
Italy	0.1	Greece	2.5	Taiwan	25.9	Greece	26.2
Japan	-1.9	Korea	2.4	Mexico	25.8	Taiwan	23.3
Greece	-2.8	Germany	0.1	Korea	18.9	Turkey	22.7
Turkey	..	France	-1	Greece	15.8	Argentina	21.6

Spain	..	Morocco	-1.4	Argentina	15.1	H.Kong	15.9
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TABLE 10: A CROSS-COUNTRY ANALYSIS OF VALUE ADDED (cont'd)

Philipp.	..	Japan	-2.7	Turkey	15	Malaysia	11.2
Morocco	..	Italy W3	..	H.Kong	12.6	Morocco	6.3
Mexico	..	Spain	..	Brazil	11.1	Philipp.	4.7
Malaysia	..	Brazil	..	Malaysia	4.4	India	1.6
India	..	Argentina	..	Morocco	3.2	Italy	..
Brazil	..	Mexico	..	Philipp.	3	Mexico	..
Argentina	..	Philipp.	..	India	2.8	Brazil	..

Source: UNIDO, International Industrial Statistics Yearbook 1995 & 1997.

4.4.2. Worldwide appraisal of per employee wages in T & WA Industries

Using a similar methodology, Table 11 (A & B) contrasts growth and levels of per employee wage in a comparable group of countries. Here again, DCs occupy the primary rates of growth in per unit wages, while developed Western countries are the ones that transfer higher absolute rates of current dollar worth of value added as wages. This is, of course, consistent with the reality that higher current dollars worth of value added have been generated in these countries. Real Annual Growth of per employee wage in the Turkish **T** sector overall was rapid, and higher than that of most of its competitors. Per employee current dollar worth of value added in Turkey was lower than in all Western countries including Greece. Among developing country producers, Hong Kong, Taiwan, Korea and Argentina also had wage levels comparable to those in the West and thus higher than Turkey's level. This may constitute an early indication as to the relative competitiveness of Turkey's wage market.

TABLE 11: WAGE PER EMPLOYEE: A CROSS-COUNTRY APPRAISAL

A: Textiles Industry ISIC 321							
Real Annual Growth Rate %				Value (Current 1000 dollar)			
Country	1980-91	Country	1985-93	Country	1991	Country	1993
Korea	7.7	Korea	9.4	Germany	27.2	Germany	27.2
Taiwan	7.6	Taiwan	7.1	Japan	23.2	Japan	26.9
Turkey	4.8	Malaysia	3.5	Canada	22.7	Canada	22.4
Indonesia	4.5	H.Kong	3.5	USA	18.9	USA	21.3
H.Kong	4.4	UK	2.7	UK	18.7	UK	18.7
UK	2.3	Indonesia	2.7	Spain	15.3	Spain	17.1
India	1.9	Spain	2.3	Taiwan	11.8	H.Kong	12.8
Germany	1.5	Germany	2.3	Greece	11.4	Taiwan	11.9
Japan	1.4	Japan	1.2	H.Kong	10.6	Korea	11.7

Greece	0.7	India	0.8	Korea	9	Greece	11.4
Spain	0.6	Canada	0.3	Turkey	6.8	Argentina	10.9

TABLE 11: WAGE PER EMPLOYEE: A CROSS-COUNTRY APPRAISAL
(cont'd)

Colombia	0.4	USA	0.2	Argentina	5.8	Turkey	6.3
USA	0.1	Colombia	-0.1	Mexico	4.7	Mexico	5.6
Canada	0.1	Brazil	-0.6	Brazil	4	Brazil	4.3
Morocco	-0.3	Morocco	-1	Morocco	2.8	Iran	4.2
Peru		Greece	-1.1	Egypt	2.7	Peru	3.8
Malaysia		Thailand		Colombia	2.2	Malaysia	3.7
Thailand	..	Italy		Thailand	1.9	Morocco	3.2
Mexico	..	Turkey	..	India	1.2	Colombia	2.3
Italy	..	Peru	..	Indonesia	0.6	Egypt	1.1
Iran	..	Mexico	..	Peru		India	1
France	..	Iran	..	Malaysia		Indonesia	0.8
Egypt	..	France	..	Italy	..	Thailand	
Brazil	..	Egypt	..	Iran	..	Italy	
Argentina	..	Argentina	..	France	..	France	..
B. Wearing Apparel ISIC-321							
Korea	8.1	Korea	9.6	Germany	21.9	Germany	21.9
Taiwan	6.3	Taiwan	7.1	Canada	17	Japan	18.6
Philipp.	5.4	Philipp.	6.1	Japan	16.3	Canada	15.9
Morocco	4.1	Malaysia	3.5	UK	14.1	USA	15.4
Turkey	3	Germany	2.6	Belgium	14	Spain	14.4
H.Kong	2.6	H.Kong	2.5	USA	13.9	UK	14.1
UK	1.9	UK	2.3	Spain	12.8	Belgium	14
Germany	1.7	Spain	1.7	H.Kong	8.7	Taiwan	11.9
Japan	1.2	Belgium	1.6	Taiwan	8.3	Greece	11.4
Greece	1.2	Japan	1.5	Greece	7.9	Korea	10.4
Belgium	1	India	0.8	Korea	7.6	H.Kong	10.2
India	0.7	Canada	0.4	Argentina	4.2	Argentina	8
Spain	0.5	USA	0.1	Mexico	3.9	Turkey	6.3
USA	0.1	Morocco	-1	Turkey	3.6	Mexico	5.6
Canada	-0.8	Greece	-1.1	Brazil	2.6	Malaysia	3.7
Mexico	..	Turkey	..	Malaysia	2.3	Morocco	3.2
Malaysia	..	Mexico	..	Morocco	2.1	Philipp.	1.9
Italy	..	Italy	..	Philipp.	1.5	India	1
France	..	France	..	India	0.7	Italy	..
Brazil	..	Brazil	..	Italy	..	France	..
Argentina	..	Argentina	..	France	..	Brazil	..

Source: UNIDO, International Industrial Statistics Yearbook 1995 & 1997.

However, taking the current dollar wage as a comparative standard would be rather misleading as nominal dollar values differ markedly between countries.

TABLE 12: REAL WAGE PARITY AMONG WORLD LEADING PRODUCERS OF TEXTILES & WEARING APPAREL (WA)
Ratio of *Wage Per Employee to Value Added Per Employee* RWR (%)

	Country	1991		Country	1993
A. Textiles (T) – RWRs^T					
1	H.Kong	58.2	1	India	62.5
2	India	52.2	2	H.Kong	61.5
3	Morocco	51.9	3	Iran	59.2
4	UK	51.8	4	Egypt	55.0
5	Canada	49.8	5	UK	51.8
6	Spain	49.0	6	Taiwan	51.1
7	Taiwan	48.8	7	Morocco	50.8
8	Germany	46.1	8	Spain	50.0
9	Japan	44.3	9	Canada	48.2
10	Greece	43.5	10	Japan	47.8
11	USA	42.3	11	Germany	46.1
12	Korea	35.2	12	Argentina	45.6
13	Turkey	34.5	13	Greece	43.5
14	Egypt	33.8	14	USA	41.3
15	Thailand	26.0	15	Korea	33.7
16	Mexico	25.5	16	Malaysia	33.0
17	Indonesia	20.0	17	Colombia	28.6
18	Argentina	19.1	18	Turkey	27.8
19	Brazil	18.3	19	Peru	27.0
20	Colombia	17.1	20	Brazil	19.6
B. Wearing apparels (WA) - RWRs^{WA}					
1	H.Kong	69.0	1	H.Kong	64.2
2	Morocco	65.6	2	India	62.5
3	Canada	54.5	3	Japan	55.4
4	Japan	53.3	4	Canada	53.7
5	Malaysia	52.3	5	UK	52.0
6	UK	52.0	6	Taiwan	51.1
7	Taiwan	51.9	7	Morocco	50.8
8	Philipp.	50.0	8	Belgium	47.1
9	Greece	50.0	9	Spain	47.1
10	Spain	46.0	10	Germany	45.1
11	Germany	45.1	11	Greece	43.5
12	Belgium	42.7	12	Philipp.	40.4
13	USA	41.7	13	USA	39.2
14	Korea	40.2	14	Korea	38.2
15	Argentina	27.8	15	Argentina	37.0
16	India	25.0	16	Malaysia	33.0
17	Turkey	24.0	17	Turkey	27.8
18	Brazil	23.4	18	Mexico	..
19	Mexico	15.1	19	Brazil	..

Source: Calculated from UNIDO data in Tables 10 and 11.

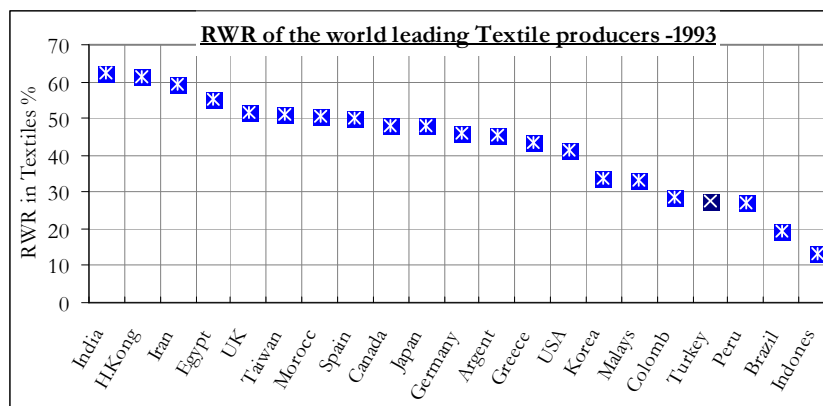
In the absence of universal wage indices for textiles to compare the level of the Turkish wage with, we calculated a relative wage parity ratio (RWR) which is then used as a guide to wage competitiveness among different countries. The RWR is obtained by calculating the ratio between the Wage Per Employee in each country to the Value Added generated per employee in that country. We then compared the RWRs calculated for the different countries. A low RWR indicates a relative labour cost advantage and vice versa. The results of the exercise are listed in Table 12.

The results of the exercise turned out to be significant and rather interesting. From them, the following inferences may be drawn:

- Notwithstanding the large dispersion in current dollar value and rates of wage growth among such countries as India, Hong Kong, Morocco, Iran, Taiwan, the UK and Egypt – their RWR ratios turned out to be comparable.
- Low current dollar wage values do not necessarily translate into low-wage cost advantage. India’s seemingly superior wage advantage disappeared entirely in relative wage calculations. Perhaps it is India’s relatively high material costs coupled with low efficiency, evident in its low record of value added per employee, which have created this situation.

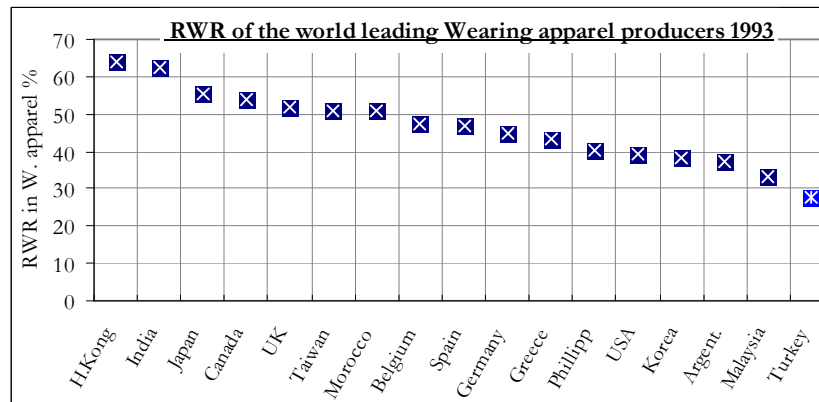
From the RWR^T index–Table 12, and Graphs 3 and 4– we notice that Turkey’s records in both TC industries were competitive and growing. First in the T sector Turkey’s RWR^T was 34.5 per cent in 1991 and increased to 27.8 per cent in 1993. In 1991, 60 per cent (12 of 20) of main producers of textiles had RWR^T higher than that of Turkey. By 1993, 18 of the 22 leading producing countries, 81.8 per cent, had RWR^T higher than Turkey’s.

GRAPH 3 RWRs^T 1993



Turkey's relative advantage is clear. It is even more noticeable in the **WA** case. Turkey's $RWRs^{WA}$ were 24.0 and 27.8 per cent in 1991 and 1993, respectively, which are superior to its $RWRs^T$ ratios. Moreover, 84 per cent of the leading **WA** producers had $RWRs^{WA}$ inferior to Turkey's ratio. In 1993, that proportion increased to 89.5 per cent (Graph 4).

GRAPH 4 $RWRs^{WA}$



Turkey spends a relatively higher proportion of its overall output value on labour. This is particularly true in the **T** sector where close to 30 per cent of Turkey's output value is spent on labour (Table 13). The same cannot be said about the **WA** industry where the share of labour inputs as a percentage of output value is about one third that of textiles. **WA** is a relatively recent industry in Turkey. It is more labour-intensive in nature. And it is for the most part privately owned. As a new industry, it escaped some of the historical institutional problems of the **T** sector. Second, its structure allows for small-scale enterprises, which suits private holdings. Private sector entrepreneurs are often particularly heedful of problem areas and costs. Third, though the **WA** industry is more labour-intensive, it requires less skills and thus less labour costs. In addition, entrepreneurs tend to employ from the fringes of the labour market particularly women and student groups. These factors together may have contributed to the negative effect on wages in this sector.

These important and clear observations show the relative strength of Turkey's wage competitiveness in relation to its main current and potential competitors in the world. Naturally, a relative wage cost advantage is a necessary but not a sufficient condition to ensure competitiveness strength. Accordingly, we will consider in the remaining part of the chapter the role of other elements, such as the cost of capital, on Turkey's **TC** competitiveness.

TABLE 13: ANALYSIS OF LABOUR COSTS AMONG LEADING TEXTILE (T) & WEARING APPAREL (WA) WORLD PRODUCERS

A. Textiles – ISIC321									
COSTS OF LABOUR INPUT (AS A PERCENTAGE OF OUTPUT VALUE)									
Country	1980	Country	1985	Country	1990	Country	1991	Country	1993
Colombia	37	Argentina	47.8	Brazil	45.3	Brazil	36.7	Brazil	45.5
Argent	36.5	Brazil	38.7	Colombia	43.2	Colombia	35.4	Colombia	34.5
Brazil	31.3	Colombia	37.8	Peru	38.4	Iran	35.1	Indonesia	33.6
Mexico	30.2	Mexico	33.5	Iran	35.1	Mexico	33.6	Turkey	30.1
Turkey	29.6	Peru	33	Mexico	31.6	Argentina.	29.1	Korea	29.9
Italy	25.8	Turkey	25.6	Turkey	29.6	Turkey	28.2	Peru	26.6
Spain	23.4	Korea	25.6	Argentina	29.1	Thailand	28.2	USA	25.4
Korea	22.8	Indonesia.	23.3	Indonesia	25.6	Korea	28.1	Germany	24.1
Japan	22.7	Japan	22.2	Japan	23.8	Egypt	26.1	Japan	23
Greece	22.3	Germany	21.9	USA	23.5	USA	24.3	Canada	22.7
Indonesia.	22.1	Spain	21.7	Korea	23.2	Japan	24.2	UK	22.5
USA	21	Greece	21.2	Germany	23.2	Germany	24.1	Morocco	22
Canada	19.7	USA	21	UK	21.8	Indonesia	23.8	Malaysia	22
UK	16.8	Canada	20.2	Spain	20.8	UK	22.5	Greece	22
Taiwan	15.4	UK	19.8	Canada	19.9	Greece	22	Argentina	19.1
Iran	15.4	Italy	19.6	Malaysia	18.7	Canada	21.9	Taiwan	18.9
Egypt	14.1	Iran	18.3	Greece	18.3	Taiwan	20.5	Spain	18.5
H.Kong	14	Taiwan	16.5	Morocco	16.6	Spain	19.4	Iran	16.6
Germany	13.2	Malaysia	14.4	Taiwan	14.6	Morocco	14.5	Egypt	11
Morocco	11.1	Morocco	13.3	Egypt	12.8	Italy	11.8	H.Kong	10.4
India	9.5	France	10.5	France	12.6	H.Kong	10.9	India	6.5
France	8.8	H.Kong	10.2	H.Kong	11.1	India	9.8	Thailand	
Thailand		Egypt	8	India	9.8	Peru		Mexico	
Peru		India	5.9	Thailand		Malaysia		Italy	
Malaysia		Thailand		Italy		France		France	
B. ISIC-322 (W.Apparel)									
Country	1980	Country	1985	Country	1990	Country	1991	Country	1993
France	34.9	Philipp.	34.4	France	30.2	Japan	28.6	Japan	30.1
Canada	28.1	France	31.9	Japan	28	UK	26.8	UK	26.8
UK	27.7	Canada	27.3	UK	26.3	Canada	25.5	Canada	24.7
USA	25.5	Japan	27.1	Canada	25.8	Philipp.	24.7	USA	20.5
Japan	24.9	UK	25.7	USA	22.8	Morocco	23.7	Taiwan	19.9
Germany	24.8	H.Kong	25.1	H.Kong	20.9	Greece	22.7	Spain	19.1
Belgium	23.5	Greece	24.9	Korea	19.1	USA	22.2	Korea	18.8
Spain	21.6	USA	22.6	Spain	19	Italy	21.1	Germany	18.3
H.Kong	21.6	Belgium	21.9	Germany	18.5	H.Kong	19.9	H.Kong	17.9
Greece	21.2	Germany	21.6	Taiwan	18	Korea	19.2	Morocco	17.7
Morocco	20.4	Spain	20.2	Greece	16.7	Spain	18.7	Mexico	17.4
Philipp.	19.8	Malaysia	19.4	Belgium	16.1	Germany	18.3	Greece	16.9
Italy	18.8	Korea	19.2	Mexico	15.4	Malaysia	15.9	Belgium	16.2
Korea	15.1	Morocco	16.6	Morocco	14.1	Belgium	14.9	Argentina	13.5
Colombia	14.7	Italy	16.4	Philipp.	12.6	Colombia	11.6	Philipp.	13.3
Taiwan	12.2	Colombia	15.3	Turkey	11.3	Taiwan	10.4	Sri Lanka	12.9
Brazil	11.4	Mexico	14.7	Sri Lanka	11.1	Brazil	10	Turkey	11.6
Turkey	10.7	Sri Lanka	14.1	India	10.4	Argentina	9.7	Malaysia	11
India	7.6	Argentina.	12.9	Argentina	9.7	Turkey	7.9	India	9.7
Argentina	6.5	Brazil	10.1	Malaysia	9.5	India	5.8	Italy	..
Sri Lanka	..	Taiwan	8.5	Italy	..	Sri Lanka	..	France	..
Mexico	..	Turkey	7	Colombia	..	Mexico	..	Colombia	..
Malaysia	..	India	6.7	Brazil	..	France	..	Brazil	..

Source: UNIDO, International Industrial Statistics Yearbook 1995 & 1997.

TABLE 14: PRODUCTION COSTS ANALYSIS AMONG LEADING TEXTILES & WEARING APPAREL WORLD PRODUCERS

A. ISIC-321 (Textiles)									
COSTS OF INPUT MATERIAL AND OTHER UTILITIES (CAPITAL)									
Country	1980	Country	1985	Country	1990	Country	1991	Country	1993
India	75.9	India	81.1	India	79.7	India	79.7	India	83.8
Morocco	74.1	Morocco	74.1	Egypt	74.2	H.Kong	73.9	Egypt	74.2
Taiwan	73.3	H.Kong	74.1	Morocco	72.6	Indonesia	70.4	H.Kong	73.2
H.Kong	70.9	Malaysia	71.9	H.Kong	72.6	Morocco	70	Malaysia	67
Indonesia	68.7	Taiwan	68.4	Indonesia	69.5	Italy	67	France	66.1
Korea	64.7	Indonesia	68	Taiwan	67.4	Argentina	63.9	Morocco	65.6
Germany	63.5	Egypt	67.5	Greece	65.1	France	63.8	Argentina	64.9
Egypt	63.5	Italy	67.2	France	63.9	Spain	62.1	Peru	63.5
France	63.3	France	64.7	Argentina	63.9	Greece	61.1	Spain	62.9
Greece	62.5	Turkey	64.2	Korea	61.4	Egypt	60.8	Indonesia	61.4
Japan	61.1	Greece	63.1	Spain	60.6	Taiwan	60.5	Taiwan	61.2
UK	59.8	Korea	62.2	Turkey	59.2	Colombia	57.4	Greece	61.1
USA	59.5	Spain	61.4	USA	58.6	Turkey	56.9	Iran	58.7
Brazil	59.4	Japan	60.6	Canada	58.6	USA	56.8	Turkey	58.3
Canada	58.6	Peru	60.2	Japan	57.7	Korea	56.8	USA	57.9
Spain	58.4	USA	60	Germany	57.1	Japan	56.5	Colombia	56.6
Italy	57.3	UK	59.6	UK	55.2	Canada	56.5	Canada	56.2
Turkey	55.2	Canada	58.2	Mexico	53	Germany	55.3	Japan	56
Argentina	54.5	Germany	58	Peru	51.6	Brazil	55.1	Germany	55.3
Mexico	54.4	Mexico	55	Colombia	49.8	Mexico	55	Korea	54.8
Colombia	52.1	Brazil	54.1	Iran	45.6	UK	53.3	UK	53.3
Iran	48.8	Colombia	52.8	Brazil	45.2	Iran	45.6	Brazil	43.4
Peru		Iran	48.1	Malaysia		Peru		Mexico	
Malaysia		Argentina	40.6	Italy		Malaysia		Italy	
B. ISIC-322 (Wearing Apparel)									
Country	1980	Country	1985	Country	1990	Country	1991	Country	1993
India	85.9	India	85.4	India	79.7	India	77.7	India	83.8
Morocco	71.0	Taiwan	81.9	Morocco	72.6	H.Kong	71.0	H.Kong	72
Taiwan	69.6	Morocco	72.6	Malaysia	71.8	Malaysia	69.5	Philipp.	67.6
Turkey	69.5	Turkey	72.3	H.Kong	70.2	Italy	68.1	Malaysia	67
H.Kong	64.5	H.Kong	67.4	Taiwan	67.4	Taiwan	67.5	Belgium	65.7
Korea	62.3	Malaysia	66.5	Belgium	66.1	Turkey	67.4	Morocco	65.6
Belgium	61.7	Italy	65.9	Philipp.	65.5	Belgium	66.1	Argentina	63.5
Argentina	59.6	Belgium	63.2	Argentina	65.4	Argentina	65.4	Taiwan	61.2
Philipp.	55.9	Philipp.	59.6	Greece	65.1	Morocco	63.8	Greece	61.1
Italy	55.8	Korea	58.8	Turkey	59.2	Spain	59.3	Spain	59.3
Greece	55.7	Germany	57.9	Germany	59.2	Germany	59.3	Germany	59.3
Colombia	55.3	France	57.7	Spain	59.1	Colombia	58.5	Sri Lanka	58.8
Spain	54.4	Spain	57.4	France	57.4	Brazil	56.8	Turkey	58.3
France	53.1	Mexico	55.7	Korea	56.6	France	55.5	Canada	54
UK	51.7	Colombia	55.4	Sri Lanka	56.2	Greece	54.8	France	53.2
Canada	51.7	Greece	53.6	Mexico	53.0	Canada	53.0	Korea	50.7
Germany	51.3	UK	51.6	Canada	52.6	Korea	52.1	UK	48.5
Japan	50.7	Canada	51.4	UK	48.3	Philipp.	50.6	USA	47.9
Brazil	49.4	USA	49.3	Japan	47.2	UK	48.5	Japan	45.7
USA	47.5	Japan	49.2	USA	46.3	USA	46.8	Colombia	..
Sri Lanka	..	Brazil	49.1	Colombia	..	Japan	46.1	Mexico	..
Mexico	..	Argentina	45.5	Italy	..	Sri Lanka	..	Italy	..
Malaysia	..	Sri Lanka	..	Brazil	..	Mexico	..	Brazil	..

Source: UNIDO, International Industrial Statistics Yearbook 1995 & 1997.

TABLE 15: ANALYSIS OF OPERATING SURPLUS MARGINS AMONG TEXTILES & W. APPAREL WORLD LEADING PRODUCERS

As Percentage of Value Added

A. ISIC-321 (Textiles)									
Country	1980	Country	1985	Country	1990	Country	1991	Country	1993
Colombia	37	Argentina	47.8	Brazil	45.3	Brazil	36.7	Brazil	45.5
Argentina	36.5	Brazil	38.7	Colombia	43.2	Colombia	35.4	Colombia	34.5
Brazil	31.3	Colombia	37.8	Peru	38.4	Iran	35.1	Indonesia	33.6
Mexico	30.2	Mexico	33.5	Iran	35.1	Mexico	33.6	Turkey	30.1
Turkey	29.6	Peru	33	Mexico	31.6	Argentina	29.1	Korea	29.9
Italy	25.8	Turkey	25.6	Turkey	29.6	Turkey	28.2	Peru	26.6
Spain	23.4	Korea	25.6	Argentina	29.1	Korea	28.1	USA	25.4
Korea	22.8	Indonesia	23.3	Indonesia	25.6	Egypt	26.1	Germany	24.1
Japan	22.7	Japan	22.2	Japan	23.8	USA	24.3	Japan	23
Greece	22.3	Germany	21.9	USA	23.5	Japan	24.2	Canada	22.7
Indonesia.	22.1	Spain	21.7	Korea	23.2	Germany	24.1	UK	22.5
USA	21	Greece	21.2	Germany	23.2	Indonesia	23.8	Morocco	22
Canada	19.7	USA	21	UK	21.8	UK	22.5	Malaysia	22
UK	16.8	Canada	20.2	Spain	20.8	Greece	22	Greece	22
Taiwan	15.4	UK	19.8	Canada	19.9	Canada	21.9	Argentina	19.1
Iran	15.4	Italy	19.6	Malaysia	18.7	Taiwan	20.5	Taiwan	18.9
Egypt	14.1	Iran	18.3	Greece	18.3	Spain	19.4	Spain	18.5
H.Kong	14	Taiwan	16.5	Morocco	16.6	Morocco	14.5	Iran	16.6
Germany	13.2	Malaysia	14.4	Taiwan	14.6	Italy	11.8	Egypt	11
Morocco	11.1	Morocco	13.3	Egypt	12.8	H.Kong	10.9	H.Kong	10.4
India	9.5	France	10.5	France	12.6	India	9.8	India	6.5
France	8.8	H.Kong	10.2	H.Kong	11.1	Peru	NA	Mexico	NA
Peru	NA	Egypt	8	India	9.8	Malaysia	NA	Italy	NA
Malaysia	NA	India	5.9	Italy	NA	France	NA	France	NA
B. Wearing. Apparel (WA) - ISIC-322									
Country	1980	Country	1985	Country	1990	Country	1991	Country	1993
Brazil	39.2	Argentina	41.8	Sri Lanka	32.7	Brazil	33.1	USA	31.7
Argentina	33.9	Brazil	40.8	Mexico	31.6	USA	31	Korea	30.5
Colombia	30	Mexico	29.6	USA	30.9	Colombia	29.9	Turkey	30.1
USA	26.9	Colombia	29.3	Turkey	29.6	Korea	28.7	Sri Lanka	28.4
Italy	25.4	USA	28.1	UK	25.4	Venezuela	27.5	UK	24.8
Japan	24.4	Japan	23.8	Argentina	25	Japan	25.3	Japan	24.1
Philipp.	24.3	UK	22.7	Japan	24.9	Argentina	25	Argentina	23
Spain	24.1	Spain	22	Korea	24.3	UK	24.8	Germany	22.4
Germany	24	Korea	22	Germany	22.2	Turkey	24.8	Malaysia	22
Greece	23.1	Greece	21.5	Spain	21.9	Philipp.	24.6	Greece	22
Korea	22.7	Canada	21.3	Philipp.	21.9	Greece	22.5	Spain	21.5
UK	20.6	Turkey	20.7	Canada	21.6	Germany	22.4	Canada	21.2
Canada	20.2	Germany	20.6	Malaysia	18.7	Taiwan	22.1	Philipp.	19.1
Turkey	19.8	Venezuela	20.5	Greece	18.3	Spain	21.9	Taiwan	18.9
Taiwan	18.3	Italy	17.7	Belgium	17.9	Canada	21.4	Belgium	18.1
Venezu.	15.7	Belgium	14.8	Taiwan	14.6	Belgium	19.4	Morocco	16.6
Belgium	14.7	Malaysia	14.1	Tunisia	14	India	16.5	Tunisia	14.4
H.Kong	13.9	Morocco	10.8	Morocco	13.3	Malaysia	14.6	H.Kong	10.1
France	11.9	France	10.4	France	12.5	Morocco	12.6	India	6.5
Morocco	8.6	Taiwan	9.6	India	9.8	Italy	10.8	Venezu.	NA
India	6.5	India	7.9	H.Kong	8.9	H.Kong	9.1	Mexico	NA
Tunisia	NA	H.Kong	7.4	Venezue	NA	Tunisia	NA	Italy	NA
Sri Lanka	NA	Philipp.	6	Italy	NA	Sri Lanka	NA	France	NA
Mexico	NA	Tunisia	NA	Colombia	NA	Mexico	NA	Colombia	NA
Malaysia	NA	Sri Lanka	NA	Brazil	NA	France	NA	Brazil	NA

Source: UNIDO, International Industrial Statistics Yearbook 1995 & 1997.

To test the role of other elements, the paper makes a cross-country comparison of relative material costs. A ranking of leading producers of Textiles and Wearing Apparel by costs of capital is listed in Tables 14 A and 14 B, respectively. The list includes data for the years 1980, 85, 90, 91 and 1993. The exercise revealed that, compared to most DCs, Turkey also has a relatively strong capital cost advantage. Generally, DCs have the highest capital costs over the five years, with India topping the list throughout followed by six other DCs, namely Morocco, Hong Kong, Taiwan, Indonesia, Korea and Egypt. Turkey's capital cost is cheaper than most of its rival DCs. Its capital cost structure is more comparable to those of Western countries, particularly in the latter years. On average, Turkey spends around 59 and 65 per cent of the value added in Textiles and **WA**, respectively, on capital. Such rates are comparable to those in Western countries.

Turkey's relative wage and material cost advantages are translated into healthy surplus margins in both industries – 30 and 25 per cent of the generated value added. With such rates, Turkey surpasses almost all its competitors. Only a handful of DC producers – mainly from South America – have surplus margins superior to those of Turkey (Table 15).

5. CONCLUDING REMARKS

5.1. On the global scene

The world economy still wavers between full multilateralism, represented by the WTO system, and new regionalism. This may very well be the root cause of the perplexity in international relations and in global trade in particular. In the paper we have shown mixed evidence in support of both.

We established that the recent trade developments have had a significant effect on the global economy as openness and international competition increased.

In the specific case of the TC, although the integration of the industry into the WTO is already underway, we have shown that the impacts of that on the economic realities of the sector are yet meagre. Over-optimistic expectations and loopholes in the new system, together with what is left from the last system are all contributing to this poor showing. As current practices continue, extensive restrictions would still remain making the new system qualitatively similar to the previous one.

5.2. On the Turkish scene

These global developments had a profound impact on the structure and the performance of the Turkish economy in general, but their impact on the Turkish TC sector was mixed.

While Turkey's TC sector has not suffered as much as other TC exporting countries from the MFA flaws due to its special relationship with Europe, it is not expected to gain much in the way of increased access to Europe *per se*. However, Turkey's TC industry would benefit from increased access to third party economies.

As one of the most important sectors in the Turkish economy, the TC sector has been profoundly restructured during Turkey's reform years. In the paper we have shown evidence of betterment mainly as:

- Higher production and productive efficiency in the industry's overall average but more so in the private than in the public sector.
- Progressive and consistent shift in the structure of ownership in the industry overall in favour of the private sector.
- Capacity utilisation, which is a goal in itself and an indicator of performance, has increased both in absolute and relative terms. Utilisation of available capacity has been improving due to the impact of excellent showing and the increasing predominance of the private sector over the industry.
- Using the contribution to Turkey's external trade as an indicator of performance, we have observed a consistent increase in the share of manufacturing in the country's total trade. Of that rise, TC had the largest share and the largest absolute and relative increase.
- Most of this progress appeared or matured in the mid-nineties, which are the years immediately following the ATC and EU-TR deals. This encourages us to trace most of these impacts to those developments.

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**APPENDIX TABLE 1
TURKEY'S GDP AND PC-GDP INDICATORS FOR THE PERIOD 1980-1997**

Years	1980	1981	1982	1983	1984	1985	1986	1987	1988
GDP in billion TL (At current prices)	5,231	7,901	10,492	13,906	21,997	35,095	51,079	74,722	129,225
Nominal GDP- Annual % change		51.0	32.8	32.5	58.2	59.5	45.5	46.3	72.9
Nominal PC-GDP (In million TL)	117	173	225	291	451	693	987	1412	2390
Nominal PC-GDP annual % change		48	30	30	55	54	42	43	69
GDP (Billion TL-1987 constant prices)	50,296	52,739	54,618	57,333	61,181	63,776	68,248	74,722	76,306
Real GDP- annual % change		4.9	3.6	5.0	6.7	4.2	7.0	9.5	2.1
Real PC-GDP (million TL)	1124	1153	1169	1200	1253	1259	1318	1412	1411
Real PC-GDP Annual % change		2.6	1.3	2.7	4.4	0.4	4.7	7.1	-0.1
Years	1989	1990	1991	1992	1993	1994	1995	1996	1997
GDP in billion TL (At current prices)	227,324	393,060	630,117	1,093,368	1,981,867	3,868,429	7,762,456	14,772,110	29,137,554
Nominal GDP- annual % change	75.9	72.9	60.3	73.5	81.3	95.2	100.7	90.3	97.2
Nominal PC-GDP (In million TL)	4113	6960	10991	18663	33103	63227	123253	229523	442955
Nominal PC-GDP annual % change	72	69	58	70	77	91	95	86	93
GDP (Billion 1987-TL constant prices)	76,498	83,578	84,353	89,401	96,590	91,321	97,888	104,745	112,182
Real GDP- annual % change	0.3	9.3	0.9	6.0	8.0	-5.5	7.2	7.0	7.1
Real PC-GDP (million TL)	1384	1480	1471	1526	1613	1493	1554	1627	1705
Real PC-GDP annual % change	-1.9	6.9	-0.6	3.7	5.7	-7.5	4.1	4.7	4.8

Source: Main Economic Indicators, State Planning Organisation.

**APPENDIX TABLE 2
TEXTILES PRODUCTION**

Cotton Textiles			Wool Textiles		
Years	(000) Metre	Index	Years	(000) Metre	Index
1950	130416	100	1950	5928	100
1960	527106	404	1960	19598	331
1970	610000	468	1970	26500	447
1980	734872	563	1980	46990	793
1983	924080	709	1983	49400	833
1984	940000	721	1984	50100	845
1985	960000	736	1985	52000	877
1986	980000	751	1986	54000	911
1987	1017297	780	1987	54856	925
1988	1035144	794	1988	55925	943
1989	1100000	843	1989	58500	987
1990	1061000	814	1990	60500	1021
1991	1097000	841	1991	62500	1054
1992	1100300	844	1992	64300	1085
1993	1150000	882	1993	65500	1105
1994	1180000	905	1994	66000	1113
1995	1210000	928	1995	69500	1172
1996	1296000	994	1996	68000	1147
1997	1360000	1043	1997	71000	1198
1998 ¹	1393000	1068	1998	72000	1214

Source: SIS Web site. (<http://www.die.gov.tr>) Table 7.16.

(1) ESTIMATE.

APPENDIX TABLE 3
TURKEY'S QUARTERLY INDUSTRIAL PRODUCTION INDICES
1981Q1-1997Q3 (1992=100)

Years	Q	Industry			Mining			Manufacturing			Energy		
		Public	Private	Total	Public	Private	Total	Public	Private	Total	Public	Private	Total
1981	1	49.7	40.2	44.5	45.3	98.1	55.7	57.6	40.2	45.8	na	na	40.1
	2	44.1	44.6	44.5	46.4	94.4	56.3	49.8	44.6	46.1	na	na	34.7
	3	50.2	46.3	48.3	57.5	113.5	68.7	55.8	46.1	49.4	na	na	40.7
	4	55.9	50.5	52.7	56.7	125.7	70.3	66.5	50.3	55.3	na	na	40.4
1982	1	51.9	42.7	46.9	47.9	100.6	58.3	59.2	42.8	48.1	na	na	43.5
	2	50.9	47.3	49	47.3	89.6	56	57	47.5	50.4	na	na	43
	3	55.8	44.6	49.8	50.7	114.1	63.5	65.3	44.3	51.9	na	na	43.5
	4	67.3	54.1	59.7	62	126.1	74.7	82	54.1	63.3	na	na	47.1
1983	1	59.5	45.5	51.8	47.7	96.4	57.3	71.6	45.7	54.1	na	na	45.9
	2	55.5	51.8	53.6	44.2	90.2	53.7	64.9	52.3	56.3	na	na	45
	3	57.7	49.5	53.3	52.9	114.6	65.4	68.5	49.4	56.2	na	na	43.3
	4	68.9	59.9	63.6	58.1	121.6	70.6	84.6	60.2	68.1	na	na	48.7
1984	1	62.8	54.5	58.2	48.4	93.8	57.3	74.8	55.3	61.5	na	na	50.3
	2	59.8	56.9	58.4	45.3	79.8	52.5	70.6	57.9	61.9	na	na	48.2
	3	64.1	54.3	58.8	55.3	121.4	68.6	75.6	54.3	61.9	na	na	49.6
	4	77.9	66.8	71.4	63.8	136.7	78.1	94.7	67.1	75.9	na	na	57.1
1985	1	61.3	55.2	58	54.5	95	62.5	67.5	56.1	59.7	na	na	56
	2	63.6	59.3	61.5	53	86.9	60.1	72.8	60.3	64.3	na	na	53.3
	3	66.4	63.9	65.1	65.3	125.6	77.5	74.8	64.2	67.8	na	na	54.9
	4	80.4	74.3	76.7	73.8	135.6	85.9	94.3	75	80.5	na	na	62
1986	1	64.4	65.9	65.2	61.4	100.9	69.1	72.8	65.1	67.4	52.8	77.6	55
	2	67	70.2	69.1	57.4	93.7	65	76.4	69.5	71.6	54.6	75.3	56.4
	3	74.6	73.1	73.8	73.8	135.9	86.3	83.7	71.7	75.8	60.7	66.9	61.2
	4	87.2	81.7	83.8	82.1	153.2	95.9	103.3	80.2	87.1	62.6	90.4	64.6
1987	1	72.8	70.1	71.3	69.4	111	77.5	81.9	69.3	73.3	60.5	76.3	61.9
	2	75.8	76.7	76.6	59.9	92.1	66.7	88.1	76	79.7	60.8	88.2	63.2
	3	80.9	76.8	78.7	79	132.2	89.7	90.7	75.4	80.6	66.2	75.9	67
	4	101.3	92.6	96.1	86.1	149.1	98.4	123.1	91.3	100.9	70.5	103.1	72.9
1988	1	82.5	80	81.1	64.6	105	72.5	95.3	79.1	84.4	68.8	99.7	71.5
	2	80	77.2	78.7	53.8	91.7	61.7	94.4	76.2	81.9	64.9	96.2	67.6
	3	83.8	76	79.6	77.2	129.7	87.8	92.2	74.9	80.7	72.6	70.7	72.4
	4	93.9	84.4	88.3	80.2	146.9	93.2	108.9	82.7	90.7	73.2	102.4	75.5
1989	1	81.8	75.2	78.2	68.3	105	75.5	91.5	74.4	80	71.8	86.7	73.1
	2	77.7	81.4	80	67.8	88.6	72.2	81.6	81.4	81.4	73.5	74.1	73.5
	3	86.6	85.5	86	89.5	131.8	98	90	84.9	86.7	80.8	65.9	79.5
	4	97.4	94.4	95.3	97.3	157	108.9	106.1	92.8	96.8	82.3	106.4	84.2
1990	1	85.6	87.4	86.7	78.3	97.8	82.1	90.6	87.4	88.6	81.6	85.7	82.1
	2	85.5	87.8	87.1	72.9	76	73.6	91.7	88.2	89.2	78.7	87.9	79.5
	3	93.2	94.1	93.7	100.9	122.7	105.3	94.5	93.9	94.3	89.5	74.7	88.2
	4	106.7	102.8	104.1	113.8	120.1	115	112.6	102.5	105.5	93.8	95.3	94
1991	1	88.4	81.7	84.9	92.9	88.1	92	90	82.1	84.8	86.6	68.8	85.2
	2	88.1	89.6	89.2	88.4	70.8	84.8	91.1	91	91	81.8	57.6	79.8
	3	99.6	99.9	99.8	114	110.4	113.3	99.6	100.5	100.3	96.2	67.7	93.8
	4	109.8	106.8	107.6	120.9	138.3	124.3	115.2	105.7	108.5	96.3	118.7	98

APPENDIX TABLE 3 (cont'd)
TURKEY'S QUARTERLY INDUSTRIAL PRODUCTION INDICES
1981Q1–1997Q3 (1992=100)

Years	Q	Industry			Mining			Manufacturing			Energy		
		Public	Private	Total	Public	Private	Total	Public	Private	Total	Public	Private	Total
1992	1	92	94.3	93.4	94.8	96.3	95.1	88.8	94.2	92.7	98.6	99.3	98.7
	2	91.9	94.5	93.6	85.3	74.4	83	94.4	94.7	94.6	88.7	104	90
	3	103.2	103.3	103.3	109.1	124.6	112.3	101.4	103.2	102.7	105.2	86.4	103.6
	4	112.9	108.5	110.1	110.9	104.7	109.6	115.4	108.5	110.4	107.5	110.3	107.7
1993	1	94.5	95.1	94.9	84.4	66.9	80.8	91.1	95.5	94.3	107.2	102.4	106.8
	2	95.3	109.7	104.4	74.4	63.4	72.1	98	110.2	106.8	97.6	128.4	100.2
	3	107.1	115.9	112.7	103.8	120.4	107.2	104.8	115.9	112.9	114.2	107.9	113.7
	4	114.4	124.2	120.6	102.7	105.6	103.3	115.3	124.4	121.9	117.2	129	118.2
1994	1	100.6	100.2	100.4	90.8	66.8	85.9	96.1	100.6	99.4	116.1	114.8	116
	2	102.1	87.1	92.6	96.8	65.1	90.3	101.2	87.2	91.1	106.5	104.5	106.3
	3	109.4	96.6	101.3	111.6	99.2	109	104.5	96.5	98.7	120.8	100	119
	4	117.8	108.3	111.8	101.9	131.3	108	118	107.7	110.5	124.3	125.4	124.4
1995	1	98.7	102.9	101.3	86.7	86.2	86.6	91.4	102.6	99.6	122.1	141.4	123.7
	2	102.6	115.7	110.9	88	83.9	87.2	99.3	115.7	111.2	117.1	151.3	120
	3	107.8	126.5	119.6	97.6	176.2	113.8	105.7	123.2	118.4	117.4	301.1	132.9
	4	112.6	132.8	125.4	95.2	203.7	117.6	117.1	127.3	124.5	109.2	436.3	136.8
1996	1	101.4	117.3	111.5	90.4	82	88.7	96.8	114	109.3	117.5	394.7	140.9
	2	98.6	130.4	118.7	92.3	84.6	90.7	98.8	126.6	119.1	100.6	454.1	130.5
	3	107	135.6	125.1	120.3	117.6	119.7	101.3	131.4	123.2	115.4	455.3	144.1
	4	124.3	143.3	136.3	108	120.1	110.5	129.9	138.3	136	117.4	529	152.2
1997	1	104.6	131.6	121.7	91.7	51.7	83.5	99.7	128	120.2	122.2	482.5	152.6
	2	103.5	147.6	131.5	95.8	53.8	87.1	102.6	144.1	132.5	109	512.6	143.1
	3	112	159.1	141.9	131.7	212.7	148.4	106.7	152.5	139.9	116.7	563.9	154.5

Source: SIS Web site. (<http://www.die.gov.tr>) table 1.17.

