Project Interview 5

Interviewee: Hüseyin Öztürk

Sector: Textile/Ready-made Clothing Sector

Date: 16 September 2019

Location: Rapsodi Socks and Textile Industry Trade Co. Ltd./Beylikdüzü, Istanbul

Within the scope of the "Customs Union for SMEs" Project, we interviewed Mr. Hüseyin Öztürk who is representing the Textile/Ready-made Clothing Sector. Hüseyin Öztürk was born in Kars in 1965 and after 1982 he entered the socks sector in the family business since 1982 and until 2004 he started to produce socks and yarn.

Production and import-export continued in his own company which he established in 2004. As of 2006, Hüseyin Öztürk, which has also added the Rapsodi brand, continues its activities in the sector of socks as a producer, importer and exporter. Many civil society organizations, founder and executive served as Ozturk, Hosiery Manufacturers Association is the only umbrella organization of the hosiery industry in Turkey Society (ETS) since 2012 in June in conjunction with the presidential Fashion and Apparel Federation (TMHGF) doing Presidency.

We asked Mr. Hüseyin Öztürk;

- what the main problems are within the current Customs Union agreement for the Textile Sector,
- if there were any bottlenecks in the Textile Sector resulting from the lack of modernization of the Customs Union,
- what they expect from the modernization of the Customs Union,
- if he had any suggestions on how to benefit from this process and increase the competitiveness of SMEs.

Below, we present Mr. Hüseyin Öztürk's response:

"When the Customs Union Agreement between the EU and Turkey was signed and the Agreement entered into force, the Textile Sector was affected negatively in the beginning but we managed the process fast and increased our competitiveness. In 1995, our sector's export valued $8.3 billion ($6.2 billion Ready-made Clothing, $2.1 billion Textile). The EU's share in our export was 64%, the share of textile and ready-made clothing sector in overall export was 43%.

Today, the EU's overall export values $2,2 trillion and Turkey's share in that is 3.8 % with $84.3 billion. The EU's overall export in Ready-made Clothing values $104 billion and Turkey's share in that is 11.5% with $12 billion. The EU's overall export in Textile values $21 billion and Turkey's share in that is 17.9% with $3.7 billion.

Turkey is the EU’s third largest supplier in Ready-made Clothing after China and Bangladesh. Turkey is the EU’s second largest supplier in Textile after China. As of the end of 2018, 71% of our $17.6 billion-worth Ready-made Clothing export goes to the EU countries and 40% of our $8.5 billion-worth Textile export goes to the EU countries.

These numbers suggest that since the customs walls between the EU and Turkey have been lifted in 1995, our Textile and Ready-made Clothing Sector has strongly increased its competitiveness and capacity.

However, when our advantages in closeness to the market, experience, communication, expertise and skilled labour are considered, Turkey’s share in the EU market is not enough. **In the Ready-made Clothing Sector, the investment value is low, the employment and added value in export are high, it is a local sector with 100% domestic capital and it is the number 1 sector with the highest foreign trade surplus**. Hence, **the Sector should be considered as the most strategic sector** in the modernization of the Customs Union.

Our **biggest obstacle is the floating exchange rate** which results in losses in sales. We need fixed rates for our business. We don’t have quota problems or visa issues, but because of the floating exchange rate there is price pressure.

We support the Modernization of the Customs Union and not a Free Trade Agreement between the parties. A Free Trade Agreement with the EU would put us in a 3rd World Country position and eliminate the advantages a Modernized Customs Union would provide us with. We should protect the advantages we have under the current Customs Union and maximize them under a Modernized Customs Union. **The EU’s FTAs with other countries have a negative impact in our Sector despite the advantages Turkey has (closeness to the market, experience, communication, expertise and skilled labour). In a modernized agreement we should be able to eliminate these negative impacts.**

In the modernized Customs Union **the Parties should develop solution-creating mechanisms against possible problems that would result from the fact that Turkey does not participate in decision-making processes because it is not a Member State.** Possible scenarios regarding that should be discussed as well.”