

Project Interview 9

Interviewee: Haluk Erceber and Elif Özman Pusat

Sector: Chemical Industry

Date: 27 September 2019

Location: TKSD Headquarter, Kozyatağı, Kadıköy

Within the scope of the “Customs Union for SMEs” Project, we interviewed Mr. Haluk Erceber and Mrs. Elif Özman Pusat who are representing the Chemical Industry.

Born in 1957 in Istanbul, Haluk Erceber studied Chemical Engineering in Istanbul Technical University and started his career in Organik Kimya San. ve Tic. A.Ş. where he served as Chief of Production and Vice Factory Manager. Between 1989-97 Mr. Erceber worked at Turk Hoechst Chemicals Division as Production Manager. During this time, he attended factory management, occupational safety and R&D trainings in Frankfurt. In July 1997 he was appointed as the Organik Kimya Factory Manager, in 2010 he added Facility and Engineering Manager to his titles. Mr. Erceber is the Founding President of Chemport Kimya Sanayicileri Derneği, serves as member of the TOBB Chemical Industry Council, and he is the President of Turkish Chemical Manufacturers Association. He also serves as Board Member at the Federation of Industrial Associations (SEDEFED).

We asked Mr. Haluk Erceber and Mrs. Elif Özman Pusat;

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

Below, we present Mr. Haluk Erceber and Mrs. Elif Özman Pusat’s responses:

“96-7% of the chemical industry is made up of SMEs. When we say Chemical Industry in Turkey we include Pure Chemicals and Raw Material (temel kimya ve ham madde), Pharmaceuticals (ilaç), and Plastics, but the EU does not list Plastics under the Chemical Industry and they list Pharmaceuticals as “Chemical Industry including Pharmaceuticals”.

We have 85 members 20% of which are among the top 1000 industrial enterprises. **Most of our members import raw materials and produce here. Chemical Industry is dependent on importation.** At the end of the year **we expect 36% turnover. 65% of the foreign trade deficit comes from this sector.** Normally, importation decreases at times of economic crisis, but it does not happen so in the Chemical Industry because otherwise our sector cannot manufacture.

One of the impacts of the Customs Union between Turkey and the EU was that in 2008, a new EU regulation named “REACH” into force. It required enterprises in our sector to register which chemicals they were using and the amount of these chemicals they were using, while banning the use of harmful chemicals. That regulation meant that if you are bringing a product into the EU market you would have to register. The EU would inform you of banned chemicals or harmful chemicals you use and guide enterprises to R&D for alternative production. **One downside of this regulation was the cost of registering for a product which led some enterprises to not export to the EU market.**

During Turkey’s membership process to the EU, the EU required Turkey to accommodate the REACH regulation. If you are a Turkish company, you would need a representative in the EU. In order to meet this need, REACH Global Services (RGS) was established. In line with this requirement, the Ministry for Environment issued a bylaw (KKD Yönetmeliği) which foresaw registration and auditing of chemical substances. The Ministry also suggested that the ECHA (European Chemicals Agency) shared information so that those enterprises that are already registered in the ECHA database would be registered directly in Turkey as well.

We are a part of the Customs Union, but we are not a part of the ECHA. The EU makes decision and we have to follow them. We should be included in the ECHA and have a say in the decision-making process. Moreover, ECHA should support us and share data.

Export unit price is around \$1 and total amount of Chemicals import is \$38 billion.

Would the Customs Union solve the productivity problem? First of all, we do not have clustering system in the sector, that’s why we founded Chemport. **There is 12% loss in productivity.** You produce here and sell your product far away. **Bridge toll and transportation expenses alone cost \$700.000.** This is a huge amount of loss. Whereas, for example, in Holland the land and the infrastructure is ready for the manufacturer, utility expenses are far less compared to Turkey. In order to solve raise our productivity rate we need clustering.

On the other hand, **the SMEs in this sector cannot expand because they don’t have R&D, they do not sell as much, and their production capacity is little. The Customs Union can be valuable for increasing the competitiveness,** but we don’t know if it can also help with the establishment of clustering system. **We can also use the Customs Union as a guideline to develop a vision for Turkey.”**