
**CUSTOM UNION EFFECT ON TURKEY'S CLOTHING SECTOR
BETWEEN THE YEAR OF 1996 AND 2000**

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Abstract

With the effect of globalisation, the volume of trade increased all around the World but it also effected developing countires negatively because of having low competition level. Clothing sector was one of the importat sector of Turkey. My aim to do this report is that to analyze effect of custom union effect on clothing sector in Turkey.

Keywords: World clothing sector, custom union, turkish clothing sector

Introduction

This working paper focus on how custom union effect Turkey Clothing sector between the year of 1996 and 2000. Firstly The paper will mention trade in the World. Secondly Clothing sector in the World. Thirdly it will explain how custom union effect Turkey's clothing sector between the year of 1996 and 2000. To Show the effect, We will explain diversion, creation and dynamic effect of custom union on Turkey between the year of 19976 and 2000.

2.World Trade

As we can see in the the static(APPENDIX1) We will set hat during the year of 1980 and 2000 the world trade develop for 210 time. There are many reason why world trade has increased like that after the year of 1980.After 1980 the countries economy become more open. The government tax quota and other trade restriction start to decrease by the countries. So this change effect world trade more dramitically. But because of Asian crisis in 1998 espically depression in the Asian economy textile and clothing sector effect negatively.

2.1.Clothing sector in the World

With the result of (APPENDIX 2) İtaly, ABD,Germany , France, England, Holland,Belgium and Portugal industriliasied contries Turkey, South Korea, Mexico ve Tayvan less which are less industrialiesed countries China, Pakistan, India, Tayland,

Indonesia ve Malasia which are which is the cheapest labour countries are most exporter countries of clothing in the world. China Hong kong Turkey clothing sector are important sector in the export comodities because % 10 of their total export is clothing sector.

With the result of (Ap:2 and 3) some countries exporting also importing clothing product. ABD, Belgium, China, Holland, France, Italy England, Portugal, South Korea are the countries which are both exporter and importer.

3.Clothing sector in Turkey and Custom union effect on Turkey’s clothing industry

According to tablo(Ap:4) Turkey exported 131 million dolar in the year f 1980 and in the year of 1980 to 1990 our exporting in clothing sector was 3.31 billion dolar. The reason why the clothing sector increased like that is ‘24 Ocak Kararları’ with this agreement Turkey start to make its export freely which mean open economy. This is why clothing sector increased like that.In the years between 1980 and 1990 the clothing sector increase %38.2.

After the year of 1995 Turkey signed custom union because of Custom Union Turkey’s foreing policy sharped according to Custom Union.As we know Custom Union is sharped according the benefit and enlargement of the European Economy Countries. Custom union effect will analyze firstly with stacticics. Secondly, the effect will be analyze Dynamic and Static Effect.

With the result of the table(Ap:4) in the year of 1996 the export of Clothing is 6.076 billion and in the year of 1997 the export increased to 6.097 billons. In the year of 2001 the export was 6.661 billions dolar.To the year of 1996 until 2001 there is no nearly improvement. It shows that clothing sector effect negatively after custom union. To analyze the effect more clearly, trade creation and trade diversion effect will be mention.

3.1.Trade Diversion Effect

To understand diversion effect, As mentioned in table 1 Suppose that there are two countries which selling X comodities to Turkey. Turkey is buying x commodity from America with the price of 2\$ and Europion Countries exporting with the price 4 \$ which is more expensive then America. After Turkey joined to Custom Union, As because of the tax rule Europion Countries saying that x commodity is important for my market therefore we would put tariff on America for 4\$.Because of Turkey also in Custom Union, Turkey also put 4\$ on the product of x For America

Table 1. Example of Trade diversion effect

X commodity	America	Europion Union
	2\$	4\$

After Custom union as because of the tax the product price will increase in Turkey market because as showed in Table 2. Turkey will start to import clothes from America with 6\$ for x

comodity. Europeon Union market know that Turkey’s buyer will buy from the America with the price of 6\$.Therefore to make maximum profit they will start to sell with the price of 5.9\$.

Table 2: Trade diversion effect After Custom Union

X Comodity	America	Europion Union
	6\$	5.9\$

As a result There is no trade diversion effect because Turkey imports clothing product with the cheapest producer Like banladesh. Therefore There is no trade diversion effect for clothing sector.

3.2.Trade Creation Effect

To improve less developed countries economy, Europeon union decreased the tariff on these countries (European Commission , 2018) . Of course there is also benefit of Europeon Unions on this policy. They are deciding to improve these less developed market for their new market oppurtunity.Less developed countires has cheap labour raw material on textile and clothing sector. They are producing cheaper then our producer so that’s effect textile and clothing sector in Turkey.We can see in the table(Ap:5) Turkey’s import increased after the year of 1995 so dramitically.In the year of 1995 the import on clothing sector is 49 million dolar and in the year of 1996 it is 171 million dolar. That’s an other reason why Turkey’s economy didn’t increase between 1996 and 2001. With the import increase it means that Our unemployment rate increase our Gdp decrease. There is jost one benefit for consumer which is that they start to buy cheaper.

3.3.Dynamic Effect

An other reason why Turkey’s clothing sector effected by custom union is Dynamic Effect. Dynamic effects relate to the numerous means by which the CU may influence the rate of growth of Gross National Product of the participating nations (El-Agraa, 2004). The integration influences certain growth factors of an economy like effects on the market size, market structure and technical change (Voight, 2008) Dynamic effects on integration concentrate on long-lasting impacts and changes in resource allocation(Ohr & Theurl, 2001).

Dynamic effect ocur with the enlargement of the market. With the enlargement of the market the producer should improve its techonology for increasing production. So they need to invest on machinery on establishing new factory. An other way to increase sales The producer should invest on Researh&Development. They should anlyze beter the need and want of customer

because with the increasing of competitor they need to produce unique more useful product for to sell its product. So we also know that Turkey's nearly 90% economy is Small and Medium Enterprise. This type of company don't have enough financial power to make investment for new machinery new technology and also for Research and Development. For helping this type of company the government should give subsidize and also for decreasing job losses, the government should create social fund. Turkey is not a member Of EU so that's why they cannot benefit from this funds.

To understand Turkey's comparative advantage in the clothing sector and textile sector Balassa's Ku index will be use. According to Ku's index as much as more of your Ku's number it means that your comparative advantage higher. will be use. 844 which is for woman's clothing sector and 845 clothing sector. According to the table (AP: 6) in the year of 1995 Ku index in the 844 is 19,92. In 1996 It started to decreased to 17,01 and in the end of 2003 it decreased to 933. For clothing sector which is 845 It was 10.07 in the year of 1995 and at the end of 2003 our comparative advantage decreased to 7,79. In the statistic (Ap: 7) show general comparative advantage on Turkey clothing sector. In the year of 1995, Turkey comparative advantage on clothing sector was 8,74 in 1998 it was 7,56, In the end of 2003 it decreased to 6,63.

4. Conclusion

This paper aimed at examining the effects of Custom union on Turkey economy between the year of 1996 and 2000. Chapter 3 made clear that after Custom union, Turkey's comparative advantage on clothing sector decreased dramatically. In addition to that, Turkey export decreased and import increased after Custom Union. As a result of the report, After joining Custom Union, Turkey is going to lose its comparative advantage on clothing sector year by year. Losing of comparative advantage effect Turkey's economy negatively. Firstly it create unemployment which is one of the most important problem in Turkey. Secondly, it may be reason of bankrupt of the companies. The government should support domestic company to compare foreign product. The companies should be support on technological improvement and on Research and Development. and use social funds for decreasing job losses

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Appendices

Appendix 1

World Trade(export)

Year/Billion dolar

1980	1,989
1981	1,963
1982	1,842
1983	1,807
1984	1,907
1985	1,947
1986	2,136
1987	2,513
1988	2,857
1989	3,08
1990	3,387
1991	3,44
1992	3,653
1993	3,636
1994	4,11
1995	4,925
1996	5,19
1997	5,374
1998	5,297

1999	5,51
2000	6,186

Source: WTO

(World Trade Organization, 2000)

Appendix 2

Top 15 exporter of Clothing sector (million dollar)

	1990	1995	1996	1997	1998	1999	2000
China	9.669	24.049	25.034	31.803	30.048	30.078	36.071
Italy	11.838	11.839	16.172	14.857	14.742	13.240	13.217
Hong Kong	9.266	9.540	8.979	9.330	9.667	9.571	9.935
Mexican	587	2.731	3.753	5.636	6.603	7.772	8.696
USA	2.564	6.651	7.511	8.672	8.793	8.269	8.646
Germany	7.882	7.500	7.579	7.503	8.014	7.768	6.837
Turkey	3.331	6.119	6.067	6.697	7.058	6.516	6.533
France	4.671	5.621	5.529	5.345	5.748	5.685	5.427
India	2.530	4.110	4.217	4.343	4.782	5.153	V.Y.
South Korea	7.879	4.957	4.221	4.192	4.651	4.871	5.026
Indonesia	1.646	3.376	3.591	2.904	2.630	3.857	4.734
England	3.042	4.648	5.185	5.281	4.920	4.487	4.111
Thailand	2.817	3.729	3.686	3.409	3.540	3.453	3.948
Belgium*	2.000	2.723	3.017	3.494	4.042	4.127	3.942
Bangladesh	643	1.969	2.218	2.688	3.786	V.Y.	V.Y.

Source: WTO

(World Trade Organization, World trade, 2000)

Appendix 3

Top 15 importer of Clothing sector (million dollar)

	1990	1995	1996	1997	1998	1999	2000
USA	26.977	41.367	43.317	50.297	55.720	58.785	66.392
Japon	8.737	18.758	19.672	16.727	14.723	16.402	19.709
Germany	20.411	24.544	24.647	22.846	23.084	21.442	19.306
England	6.961	8.344	9.695	11.169	11.977	12.533	12.992
France	8.381	10.285	10.891	10.755	11.653	11.564	11.480
Italy	2.580	4.651	5.028	5.311	5.847	5.961	6.067
Holland	4.768	5.012	5.436	5.921	5.274	5.321	4.833
Denmark	3.590	4.378	4.584	4.914	5.297	5.012	4.811
Spain	1.649	2.606	2.927	2.988	3.198	3.678	3.765
Canada	2.388	2.688	2.544	3.017	3.269	3.282	3.690
Mexican	573	1.912	2.394	3.355	3.750	3.627	3.405
Swedish	3.437	3.821	3.731	3.405	3.528	3.410	3.223
Russia		-678	2.345	3.253	3.186	2.294	2.962
Austria	2.346	3.089	3.184	2.911	2.967	2.791	2.469
Denmark	1.069	1.808	1.834	2.111	2.315	2.379	2.209

Source: WTO

(World Trade Organization, World trade, 2000)

Appendix:4

Turkey's exports Sectoral Structure (million \$)

	1980	1990	1996	1997	1998	1999	2000	2001
1- Agricultural	1.881	3.300	4.949	5.470	5.053	4.440	3.855	4.349
2- Mining Sector	277	875	991	992	1.033	1.078	1.157	1.236
3- Production sector	751	8.778	17.256	19.770	20.866	21.026	22.699	25.669
a.Iron and steel industry		291.490	1.926	2.248	1.824	1.737	1.865	2.500
b.Chemical		47747	998	1.169	1.152	1.121	1.243	1.367
c. Other processed intermediate goods	104	672	1.602	1.875	2.035	2.057	2.280	2.625
d. Machinery and Transportation Tools		83855	3.012	3.364	4.092	5.037	5.740	7.153
Automotive products		50153	806	665	800	1.438	1.531	2.336
Office and Communication Device		4259	332	493	898	821	1.019	1.048
Other Machinery and Transportation		29443	1.874	2.205	2.394	2.778	3.190	3.769
e.Textile	343	1.440	2.724	3.352	3.557	3.478	3.706	3.943
f.Confection	131	3.331	6.076	6.697	7.074	6.516	6.586	6.661
g. Other Consumer		14243	918	1.065	1.132	1.080	1.279	1.421

4- Other Goods	1	5	28	29	22	44	63	88
TOTAL	2.910	12.958	23.224	26.261	26.974	26.587	25.775	31.342

Source: Turkstat

(Turkstat, 2002)

Appendix 5

Turkey's exports Sectoral Structure (million \$)

	1980	1990	1995	1996	1997	1998	1999	2000	2001
1. Agricultural Products	399	2.812	4.493	4.866	4.926	4.321	3.398	4.156	3.079
2. Mining Sector									
3. Industrial products	3.350	13.626	24.411	30.526	34.996	34.739	29.917	38.482	27.153
Textile	805	67	1.811	2.111	2.324	2.317	1.907	2.136	1.921
Confection	0	16	49	171	233	243	208	264	239
4. Unclassified Goods									
TOTAL	7.909	22.302	35.708	43.627	48.559	45.921	40.671	54.503	41.399

Source: Turkstat

(Turkstat, 2002)

Appendix 6

Balassa Aku INDEX Values in Turkish Textile and Confection Sectors(1989 –2003)

SITC 65. Textile (weaving) group										SITC 84. Confection (confection) and accessories group						
Year	651	652	653	654	655	656	657	658	659	841	842	843	844	845	846	848
1989	6,12	3,70	1,70	0,72	2,60	1,38	2,10	9,36	6,58	6,51	8,34	3,47	13,64	9,90	3,06	16,94
1990	5,53	3,57	1,45	0,47	2,20	0,98	1,86	9,21	6,55	6,25	8,34	4,79	16,29	9,90	3,32	20,24
1991	5,15	3,34	1,29	0,53	2,53	1,28	1,32	10,02	6,02	5,15	7,71	4,75	18,68	10,22	4,24	16,92

1992	4,22	2,81	1,65	0,73	2,04	1,36	1,29	8,11	7,94	3,92	5,44	4,74	20,91	8,49	3,81	11,45
1993	3,60	2,61	2,10	0,87	1,67	2,01	1,30	7,22	9,17	4,03	5,59	5,17	20,89	8,60	4,37	10,28
1994	5,10	4,32	2,40	0,95	3,00	2,51	1,01	7,93	7,15	3,93	5,40	6,32	16,39	8,66	5,00	9,44
1995	3,46	3,84	3,45	1,41	1,58	2,90	1,26	9,06	6,57	5,27	7,33	8,31	19,92	10,07	5,65	8,45
1996	3,50	3,93	3,10	1,82	2,15	3,44	1,58	9,87	7,84	4,75	7,11	8,67	17,01	10,09	5,72	6,14
1997	3,83	3,88	3,34	1,65	2,61	3,76	1,91	11,05	6,72	4,66	6,66	6,10	13,35	8,71	5,10	6,49
1998	4,29	4,01	3,82	1,67	2,63	4,01	1,46	11,92	7,44	4,67	6,81	6,83	13,67	9,42	5,04	5,83
1999	5,03	3,62	3,99	2,22	3,18	5,51	1,38	11,94	6,14	4,88	7,25	6,05	11,49	8,88	5,22	5,51
2000	5,17	4,22	4,18	2,60	3,03	6,63	1,59	13,30	7,58	5,18	8,14	5,53	11,90	9,01	5,63	5,83
2001	5,05	4,51	3,99	1,91	3,09	7,67	1,55	11,39	6,18	4,42	7,25	4,64	9,35	7,38	5,50	5,11
2002	3,68	4,21	4,28	1,88	2,85	7,20	1,59	11,28	5,88	5,22	7,71	5,20	9,63	7,91	5,82	4,87
2003	3,32	3,71	4,36	1,86	2,95	6,73	1,49	10,55	6,10	5,07	6,83	3,94	9,31	7,79	6,19	3,70

Source: UN, Commodity Trade Statistics Database (COMTRADE)

(United Nation, 2004)

Appendix 7

Balassa Aku INDEX Values in Turkish Textile and Confection Sectors(1989 –2003)

Year	SITC 65. Textile	SITC 84. Confection (confection) and accessories group
1989	3.85	9.13
1990	3.57	9.64
1991	3.39	9.25
1992	3.18	7.64
1993	3.09	7.61

1994	3,66	7,16
1995	3,55	8,74
1996	3,78	8,16
1997	4,05	7,36
1998	4,37	7,56
1999	4,60	7,35
2000	5,04	7,68
2001	4,79	6,50
2002	4,51	7,04
2003	4,35	6,63

Source: UN, Commodity Trade Statistics Database (COMTRADE)

(United Nation, 2004)