

THE IMPORTANCE OF TURKISH LEATHER SECTOR IN EUROPEAN UNION MARKET FOR RAW AND FINISHED LEATHER

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Because the effects of globalization and intense competition are deeply felt nowadays, the businesses which want to maintain their existence, expand into foreign markets and increase their participation in the international activities. The internationalization process and the assessment of the factors affecting this process have great importance for the businesses with this thought. In 2013, the world economy generally showed a yield below the average. Throughout the year, the growth rate of developing countries has been a slowdown while the economies of developed countries were slowly recovering. European Union (EU) consisting of 28 member countries met in order to keep peace and to stand economic and social improvement has become a big power. Trade realized with the EU countries is very important for the leather sector which is one of the leading sectors of Turkish Economy and also has a very important share in the economy. When considering that the intensity of foreign trade with EU countries is based on Customs Integration, it should be noted that the EU norms will be the reference for the sector exporters. When we have a look at the foreign trade of Turkish leather sector in terms of the export and also import values, it can be easily seen that the trade with EU countries is very extensive. The EU countries with the features of higher income per person and being open to consumption, is the market where is held 33.9 % of our total leather exports. It is a very important market for Turkish leather sector. However, in such a large market, a number of criteria that need to be considered should not be ignored. In this study, the EU share of Turkish leather sector in recent years is investigated. However, Turkey – EU relations in terms of Turkish leather sector are examined, export and import data of the sector are also considered by years and listed among EU member countries. In the last part of the study, The problems experienced with EU on foreign trade and the criteria which should be taken into consideration, are stated.

Keywords: European Union, leather and leather products, export-import.

INTRODUCTION

Economic developments in Turkey and the world continue at a dizzying speed. Today, with the increasing world trade volume and more severe competition, the efforts of the companies have rapidly increased in order to rise their market share. To survive in this competitive environment is bound to be successful in the international area. The industrialized and newly industrialized countries, which aim to get rid of this situation with a minimal loss, have begun to give more importance to their economic security. In the progress of globalization in the international trade, it is observed that the obstacles such as the restrictions of goods and quantitative have decreased but the regional integrations have strengthened. The positions of the countries have changed by placing in global organizations like “World Trade Organization” or participating in regional entities like “the European Union” and “Customs Union”. In this context, the EU is appeared as the most important economic integration for European countries (DPT, 2013).

The decision of the Customs Union taken by Turkey-EU Association Council has been the most important development affecting the entire economy after the liberalization of Turkey’s economy in the 1980s. The Customs Union which has led to several changes on the legislation of Turkey trade, competition and policies, has created both new opportunities for the Turkish economy and also the factors that are required to effort.

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Within the dynamic and static effects, Customs Union has become inevitable for the future of the Turkish economy in the period after the Customs Integration which was built on the 1st January 1996 with the EU (Uyar, 2000). Then, Turkey, in December 1999, was accepted to the European Union as a candidate country.

The countries that are not members of the European Union have become nervous at first but then over time they have begun to take advantage of the Union as a tool in their economic and social policies in order to develop their countries. In this progress, while were leaving the “protective- closed economy” perspective and leading to the “open-competitive economy” perspective, the EU countries were having new policies on the issues such as production, marketing, product and technology developing in order to increase their competition capacity (Kutlu, 1998).

Undoubtedly, the effects of all these developments were observed on Turkish Leather Industry. According to the figures obtaining from Turkey Exporters Assembly Records, as seen in Table 1 below, Turkey’s overall export in the period of January-December 2013 remained the same when compared to the previous year and was realized as 151.7 billion dollars. In the same period, Turkish leather and leather products exports rose to 1 billion 901 million Dollars with an increase of 16.4%. Thus, Turkish leather sector's share in Turkey's total exports became 1.3% with the realized export as 1 billion 901 million Dollars in the period of January-December 2013. This rate stood at level 1.1% in 2012 (ITKIP, 2014).

Table 1. The Share of Leather and Leather Products Within Turkey’s Total Export

Unit 1000 \$	Jan.-Dec. 2012	Jan.-Dec.2013	12/13 Change %
Turkey’s Total Export	151.695.192	151.707.002	0.0
Leather and Leather Products Export	1.633.988	1.901.404	16.4
The Share of Leather and Leather Products Within Turkey’s Total Export (%)	1.1	1.3	

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Since the 1980s, with the "export-based growth" perspective, Turkey has directed to foreign trade and Turkey's export products have shifted from agricultural products to industrial products. Furthermore, Turkey’s export has been increased by the foreign trade policies applied until the 1990s. However, the developments in Turkey and the world economy were reflected in foreign trade and the performance shown during the 1980s failed in the 1990s. Thus, the export ratio unfortunately remained at the very back in the 2000s (Ener, 2003).

Among the economic integration movements, The EU integration has the greatest impact in terms of Turkey. With the Customs Integration which was built on the 1st January 1996 with the European Union, Turkey has obliged to consider European norms in deciding not only on foreign trade, but also economic, law and even political issues. The steps taken towards to both regional and global integration directly affect Turkey. In particular, the World Trade Organization (WTO-WTO) which has begun to play an

important role in globalization closely follows Turkey's agenda. Besides, taking an active role in this organization has a great importance for our country (Nebioglu, 1997).

Turkey carries out the strategic studies and policies in order to enhance export, ensure the balance of export-import and also to get a larger share from the EU market. However, the desired stability could not be achieved in Turkey because of the economic and political developments lived with the EU which is placed in the global market. When analyzed Table 2, the importance of the EU is clearly seen in terms of export and import values. The increase of export and import should be carefully evaluated in the period after the Customs Union (DTM, 2003).

Table 2. The Share of The EU Countries Within Turkey's Foreign Trade

	Export	Import	Export	Import	Foreign Trade Balance	Exp. / Imp.
	EU(27) / Turkey(%)	(Million \$)	EU(27)/ Turkey (%)	(Million \$)	(Million \$)	(%)
1999	58,0	15,424	55,4	22,530	-7,106	68,5
2000	56,4	15,664	52,3	28,527	-12,862	54,9
2001	56,0	17,546	47,9	19,823	-2,287	88,5
2002	56,6	20,415	49,8	25,689	-5,274	79,5
2003	58,0	27,394	50,7	35,140	-7,746	78,0
2004	57,9	36,581	49,3	48,096	-11,515	76,1
2005	56,3	41,365	45,1	52,696	-11,331	78,5
2006	56,0	47,935	42,5	59,387	-11,452	80,7
2007	56,3	60,399	40,2	68,395	-7,996	88,3
2008	48,0	63,390	36,8	74,408	-11,017	85,2
2009	46,0	47,013	40,1	56,509	-9,496	83,2
2010	46,3	52,685	38,9	72,180	-19,494	73,0
2011	46,2	62,347	37,8	91,128	-28,781	68,4
2012	38,8	59,241	37,0	87,446	-28,205	67,7
2013	41,5	63,026	36,1	92,446	-29,420	68,2

Because the effects of globalization and intense competition are deeply felt nowadays, the businesses which want to maintain their existence, expand into foreign markets and increase their participation in the international activities. The internationalization process and the assessment of the factors affecting this process have great importance for the businesses with this thought (Ozdog, 2003). In 2013, the world economy generally showed a yield below the average. Throughout the year, the growth rate of developing countries has been a slowdown while the economies of developed countries were slowly recovering. In this regard, the world economy especially the EU has struggled with the recession and unemployment problems of developed countries. Despite all the efforts of Turkey in order to strengthen the economy in recent years, the problems have been basically continuing for the economies of developing countries especially in the EU. The share of EU countries within Turkey's foreign trade is presented in Table 3.

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Leather and leather products exports was realized as 1,9 billion dollars by increasing 16.4% in 2013. If we evaluate this figure in terms of Turkey, our export

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realized with the EU countries, which is the largest market of us for raw and finished leather, rose to 644, 4 billion dollars with an increase of 18% in the period of January-December 2013. As seen in Table 3 and Table 4, Italy, which has a share 6.9 % of the export among the EU countries that is a total of 131.6 million dollars. That is followed by Germany having a share 6% of the export which refers to 114.6 million dollars. On the other hand, France, which has a share 3.8 % of the export, and England are the largest buyers following the others. During this period, the export of leather and leather products has increased by 3.6% in Italy, 8.2% in Germany whereas the export has increased by 14.3 % in the UK . Only France has fallen by 0.7% (ITKIP, 2014).

Being so close to Turkey, having higher living standards than us, our best quality production and timely delivery of orders are the underlying factors why the EU countries have a large share in our foreign trade. In addition, because of environmental pollution, increased production and labor costs in industry and such reasons occurred in the leather sectors of the developed countries, the beginning of the leather sector transition into the less developed and developing countries are the other effects for Turkey to become an important leather market in the EU countries. However, despite being so close and producing best quality goods, it is observed that only the export realized with Germany among country groups has been remarkable (DTM, 2013). However, with our advantages mentioned above, it is possible to realize high export to the other EU countries. Moreover, through trade delegations and market research, the presentation of our products and opening stores and show rooms in certain points of these countries may be useful in order to improve the trade (DTP, 2013).

Table 3. Turkey's Export Records of Leather and Leather Products Within Countries

	2012 Dec. 1000 \$	2013 Dec. 1000 \$	Chan ge (%)	Share (%)	2012 Jan.- Dec 1000 \$	2013 Jan-Dec. 1000 \$	Cha nge %	Share %
EU Countries	42.806	54.160	26.5	30.2	545.998	644.421	18.0	33,9
Former USSR Countries	73.963	79.245	7.1	44.1	567.262	622.439	9.7	32,7
Total Middle East Countries	15.245	16.880	10.7	9.4	174.134	225.900	29.7	11.9
Total Asia Total	14.074	14.107	0.2	7.9	133.390	181.223	35.9	9.5
Turkish Republics Total	6.020	4.650	-22.8	2.6	79.371	78.663	-0.9	4.1
African Countries Total	4.984	4.885	-2.0	2.7	61.708	65.188	5.6	3.4
United States Total	2.854	3.461	21.3	1.9	38.827	42.199	8.7	2.2
Other European Countries Total	2.499	1.280	-48.8	0.7	25.302	31.338	23.9	1.6
Free Zone	755	613	-18.8	0.3	5.558	6.966	25.3	0.4

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Total Leather and Leather Products Export Records Total	162.99 5	179.53 1	10.1	100.0	1.633.988	1.901.404	16.4	100.0
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Table 4. The Leather and Leather Products Export to The EU Countries

Unit: 1000 \$	2012 Jan.- Dec. 1000 \$	TOTAL LEATHER SHARE %	2013 Jan.- Dec. 1000 \$	TOTAL LEATHER SHARE %	2012/2013 CHANGE %
GERMANY	105.945	6.5	114.633	6.0	8.2
ITALY	127.083	7.8	131.602	6.9	3.6
LITHUANIA	3.620	0.2	74.860	3.9	1968.1
FRANCE	72.590	4.4	72.102	3.8	-0.7
ENGLAND	63.027	3.9	72.070	3.8	14.3
BULGARIA	21.087	1.3	22.354	1.2	6.0
SPAIN	23.307	1.4	21.033	1.1	-9.8
NETHERLANDS	19.057	1.2	18.726	1.0	-1.7
ROMANIA	13.676	0.8	18.273	1.0	33.6
AUSTRIA	19.236	1.2	18.211	1.0	-5.3
DENMARK	13.452	0.8	12.229	0.6	-9.1
BELGIAN	11.753	0.7	11.673	0.6	-0.7
SWEDEN	7.398	0.5	10.592	0.6	43.2
GREECE	10.168	0.6	10.078	0.5	-0.9
ESTONIA	5.332	0.3	7.891	0.4	48.0
POLAND	9.626	0.6	7.784	0.4	-19.1
CZECH REPUBLIC	4.461	0.3	4.198	0.2	-5.9
SLOVAKIA	2.346	0.1	3.418	0.2	45.7
F NLAND	3.269	0.2	3.262	0.2	-0.2
PORTUGAL	1.782	0.1	2.533	0.1	42.1
HUNGARY	2.624	0.2	2.415	0.1	-8.0
CROATIA	673	0.0	1.746	0.1	159.3
LATVIA	3.184	0.2	852	0.0	-73.2
SLOVENIA	219	0.0	767	0.0	249.6
IRELAND	535	0.0	627	0.0	17.3
EU(27) TOTAL	545.998	33.4	644.421	33.9	18.0
Turkey leather and leather Products Export	1.633.988	100.0	1.901.404	100.0	16.4

The reasons of the increases and decreases related to the EU countries are stated as the return to Euros and the hidden inflation lived and consequently the consumption and market recession observed in Germany. With the image of fashion and brand Turkish leather and leather goods can prevent this market recession without compromising the quality. The increases in Spain and Italy are based on the orders directed by the best known brands of these countries to Turkey, relying on the product quality. Goods are always purchased just for the quality in the EU countries and primarily preferred

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according to their origin and brands. In terms of the quality, Chinese goods are unlikely to compete with Turkish products in the EU market (Yonsel, 2011).

CONCLUSION

The EU market has always been an important market for Turkey. And the trade realized with the EU is indispensable for the leather sector which is one of the leading sectors of Turkish economy. Turkey, which is located close to the EU market, uses its geographical position as an advantage for Turkey's exports and imports. Despite radical changes since the Customs Union and the competitive pressures of the EU countries Turkey have been successful to resist them. Besides, it can be said that the Turkish leather industry owns a competitive, dynamic and flexible structure and is directed by a sophisticated understanding of entrepreneurship. Because it creates environmentally harmful waste, leather industry is kept ecologically under strict control. The EU countries pay much more attention to such criteria due to the environmental health.

European Union (EU) consisting of 28 member countries met in order to keep peace and to stand economic and social improvement has become a big power. Trade realized with the EU countries is very important for the leather sector which is one of the leading sectors of Turkish Economy and also has a very important share in the economy. When considering that the intensity of foreign trade with EU countries is based on Customs Integration, it should be noted that the EU norms will be the reference for the sector exporters.

The Turkish leather industry directing to the production with the clean technology will have a stronger chance to compete in the EU market in the future. When considered the density of Turkish leather foreign trade with the EU countries, it should be noted that the EU standards are the references for Turkish exporters. The competitiveness of the industry has been developed through the modernization investments realized by leather sector for the quality. Furthermore, the importance which is given to the quality concept by the companies in leather industry has increased.

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