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Turkey Research Report | Trade Specialist

Soft Goods Supply Chain Management

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Trade Specialist Report on Turkey

Introduction

Turkey is a country between Europe and Asia that provides an international influence from its strategic location, regional ambitions, and relationships with other countries. Turkey is also known for their skilled workforce and significance in the global textiles and apparel industry with the title of the fourth largest exporter of textiles worldwide. This sector contributes significantly to the Turkish economy, accounting for approximately 10% of its GDP. With the apparel production value estimated at around USD \$30 billion, Turkey's textile and apparel industry serves as a vital pillar of economic growth within the country (ITA, 2024). The purpose of this paper is to provide an analysis of dynamic factors that play a pivotal role in the textile and apparel trade in the country of Turkey.

Global Organizations

Turkey is actively engaged in various global trade organizations. The country has been participating in the World Trade Organization since March 26, 1995, and has been a member of the General Agreement of Tariffs and Trade since October 1951. Additionally, Turkey has been involved in NATO, the European Union, the Organization for Economic Cooperation and Development, the Council of Europe, the Organization for Security and Cooperation in Europe, the World Trade Organization, the Black Sea Economic Cooperation Council, the Euro-Atlantic Partnership Council, the Union for the Mediterranean, the International Monetary Fund, the World Bank, and the Organization of Islamic Cooperation according to the International Trade Administration. These engagements reflect Turkey's commitment to international trade and fostering economic cooperation on both regional and global scales.

Import & Export Products & Trends

Turkish goods are known for their quality, conformity to international specifications, and their very low prices. One USD equals ₺32.23 in Turkish Lira which attracts exporters. This allows companies to purchase goods from Turkey at a very low price. The top five import product categories are stone and glass, textiles, machinery, electronics, metals, and mineral products. These items account for 62% of all Turkish imports to the United States. Import and export trends in the apparel and textile sector include t-shirts, sweatshirts, underwear, socks, sleepingwear, mens shirts, and pants (Dimoski,2024). Turkey is the powerhouse of knitwear and cotton fabrics. Compared to manufacturers in other countries, knitwear in Turkey is extremely affordable. Cotton is also an affordable option as it provides high-quality cotton at an inexpensive cost. This is because of the low cost of labor in Turkey and the government's support for the textile industry.

Major Trading Partners

Turkey's top five main trade partners according to the World Bank for Turkish exports are Germany (\$21.B, 8.2% of total Turkish exports), the U.S. (\$14.8B, 5.8%), Iraq (\$12.8B, 5%), the UK (\$12.5B, 4.9%), and Italy (\$12.4B, 4.8%). These are trade partners that imported the most Turkish shipments by dollar value last year. The top main trade partners for imports as of January 2024 according to the Turkish Statistical Institute were Russia (4.32B, 16.5%), China (2.89B, 11%), Germany (1.9B, 7.3%), USA (1.4B, 5.3%), and Italy (1.18B, 4.5%). As there was an increase in inflation within the economy and high-interest rates, there also was a decrease in trade. Calendar-adjusted exports increased by 0.4% and imports decreased by 23.6% compared to January 2023 (Turkish Statistical Institute, 2024).

Trade History & Relationships

Historically, Turkey has maintained significant trade relationships, specifically with the United States, dating back to the establishment of diplomatic ties with the Ottoman Empire in 1831.

Both countries became allies of NATO in 1952 and have been long-standing partners. The U.S. and Turkey maintain close coordination and collaboration efforts for regional security, fighting terrorism, and prosperity. On July 12, 1947, the Economic and Technical Cooperation agreement was signed advancing their trust and relationship even further (U.S Department of State, n.d.). This agreement implemented the Truman Doctrine which entailed its policy to “support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures”. Both countries also signed a Tax Treaty agreement for the avoidance of double taxation and the prevention of fiscal evasion concerning taxes on income. The relationship between the U.S. and Turkey is crucial as the U.S. is one of Turkey’s top two trade partners in the world.

Trade Barriers & Tariff Rates

Tariffs and quantitative restrictions are the main barriers that Turkey implements. Food and agriculture products are the top category sectors that continue to maintain high tariff rates. There is an elimination of all customs duties, quantitative restrictions, and charges with equivalent effect on their bilateral trade. This resulted in lower duties for imports from least developed countries, including the U.S. according to the ITA. The textile sector is one of the major contributors to the Turkish economy. In this sector, investments are more than USD 150 billion with 50 billion being invested in the last 5-10 years. It also has an annual average growth of 12.2% for the textile and apparel industry (Fibre2Fashion, n.d.). Compared to the U.S. fabrics are known for their cheap prices. With a 67% increase in inflation and 50% interest rates, the textile sector has also seen an increase in duties. Rates for woven fabrics, apparel, footwear, and other product categories range from 5-33% in tariff rates. For fabrics, the overall duty rates have increased by 20% according to Fibre2Fashion. With these rates increasing as inflation affects economies around the world, it also affects international exports to countries.

Freight Rates & Shipping Time

Ocean freight is considered the cheapest option of transportation but is also one of the slowest modes of shipping. The shortest transit time is three days from the port of Istanbul or Izmir to Los Angeles. For the ports of Istanbul, Mersin and Izmir to either New York or New Jersey takes 20-21 days and Mersin to Los Angeles takes 34 days (DocShipper, 2024). These transit ship dates do not include the times it takes for customs clearance procedures. It is important to note that ocean freight can ship containers of 20-40ft that can hold a lot of products, but additional planning and factors are needed to go this route for a company. For a 40ft container shipping from Turkey to the U.S. the average cost is USD 14,122.57 and for a 30ft container, it costs \$7,433.50 (MoveHub, 2020). Another hub that is not as popular but is easy access for the Girlfriend Collective brand is the Seattle port. This port is the city where the Girlfriend Collective headquarters is located and can be shipped from all three main hub ports in Turkey.

Key Ports & Airports

The geographic location of Turkey brings a high significance to international shipping and trade. In Turkey, there are more than 60 ports located along the coastal border. Of that total, six major ports contribute to Turkey's import and export activities. Their geographical significance is considered a sea-friendly region with the majority of shipments coming from the Mediterranean Sea, the Aegean Sea, the Marmara Sea, and the Black Sea. The six major ports include Haydarpasa, Mersin, Izmir, Eregli, Ambarli, and Gemlik. The country sees 169,964 port visits annually and has 1,224 vessels to its national fleet flag (Sinha, 2023). These major ports in Turkey act as a pivotal gate for trade connections internationally.

Major airports in Turkey serve as an essential transportation hub for domestic and international flights as well as air cargo. These services offer a wide range of well-developed infrastructure that is efficient for terminals, handling facilities, and maintenance services for aircraft.

There are 58 total airports spread across Turkey. With this total, 35 are domestic and international flights, and 23 airports provide regional flights across the country. Along the coastal border of the country, there are 20 airports and 13 airports right by a port. The average time frame for shipments from Turkey's top three hub locations to the U.S. main hub airports is 14-16 hours (Hipofly, 2024). This is a safe and reliable option of choice for transporting goods. The key international hub for an airport and seaport is Sabiha Gokcen International Airport which is located in the capital city of Istanbul. Both of Turkey's airports and seaports play a vital role in the nation's economy and enhance its role in global commerce that contributes to the international community.

Conclusion

After analyzing the regulations and economic factors, Turkey resembles a great choice for sourcing due to its freight rates and availability, cheap prices, and reliability from the relationships and agreements made from a global perspective. Even though Turkey is facing high inflation in its economy, it still makes costs very affordable for Girlfriend Collective. Since one USD equals ₺32.28 of a Turkish Lira it makes costs to source product very cost efficient. The Girlfriend Collective headquarters is based out of Seattle Washington where there is a seaport located. Air cargo and sea freight transportation would not be an issue considering there are multiple ports in the U.S. that would benefit the brand. The brand's main products sold are athletic and knit garments. Knowing the type of fabric specialties needed for production, sourcing from Turkey would be wise as fabrics are low in cost and high in quality in Turkey. The U.S. and Turkey also have had a significant relationship since the 19th century that reduces any risk politically that could affect sourcing from this country. Overall, these valuable factors make sourcing from manufacturers in the Turkish economy beneficial for the Girlfriend Collective brand.

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