

OPPORTUNITIES FOR SRI LANKAN RUBBER BASED PRODUCTS IN TURKEY



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1. Summary

Turkey's footwear industry has developed at a rapid pace due to modern manufacturing processes, the availability of major quality raw materials, skilled workers and high design capacity. Today the Turkish footwear industry has a strong position among exporters of high quality fashion goods. Another sign of positive development is the increase in foreign investments in the sector.

2. Market Description

The shoe industry, which began to appear as a small-size industry in 1950, is a well-developed industry now. Especially in the 1980s, significant investments in machinery parks were made and now, over 15% of the sector has completed its industrialization process. About 70% of the production in the sector is carried out by semi-mechanized production processes and almost 15% of production is hand-made. According to Ministry of Science Industry and Technology statistics of 2015, the footwear industry employs 43.499 people and the industry has about 2.544 companies. Almost 50% of the total number of companies is active in Istanbul. Konya, Gaziantep, İzmir, Ankara, Manisa, Hatay are other important shoe production centers in Turkey. According to Turkish Statistical Institute statistics of 2014, Turkey's shoe production reached more than 325 million pairs, including sneakers, boots, plastic shoes and slippers. The footwear sector relies on Turkish-made shoe production machinery, as well as shoe parts. The share of the shoe parts industry in the total shoe industry production is around 5% and production is quite diversified. The **soles**, heels, casting molds and the welt of the shoes are exported. The shoe parts industry is located in Izmir and the Aegean region, Konya, Gaziantep and in particular Istanbul.

As can be seen, Turkey is clearly a producer and exporter of variety of footwear, shoes and shoe parts as well as "Shoe Soles" (HS 640620). Turkey's imports represent 1.2 % of world imports for this product and its ranking in world imports in 25th.

Turkey imports around 20 million USD worth of "Shoe Soles" (HS 640620). 96 % of total being imported from two countries only, namely China (65%) and Italy (31%). It's thought that the prominence of China in imports comes from its competitive prices, know-how and lead times and Italy's prominence in exporting "Shoe Soles" comes from its quality and its position as a country which sets trends in footwear industry and fashion.

As it's an intermediate product for shoe manufacturing, the customs tax rate applied by Turkey is at minimal level, which is 3% for some Far East Asian countries such as China & Hong Kong and 0% for most other nations.

3. Position of Sri Lankan Shoe Soles in Turkish Market

According to 2013-2015 figures, Sri Lanka's total export figure for "Shoe Soles" (HS 640620) has been 99 thousand USD in 2013, 78 thousand USD in 2014 and 374 thousand USD in 2015. The 2015 export figure of Sri Lanka for HS 640620 represents only 1, 8 % of Turkey's imports. (Source: ITC Trade map)

As it is seen from the bilateral figures, there are no active exports from Sri Lanka to Turkey between 2013-2015. According to ITC Trademap website, the current customs tax rate applied by Turkey to Sri Lanka for HS 640620 is 0%.

Because of China's competitive edge and presence in general imports of Turkey, entering the Turkish market for the Sri Lankan companies may be difficult at first. To start with, it's recommended for Sri Lankan companies to participate in related sectoral fairs in Turkey and develop suitable products after obtaining familiarity with the Turkish market. Also, it's suggested for Sri Lankan companies to establish warehouse-distribution operations in Turkey in order to supply to the SME's in the Turkish and European markets.

4. Swimming Cap

Although not mentioned, Swimming caps are thought to be under HS Code 6506.91 (Bathing caps, hoods and other headgear, whether or not lined or trimmed, of rubber or plastics)

Turkey has a potential for growth for this product as the beach tourism is popular and the usage of swimming caps has been increasing by the local population due the increasing numbers and popularity of indoor swimming pools. According to 2015 import figures of Turkey, almost all imports for this product come from China (82 tons-74%) and Malaysia (30 tons-25%).

According to ITC Trademap data, the "Equivalent ad valorem tariff applied by Turkey" to China is 3% and 0% for Malaysia. The customs tax applied to Sri Lankan exports on HS Code 6506.91 seems to be 0% as well. It's thought that Sri Lankan producers of swimming caps might have the opportunity to enter the Turkish market in case competitive price quotations supplied to the wholesalers.

Sri Lanka is known for as a reputable producer of swimming suits and swimming caps can be marketed as a complementary product to swimwear. Sri Lankan products can also achieve a competitive edge in case there are companies with license agreements with internationally recognized clothing and sportswear brands.

It's suggested for Sri Lankan companies to start their marketing activities from the Turkish cities like Istanbul and Antalya, as Istanbul is the main commercial city of Turkey with leading importers and Antalya is a seaside province visited by over 10 million foreign tourists annually with the main purpose of swimming.

Relevant International Sectoral Exhibitions for visiting/participation in Turkey:

Shoes, Footwear and Sub-Industries:

- 1) AYSAF International Shoe and Sub-Industries Fair / Istanbul / in May and November (www.cnrexpo.com)

2) GAPSHOES International Shoe and Sub-Industries Fair / Gaziantep / in July and December (www.akort.com)

Important Note: Making a market survey on “Pharmaceutical Products” mentioned under “Value added rubber products” has not been possible due to the absence of a relevant HS Code and as “Pharmaceutical Products” is a broad term, further clarification is needed on the specific product.

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