

Turkey: Financial crisis hits textile industry

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A leading Turkish polyester yarn and fibre producer, Sonmez Filament, announced last Thursday that it would permanently halt production. This decision is another indication that the Turkish economy has entered a deep and protracted decline, threatening the jobs and living standards of millions of working people.

Sonmez Filament had been downsizing steadily over the past five years. With the decision to stop production, it laid off the 229 remaining workers.

The company, established in 1972, has two plants in the western Turkish city of Bursa. It is part of Sonmez Holding, comprising 19 companies including Sonmez Filament. Last year Sonmez Filament had sales of US\$34 million.

In terms of capacity, Turkey is the eighth largest manufacturer in the world of polyester yarn and fibre and Sonmez Filament one of the largest industrial enterprises in this industry.

In addition to Sonmez Filament, there are 10 major polyester yarn and fibre producers of economic significance in Turkey. Eight of these companies are located in Bursa. The plants in Bursa account for three quarters of Turkey's total polyester yarn and fibre production.

Although Sonmez Filament's decision to suspend production is significant, it is by no means an isolated case. Three other major companies in the region, Sancak Tul, Sifas and Poylen, have already announced suspension of production, albeit temporarily. Further temporary and permanent plant closures and company failures, with accompanying massive job losses, are on the agenda in Bursa and other Turkish cities as the global financial and economic crisis deepens.

Sonmez Filament temporarily suspended production three months ago, citing negative market conditions. In a statement issued to the Istanbul Stock Exchange, the company said, "Since then, no improvement in the

negative market conditions has been registered and the impact of the global crisis has increased market uncertainty further." The company's decision to stop production for good points to the possibility that other temporary production stoppages will turn into permanent factory closures.

The statement also underscored sharp rises in electricity and gas prices, as well as delays in receiving payments and increases in low-cost imports, as the reasons for the company's decision to stop production.

Textile and clothing manufacturing is the largest industry in Turkey. Together with the leather industry it provides for more than one third of employment in manufacturing.

The globalisation of production, and especially the further integration of China and India into the world economic system, has led to a huge growth in cheap labour competition. Faced with this competitive pressure, Turkish textiles, clothing and leather industries have faced serious difficulties since 2002. Paralleling this development, Sonmez Filament has been operating at a loss since 2003.

One of the company's large shareholders, Celal Sonmez, told the press, "We have no financial debts. We finance our operations with equity capital. We have top-notch levels of productivity... But it is impossible for us to compete on price terms at home and abroad. The high exchange rate and cheap dumped imports deprive us of the opportunity to sell in the domestic market."

Even during the relatively rapid growth years of 2002-2007, unemployment worsened in Turkey. The rate of investment has fallen, foreign trade and current account deficits have deteriorated and income distribution has become even more unequal as a result of a fall in real wages at a time of increased profits.

During this period the industrial sector, including the textile industry, had managed to increase output by

employing fewer workers for longer hours at lower wages. This development was largely a result of the new labour law of 2003, which was enacted with the approval of the trade union bureaucracy. While this increase in production was made possible by rising labour productivity and exploitation, as a result of constant pressure on real wages, economic growth has done nothing to improve the welfare of workers. On the contrary, broad layers of the population have experienced a sharp decline in real purchasing power and growing poverty.

The growing crisis of the Turkish textile industry and other major manufacturing companies will lead to an inevitable contraction of the entire Turkish economy, which will in turn lead to a snowballing of the country's reserve army of the unemployed.



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