GAZİANTEP

Executive Summary
Economic Sectoral Review & Cluster Selection

September, 2011
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Executive Summary

This report has been prepared as the economic and sectoral review of Gaziantep to provide insight for selection of the sectors as well as the potential clusters to be worked with over the course of the Project.

Preparation of the report started with a desk research study where more than 20 publications and reports were reviewed about Gaziantep. To understand current structure of the sectors and confirm the data received from the desk research, field research study has been completed and 20 interviews were held with stakeholders and companies in Gaziantep.

Gaziantep is a province located in the crossroads of the South Eastern and Mediterranean Regions of Turkey, and thus is ideally located to become a local industrial and commercial centre. With its 6222 km² territorial area, the province covers around 1% of the total area of Turkey. According to “Address Based Population Registration System” TUIK (Turkstat-Turkish Statistics Institute) is announced the Population of Gaziantep is 1,700,763 at the end of 2010. Gaziantep is eight most populated province in Turkey and according to urban population Gaziantep is sixth crowded city in Turkey.

Gaziantep is in second place (after Istanbul) in Turkey according to population growth rate between 2000 and 2010. According to the estimations by TUIK data (Turkish Statistical Institute), by the year 2020 the population of Gaziantep is predicted to be 1,900,000. The reason for that is the high fertility and emigration rate.

Gaziantep, is a metropol with its economic structure, tourism potential and metropolitan status. It is the central point of highways and railways interconnecting the Southeast to Anatolia, to West, Mediterranean and Middle East. Gaziantep Airport is an international airport.

As for geography it is the entrance gate of GAP (Southeastern Anatolia Project), and with its industrial and trade volume forms a basis at the development of GAP. It economically takes hold of 18 surrounding provinces. As Gaziantep is located on the main roads from

<table>
<thead>
<tr>
<th>Gaziantep in Numbers</th>
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<tbody>
<tr>
<td><strong>Area</strong></td>
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<tr>
<td><strong>Population</strong></td>
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<tr>
<td><strong>Employment</strong></td>
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<td><strong>Development</strong></td>
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<td><strong>Value of Gaziantep’s Exports</strong></td>
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<tr>
<td><strong>Registered Trademarks</strong></td>
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<td><strong>Registered Patents</strong></td>
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<tr>
<td><strong>Number of Companies</strong></td>
</tr>
<tr>
<td><strong>Number of Manufacturers</strong></td>
</tr>
</tbody>
</table>

1 List of Stakeholders and Companies Interviewed
Kahramanmaraş to Aleppo, from Birecik to the shores of Mediterranean and from Diyarbakır to İskenderun, preserves its exclusiveness to be the cultural and trade center of all times.

**Economic Environment**

Gaziantep, according to the socio-economic index by Ministry of Development (at that time State Planning Organization) in 2003 ranking the 20th within 81 provinces. The contribution of Gaziantep to Turkey’s economy was also stated as 1, 4% of the country’s total GDP. The latest available data reveals Gaziantep’s GDP as 2,093 million $ in 2001.

As of 2001, when the GDP of the province is reviewed by the sectoral distribution, with a share of 64,9% at services sector ranks at the first raw followed by 24,1% at industry and 11,0% at agricultural sectors. On the other hand, with a 5% share at total production of Turkey, industry is the most developing sector of the province. According to these results the production of “Textile Products”, “Food and Beverage Production” and “Plastics and Rubber Products” are the leading sectors.

According to DPT, TÜİK and export figures, production of Textile Products is the leading sector of the province and it is quite larger than its share in the country. The labor force of textile sector forms the 52% of the industrial labor force.

When Gaziantep Organized Industrial Zones and Small Industrial Sites are examined as for the operating industries, the leading of Textile and food sectors are observed. At the textile sector, “the preparation and spinning of natural and synthetic fibres”, “production of carpet and rug” and “ready textile products except garments” are the most important sectors. The first one is the carpet and acrylic thread, then plastic shoes, flour, semolina and lentil are the most produced products. The 43% of the enterprises operate actively at textile sector, while 22% at food, 9% at paint-chemicals, 7% at plastics, 3% at cleaning-hygiene and 16% at other sectors.

When the ranking of the countries of export from Gaziantep is examined, it is observed that the neighboring and not distant countries take place at the first rows and the European Countries with powerful markets and USA are at the top of the list. In 2009 while the export share rised to 37% from 33% compared to previous years, the share of Europe increased from 28% to 26%. The Middle Eastern and African countries retained their shares. When the 2010 figures are reviewed, it is observed that the export of Gaziantep to Iraq reached to 1 billion 528 million USD. At this context Iraq has the largest share at export of Gaziantep while the European countries come at the second row with a share of 26%. The distant market USA has a share of 4% while Oceania has only 3%.

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3 TÜİK, (2002), Census of General Industrial Establishments (GSİS), The Survey for Investment Areas where Competitiveness Power are highly perceived” by DPT(State Planning Organization)
At the export of Gaziantep on country-basis; Iraq, Saudi Arabia and Syria rank at the first three rows. Germany, Italia, USA, UK, Iran, Poland and Israel follow these three countries respectively. When the export goods of Gaziantep reviewed, it is observed that the industrial products have a share of 92.8% and the export is mostly realized on textile, food and agricultural products. At this point it can be stated that manufacturing industry is the most important resource at export of Gaziantep.

Gaziantep is very rich in the kinds of trades and industries. About 16000 members registered to Gaziantep Chamber of Trade is working in trade and industry and about 2300 members registered to Gaziantep Chamber of Industry.

There are four Organised Industrial Zones in Gaziantep. 5th zone is planned and started for preallocation for 11 million squaremeter total area in 2011. See Annex 1.

There are some other industrial sites like; Örnek (model) industrial site is a zone for 88 model businesses over 800 sqm covered area, allocating 350.000 sqm of land for each and is the result of a partnership between the Ministry of Industry and Commerce and United Nations Industrial Development Organization (UNIDO). This site was established to act as a model and provide incentive to small and medium size industries on operation volumes and production methods. The main sectors in this site are textile machinery, steel casting, automotive spare parts, steam boilers, dam equipment, grains and pulses process machinery, metal and wood process machinery and die and packing industry installations.

**Nizip Street and its Neighborhood:** The first zone that has been active in the citycenter before the establishment of Organized Industrial Zones and small industry sites was Nizip Street; 150 firms are active in this region. In general, the firms those are active in this region manufacture plastics, shoes, flour, semolina, carpet, acrylic thread, cotton thread and metal goods. These operations having been surrounded by the city-center due to fast population increases and urbanization have the tendency of moving their production facilities in full or in part to the industrial zones.
**Leading Sectors**

Gaziantep plays an important role in the Turkish economy with its industrial and commercial infrastructure; the city acts as a bridge between important regions due to its geographical location in a commercial center. The industrial sector with many small and medium size businesses offers a wide opportunity of employment.

**Textile Sector**

Gaziantep has competitive advantage in textile sector. The sector is primarily specialized in manufacturing different kinds of yarn and carpets. Important titles of textile sector can be listed as: Machine made Carpet, Cotton yarn, Acrylic and Polypropylene (PP) yarn, Fancy yarn, Chenille yarn, Tricot apparels, PP sack and big bag, Non-woven technical textile. More than 50% of manufacturing companies are in textile sector in Organised Industrial Zones with 302 companies. There are 250 companies are machine made carpet producers in Gaziantep. 80% of export of machine made carpet is being made by Gaziantep manufacturers.

Development areas of textile sector:
- Establishment of fashion and design schools.
- Joint organization of textile fairs.
- Marketing of Gaziantep textile products by foreign firms.
- The establishment of R&D firms in Techno Park.

**Food, Agriculture and Livestock Sector**

Food processing sector is second most important sector in Gaziantep in terms of number of companies and employment. There are 151 industrial food companies in Organized Industrial Zone. Even though Gaziantep’s agricultural production capacity is lower compared to some other provinces, certain food products like wheat, chickpeas, lentils are processed in the Gaziantep region. Thus, the manufacture of food products and beverages generate significant income for the province.

Important titles can be listed as:
- Pulse, Grain,- Boiled and founded wheat (bulgur),
- Macaroni, Candies and chocolate coated products, Pistachio, Vegetable Oils and Olive Oils.
- There are 151 food processing companies are located in Organised Industrial Zones of Gaziantep.

Development areas of Food Sector:
- Pulse;
  - Production of corn, rice flakes.
  - Chips production.
  - Infant food and Diet food production.
- Vegetable and fruit processing;
• Dried and Frozen food  Conserved, compost, souse, pickle  Packed soup, Concentrated fruit and vegetable

**Machinery and Metal Sector**
Regarding to Turkey’s strategic and geographical framework, metal and machinery sector is expected to be highest growing. In Gaziantep Machinery and Metal Sector is developing through food, textile and plastic sector. Gaziantep provides good opportunity for Machinery and Metal Sector. There are 30 machinery and metal sector companies in Organized Industrial Zone. In terms of sub sectors;

Textile Machines:
- Preparation, Weaving, Knitwear and Carpet Machinery

Food Machinery:
- Food Processing Machines, Biscuit&Chocolate production Machines

Packaging Machinery:
- Food packaging

Plastic machinery;
- Injection machine, Extruder manufacturing

Development areas:
- Joint investment projects for Spare parts production

Electronic Carpet machinery and jacquard weaving equipment for carpet production is an untouched field in machinery sector.

When the machinery and metal sector is analysed for cluster development it is obvious that the sector in not well developed enough and not ready for collaboration. In Gaziantep level and amount of R&D studies are compatible to west of Turkey.

**Chemicals Sector**
Chemicals sector in Gaziantep has been started by manufacturing semi-raw materials for textile and plastic made shoes sectors. Manufacturing Lubricants, textile dyestuffs, plastifians and stabilisans for plastics are played important role for development of chemicals sector. There are 16 chemical sector companies located in Organized Industrial Zone.

Some of subsectors in Gaziantep chemicals sector are;
- Construction paints
- Artificial Leather
- PP and PE Film
- PU and PVC footwear
- Soap, detergent, shampoo
- Automotive fuel additives

Development Areas of Chemical Sector:
- Cosmetics Food and textile paints
- Machinery maintenance and oil chemicals

**Plastics Sector**
Plastics sector is according to high production capacity, providing employment and added value, one of the most important sector in Gaziantep.
In Gaziantep there are 46 companies located in Organized Industrial Zone and working in Plastic sector and most of them are exporting their products to different countries of the world. Some of the important items in Gaziantep plastics sector are; PVC door-window profiles PP&PE packaging films (inc. OPP & BOPP) PU and PVC shoes-slippers PP yarn & fabrics

There are important production gaps in some subsectors in Gaziantep. These are:
- PVC floor tiles,
- Wooden, plastic coatings,
- Plastic kitchenware,
- PVC plates, automotive spare parts
- Electronics spare parts,
- Plastic design

**Shoes and Processed Leather Products**
Gaziantep is livestock export center in the region. But leather processing is not developed enough. Leathers are collected in the region and are sent to rious leather processing centers. There are a few companies also work on sheep gut processing. Shoes and slipper manufacturers were producing in little workshop for east and southeast Anatolia until 2000. But in 2000 a modern Shoes Manufacturers Industry Site is constructed in 163.000 square meter area.

There are 330 workshop for the leather or artificial leather made shoes manufacturers and spare part suppliers in the site. There are 6 shoe manufacturing companies in Organized Industrial Zone. Shoe manufacturer companies are producing all kind and model products and marketing all the country from the site.

**Furniture and Wood Products Sector**
Micro or Small enterprises are producing furniture and wood products in Small Enterprises Industry Site. These are working for local and domestic clients. In Organized Industrial Zone there are 6 furniture companies. The furniture sector is considered as one of the most important growing industries in terms of employment and income. Being labor intensive, it has provided a bigger share of the total manufacturing employment statistics and has undoubtedly contributed much to economic development. This sector provides good
opportunities for domestic and foreign investors with its high export potential to middle east.

**Emerging Sectors and Potential Clusters**

The research study indicated 4 strong emerging sectors and their primary sub-sectors in other words business clusters in Gaziantep:

<table>
<thead>
<tr>
<th>Sector</th>
<th>Sub-Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shoes and Processed Leather Products</td>
<td>Shoe manufacturing Sub-Cluster</td>
</tr>
<tr>
<td>Agro-industry</td>
<td>Bulgur production Sub-Cluster</td>
</tr>
<tr>
<td>Food industry</td>
<td>Confectionery and sugar products Sub-Cluster</td>
</tr>
<tr>
<td>Textile</td>
<td>Technic Textiles – Non-woven Sub-Cluster</td>
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</table>

**Shoe Manufacturing Sub-Cluster**

In line with the sectoral birth date at the macro level, the shoe manufacturing sector in Gaziantep dates back to late 1950s during when the Gaziantep Chamber of Shoe Manufacturers was established. The Chamber has now 1500 members with a production capacity of 40,000 shoes per day in total. In terms of export capacity, having followed a slow growth path until beginning of 2000s, Gaziantep witnessing an export boom since 2005. Registering 14.8 million USD export volume in 2005, the city is currently enjoying over 50 million USD export rates for 2010 in the shoe manufacturing sector corresponding % 275 increase between 2005 and 2010 and also expected to grow further to 55 million USD in 2011. With this sharp increase, the shoe manufacturing sector in Gaziantep also doubles its country level market share from %6.7 in 2005 to %12.5 in 2010.

During this research study, it has been observed that the shoe manufacturing sector in Gaziantep as a potential cluster can built strong cluster initiative emerging into future cluster due to the existing competence and strong momentum towards collaboration. It also needs to be underlined that there is a strong sense of “unionization” and “willingness to group” observed in the sector, also considering over 50 years of association experience in the sector.

As mentioned above, the industry itself has been registering tremendous growth in terms of export rates in the last 5 years and expected to maintain this positive trend in the upcoming years. Its closeness to inter-related sectors (leather production, logistics etc.) as well as geographical advantage to Middle East and domestic markets can be seen among the strongest aspects of the sector. Furthermore, the high level of specialization supported through vocational training programmes offered both by the city universities and by the
association and also flexibility to follow and quickly adapt new market trends should also be underlined among the promising characteristics.

**Agro Industry: Bulgur Production Sub-Cluster**

Gaziantep has a tradition of producing bulgur that dates back to ancient times. Most of today’s bulgur production finds its origins (in terms of seeds and know-how) in this region it is the centre for the processing’s technology.

The export of bulgur from Gaziantep increased by 422% between the years 2006-2010, main exporting countries are Iraq, Syria, Sierra Leone, Liberia, Israel, Saudi Arabia, France, Germany.

In 2010, 59% of Turkey's bulgur export has been done by Gaziantep producers. Yet bulgur does not have a meaningful place in the international markets. One of the difficulties inherent to consumption is that bulgur is not known in the world cuisines and by the consumers. However, adequate marketing and promotion processes can address these issues.

Research study indicated that there are urgent activities for the sector to improve the export of the bulgur which are listed below;

- To create a brand name for South Eastern Anatolia “bulgur” positioning it as a superior product – given its superior taste and nutrition;
- To create a market place for “bulgur” in international markets, with special emphasis in European countries.
- Development of a marketing campaign coupled with a technical assistance program will be needed in order to achieve the above objectives.

In Gaziantep there are several well developed food processing machinery industrialised companies which are able to supply all the machines and equipments of Bulgur processing. They are also exporting the bulgur processing machines to the abroad.

Research study also indicated that most of the bulgur processing companies are also sorting, packaging and selling all kinds of the pulses at the same premises.
**Confectionery and Sugar Products Sub-Cluster**

The beginning of the sector of products with sugar and chocolate operating under Gaziantep Food Industry extends to the production of the traditional products such as candies, Turkish delights and halva prepared in the small workshops with the raw material supplied at the region. Today it became one of the sectors operating within the Food Industry promoting its sub-industries with its raw-material, supplements and packing materials used in production processed in combination with the traditional and modern production techniques.

When the sector in Gaziantep is reviewed, it is revealed that the producers are generally small and medium sized enterprises. The one and only large-scaled company is Şölen Chocolate Food Industry Co. Gaziantep has the largest production capacity of products with cacao (Waffle, cake, products with chocolate) ranking after Istanbul (151,779 tons/year).

The production capacity of products with chocolate in Gaziantep is 577,198 tons/year. The production capacity of products with sugar (candy, halva, chewing gum) is 65,777 tons/year. The production capacity of biscuits and its varieties is 47,583 tons/year; the forth largest capacity ranking after Istanbul, Eskişehir and Karaman. (Reference: TOBB(Union of Chamber and Commodity Exchanges) Industry Database)

The export of products with cacao from Gaziantep increased by 55% between the years 2006-2010. 
The export of biscuits-crackers from Gaziantep increased by 292% between the years 2006-2010. 
There are 21 companies in Organized Indurstrail Zone that are producing confectionery, chocolate and sugar based products like chewing gum. Most of them are medium scaled companies.

There are 32 confectionery, chocolate and sugar products companies that are member of Artisans and Craftsmen Association and located in city center and small industry zone, most of their products are candies, halva and turkish delights. Average employees are below 50.

**Technic Textile: Nonwoven Production Sub-Cluster**

The non-woven fabric production in Gaziantep began in 1977 by a single firm, and then other firms were also involved in the production of the non-woven fabric. Currently in Gaziantep there are 10 non-woven producing companies and most of these are large-scaled companies. During the field research it has been stated that there are two companies who placed machine orders and await the delivery of these machines for production. The non-woven fabrics in Gaziantep are mainly produced by Sunbond, Meltblown and Spunlace processes. As for raw material polyester, Polypropylene, tencel, Viscose, cotton are used.
The non-woven fabrics produced in Gaziantep are mainly appropriate for the use with medical, sanitary and wiping purposes. No research and development studies are encountered to provide speciality or an added-value to the product. The companies producing medical products in Gaziantep mainly import their specific non-woven product inquiries from abroad. Also it is obvious that the non-woven fabric producing companies are not open enough to provide information about the product and production as for the competitiveness concerns.

According to the information obtained during field research, the large-scaled companies export 60% of their production. Other companies sell 60-70% of their production in the domestic market.

Also it is hard to obtain information about production capacities and product range of the companies as the most of the investments of technical textile, non-woven are very recent in Gaziantep. The production is kept confidential and the information inventory at this field is not generated. However, technical textile fabric production sector in Gaziantep is rapidly developing as for the capacity, production output and sub-industry. In sub-industries non-woven fabrics are mainly used in production of diapers, sanitary pads, medical textile products and their outfit, and packing materials (for carpet, food and textile products).

During the field studies it has been determined that the approach to produce projects and the consideration of acting collectively is not well-developed and when forming groups this consideration is likely to form and there is potential for that.

**Rationale**

Over the course of the research study sectors in Gaziantep were examined in consideration with following criteria and four potential sub-sectors were identified for further analysis;

- Potential to create employment opportunities for skilled labour
- Harness regional innovation assets for growth
- Role in region’s development
- Change perception of the region
- Interrelationships with other potential target clusters in Turkey
- Level of specialization and networking
- Contribution to national economic strategies

The potential sectors were determined as play in an extremely significant role in regional development in Gaziantep. The study was built on objective analysis of region’s realities and focused on future engines of growth where trade and export potential has been examined. Research reveals that target areas are offering opportunities for sustainable growth, can

<table>
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<tr>
<th>Year</th>
<th>Export USD (Million)</th>
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<tbody>
<tr>
<td>2006</td>
<td>53.6</td>
</tr>
<tr>
<td>2007</td>
<td>77.5</td>
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<tr>
<td>2008</td>
<td>64.8</td>
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<tr>
<td>2009</td>
<td>54.7</td>
</tr>
<tr>
<td>2010</td>
<td>71.0</td>
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</table>

Source: GAİB (Gaziantep Union of Exporters)
help region to establish regional identity and vision for future development, initiatives can be identified and aligned with target industry needs.

Target Cluster Decision Matrix summarizes the results of the research which is presented in this report. Based on the findings the report strongly recommends focusing project activities and competitiveness enhancement efforts on four target sub-sectors.

**Target Cluster Decision Matrix**  (mark 1-4 for competence, 4 being the highest)

<table>
<thead>
<tr>
<th>Potential Clusters</th>
<th>Agro-Industry, Bulgar</th>
<th>Food Industry, Confectionery</th>
<th>Textile-Shoe</th>
<th>Textile-Non-Woven</th>
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<tbody>
<tr>
<td><strong>Economic Impact</strong></td>
<td></td>
<td></td>
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<tr>
<td>Growth of the Sector</td>
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<td>2</td>
<td>4</td>
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<tr>
<td>Employment</td>
<td>4</td>
<td>3</td>
<td>4</td>
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<tr>
<td>Role in Regional Development</td>
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<tr>
<td>Ability to meet 20-25% target by mid-2013</td>
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<td>2</td>
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<tr>
<td>Contribution to national goals and objectives</td>
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<td>1</td>
<td>3</td>
<td>2</td>
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<tr>
<td>Level of specialisation</td>
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<td>4</td>
<td>3</td>
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<td>Critical Mass of Companies</td>
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<td><strong>Demand</strong></td>
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<td>Export potential markets</td>
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<tr>
<td>Presence of sophisticated home demand</td>
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<tr>
<td>Changes and trends in markets</td>
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<td>2</td>
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<td>3</td>
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<td><strong>Networking &amp; Collaboration</strong></td>
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<td>Regional Linkages</td>
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<td>Ability of local Stakeholders to support</td>
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<td>Interrelated sectors</td>
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<td>3</td>
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<td>Presence of implemented projects</td>
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<td><strong>Factor Conditions</strong></td>
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<td>Potential for Value-Chain improvements</td>
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<td>Potential for Substantial Action Plan</td>
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<tr>
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<td>39</td>
<td>76</td>
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