



INDUSTRIAL ORGANIC CHEMICALS

Berrin Erturk
August 13

SUMMARY

Turkey is one of the fastest growing emerging market economies in the world, due to the following factors:

- a young population composed of 75 million people with rising consumption;
- real GDP growth above the global average and expected to continue in the coming years;
- decreasing inflation and interest rates, thus encouraging investment; and an increasing level of foreign direct investment, resulting from strong international trade.

The chemical industry, supporting other industries such as automotive, textiles, information and communications technologies, machinery and consumer goods, which are expected to be a lot more active in global production and trade in the years to come, is one of Turkey's most important industries. Furthermore, scientific advances continue in nanotechnology, biochemistry, catalyzer, genetic and organic chemicals, and polymer chemistry.

The Turkish chemicals industry, which has been active for several decades, provides many basic and intermediate inputs to various industries. The industry employs more than 250,000 people in around 22,000 companies. The chemical industry is very capital-intensive and, due to restricted financial resources, has fallen short of realistic performance levels. Nevertheless, local production is growing rapidly. While only 30 chemical items were produced in Turkey in 1962, the number of chemicals produced today exceeds 300.

Known for its very high value-added, the chemical industry still possesses a low sale rate per person of EU195.5. This rate is very low compared to other countries in Europe. These figures range between EU8354 in Ireland and EU273 in Poland. Organic chemicals that are the subject of this report are a major part of the industry, and the local market for these products is around \$13 billion, of which almost half is met by imports. Organic chemicals exports grew by 144% in 2012, compared to 2010.

In a recent study for the Turkish chemical industry, the strategy for the next decade is to produce high-value-added products using high technologies, benefiting from the country's strategic location. U.S. companies should look into this market more carefully to take advantage of its growth.

Products covered in this report include industrial organic chemicals under the following Harmonized Tariff Numbers:

HS CODE	PRODUCT DESCRIPTOR
3823	Industrial monocarboxylic fatty acids, acid oils from refining, industrial fatty alcohols

1520.00	Glycerol (glycerin), whether or not pure, glycerol waters and glycerol lyes
1522.00	Degras, residues resulting from the treatment of fatty substances or animal or vegetable waxes
2707	Oils and other products of the distillation of high temperature coal tar, similar products in which the weight of the aromatic constituents exceeds that of the nonaromatic constituents
29	Organic chemicals
3201	Tanning extracts of vegetables origin, tannins and their salts, ethers, esters and other derivatives
3402.11-3402.19	Organic surface active agents (other than soap), surface active, cleaning and washing preparations (except ones put up for retail)
3403	Lubricating preparations and preparations of a kind used for the oil or grease treatment of textile materials, leather, furskins or other materials
3501	Casein, caseinates and other casein derivatives, casein glues
3505	Dextrins and other modified starches, glues based on starches, or on dextrins or other modified starches
3817	Mixed alkyl benzenes and mixed alkyl naphthalenes

MARKET DEMAND

The total market for organic industrial chemicals in Turkey is estimated at \$12.7 billion in 2013, almost 48%percent of which is expected to be in imports.

The organic chemicals market in Turkey is growing, due to:

- growth in industries that it supplies products, semi-products and raw materials to (for example, plastics, cosmetics, paints and dyes, energy, agriculture, medical, transportation, food, construction, electronics, textiles, and environment;
- existing underground natural resources;
- proximity to raw materials, especially for energy;

- well-educated human resources, especially specializing in chemistry;
- a strong market for different chemicals, such as agriculture and textiles;
- logistical advantages; proximity to markets, especially the European one; and
- flexibility to shift sales to different markets in the face of a slowdown in the existing one (e.g., Turkey exports mostly to Europe; however, due to the economic crisis and slowdown in Europe, Turkey has expanded its exports to Libya, Tunisia, and other countries in a very short period of time.

As a result, the Turkish chemical industry has become one of the most important industries in Turkey, attracting foreign investment to establish large firms, in addition to small- and medium-sized firms, which make up the majority of the industry.

Germany (10.9%) and China (10.5%) are the two largest suppliers for the organic chemicals market in Turkey, followed by the United States, with 9.0%. India, Spain, United Kingdom, Saudi Arabia, Russia, France and the Netherlands follow these three with 7.5%, 5.7%, 5.5%, 5.5%, 5.3%, 5.1%, and 4.7%, respectively. These ten supplying countries make up almost 70% of the import market.

Imports of organic chemicals are shown in the table below (2012):

HS Number **Product** **Amount (\$ millions)**

HS CODE	PRODUCT DESCRIPTOR	
3823	Industrial monocarboxylic fatty acids, acid oils from refining, industrial fatty alcohols	117.3
1520.00	Glycerol (glycerin), whether or not pure, glycerol waters and glycerol lyes	2.7
1522.00	Degras, residues resulting from the treatment of fatty substances or animal or vegetable waxes	0.1
2707	Oils and other products of the distillation of high temperature coal tar, similar products in which the weight of the aromatic constituents exceeds that of the nonaromatic constituents	23.2
29	Organic chemicals	5064.6
3201	Tanning extracts of vegetables origin, tannins and their salts, ethers, esters and other derivatives	8.7

3402.11-3402.19	Organic surface active agents (other than soap), surface active, cleaning and washing preparations (except ones put up for retail)	79.1
3403	Lubricating preparations and preparations of a kind used for the oil or grease treatment of textile materials, leather, fur skins or other materials	144.4
3501	Casein, caseinates and other casein derivatives, casein glues	7.7
3505	Dextrins and other modified starches, glues based on starches, or on dextrins or other modified starches	96.3
3817	Mixed alkylbenzenes and mixed alkylnaptalenes	136.7

Source: TUIK

Imports from the United States totaled \$467 million in 2012 and are estimated to reach only \$450 million in 2013, representing a 3.6% decrease.

Major Products Imported from the United States in 2012

\$ millions

290000	Organic chemicals	134.5
291612	Esters of acrylic acid	46.4
292122	Hexamethylenediamine and its salts	41.3
291532	Vinyl acetate	27.6
290250	Styrene	23.5
291712	Adipic acid, its salts and esters	22.7
293090	Organo-sulfur compounds	16.6
292910	Isocyanates	15.7
340399	Lubricating preparations used to lubricate other items	9.0
291614	Esters of methacrylic acid	8.8
292241	Lysine, its esters and salts	7.3
291639	Other aromatic monocarboxylic acids and derivatives	5.7
290531	Ethylene glycol (ethanediol)	5.1
292145	Alpha naphthylamine, beta naphthylamine, its salts and derivatives	5.0

Source: TUIK

MARKET DATA

\$ millions

	2011	2012	2013 (est.)	2014 (est.)
EXPORT	730.4	835.4	880.9	920.0
IMPORT	6,130.2	5,680.9	6,052.9	6,300.0
LOCAL PRODUCTION	6,420.0	7,430.0	7,510.0	7,800.0
TOTAL MARKET	12,109.6	12,275.5	12,682.0	13,180.0
IMPORT FROM US	555.5	467.0	449.8	470.0
EXCHANGE RATES	1.9	1.79	1.95	1.97

Estimated Future Inflation Rate: 10% plus.

Last year's (2012) import market share: Germany: 10.9%, China: 10.5%, U.S.A.: 9.0%, India: 7.5%, Spain: 5.7%, U.K.: 5.5%, Saudi Arabia: 5.5%, Russia: 5.3%, France: 5.1%, and the Netherlands: 4.7%.

Sources: Turkish Statistics Bureau (TUIK), Dunya Newspaper, various business associations' publications, and USCS estimates.

Best Sales Prospects:

Petrochemical producers are important players in the industry; therefore, all organic chemicals that are intermediates in the petrochemical industry are considered as best prospects. Each organic chemical going into other production industries, pharmaceuticals, textiles, dyes, agriculture, etc. is similarly considered as a best prospect. Examples of best prospects include styrene, terephthalic acid and its salts, esters of acrylic acid, ethylene glycol, methanol, isocyanides, aminoglycosides antibiotics, octanol and isomers, p-xylene, cyclanic

cyclic or cycloterpenic ethers and their halogenated, sulfonated, nitrated, or nitro sated derivatives, mixed alkyl benzene and mixed alkyl naphthalene, and toluene.

Key Suppliers

The capital- and technology-intensive nature of the chemical industry has attracted large foreign investors. Henkel, Dow Chemical, Bayer, Hoechst, Sandoz, Roche, BASF, Pfizer DuPont, Unilever, Akzo Nobel are only some of these. Some of Turkey's largest manufacturers are Tupras, Petkim, Aksa, Eti Maden, Soda Sanayi, Bagfas Gubre, Betek Boya, Hayat Temizlik, Akdeniz Kimya, DYO Boya, Al-Kim Kimya, and Akteks Kimya. However, of the 22,000 firms in the industry, most are small-and-medium sized.

Imports constitute a remarkable share in the market at 48%. The United States ranks third among foreign suppliers, following Germany and China, with a 9% share.

Market Entry

To be successful in the Turkish market, most U.S. companies opt to have a local distributor/representative or a liaison office, especially because of the intensive documentation/certificates/permissions needed specifically in the chemical industry. Because Turkey is a major exporter to European Union (EU) countries, compliance with EU chemical regulations known as "REACH" (Registration, Evaluation, Authorization, and Restriction of Chemicals) will become an important market tool. Turkey is expected to complete the REACH regulations harmonization process in 2013, which will increase the competitiveness of Turkey and its manufacturers. It will also ensure that Turkey's imports and exports are not interrupted.

Companies often rely on local experience and knowledge as to how business is done in this exciting market. Knowing the regulatory and business framework is almost an impossible task without the support of a local business partner.

Some "good-to-know" information for the newcomer to the Turkish market:

- Recognize the strategic importance of Turkey in accessing other markets in the region:
(Europe, Caspian, Middle East, Commonwealth of Independent States, and North Africa).
- Plan, prepare and execute an effective, long-term strategy.
- Invest in professionally-translated marketing materials.
- Visit Turkey often (personal contact remains key in the age of Webinars).
- Get "on the ground" advice from professionals already engaged in the market.
- Take time to structure the deal and remember due diligence, including intellectual property rights (IPR) protection.
- Networking. Use contacts, including U.S. Commercial Service (CS) Turkey to help you meet prospective partners/customers. Be aware that iron and steel producers, even though every penny in costs is critical, are very conservative in changing their suppliers. Therefore, establishing trust might take a while; however after establishing it, most producers are hesitant to change their suppliers.

- Understand that a local Agent is only as good as the U.S. firm is to its agent. It's a partnership.

CS Turkey has a number of programs and services available to assist the U.S. business community in establishing a presence in this market – for example, the International Partner Search, the Gold Key Service, and the International Company Profile. In addition, the CS Turkey employs experienced Commercial Specialists with industry sector expertise who can tailor your business approach to the right audience and advise and steer your company through the often less-than-transparent bureaucratic procedures that are common in Turkey. To find out more about what we do to help you, please visit our Web site at www.export.gov/turkey. The U.S. Commercial Service prepares a “Country Commercial Guide” every year. You may find detailed information on ‘How to Do Business in Turkey’ at <http://export.gov/turkey/doingbusinessinturkey/index.asp>

Market Issues and Obstacles

Since 1996, Turkey has had a customs union agreement with EU countries, meaning that customs tax on imports from the EU is zero. However, customs tax on vehicles from non-EU countries, including the United States, is high.

Taxes on major organic chemicals are shown in the table below:

	Customs Tariff	Special Consumption Tax (OTV)	Value Added Tax (KDV)
29	Mostly 5.5% (some are exempted, and some with a range of 4.6-9.6)	0-2.2982TL/kg	18%
3823	Differs from 2.9-5.1	0	18%
1520.00	Exempted	0	18%
1522.00	3.8-31.2	0	18%
2707	Exempt, and some between 1.2 and 3%	0-2.2982TL/kg	18%
3201	Exempt, and some between 5.3 and 6.5%	0	18%
3402.11	Exempt, and some are 4%	0	18%

3402.19	4%	0	18%
3403	Between 4.6 and 6.5%	1.3007TL/kg	18%
3501	Exempt, and some between 3.2 and 8.3%	0	18%
3505	Between 8.3 and 9% If the importer is Turkish Petroleum company: between 1.3 and 5.49%	0	18%
3817	6.3%	0	18%

Trade Events

1) PUTECH EURASIA -2013

November 14 -16, 2013

www.putecheurasia.com

2) STT EURASIA-2013

September 14 -16, 2013

www.stteurasia.com

3) Paint Expo Eurasia -2013

September 12-14, 2013

www.paintexpo.com

4) TURKCOAT EURASIA -2013

September 12-14, 2013

www.turkcoat.com

5) ChemShow Eurasia 2014

October 16-18, 2014

www.turkchem.net

Resources

TURKIYE ISTATISTIK KURUMU (TUIK)

Turkish Statistical Bureau

www.tuik.gov.tr

TURKIYE STANDARTLARI ENSTITUSU (TSE)

(Turkish Standards Institute)

www.tse.org.tr

THE REPUBLIC OF TURKEY PRIME MINISTRY INVESTMENT SUPPORT AND PROMOTION AGENCY

www.invest.gov.tr

TURKISH CHEMICAL MANUFACTURERS ASSOCIATION (TKSD)

(Turkish Chemical Manufacturers Association)

www.tksd.org.tr

TURKIYE KIMYA DERNEGI (Chemical Society of Turkey)

www.turchemsoc.org

For More Information

The U.S. Commercial Service in Izmir, Turkey, can be contacted via e-mail at: Berrin.Erturk@trade.gov
Phone: [90] (232) 441-2446; Fax: [90] (232) 489-0267; or visit our web site: www.export.gov/turkey.

The U.S. Commercial Service — Your Global Business Partner

With its network of offices across the United States and in more than 80 countries, the U.S. Commercial Service of the U.S. Department of Commerce utilizes its global presence and international marketing expertise to help U.S. companies sell their products and services worldwide. Locate the U.S. Commercial Service trade specialist in the U.S. nearest you by visiting <http://www.export.gov/>

Comments and Suggestions: We welcome your comments and suggestions regarding this market research. You can e-mail us your comments/suggestions to: Customer.Care@trade.gov. Please include the name of the applicable market research in your e-mail. We greatly appreciate your feedback.

Disclaimer: The information provided in this report is intended to be of assistance to U.S. exporters. While we make every effort to ensure its accuracy, neither the United States government nor any of its employees make any representation as to the accuracy or completeness of information in this or any other United States government document. Readers are advised to independently verify any information prior to reliance thereon. The information provided in this report does not constitute legal advice.

International copyright, U.S. Department of Commerce, 2013. All rights reserved outside of the United States.

800-USA-TRADE

[export.gov](http://www.export.gov)

Let us help you ex