

Turkey makes major advances in automotive

Turkey is the world's 14th largest and Europe's 4th largest automotive manufacturer

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Fact file

Annual automotive

exports (total):

\$30bn/£21.8bn
(pre-COVID)

Annual automotive

supplier exports:

\$10bn/7.3bn (pre-COVID)

Automotive

manufacturing

employees: 300,000

Key global OEM

investors: Ford, Hyundai,

Isuzu, MAN, Mercedes-

Benz, Renault, Stellantis

and Toyota

Design and R&D

capacity: more than

190 businesses

Turkey now firmly established as one of Europe's leading automotive manufacturers

Auto sector reaches advanced stage in technology and quality certification

The UK Government's free trade agreement reached with Turkey late last year sees it forge new links with an automotive manufacturing nation with impressive potential for growth.

As the home to established car and commercial vehicle (CV) manufacturers, as well as having its own network of high-quality supplier parts producers, Turkey's automotive sector was the world's 14th largest and Europe's fourth largest automotive manufacturer as of the end of 2020.

Baran Çelik, president of the board of the country's Uludağ Automotive Industry Exporters' Association (OIB), is keen to see the relationship between the UK and Turkey prosper – to the mutual benefit of both.

Automotive is one of Turkey's largest areas of focus after decades of development and investment, accounting for around 15% of the country's total exports.

Çelik says: "Turkey's automotive industry has been leading the country's exports for the past 15 years and the sector's annual exports amounted to around \$30bn (£21.8bn) before the pandemic."

Turkey's supplier manufacturing capacity is also considerable, producing parts for some of the world's biggest automotive brands.

High standards

Its high production capacity, wide product range and compliance with EU standards means automotive suppliers now accounts for exports of \$10bn (£7.3bn).

Çelik is proud of the standards and efficiency of Turkey's biggest exporting sector. He says: "Today, the Turkish automotive industry, which meets all international quality and safety standards and even exceeds them, is in an extremely strong and competitive position thanks to its value-added production approach.

"Turkey has become a centre of excellence, especially in the production of CVs. By the end of 2020, it had become Europe's second largest CV manufacturer."

The foundations of the Turkish automotive industry date back to the early 1960s, but the sector, which experienced a period of rapid industrialisation and advancement, has transformed from assembly-focused partnerships into a fully-fledged industry with design capability and large-scale production capacity.

« Baran Çelik is president of Uludağ Automotive Industry Exporters' Association

"By the end of 2020, Turkey had become Europe's second largest commercial vehicle manufacturer"

Global OEMs have invested more than \$15bn (£10.9bn) in their operations in Turkey since the turn of the millennium.

"These investments significantly increased the production capacity of these companies and enabled Turkey to climb the ranks to occupy an important place in the global value chain of OEMs," Çelik says.

But Turkey's customs union with the EU, along with its EU candidacy, have also had a significant effect on its growth as a key automotive supplier.

Closer ties with the EU have led to the adoption of EU product and environmental standards and the OIB says most of the Turkish auto companies have gained quality certificates in line with EU directives.

Çelik says: "Today, the Turkish automotive industry has reached an advanced stage in terms of technology and international certification, as it carries out its production predominantly for OEMs operating in Western Europe's advanced economies."

After decades of experience and collaboration which have driven quality and efficiency in Turkish automotive, Çelik says the sector is now looking to build on its strong reputation as a key player in European automotive manufacturing through the development of its own research and development (R&D), design and branding capabilities.

As of 2021, 190 design and R&D centres owned by automotive manufacturers and suppliers are in operation in Turkey.

Underpinning the growth aspirations of Turkey's automotive manufacturing sector are long-term commitments from global car and CV manufacturers who continue to deliver investment to drive capacity and expertise in the sector.

Turkey's established relationships with global OEMs have resulted in investments that extend to a horizon 20-to-25 years away – building a stable foundation for the sector.

Ford, Hyundai, Isuzu, Renault and Stellantis are among the global car giants with a manufacturing presence in Turkey.

In addition, Turkey's Automobile Joint Venture Group (TOGG), a joint venture established in 2018, is developing

its own electric vehicle (EV) range.

Çelik highlights the significance of Turkey's long-term partnerships with overseas business, noting that some have been engaged in automotive manufacturing in the country for more than 50 years, adding: "These global manufacturers have production facilities in dozens of countries and their Turkish factories are among their most successful."

OEMs' ongoing commitment to manufacturing in Turkey reflects their confidence in the quality and value presented by its automotive manufacturing sector, the potential of its domestic market and that presented by newly-forged ties with export partners including the UK.

Çelik added that potential returns from Foreign Direct Investment in its automotive sector remained clear.

Young, motivated workforce

He says: "The country is an excellent production centre for the automotive industry with its 60 years of experience, a highly qualified and young workforce, advanced supply chain, geographical and logistical advantages and advanced R&D infrastructure."

Çelik says Turkey has a young population and a domestic market that remains well-positioned for growth in automotive.

He adds: "We have a domestic market that has not yet reached saturation and with a lot of potential and substantial export experience.

"Therefore, companies producing in our country are continuing to expand their investments in Turkey."

Similar to the UK, automotive is a key contributor to Turkey's economy. The sector directly employs 300,000 people and the OIB says ongoing investment has ensured that the country has a young, well-educated and highly-motivated workforce equipped with the skills need to further develop and grow its role in automotive manufacturing.

Turkey is also in an advantageous position in terms of labour costs and a low rate of absenteeism, the OIB says.

Çelik says: "With its highly qualified experts, managers and engineers, the Turkish automotive industry continues its operations benefitting from many years of experience and solid organisational structures in production and export.

"Our industry has proven its resilience to global crises many times. Our qualified and highly motivated workforce has contributed greatly to this success."

UK and Turkey 'indispensable to each other' in automotive sector

That's the view of the president of Turkey's Automotive Suppliers Association

« Albert Saydam,
president of the Automotive
Suppliers Association of Turkey

With 80% of all components used to build vehicles in Turkey produced domestically, the scope of its automotive manufacturing infrastructure is wide-reaching and all-encompassing.

And after more than 60 years of intense development and investment in a sector which produces cars, commercial vehicles (CVs) and a full-range of automotive parts for global OEMs and home-grown businesses, its Turkish automotive suppliers are ready to leverage the possibilities of the UK/Turkey Free Trade Agreement (FTA).

Albert Saydam, president of the Automotive Suppliers Association of Turkey (TAYSAD), describes automotive parts manufacturing as "one of the significant driving forces of the Turkish economy" and believes the UK can benefit from its exports.

Three months after the UK Government rubber-stamped the agreement in December 2020, Turkey's exports to the UK had increased by 12.7% to reach £2bn.

In March alone, the UK received £700m-worth of Turkish goods, a 33.1% year-on-year increase which made it Turkey's third-biggest market after Germany and the US.

Saydam describes the UK as "one of the principal trading partners of the Turkish automotive sector", adding that the relationship is vital for the Turkish economy.

But he believes the two commercial partners are "indispensable to each other".

"The FTA does not only aim to increase product diversity and quantity. There is a much bigger vision behind this," Saydam says.

"With the signing of this FTA, the two countries have declared they wish to advance in changing the global trade order and that they wish to take part on this stage together. The signing of the agreement within a very short time underlined this aim once again.

"As Turkish automotive suppliers, our expectation from the FTA goes beyond just the mutual growth of conventional trade."

"Foreign investors and all our stakeholders abroad can use Turkey's existing potential, speed and agility, and ability to do business and turn it into an opportunity"

Collaboration and partnership

Saydam says new commercial relationships forged between the UK and Turkey will deliver cooperation and partnerships that will leave a mark on new technologies.

He adds: "Foreign investors and all our stakeholders abroad can use Turkey's existing potential, speed, agility, and ability to do business and turn it into an opportunity.

"In the changing concept of mobility, we advocate Turkish supply industrialists to take faster action in transformation by creating collaborations, partnerships and licence agreements with their British counterparts."

TAYSAD – a member of CLEPA (the European Association of Automotive Suppliers), with ISO 9001:2015 and ISO 27001:2013 certification – was established in 1978 by a group of 14 entrepreneurs to be the sole and best qualified representative of the Turkish automotive supply industry, guided by its vision of taking a place in "the global top 10 in terms of design, technology and supply capability".

Its membership of more than 480 automotive parts manufacturers adds value to the national economy of Turkey with \$25bn (£18.2bn) of annual business volume, \$11bn (£8bn) exports, more than 200,000 employees and 179 R&D and design centres.

And, although Saydam suggests that the COVID-19 pandemic has seen a renewed focus on investment in manufacturing in Turkey, 60 of TAYSAD's members have invested in 160-plus facilities in 43 countries.

Turkey's key automotive parts producers have a presence in the US, Mexico, Brazil,

Germany, France, Spain, the UK, Italy, Romania, Slovakia, Hungary, Bulgaria, India, Russia, Ukraine, Tatarstan (Russia), China and South Korea.

Turkey's automotive suppliers expertise

A track record of working with European OEMs, a flexible production capability, a well-educated and enterprising labour force, harmonisation with international quality systems and technical regulations are all central to Turkey's success as a supplier to the automotive industry.

These USPs, and its expertise in exports, have helped create lasting relationships with foreign partners.

The sheer range of products made by TAYSAD members is also noteworthy and boosts the resilience of the automotive parts sector in Turkey.

The gamut of components TAYSAD businesses produce, which underpin Saydam's assertion that "the composition of any vehicle produced in Turkey will be 80% domestically manufactured" includes: complete engines and engine parts; heating and cooling systems; HVAC (heating ventilation and air conditioning) systems; drivetrains; braking systems and braking components; hydraulic and pneumatic components, including vehicle suspension; tyres and rubber components; chassis sections; electrical equipment and lighting systems; batteries; windscreens; seats and specially fabricated vehicles.

Turkey's automotive parts manufacturing sector has been both impacted by the COVID-19 pandemic and motivated to invest in making the shift towards electric vehicles (EVs) in recent times.

"Following the pandemic, the questions are being asked about the extent of globalisation of automotive production, and there are moves toward finding resources closer to hand. This is an opportunity for Turkey," Saydam says.

"The Turkish automotive suppliers industry has demonstrated success above and beyond the general economic performance of Turkey.



"We need to build on this success, and that will require new business models, business techniques and approaches. We need to be bolder in our decision-making."

Welcome prospect of EVs

Saydam says automotive suppliers industry developments – and, particularly, the rise of EVs – were "a welcome prospect for us all".

Turkey is planning to create its own EV brand. The country's Automobile Joint Venture Group (TOGG), a joint venture established in 2018, unveiled prototypes of SUV and saloon models last year and will aim to make use of 51% home-produced parts when production gets under way.

Saydam says investment in the home-grown EV brand will cause the automotive parts sector to "take stock of all aspects of what we currently offer" as it broadens the scope of its EV offering.

"Ford Otosan's EV project will give us a similar opportunity," he adds.

"The TAYSAD management and our members will take important steps in line with our focus on new technologies and innovation. TAYSAD is seeking to create an environment in Turkey which will be favourable to the development of the technologies required for EVs, and to establish the level of skills and infrastructure needed for our automotive supply industries to develop these technologies.

"The automotive suppliers industries are of critical importance as Turkey goes electric. It is essential that they closely monitor this shift, renew their vision and invest in keeping up with technology.

"TAYSAD has a project to establish an innovation centre which will focus on the transition to electric in order to enable us to explain this transformation more clearly to our members and to the people of Turkey."

News that Turkey's long-established automotive suppliers industry is quickly gearing-up to drive innovation and efficiency in EV parts production is sure to present opportunities for UK automotive to cement its stronger relationship with a key trading partner.

New era for automotive trade between Turkey and the UK

Securing a free trade agreement means parties can plan for growth

Turkey already has one of the strongest trading relationships with the UK automotive industry compared with any market in the world and securing a free trade agreement (FTA) paves the way for future growth.

The UK is Turkey's third largest market for automotive exports, representing a 10% share worth \$2.2bn (£1.6bn) in 2020.

More than 100,000 vehicles made in Turkey reached the UK in 2020, including 67,000 light commercial vehicles (LCVs) and 44,000 passenger cars.

Vehicle manufacturers such as Ford and Hyundai have a big presence in Turkey, producing and assembling popular products like the Transit van family, as well as the i10, i20 and Bayon passenger cars.

Baran Çelik, Uludağ Automotive Industry Exporters' Association (OİB) chairman, says: "The UK is a key export market for us, especially for LCVs and passenger cars. The supplier industry also represents up to \$600m (£435m) by value.

"By securing an FTA with the UK in



January 2021 we have been able to maintain our advantage of duty-free trade.

"There is a long-standing partnership and deep-rooted commercial ties between the automotive industries of the two countries."

Since the FTA came into effect, Turkey's automotive exports to the UK increased by 63% and Çelik is anticipating the market to

once again reach a value of \$3bn (£2.2bn).

Çelik says Turkey is in a strong position to increase exports to the UK, as global OEM factories located in the country are among those that operate with the fewest faults.

He says: "Many of them are listed among the most successful factories of their companies. For this reason, vehicles

produced in Turkey rank high in terms of quality and reliability."

Alessandro Marongiu, senior trade policy manager at the UK's automotive trade body, the Society of Motor Manufacturers and Traders (SMMT), says Turkey sits alongside the EU, the US, China and Japan as one of the biggest trading partners for UK automotive in the world.

He says: "That gives you an idea of the size and importance of the relationship."

Marongiu says the import market is huge, with Turkey representing 2.6% of all UK car exports.

UK-produced vehicles also accounted

for a 3.2% share of the total Turkish automotive market in 2020.

The share of the value of UK-made vehicle engines exported to Turkey grew from 31.3% in 2019 to 35.9% in 2020, worth £800m.

Marongiu added: "The majority of UK exporters can currently benefit from the free trade deal so I think we can be optimistic on the prospects of trade with Turkey given our current position and the growth potential in the market."

Çelik acknowledges that it will be increasingly important for the Turkish automotive manufacturers to keep pace with the transition to electric vehicles (EVs),

particularly as markets like the UK race to zero emissions deadlines for cars and vans in 2030.

Ford has already announced a €2bn (£1.7bn) investment in electric and connected new generation LCVs at its Otosan production site. This will position Turkey as one of the world's leading production centres for new generation LCVs.

Both Turkey's Automobile Joint Venture Group Inc. (TOGG) and Ford Otosan will produce batteries for EVs locally in Turkey.

Çelik says: "This investment will give us an advantage in terms of the development of battery technologies in our automotive industry.

"We also expect to see further investment in digital instrument clusters, camera and sensor technologies, charging equipment and power distribution systems, fuel cells, innovative and light materials, multimedia systems and battery cooling.

"The TOGG's locally manufactured automobile and Ford Otosan's investments will create a great opportunity for us and will encourage our suppliers to become a part of this transformation."

As a result of these investments, Çelik expects Turkey's total global annual automotive exports to increase from \$30bn (£22bn) today, to a market worth \$40bn (£29bn).



TMMT operates the best auto factory in Europe and Africa

Now its CEO has sights set on being the best in the world

Toyota has set its sights on making its Turkish car production the "best in the world" after it was recognised for delivering the highest manufacturing standards in Europe and Africa.

The Turkish automotive sector's reputation for automotive production excellence was cemented when US-based independent research company JD Power's annual rankings placed Toyota Otomotiv Sanayi Türkiye (Toyota Motor Manufacturing Turkey – TMMT) as the best factory in the Europe/ Africa region in 2020 – selecting the facility for its Gold Plant Quality Award.

JD Power's Initial Quality Study assessment identified the plant's Toyota C-HR hybrid crossover, which is produced at the site alongside the Corolla, as the finest vehicle in terms of quality of all vehicles manufactured in the region.

Toshihiko Kudo, president and chief executive of Toyota Turkey, recognised the importance of the result not only for Toyota's operations, but as recognition of the expertise and quality delivered by the Turkish automotive sector as a whole.

He says: "This is an important success for Toyota Motor Manufacturing Turkey and also for this country.

"The achievement is significant because it demonstrates the standard that Turkey's automotive sector has attained, and I thank all of our staff and our suppliers for their valuable contributions.

"From here on, our aim will be to consolidate this position by making this production facility the best not just in Europe and Africa, but in the whole world."

TMMT was founded 31 years ago and began production in 1994.



TMMT president and CEO Toshihiko Kudo has big ambitions for the company's factory

In the years since its foundation, the \$2.58 billion (£1.92bn) investment made in the TMMT plant in Sakarya, north-west Turkey, delivered an efficient manufacturing operation which has produced exports totalling more than \$41bn (£30.56bn).

It employs a workforce of 5,500 staff and operates a six-day shift pattern to produce an annual vehicle production output of 280,000 units – exporting 90% of its products to 150 countries across the globe.

As such, TMMT is Turkey's second largest exporter with a total production volume of nearly three million vehicles.

Its output accounts for 33% of the brand's total production in Europe and the UK is the top export destination for the Toyota C-HR hybrid crossover it produces.

Kudo says: "Toyota Motor Manufacturing Turkey is honoured that, through the corporate identity and operations we have

developed over our 31-year history in the automotive sector, we have been recognised as a model company."

Toyota has now built on its Turkish operation's impressive delivery of quality and efficiency in manufacturing with the creation of a Production Engineering and Systems Development Centre.

Officially launched in 2019, the centre houses a workforce tasked with developing safer low-cost technologies for production and maintenance processes and conducting in-depth studies on Industry 4.0, IoT, image processing and automation systems.

Its first steps in robot and IT technologies have produced 100% reliable and fully automated quality control applications using collaborative robot and camera systems, according to Toyota.

The centre has already begun to export the systems developed by its workforce.



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