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Interview – Turkish Automotive Suppliers Association – Taysad

Turkey today stands at something of a crossroads both literally and metaphorically as this enormous country of 80m people – whose average age is just 30 – looks to leverage its attraction as a manufacturing powerhouse and availability of a significant labour pool. Just-Auto Business Editor, Simon Warburton visited the Turkish Automotive Suppliers Association, Taysad in Istanbul to take the temperature of the country's most important manufacturing sector.



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Turkey today stands at something of a crossroads both literally and metaphorically as this enormous country of 80m people – whose average age is just 30 – looks to leverage its attraction as a manufacturing powerhouse and availability of a significant labour pool.

But no new OEMs have come to the country straddling Europe and Asia across the Bosphorus for 18 years, although Toyota, Ford, Hyundai and [Renault](#) among others have made Turkey their home for some time.

Why is that? Turkey is a low-cost country to compete with the likes of the Visegrad 4 of Poland, Hungary, Czech Republic and Slovakia, with a ready workforce, but overseas OEMs are reluctant to come. That is not quite the case for suppliers, all 250 of them who have made Turkey their Mediterranean home, but if more OEMs set up shop, there would be even more opportunity for those same component manufacturers.

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There are some reasons which clearly stand out of a non-industrial nature, but which may well be spooking the overseas horses. First and foremost among them are still-fresh memories of the failed coup d'etat two years ago, which saw tanks on the streets of Ankara and a crackdown by authorities.

Equally, the migrant crisis, engulfing Europe for the past few years and which saw huge swathes of refugees cross Turkey in search of a European haven, has been headline news, while the detention of a German-Turkish reporter heightened tensions between Ankara and Berlin.

just-auto spent a week in Turkey's beating industrial and cultural heart of Istanbul to take the pulse of this vibrant but baffling country in a bid to understand some of the key issues for the country's OEMs and suppliers. To start things off, we paid a visit to Turkish Automotive Suppliers Association, Taysad's vice president, Albert Saydam, in his headquarters on the Asian side of Istanbul to gauge the component sector perspective.

JA: There is a relative paucity of OEMs coming to Turkey – what do you think can be done to address that?

AS: It is one of the major issues Taysad [suppliers association] is working on – especially in Germany we are facing that. We are trying as Taysad to explain to our friends abroad this is not correct.

We have to come up with a new story; Turkish Delight, baths and sandy beaches was successful. Right now we have to write another story. That is not only the job of the government or advertising people – it is the job of the nation.

Turkish suppliers employ around 200,000 people in Turkey and OEMs, roughly 100,000. The automotive sector is the number one in Turkey [and] we are the most exporting industry in the last 12 years. We have around US\$160bn [total exports] and almost US\$30bn is automotive.

JA: There is a relatively low level of vehicle penetration of around 200 cars per 1,000 population – could that be the impetus overseas companies need to come to the country and also generate more business for domestic suppliers?

AS: The ratio [of] vehicles per person is very low – that is why people see a great potential in the growth of Turkey. We are [also] one of the highest taxed countries for automotive sales. But the thing is, that is what we are trying to change.

In the eyes of our government, it is not only important how much we make in export, it is also important how much we make globally with foreign direct investment.

Localisation is becoming more and more important – the government is trying to increase localisation as much as possible. But their first intention is to attract foreign direct investment by all means.

JA: We are talking here in an automotive cluster on the edge of Istanbul where there are around 100 suppliers and where you can see huge numbers of ships plying the Bosphorus. Is the Turkish government encouraging these industrial parks?

This park [cluster] is the jewel in the crown. We are trying to create a kind of eco-system here. We also have a system called Certified R&D Centres for companies who can fulfil certain demands in R&D. It is working. They [government] has done its job completely and now it is our turn.

JA: Your membership of Europe's Customs Union is currently being renegotiated, although its continuation is regarded as something of a formality. Is that important to keep that system?

AS: Continental Europe and also the UK is our traditional market. We are the biggest or second biggest exporter to the UK for cars. If we want to achieve our targets we have to be active in new markets; in the Far East, Russia, the Americas, are all markets where we have big potential.

Russia was one of the so-called easiest markets for our growth because we have historical relations since centuries.

JA: How easily are Turkish companies adapting to new technologies and work practices to be competitive? Ankara has put forward an extremely ambitious plan to double exports by 2023 to US\$70bn – is that realistic?

AS: We should look to competitiveness. After the latest contract signed between the workers' union and employers' union, I think our suppliers are at the limit of being competitive.

That means some of our members have problems to compete and meet cost structures required by the automotive industry, automation and increased productivity; that is a very difficult transition.

It is the first challenge of Turkish industry. The second is Turkish people are very talented making sales in traditional geographies, but the world is changing and we have to come up with new methods.

The Balkans and the Middle East are traditional markets with short flights where you can carry [component] samples [for example] in your luggage, but the Far East and Latin America have completely different cultures and it takes one day to go there.

In our companies, people enjoy saying their companies [are] following the technology, to tell it to their families their company is adapting technology to needs. One skill of Turkish people – we love to use technology. One way to compete with low-cost countries – particularly China – is to automatise everything. It is a must – we don't need a kind of reason to follow this revolution.

JA: How important are pan-European institutions such as supplier body, CLEPA to you? Does Turkey still harbour ambitions to join the European Union?

AS: One of our targets is to be more active in CLEPA. We want to be on the board also. We [Turkey] are a candidate of the European Union [EU] and Turkish people are still supporting to be a member of the EU with a majority.

JA: Do you have the ear of Ankara when it comes to listening to your industrial opinions?

AS: Our Ministry of Economy and Ministry of Industry are really paying attention to our voice. They also request from us, opinions, proposals, ideas to improve things in Turkey. For example, [there is] an event on 11 April in Bursa organised by the Ministry of Industry [to get] all stakeholders around the table [to see] how we can double exports within a certain time.

JA: What about that doubling of exports target – can it be achieved?

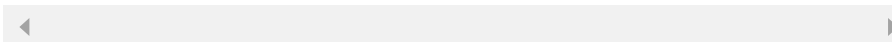
AS: There is today a target for 2023 – for that year it is US\$70bn [and] 2023 is the 100th anniversary of the [founding of] the Turkish Republic. Five years ago our exports were more or less US\$15bn and people said, is five times [more] possible? Right now we are at US\$29bn.

It is half calculation and half improvisation and we are very good at improvisation. To reach that, we have to welcome at least one [more] major automotive investor in Turkey. Having Ford here has opened so many doors to Turkish suppliers. So if you have one additional investor in Turkey, if one new player comes to Turkey, it will also open new doors.

Poll

1. What is your biggest business concern right now? (Choose the one that is the most pressing)

- Lack of demand for your product
- Rising costs and prices in the supply chain
- Shortages of critical parts arising from the semiconductor crisis



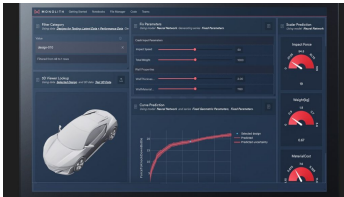
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