



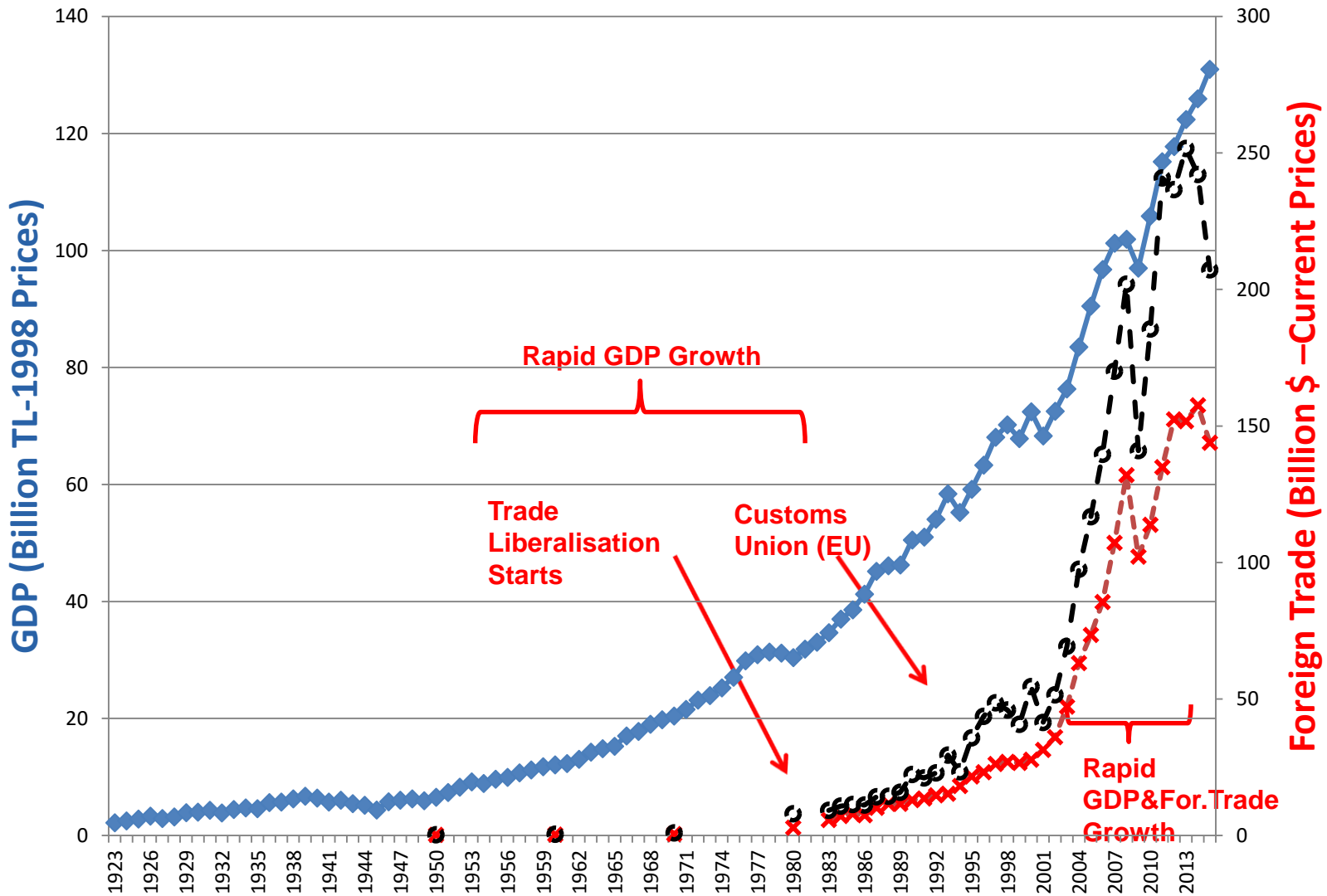
DEVELOPMENT OF MANUFACTURING INDUSTRY AND POLICY CONTEXT IN TURKEY

**DEPARTMENT OF STRATEGY AND POLICY DEVELOPMENT
DG REGIONAL DEVELOPMENT and STRUCTURAL ADJUSTMENT**

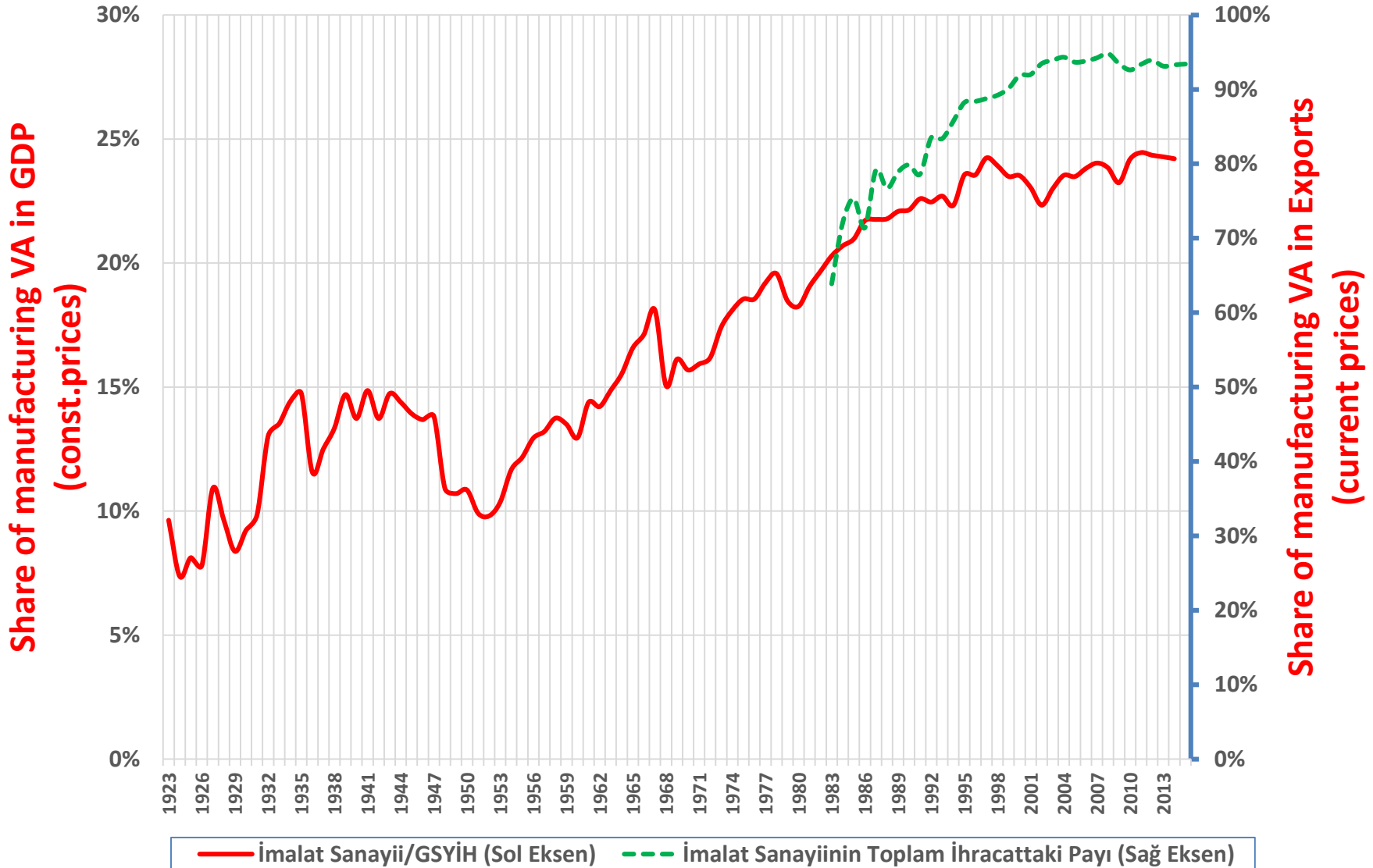
CONTENTS

- **Briefly Manufacturing Industry in Turkish Economy**
- **Changes in Manufacturing Industry**
- **Changes in Policy Context**

TURKEY GDP (1923-2015), EXPORTS and IMPORTS (1950-2015)



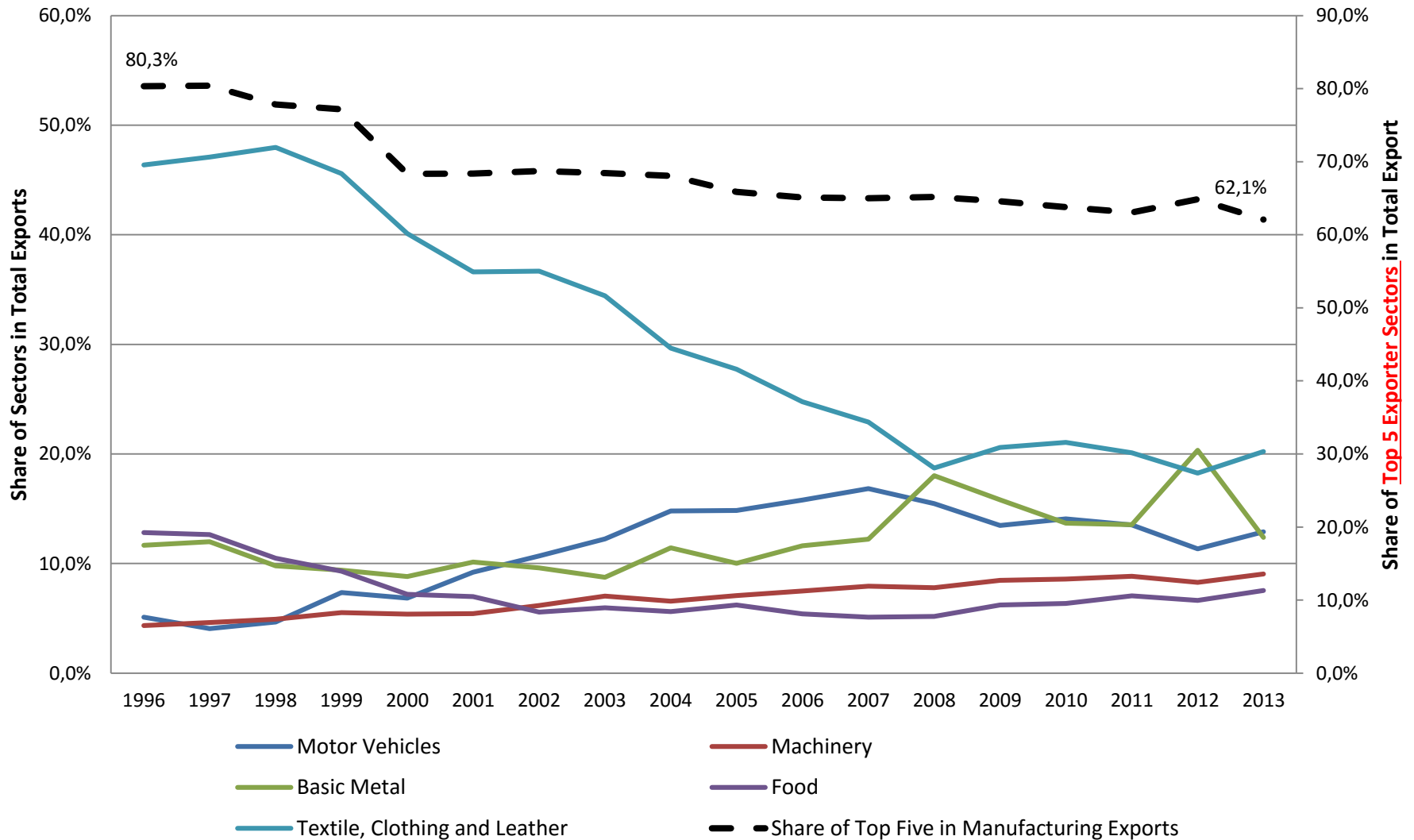
SHARE of MANUFACTURING in GDP and EXPORTS



CHANGES in MANUFACTURING INDUSTRY

- **Diversifying sectoral development**
- **Increasing technology intensity**
- **Expanding export markets**
- **(Slightly) Increasing firm size**
- **Changing spatial production pattern**

SHARES OF TOP 5 SECTORS IN MANUFACTURING EXPORTS (1996-2013)



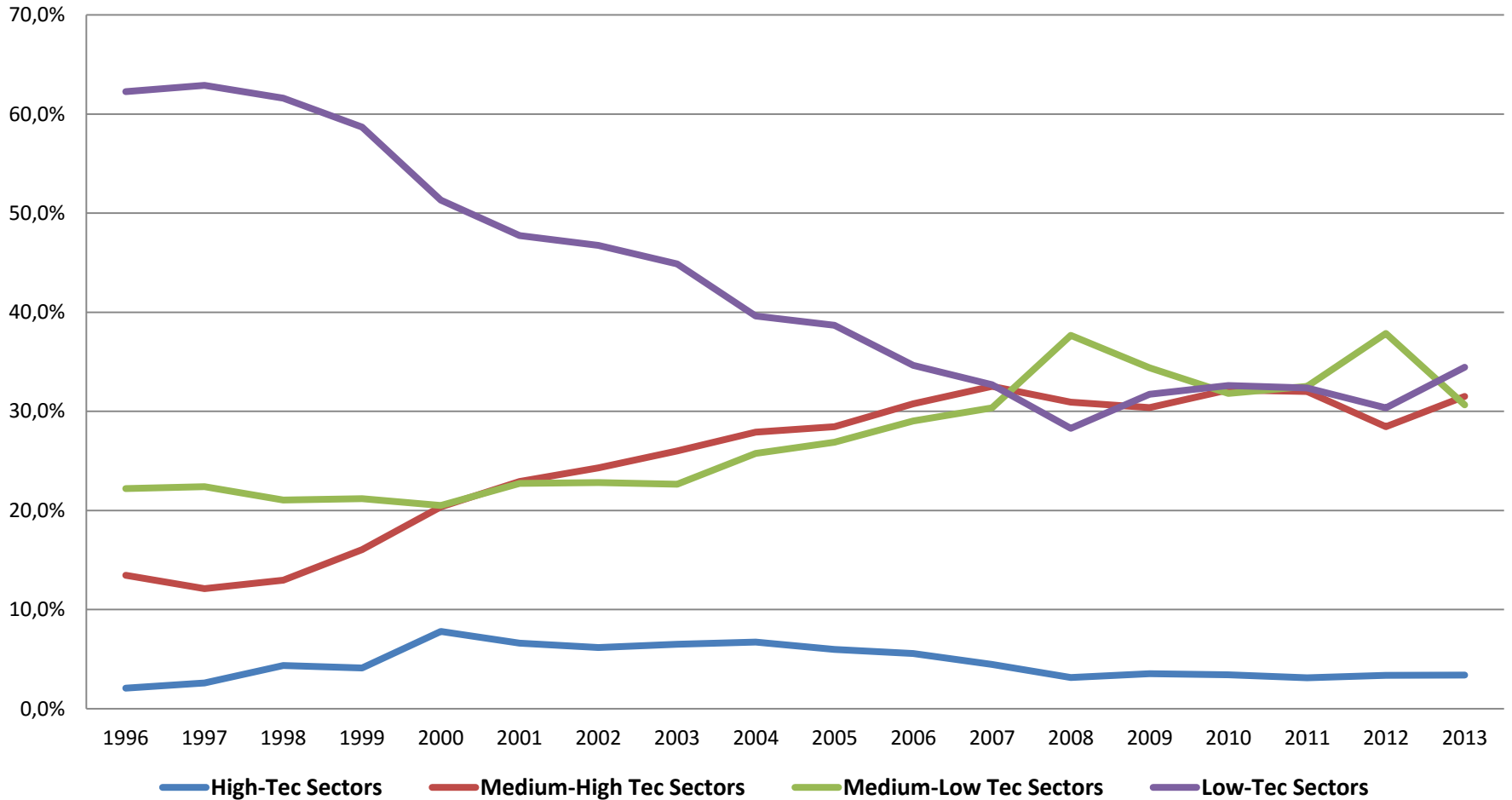
MANUFACTURING SECTORS IN TOP 500 INDUSTRIAL ENTERPRISES, 2012 - I

Rank in Sector	Name of Enterprise	Rank in Top 500	Production-based Sales (Net, million \$)
Food, beverage, tobacco (107)			
1-	Türkiye Şeker Fabrikaları	16	1.497
2-	Unilever	17	1.488
3-	Philip Morris Sabancı	31	1.005
Textiles, apparel, leather goods, footwear (52)			
1-	Sanko	55	686
2-	Gülsan	94	433
3-	Korteks	118	336
Wood, wood products, furniture (16)			
1-	Kastamonu Entegre Ağaç S	42	830
2-	Yıldız Entegre Ağaç S	45	783
3-	Boytaş Mobilya	84	464
Paper, paper products, printing, publishing(16)			
1-	Hürriyet	131	306
2-	Modern Karton	147	286
3-	Olmuksan	183	238
Chemicals, petroleum products, rubber, plastic (72)			
1-	TÜPRAŞ	1	22.381
2-	Aygaz	10	2.616
3-	PETKİM	11	2.215

MANUFACTURING SECTORS IN TOP 500 INDUSTRIAL ENTERPRISES , 2012- I

Rank in Sector	Name of Enterprise	Rank in Top 500	Production-based Sales (Net, million \$)
Nonmetallic mineral products (38)			
1-	Akçansa	75	553
2-	Çimsa	88	446
3-	Trakya Cam	105	397
Basic metal (75)			
1-	İskenderun DÇ	7	3.013
2-	Ereğli DÇ	8	2.849
3-	İçdaş	9	2.746
Metal products, machinery (65)			
1-	Arçelik	4	4.028
2-	Vestel	14	1.885
3-	BSH Ev Aletleri	18	1.419
Motor vehicles (36)			
1-	Ford	2	4.555
2-	Oyak-Renault	3	4.200
3-	Tofaş-Fiat	6	3.130
Other manufacturing (5)			
1-	Dünya mücevherat	175	254
2-	Onsa mücevherat	181	245
3-	Karakaş Atlantis kuyumculuk	184	237

COMPOSITION OF MANUFACTURING EXPORTS w.r. to TECHNOLOGY INTENSITY



INTELLECTUAL RIGHTS (Applications to TURKPATENT)

	1995	2015	Yıllık Ortalama Artış
Branding/Trademarks	16.194	110.679	10,1%
Industrial Designs	2.914	40.206	14,0%
Patents	1.690	13.958	11,1%
Useful/Beneficial Models	41	3.568	28,0%

Kaynak: TURKPATENT

SHARES OF MANUFACTURING EXPORTS w.r.to FINAL DESTINATION

	1996	2013*
EU-27	52,6%	42.07%
AFRICA	5,1%	9.8%
MIDDLE EAST	9,4%	21.3%
CIS	12,3%	11.7%
Other ASIA	5,0%	8.7%
REST of WORLD	15,7%	6.4%
WORLD	100,0%	100.0%

Source: TURKSTAT
*Gold excluded

SIZES OF ENTERPRISES IN MANUFACTURING INDUSTRY

Number of Enterprises in Manufacturing, by Size Classes

	1980	1992	2004	2011
1-49	185.869	193.051	281.029	333.288
50-99	183.732	189.822	274.804	324.460
100-499	927	1.404	2.862	4.299
500+	904	1.486	2.899	3.972
500+	290	339	464	557

Share of Enterprises In Manufacturing, by Size Classes

	1980	1992	2004	2011
1-49	98,9	98,3	97,8	97,3
50-99	0,5	0,7	1,0	1,3
100-499	0,5	0,8	1,0	1,2
500+	0,2	0,2	0,2	0,2

Source: TURKSTAT, General Census of Industry and Business Establishments, 1980 and 1992;
Annual Industry and Services Statistics Surveys 2004 and 2010.

DEVELOPMENT OF MANUFACTURING INDUSTRY BY REGIONS

REGION	2007		2012		Annual Avg. Growth Rate (Num.Est.; 2007-2012)
	NUMBER OF ESTABLISHMENTS	SHARE	NUMBER OF ESTABLISHMENTS	SHARE	
MARMARA	118.146	49,6	133.218	50,7	2,4
AEGEAN	38.841	16,3	38.145	14,5	-0,4
MEDITERRANEAN	19.457	8,2	21.908	8,3	2,4
BLACK SEA	16.880	7,1	16.249	6,2	-0,8
CENTRAL ANATOLIA	32.514	13,7	36.632	13,9	2,4
EAST ANATOLIA	4.661	2,0	5.750	2,2	4,3
SOUTHEAST ANATOLIA	7.609	3,2	10.909	4,2	7,5
TOTAL	238.108	100,0	262.811	100,0	2,0

CHANGES in POLICY CONTEXT

- **Policies to Transform Industry**
- **From Government towards Governance**
- **From Agglomeration towards Clustering**
- **From Sectoral Approach towards Intersectoral Linkages**
- **Bolder Regional Dimension**

TRANSFORMATION IN THE MANUFACTURING INDUSTRY

- In order to increase Turkey's international competitiveness and its share in world exports, the main objective is **transforming the manufacturing** industry so that a high value-added production structure and increased share of high-technology sectors are achieved.


- Foci of transformation

- innovativeness and firm capabilities,
- effective collaboration among the sectors,
- green technology and sustainable production,
- effective contribution of regions to national productive activity,
- export market diversification.

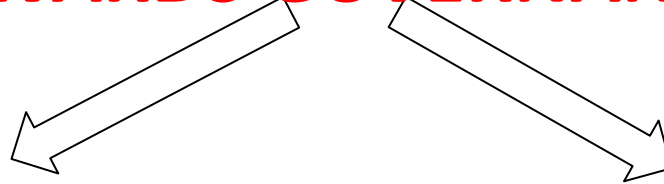
**To Increase productivity
and domestic share
in value added**



**To ensure sustained
and high
growth rate**



TOWARDS GOVERNANCE



Have Always Existed ...

Highest Level Document

- Development Plans
(Long term, sets the context for other documents, all parties involved, approved by TBMM)

High Planning Council

(Prime Minister and Ministers)

From 2nd Half of 2010

Sub-Level Documents

- Sector Strategies
- Thematic Strategies
(Generally shorter term, in line with the Plan, focused, approved by HPC)

Economy Coordination Board

(Dep. Prime Minister and Ministers)

The Coordination Council for the Improvement of Investment Environment (YOIKK)

(Minister of Econ., Undersecretaries, 4 NGOs)

The Monitoring Boards of Various Strategies

(Undersec. Of Coord. Ministry, High-level bureaucrats, sector representatives)

National Dev. Plan- Transformation Programs

1. **Increasing Productivity in Manufacturing,**
2. **Decreasing Import Dependency,**
3. Increasing Domestic Savings and Preventing Wastage,
4. İstanbul International Financial Center,
5. Rationalizing Public Expenditures,
6. Improving the Quality of Public Revenues,
7. **Improving Business and Investment Environment,**
8. Increasing Effectiveness of Labor Market,
9. Decreasing informal economy,
10. Improving Statistical Information Infrastructure,
11. **Commercialization in Primary Technology Areas,**
12. **Technology Development through Public Procurement and Domestic Production,**
13. Energy Production based on Domestic Resources,
14. **Improving Energy Efficiency,**
15. Increasing Effectiveness of Water Usage in Agriculture,
16. **Structural Transformation in Health Industries,**
17. Improving Health Tourism,
18. **Transformation from Transportation to Logistics,**
19. Improving Basic and Professional Skills,
20. Centre of Attraction for Qualified Workforce,
21. Healthy Life and Dynamism,
22. Protection of Family and Dynamic Population Structure,
23. Strengthening Institutional Capacity in Locality,
24. **Urban Transformation to Improve Competitiveness and Social Cohesion**
25. Developing International Cooperation for Development Infrastructure,



INDUSTRIAL POLICIES AND SECTORAL STRATEGIES

Sectoral Strategy Documents

- In effect
 - Turkish Automotive Industry Strategy Document and Action Plan (2011-2014)
 - Turkish Machinery Industry Strategy Document and Action Plan (2011-2014)
 - Turkish Iron and Steel and Non-ferrous Metals Industry Strategy Document and Action Plan (2012-2016)
 - Turkish Chemicals Industry Strategy Document and Action Plan (2012-2016)
 - Turkish Ceramics Industry Strategy Document and Action Plan (2012-2016)
 - Turkish Electric and Electronics Industry Strategy Document and Action Plan (2012-2016)
- Final Draft
 - Turkish Pharmaceutical Industry Strategy Document and Action Plan
 - Turkish Textiles, Clothing, Leather and Leather Products Industry Strategy Document and Action Plan



MAIN THEMATIC STRATEGIES

- 2023 Turkish Exports Strategy
- Input Supply Strategy
- Turkish Industrial Strategy
- SME Strategy and Action Plan
- Science, Technology and Innovation Strategy



TOWARDS MULTI-TIER GOVERNANCE REGIONAL DEVELOPMENT AGENCIES

- Regional Level: Regional Development Agencies
- Public-Private-NGO cooperation and decision making
- More flexible and adaptive to private sector market demands
- High skilled (technical and communicational) staff
- Regional plans
- Sectoral research and strategies (Including manufacturing sectors and regional innovation)
- Support schemes (grant schemes or collectively beneficial local projects)
- Networking and cooperation
- Promotion and support for investments and trade



FROM AGGLOMETATION TOWARDS CLUSTERING

- Traditional Organized Industrial Zones Policy
 - Development of industrial land and infrastructure
 - Benefits from agglomeration of firms
- Clustering
 - Recently initiatives from the private sector in several industries
 - Eg. Train and subway investments in Turkey
 - Eg. Ankara OSTIM Initiative (Work and Construction Machinery, Defense Industry Clusters)
 - Interest through academia
 - Initiatives of Regional Development Agencies
 - Some are local efforts (Eg. Hayrabolu Agriculture Machinery Initiative)
 - Progress in Government Policy
 - Recent support scheme for clusters

TOWARDS INTERSECTORAL LINKAGES

- Development Plan Transformation Programs
 - Eg. Structural Transformation in Health Industries
 - Eg. Urban Transformation to Improve Competitiveness and Social Cohesion
- As for clustering and value chains, resistance of strict sectoral approach... from government and private sector
 - Mindset: Analysis, policy and mechanisms
 - Current way of organization and doing business
- Cluster/Value Chain Definition: Is it a matter of sectoral selection or integration of sectors?
 - Better focus in understanding economies
 - Defining/Fulfilling infrastructure, labor and R&D needs
 - Promotion of investments
 - Better positioning governments role (regulations, purchase, support, ...)
 -

BOLDER REGIONAL DIMENSION

- Government support for private investments
 - Traditionally and mostly spatially blind: Only better conditions for lagging behind regions
 - New Regional Incentive Schemes (2012): Better suited to regions' economic structures and potential
- Just recently announced Growth Poles Support Scheme for Investments
 - An addition to existing government supports in 23 lagging behind provinces
- Regional plans and coordinating regional/local efforts around RDAs
- Initiatives to reap benefits from integrating regional dimension in sectoral strategies
 - Chemicals sector
 - Machinery sector



THANK YOU

Nuri Baris TARTICI