

## CATS Network Roundup

A roundup of news and analysis on Turkey



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Dear Readers,

Welcome to the CATS Network Roundup of news, developments and assessments on relevant issues of Turkish domestic politics and foreign policy.

In this issue we look at the **plans of BYD, the world's largest electric car manufacturer, to build a new plant in Turkey**. What does this mean for EU-Turkey relations, the single market and for **China's role as a car exporter**?

If you have any questions or suggestions, please e-mail us at [cats@swp-berlin.org](mailto:cats@swp-berlin.org).

### On the Spot



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Certain economic and manufacturing developments have come to raise questions as to whether Turkey is moving away from the West and, if so, whether this will result in a weakening of the links between the Turkish and European automotive industries. **Turkey is pursuing a distinct geopolitical and geo-economic path**, ambitiously seeking to join BRICS Plus despite its NATO membership and being part of the European Union Customs Union (EUCU).

After striking a deal with Russia on nuclear energy and letting Rosatom build the first nuclear power plant in Turkey, Ankara signed an agreement in July 2024 with Chinese electric vehicle (EV) giant Build Your Dreams (BYD). **BYD, the world's largest EV manufacturer, plans to establish a production plant in Turkey, following similar announcements by Chinese carmaker Speedy Working Motors (SWM)**. This foreign policy ambivalence and shift in external economic policy is partly due to Ankara's search for strategic autonomy, and it is partly due to Turkey's frustration with the EU and its perceived 'reluctance' to update the EU-Turkey customs union agreement.

**Since Turkey joined the EUCU in 1995, the EU has been Turkey's primary trading partner, with a total trade volume of \$210.4 billion and an export value of \$104.3 billion in 2023**. The Turkish automotive industry has also benefited from these trade relations: Its vehicle production has surged from 300,000 units in 2002 to nearly 1.4 million by 2023, and its automotive exports have netted an impressive \$31.5 billion. **Globally, Turkey now ranks as the 12th largest car producer and seventh largest commercial vehicle producer**, employing over 56,000 people directly and over 550,000 indirectly. The country is now a crucial hub for automobile production and trade, with a strong presence in European value chains, playing a vital role in bolstering the international competitiveness of European automotive companies. It is therefore clear that **a potential shift of Turkey's automotive industry away from Europe could significantly harm the European automotive industry's ability to compete with China**. BYD's investment in Turkey aims to circumvent the EU's additional tariffs on Chinese EVs and to attain duty-free access to the EUCU via Turkey.

The BYD production plant is expected to have a ripple effect throughout the Turkish automotive sector, fostering greater links between the Turkish and Chinese automotive industries and facilitating technology transfer into Turkey. **This investment can potentially shift the balance of power in the European automotive market, giving the Turkish automotive industry a competitive advantage over European ones**. The European automotive sector is already facing stiff competition from Chinese manufacturers, who have gained a significant lead when it comes to producing EVs, solar panels and batteries.

Nevertheless, the alignment of Turkey's automotive industry with China, particularly the **establishment of the BYD production plant, could impede Turkey's endeavours to cultivate its own domestic automotive brand, namely Turkey's Automobile Joint Venture Group (Türkiye'nin Otomobil Girişim Grubu, or TOGG)**. The potential suspension of the prevailing import duties, amounting to 40 per cent of the sales price for Chinese cars, may result in an increase in the market share of Chinese cars in both Turkey and the EU, which could lead to a decline in the sales of vehicles manufactured in Turkey, particularly TOGG models. However, because Turkey's domestically manufactured TOGG electric vehicle benefits from considerable government support and is safeguarded by rigorous import regulations, it should be able to maintain a competitive position in the local market.

**China's influence in the Turkish automotive market is set to grow as BYD aims to sell 10,000 EVs in Turkey by 2024**, building on its initial market entry in 2023 with 1,426 units sold. It is therefore conceivable that Chinese EVs' entry into the Turkish market could result in an expansion of the nationwide charging and service network, which could also actually have a favourable impact on TOGG's sales in the Turkish domestic market. However, **fostering such relationships with Chinese car manufacturers runs the risk of impairing Turkish car production and decreasing the market share of Turkish car manufacturers**. For Turkey, excessive economic integration with China could lead to trade deficits and further dependency on Beijing as well as severe losses in the event of a trade war between Europe and China.

**Despite these challenges, the EU remains Turkey's most significant automotive market**. Turkish automobile industry is deeply integrated into German and European supply chains, and the EU single market is crucial for Turkish exports. **China is therefore unlikely to replace Europe as an important market for Turkish cars and automobile components**. However, turning to China poses risks for the Turkish automotive industry and for Turkey's political and economic relations with Europe. (*Yaşar Aydın*)

### Three Questions for...



*Dr. Çağdas Ungör is a CATS Fellow at the German Institute for International and Security Studies (SWP), where she has been working on her research project "Geopolitics of Technology: Implications of the Sino-US Tech War for Turkey" since September 2024. She is currently on leave from the Department of Political Science and International Relations at Marmara University in Istanbul, where she has been teaching since 2009.*

#### With China's BYD planning to build a production facility for electric and hybrid cars in Turkey, what is the current state of Chinese-Turkish trade in the automotive sector?

Chinese EVs and internal combustion engine cars have already made a strong entry into the Turkish market. Chinese car imports into Turkey have grown exponentially post-COVID, which may explain why the Turkish government imposed an additional 40 per cent tax on China-made cars in 2024. Currently, there are 12 Chinese brands operating in Turkey, and one in ten cars sold in the country is of Chinese origin. This trend reflects China's ascent as the world's leading car exporter, surpassing Japan. At the same time, Turkey's independent automotive aftermarket is also dominated by China-made products. Sino-Turkish trade in spare automotive parts and electronics is also significant, but hardly reciprocal. The overall trend in the Turkish auto industry, therefore, is one of growing dependence on China.

#### What are the prospects for the Turkish automotive sector in terms of technology transfer after the BYD deal?

Several international brands have their own Research and Development departments in Turkey, but such local branches are rarely involved in the development of cutting-edge technologies. BYD is unlikely to change this trend when it comes to technology transfer. Nevertheless, according to industry specialists, BYD may produce its EV batteries in Turkey due to cost considerations, which would ultimately benefit the larger tech ecosystem in the country. There are concerns that BYD's investment may also harm Turkey's own EV brand, TOGG, which has relied on the promise of indigenous innovation. Following the BYD investment, TOGG will continue collaborating with a smaller Chinese company (Farasis) in order to produce its batteries, while BYD will manufacture its own EVs top-to-bottom, which would then be sold in Turkey for a fraction of TOGG's price.

#### Could Turkey's partnership with BYD serve as a potential entry point for the Turkish automotive and supply industry into the Chinese market?

The partnership with BYD is unlikely to strengthen the Turkish automotive industry's foothold in the Chinese market. The trade imbalance between Turkey and China in the automotive supplies sector is quite significant, comprising a near 10-to-1 gap in imports and exports. Factors such as the sheer scale of China's manufacturing sector, its competitive pricing and its full integration into global supply chains put Turkish companies at a disadvantage. Most of the small-scale Turkish companies in the domestic spare parts industry lack the advantages enjoyed by their Chinese counterparts. While BYD's investment could eventually foster deeper Chinese-Turkish integration in the tech ecosystem in the long-term, Turkey's limited capacity when it comes to automotive design as well as its comparative disadvantage in pricing and its geographical distance will make it difficult to find a major market outlet in China.

Interview by Lisa Schwitalla and Yaşar Aydın

### Recommendations

In this SWP Point of View, [Jens Bastian](#) contends that Chinese EV manufacturer BYD's \$1 billion investment in Turkey positions the country as a major supply corridor between China and Europe, which will significantly impact the future European EV market.

Global trade trends show a shifting focus from exclusively considering economic factors to prioritising security and decarbonisation. As [Kadri Taştan](#) points out in his SWP Comment, this shift will likely impact EU-Turkey economic relations that have traditionally been based on the customs union and preferential trade agreements.

Given China's continued rise as a great power and Turkey's growing disillusionment with the West, [Çağdas Ungör](#) argues that Turkey, unlike many NATO allies, considers China as a partner and counterweight to US hegemony.

This study by [Ceren Ergenç](#) and [Derya Göçer](#) provides a comprehensive overview of the bilateral relations between China and Turkey from cooperation to competition, focusing on economic relations and the position of both states in the international political order.

In this joint SWP Comment, [Sinem Adar](#), [Nicola Bilotta](#), [Aurélien DenizEAU](#), [Sinan Ekim](#), [Dorothee Schmid](#), [Günter Seufert](#), [Ilke Toygür](#) and [Karol Wasilewski](#) outline a framework for the negotiations on a modernised Customs Union and suggest that the EU should explicitly separate the accession framework from modernisation of the Customs Union.

General recommendation: The Stockholm University for [visiting research fellows](#) (deadline: 1 November).

Kind regards,

The CATS Team