

The Role of The State in Turkey's Domestic Automobile Initiatives (Devrim and Togg)

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ABSTRACT

The automotive sector, where the highest foreign investments are made in the world, plays a critical role in the economic development of countries. The reason why the automotive sector is the locomotive in the development of national economies is that it has strong ties with other industrial branches of the economy in the production process. Therefore, the sector is seen as a strategic development tool by governments. Therefore, supporting the sector through various incentives or direct public capital is a long-standing development policy.

In this study, the development stages of Turkey's automotive industry, the policies pursued by the state to strengthen the automotive industry, and other factors that contributed to the development of Turkey's automotive industry are examined specifically through Turkey's two domestic automobile initiatives (Devrim and Togg). In line with the aim of the research, studies on the automotive sector in Turkey from the Ottoman period to the present have been analyzed. In particular, a detailed literature review was conducted with the studies on Turkey's first domestic automobile initiative, Devrim cars. The resource dependency theory, which is considered to be related to the subject of the study, was examined and then the relationship between the state and the business world in Turkey was briefly summarized. Finally, the role of the state in Turkey's domestic automobile initiatives (Devrim and Togg) was analyzed.

Key Words: Resource Dependence Theory, Domestic Automotive initiative, Devrim and Togg

JEL Classification: L22, L62, L78

Türkiye'nin Yerli Otomobil Girişimlerinde (Devrim ve Togg) Devletin Rolü

ÖZ

Dünyada en yüksek dış yatırımların yapıldığı otomotiv sektörü ülkelerin ekonomik olarak kalkınmasında kritik bir rol üstlenmektedir. Otomotiv sektörün ülke ekonomilerinin kalkınmasında lokomotif olmasının nedeni üretim sürecinde ekonominin diğer sanayi kollarıyla bağlarının kuvvetli olmasıdır. Bu yüzden sektör devletler tarafından stratejik kalkınma aracı olarak görülmektedir. Dolayısıyla sektörün çeşitli teşvikler veya doğrudan kamu sermayesi yoluyla desteklenmesi uzun yıllardır süregelen bir kalkınma politikasıdır.

Bu araştırmada, Türkiye'nin otomotiv endüstrisinin gelişme aşamaları, otomotiv endüstrisini güçlendirmek için devletin izlediği politikalar ve Türkiye'nin otomotiv endüstrisinin gelişmesine katkıda bulunan diğer faktörler özellikle Türkiye'nin iki yerli otomobil girişimleri (Devrim ve Togg) üzerinden incelenmektedir. Araştırmanın amacı doğrultusunda, Türkiye'de Osmanlı döneminden günümüze otomotiv sektörüne yönelik yapılmış çalışmalar incelenmiştir. Özellikle Türkiye'nin ilk yerli otomobil girişimi olan Devrim arabaları ilgili yapılmış çalışmalarla detaylı yazın taraması yapılmıştır. Çalışmanın konusuyla ilişkili olduğu düşünülen kaynak bağımlılığı kuramı açıklanmıştır. Daha sonra, Türkiye'de devlet ve iş dünyası ilişkisi kısaca

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özetlendi. Son olarak Türkiye'nin yerli otomobil girişimlerinde (Devrim ve Togg) devletin rolü irdelendi.

Anahtar Kelimeler: Kaynak Bağımlılığı Kuramı, Yerli Otomotiv girişimi, Devrim ve Togg Arabaları

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INTRODUCTION

In the globalized business world, the automotive sector, which is experiencing continuous and expeditious change, has maintained its importance for the last hundred years. The automotive sector, which constitutes approximately 5% of the world economy, is directly or indirectly linked to sectors such as iron and steel, petro-chemicals, glass, plastics, textiles and electronics as a buyer and agriculture, tourism, defense, transportation, infrastructure and construction as a supplier. The automotive sector in which the highest foreign investments are made in the world plays a critical role in the economic development of countries. Any change and development in this sector also changes and develops other sectors with which it is related. In the process of globalization, closed economies have been replaced by open economies and the automotive sector has developed at an increasing pace. As a result of globalization, the automotive sector is one of the most prominent sectors in which the supply chain is diversified and production is significantly globalized, thus foreign trade volume and external spillovers have increased significantly. The reason why the automotive sector is the foremost in the development of national economies is that it has strong ties with other industrial branches of the economy in the production process. Therefore, the automotive sector is seen as a strategic development pillar by governments and supporting the sector through various incentives or direct public capital is a long-standing development policy.

There are different views in the literature on the development of the automotive sector. In the sector, which was initially associated with the automobile, vehicles based on steam and electric power were developed respectively, and the production of the internal combustion engine automobile used today was carried out by Karl Benz and Gottlieb Daimler in 1886 (Mitchell et al., 2010:10-11). After the production of the first automobile, Henry Ford started to produce the "T" model with a mass production approach in the early 1900s, which is seen as the first steps of the sector (Guerzoni, 2014:2). The automotive sector, which strengthened and developed in the United States, continued its development after World War II with restructuring in countries such as Germany, England, France, and Italy, and subsequently, Japan, South Korea, and other countries took their places in the market. In the 1980s, as markets in North America and Europe became saturated and new production technologies were developed, factors such as quality, product variety, branding, and model development began to gain importance in the automotive sector, in addition to the prevailing price competition. The transitional process in the sector accelerated with the 2008 financial crisis, leading to significant changes in the shares of countries in global production. While the production shares of the USA, Japan

and Canada decreased, there was no change in Germany, while the shares of countries such as China and India increased (Yılmaz et al., 2017: 685-686).

Turkey made significant progress in producing domestically branded cars in the 1960s, but due to the political, economic, and social conditions of the time, mass production could not be started. Although the Devrim cars were unsuccessful, they led to the formation of a strong intellectual infrastructure for domestic automobiles in Turkey. From those years to the until today, the dream of producing Turkey's car has been carried forward. In order to realize this dream, Turkey's Automobile Initiative Group (TOGG) was established on June 25, 2018, through a partnership between Anadolu Group, BMC, Turkcell, Zorlu Group, and the Union of Chambers and Commodity Exchanges of Turkey (TOBB), with details determined in 2017. The prototypes of Turkey's car were produced by the Italian company Pininfarina. The introduction of the domestically branded electric car's SUV and Sedan models took place on December 27, 2019. The company's first car with intellectual property rights became ready for mass production on October 29, 2022, and deliveries of Togg vehicles began in May 2023 (TOGG, 2024).

In this context, Turkey presents an interesting case study as a late participant in the global automotive industry. This study will examine the development stages of Turkey's automotive industry, the policies pursued by the state to strengthen the automotive industry, and other factors contributing to the development of Turkey's automotive industry, particularly through Turkey's two domestic car initiatives (Devrim and Togg). The study will first discuss the resource dependence theory, which is considered to be relevant to the subject, then briefly summarize the relationship between the state and the business world in Turkey, followed by a look at the role of the state in Turkey's domestic automobile initiatives (Devrim and Togg) and finally conclusions and evaluations will be given.

I. RESOURCE DEPENDENCE THEORY

Organizations have their existence emerged from economic, social, and political aspects, and more importantly, their struggles for survival. Resource dependence theory fundamentally seeks to answer how organizations sustain their existence. The theory emerged towards the late 1970s following a series of research endeavors focusing on the examination of organizations led by scholars such as Jeffrey Pfeffer, Gerald R. Salancik, Howard E. Aldrich, and Hüseyin Leblebici. However, the starting point of the resource dependence theory was Pfeffer's doctoral dissertation (Pfeffer, 1972a; 1972b; 1972c) completed at Stanford University. The development of the theory can be traced both to the political, economic and legal environment in the US and especially to the development of Pfeffer's career. Today, the basic framework of resource dependence theory is provided by Pfeffer and Salancik's *The External Control of Organizations*, first published in 1978.

Resource dependence theory uses the concepts of power and dependence to understand both the internal structures of organizations and their relationships

with the external environment (Davis and Cobb, 2009). Organizations are reliant on various inputs to sustain their activities, and these inputs are controlled by different environmental actors. Hence, these actors also hold ownership over the vital resources of organizations. In this sense, customers who generate revenue by purchasing products and services; suppliers who provide the necessary raw materials, supplies, or semi-finished products for production; institutions providing funds for investments, financiers, shareholders, market conditions, products, technological innovations, government interventions, or experts in regulations from various institutions or public administrators; and managers, employees, or parties controlling the vital resources of the business, represent the actors or parties that possess the necessary professional expertise and experience for the continuation of activities. In the framework of resource dependence theory, the notion that organizations compete with other actors in the external environment for the acquisition of resources brings forth another fundamental concept: Dependency. Dependency arises when an actor cannot entirely or fully achieve the desired outcomes while carrying out an activity or action. In other words, within a social system or social relationships, dependency occurs when an actor cannot fully control all the conditions or factors related to carrying out their action/activity. This notion becomes evident in the relationships of organizations with other actors in the external environment when they struggle to obtain resources (Pfeffer and Salancik, 2003).

The idea that businesses derive certain benefits from regulations imposed by the government on markets and strive to maintain them is based on the acceptance that organizations, like real individuals or citizens, also have expectations from the government. It is also historically unquestionable that businesses strive to guide government decisions in various ways (Pfeffer and Salancik, 2003). The political activities of businesses and the consequences of these activities are often not a topic covered in textbooks. Management functions are typically defined more in terms of supervision and directing employee motivation, rather than political activities, which are not generally considered as normal and legitimate administrative functions. However, it is an undeniable fact that organizations establish political relationships in various forms and at various levels, and they behave as political actors (Pfeffer and Salancik, 2003).

From the perspective of resource dependence theory, it is suggested that government intervention or regulations become more prominent during periods when the dependency relationships between organizations become problematic, when regulatory actions yield benefits for organizations in the sector, and when the uncertainty in competitive conditions becomes too intense to be overcome by implicit arrangements between organizations. Businesses, depending on their scale and the nature of their operations, attempt to influence government interventions in their favor at different levels of power. Particularly for organizations directly involved in customer-supplier relationships with government institutions, the decisions and regulations of the government have a direct impact. In such cases, it is considered quite natural for organizations to

monitor and attempt to influence the political preferences and practices of governments. The business system in Turkey, which is the focus of this study, is defined as a state-dependent business system on the one hand and a business system that cannot be regulated by the state in a stable manner on the other. Therefore, in Turkey, the role of the state in the private sector is complex.

II. STATE AND BUSINESS IN TURKEY

In Turkey, as Vorhoff (2001) pointed out, industrialization and private enterprise began much later than in many European countries. This situation, when considered along with the desire for rapid development and the goal of reaching the “level of contemporary civilizations,” initiated the process of creating the private sector with the hand of the state. Following the establishment of the Republic of Turkey in 1923, the state played a significant economic role in supporting the development of Turkey’s experience for the continuation of activities. In the framework of resource dependence theory, the notion that organizations compete with other actors in the external environment for the acquisition of resources brings forth another fundamental concept: Dependency. Dependency arises when an actor cannot entirely or fully achieve the desired outcomes while carrying out an activity or action. In other words, within a social system or social relationships, dependency occurs when an actor cannot fully control all the conditions or factors related to carrying out their action/activity. This notion becomes evident in the relationships of organizations with other actors in the external environment when they struggle to obtain resources (Pfeffer and Salancik, 2003).

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III. THE ROLE OF STATE IN TURKEY'S DOMESTIC AUTOMOBILE INITIATIVES (DEVİRİM AND TOGG)

The Republic of Turkey initially aimed to establish and develop a national industry by adopting a protective economic approach (Han, 1978:39). Considering the fact that the real development would be possible through industry, new practices were initiated. In this context, the İş Bank was established in 1924 to finance the private sector, and the Sanayi and Maadin Bank was established in 1925 to establish, finance and manage the state industry (Han, 1978:41). Additionally, in 1927, the Industrial Encouragement Law (Teşvik-i Sanayi Kanunu) was adopted to encourage industrial ventures (Çelebi, 2011:35). The Industrial Encouragement Law (Teşvik-i Sanayi Kanunu) holds critical importance in encouraging various industrial ventures, including those in the automotive sector. The first step towards the automotive sector in Turkey was the establishment of an assembly plant by the Ford Motor Company in 1929 to produce trucks, tractors, and cars; however, this venture failed due to the economic crisis. By June 1931, with technology that could be considered modern for that time, daily production had reached 48 trucks and cars for export to the Balkans, the Soviet Union, Iran, and the Middle East. However, with the effects of the 1929 global economic crisis, daily production gradually decreased to 30 and intermittently to 20, 12, and 8. Meanwhile, Turkey's vehicle fleet between 1928-30 consisted of nearly 1500 cars, nearly 1000 pickups, and nearly 3000 trucks (Azcanlı, 1995:56-67).

Turkey, which suffered from the economic hardships of World War II, prepared an industrialization plan in 1945, in which the automotive industry was given significant importance among various issues. According to the plan, a motor and motorized land transportation vehicles industry combination was to be established and this combination was to include an engine factory, truck and bus factory, automobile factory and tractor factory. Additionally, in 1945, businessman Vehbi Koç, who had observed the new world order well, contacted Oliver and US Rubber (Koç, 1973:215) and obtained the representation of these companies. Having acquired the agency of Ford in 1937, Vehbi Koç also incorporated the agency of the latter into his business in 1953 (Barlay, 2008:20). Believing that the automotive industry in Turkey should be established, and it should start with the assembly industry, Vehbi Koç (Koç, 1973:86), who entered the tractor sector and wanted to enter the automobile market afterward, also considered entering the automobile sector with a foreign partner, similar to the tractor sector. Vehbi Koç expresses that he strongly believes, together with Bernar

Nahum, who worked in the automotive division of Koç Holding, that an automobile assembly industry should be established in Turkey. Initiating initiatives in this direction, Vehbi Koç applied to Mr. Masset, the head of the Ford Organization in Egypt, in 1954, and his application was approved. Subsequently, Ford sent experts to Turkey to conduct studies. In early 1956, Koç Group, which won a competition among Ford's 34 Middle Eastern country agents as the Ankara agency, was invited to the United States, and Vehbi Koç, along with Bernar Nahum and Kenan İnal, participated in this invitation (Koç, 1973:87). After the establishment of the Republic, Turkey, which was involved in the automotive industry through assembly methods, particularly hosted the assembly of vehicles of various companies through Vehbi Koç's policy of assembly industry via foreign partnerships. Vehbi Koç received significant support from the then Prime Minister Adnan Menderes in these initiatives. Although jeep, van, and truck factories were established in the 1950s, the development of the automotive sector in Turkey took place towards the end of the 1960s.

The Turkish Armed Forces, which seized power by the military intervention on May 27, 1960, stated that it would prioritize investments in its economic policy. In this context, the production of domestic automobiles came to the agenda, taking into account the point reached by the automotive industry, which had already existed in the previous period (Üner, 1971). Turkey's desire to develop economically and become an industrialized country as well as military and civilian needs were influential in the formation and development of the idea of producing domestic automobiles. However, while the idea turned into a project, the contribution of the industrialists, academics, and professional associations of the era was significant, but the willingness and determination of state and government officials, especially the president of the time, played an important role (Aşık, 2020:35-36). After President Cemal Gürsel shared the idea of producing a "domestic car" with the public, in January 1961, nine Istanbul companies came together and established the "Turkish Machinery Motor Vehicle and Auxiliary Industry Union". This union held various meetings with government officials to discuss the production of domestic cars, vans, and trucks, and organized congresses and press conferences (Aşık, 2020:36-38). The issue came to the agenda of various professional chambers, trade, and industry associations, and began to be discussed at various meetings. On the government side, it was first discussed in the Cabinet meeting dated March 4, 1961 (Aşık, 2020:39-41). While some members of the cabinet supported the project, some expressed negative opinions, and some remained neutral. As a result, the Cabinet decided that the Minister of Industry would examine the advanced European countries in the automotive industry and prepare a detailed report (Aşık, 2020:41-47).

Following the inspection trip of the Minister of Industry to European countries, the Council of Ministers convened on March 30, 1961, and reconsidered the matter in light of these inspections (Aşık, 2020:48-50). On April 22, 1961, an official letter was sent from the Prime Ministry to the Ministry of

Transportation requesting that a prototype automobile specific to Turkey be built and that TCDD (Turkish State Railways) be assigned to this task. This letter carried the significance of formalizing the "Devrim Arabası" (Revolution Car) project (Şimşek, 2017:51-52; Aşık, 2020:48-50). Following the government's decision on this matter, the 1st Automotive Industry Congress was organized by the Chamber of Mechanical Engineers on May 15-17, 1961. Government officials, members of professional associations, industrialists, and scientists attended the congress and expressed their opinions. Particularly, the views of the President of the period and the Minister of Industry were positive, expressing confidence in the success of the project. Other participants also expressed their criticisms and opinions, both positive and negative. In his speech, President Gürsel, who was the guest of honor at the congress, clearly emphasized his belief that an automobile would be built in Turkey (Şimşek, 2017:53-54; Aşık, 2020:49-57).

On April 22, 1961, the Prime Ministry sends a letter to the Ministry of Transportation with the word "top secret". Immediately after this letter, 23 well-educated Turkish engineers of the period were invited to Ankara by the Ministry. All of these engineers, some of whom were working abroad, accepted the invitation and came together at the Ministry on June 16, 1961 (Aydın, 2019:16). In the letter addressed to the engineers invited to the meeting, it is stated: In the letter addressed to the engineers invited to the meeting, it is written, "I would like you to produce an automobile that is completely locally made, both in design and materials, to be presented to the views and appreciation of our people at this year's Republic Day ceremonies". It is also stated that this task was assigned to the TCDD (Turkish State Railways) Operation and that an appropriation of TL 1,400,000 was allocated for this purpose. All engineers who attended the meeting accept the letter as an order and join the team, leaving all their other tasks behind to work on creating the first domestically manufactured car. The working location for the team is determined as the Cer Workshop of the State Railways (DDY) in Eskişehir. Thus, the race against time begins. At the first meeting, a sign with the number 129 is nailed on the wall of the workshop. There are only 129 days until October 29, and every day until that date will be subtracted from the number on the wall (Aydın, 2019:17).

The assigned administrative and technical team officially started work on July 2, 1961 (Aşık, 2020:75). Since the project was kept secret from the press until October, when the first samples (prototypes) were produced and test drives began, the developments were not reflected in the newspapers. The first news that the first Turkish automobile prototype was produced in Eskişehir and that it ran successfully in front of those concerned began to appear in the press from the beginning of October. Later on October 19, 1961, the Minister of Transportation made a statement to the press and announced that the first Turkish automobile had been produced, that the test drives had been successful and that it would be presented to the President with a ceremony on October 26, 1961 (Aşık, 2020:88-91). More than 80% of the materials used in the automobile were domestically

produced, and those that were not manufactured were indicators, some electrical materials, tires, glasses, bearings and some parts of the accessories (Aşık, 2013:167). Unfortunately, due to the insufficient level of demand for the vehicle and the economic and political conditions of the time (Başbuğ, 2017:58), mass production could not be started and the first domestic vehicle initiative was limited to the production of four prototypes. With the failure of the 100% domestically produced automobile initiative, the next initiative was started in 1966 with the production of the Anadol automobile in 1966, which was a partnership between Koç Holding and Ford, marking the first domestically produced brand to enter mass production. In 1966, the production of the Anadol brand automobile started, and this initiative was able to continue until 1982 with the production of 87 thousand Anadols.

In the 1960s, policies encouraging the development of the main and sub-industry were adopted, and positive developments in the main industry were reflected in the sub-industry (Yaşar, 2013:783). The establishment of Tofaş in 1968 and Oyak-Renault in 1969 accelerated the development of the automotive industry in Turkey (Yılmaz et al., 2017). In the 1970s, localization efforts were made for the production of parts and components. Until the 1980s, a domestic market-oriented approach was adopted in the sector, but with the transition to a free-market economy, an outward-looking approach aimed at creating a modern, quality-focused, and internationally competitive sector. However, due to protectionist measures, stable growth could not be achieved in the sector (Elmas, 2011:25-26).

The “Assembly Industry Directive” prepared in accordance with the principle of “benefiting from the driving force of the automotive industry in industrialization” in the First Five-Year Development Plan had a significant impact on the development of the Turkish automotive industry. With the policy of ensuring “local production for each part”, import-substitution policies were implemented to achieve a certain level of localization. Protection rates on imported goods were kept high, the list of prohibited imported parts was expanded, and numerous auxiliary industry enterprises commenced production in the sector. Starting from the 1980s, with the adoption of liberal policies, protection rates were reduced, and new investments of economic scale and expansion investments of certain magnitudes were supported. As of January 1, 1996, with the enforcement of the Customs Union agreement, serious competition began to emerge in the automotive sector. As part of the agreement, the importation of used cars into the automotive sector was also banned for a certain period. (Bedir, 2002:26-27).

In the automotive sector, which became export-oriented and competitive in the 1990s with the investments of international brands, it is noteworthy that efforts between the main and sub-industry increased and formal and informal communication processes were developed in order to reduce costs (Yılmaz, 2016:47). The growth in the automotive sector in Turkey accelerated after the 1990s. The 1996 entry into the Customs Union increased foreign capital

investments in the sector. Other factors contributing to the increase in investments include cheap labor, the country's geopolitical position, and the presence of a dynamic market structure that is open to development and rapidly growing (Engin and Polat, 2010:41). Since the 2000s, rather than expanding the assembly process in production, the sector has focused on technology, model development and R&D activities suitable for the global competitive environment (Pişkin, 2017:7-8). Thanks to the momentum provided by the Customs Union, progress has been made in areas such as quality improvement, the emergence of new models and harmonization in technical legislation. The automotive industry, which developed under the influence of these factors, became one of the global production and export centers, especially in the 2000-2010 period (Özdamar and Albeni, 2011:195-196). Today, Turkey is a global production center for many international automotive companies. Many automotive companies with domestic and foreign capital continue their activities. There have been annual increases in production among these companies. While some of the production is for the domestic market, a significant portion of it is export-oriented. Proximity to Europe and relatively low labor costs make Turkey attractive for many foreign capital companies.

The processes that the Turkish automotive sector has undergone can be briefly summarized as follows (Ministry of Science, Industry and Technology General Directorate of Industry, 2011:9):

- In the 1960s, production focused on assembly of commercial vehicles and tractors as part of import substitution
- In the 1970s, efforts were directed towards localization through the production of components.
- In the 1980s, technology investments were made to increase capacity.
- In the 1990s, restructuring occurred towards integration with the EU and global competitiveness.
- In the 2000s, efforts were aimed at sustaining global competitiveness through design and production activities to create higher added value.

Turkey made significant progress in the 1960s towards producing its own branded car; however, due to the political, economic, and social conditions at that time, mass production could not be achieved. Although the Devrim cars were unsuccessful, they created a strong intellectual infrastructure for a domestic automobile in Turkey. From those years until today, the dream that Turkey's automobile would be produced has been carried. To realize this dream, the initiative for "Turkey's Car" can be said to have started with the call made by the Prime Minister at the TÜSİAD meeting on January 20, 2011, where he described the businesspeople as "brave-hearted". By 2015, prototypes developed by the Ministry of Industry and Technology and TÜBİTAK through the purchase of intellectual property rights of an internationally recognized foreign brand were shared with the press, but this project was not finalized.

In November 2017, Turkey's Automobile Joint Venture Group, abbreviated as TOGG, was established and announced to the public under the

leadership of the President of the Republic of Turkey with the participation of other business organizations. On June 25, 2018, Turkey's Automobile Joint Venture Group (TOGG) was established for the first time in Turkey. Anadolu Group (23%), BMC (23%), Turkcell (23%), Zorlu Holding (23%) and the Union of Chambers and Commodity Exchanges of Turkey (8%) are the parties to this joint venture (Togg, 2024). The cooperation in the Togg case is quite distinctive from other examples around the world. None of the organizations involved in this strategic initiative are vehicle producers, but have come together for the first time to work on a vehicle. In other examples of strategic cooperation in the world, at least one of the parties to joint venture models is a vehicle manufacturer. Therefore, in many aspects, both for Turkey and the partners of the initiative, as well as internationally, it can be said that a completely new model is encountered. The prototypes of the electric car were produced by the Pininfarina firm in Italy.

The SUV and Sedan models of the domestic branded car, of which prototypes were produced, were introduced on December 27, 2019 (Avcı, 2020:3). Togg CEO Gürcan Karakaş stated that the vehicle is 51% domestic in its current form, but this ratio will increase much more when the battery factory Siro is completed and the target is initially 68-70% (Habertürk, 2023). In May 2023, deliveries of Togg vehicles began (Togg, 2024). On December 31, 2023, Togg announced that approximately 20 thousand vehicles had been delivered so far (Togg, 2024). The support provided to Togg by the state is listed below (Presidential Decree, 2019):

- Customs duty exemption.
- VAT exemption.
- VAT refund.
- Tax reduction.
- Employer's share of social security premium support (without maximum limit for 10 years).
- Income tax withholding support (10 years).
- Qualified personnel support (maximum 360.000.000 TL, 5 years).
- Interest and/or profit share support (maximum 10 years from the date of utilization of each loan, provided that it does not exceed 13% of the actual fixed investment amount and 80% of the interest and/or profit share paid).
- Investment location allocation.
- Purchase guarantee (applicable for 30 thousand electric cars until 31/12/2035).
- 1,071,801.49 square meters of land for the domestic automobile factory under construction in Gemlik district of Bursa was granted to Togg (Presidential Decree, 2022).

Turkey's Togg entering the global automotive industry as a new participant will determine its competition with leading brands over time. However, in the early 1960s, South Korea, which had a similar economic level to Turkey, experienced a different development in the automotive industry. It is

highly likely that the first spare parts manufacturing factories and service stations in Korea were established due to Japan's colonial policies. These spare parts manufacturing factories were gradually expanded, leading to the eventual production of local automobiles. As proposed by C.K. Kim and Lee (1983), contrary to the experiences of many countries, it can be said that this evolving process significantly contributed to the development of local automobile production.

Moreover, the Korean War (1950-53) period created an opportunity for Korean parts manufacturers, as the demand for spare parts increased rapidly during this period. The fact that many Korean automobile manufacturers, such as Saenara Automobile Company, started as spare parts manufacturers also helped them to increase production and efficiency. In the following period (1970-80), the government implemented a tariff policy to protect the Korean automobile market share and an R&D policy to encourage Korean automobile firms to pursue R&D and improve their design and manufacturing capabilities. After the automobile industry reached a certain level, firms were asked to focus on exports and policies were pursued to this end. The state provided export incentive mechanisms such as reduced corporate and special income taxes, tariff exemptions for raw materials imported for export, and foreign exchange allocations to firms that met their export targets (Hussen, 2019). The state's policy objectives were not formulated, determined and imposed by politicians or bureaucrats alone. The remarkable success of Korea's economic development in general and the automobile sector in particular was the result of close and extensive consultation and coordination between the Chaebol and the government (Chung, 2007:83).

Compared to Turkey, one of the most important factors contributing to the development and success of the automobile sector in South Korea has been the role played by the state. The state has the dominant role in structuring the industry and shaping its future through policies and regulations. As the main factor behind the success story of the automobile industry in Korea, the Korean government has successfully designed and implemented policies that have changed the fate of the automobile industry.

CONCLUSION AND EVALUATION

As a capital and knowledge-intensive sector, the importance of the automotive industry for the socio-economic development of countries cannot be denied. Despite its more than 120-year history, the automotive industry is still growing, developing and changing with new manufacturers. Especially since the 1960s, the automotive sector has started to gain a growing place in the Turkish economy. In 1961, the "Devrim" automobile, which was produced as a prototype by TCDD (Turkish State Railways) with its own means, is one of the milestones for the Turkish automotive industry. Why the Devrim automobile, which was built in a very short period of time and despite technical difficulties, was not mass-produced is still a matter of debate and has never been officially explained. In addition to the sensational rumor that the project was terminated due to the embarrassment or anger caused by the car stalling due to forgetting to add

gasoline during a test drive with the participation of President Cemal Gürsel, it is also claimed that lack of demand and political and social events prevented the production of the automobile. Whatever the reason, ever since the Devrim automobile project was shelved, it has been a dream for Turkey to produce automobiles with entirely domestic resources. However, this dream has been overshadowed for approximately 50 years by high levels of localization but ultimately lagging behind in foreign-licensed assembly production. In recent years, there has been a renewed push for a fully indigenous and national automobile project, and in 2018, a consortium called Turkey's Automobile Initiative Group (TOGG) was established and work began. Time will tell how the Turkish automobile TOGG will compete with the world's leading brands as a new and late entrant to the global automotive industry, but the critical and strategic role of the state in the development of the automotive sector will significantly affect the course of this competition.

As Vorhoff (2001) pointed out, industrialization and private enterprise in Turkey began much later than in many European countries. During the Ottoman era, the legal and economic structure of the state hindered capital accumulation in general. In order to achieve the development mission, the new Republic of Turkey implemented a project to create a Turkish-Muslim entrepreneurial class that would replace foreigners and non-Muslim citizens in trade and manufacturing production, drawing lessons especially from the late Ottoman period. The state distributed its resources through avenues such as tender opportunities, establishing partnerships with the state, providing low-interest loans, facilitating access to intermediate goods from public economic enterprises, and facilitating access to foreign exchange (Çokgezen, 2000:528). The state's intense intervention in the economy fostered a political culture where the legitimacy of the state was seen more as a function of distributing "rents" rather than providing "public goods" (Ararat and Uğur, 2003).

On the one hand, the Turkish business system can be defined as a state-dependent business system; on the other hand, it can also be defined as a business system that cannot be consistently regulated by the state. Buğra (1994) argues that the Turkish state still retains its role as a major buyer and investor, and that this is effectively felt in all sectors. Despite studies suggesting that there has been a liberalization since the mid-1980s, that the state has relatively reduced its influence in economic activities and can no longer be considered a major actor in the economy, state-business relations in Turkey still bear the traces of the 'strong state tradition'. However, appropriate, stable, predictable and sustainable political and economic reforms by the state in the automotive sector and the planned implementation and monitoring of these reforms are the key factors for success. All these reform practices are complementary. Therefore, the central government, municipalities, the private sector, relevant professional associations, universities, research centers and even foreign investors must act in coordination. In parallel with the ongoing structural changes in the world automobile industry, structural

reforms should be undertaken to increase the efficiency and competitiveness of the automotive sector.

Arařtırma ve Yayın Etiđi Beyanı

Makalenin tüm srelerinde Ynetim ve Ekonomi Dergisi'nin arařtırma ve yayın etiđi ilkelerine uygun olarak hareket edilmiřtir.

Yazarların Makaleye Katkı Oranları

Makalenin tamamı Yazar tarafından kaleme alınmıřtır.

ıkar Beyanı

Yazarın herhangi bir kiři ya da kuruluř ile ıkar atıřması yoktur.

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