THE GLOBAL CHANGE: HOW INTERNATIONAL TRADE IS RESHAPING THE GLOBAL ECONOMY

TÜRKİYE’S LOGISTICS CAPABILITIES

FEBRUARY 2022
AGENDA

OUTLOOK TO GLOBAL TRADE & LOGISTICS

OUTLOOK TO TRADE & LOGISTICS IN TÜRKİYE

LOGISTICS CAPABILITIES OF TÜRKİYE

TURKISH LOGISTICS SECTOR AFTER PANDEMIC
How will the Covid-19 crisis impact your supply chain strategy over the medium term?

Except 2% of the respondents, most expected a change in supply chain strategy to some extent.

Major change in how shippers purchase freight services was anticipated by firms.

Source: The Future Of Freight Forwarding In A Post-Covid World Survey, by Transport Intelligence Ltd, sponsored by Bollore Logistics
The Covid-19 crisis will lead to the end of globalization and the reemergence of national/local supply chains. Do you:

- Agree: 34%
- Strongly agree: 28%
- Disagree: 6%
- Strongly disagree: 5%
- Neither agree nor disagree: 27%

As many as 34% of respondents agree that the Covid-19 crisis will lead to the end of globalization.

Will your supply and flow-planning model become more flexible?

- Agree: 53%
- Strongly agree: 22%
- Disagree: 12%
- Strongly disagree: 11%
- Neither agree nor disagree: 2%

Flexibility results suggested that, over the medium-term, the most successful supply chains would be those that can most effectively respond and mitigate potential disruptions.

Source: Transport Intelligence Ltd, sponsored by Bolloré Logistics
The Future Of Freight Forwarding In A Post-Covid World Survey

- At that time, firms agreed on risks and deglobalization but they were thinking to adopt different strategies.
- 88% was planning to change their inventory procurement strategy.
- 31% was thinking that depending on single geography for procurement was not reliable.
- Significant amount of respondents was more conservative to change due to complexities such as identifying alternate locations, ensuring product quality and finding a reliable market.

How will your inventory procurement strategy change?

- It will not change: 12%
- Just-in-time inventory system will be reduced: 14%
- More suppliers: 17%
- Identify alternate sourcing locations: 31%
- Fewer suppliers but focus on establishing deeper relationships with them: 17%
- Too soon to tell: 9%

Source: Transport Intelligence Ltd, sponsored by Bolloré Logistics
Most of the firms still wanted to control their supply chain management. 43% of respondents would like to diversify their supply chain partners.

In contrast, 30% of respondents would like to decrease number of supply chain partners. This was an indication that firms were adopting different strategies.

80% of respondents was planning to continue the integration of technology into their supply chain operations.

Majority were expecting logistics partners to bring their own solutions.

Customization of third-party systems appears to be the second best alternative.

Source: Transport Intelligence Ltd, sponsored by Bolloré Logistics
DATA CLEARLY SHOWS THAT TRADE BEGUN REBOUNDING & EXCEEDING PRE-PANDEMIC LEVELS

WHAT HAPPENED: WORLD TRADE ACTIVITY

Merchandise Trade Volume (vs. Dec. 2019)

Average Distance Traversed by Merchandise Trade Kilometers, 2001-2020

Source: DHL
GLOBALIZATION IS RECOVERING FROM THE PANDEMIC IN A MORE ROBUST WAY THAN EXPECTED

WHAT HAPPENED: GLOBALIZATION OR DEGLOBALIZATION

Global Connectedness Index 2021 Update

Four Pillars of Global Connectedness 2001-19'

Source: DHL
FOUR PILLARS OF GLOBAL CONNECTEDNESS

EXCEPT PEOPLE MOVEMENT ALL FLOWS QUICKLY STABILIZED

Trade

Capital

Information

People

Source: DHL
FOUR FLOWS THAT CONNECT THE WORLD

GLOBAL GDP

19%
Export of goods and services (value added)

GLOBAL FIXED INVESTMENT

5%
Foreign Direct Investment flows

TELEPHONE CALLS

7%
International calls (including calls over the internet)

WORLD POPULATION

4%
Migrants

Source: DHL
RESILIENCE OF LOGISTICS FIRMS WILL BE FURTHER TESTED IN 2022 & NEW STRATEGIES WILL BE ADOPTED

TRENDS IN 2022 & BEYOND

Technology Investments

Elastic Supply Chains

Labor Shortage

Near-Shoring

Production Delays

Green Logistics

Circular Logistics
STRATEGIC LOCATION AND ENHANCED PRODUCTION CAPABILITIES
ATTRACTION MULTINATIONALS TO INVEST FOR EXPORT

MERCHANDISE EXPORTS BY GEOGRAPHY

2002
2020
$36 BILLION
$170 BILLION

29% EU
14% Middle East and Africa
57% Other Countries

23% EU
27% Middle East and Africa
50% Other Countries

NUMBER OF EXPORT PRODUCTS OVER $1 BILLION

2002
2020
9
39

TÜRKİYE’S SHARE IN GLOBAL EXPORTS OF GOODS

Exports of Goods in Türkiye and World

Source: TurkStat, ITC
PROCTER & GAMBLE, WORLD’S AND TÜRKİYE’S LARGEST CONSUMER PRODUCT COMPANY HAS BEEN OPERATING IN TÜRKİYE SINCE 1987 WITH 2 PRODUCTION FACILITIES, 1 LOGISTICS CENTER, AND 1 REGIONAL MANAGEMENT HUB;

- Management & production hub for 8 countries with 150 million population
- $750+ million FDI
- 2,000 job opportunities
- Newest development center from Europe to Asia

- %35 of locally produced product is exported
- To +20 countries in Caucasus, Central Asia, MENA and Balkans
- Türkiye’s export leader in detergents and paper categories

- 488 local suppliers, with $175 million purchasing
- 89 of these suppliers also export $173 million goods & services to other P&G facilities
- 42 of these suppliers are founded by 100% domestic capital, exporting $167 million to P&G global
THE US AUTO GIANT *FORD* HAS BEEN PRODUCING MOTOR VEHICLES IN TÜRKİYE FOR DECADES, ACHIEVING MANUFACTURING EXCELLENCE IN ITS FACILITIES, AND MORE IMPORTANTLY EXPORTING AROUND 90% OF ITS PRODUCTION TO MORE THAN NINETY COUNTRIES

**KEY VALUE CHAIN ACTIVITIES**

- 52-80% localization (value-added) of vehicles
- Sourcing from 418 different supplier facilities; 151 of them export to Ford Global
- Engine Production
  - Euro 6 Ecotorq Engine (100% locally developed)
  - Euro 6 Ecotorq Engine
  - EcoBlue Engine

**PRODUCTION in TURKEY (2019)**

- Total vehicle production: 369K+
- Europe’s largest commercial vehicle producer
- Lead manufacturing plant of Ford Transit globally
- Single source of Ford Custom & Ford Courier
- Center of Excellence for Ford Trucks (heavy trucks)

**EXPORTS (2019)**

- Türkiye’s largest exporter
- $5.9 Billion
- 90% of production
- 90+ countries

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**R&D Center & Engineering**

- Global hub for Ford Trucks (heavy trucks) and related powertrains
- Global support for light commercial vehicle development
- Global support for diesel powertrain engineering

The only Ford factory among 4 automotive factories in the world included in the Global Lighthouse Network (a WEF and McKinsey research initiative on leadership in advanced manufacturing applying Fourth Industrial Revolution / Industry 4.0)

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**F-MAX**: IPR owned 100% by Ford Otosan

Source: Turkish Exporters’ Union, Ministry of Industry and Technology Localization of Motor Vehicles Produced in Turkey, 2020
**KEY VALUE CHAIN ACTIVITIES**

- ✔️ 50-63% localization (value-added) of vehicles
- ✔️ Prototype, Mold Production, Suspension
- ✔️ Body, Assembly Shops
- ✔️ Spare Part / Suppliers
- ✔️ R&D Center

**PRODUCTION in TÜRKİYE (2019)**

<table>
<thead>
<tr>
<th></th>
<th>Total Vehicles</th>
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<tbody>
<tr>
<td>160,674</td>
<td>Passenger Cars</td>
</tr>
<tr>
<td>103,522</td>
<td>Commercial Vehicles</td>
</tr>
</tbody>
</table>

**EXPORTS (2019)**

- ✔️ Türkiye’s 2nd largest exporter
- ✔️ $4.2 Billion
- ✔️ 74% of production
- ✔️ 80+ countries

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**SHOWCASE**

**FIAT, ANOTHER LEADING AUTOMAKER, GOES BEYOND ASSEMBLY ACTIVITIES AND CREATES SIGNIFICANT VALUE IN TÜRKİYE THROUGH R&D, DESIGN AND ENGINEERING, AS WELL AS CONNECTING LOCAL SUPPLIERS WITH THEIR GLOBAL SUPPLY NETWORKS**

**WORKING WITH 148 LOCAL SUPPLIERS IN TÜRKİYE**

- 148
- ✔️ Of which 68 are also supplying Global FCA
- ✔️ Joint R&D with 18 Turkish Suppliers

**FIAT EGEA (SEDAN / HB / SW)**

- Developed at the local R&D Center

**Source:** Tofaş, Turkish Exporters’ Union, Ministry of Industry and Technology Localization of Motor Vehicles Produced in Türkiye, 2020
TÜRKİYE IS A LINCHPIN IN HUGO BOSS’ GLOBAL VALUE CHAIN. TÜRKEİYE ACCOUNTS FOR THE LARGEST PART OF THE GROUP’S GLOBAL SOURCING & PRODUCTION VOLUME AT 23%.

- Number of suppliers (167)
- Number of own production facilities (4)
  - Germany (Metzingen)
  - Italy (Morrovalle)
  - Poland (Radom)
  - Türkiye (İzmir)

Source: Hugo Boss Annual Report, 2019
INDITEX, THE SPANISH PARENT COMPANY OF ZARA, IS ANOTHER EXAMPLE OF MULTINATIONALS FOR WHICH TÜRKİYE PLAYS A KEY ROLE IN THEIR GLOBAL VALUE CHAINS. INDITEX WORKS WITH 175 SUPPLIERS AND 1459 FACTORIES IN TÜRKİYE.

Source: Inditex 2019 Annual Report
**TURKISH COMPANIES HAVE DEVELOPED STRONG MANUFACTURING AND DESIGN CAPABILITIES TOGETHER WITH THEIR FOREIGN PARTNERS AND SIGNIFICANTLY CONTRIBUTE TO THE GLOBAL VALUE CHAINS**

**Global Supply Chain of A400M**

Airbus A400M Program
A400M is the first program that enabled TAI to gain capability and responsibility of a whole life cycled aerospace product starting from concept design studies to after sale logistics support activities. TAI's workshare in A400M Program includes design and manufacture of structural components as Forward Center Fuselage with Emergency Exit Door, Section 17 Upper Shell with Rear Hatch Door, Paratroper Doors, Tailcone, Ailerons and Spoilers. TAI has also manufacturing responsibility of all fuselage harnesses. TAI has first level design and procurement responsibility on lighting system (except cockpit) and water and waste system.

Source: Airbus
SEA AND ROAD TRANSPORT ARE PREDOMINANT MODES IN FOREIGN TRADE ACTIVITIES OF TÜRKİYE

TRADE ACTIVITY AMONG LOGISTIC MODES

- EXPORT (BY VALUE OF GOODS)
- IMPORT (BY VALUE OF GOODS)

Source: Turkstat
DOMESTIC + ACCESSIBLE MARKETS

DOMESTIC MARKET + EU MARKET + FREE TRADE AREA

Customs Union with the EU allows direct access to the EU Market

<table>
<thead>
<tr>
<th>448 MILLION in EU</th>
<th>463 MILLION in FTA AREA</th>
<th>84 MILLION in Türkiye</th>
</tr>
</thead>
<tbody>
<tr>
<td>995 MILLION CONSUMERS</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Eurostat, World Bank; Population as of 2019, Ministry of Trade, TurkStat
Main export partners of Turkey: Germany, the USA, the UK, Iraq and Italy.
Main import partners of Turkey: China, Russia, Germany, the USA and Italy.

Source: Turkstat, Ministry of Trade
Note: CAGR between 2018-2021
*Numbers are in Billion ($)
AGENDA

- Outlook to Global Trade & Logistics
- Outlook to Trade & Logistics in Türkiye
- Logistics Capabilities of Türkiye
- Turkish Logistics Sector After Pandemic
LOGISTICS CAPABILITIES OF TÜRKİYE

SOUTH AMERICA | SEA/EXPORT

CARTAGENA
29 DAYS

GUAYAQUIL
32 DAYS

CALLAO
37 DAYS

SANTOS
24 DAYS

BUENOS AIRES
30 DAYS

MONTEVIDIO
30 DAYS

VALENCIA

SIENES
LOGISTICS CAPABILITIES OF TÜRKİYE
EUROPE | RO-RO + BLOCK TRAIN

- OSLO: 11 DAYS
- STOCKHOLM: 12 DAYS
- HELSINKI: 12 DAYS
- TALINN: 10 DAYS
- RIGA: 10 DAYS
- BERLIN: 7 DAYS
- WIEN: 8 DAYS
- BUDAPEST: 8 DAYS
- WARSZAWA: 9 DAYS
- KRÓWKA: 9 DAYS
- MONTREAL: 9 DAYS
- TORONTO: 9 DAYS
- MOSKWA: 8 DAYS
- BRUSSELS: 8 DAYS
- MANCHESTER: 9 DAYS
- DUBLIN: 10 DAYS
- BASEL: 7 DAYS
- TRIESTE: 7 DAYS
- VENLO: 8 DAYS
AGENDA

OUTLOOK TO GLOBAL TRADE & LOGISTICS

OUTLOOK TO TRADE & LOGISTICS IN TÜRKİYE

LOGISTICS CAPABILITIES OF TÜRKİYE

TURKISH LOGISTICS SECTOR AFTER PANDEMIC
CONSIDERING ITS CAPABILITIES, TÜRKİYE OFFERS A FAVORABLE ENVIRONMENT FOR INTERNATIONAL COMPANIES TO PLUG IN GLOBAL VALUE CHAINS

**TÜRKİYE’S VALUE PROPOSITION**

- **Strategic Location**
- **Free Trade Network**
- **Robust Logistics Infrastructure**
- **Diversified Manufacturing**
- **Lucrative Incentives**
- **Skilled Workforce with Cost Advantage**
- **Strong Industry Clusters**
- **Liberal Investment Climate**

**OPEN for BUSINESS**

*CONSIDERING ITS CAPABILITIES, TÜRKİYE OFFERS A FAVORABLE ENVIRONMENT FOR INTERNATIONAL COMPANIES TO PLUG IN GLOBAL VALUE CHAINS*
THE MIDDLE CORRIDOR IS MORE ECONOMICAL AND FASTER COMPARED TO THE NORTHERN CORRIDOR AS A TRADE ROUTE BETWEEN EUROPE AND ASIA
ON 7TH NOVEMBER 2019, FREIGHT TRAIN DEPARTED CHINA AND WENT CENTRAL EUROPE BY PASSING BELOW THE BOSPHORUS VIA ISTANBUL’S MARMARAY TUNNEL FOR THE FIRST TIME.
Türkiye will be more lucrative location for three reasons

- Local production close to consumption markets becomes more favorable
- Less shipping duration becomes more desirable
- Increasing importance of capacity flexibility

Investors Survey 2020 – Does your company work toward relocating the operations of its suppliers to Turkey? – Answers of manufacturing intensive sectors

<table>
<thead>
<tr>
<th>Industry</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defence &amp; Aerospace</td>
<td>60.0%</td>
<td>40.0%</td>
<td>10</td>
</tr>
<tr>
<td>Automotive</td>
<td>54.8%</td>
<td>45.2%</td>
<td>42</td>
</tr>
<tr>
<td>Energy &amp; Energy Components</td>
<td>45.5%</td>
<td>54.5%</td>
<td>11</td>
</tr>
<tr>
<td>Machinery &amp; Equipment</td>
<td>45.5%</td>
<td>54.5%</td>
<td>11</td>
</tr>
<tr>
<td>Electronics &amp; ITC</td>
<td>40.0%</td>
<td>60.0%</td>
<td>5</td>
</tr>
<tr>
<td>Electrical Products</td>
<td>37.5%</td>
<td>62.5%</td>
<td>8</td>
</tr>
<tr>
<td>Pharma &amp; Medical Equipment</td>
<td>37.5%</td>
<td>62.5%</td>
<td>8</td>
</tr>
<tr>
<td>Chemicals &amp; Plastics</td>
<td>26.3%</td>
<td>73.7%</td>
<td>19</td>
</tr>
<tr>
<td>Metal &amp; Metal Products</td>
<td>20.0%</td>
<td>80.0%</td>
<td>5</td>
</tr>
<tr>
<td>Agri-Food</td>
<td>12.5%</td>
<td>87.5%</td>
<td>8</td>
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(n=127) (n=144)
NEW LOGISTICS MASTER PLAN

SIGNIFICANT CONTRIBUTIONS IS EXPECTED FROM LOGISTICS MASTER PLAN

<table>
<thead>
<tr>
<th></th>
<th>2023 (Medium Term)</th>
<th>2035 (Long Term)</th>
<th>2053 (Vision)</th>
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<tbody>
<tr>
<td>Export Billion $</td>
<td>228</td>
<td>470</td>
<td>987</td>
</tr>
<tr>
<td>Transit Income Billion $</td>
<td>5</td>
<td>54</td>
<td>214</td>
</tr>
<tr>
<td>Cost Saving Billion $</td>
<td>1</td>
<td>25</td>
<td>113</td>
</tr>
</tbody>
</table>

Source: Ministry of Transport and Infrastructure
INVEST IN TÜRKİYE

ASSIST YOU BEFORE, DURING AND AFTER YOUR ENTRY INTO TÜRKİYE

PRIVATE SECTOR APPROACH WITH PUBLIC SECTOR CAPABILITIES

PRIVATE
PUBLIC

A GOVERNMENTAL AGENCY REPORTING TO THE PRESIDENT

ACTING AS YOUR SOLUTION PARTNER

General & customized business information & Sectoral analysis & reports
Site selection support to find appropriate location/land for your investment
Arrangements of meetings with governmental bodies and other stakeholders
Facilitating your visit to TÜRKİYE

Facilitating your investment at all stages
Matchmaking with local partners & establishing business linkages
Project launch & Press release Services
Facilitating your visit to TÜRKİYE

AFTERSALES
THANK YOU