

CATS Network Roundup

Dear Readers,

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

The free trade agreement between the European Union (EU) and India could shift the balance of power in both geopolitics and the economy. While **Ankara continues to campaign for the modernisation of the Customs Union**, New Delhi is focusing on strategically opening up to – and exploring – new markets. India remains an important partner of the EU and represents a valuable growth opportunity. **But what impact will the agreement have on EU-Turkey relations?** This issue of the CATS Network Roundup examines how the Turkish economy views this competition, the opportunities and risks this new partnership presents to key EU industries, and what it means for European politics.

If you have any questions or suggestions, please e-mail us at cats@swp-berlin.org.

On the Spot



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The free trade agreement (FTA) between the EU and India has prompted a swift response from the Turkish business community. Leading economic actors and experts view the FTA not only as a **major turning point in EU trade policy**, but also as a **potential challenge to Turkey's economic position**, as it could reshape competitive dynamics and alter existing trade balances in key sectors.

In a formal letter, business representatives led by **Nail Olpak**, President of the Foreign Economic Relations Board of Turkey (DEİK), and **Mehmet Ali Yalçındağ**, Coordinator of the Europe Business Councils of the DEİK, called on EU leaders to improve relations with Turkey. According to the signatories, **closer economic integration is essential in the strategic context of evolving economic dynamics**.

The central demand of the letter is either to **make progress with Turkey's accession process** or, at the very least, to **modernise the EU-Turkey Customs Union**. The representatives argue that either measure would **strengthen the EU's competitiveness and resilience** in an increasingly geopolitically fragmented world, while also supporting the EU in **realising its ambition of becoming a more influential global actor**.

The push from the Turkish business community reflects the **potential economic risks associated with the EU-India FTA**. Once it comes into effect, **Indian products will more easily enter the Turkish market**. However, **Turkish exports will not enjoy reciprocal access to India**.

Turkish companies are concerned that the FTA between the EU and India could **undercut the competitive pricing of Turkish industrial goods** in favour of those from India. **Tariff reductions** – in addition to the similarities in the export structures of India and Turkey – **could result in Turkey losing market share in the EU**.

Since the introduction of the Customs Union in 1996, trade between the **EU and Turkey** has grown steadily. Following a decline from US\$138 billion in 2019 to **US\$132 billion in 2020** due to the Covid-19 pandemic, bilateral trade expanded rapidly, reaching **US\$210.7 billion by 2024**. Trade with the EU accounts for **one-third of Turkey's total foreign trade**.

Although India ranks below Turkey in terms of bilateral trade volume with the EU, it remains an important trade partner for the EU. In 2023, **India** was the EU's **ninth-largest trading partner for goods**. Trade in goods between the EU and India has risen steadily, from **€88 billion in 2021 to more than €113 billion in 2023**. During this period, **Indian exports to the EU rose significantly**, whereas European exports levels to India were moderate.

“From Brussels' perspective, Turkey has failed to comply with key obligations.”

As the FTA aims to **eliminate 90 per cent of tariffs**, it is projected that **EU exports to India will increase by more than 107.6 per cent by 2032**. Key beneficiaries are expected to be companies in the **mechanical engineering, chemicals, automotive supply, and pharmaceutical industries**, as well as the **IT, financial, and professional services sectors**.

Turkish companies are concerned that the agreement will **put them at a competitive disadvantage**. They are worried that enhanced investment protection, closer regulatory cooperation, and more efficient customs procedures could lead to **investment and business partnerships shifting from Turkey to India**.

Although the calls for the modernisation of the Customs Union are understandable from an economic perspective, the requests for changes to EU-Turkey relations or adjustments to the accession framework **overlook the responsibility for the stalled accession**. As long as Turkey **fails to adhere to the Copenhagen criteria** and the established accession standards, **EU membership remains politically unrealistic**. As the EU has not lowered these standards for Ukraine, despite its exceptional geopolitical circumstances, it is **unlikely to do so for Turkey**, notwithstanding its strategic importance.

From Brussels' perspective, Turkey has **failed to comply with key obligations**. A report from the European Parliament's International Trade Committee states that Turkey is **systematically breaking the rules by surveilling, safeguarding, and regulating data**. The EU also criticises Turkey for making trade deals that contravene its commitments. The key question from the EU's perspective is whether there is **sufficient confidence and compliance to make reform feasible**.

In summary, the FTA between the EU and India has made it clear to Turkey that it is **no longer perceived as economically indispensable**. Brussels is accusing Turkey of **not honouring its obligations under the Customs Union**, so it will **not agree to start negotiations on its modernisation**. (*Yaşar Aydın*)

Three Questions for...



Tobias Scholz is a researcher for South Asia in the Asia Research Group at the German Institute for International and Security Affairs (SWP). His research focuses on India's foreign policy, South Asian security dynamics, and Germany's and the EU's relations with South Asia. He obtained a PhD in International Relations from King's College London and the National University of Singapore.

What strategic goals is India pursuing with the FTA with the EU?

Historically, India has been a relatively protectionist country, but in recent years it has shown growing interest in FTAs with strategically important partners. The EU is among India's most significant trading partners, and India therefore seeks to expand trade and reduce barriers to its exports. This is particularly relevant for textile products, for which tariffs are expected to fall to zero. Services, machinery, and other industrial goods are also likely to benefit. At the same time, the EU views India as an important export market, especially in light of India being the fastest-growing G20 economy. In the current geopolitical environment, marked by tensions involving the United States and China, the two FTA partners increasingly regard one another as strategically aligned partners.

How will the agreement affect competition with Turkey and existing trade structures?

The economic conditions in India and Turkey differ considerably, and both offer distinct advantages to the EU. It is therefore unlikely that India will become a major overall competitor to Turkey in the near future. However, increased competition might emerge in specific sectors, particularly textiles, where Turkish producers may face greater pressure from India. Similar developments could occur in the automotive sector and with machinery, as these industries in India are expanding and seeking greater access to international markets. At the same time, Turkey remains more deeply integrated in European supply chains through the Customs Union. It also benefits from its geographical proximity to the EU and from its role as an important agricultural partner, especially as the agricultural sector remains exempt from the new trade deal.

What long-term economic objectives is India pursuing, and where do tensions with the EU arise?

A central aim of India's economic policy is to strengthen strategic autonomy and reduce dependence on China, especially in key technological and industrial sectors. In response to geopolitical tensions and unresolved border disputes, India is seeking to diversify its partnerships and deepen cooperation with partners such as the EU. At the same time, it continues to pursue protectionist policies in certain areas, particularly agriculture, while encouraging major companies to expand internationally. Tensions with the EU are most prominent around climate policy, especially the Carbon Border Adjustment Mechanism, which India opposes. Although this remains a major point of contention, it also creates opportunities for further dialogue on climate and industrial cooperation.

Interview by Çetin Demirci

Recommendations

Riccardo Gasco's analysis for CATS Network Partner IstanPol examines how the EU's recent acceleration of trade agreements with India and Mercosur is reshaping Turkey's competitive perimeter. Situating these developments within a broader geoeconomic strategy that extends beyond bilateral market access and highlights the structural asymmetries embedded in the outdated Customs Union framework, he underscores the urgency for Turkey to modernise its economic governance to mitigate competitive erosion.

In view of the recent EU-India free trade agreement, this **SWP Aktuell (in German)** by **Yaşar Aydın** examines Ankara's critical response and the broader implications for EU-Turkey economic relations. The analysis highlights Turkey's concerns over deepening structural asymmetries within the Customs Union and the competitive disadvantages facing Turkish exporters. It shows how EU trade policy towards third countries reverberates through its partnership with Turkey and shapes the strategic balance of economic integration. For a more in-depth perspective, see **Yaşar Aydın's SWP Research Paper** on Turkey's industrial and supply chain policy. The paper situates these dynamics within Ankara's broader geoeconomic strategy and its efforts to strengthen integration into EU value chains and enhance economic resilience.

Although these debates predate recent geopolitical shifts, changing global dynamics have intensified and complicated them. In this context, the country reports produced as part of the **CATS-initiated project on the Customs Union** may yield valuable insights into how state and non-state actors in different member states view the agreement and its modernisation. For a concise and policy-oriented overview, see also former CATS Fellow **Kadri Tasta'n's SWP Comment**, which outlines how the long-standing economic partnership between the EU and Turkey – rooted in the Customs Union – is being tested by the shifting global landscape and new geopolitical realities. It concludes by assessing realistic pathways for moving the process forward.

A new CATS Network project publication by **Başak Alpan** for the Centre for European Policy Studies argues that bilateral ties could be revitalised by engaging on key issues such as democratic reforms, visa liberalisation, civil society engagement, and the ongoing dispute over Cyprus. Against the backdrop of domestic pressures and economic constraints shaping Ankara's foreign policy choices, the publication assesses whether Turkey's "Asian Pivot" marks a strategic shift or a more complex balancing act.

In this **CATS Network visualisation**, the dynamics and potential of economic relations between Germany and Turkey are presented through accessible data and interactive graphics. From trade growth to future potential, this in-depth analysis dives into the key trends shaping both economies. In addition, **Yaşar Aydın**, **Jens Bastian**, and **Maximiliane Schneider** explore how this partnership creates impacts within and beyond Europe.

Kind regards,

The CATS Team

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