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PERSPECTIVES

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What risks and opportunities does the US–EU conflict pose for Turkey's trade and supply chain policies?

Following Donald Trump's re-election to presidential office, the US administration adopted a series of protectionist policies – including tariffs, sanctions, and export controls. While most of these trade policies are aimed at striking China, it is clear that the Trump administration also views the EU as an economic rival. In light of these recent developments, Brussels feels compelled to reassess its transatlantic ties and strategic priorities. The EU and China, for instance, are exploring ways to replace the current EU tariffs on Chinese electric vehicles (EVs) with friendlier trade arrange-ments such as minimum pricing. As a result, a fluid geopolitical triangle is emerging between the US and Europe – shaped by divergent economic interests, realigning part-nerships, and evolving security imperatives. Countries such as Turkey are directly affected by these developments. In response, Ankara is pursuing a trade policy that capitalises on the restructuring of global value and supply chains, emphasising its geographical location and other advantages, such as its robust infrastructure, dynamic industrial base, and export volume. In light of Turkey's reliance on foreign investment and technology, the key question here is: What risks and opportunities does the US-EU conflict present for Turkish trade and supply chain policies?

Bahar Güçlü, Deputy Permanent Representative of Türkiye to the EU, Brussels

In response to the emerging geopolitical tensions, the EU has embarked on an unprecedented effort to establish a balancing network of partnerships and alliances, guided by economic and security imperatives. Diversifying trade, securing economic competitiveness in a green and digital future, reducing strategic dependencies, and building defence capacity have been the cornerstones of these efforts. Türkiye, as the EU's fifth biggest trade partner, with a bilateral trade volume of 210 billion US dollars in 2023 and deep integration into EU value chains thanks to the Customs Union, can significantly contribute to the EU's strategic interests. A number of joint initiatives aimed at deepening trade relations and cooperation on clean energy security, the trans-Caspian transport corridor, and defence provide opportunities to enhance economic security and the competitiveness of European supply chains while supporting the Customs Union's transition to a green and digital future. Tapping into these opportunities requires a proactive approach to strengthening cooperation. Inaction, by contrast, risks exacerbating existing challenges in the functioning of the Customs Union. In addition to the indirect impact of US duties likely to be felt through Türkiye's integration into European

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value chains, measures to curb the risk of trade diversion from third countries may also present additional challenges for Turkish and European exporters.

Jens Bastian, European University Institute, Florence

In today's uncertain international trade environment, ensuring supply chain security entails costs. For policymakers in Ankara and businesses in Turkey, keeping these costs predictable and low involves domestic arrangements and meeting international requirements. Continued efforts to restore macro-economic stability and monetary policy effectiveness are paramount in Turkey. Democratic backsliding is counterproductive in this regard. Turkish authorities anticipate limited external vulnerabilities from Trump's arbitrary trade policy. Turkey is among 11 countries with a 10 percent import tariff in the April 2025 "Liberation Day" announcement. In 2024, the US was Turkey's second-largest export market (after the EU), totalling USD 16.4 billion worth of goods and services. Geopolitical tensions and US-EU trade conflicts underscore Turkey's determination to strategically position itself as a prospective destination for nearshoring opportunities. In particular, Asia-Pacific companies consider Turkey for manufacturing relocation in order to circumvent EU tariffs or new US levies. The recent investment by Chinese EV manufacturer BYD illustrates this approach. Other firms are following BYD's lead in Turkey. The current predominance of the executive branch in shaping American trade policy has implications for countries like Turkey. Nations with comparatively low import levies can capitalise on their competitive advantage to attract investment through nearshoring. It is incumbent upon authorities in Ankara to exercise this policy leverage with discernment.

Timothy Ash, Chatham House, London

Europe faces two strategic challenges. The first is the existential threat to European security posed by a revanchist and aggressive Russia, as demonstrated by its invasion of Ukraine. The second is the weakening of the US's security guarantee for Europe, as demonstrated in VP JD Vance's speech at the Munich Security Conference. Clearly, Europe needs an autonomous defence capability and military-industrial complex to secure both Ukraine and itself. Europe has the financial means to fund a significant increase in defence spending, but it lacks the capacity to produce the weapons needed to defend itself in the short term. A stopgap solution would be greater cooperation with Türkiye. With its huge military, Türkiye has the capacity to deploy tens of thousands of troops to police a ceasefire in Ukraine. Furthermore, its substantial manufacturing and military-industrial base could bolster Europe's defence production and capabilities. The quid pro quo for Europe would be a technology exchange: Europe has the science of defence technology, but lacks the manufacturing base to scale up production quickly. Türkiye can help bridge this time gap, but will also seek to exploit Europe's current vulnerabilities to leverage other concessions, for example with a deeper Customs Union with the EU and a trade deal with the UK. Global events provide a great opportunity for deeper economic, trade, investment, and military ties between Europe and Türkiye. This requires Europe to put aside past prejudices and prioritise core national security interests over its revered 'values'.

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Turkey has so far been spared the worst consequences of President Trump's protectionist policies. With only a ten percent tariff in place for Turkish goods, Ankara remains optimistic about the future of Turkish-American economic relations. However, depending on how tense the transatlantic ties become, we may witness disruptions along the Washington-Brussels-Beijing axis, which will ultimately affect Turkey. If Europe, for instance, starts to view China as a balancing factor vis-à-vis the US, it may soften its position towards Chinese businesses. This, in turn, would minimise Turkey's only leverage on China: its geographical proximity to Europe and its Customs Union agreement with the EU.

Another issue is the impact of Sino-US geopolitical rivalry on global technology supply chains. While Turkey has invested substantially in developing its "native and national" technologies, it remains dependent on overseas markets for critical items such as semiconductors. Likewise, American big tech is essential to Turkey's efforts to develop large language AI models, but Ankara has not secured long-term investment from Silicon Valley. Turkey's emphasis on national autonomy and tech sovereignty brings it closer to the EU, but the cutting-edge technologies are pioneered by China or the US. Turkey is between a rock and a hard place, as it maintains a sceptical view towards American big tech, but leaning on China would cause problems due to its NATO membership.

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Turkish trade and supply chain policies are affected by the growing protectionism and uncertainty in trade policies triggered by President Trump's antagonistic approach to free trade and rule-based order. Increased tariffs on countries such as China and the EU may create opportunities for Turkish companies and improve access to the US market, since Turkey is not among the countries targeted by President Trump's tariff wars. Turkey's dynamic industrial base, export potential, and experience in global markets may create new opportunities for extending Turkey's presence in supply chains.

On the other hand, Turkish industry's high dependence on imports also creates vulnerability to economic shocks and tariff increases by important trade partners. This may be a risk factor for an economy like Turkey's, which is based on an export-oriented growth model. The US-EU trade conflict could prompt the EU to seek alternative partnerships and strengthen existing ones, such as the Customs Union with Turkey. This might enhance trade and investment relations between

Turkey and the EU, expanding current relations to include new sectors and issue areas such as agriculture, services, digital trade, and renewables.

However, if political obstacles cannot be overcome and the divergence between Turkey and the EU intensifies, this could prevent the realisation of this goal. In such a scenario, the inability to upgrade the Customs Union may limit Turkish companies' access to the European market, intensifying the search for alternatives.

Haydar Sinan Hoşadam, Ramon Llull University, Barcelona

Spain maintains one of the EU's most favourable public and governmental attitudes towards Ankara, often framing Turkey as a partner and ally. Yet, despite rhetorical convergence, competition remains inevitable. While Spain benefits from the "Made in EU" stamp, if Moncloa aspires to significantly improve Chinese foreign direct investment (FDI), it must reposition China within EU discourse – from systemic rival and competitor to partner, at least in the context of the new phase of Sino-American rivalry.

In April 2024, amid escalating Sino-American trade frictions, Spanish Prime Minister Pedro Sánchez's official visit to Beijing signalled Madrid's strategic recalibration towards China. While the European Union continues to grapple with its tripartite characterisation of China as a partner, competitor, and systemic rival, Sánchez positioned Spain as an early advocate of rapprochement with China.

Although Spain is not among China's principal EU trading counterparts, Chinese FDI in Spain has surged in strategic sectors, including electric vehicles, renewable energy, logistics, and mining. This aligns with Madrid's pursuit of post-pandemic economic resilience, underpinned by EU Next Generation funds. Spain recorded leading growth among major EU economies in 2024; however, sustaining this momentum may hinge on deeper integration with Chinese capital and supply chains. While such alignment introduces geopolitical complexities, it will undoubtedly intensify competition with Turkey, vying for similar investments.

Jean Marcou, European Institute for Studies on the Middle East and North Africa (EISMENA), Paris

Tensions between the United States and the EU, particularly in economic and trade matters, present both risks and opportunities for Turkey due to its significant relations with both parties. Regarding the risks, it must first be noted that on a political level, it will be difficult for Turkey to remain completely neutral, even though the country has a certain aptitude for strategic balancing. This is especially true given that, on the economic and commercial front, Ankara risks facing contradictions between American and European regulations. In addition, Turkey could be significantly affected by the repercussions of a potential trade war between Washington and Brussels, such as increased US tariffs and European retaliatory measures. It would also suffer the consequences of global market instability resulting from this situation.

Nonetheless, the confrontation between the two blocs may create opportunities for Turkey. Firstly, as the United States and the EU will seek to diversify their suppliers, Turkey possesses geoeconomic, industrial, and logistical assets to meet this demand. Secondly, it could also serve as a favourable investment ground for American or European companies wishing to avoid sanctions. If Turkey updates its customs union agreement with the EU, it could, in particular, allow American companies to access the European market.

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One key area to watch will be the extent to which Turkey's defence industrial base can contribute to the evolving European security landscape. With questions lingering about future US commitments, several European actors are boosting security and defence spending. The recent NATO summit reinforced these efforts, committing all members to spend 5 percent of GDP on "core defence requirements". For many European states, meeting this pledge will entail significant increases in procurement. Unfortunately, Europe's defence industrial base remains fragmented, often focused on producing small numbers of expensive, high-end capabilities. Turkey, meanwhile, has significantly expanded defence production. Companies like Aselsan, Baykar, TAI, and others have achieved a global profile by producing effective and affordable systems across a range of capabilities. Deepening cooperation between Turkey's defence industrial ecosystem and European governments looking to bolster procurement offers a natural synergy, one that could have the added benefit of anchoring Turkey more firmly to the European project.

However, two major challenges exist. First, European firms will resist providing Turkish competitors easier access to EU funds. Second, many European governments continue to mistrust Turkey because of its extensive ties to Moscow and involvement in non-Western platforms like BRICS. Overcoming these barriers will require European leaders to make the case for deepening strategic cooperation with Ankara, and for Ankara to address concerns that it continues to hedge between Russia and Europe.

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