

YASED Strategic Analysis Series

# EU-Mercosur Free Trade Agreement: Competitiveness Implications for Türkiye

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# EU-Mercosur FTA: Competitiveness Implications for Türkiye

## Executive Summary

After 25 years of negotiations, the European Union (EU) and four Mercosur countries, Argentina, Brazil, Paraguay and Uruguay, have reached a Free Trade Agreement (FTA); however, ratification remains subject to significant political and legal uncertainty.

Due to structural differences between the Customs Union (CU) and standard FTAs, the EU-Mercosur FTA creates risks for Türkiye both in the EU market and domestically, with implications for trade and Foreign Direct Investment (FDI).

- **The first channel reflects standard FTA-related substitution dynamics in the EU market.** Direct product-level overlap between Türkiye and Mercosur is limited, reflecting different production structures. While Türkiye is manufacturing-oriented, Mercosur exports are concentrated in agriculture and minerals (around three-quarters of exports). **Substitution risk is therefore low overall but may increase in automotive as Mercosur's capacity expands.** Mercosur's export capacity is also highly concentrated, with around 78% originating from Brazil, indicating a largely Brazil-led risk.
- **The second channel is CU-specific and concerns the Turkish market.** Because the EU-Türkiye CU operates on free circulation rather than origin, Mercosur goods that enter the EU under preferential terms may, in certain cases, gain indirect access to the Turkish market. While only a limited subset of Mercosur's export capacity translates into meaningful exposure for Türkiye, this channel may create targeted competitive pressure in specific products, particularly where tariff advantages are combined with existing export capacity. **The impact is expected to remain limited but concentrated, with pressures most visible in vehicles and chemicals, while stronger tariff-driven incentives emerge in selected products such as plywood and processed hides.**

Overall, the findings point to a limited risk profile for Türkiye. The agreement is unlikely to generate a broad competitiveness impact in the short term. Instead, it creates mostly latent medium-term risks in sectors such as automotive, and a persistent institutional asymmetry under the CU, which may influence future investment location decisions.

In this context, **the EU-Mercosur FTA should be seen less as an immediate trade disruption and more as a strategic signal.** Without parallel agreements or strengthened policy tools, Türkiye may face a gradual erosion of its relative positioning in EU-linked value chains, particularly in sectors where tariff advantages and production capabilities begin to converge.

Note: **Upon request, product-level briefs can be prepared for YASED members,** assessing potential exposure under the EU-Mercosur FTA based on current and prospective tariff rates, market shares, export competitiveness, and unit value dynamics; **submission of the relevant Harmonized System (HS) code is sufficient.**

The present analysis showcases product groups with the highest expected exposure.

# CONTEXT

1 Background

2 Assessments

# 1 After 25 years of negotiations, the EU and Mercosur have reached an agreement, but ratification still faces significant political hurdles

## European Union (EU)-Mercosur Free Trade Agreement (FTA): Status and global implications

Timeline	Agreement coverage	Strategic context and ratification challenges
<ul style="list-style-type: none"> <li>▪ <b>1999:</b> EU-Mercosur trade negotiations officially launched</li> <li>▪ <b>2019:</b> Political agreement on the trade pillar reached after ~20 years of negotiations</li> <li>▪ <b>6 Dec 2024:</b> Agreement updated with additional sustainability commitments, including the Paris Agreement and measures to halt deforestation</li> <li>▪ <b>17 Jan 2026:</b> EU and Mercosur signed the Partnership Agreement (EMPA) and the Interim Trade Agreement (ITA)</li> <li>▪ <b>Next step:</b> EU ratification process before entry into force</li> </ul>	<p>The EU and four <b>Mercosur countries, Argentina, Brazil, Paraguay and Uruguay</b>, have reached a partnership agreement that will gradually liberalize tariffs across most bilateral trade.</p> <ul style="list-style-type: none"> <li>▪ Mercosur represents a market of around 270 million people. Under the agreement, Mercosur will liberalize 91% of its tariff lines, covering 91% of imports from the EU, with transition periods of up to 15 years.</li> <li>▪ The <b>EU will liberalize 95% of its tariff lines, covering 92% of imports from Mercosur, within up to 10 years.</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Market access:</b> Mercosur is a major market for EU exports and was the last large Latin American partner without a preferential trade agreement with the EU</li> <li>▪ <b>Supply chain diversification:</b> Enhances access to agri-food products, biofuels and critical raw materials, <b>supporting the EU's food and energy security</b></li> <li>▪ <b>Geopolitical considerations:</b> Reflects a shift toward regional trade blocs and strategic partnerships and <b>strengthens the EU's position in Latin America amid an increasing Chinese presence</b></li> <li>▪ <b>Sustainability conditionality:</b> Environmental provisions aim to prevent unfair advantages, but concerns remain over the credibility and enforceability of commitments, particularly on deforestation</li> <li>▪ <b>Political constraints and ratification:</b> While the Mercosur side has advanced more quickly, the <b>EU process is delayed due to opposition from agriculture-sensitive Member States</b> (e.g. France). The Commission's attempt to split the agreement to enable provisional implementation has been challenged by the European Parliament, triggering a CJEU opinion (Article 218(11) TFEU) and increasing uncertainty over timelines</li> </ul>

# 1 Since the Customs Union works differently from FTAs, the EU-Mercosur FTA poses risks for Türkiye both at home and in the EU

## Why the EU-Mercosur FTA matters for Türkiye?

### Implications for Türkiye

**A strategic and political framework:** Beyond market access, the agreement reflects the EU's broader effort to strengthen economic ties with Latin America, diversify supply chains and respond to the growing presence of other global actors in the region.

**Third-Country Asymmetry** in the EU-Türkiye Customs Union (CU):

- When the EU signs an FTA with a third country, goods from that country may enter the EU on preferential terms. Under the CU, market access is based on free circulation rather than origin; once goods are in free circulation, they may, in principle, enter the Turkish market.
- By contrast, EU FTAs operate on a strictly origin-based basis. Turkish goods do not acquire EU origin by entering the EU and therefore cannot automatically benefit from EU FTAs in third-country markets.

### Channels of impact for Türkiye

Türkiye has previously faced third-country asymmetry with several EU FTA partners and has sought to restore balance through parallel agreements. However, EU FTAs do not oblige partner countries to negotiate with Türkiye, and negotiations have often been delayed or unsuccessful. In the case of Mercosur, without a parallel agreement, Mercosur goods could gain indirect access to the Turkish market through free circulation under the CU, while Turkish exports would continue to face Most Favored Nation (MFN) tariffs in Mercosur markets.

#### Key risks

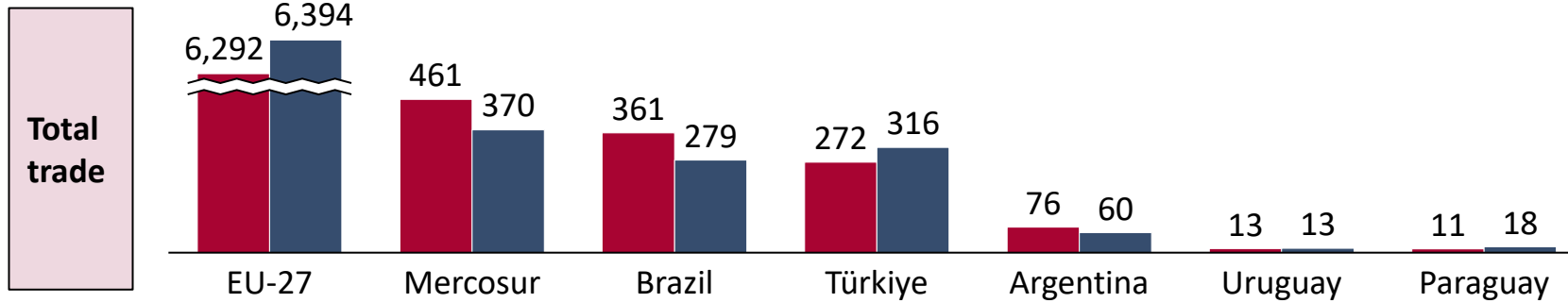
- **A. Substitution risk in the EU market (standard FTA-related):** Mercosur products may gain a competitive edge over Turkish exports in the EU market.
- **B. Exposure in the Turkish market (CU-specific):** Competitive pressure may increase as Mercosur products access the Turkish market indirectly via the EU.
  - **Intermediate goods:** Exposure may be more difficult to manage due to their integration into production chains and the limited applicability of origin-based policy tools.
  - **Final goods:** Risks may be relatively more manageable. Certain additional border measures used by Türkiye to address third-country asymmetry can mitigate pressures in some sectors; however, coverage remains limited. While some sector-specific measures apply broadly, broader product coverage currently includes only Paraguay among Mercosur members.

# 2 Mercosur exports (461 B \$) are Brazil-dominated (78%) and agriculture-based, suggesting limited competition with Türkiye

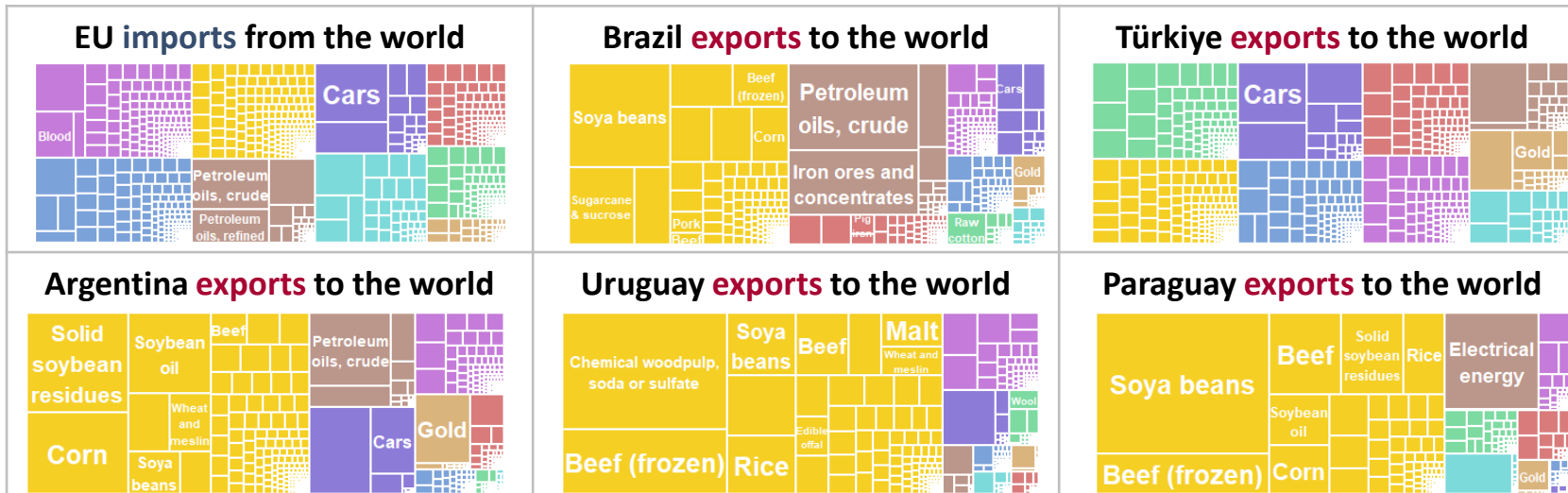
## Understanding current trade dynamics, billion \$, 2024

Exports Imports

Agriculture	Textiles	Stone	Minerals	Metals
Chemicals	Vehicles	Machinery	Electronics	Others



### Sectoral distributions



Mercosur consists of 4 economies, Argentina, Brazil, Paraguay, and Uruguay with total exports of 461 B \$ in 2024. Export capacity is highly asymmetric, with Brazil accounting for 78% (361 B \$) of the bloc's exports.

Mercosur exports are highly concentrated in primary sectors. Agriculture (50%) and minerals (24%) together account for nearly three-quarters of exports, reflecting a commodity-based structure.

EU import demand is more diversified and manufacturing-oriented. However, agriculture still represents a large market in absolute terms (892 B \$, 14%).

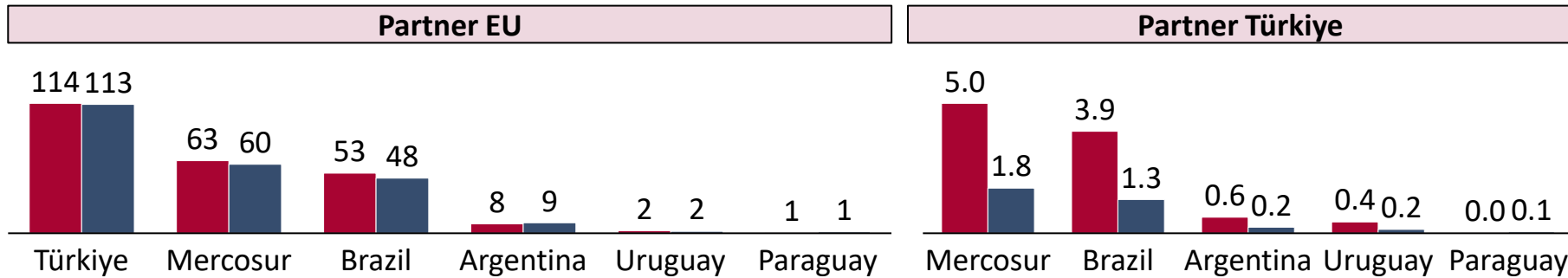
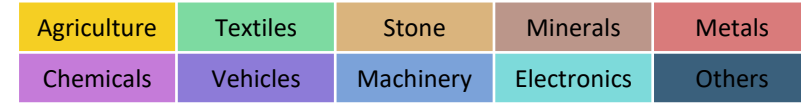
Türkiye's export structure differs markedly from Mercosur. Exports are more manufacturing-based, with stronger shares in textiles, vehicles, machinery, metals and chemicals.

Overall competitive overlap appears limited. Mercosur specializes in primary commodities, while Türkiye is more manufacturing-oriented, suggesting largely complementary structures.

# 2 Brazil-led, agriculture-driven Mercosur-EU trade is only half the size of Türkiye-EU trade, while Türkiye-Mercosur trade stays below 7 B \$

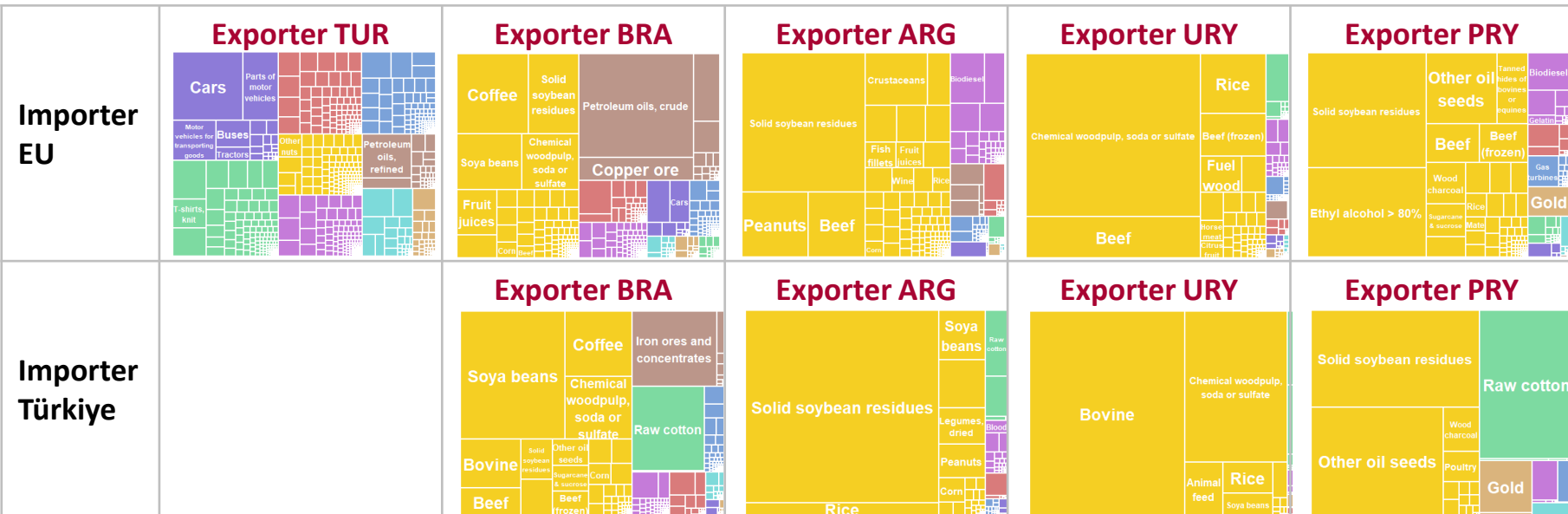
## Understanding current trade dynamics, billion \$, 2024

Exports Imports



**Mercosur-EU trade totals around 63 B \$ in exports and 60 B \$ in imports, with Brazil accounting for 83% of Mercosur exports.** Compared with Türkiye-EU trade, Mercosur-EU trade is roughly half the size.

### Sectoral distributions



**Türkiye-Mercosur trade remains limited.** Mercosur exports about 5.0 B \$ to Türkiye, while Türkiye exports 1.8 B \$ to the region. Brazil accounts for 79% of Mercosur exports to Türkiye, followed by Argentina (12%).

**Mercosur exports to the EU are concentrated in primary sectors.** Agriculture (52%) and minerals (28%) together account for around 80% of exports.

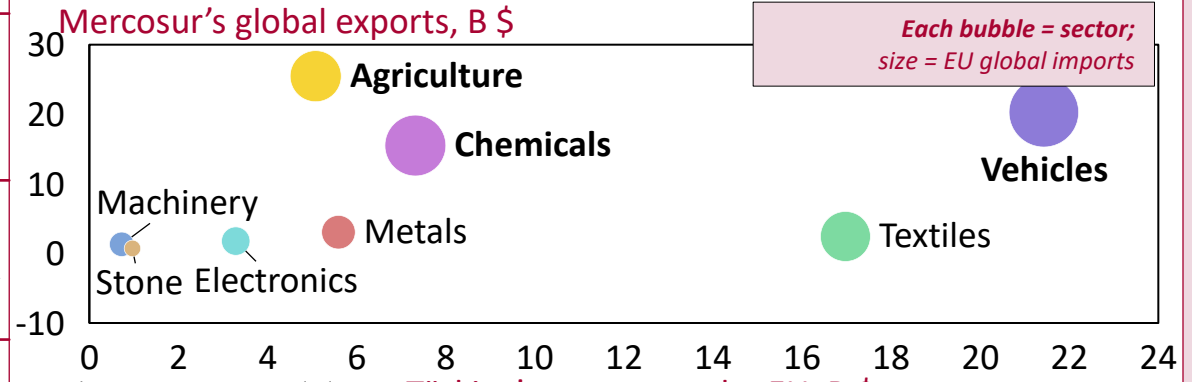
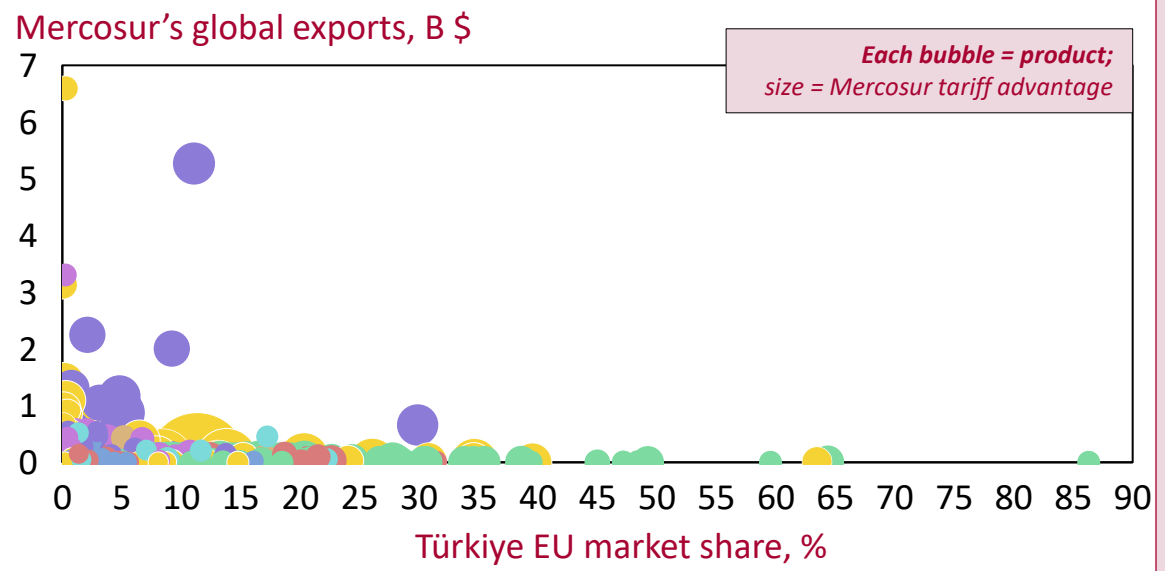
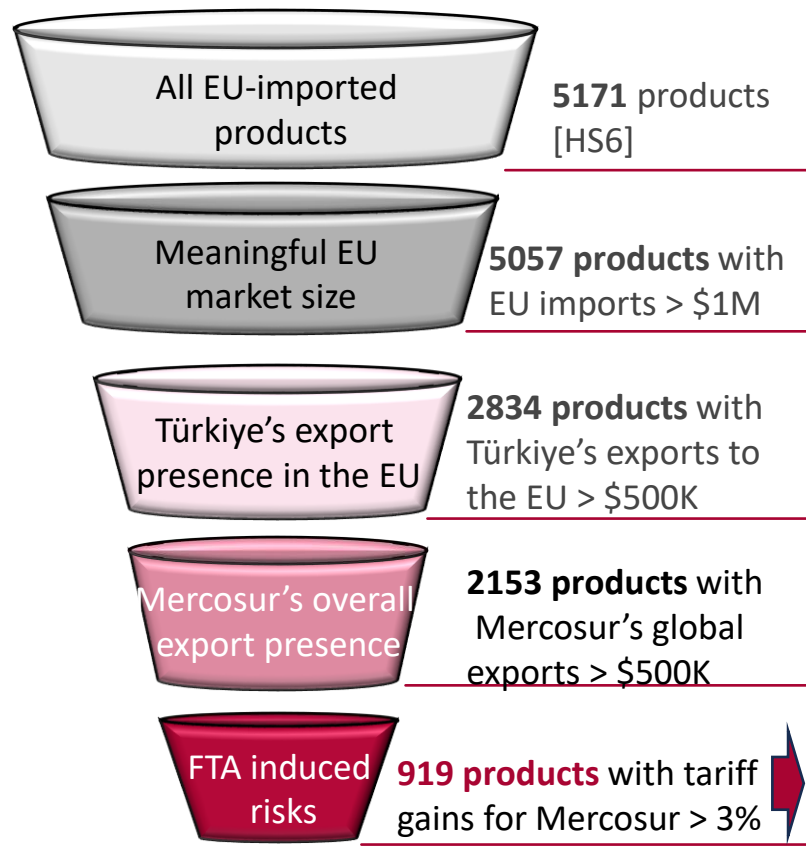
**Exports to Türkiye are even more agriculture-focused.** Agriculture represents 71%, followed by minerals (10%) and textiles (10%, 498 M \$, mainly from Brazil).

# 2 Overall substitution risk appears limited given production differences, though vehicles show limited but latent exposure

## Analysis A: Substitution risk in the EU market\*

Agriculture	Textiles	Stone	Minerals	Metals
Chemicals	Vehicles	Machinery	Electronics	Others

### Screening EU demand for substitution risk



This analysis screens EU imports to identify where Mercosur's tariff advantages could translate into substitution risks for Türkiye. Out of more than 5,000 products screened, 919 meet the conditions of meaningful Turkish exports to the EU, Mercosur export capacity, and a tariff advantage. Product-level results reveal **limited direct overlap, reflecting differences in the production structures of Türkiye and Mercosur.**

When aggregated at the sector level, **potential exposure appears more visible in agriculture, chemicals, and vehicles, where latent substitution risks could emerge** if Mercosur's production and export capacities expand.

Source: CEPII BACI, European Commission, Harvard Kennedy School of Government Growth Lab, ITC Market Access Map, YASED calculations  
 \* EU-Mercosur tariff screening is based on Annex 2-A (European Commission). CN8 tariff lines were mapped to HS6 products and tariff levels were approximated using Ad Valorem Equivalents (AVE). Several data adjustments and consistency checks were applied (e.g. treatment of mixed CN8 schedules, MFN duty-free lines, and missing tariff matches). Detailed methodology and assumptions are provided in Appendix A.

# 2 Substitution risk for Türkiye's exports to the EU is low overall, but may rise in automotive with capacity expansion in Mercosur

## Analysis A1: Substitution risk in the EU market\*

### Top 15 products: Türkiye's largest exports exposed to Mercosur substitution

Agriculture	Textiles	Stone	Minerals	Metals
Chemicals	Vehicles	Machinery	Electronics	Others

HS6	HS6 Definition	EU total imports (B\$)	TR exports to EU (B\$) (↓)	TR share in EU	MER total exports (B\$)	MER share in EU	MER tariff advantage
870390	Gas-turbine cars (nes)	148.3	4.7	3.1%	1.1	0.3%	10%
870421	Diesel trucks (<5t)	28.3	3.1	11.1%	5.3	0.0%	14%
870321	Gasoline cars (<1000cc)	29.3	2.7	9.2%	2.0	0.0%	10%
870210	Diesel buses	5.7	1.7	29.9%	0.7	0.0%	13%
610910	Cotton T-shirts (knit)	15.0	1.3	8.8%	0.0	0.0%	12%
870332	Diesel cars (1500-2500cc)	42.5	1.2	2.9%	0.3	0.3%	10%
870899	Vehicle parts (nes)	41.0	1.2	2.9%	0.5	0.1%	3%
620462	Women cotton trousers/shorts	9.0	1.2	13.3%	0.0	0.0%	12%
611020	Cotton pullovers/cardigans	11.4	1.1	9.4%	0.0	0.0%	12%
870870	Vehicle wheels	7.5	1.0	13.7%	0.1	0.0%	4%
870829	Vehicle body parts	34.8	1.0	2.9%	0.5	0.1%	4%
854449	Electric conductors (<1000V)	13.5	1.0	7.1%	0.2	0.0%	3%
870322	Gasoline cars (1000-1500cc)	43.4	0.9	2.1%	2.2	0.0%	10%
620342	Men cotton trousers/shorts	11.7	0.8	7.1%	0.0	0.0%	12%
611030	MMF pullovers/cardigans	10.6	0.8	7.6%	0.0	0.0%	12%

**A closer look at Türkiye's largest exports to the EU within the 919 screened products shows that potential substitution risks are not broad-based but concentrated in automotive products.** Türkiye holds meaningful EU market shares in these products, while Mercosur's current presence in the EU remains limited. However, Mercosur already has global export capacity in some of these segments, and **tariff advantages of 10-14% could improve its price competitiveness in the EU market.** If this capacity is redirected towards the EU, it could lead to substitution of Türkiye's exports over time, indicating latent substitution risk in automotive segments such as cars, trucks, and buses.

A limited number of textile and electronics products also appear in the list; however, Mercosur's constrained global export capacity in these sectors keeps substitution risk limited.

Source: CEPII BACI, European Commission, Harvard Kennedy School of Government Growth Lab, ITC Market Access Map, YASED calculations

\* EU-Mercosur tariff screening is based on Annex 2-A (European Commission). CN8 tariff lines were mapped to HS6 products and tariff levels were approximated using Ad Valorem Equivalents (AVE). Several data adjustments and consistency checks were applied (e.g. treatment of mixed CN8 schedules, MFN duty-free lines, and missing tariff matches). Detailed methodology and assumptions are provided in Appendix A.

# 2 Mercosur's EU opportunities diverge: agriculture deepens existing positions, while automotive could enable new market entry

## Analysis A2: Substitution risk in the EU market\*

### Top 15 products: Mercosur's largest global exports

Agriculture	Textiles	Stone	Minerals	Metals
Chemicals	Vehicles	Machinery	Electronics	Others

HS6	HS6 Definition	EU total imports (B\$)	TR exports to EU (B\$)	TR share in EU	MER global exports (B\$) (↓)	MER share in EU	Tariff advantage for MER in EU
150710	Crude soybean oil	1.0	0.0	0.3%	6.6	9.6%	5%
870421	Diesel trucks (<5t)	28.3	3.1	11.1%	5.3	0.0%	14%
281820	Aluminum oxide	1.5	0.0	0.2%	3.3	1.0%	4%
240120	Stemmed tobacco	3.5	0.0	0.1%	3.1	29.4%	6%
870322	Gasoline cars (1000-1500cc)	43.4	0.9	2.1%	2.2	0.0%	10%
870321	Gasoline cars (<1000cc)	29.3	2.7	9.2%	2.0	0.0%	10%
200912	Orange juice	1.4	0.0	0.2%	1.4	38.9%	12%
870323	Gasoline cars (1500-3000cc)	33.2	0.3	0.8%	1.3	0.2%	10%
870431	Gasoline trucks (<5t)	1.2	0.1	4.8%	1.2	0.1%	14%
30617	Frozen shrimps (nes)	4.1	0.0	0.3%	1.1	12.0%	12%
870390	Gas-turbine cars (nes)	148.3	4.7	3.1%	1.1	0.3%	10%
210111	Coffee extracts	2.4	0.0	0.1%	0.9	6.5%	9%
870120	Road tractors	13.6	0.7	5.0%	0.9	0.0%	16%
441239	Plywood (<6mm, nes)	0.7	0.0	0.4%	0.8	34.0%	7%
100390	Barley (nes)	2.4	0.0	0.1%	0.8	0.0%	42%

Mercosur's export opportunities in the EU are primarily concentrated in agricultural products, where the region already holds strong export capacity and significant EU market shares. The agreement is therefore likely to reinforce and expand existing trade flows in these products, creating immediate opportunities in sectors such as soybean oil, tobacco, orange juice, and seafood.

In contrast, automotive products represent a different dynamic. While Mercosur currently has minimal presence in the EU market, it already exports these products to global markets. With tariff advantages of 10-15%, the agreement could facilitate entry into the EU market, creating a new area of opportunity and a potential source of medium-term substitution risk for Türkiye.

Source: CEPII BACI, European Commission, Harvard Kennedy School of Government Growth Lab, ITC Market Access Map, YASED calculations

\* EU-Mercosur tariff screening is based on Annex 2-A (European Commission). CN8 tariff lines were mapped to HS6 products and tariff levels were approximated using Ad Valorem Equivalents (AVE). Several data adjustments and consistency checks were applied (e.g. treatment of mixed CN8 schedules, MFN duty-free lines, and missing tariff matches). Detailed methodology and assumptions are provided in Appendix A.

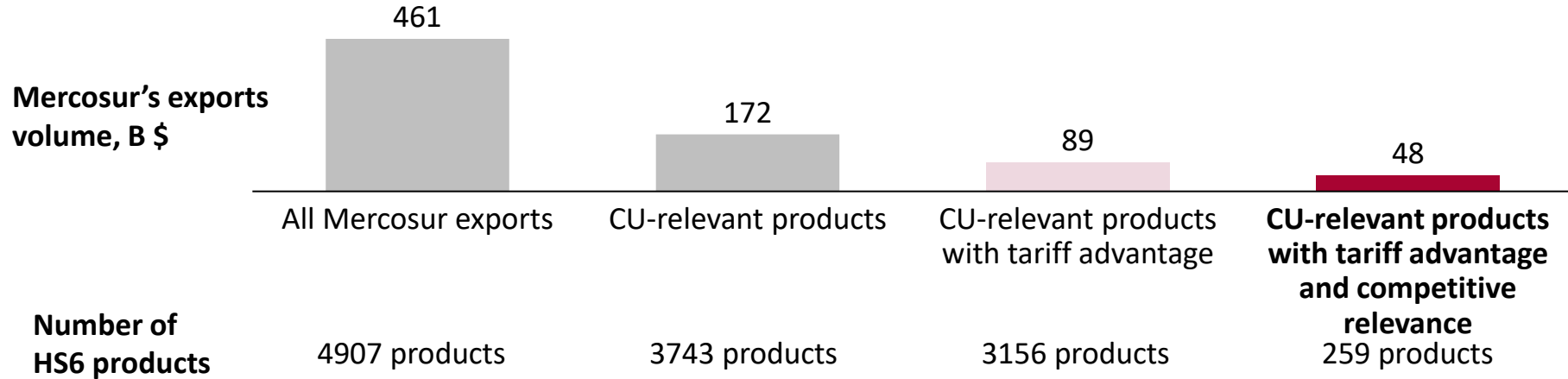
# 2 CU-driven asymmetries create concentrated competitive pressure in Türkiye, particularly in vehicles and chemicals

## Analysis B: Exposure risk in the Turkish market\*

CU-driven potential risk pool in Türkiye, B \$, 2024

Agriculture	Textiles	Stone	Minerals	Metals
Chemicals	Vehicles	Machinery	Electronics	Others

Filtering Mercosur’s export capacity to identify the potential risk pool



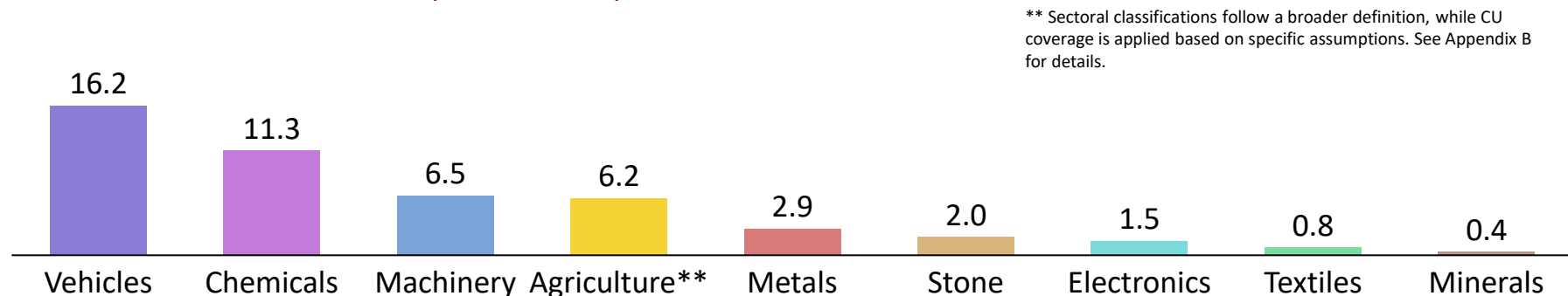
Out of Mercosur’s 461 B \$ export capacity, only 48 B \$ meets three conditions: CU scope, tariff advantage via the EU, and competitiveness (Revealed Comparative Advantage - RCA >1).

This potential relies on indirect entry via the EU under the CU. This channel may be more relevant, as policy tools are more limited for Mercosur than for countries such as India (see Appendix B on AFD).

However, this channel is not frictionless. Distance, logistics costs, and market dynamics may limit the translation of tariff advantages into trade flows.

Overall, **the impact remains limited but concentrated, particularly in vehicles (16.2 B \$) and chemicals (11.3 B \$).**

Sectoral distribution of the 48 B \$ potential risk pool



\*\* Sectoral classifications follow a broader definition, while CU coverage is applied based on specific assumptions. See Appendix B for details.

Source: CEPII BACI, Harvard Kennedy School of Government Growth Lab, ITC Market Access Map, Republic of Türkiye Ministry of Trade, YASED calculations

\*Tariffs are constructed at HS6 level using AVE equivalents of MFN and IGV rates, harmonized from HS2022 to HS2012. Tariff advantage reflects EU-Mercosur differentials under Türkiye’s tariff structure. CU coverage is based on HS classification, and competitiveness is measured using bloc-level RCA. See Appendix B for details.

## 2 Limited overall impact, with pressure concentrated in products such as plywood and processed hides in Türkiye's market

### Analysis B1: Exposure risk in the Turkish market

#### Top 15 products by Mercosur's exports volume

Agriculture	Textiles	Stone	Minerals	Metals
Chemicals	Vehicles	Machinery	Electronics	Others

HS6	HS6 Definition	MER global exports (B\$) (↓)	MER share in global exports (%)	TR MFN** on MER imports	TR IGW** on MER imports	Tariff advantage for Mercosur via EU
870421	Diesel trucks (<5t)	5.3	7%	14%	0%	14%
281820	Aluminum oxide	3.3	18%	4%	0%	4%
880240	Aircraft (>15,000 kg)	3.0	2%	5%	0%	5%
870321	Gasoline cars (<1000cc)	2.0	4%	10%	0%	10%
760110	Unwrought aluminum	1.6	4%	3%	0%	3%
840999	Diesel engine parts	1.2	3%	3%	11%	14%
880230	Aircraft (2-15t)	1.2	7%	3%	0%	3%
870431	Gasoline trucks (<5t)	1.2	2%	14%	0%	14%
441239	Plywood (<6mm, nes)	0.8	29%	7%	20%	27%
842951	Front-end loaders	0.8	5%	0%	8%	8%
842920	Graders & levelers	0.7	27%	0%	5%	5%
283691	Lithium carbonate	0.7	18%	5%	0%	5%
410712	Processed hides/skins	0.5	20%	6%	10%	16%
390110	Polyethylene (LDPE)	0.5	2%	6%	0%	6%
410441	Tanned bovine leather	0.5	57%	5%	0%	5%

The list includes (i) all products with Mercosur export capacity above 1 B \$ across all sectors, and (ii) the top three products from the most prominent sectors identified earlier (vehicles, chemicals, machinery, and agriculture), even if below the threshold.

\*\* MFN: Türkiye's standard tariff for non-preferential partners. IGW: Additional Customs Duty applied on top of MFN for selected products. Sectoral classifications follow a broader definition, while CU coverage is applied based on specific assumptions. See Appendix B for details.

Source: CEPII BACI, Harvard Kennedy School of Government Growth Lab, ITC Market Access Map, Republic of Türkiye Ministry of Trade, YASED calculations

\*Tariffs are constructed at HS6 level using AVE equivalents of MFN and IGW rates, harmonized from HS2022 to HS2012. Tariff advantage reflects EU-Mercosur differentials under Türkiye's tariff structure. CU coverage is based on HS classification, and competitiveness is measured using bloc-level RCA. See Appendix B for details.

Among the products identified earlier, those with the highest potential impact, based on Mercosur's export volumes, include diesel trucks, gasoline cars, aircraft, aluminum oxide, unwrought aluminum, and engine parts. In these products, imports from Mercosur face MFN tariffs but generally not IGW, with tariff advantages reaching around 14% in several automotive items.

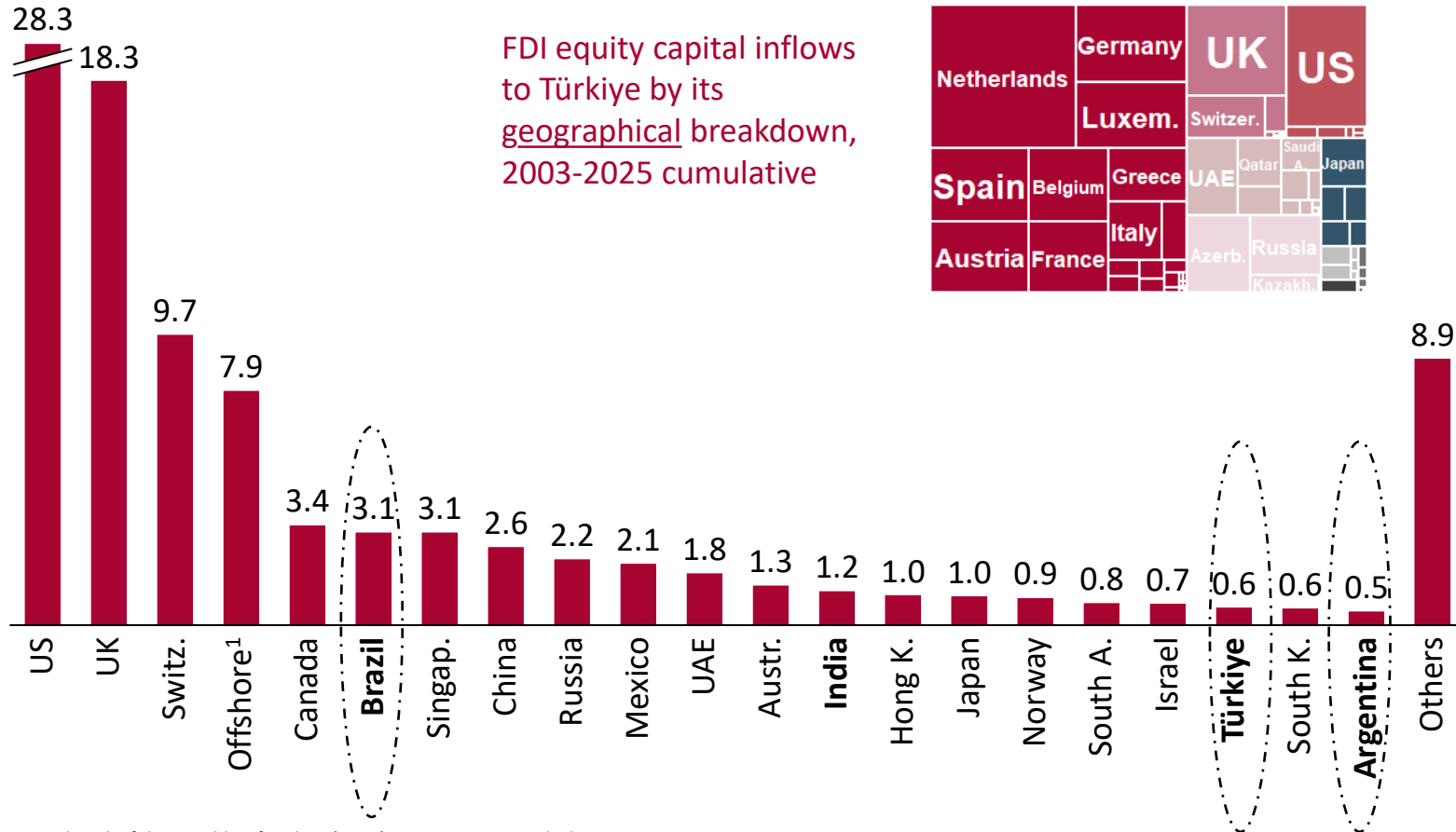
By contrast, in aluminum oxide and unwrought aluminum, low tariffs (3-4%) limit incentives for indirect entry. In some IGW-affected products, however, the advantage is more pronounced: plywood (27%) and processed hides/skins (16%) could benefit more, given Mercosur's strong global export shares. Overall, while the potential exists, distance, logistics, and market dynamics are likely to keep the impact limited.

# 2 Beyond its trade effects, the EU-Mercosur FTA carries the potential to negatively affect FDI inflows to Türkiye

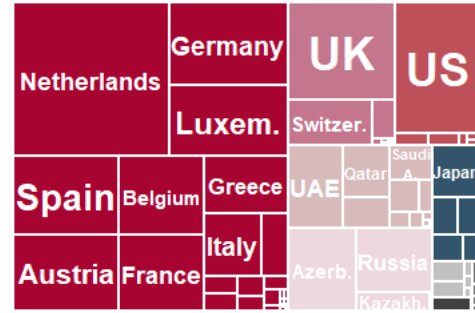
## Selected Foreign Direct Investment (FDI) indicators for EU and Türkiye

## Key takeaways

EU's FDI abroad positions by partners, % of extra-EU total stocks, 2022



FDI equity capital inflows to Türkiye by its geographical breakdown, 2003-2025 cumulative



EU-sourced investment is central to Türkiye's FDI profile: between 2003-2025, total equity inflows amounted to 202 B \$, of which 59% originated from the EU, largely driven by the CU framework and EU-oriented production in Türkiye.

Rising cost pressure in the EU, especially from Mercosur exports benefiting from prospective tariff cuts under the EU-Mercosur FTA, creates a new risk channel for Türkiye. As Mercosur gains price competitiveness, some EU-oriented activities in Türkiye may face diversion risks, particularly in cost-sensitive manufacturing.

This risk is amplified by the strong and established EU investor presence in Brazil and Argentina, making them familiar alternative investment locations. While Türkiye retains advantages in proximity, logistics, and supply chains, the **key implication is a gradual shift in marginal investment decisions, where future capacity expansions could increasingly favor alternative locations such as Brazil and Argentina unless Türkiye further strengthens its investment attractiveness.**

Source: Central Bank of the Republic of Türkiye (CBRT), Eurostat, YASED calculations  
 Note: <sup>1</sup> Offshore financial centers: investors registered in Bermuda, the Cayman Islands, the British Virgin Islands and Jersey.

# CONTEXT

A

Appendix

# A Methodology Note, Assumptions and Limitations

Click [here](#) to access Annex 2-A: Tariff Elimination Schedule from the official EU documentation.

## Assumptions on the EU tariff schedule under the EU-Mercosur Agreement

### Tariff treatment and liberalization categories

The tariff screening is based on the EU tariff schedule at the CN8 level. In this analysis, CN8 products are classified into three categories:

- Category 1: products already duty-free under the MFN regime;
- Category 2: products that are not currently duty-free but are scheduled to be fully liberalized within the 10-year implementation period under the EU-Mercosur agreement;
- Category 0: products not subject to full tariff elimination, including lines subject to partial liberalization, tariff-rate quotas, or other arrangements.

In the official EU tariff schedule, tariff dismantling is defined through staging categories. CN8 lines assigned to categories 0, 4, 7, 8 and 10, which imply tariff elimination within 10 years, are treated as falling within the liberalization framework. However, tariff lines already subject to a 0 MFN tariff are classified separately as Category 1, rather than being considered newly liberalized.

For the purposes of the risk analysis, the focus is placed on Category 2 products, as these are the tariff lines where the agreement may generate the clearest improvement in Mercosur's relative market access conditions in the EU market.

### CN8-to-HS6 aggregation

Because the FTA tariff schedule is available at the CN8 level [Harmonized System (HS) 2012] while trade data are analyzed at the HS6 level, tariff information is aggregated to HS6 products.

Where multiple CN8 tariff lines fall under the same HS6 code, the HS6 liberalization category is assigned using a conservative rule. If the HS6 contains both already duty-free lines (Category 1) and newly liberalized lines (Category 2), the HS6 is treated as newly liberalized. However, if the HS6 contains any non-liberalized lines, the entire HS6 code is classified as non-liberalized, to avoid overstating the scope of tariff preferences.

### Tariff level estimation (AVE)

To approximate the potential tariff advantage created by the agreement, the analysis uses Ad Valorem Equivalent (AVE) tariffs. AVE values convert tariffs expressed in different formats (e.g. specific or mixed duties) into a comparable percentage measure.

MFN tariff estimates are primarily sourced from MacMap at the National Tariff Line Codes (NTLC) level [HS2022]. Where NTLC AVE tariff information is unavailable or inconsistent with the tariff schedule, missing values are approximated using HS4-level tariff information after related HS conversions.

# B Methodology Note, Assumptions and Limitations

## Assumptions of the methodology for Türkiye market exposure analysis

### Tariff construction and harmonization

Tariff measures are constructed at the HS6 level using AVE rates. AVE estimates are primarily sourced from MacMap (NTLC/GTIP level). For Türkiye, applied tariff rates vis-à-vis the EU and MFN tariff rates vis-à-vis Mercosur are used.

To ensure consistency with trade data, tariff data originally in HS 2022 are converted to HS 2012. Where multiple HS6 codes map into a single HS6 code, simple averages are applied. Missing tariff values at HS6 are imputed using HS4-level averages.

Additional Customs Duties (IGV), defined at the GTIP (HS12) level, are aggregated to HS6 using simple averages and incorporated into the analysis.

Final tariff measures reflect combined MFN/partner-specific tariffs and IGV, expressed in AVE terms.

### CU coverage

CU coverage is defined at the HS2 level. Products within HS 25-97 are treated as CU-relevant, except where free circulation does not create effective third-country access.

Excluded from CU coverage: HS 01-24 Agriculture, HS 27 Energy products, HS 72-73 Iron & steel (ECSC-related).

### Tariff advantage

The potential gain for Mercosur exporters in the Turkish market is approximated by the difference between: Türkiye's tariff applied to EU-origin goods under the CU, and Türkiye's tariff applied to Mercosur-origin goods under MFN + IGV

This differential captures the tariff advantage that Mercosur products may obtain via preferential access to the EU and subsequent free circulation within the CU framework.

### Competitiveness

Mercosur export capacity is proxied by global exports at the HS6 level.

RCA is calculated by aggregating Mercosur as a single bloc rather than individual countries, to avoid fragmentation driven by small country sizes and to reflect bloc-level competitiveness.

Products with  $RCA > 1$  are retained as competitively relevant.

### Additional Financial Duty (AFD)

Taking into account Decisions No. 2016/9073-9166, 2018/11799, 2023/7480 and 2024/9079, the scope of AFD applicable to Mercosur-origin goods remains limited and product-specific rather than broad-based.

General coverage (all Mercosur countries): Certain items such as coal (HS 2701) and jewelry and articles of precious metals (HS 71) are subject to AFD, as Mercosur countries are not included in exemption lists.

Country-specific broader coverage (Paraguay only): A wider AFD framework exists for Paraguay-origin industrial products (excluding agriculture).

## YASED Strategic Analysis Series

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YASED Strategic Analysis Series is a collection of ad hoc technical briefs prepared by the International Investors Association (YASED). The series delivers concise, data-driven analysis on key economic, regulatory and policy developments affecting Türkiye's investment environment. Designed to support evidence-based policy dialogue, the series combines quantitative analysis with strategic interpretation for decision-makers and stakeholders.

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