

YASED Strategic Analysis Series

EU-India Free Trade Agreement: Competitiveness Implications for Türkiye

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EU-India FTA: Competitiveness Implications for Türkiye

Executive Summary

The European Union (EU) - India Free Trade Agreement (FTA) affects Türkiye through **two analytically distinct channels**, with implications for trade and Foreign Direct Investment (FDI).

- The **first channel reflects standard FTA-related substitution dynamics in the EU market**. In product groups where Türkiye already has a meaningful export presence, Indian exporters gain tariff advantages that may affect relative cost competitiveness. While **immediate trade displacement appears limited despite some textile products**, the key risk lies in future investment and capacity allocation decisions. In particular, **automotive-related products point to a latent risk for Türkiye**, as tariff advantages could influence investment choices as India expands production capacity and deepens its integration into EU value chains.
- The **second channel is Customs Union (CU)-specific** and concerns the Turkish market: under the free-circulation framework, **Indian goods entering the EU on preferential terms may, depending on origin verification and implementation practices, indirectly access Türkiye**. A tariff-based screening suggests that India would obtain a tariff advantage in 390 out of 1,218 product lines (HS4 product level), corresponding to around 163 billion dollars of India's global exports; however, once India's export competitiveness is taken into account, exposure narrows to around 132 billion dollars, concentrated mainly in **textiles** (~38 billion dollars), followed by **chemicals, electronics, metals, and agriculture**. At the product level, competitive exposure in Türkiye is dominated by textile and apparel products, where India combines strong export competitiveness with **tariff advantages of around 10 percentage points (pp)**, subject to origin-based controls and implementation practices. Given existing adjustment mechanisms, the magnitude of CU-specific exposure will depend on origin traceability and the scope of border practices.
- **Overall, the analysis indicates that the EU-India FTA does not create an economy-wide shock for Türkiye, but it introduces sector-specific and forward-looking risks with potential implications for Türkiye's FDI attractiveness, especially in textiles in the short term and automotive-related activities over the medium term.**

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

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

CONTEXT

1 Background

2 Assessments

1 Launched in 2007, the EU-India FTA resumed in 2022 and concluded in January 2026

Timeline of the EU-India FTA negotiations

What happened? (2007-...)	Why negotiations stalled? (2013)	What changed and how issues were addressed? (2022-2026)
<ul style="list-style-type: none"> ▪ Negotiations for a European Union (EU)-India Free Trade Agreement (FTA) were launched in 2007, suspended in 2013, and formally relaunched in 2022. ▪ In January 2026, the European Commission announced the conclusion of negotiations, following intensified technical and political engagement in 2025. ▪ The agreement is expected to enter legal scrubbing and ratification before entry into force. 	<p>Negotiations were suspended in 2013 due to insufficient convergence on key negotiating priorities. Available public information suggests that:</p> <ul style="list-style-type: none"> ▪ The EU pressed for broader tariff liberalization in goods, particularly in manufacturing sectors such as automobiles and wines and spirits, as well as stronger commitments on regulatory disciplines, including intellectual property rights and public procurement. ▪ India, in turn, prioritized enhanced access for services and the temporary movement of professionals, while remaining cautious on tariff reductions and binding regulatory commitments due to domestic sensitivities. 	<ul style="list-style-type: none"> ▪ “All-or-nothing” approach was abandoned. The parties no longer required full convergence across all chapters at the same depth and pace. Chapters were decoupled and rebalanced. ▪ Goods: The EU’s objective of broad tariff liberalization and high coverage was preserved. The agreement delivers near-complete tariff liberalization with very high coverage (over 99.3% for the EU and 96.6% for India), although certain sensitive products remain subject to transition periods, tariff-rate quotas, or targeted exclusions. ▪ Services and mobility: India’s long-standing priorities were reflected through the establishment of a dedicated and more structured services chapter, improving clarity and predictability. However, this did not amount to full convergence on mobility or services liberalization at the level initially sought by India. ▪ Regulatory issues: Comprehensive and binding frameworks were agreed, while differences on the depth and timing of regulatory alignment were managed through the overall architecture of the agreement rather than fully resolved.

1 The EU-India FTA can be seen as part of a broader policy framed around de-risking and supply chain resilience

External context: why India, why now?

2018-2020

- **United States (US) imposed and expanded tariff measures** affecting trade with China, the EU, and other major partners.
- US-EU trade disputes intensified (steel, aluminum, aircraft subsidies, etc.).

2021-2022

- **COVID-19** disrupted global production and logistics networks.
- Governments reassessed dependence on concentrated supply chains.
- EU-India FTA negotiations formally relaunched in 2022 after a prolonged pause.

2022-2023

- **Russia-Ukraine war** reshaped geopolitical alignments and trade flows, particularly in energy and commodities.
- **India continued economic engagement with Russia** while the EU and the US adopted coordinated sanctions regimes.

2023-2024

- **EU-China economic relations became more constrained**, notably in technology and economic security areas.
- The EU increasingly framed trade policy around “de-risking” and supply chain resilience.
- India expanded industrial and export capacity under domestic policy initiatives.

2024-2025

- The **US signaled possible reintroduction or expansion of tariff measures** affecting a broad range of partners.
- Trade relations between the US, the EU, and India were marked by heightened uncertainty.

Late 2025 - January 2026

- EU-India negotiations accelerated through intensified technical rounds and political-level engagement.
- In January 2026, the European Commission announced the **conclusion of EU-India FTA negotiations**.

Why India, why now? The EU-India FTA is embedded in a broader geopolitical and economic reorientation. Since 2018, successive developments, including heightened trade frictions, pandemic-related supply disruptions, and geopolitical tensions, have led the EU to place greater emphasis on supply-chain resilience and diversification.

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

Why the EU-India FTA matters for Türkiye?

Why the EU-India FTA creates structural risks for Türkiye?

A strategic and political framework: Beyond market access, the agreement is widely **framed as part of the EU's broader diversification and "de-risking" agenda**, strengthening supply chain and geoeconomic alignment with India.

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. While conventional tariffs cannot easily be reintroduced, limited targeted measures may mitigate the effect in specific cases.
- 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. This may create structural asymmetry risks, depending on the effective application of origin-based controls and existing adjustment mechanisms.

Channels of impact and key risks for Türkiye

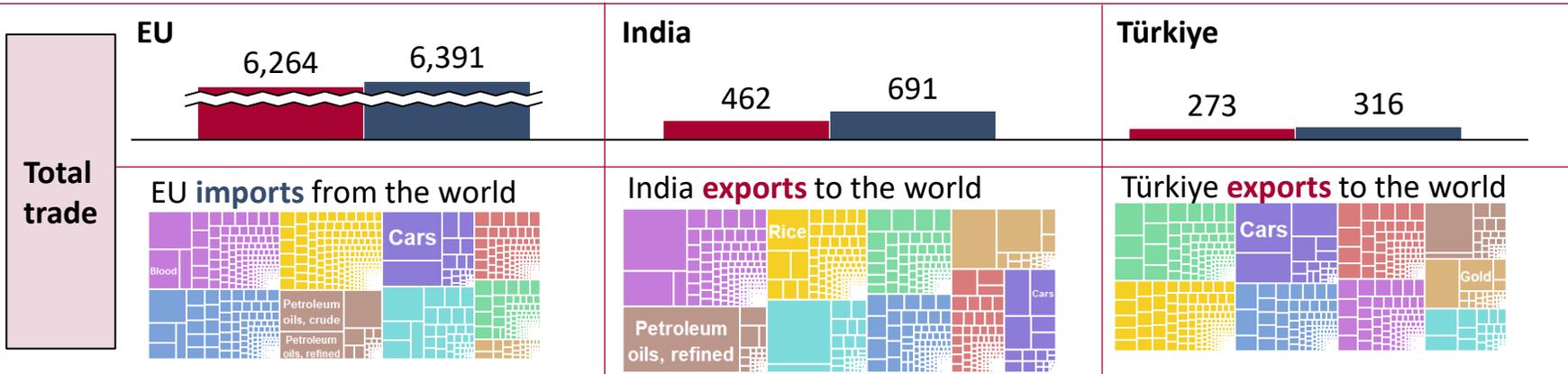
Türkiye has previously faced third-country asymmetry with several EU FTA partners and has sought to restore balance through parallel agreements. However, EU FTAs do not oblige third countries to negotiate with Türkiye, meaning outcomes depend solely on their willingness; in practice, negotiations have often been delayed or unsuccessful. In the case of India, this constraint is likely to be stronger. Given India's market size and bargaining power, and the absence of any legal requirement to engage with Türkiye, an EU-India FTA would likely allow Indian goods to gain indirect access to the Turkish market through free circulation, without creating incentives for reciprocal access.

Key risks

- **Substitution risk in the EU market (standard FTA-related):** Indian products may gain a competitive edge over Turkish exports in the EU market.
- **Exposure in the Turkish market (CU-specific):** Increased competitive pressure from Indian products accessing the Turkish market indirectly via the EU. **Where risks concentrate:** 1- **Intermediate goods:** High and difficult-to-manage exposure, as tariffs cannot be reimposed once goods are in free circulation and origin-based controls are limited. 2- **Final goods:** Risks may be relatively more manageable through technical regulations, market surveillance and existing additional financial obligations; however, broader exposure may arise where such measures are difficult to extend.

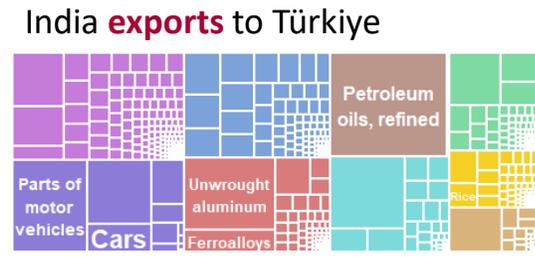
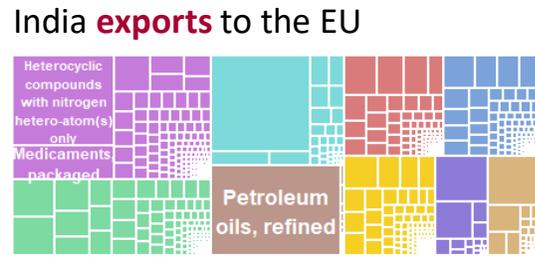
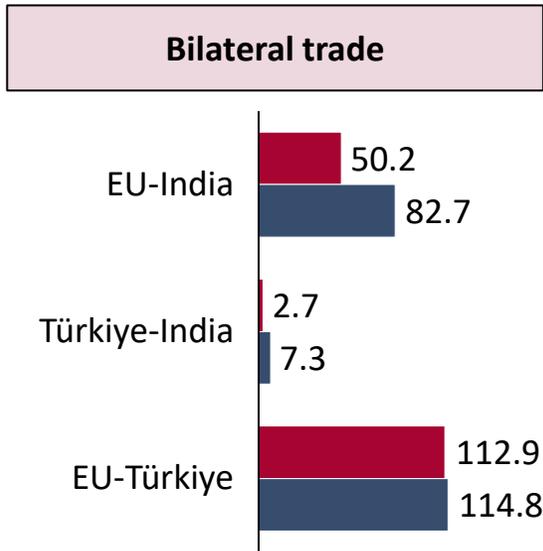
2 From limited trade to intensified competition: EU-India liberalization may alter market dynamics for Türkiye

Understanding current trade dynamics, billion \$, 2024



EU imports are highly diversified (\$6.4 T), shaping competitive conditions across a wide range of product groups.

India and Türkiye both have diversified export baskets, with different emphases: India's global exports (\$462 B) reflect scale across multiple sectors, while Türkiye's exports (\$273 B) are more evenly spread across products.



The EU market matters for both countries, but to different extents. Türkiye exports \$113 B to the EU (42% of total exports), compared to \$83 B for India (18% of total exports).

Direct Türkiye-India trade remains limited. While EU-India trade reaches \$133 B, Türkiye-India bilateral trade stays below \$10 B.

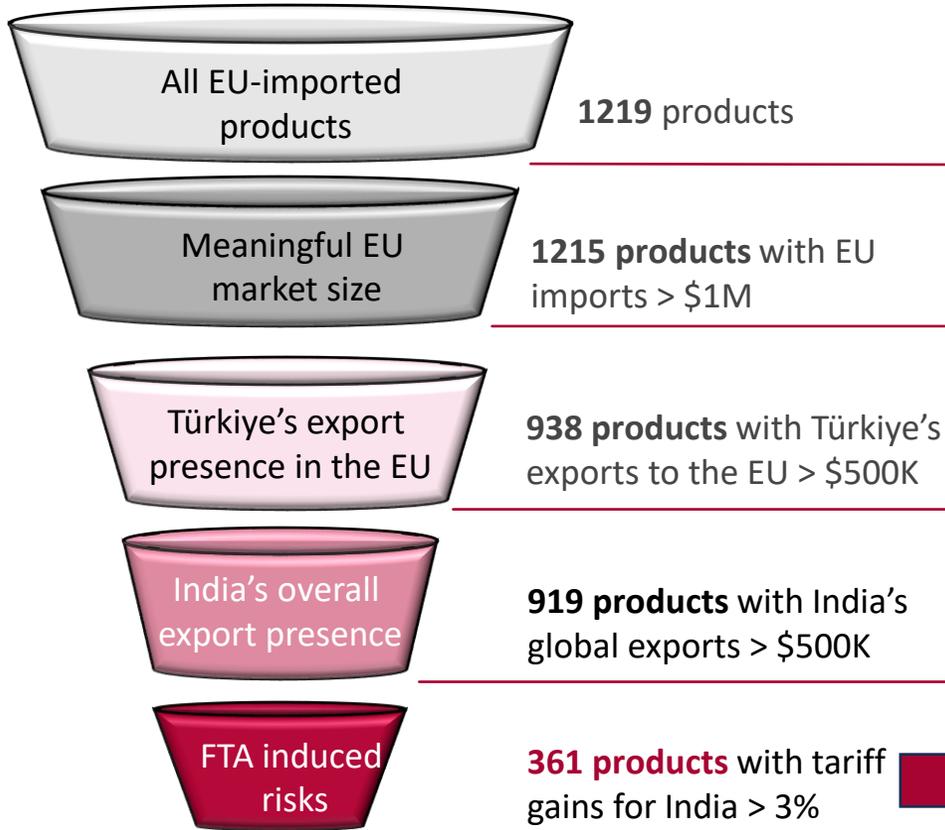
Product overlap in the EU market points to competitive pressure. **With near-comprehensive tariff liberalization (99.3% EU; 96.6% India), even moderate shifts from today's low base could materially affect relative competitiveness.**

2 Substitution risk for Turkish exports in the EU market is most visible in automotive and selected textile products

Agriculture	Textiles	Stone	Minerals	Metals
Chemicals	Vehicles	Machinery	Electronics	Others

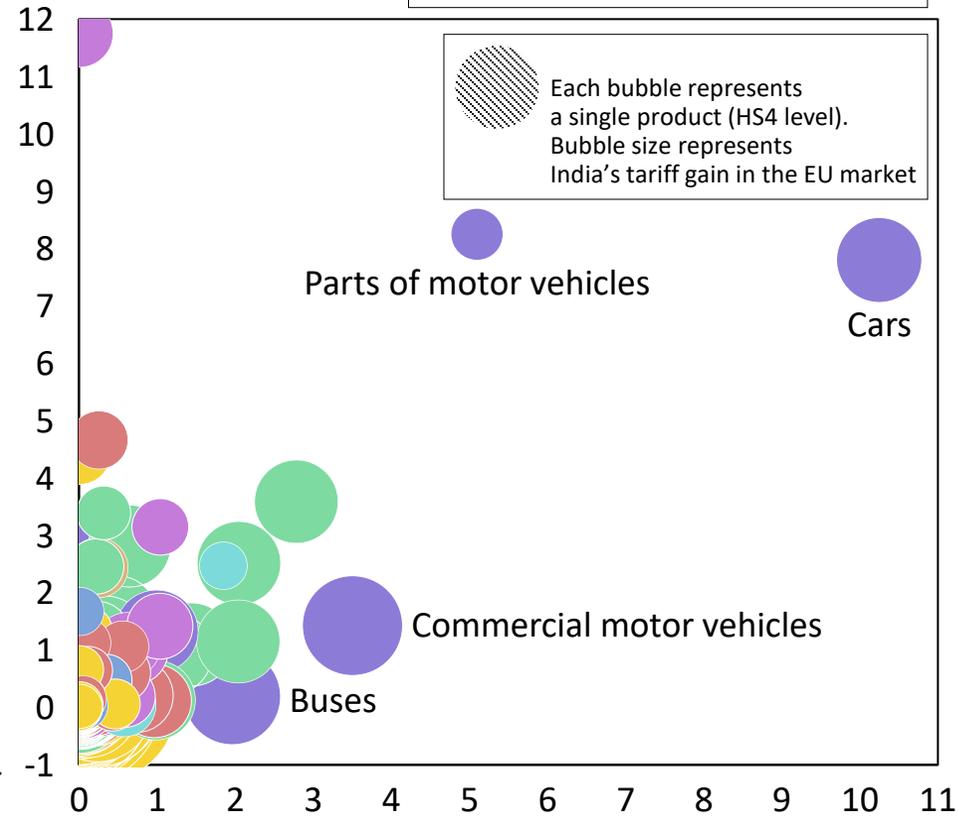
Analysis A: Substitution risk in the EU market

Screening EU demand for substitution risk



India's global exports, B \$

! This graph presents a high-level screening; product details follow in the next sections.



Key takeaways

This analysis screens EU imports to identify where tariff advantages could translate into effective substitution risks for Türkiye. Such risks are most likely to materialize when three conditions coincide: (i) meaningful Turkish exports to the EU, (ii) India has export capacity, and (iii) a clear tariff advantage for India.

Out of more than 1,200 product groups, 361 products meet these conditions. The results indicate that **cars, commercial motor vehicles, and buses stand out, alongside selected textile products**, particularly in terms of Türkiye's export volumes to the EU.

Türkiye's exports to the EU, B \$

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

* Tariff assumptions are based on the "EU-India Free Trade Agreement: Chapter-by-Chapter Summary (MEMO)", as the final agreement text has not yet been published. The MEMO indicates near-comprehensive tariff liberalization (99.3% of tariff lines for the EU and 96.6% for India), with specific agricultural sensitivities excluded. Accordingly, tariffs are assumed to be reduced to zero for all other product groups for analytical purposes.

2 In textiles, India already competes strongly with Türkiye, and the EU-India FTA could intensify this pressure

Agriculture	Textiles	Stone	Minerals	Metals
Chemicals	Vehicles	Machinery	Electronics	Others

Analysis A1: Substitution risk in the EU market

Top 15 products: India's largest exports to the EU market

HS4	HS4 Definition	EU total imports (B\$)	TR exports to EU (B\$)	TR share in EU	IND exports to EU (B\$) (↓)	IND share in EU	Tariff advantage for IND in EU
2933	N-heterocyclic compounds	54	0.0	0.0%	7.2	13.3%	6.3%
8708	Parts of motor vehicles	174	5.1	2.9%	1.9	1.1%	3.8%
6403	Leather footwear	26	0.2	0.9%	1.3	5.0%	4.3%
6204	Women's suits and pants	29	2.8	9.5%	1.3	4.3%	9.6%
4011	Pneumatic rubber tires	35	1.0	3.0%	1.0	2.9%	4.4%
6109	T-shirts, knit	21	2.0	9.8%	0.9	4.2%	9.6%
7601	Unwrought aluminum	27	0.3	0.9%	0.7	2.7%	4.7%
6206	Women's shirts	6	0.5	8.4%	0.7	11.9%	9.6%
6305	Bags for packing goods	2	0.2	13.9%	0.5	31.2%	6.4%
0306	Crustaceans	6	0.0	0.2%	0.5	8.5%	5.3%
6302	House linen	7	0.6	9.1%	0.5	6.6%	9.3%
2924	Carboxamide compounds	3	0.0	0.4%	0.5	13.7%	6.4%
8544	Insulated electrical wire	56	1.8	3.3%	0.4	0.8%	3.1%
6104	Women's suits, knit	15	1.2	8.0%	0.4	2.9%	9.6%
6110	Knit sweaters & pullovers	26	2.0	7.8%	0.4	1.6%	9.6%

Key takeaways

This table focuses on a short-listed subset of products (361 products) identified in the substitution risk analyses, ranked by India's current export volumes to the EU.

The results show that India already achieves meaningful EU export volumes in these products despite existing tariff disadvantages, indicating competitiveness beyond tariffs and scope for further expansion under the EU-India FTA.

Within this group, textiles stand out as the most immediate substitution risk for Türkiye when export volumes are considered. In particular, **women's suits and pants, knit T-shirts, and women's knit apparel combine established Indian presence with prospective tariff reductions**, while Türkiye holds strong EU positions in the same products.

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

* Tariff assumptions are based on the "EU-India Free Trade Agreement: Chapter-by-Chapter Summary (MEMO)", as the final agreement text has not yet been published. The MEMO indicates near-comprehensive tariff liberalization (99.3% of tariff lines for the EU and 96.6% for India), with specific agricultural sensitivities excluded. Accordingly, tariffs are assumed to be reduced to zero for all other product groups for analytical purposes.

2 Product-level analysis indicates latent risk for Türkiye in automotive products as tariff advantages could gain relevance over time

Analysis A2: Substitution risk in the EU market

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

Key takeaways

HS4	HS4 Definition	EU total imports (B\$)	TR exports to EU (B\$) (↓)	TR share in EU	IND global exports (B\$)	IND share in EU	Tariff advantage for IND in EU
8703	Cars	325	10.2	3.2%	7.8	0.0%	10.0%
8708	Parts of motor vehicles	174	5.1	2.9%	8.2	1.1%	3.8%
8704	Commercial motor vehicles	47	3.5	7.5%	1.4	0.1%	13.8%
6204	Women's suits and pants	29	2.8	9.5%	3.6	4.3%	9.6%
6109	T-shirts, knit	21	2.0	9.8%	2.5	4.2%	9.6%
6110	Knit sweaters & pullovers	26	2.0	7.8%	1.2	1.6%	9.6%
8702	Buses	9	2.0	22.5%	0.2	0.0%	12.9%
8544	Insulated electrical wire	56	1.8	3.3%	2.5	0.8%	3.1%
6203	Men's suits and pants	20	1.4	7.2%	1.1	1.8%	9.6%
6104	Women's suits, knit	15	1.2	8.0%	0.9	2.9%	9.6%
4011	Pneumatic rubber tires	35	1.0	3.0%	3.1	2.9%	4.4%
3920	Non-cellular plastic plates	21	1.0	4.9%	1.4	1.3%	6.0%
8701	Tractors	24	1.0	4.1%	1.3	0.8%	9.5%
6115	Socks, stockings, etc., knit	6	1.0	16.5%	0.1	0.4%	8.8%
7604	Aluminum bars	10	1.0	9.8%	0.1	0.2%	7.5%

This table groups Türkiye's top 15 EU export products into two substitution risk profiles. Near-term risks arise where India is already present in the EU market and would gain a sizable tariff advantage under the EU-India FTA. This group is concentrated in **textiles and selected automotive segments, such as women's suits and pants, knit apparel, and tractors**. In these products, India's EU market share remains below Türkiye's but is already established, combined with tariff advantages close to 10 pp, pointing to **immediate substitution risks**.

Latent or forward-looking risks appear in products where India has little or no current EU presence but would benefit from a large tariff shock. This pattern is visible in **cars and buses**, where Türkiye holds strong EU market shares (around 3% in cars and 22% in buses). The removal of high existing tariffs (10-13 pp) could incentivize capacity expansion and market entry over time.

Agriculture	Textiles	Stone	Minerals	Metals
Chemicals	Vehicles	Machinery	Electronics	Others

Source: CEPII BACI, European Commission, Harvard Kennedy School of Government Growth Lab, ITC Market Access
 * Tariff assumptions are based on the "EU-India Free Trade Agreement: Chapter-by-Chapter Summary (MEMO)", as the final agreement text has not yet been published. The MEMO indicates near-comprehensive tariff liberalization (99.3% of tariff lines for the EU and 96.6% for India), with specific agricultural sensitivities excluded. Accordingly, tariffs are assumed to be reduced to zero for all other product groups for analytical purposes.

2 Textiles show the clearest exposure, with India combining export strength and ~10 pp tariff gains, subject to origin control

Analysis B: Exposure risk in the Turkish market

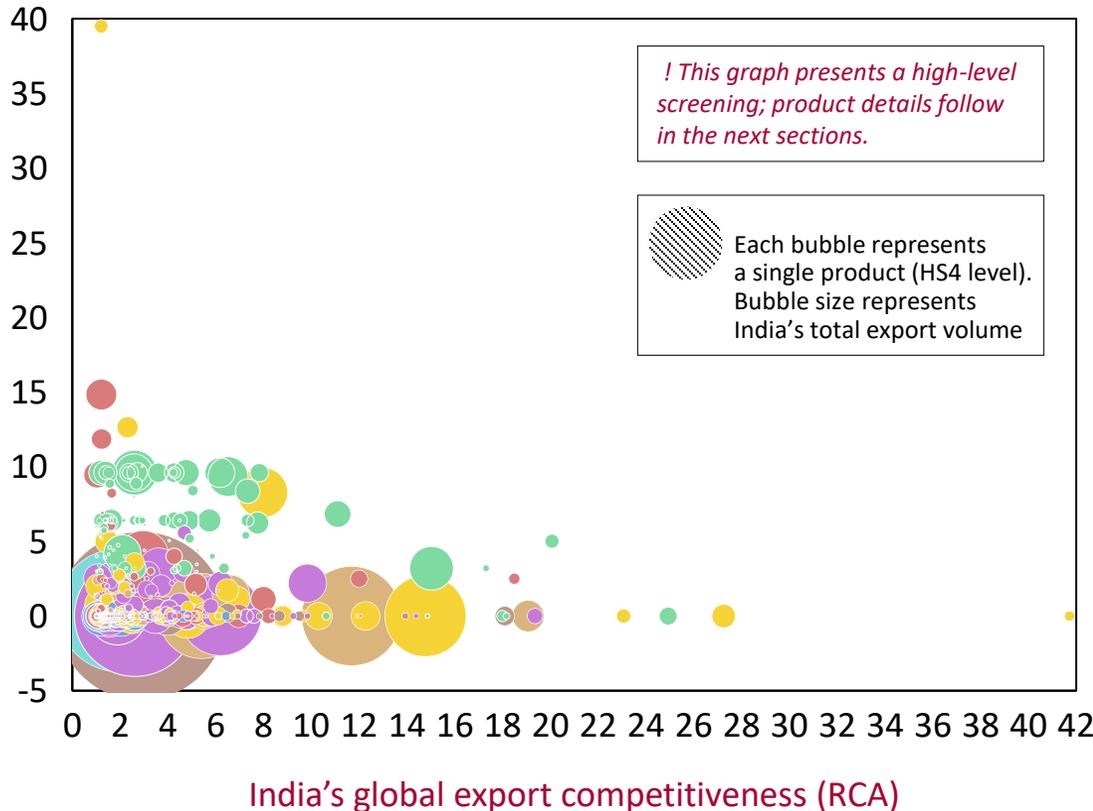
Where India combines export strength and tariff advantage, 2024

Agriculture	Textiles	Stone	Minerals	Metals
Chemicals	Vehicles	Machinery	Electronics	Others

EU-India FTA coverage

As the EU-India FTA has not yet been formally published, tariff assumptions are based on the “EU-India Free Trade Agreement: Chapter-by-Chapter Summary (MEMO)”. The MEMO indicates near-comprehensive tariff liberalization (99.3% of tariff lines for the EU and 96.6% for India), with selected agricultural sensitivities excluded or subject to quotas. Accordingly, tariffs are assumed to be reduced to 0 for all other product groups for analytical purposes.

Tariff advantage for Indian exports in the Turkish market (pp)



X-axis India's global export competitiveness (RCA): Standard Revealed Comparative Advantage (RCA) measure across 1,200+ products; **439 products with RCA > 1 are shown**. Higher values indicate stronger competitiveness.

Y-axis Tariff advantage for Indian exports in the Turkish market (percentage points - pp): Difference between Türkiye's applied tariffs on imports from India vs. the EU, capturing India's potential tariff advantage via indirect EU access under the new FTA.

Key takeaways

Across most manufactured products, **Indian exports could gain an indirect average tariff advantage of around 10 percentage points in the Turkish market, subject to the effective application of origin-based controls and existing border adjustment measures.**

Exposure risks are concentrated where strong Indian export competitiveness overlaps with a meaningful tariff differential, particularly in textile-related products, where origin verification may be more complex.

Source: CEPII BACI, European Commission, Harvard Kennedy School of Government Growth Lab, ITC Market Access Map, YASED calculations
 * Tariff assumptions are based on the “EU-India Free Trade Agreement: Chapter-by-Chapter Summary (MEMO)”, as the final agreement text has not yet been published. The MEMO indicates near-comprehensive tariff liberalization (99.3% of tariff lines for the EU and 96.6% for India), with specific agricultural sensitivities excluded. Accordingly, tariffs are assumed to be reduced to zero for all other product groups for analytical purposes.

2 Purely in tariff terms, some products show gains of 30-40%, mainly in agriculture and iron, though India is not competitive in most of them

Analysis B1: Exposure risk in the Turkish market

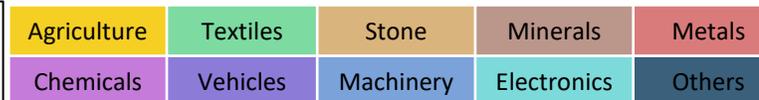
Top 15 products where Indian exports gain the largest tariff advantage via indirect EU access, 2024

HS4	HS4 Definition	India's RCA	India's total exports (M\$)	TR tariff on EU imports	TR tariff on IND imports	Tariff advantage for IND in TR (↓)
2403	Other manufactured tobacco	1.2	322.1	0%	39%	39%
7213	Hot rolled bars of iron	0.5	136.2	0%	31%	31%
7214	Other bars of iron, not further worked	0.2	84.2	0%	30%	30%
2402	Cigars and cigarettes	0.2	80.3	0%	28%	28%
7227	Bars of other alloy steel	0.4	32.6	0%	23%	23%
2206	Other fermented beverages	0.0	0.0	50%	70%	20%
2204	Wine	0.0	6.3	50%	70%	20%
7209	Flat-rolled iron (>600 mm), cold-rolled, unclad	1.0	319.8	0%	17%	17%
1604	Prepared or preserved fish	0.3	109.7	64%	80%	16%
4501	Natural cork, raw	0.0	0.3	0%	15%	15%
7208	Hot-rolled flat-rolled iron (>600 mm), unclad	1.2	1,663.0	0%	15%	15%
2105	Ice cream	0.1	12.1	11%	26%	15%
7216	Angles of iron or nonalloy steel	0.4	124.6	0%	14%	14%
1603	Extracts and juices of meat or fish	0.0	0.0	40%	54%	14%
1605	Prepared aquatic invertebrates	2.3	785.5	42%	55%	13%

Tariff advantage is measured as the difference between Türkiye's applied tariffs on imports from India and from the EU. **The largest potential gains for Indian exports are concentrated in agricultural and food items, and iron products.**

In industrial goods, advantages reflect CU dynamics and free circulation via the EU. In **agriculture**, tariff differentials do not arise from the CU and do not imply automatic preferential access but may **still create de facto competitive pressure unless origin-based treatment is applied consistently.**

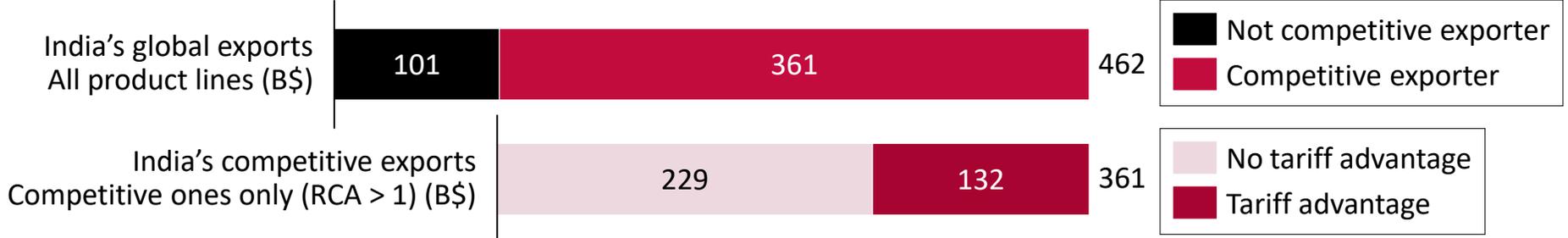
Out of 1,218 product categories, **India gains a tariff advantage in 390 lines**, representing around 163 billion dollars in its total exports



2 After competitiveness filtering, exposure centers on textiles, with smaller effects in chemicals, electronics, metals, subject to origin controls

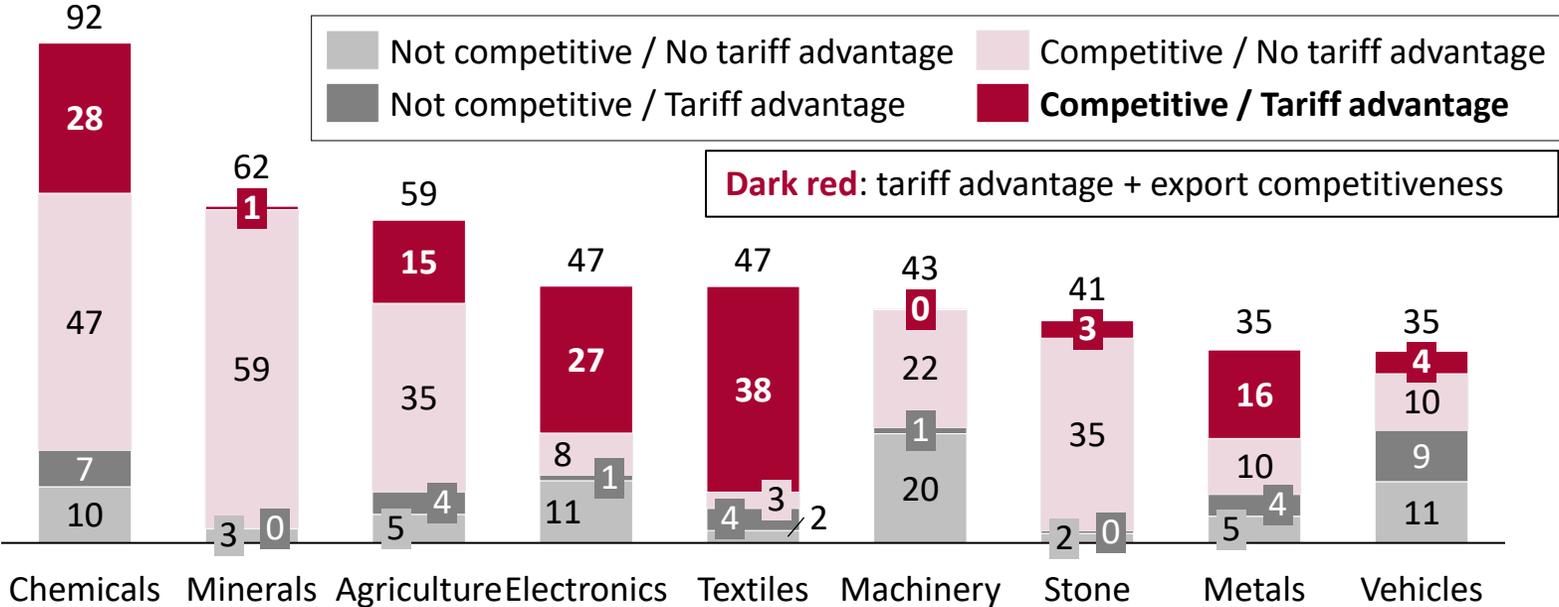
Analysis B2: Exposure risk in the Turkish market

Breakdown of India's global exports: Where tariff advantages overlap with India's competitiveness, 2024



Once export competitiveness is taken into account, the effective exposure narrows markedly around \$132 B of India's global exports combine tariff advantage with export competitiveness (RCA > 1).

Sectoral breakdown of India's global exports by competitiveness and tariff advantage (B\$)



Textiles stand out as the main exposure area, accounting for around \$38 B, followed by chemicals (\$28 B), electronics (\$27 B), metals (\$16 B), and agriculture (\$15 B), subject to origin-based controls and implementation practices.

In many other sectors, tariff advantages are concentrated in products where India is not yet a strong exporter, limiting immediate competitive pressure; however, future capacity expansion could increase exposure, particularly in vehicles and chemicals.

Source: CEPII BACI, European Commission, Harvard Kennedy School of Government Growth Lab, ITC Market Access Map, YASED calculations
 * Tariff assumptions are based on the "EU-India Free Trade Agreement: Chapter-by-Chapter Summary (MEMO)", as the final agreement text has not yet been published. The MEMO indicates near-comprehensive tariff liberalization (99.3% of tariff lines for the EU and 96.6% for India), with specific agricultural sensitivities excluded. Accordingly, tariffs are assumed to be reduced to zero for all other product groups for analytical purposes.

2 Product-level analysis suggests a ~10% tariff differential in textiles, while EU-routed goods may benefit where origin verification is complex

Analysis B3: Exposure risk in the Turkish market

Top 15 products: Indian exports (RCA > 1) gain the largest tariff advantages via indirect EU access in the Turkish market

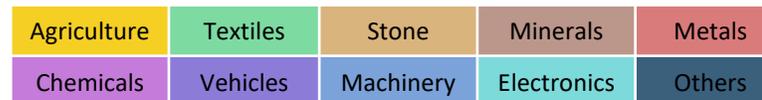
HS4	HS4 Definition	India's RCA	India's total exports (M\$)	TR tariff on EU imports	TR tariff on IND imports	Tariff advantage for IND in TR (↓)
2403	Other manufactured tobacco	1.2	322.1	0%	39%	39%
7208	Hot-rolled flat-rolled iron (>600 mm), unclad	1.2	1,663.0	0%	15%	15%
1605	Prepared aquatic invertebrates	2.3	785.5	42%	55%	13%
7207	Semifinished products of iron or nonalloy steel	1.2	723.8	0%	12%	12%
1903	Tapioca	2.9	13.7	2%	12%	10%
6103	Men's suits, knit	1.4	352.9	0%	10%	10%
6104	Women's suits, knit	1.4	946.3	0%	10%	10%
6105	Men's shirts, knit	3.6	670.5	0%	10%	10%
6106	Women's shirts, knit	2.4	283.8	0%	10%	10%
6107	Men's undergarments, knit	4.3	688.6	0%	10%	10%
6108	Women's undergarments, knit	2.4	616.6	0%	10%	10%
6109	T-shirts, knit	2.6	2,516.7	0%	10%	10%
6114	Other garments, knit	1.5	231.7	0%	10%	10%
6203	Men's suits and pants	1.2	1,099.2	0%	10%	10%
6204	Women's suits and pants	2.6	3,588.6	0%	10%	10%

The products that stand out most clearly are textile and apparel items, including knitwear, T-shirts, underwear, shirts, and suits, which repeatedly appear across the top-ranked products **once the analysis is restricted to competitive Indian exports (RCA > 1)**.

In these products, Indian imports face tariffs of around 10%, while goods entering via the EU may benefit from preferential treatment where origin verification is complex.

The extent to which this tariff margin translates into a price or market share effect depends on sector-specific factors such as cost structures and demand elasticities. Nevertheless, at the product level, **textiles consistently emerge as the segment where potential competitive pressure is most likely to materialize.**

In 177 product lines with RCA > 1, India gains a tariff advantage, covering around 132 billion dollars in exports.



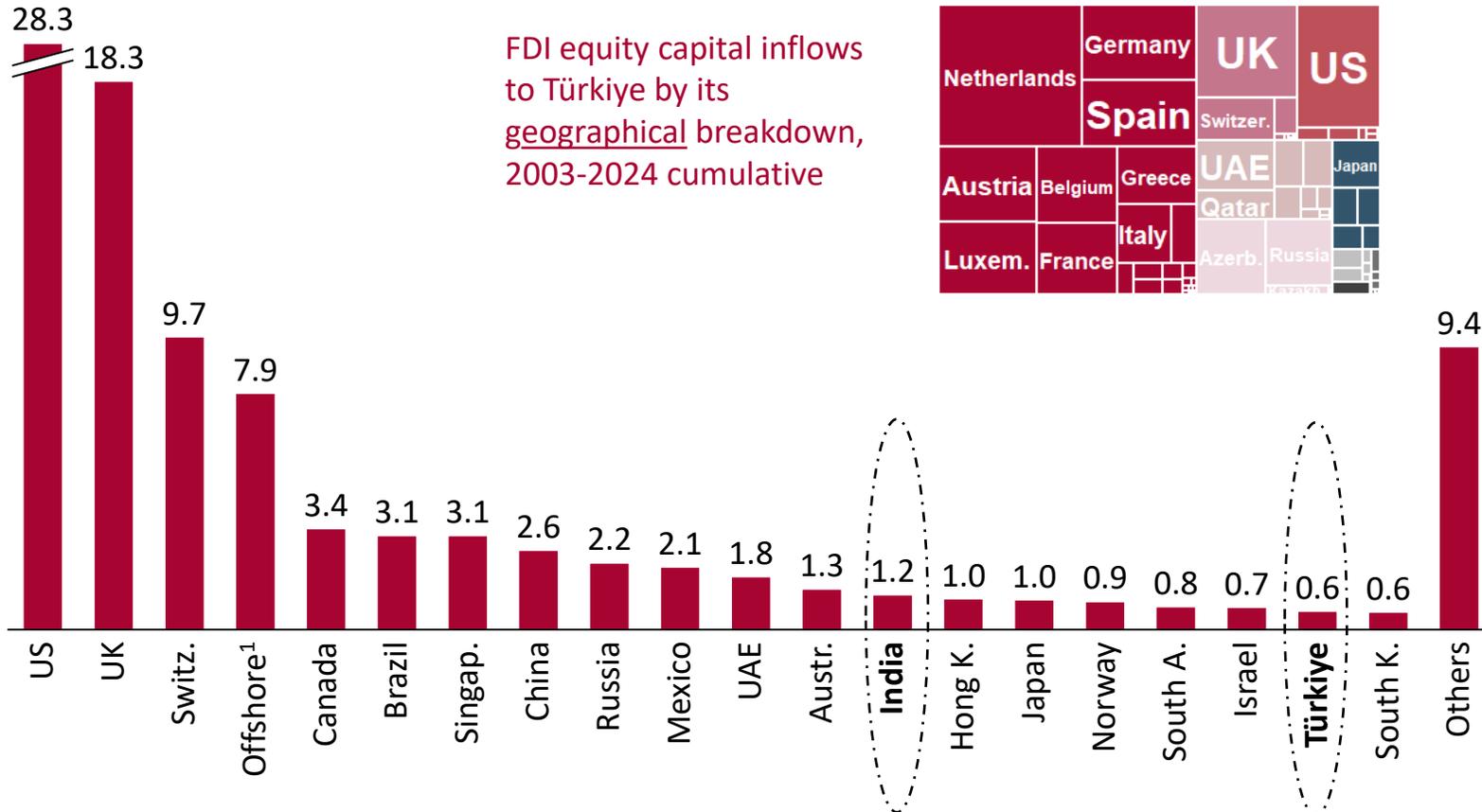
Source: CEPII BACI, European Commission, Harvard Kennedy School of Government Growth Lab, ITC Market Access Map, YASED calculations

* Tariff assumptions are based on the "EU-India Free Trade Agreement: Chapter-by-Chapter Summary (MEMO)", as the final agreement text has not yet been published. The MEMO indicates near-comprehensive tariff liberalization (99.3% of tariff lines for the EU and 96.6% for India), with specific agricultural sensitivities excluded. Accordingly, tariffs are assumed to be reduced to zero for all other product groups for analytical purposes.

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

Selected FDI indicators for EU and Türkiye

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



FDI equity capital inflows to Türkiye by its geographical breakdown, 2003-2024 cumulative



Key takeaways

EU-sourced investment is central to Türkiye's FDI profile: between 2003–2024, total equity inflows amounted to \$193 B, of which 58% originated from the EU, largely driven by the CU logic and EU-oriented production in Türkiye.

Rising cost pressure in the EU, especially from Indian exports benefiting from prospective tariff cuts under the EU-India FTA, creates a new risk channel. As India 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 India, making it a familiar alternative location. 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 location as India unless Türkiye further strengthens its investment attractiveness.**

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

YASED Strategic Analysis Series

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