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# Strategic Connectivity in a Contested Era: A Next-Generation UK–Turkey Free Trade Agreement

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## EXECUTIVE SUMMARY

The world economy has shifted away from the era of liberal hyper-globalisation toward a regime of contested interdependence, in which reliability, resilience, and regulatory trust now matter as much as tariff liberalisation. Trade has become a strategic instrument of statecraft, used to project influence, mitigate vulnerabilities and shape standards rather than simply maximise efficiencies. In this new operating environment, an upgraded UK–Turkey Free Trade Agreement (FTA) is no longer a discretionary policy choice; it is a strategic necessity for both economies. The United Kingdom, outside the European Union, must diversify its economic relationships while safeguarding its competitive edge in services, digital infrastructure, and green finance. Turkey, positioned at the intersection of Europe, the Black Sea and West Asia, seeks to move up the value chain, build credibility through predictable rules, attract foreign investment, and secure pathways for its emerging energy-hub strategy.

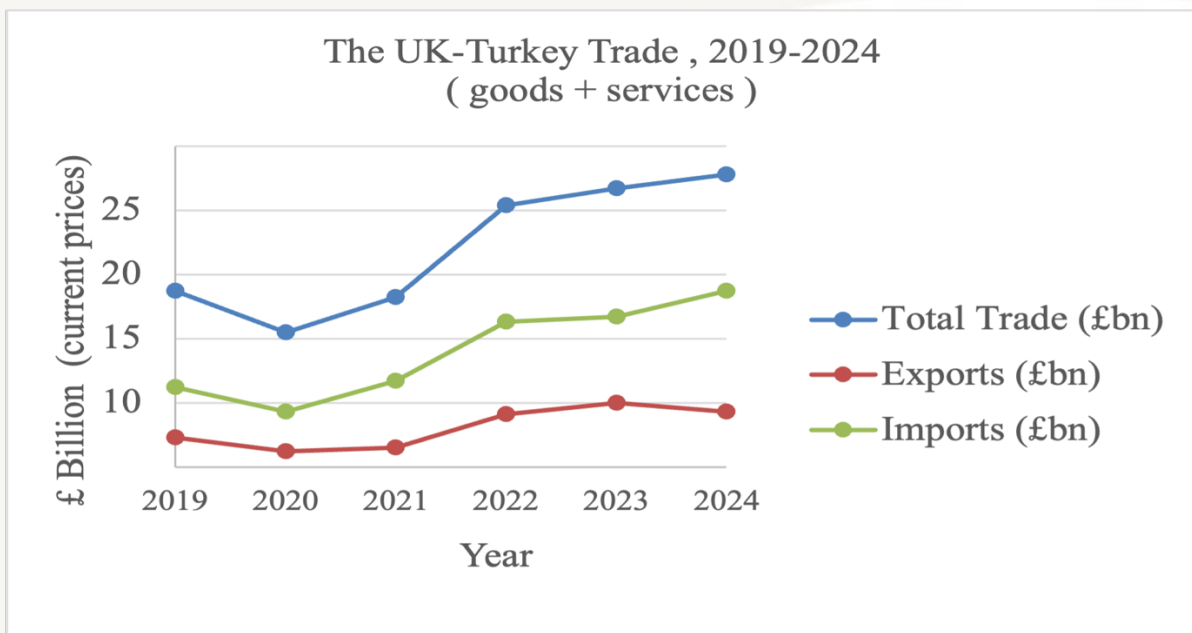
Bilateral complementarities between the two economies are clear. The UK brings deep capacities in finance, higher education, life sciences, legal services, creative industries, and standard-setting; Turkey contributes strengths in manufacturing, logistics, construction, ICT capabilities, and geographic proximity to the EU market. An upgraded agreement that shifts the focus from tariffs to “trusted connectivity” would allow both countries to operationalise de-risking without decoupling by ensuring that goods, services, data, capital and talent can flow under lawful, resilient, and compatible frameworks even during geopolitical or macroeconomic shocks.

Rather than aiming for a large, comprehensive treaty from the outset, the upgraded agreement should adopt a sequencing strategy that prioritises “plumbing before ambition.” The first phase should deliver a targeted package that fixes known frictions: modernising customs through single-window systems, mutual recognition of Authorised Economic Operator (AEO) schemes and advance rulings to reduce port dwell times; establishing narrow but meaningful mobility channels for business professionals and researchers with clear eligibility and security protocols; creating a digital bridge that enables lawful cross-border data flows under trusted privacy and cybersecurity safeguards; and piloting mutual acceptance of conformity assessment in selected high-value sectors such as electric vehicle and battery components or medical devices. These measures are unlikely to be included directly in an FTA negotiation, as such detailed indicators are rarely part of trade agreements in practice. A more realistic approach would be to assign this task to the FTA committee, mandating it to publish an annual report that includes practical indicators—such as estimated hours saved at the border, average days to contract for cloud services, the number of mutual recognitions granted, and the volume of research exchanges. This would make progress more transparent and help sustain political momentum without overloading the agreement text itself.

Rather than being developed sequentially, as the original formulation suggests, the agreement will most likely cover these areas from the outset as part of a single, comprehensive FTA. In practice, this means that issues such as services liberalisation and mutual recognition

of professional qualifications, modern investment and dispute-avoidance mechanisms, procurement access through transparent electronic portals, SPS/TBT cooperation including conformity-assessment pilots, and energy–climate collaboration aligned with EU CBAM requirements will be included in the initial negotiation package. Similarly, health cooperation—covering GMP reliance, clinical-data sharing, medical-device regulation, and cross-border patient safety protocols—would be structured as a dedicated annex within this broader agreement, rather than as a later stage. This reflects how contemporary FTAs are increasingly negotiated as integrated frameworks rather than step-by-step processes.

The political economy constraints on both sides are real but manageable. The UK must preserve regulatory autonomy and uphold high labour, environmental and intellectual-property standards. Turkey must protect its interface with the EU Customs Union, manage agricultural sensitivities, and retain policy space for industrial upgrading and digital governance. In a world of weaponised interdependence, this agreement represents more than a trade deal: it is an economic security instrument that converts geography and regulatory agility into shared resilience. By demonstrating early delivery through a staged, KPI-driven approach, both countries can build trust, reduce volatility, attract investment and shape the evolving global trade order rather than be disciplined by it.



### Introduction & Geoeconomic Context

The international economy has undergone a decisive transformation. The era of liberal hyper-globalisation—characterised by deepening economic integration under multilateral rules—has given way to a regime of contested interdependence, in which trade is increasingly instrumentalised for strategic leverage rather than solely for market efficiency.<sup>1</sup> Supply chains

<sup>1</sup> Ray Kiely, *The Clash of Globalisations: Neo-liberalism, the Third Way and Anti-globalisation* (Leiden: Brill, 2005)

are being rewired not only for cost but for resilience; standards and digital rules have become vectors of power; and climate policy has evolved into a core determinant of market access. Security externalities now flow through economic channels: tariff surcharges, export controls, sanctions regimes, cybersecurity screening, and carbon-adjustment measures are redefining what constitutes “openness.” In this world, trade agreements are no longer peripheral market tools; they are core components of national geoeconomic statecraft.<sup>2</sup>

With President Trump’s return to the White House, U.S. economic policy has become even more overtly transactional, normalising the use of tariffs, bespoke bilateral deals, export controls, and secondary-sanctions pressures as instruments of coercive leverage. The paralysis of the World Trade Organization further accelerates this shift toward bilateralism and regulatory competition. At the same time, the European Union’s Carbon Border Adjustment Mechanism is embedding climate conditionality into the price of market access, while digital sovereignty agendas across major economies threaten to fragment cloud markets and constrain cross-border data flows. Meanwhile, maritime disruptions in the Red Sea and Black Sea have increased freight costs and exposed the vulnerabilities of geographically concentrated logistical corridors.

Against this backdrop, an upgraded United Kingdom–Turkey Free Trade Agreement is not a technocratic adjustment; it is a strategic response to systemic change. The UK, navigating its post-Brexit reality, must secure diversified, stable access to key markets while preserving regulatory autonomy and advancing its ambitions in services, digital trade, and climate-aligned finance.<sup>3</sup> Turkey, situated at the hinge of Europe, the Middle East, and Central Asia, seeks to reinforce its position as a manufacturing and logistics hub, crowd in investment under predictable rules, and operationalise its longstanding aspiration to become a regional energy corridor.<sup>4</sup>

A next-generation UK–Turkey agreement should build on the existing continuity FTA rather than replace it. Goods trade is already within that framework, where EU standards and Turkey’s Customs Union obligations remain central; any upgrades on customs facilitation, rules of origin, or conformity assessment should respect that legal architecture. The added value of a new deal should therefore come primarily from credible, bilateral arrangements beyond goods—services mobility, mutual recognition of selected professional qualifications, data and digital trade safeguards, investment protection and dispute-avoidance, public procurement transparency, and energy-transition cooperation. In these areas, the goal is to enable de-risking without decoupling through UK–Turkey interoperability where feasible, not to make EU regulatory alignment a criterion for the UK agreement—especially since there is no EU–Turkey services accord. This approach preserves goods-sector coherence with EU rules

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<sup>2</sup> Vinod K. Aggarwal and Andrew W. Reddie, “Economic Statecraft in the 21st Century: Implications for the Future of the Global Trade Regime,” *World Trade Review* 20, no. 2 (2021): 137–151.

<sup>3</sup> Thomas Smith, Mathew Sim, Icaro Rebolledo, Danae Ellina, and Christos Tsoukalis, “Making Trade Work Again: Resetting the UK’s Trade Strategy for a Changing World,” Tony Blair Institute for Global Change, May 22, 2025, <https://institute.global/insights/economic-prosperity/making-trade-work-again-resetting-the-uks-trade-strategy-for-a-changing-world>

<sup>4</sup> West World Way, “Turkey: A Strategic Logistics Hub Between Asia and Europe,” West World Way, n.d., accessed November 12, 2025, <https://westworldway.org/turkey-strategic-logistics-hub-asia-europe/>

while allowing the two countries to design pragmatic, bilateral solutions in services and the new economy.

Both countries inherit the legacies of former empires—networks, diasporic linkages, diplomatic reach, and reputational expectations. In practice, this translates into an imperative to demonstrate capacity for rule-based delivery rather than headline-centric diplomacy. An upgraded agreement offers a practical vehicle to project stability, reinforce policy credibility, and anchor long-term investment. It is not only timely but necessary to lock in complementarities before path dependence sets in through other regional agreements or unilateral regulatory shifts by larger powers. The economic foundation for this upgrade is measurable and resilient. Despite the pandemic, energy shocks, and inflationary pressures, bilateral goods and services trade have continued to expand, driven especially by growth in digital-intensive services and high-value manufactured goods. Trade flows have demonstrated robustness even in periods of geopolitical turbulence.

The strategic rationale is further reinforced by emerging value-chain realignments. As European and global manufacturers seek resilient near-shoring hubs, Turkey’s proximity to the EU single market—combined with its industrial depth—positions it as a crucial production base. For the UK, which must reposition itself as a regulatory and services platform with global reach, Turkey provides a manufacturing and logistics anchor linked into Europe but open to bilateral innovation in digital trade, energy infrastructure, and health services.

### UK–Turkey Complementary Capabilities & Sectoral Synergies

Sector	UK complementary capabilities	Turkey complementary capabilities	Projected synergy areas (examples)
<b>Capital markets &amp; green finance</b>	City of London structuring, global insurers, project finance, ESG/green bond expertise	Large infrastructure & manufacturing pipeline, PPP experience, export finance via Turkish Eximbank	Green bonds & sustainability-linked loans for factory decarbonisation; supply-chain finance for exporters; UKEF/LSE listings; blended finance for renewables
<b>Digital trade &amp; fintech</b>	Open banking leadership, data governance, fintech scale-ups, cyber standards	High e-commerce adoption, strong logistics networks, fast payment rails	Cross-border payments; marketplace integrations; SME digitalisation; data-transfer & trust

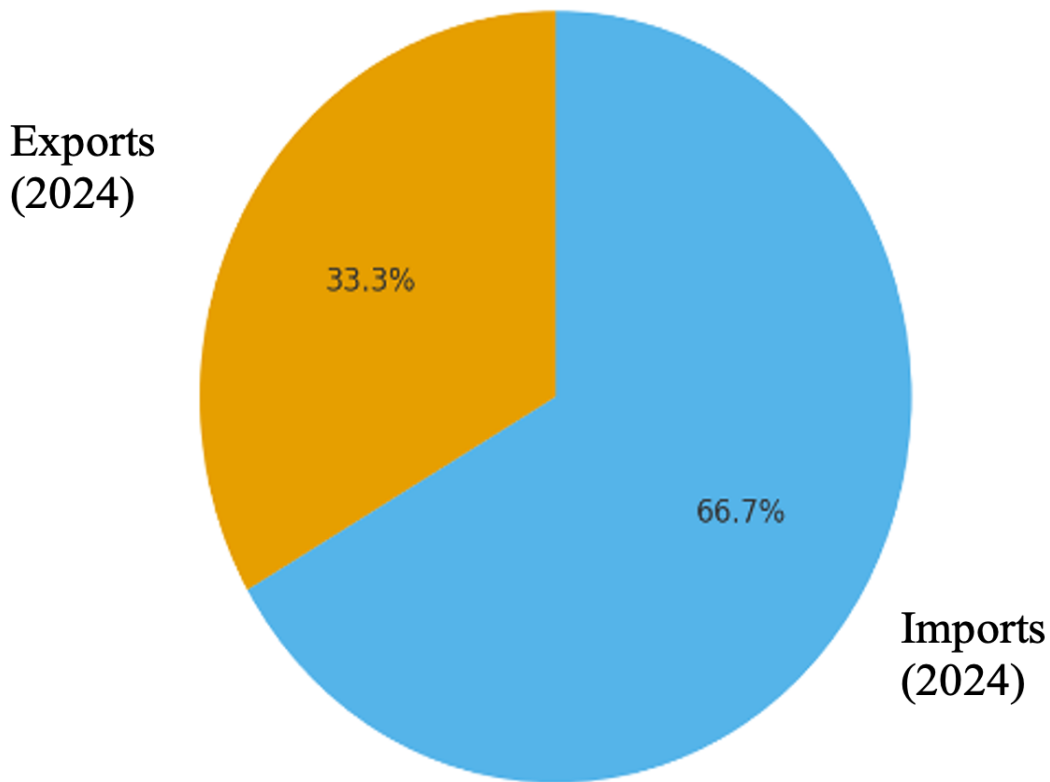
				frameworks; reg-tech sandboxes
<b>Advanced manufacturing &amp; R&amp;D</b>	Design & standards, IP/legal, university labs, testing/certification services	Automotive/white goods/machinery clusters, cost-competitive production, export know-how		EV components & batteries; medical devices; aerospace sub-assemblies; joint labs & testbeds (UKRI-TÜBİTAK calls)
<b>Logistics &amp; supply-chain resilience</b>	Maritime, insurance, ports & brokerage services; AEO/MRA experience	Strategic corridors to EU/ME, road/rail capacity, customs-union know-how		UK-TR-EU corridors; pharma/cold-chain; digital customs pilots; near-shoring for EU
<b>Energy transition &amp; grids</b>	Offshore wind know-how, carbon markets, green finance, legal/arbitration services	Solar/wind build-out, gas hub ambitions, grid expansion & storage needs		Onshore/offshore supply chains; grid modernisation & storage; green hydrogen pilots; energy-efficiency retrofits
<b>Professional &amp; legal services</b>	Legal/arbitration centres, standards bodies, audit/assurance	EPC developers, contractors, municipal project pipeline		JV de-risking, contract standardisation, dispute-resolution hubs, PPP advisory
<b>Higher education &amp; skills</b>	Universities, TNE experience, apprenticeship standards, micro-credentials	Large engineering talent pool, vocational institutes, industry demand		Joint degrees; dual apprenticeships for Industry 4.0; executive education for exporting SMEs

This report therefore presents a negotiation-ready blueprint designed to translate strategic intent into operational delivery. Its organising logic is pragmatic: define the highest-value wedges where early progress is both feasible and politically meaningful; embed legal and institutional tools to manage regulatory interfaces and withstand macro shocks; and build trust through measurable outcomes that can be delivered within a twelve-month horizon. The following sections identify the commercial, regulatory, and geopolitical drivers that make this upgrade essential; outline the constraints and bridging mechanisms; and set out a modular agreement structure that delivers resilience, investment, and strategic autonomy for both economies.

## Baseline Trade Relationship & Strategic Complementarities

Bilateral commerce between the United Kingdom and Turkey has remained resilient in the face of significant global disruptions, including the pandemic, supply-chain shocks triggered by wars in Ukraine and the Middle East, and persistent inflationary pressures.<sup>5</sup> Despite these headwinds, trade volumes have not only recovered from the shocks of 2020–2021 but have expanded meaningfully, underscoring the complementary nature of the two economies. This resilience is not incidental; it reflects deep structural interdependencies over goods, services, investment, and sectoral expertise.

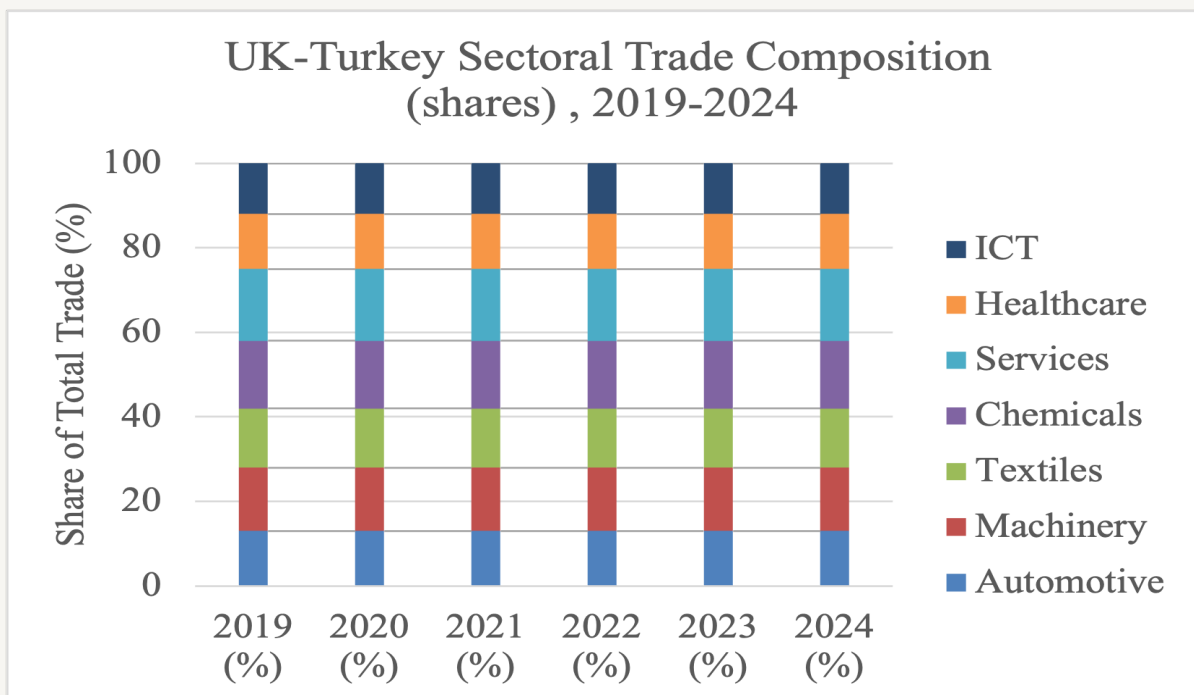
### UK-Turkey Export/Import Breakdown (2024)



Turkish exports to the UK are concentrated in industrial and manufacturing sectors that have developed into globally competitive value chains. These include automotive and components, white goods and electronics, textiles and apparel, machinery, plastics, and refined

<sup>5</sup>Kenneth Rogoff, “The Long-lasting Economic Shock of War,” Finance & Development (IMF), March 2022, <https://www.imf.org/en/publications/fandd/issues/2022/03/the-long-lasting-economic-shock-of-war>

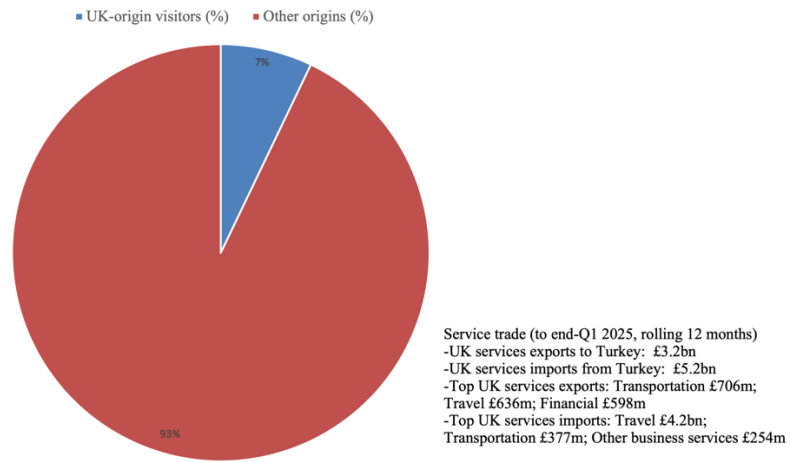
chemicals.<sup>6</sup> The UK is one of Turkey’s top export destinations, consistently ranking as its second-largest export market after Germany. Turkish industry benefits significantly from continued duty-free access, and the UK provides a stable and high-value consumer market with stringent standards that reinforce Turkey’s upgrading trajectory. The UK’s export profile to Turkey, while smaller in aggregate value, is strategically significant. British firms export capital goods, specialty chemicals, pharmaceuticals and pharma intermediates, high-value machinery, medical technologies, and advanced manufacturing inputs. There is also a strong and growing UK surplus in services, particularly in higher education, financial services, legal and professional consultancy, architecture, engineering, creative sectors, and emerging digital services. These sectors align closely with Turkey’s domestic transformation goals and its ambition to shift from an efficiency-based manufacturing economy to a higher value-added, innovation-led economy.



Beyond goods, services are becoming a defining feature of the bilateral relationship. UK education exports—through student mobility, joint degrees, and campus collaborations—have become significant. Professional services, ranging from legal arbitration to financial structuring and insurance, are increasingly embedded in Turkish business operations. At the same time, Turkey has emerged as a competitive provider of ICT, design services, and business process outsourcing to the UK market. Tourism is another major component, with millions of UK citizens traveling to Turkey annually, contributing directly to Turkey’s services surplus.

<sup>6</sup> Department for Business and Trade (DBT), “Exporting from the UK to Turkey: A Market Guide,” Business.gov.uk, n.d., accessed November 12, 2025, <https://www.business.gov.uk/export-from-uk/markets/turkey/>

### Tourism and Services Trade Snapshot : UK-Turkey



Source: UK DBT Factsheet: Turkey Tourism Statistics (2024)

Investment flows mirror these trends. British foreign direct investment in Türkiye is concentrated in manufacturing platforms, logistics, finance, retail, and energy infrastructure. Turkish investment in the UK, while smaller, is growing in logistics, hospitality, digital services, and creative industries. These flows are underperforming relative to potential because of regulatory frictions and legal uncertainty. A credible investment chapter—focused on protection, dispute avoidance and transparent screening—would unlock capital that is currently sidelined. What makes the baseline strategically important is that it reveals not a static trading relationship but one at an inflection point. Goods trade is characterized less by tariff barriers than by non-tariff frictions—duplicative conformity assessments, port delays, uneven customs procedures, and lengthy processes for temporary business mobility. These are precisely the areas where early, high-return interventions can be made. At the same time, trade in services and digital products remains severely underdeveloped relative to its potential. Only a third of UK exports to Turkey are currently services, despite the UK being one of the most services-dominant economies in the world.<sup>7</sup> This indicates significant headroom for growth in legal services, financial intermediation, health services, digital content, fintech, cloud computing and professional training.

On energy, complementarities are even more stark. The UK’s leadership in offshore wind, hydrogen technologies, carbon markets, and green finance directly intersects with Turkey’s ambition to decarbonise its industrial base, reduce carbon border risks, and scale its role as an energy hub. The two economies have aligned interests in green transition finance, carbon measurement and verification, localisation of renewable technologies, and future-proofing supply chains through hydrogen and battery corridors. As services, data, and green transition technologies become the defining arenas of competition, the bilateral relationship

<sup>7</sup> Daily Sabah with AA, “UK Emerges as Türkiye’s Top Destination for Export Boost in July,” Daily Sabah, August 11, 2024, <https://www.dailysabah.com/business/economy/uk-emerges-as-turkiyes-top-destination-for-export-boost-in-july>

must evolve from a tariff-based compact into a strategically managed corridor. The upgrade is therefore not about expanding trade volumes alone; it is about modernising the architecture through which trade takes place, unlocking unrealised complementarities, and building a forward-looking framework that reflects the direction of both economies.

### Structural Complementarities: UK–Turkey (2019–2024)

Domain	UK strengths (2019–2024)	Turkey strengths (2019–2024)	Areas of convergence (examples)	Five-year trend note
<b>EV supply chains</b>	Automotive R&D and standards; design & testing; battery research ecosystem; project/green finance; IP/legal services	Large auto manufacturing base (OEMs & Tier-1s); cost-competitive assembly; emerging EV platforms (e.g., domestic OEM); growing supplier clusters	Joint battery materials & cell production; power electronics; charging networks; recycling; R&D certification; green-bond financing	2019–2024 trend: Policy push for EVs; supply-chain re-shoring; multiple gigafactory and charging commitments; export-oriented Turkish auto growth.
<b>Digital services &amp; fintech</b>	Open banking leadership; fintech scale-ups; cyber assurance; data governance & digital trade know-how	High e-commerce penetration; efficient logistics; fast payment rails; strong developer talent	Cross-border payments; cloud & data services under trust frameworks; SME digitalisation; reg-tech sandboxes; govtech pilots	2019–2024 trend: Surge in fintech adoption and e-commerce; cross-border data and digital trade pilots; rising cyber and trust-framework needs.
<b>Green infrastructure &amp; energy transition</b>	Offshore wind know-how; green finance, carbon markets; legal/arbitration for PPPs; engineering consultancies	Rapid solar/wind build-out; grid expansion & storage needs; gas hub ambitions; EPC contractors	Onshore/offshore supply chains; grid modernisation & storage; hydrogen pilots; energy-efficiency retrofits; blended finance structures	2019–2024 trend: Acceleration in renewables, green-bond issuance, and grid investment; regulatory moves on carbon & ESG disclosure.
<b>Health services &amp; life sciences</b>	Clinical trials networks; pharma/biotech R&D; MHRA regulatory expertise; digital health & AI; university hospitals	Healthcare operators & health tourism capacity; med-tech assembly; generics & biosimilars production; fast-growing private hospitals	Trial site partnerships; telehealth & diagnostics; med-tech manufacturing for export; licensing & co-development; patient pathways for medical travel	2019–2024 trend: Post-pandemic rebound in health services and medical travel; expansion of clinical research and digital health tools.

In essence, the baseline demonstrates both urgency and opportunity. It confirms that the relationship has already moved beyond traditional manufacturing trade, and it identifies the precise points where operational fixes, regulatory alignment, and targeted liberalisation can generate immediate economic and strategic returns. It sets the stage for the transition from resilience by default to resilience by design.

### Constraints of the Customs Union and the Strategic Window for Turkey

Turkey's existing trade architecture is shaped profoundly by its Customs Union with the European Union, in force since 1995.<sup>8</sup> While the Customs Union has been central to the expansion and upgrading of Turkey's manufacturing sector, it also imposes structural constraints on Turkey's ability to conduct an autonomous trade policy in key areas. Under this framework, Turkey aligns its external tariffs on industrial goods with the EU's Common External Tariff and is expected to mirror the EU's trade agreements with third countries, despite not being part of the EU's decision-making structures. This asymmetry means that when the EU signs an FTA, Turkey must open its market to the same partner to avoid trade diversion yet does not automatically receive reciprocal access unless it negotiates separate agreements. The situation became particularly salient following the United Kingdom's departure from the EU. Turkey could not conclude its own agreement with the UK until the EU had reached the Trade and Cooperation Agreement, despite the UK being one of Turkey's largest export markets and a central destination for manufactured goods.

The 2020 UK–Turkey FTA therefore functioned primarily as a continuity arrangement, essential to preserve tariff-free access in goods but limited in scope. It replicated much of the Customs Union's provisions for industrial goods, leaving untouched the very areas that now define economic competitiveness: services, digital trade, public procurement, intellectual property, data governance, investment protection, and the transition to net-zero industrial ecosystems. However, this institutional constraint is also the reason the current upgrade presents a historic window. Unlike EU-driven agreements, a bilateral arrangement with the UK allows Turkey to engage in next-generation trade policy in domains that fall outside the Customs Union's remit. These include services liberalisation, financial cooperation, regulatory alignment in digital and data-intensive sectors, green industrial policy coordination, and structured mobility schemes for business professionals and researchers.

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<sup>8</sup> Mehmet Demirbaş, Ali Arslan, ve Mustafa Enes Esen, *Modernizing the Turkey–EU Customs Union: Issues and Prospects* (Brüksel: InstituDE – Institute for Diplomacy and Economy, Mart 2025), <https://www.instituDE.org/report/modernizing-the-turkey-eu-customs-union-issues-and-prospects>

This opportunity does not come without risks. Turkey must navigate the relationship with the EU carefully to avoid regulatory divergence that could complicate its Customs Union commitments. The interface between UK rules and EU rules is therefore central to the architecture of the upgraded agreement. An upgraded UK agreement can become a template for a modernised customs union, demonstrating how Turkey can deepen economic integration with a major partner while remaining aligned with, but not bound to, EU regulatory frameworks.

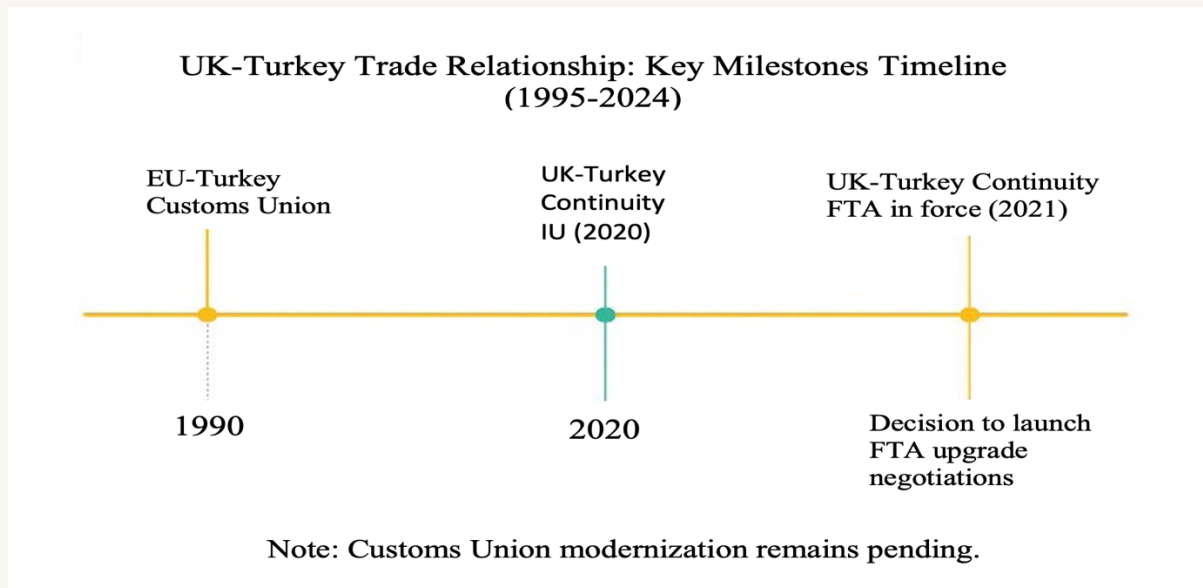
Recent developments indicate that Turkey is already testing this approach. In 2024–25, Turkey and the UK concluded an annex on Technical Barriers to Trade (TBT) for motor vehicles and chemicals, explicitly mirroring provisions contained in the EU–UK Trade and Cooperation Agreement.<sup>9</sup> This alignment signals that Turkey can negotiate autonomous agreements that are compatible with both the EU framework and its own industrial policy objectives. It also highlights the dual imperative of compliance and flexibility: Turkey must maintain regulatory convergence where it underpins market access, while gaining room to manoeuvre in strategic sectors such as data governance, investment screening, digital platforms, energy transition technologies, and green finance.

At the same time, the constraints facing the Customs Union are increasingly obvious to Turkish policymakers. The EU–Turkey Customs Union has not been updated for nearly three decades. It does not cover services, agriculture in a comprehensive manner, e-commerce, or digital trade. As global trade shifts decisively into these domains, maintaining the status quo poses a competitiveness risk for Turkey. The upgraded FTA with the UK is therefore not only a bilateral negotiation but a signal to Brussels: it represents proof-of-concept for the reforms Turkey has long argued are necessary. It shows that Turkey can move forward with modernisation where political roadblocks in the EU have caused stagnation.

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<sup>9</sup> Cem Cetinguc, “Türkiye–UK Trade Pact Eases Technical Barriers, Boosting \$8B in Key Sectors,” P.A. Turkey, May 9, 2025, <https://www.paturkey.com/news/2025/turkiye-uk-trade-pact-eases-technical-barriers-boosting-8b-in-key-sectors-20454/>

## UK–Turkey Trade Relationship: Key Milestones



### Milestones

- 1995 – EU–Turkey Customs Union enters into force
- 2020 – Brexit: UK leaves the EU
- 2021 – UK–Turkey Continuity FTA enters into force
- 2024 – Decision to launch upgrade negotiations for a modernised agreement
- Status – Customs Union modernization still pending

This strategic window is amplified by economic logic. The UK is simultaneously one of Turkey’s top export markets and a leading surplus partner, generating a bilateral trade surplus that materially contributes to Turkey’s current-account objectives. Losing competitiveness in this market is not an option. Preserving goods access is necessary but no longer sufficient; as European regulatory pressures tighten and supply chains are reconfigured, Turkish producers must align with high-standard compliance regimes in areas such as carbon disclosure, product traceability, and digital security. A modern UK–Turkey agreement can provide the regulatory bridge that keeps Turkish firms integrated into European and transatlantic value chains while elevating their attractiveness to global investors. Moreover, for Turkey, the political and symbolic dimension is not trivial. Negotiating a next-generation agreement with a G7 economy that has left the EU demonstrates strategic autonomy and diplomatic relevance at a time when accession talks with Brussels remain frozen. This is a delicate but powerful position: it creates leverage vis-à-vis the EU by illustrating the opportunity cost of inaction in updating the Customs Union.

In short, while the Customs Union constraint is real, it is not unprecedented for Turkey to pursue modern trade agreements beyond the EU framework. The Turkey–Singapore FTA already demonstrated Ankara’s ability to negotiate advanced provisions independently. The UK–Turkey FTA upgrade would therefore not be the “first” such opportunity in decades, but

rather the most strategically significant one with a major economic partner. Its real value lies in complementing, rather than passively replicating, EU rules—using the flexibility already embedded in Turkey’s trade policy. This agreement can serve both as an economic instrument and a geopolitical signal, reinforcing Turkey’s position as a rules-anchored and strategically autonomous actor in an increasingly competitive geoeconomic landscape.

### **Strategic Architecture: From Tariffs to Plumbing**

The defining feature of a next-generation UK–Turkey agreement is not further tariff liberalisation—industrial goods are already largely duty-free—but the modernisation of the regulatory and procedural systems that govern how trade functions. The competitiveness frontier now lies in what businesses experience in real time: how long goods wait at the border, whether conformity assessments must be duplicated, how quickly service providers can deploy staff across borders, whether data can lawfully be transferred to execute contracts, and whether investment disputes are resolved predictably. In this context, an upgraded agreement must focus first on “plumbing”—the invisible architecture of standards, procedures and trusted frameworks—before extending into broader liberalisation of services, investment, procurement and green transition chapters.

The rationale remains pragmatic, but the structure should not be framed as strictly sequential. Modern FTAs, including Turkey’s Customs Union itself, have been modular in design—allowing different policy areas to be negotiated and implemented in parallel rather than in a linear sequence. In the case of the UK–Turkey FTA, the agreement can incorporate multiple modules from the outset—covering customs facilitation, digital trade, mobility, and mutual recognition—while leaving room for future deepening. This modular architecture enables flexibility and early operational wins without artificially delaying advanced areas of cooperation. In other words, credibility will come not from a step-by-step timeline but from embedding practical and politically feasible commitments within a comprehensive framework from the start.

The first module centres on customs and trade facilitation. Modernising customs procedures through end-to-end electronic certification, advance rulings, risk management systems, and the mutual recognition of Authorised Economic Operator (AEO) schemes can

dramatically reduce port dwell times and administrative unpredictability.<sup>10</sup> These measures restore the speed and reliability that underpin modern supply chains and directly support Turkey's ambition to be a logistics corridor between Europe and Asia while enabling UK businesses to maintain resilient access to diversified suppliers. The establishment of single-window systems for digital documentation and the mutual recognition of sanitary and phytosanitary certificates—initially in a limited set of sectors—would further operationalise this agenda. These changes are not symbolic; they are measurable in hours saved, freight costs reduced, and clearance efficiency improved.

The second module should adopt a broader and more ambitious approach to services liberalisation. The continuity FTA left this area largely untouched, even though services are the principal driver of the UK economy and a critical enabler of Turkey's industrial upgrading and knowledge transfer. Rather than focusing narrowly on Mode 4 (temporary movement of natural persons), a modern agreement should address all four Modes of service delivery—cross-border supply, consumption abroad, commercial presence, and temporary movement—allowing for a comprehensive and future-oriented liberalisation framework. Mobility provisions for business professionals, engineers, installers, researchers, and creative sector personnel can remain an important component, but they should be embedded within a broader architecture that facilitates trade in services across sectors. Crucially, this should not be tied solely to mutual recognition of diplomas or qualifications. Instead, the agreement should establish clear, ambitious commitments that enable services market access and regulatory cooperation in a manner consistent with both parties' strategic economic interests.

Digital trade forms the third module and is arguably the most strategically important frontier of bilateral cooperation. In a world of data sovereignty and cybersecurity concerns, lawful cross-border data flows require robust yet privacy protections, trusted digital identity frameworks, and clear rules on source code, encryption and algorithmic security. A dedicated digital protocol would anchor these principles, enabling businesses to deliver cloud services, engage in digital payments and contract electronically without facing bespoke national restrictions. Such a protocol would also provide a legal foundation for cooperation in artificial intelligence governance, digital signatures, e-invoicing and cybersecurity incident response—areas where both countries seek to shape international standards rather than passive acceptance of third-party rules.

Investment and procurement form the fourth pillar. The current framework does not provide sufficient predictability for investors, particularly considering Turkey's dynamic regulatory environment. A modern investment chapter would not replicate old-style investor-state dispute settlement mechanisms but would instead create a staged dispute-avoidance process prioritising transparency, consultation and mediation before any binding arbitration. This approach acknowledges Turkish sensitivities while reassuring UK investors. Public procurement, particularly in strategic sectors such as renewable energy, digital infrastructure

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<sup>10</sup> Wanyu Chung and Antonio Navas, "Can Facilitators in International Supply Chains Help to Alleviate Post-Brexit Trade Disruption?," UK in a Changing Europe, November 4, 2020, <https://ukandeu.ac.uk/can-facilitators-in-international-supply-chains-help-to-alleviate-post-brexit-trade-disruption/>

and health services, represents a major area of untapped potential. Greater transparency through electronic procurement portals, publication standards and integrity clauses would attract competition without undermining domestic policy autonomy.

Energy and the green transition comprise the fifth module, reflecting the strategic convergence between the UK's climate leadership and Turkey's emerging role as an energy corridor and green manufacturing hub.<sup>11</sup> A dedicated chapter would align carbon measurement, reporting and verification standards with CBAM requirements, facilitate joint investment in wind components, hydrogen projects and grid integration, and enable access to green finance. Cooperation on hydrogen certification, battery passports and lifecycle emissions accounting would help future-proof Turkish exports against upcoming regulatory shifts in European and global markets while expanding UK access to reliable manufacturing platforms. Agriculture and sensitive sectors would be approached incrementally, using calibrated mechanisms such as tariff-rate quotas and seasonality-based safeguards. Rather than seeking full liberalisation, the agreement would establish a framework for gradual opening tied to measurable outcomes and review clauses, allowing both sides to manage political sensitivities without derailing broader progress.

### **Economic Security Payoff and Strategic Autonomy**

The upgrade of the UK–Turkey Free Trade Agreement must be understood not only as a commercial exercise, but as an instrument of economic security and strategic positioning for both countries. In an era where economic resilience has become synonymous with national resilience, and where trade agreements function as the operating systems of strategic interdependence, this agreement provides a platform for each country to mitigate external risks, diversify dependencies, and convert uncertainty into opportunity.

For Turkey, the economic security dimension is immediate and multifaceted. Its dependence on the European Union market—while foundational to its industrialisation—is also a source of vulnerability. Political tensions, regulatory divergence, and climate-related market restrictions such as the Carbon Border Adjustment Mechanism expose Turkish exporters to rising compliance costs and potential erosion of market access. By deepening ties with the United Kingdom—a G7 economy outside the EU framework—Turkey is diversifying its trade architecture in a way that reduces over-reliance while reinforcing complementarity.<sup>12</sup> The upgraded FTA is one of the few avenues available to Turkey to engage in high-standard trade negotiations beyond the constraints of the Customs Union, thereby exercising strategic autonomy in areas the EU has left untouched, namely digital trade, services, investment, and public procurement.

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<sup>11</sup> Francesco Siccardi, *Understanding the Energy Drivers of Turkey's Foreign Policy* (Brussels: Carnegie Europe, February 2024), <https://carnegieendowment.org/research/2024/02/understanding-the-energy-drivers-of-turkeys-foreign-policy?lang=en>

<sup>12</sup> Charles Lichfield, *Turkey in the Changing Transatlantic Trade Environment* (Atlantic Council, September 30, 2025), <https://www.atlanticcouncil.org/in-depth-research-reports/report/turkey-in-the-changing-transatlantic-trade-environment/>

At the same time, the agreement operationalises Turkey’s ambition to become a trusted energy corridor and manufacturing hub for the broader region. The UK’s leadership in green finance, hydrogen technologies, carbon markets, and offshore wind directly intersects with Turkey’s goals to decarbonise its industrial base and monetise its geographic position as a conduit for East–West energy flows. Embedding cooperation on green industrial policy, lifecycle emissions accounting, and renewable infrastructure investment would future-proof Turkish exports while crowding in foreign direct investment into domestic sectors that are central to Turkey’s long-term competitiveness. In this sense, the agreement is not simply defensive—it is developmental. It is a tool through which Turkey can re-anchor investor expectations and align itself with the emerging rules of the green economy.

For the United Kingdom, economic security lies in diversification and resilience. Having exited the European Union, the UK must build durable access to supply chains that are both commercially efficient and strategically reliable. Turkey offers precisely that combination: a proximate, industrialised economy with deep integration into European manufacturing networks, significant logistics capacity, and an expanding role in energy transit. By securing a robust bilateral framework now, the UK reduces exposure to single-point failures in global supply chains—whether from geopolitical disruptions, sanctions volatility, or climate-related regulatory shifts. Moreover, as services become the dominant source of UK global competitiveness, securing regulatory interoperability with a dynamic production centre like Turkey extends the reach of the UK’s digital, financial, and educational ecosystems into new markets, multiplying their strategic value.

This agreement also enhances the economic sovereignty of both parties. For Turkey, it demonstrates to domestic and external audiences that it can shape its own trade destiny rather than reacting to decisions taken in Brussels. For the UK, it affirms its post-Brexit objective of acting as a rule-shaper through strategic bilateral deals grounded in mutual trust, rather than relying solely on multilateral institutions whose influence is diminishing. In geopolitical terms, the agreement gives both countries leverage: Turkey gains a hedge against EU political conditionality, while the UK gains a secure anchor in the Eastern Mediterranean—a region of growing strategic competition over energy corridors, digital infrastructure, and geopolitical influence.

Beyond these macro considerations, the agreement directly contributes to resilience in critical supply chains. The pandemic and subsequent geopolitical tensions revealed the fragility of long-distance just-in-time models and the strategic risks of dependence on a single geography or regulatory system. The UK–Turkey corridor offers an alternative: a diversified manufacturing base within reach of European and Middle Eastern markets, governed by predictable rules on digital flows, technical standards, investment screening, and dispute resolution. For sectors such as pharmaceuticals, medical devices, automotive components, green technologies, and digital services, this corridor can be engineered to function as a stabilising node in the face of global fragmentation.

In policy terms, the agreement should be conceptualised not merely as a trade facilitation mechanism but as a strategic instrument for domestic regulatory transformation and

international standard-setting. For Turkey, a next-generation FTA with the UK offers a unique opportunity to use external commitments as a catalyst for modernising its legal and regulatory frameworks—particularly in the services sector, where legacy provisions continue to impose significant structural rigidities. By aligning with high-standard disciplines on services, data governance, carbon regulation, and digital trust, the agreement could serve as an impetus for legislative revision, enhancing market efficiency, regulatory predictability, and overall investment attractiveness. For the UK, the FTA would enable diversification into a strategically important market without compromising regulatory integrity, thereby consolidating its role as a norm-shaper in key twenty-first-century economic domains. More broadly, the agreement can function as a platform through which both parties shape emerging geoeconomic standards rather than merely adapting to those defined by major power blocs. This framing situates the FTA at the intersection of economic security and strategic governance: it strengthens domestic reform incentives, reinforces institutional credibility, attracts capital, and embeds both actors more deeply within high-standard global value chains. In this sense, it reflects the dual role of modern trade agreements as both external economic instruments and internal regulatory accelerators.

### **Sectoral Gains and Strategic Value Chains**

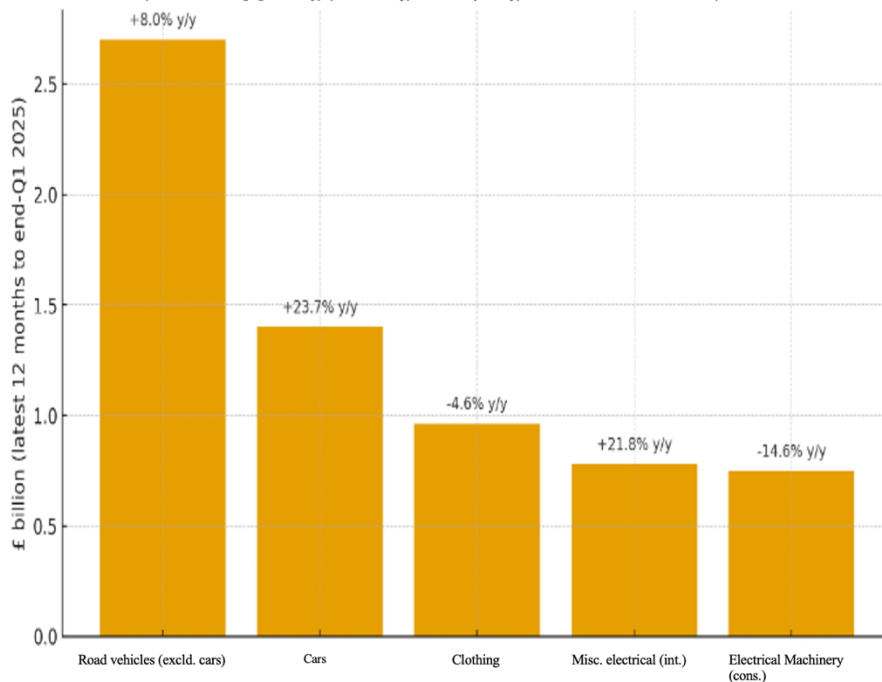
The strategic logic for upgrading the UK–Turkey Free Trade Agreement is most clearly demonstrated through sector-level dynamics, where complementarities are already visible and measurable. The existing trade relationship is not static; it is evolving toward higher-value segments in manufacturing, logistics, digital services, and healthcare. Each of these sectors illustrates—not abstractly, but concretely—how modernising the architecture of trade from tariffs to trust-based regulation can unlock immediate commercial gains while building long-term economic resilience and strategic leverage.

Manufacturing remains the backbone of Turkey’s export relationship with the UK, particularly in automotive production, white goods, electronics, machinery and precision components. The UK is a core market for Turkish vehicle and parts manufacturers, not only due to tariff-free access, but because UK demand is increasingly shaped by regulatory requirements relating to safety standards, digital compliance and carbon disclosure. A modernised FTA that includes mutual recognition of conformity assessments and testing data in defined automotive subcategories would reduce duplicate certification, shorten time-to-market, and provide a competitive advantage to Turkish firms integrated into European supply chains. The same logic applies to machinery, electronics and chemical products, where regulatory interoperability can compress costs and attract new British investment into Turkey as a base for regional manufacturing. As the UK scales its green industrial strategy—including ambitions in electric vehicles, battery storage, wind energy components and hydrogen technology—Turkey offers a proximate, cost-competitive hub capable of supplying these value chains under trusted rulesets.<sup>13</sup>

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<sup>13</sup> ExportWise, “Why Turkey?,” ExportWise, August 28, 2024, <https://exportwise.co.uk/2024/08/28>

**Top Turkish Manufacturing Exports to the UK**  
 (Values and y/y change; overall goods import growth since 2019: +64%)



Notes: Values from UK DBT 'Turkey - UK Trade and Investment Factsheet' (4q to end-Q1 2025). Per-category growth since 2019 requires ONS 'country-by-commodity imports' time series.

The logistics sector similarly stands to gain from a framework that prioritises trade facilitation. Turkey’s geography gives it a unique position as a transit hub linking Europe, the Black Sea, the Middle East and Central Asia.<sup>14</sup> Yet current trade is slowed by fragmented customs procedures, uneven risk profiling, paper-based documentation and limited recognition of trusted trader schemes. Establishing single-window interoperability, electronic certification and Authorised Economic Operator (AEO) recognition would reduce port dwell times and insurance premia, stabilise freight flows, and strengthen Turkey’s position as a gateway for UK firms seeking diversified supply chains. For the UK, enhanced logistics connectivity with Turkey does not merely support goods trade—it provides strategic insurance against maritime disruptions, sanctions exposure and supply bottlenecks emanating from more politically volatile corridors.

Digital trade is arguably the most transformative area of potential. The UK is a global leader in services and digital innovation, while Turkey has rapidly developed its ICT, fintech and software sectors. Yet digital flows between the two countries are constrained by legal uncertainty around data localisation, privacy, cybersecurity standards and cloud contracting. A dedicated digital trade chapter—anchoring lawful cross-border data flows, protecting source code, recognising digital signatures and enabling cloud interoperability—would create the regulatory certainty required for firms to scale digital services across jurisdictions. This would directly benefit Turkish software exporters, gaming companies, fintech providers and digital marketing firms, while allowing British cloud, finance and education services to expand into a

<sup>14</sup> Kali Robinson, “Turkey’s Growing Foreign Policy Ambitions,” Council on Foreign Relations (last updated July 11, 2023), <https://www.cfr.org/background/turkeys-growing-foreign-policy-ambitions>.

large, dynamic market. By embedding trusted rules for data governance, the agreement would also future-proof bilateral trade against proliferating digital sovereignty agendas.

Healthcare and the life sciences present a distinct opportunity that blends economic and strategic interests. Turkey has established itself as a competitive destination for medical tourism, attracting a significant number of UK patients seeking cost-effective, high-quality elective procedures. However, without structured frameworks around regulatory recognition, data-sharing, clinical standards and patient rights, the sector remains vulnerable to reputational and legal risks. A health annex could institutionalise mutual reliance on GMP inspections, streamline approvals for pharmaceuticals and medical devices, and establish pathways for cross-border healthcare provision and clinical-trial cooperation. This would both monetise a fast-growing services flow and lift standards in ways that build trust and protect patients. Simultaneously, UK medical technology firms would gain predictable pathways to Turkish markets, and Turkish pharmaceutical manufacturers would be better positioned to meet UK regulatory requirements for export.

Services more broadly—legal, financial, educational, engineering, creative and professional—remain underdeveloped relative to their potential. Services account for only around one-third of UK exports to Turkey, far below the UK’s global average, suggesting significant headroom. Mobility restrictions and lack of mutual recognition of qualifications currently act as binding constraints. A narrowly scoped mobility framework, designed specifically for project-based, time-bound deployments, would unlock these flows without touching general migration policy. Higher education and research can form the backbone of a long-term strategic partnership: UK universities already attract Turkish students and collaborate on research, but deeper institutional cooperation—joint degrees, mutual credit recognition, research mobility—requires legal certainty on data, IP, and professional accreditation.

Taken together, these sectors demonstrate that the UK–Turkey relationship is no longer defined by tariffs, but by frictions in the regulatory plumbing of the twenty-first-century economy. Their resolution is not abstract: it would translate immediately into reduced costs, faster approvals, more investment, higher service exports and greater resilience across critical supply chains. A modernised FTA is therefore not a theoretical construct, but the practical mechanism through which complementary capacities can be activated and scaled. It is in these sectoral dynamics that the upgrade reveals its full strategic and economic significance: turning proximity and capability into trust-based, future-ready connectivity.

### **Red Lines, Political Feasibility, and Governance Architecture**

The credibility of any upgraded UK–Turkey agreement will depend on its ability to navigate clear political red lines while offering enough strategic and economic value to justify the effort of negotiation and ratification. Both countries are willing to deepen their partnership, but neither will compromise on core sovereign priorities. The success of the agreement therefore lies not in avoiding these constraints but in designing around them with institutional

intelligence—transforming potential stumbling blocks into structured pathways for cooperation.

For the United Kingdom, the preservation of regulatory autonomy is non-negotiable.<sup>15</sup> Any agreement must respect the UK’s right to set its own standards in data protection, environmental regulation, public health, labour protections and digital governance. The UK will also not reopen general migration policy through an FTA; any mobility provisions must be narrowly scoped to business visitors, service providers and research personnel, with clear security and eligibility safeguards. London will insist on enforceable disciplines around intellectual property, transparency in procurement, and protection of sensitive technologies. Equally, the UK will not allow trade commitments to dilute its sanctions enforcement or export control regimes, especially given global tensions around dual-use technologies and financial compliance.

On the Turkish side, the overriding constraint is its Customs Union with the European Union. Turkey cannot autonomously change tariffs on industrial goods or agree to provisions that are incompatible with EU technical regulations without risking legal and economic repercussions. Turkey will also guard its agricultural sector through seasonal protections and safeguard mechanisms and will seek to retain policy space in data localisation, industrial promotion and the strategic use of state-owned enterprises. Mobility—and especially anything approaching labour access—must be structured in a way that is politically defensible to domestic constituencies. Crucially, Turkey seeks recognition of its development trajectory; it will resist any perception of accepting a subordinate regulatory status or constraints that could limit its industrial upgrading ambitions.

These red lines are real but not irreconcilable. In fact, the architecture of the agreement is explicitly designed to bridge them through precision and sequencing rather than maximalism. The mechanism for doing so is a set of technical instruments and governance structures that make space for flexibility while preserving legal clarity. An “Interface Protocol” can map chapter-by-chapter alignment with EU law, identifying where parallel commitments are feasible and where bespoke arrangements are needed. This protocol ensures that the upgraded FTA does not create divergence for Turkey *vis-à-vis* the EU, but instead enhances regulatory interoperability. Similarly, mobility can be addressed through a tightly defined annex limited to specific categories—corporate transferees, project-based engineers, creative professionals and researchers—under time-bound stays with robust vetting procedures. This addresses the UK’s desire for controlled mobility while providing Turkey with meaningful, practical channels that support industrial and knowledge cooperation.

Agricultural sensitivities can be managed through tariff-rate quotas and seasonality-based liberalisation, rather than blanket access. In digital trade, the concept of interoperability rather than identity provides the key. The agreement can commit both sides to high-level

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<sup>15</sup> Herbert Smith Freehills Kramer (HSF Kramer), “UK Government Note Clarifies ‘No Deal’ and Data Protection,” HSF Kramer Notes (blog), January 4, 2019, <https://www.hsfkramer.com/notes/data/2019-01/uk-government-note-clarifies-no-deal-and-data-protection>.

privacy standards and cyber protections while allowing them to maintain their own legal regimes, if data can flow under trusted conditions. For investment protection, dispute avoidance mechanisms that prioritise consultation and mediation can replace adversarial arbitration, thereby balancing investor confidence with Turkey’s desire to avoid legacy vulnerabilities associated with investor-state dispute settlement.

The linchpin of this architecture must be an effective and enforceable governance framework that goes beyond coordination and monitoring. A modern FTA cannot rely solely on a joint committee to ensure its smooth functioning; it must embed clear and credible mechanisms for dispute prevention and resolution. This should include a mandatory, rules-based dispute settlement system with defined procedures and timelines, providing legal certainty and ensuring compliance. A lean Joint Implementation Unit composed of senior officials from both sides can serve as the first line of defence, tasked with early warning, monitoring, and the informal resolution of emerging issues across customs, digital, investment, higher education, and energy. However, in cases where consensus cannot be reached, disputes should automatically escalate to a binding dispute settlement mechanism, such as a dedicated arbitration panel or a neutral third-party procedure, to ensure that obligations are enforceable rather than aspirational. To complement this formal structure, a Standing Business and Universities Forum would provide structured, non-binding input from the private sector and academia, keeping the agreement aligned with real economy needs. Finally, quarterly dashboards and transparent performance reporting would sustain accountability and political momentum. In this way, the agreement would combine flexibility with legal enforceability—ensuring both adaptability and credibility over time.

By embedding these mechanisms at the core of the agreement, the FTA becomes resilient to political turnover or macroeconomic shocks. It shifts from an aspirational document to an operational system, capable of absorbing volatility while continuing to deliver incremental gains. This is the essential bridge between political feasibility and economic ambition: a governance model that recognises red lines not as obstacles but as parameters for a durable, adaptive, and strategically meaningful bilateral framework.

## Conclusion and Policy Recommendations

Taken together, the evidence indicates that upgrading the UK–Turkey trade relationship is no longer a question of marginal tariff adjustments but of building a trusted corridor that can withstand regulatory churn, geopolitical shocks and supply-chain volatility. The two economies are structurally complementary: the United Kingdom’s strengths in finance, legal and professional services, higher education, standard-setting, and digital trade governance align with Turkey’s manufacturing depth, logistics connectivity, diversified industrial base and energy transition ambitions. Yet a substantial share of this potential is trapped behind practical frictions—customs bottlenecks, duplicative conformity assessment, patchy mobility routes for specialists, uncertain rules for cross-border data, and investment-related predictability gaps. A next-generation framework should therefore prioritise “plumbing before ambition”: improve how goods, services, data and people move, generate early operational gains, and only then



Improve procurement transparency in strategic domains such as digital, renewables and health through e-portals, publication standards, integrity clauses and predictable timelines, with pilots that facilitate SME participation. Manage the European Union interface explicitly with a short protocol mapping chapter-by-chapter alignment in goods, technical barriers and data, ensuring the upgrade complements Customs Union obligations while fully exploiting non-CU domains—services, digital and investment. Finally, embed delivery through a joint implementation unit with delegated authority across customs, digital, investment, education and energy, supported by a business-and-universities forum and a quarterly public dashboard that tracks clearance times, mutual-recognition approvals, mobility-channel usage and green-finance volumes. By front-loading operational credibility, protecting sensitive red lines and institutionalising problem-solving, the UK and Turkey can convert complementary structures into durable connectivity and a replicable model of de-risking without decoupling.



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