

# Made in Europe: The EU–Türkiye Strategic Misunderstanding

*When industrial sovereignty conflicts with industrial integration*

AUTHORS

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**EXECUTIVE SUMMARY**

The EU’s proposed Industrial Accelerator Act (IAA) would attach European-content requirements to selected public procurement and support schemes. For Türkiye, whose industry has been woven into European production networks through three decades of Customs Union integration, the question is whether these rules will treat that integration as an asset or disregard it. This paper argues that the Commission’s proposal already offers a conditional basis for treating Customs Union content as comparable to EU-origin content, and that negotiations should preserve this principle while grounding any restrictions in transparent economic and security evidence—with cross-border automotive networks such as Ford Otosan as the test case.

*Industrial sovereignty should be assessed by these outcomes, not inferred from the place of production alone.*

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## **I The Strategic Misunderstanding**

On 13 October 2026, Türkiye and the EU met in Brussels to discuss the future of their economic relationship.<sup>1</sup> Competitiveness, resilient supply chains and the proposed Industrial Accelerator Act (IAA) were all on the agenda. Ankara’s message was that thirty years of Customs Union integration had made Turkish industry part of the European production ecosystem, and that new European preference rules should not disrupt the supply chains built around it. Three days later, France and Germany announced a common position on the future of European automotive manufacturing, reinforcing the political momentum behind European-content requirements.<sup>2</sup> The juxtaposition reveals a tension in how the two sides approach the same industrial relationship. Ankara sees the potential exclusion of Turkish production as a challenge to three decades of integration; Brussels focuses on domestic production, reciprocity and economic security. Neither side necessarily misunderstands the other. They attach different strategic meanings to the same economic ties, and the emerging rules must reconcile those priorities without undermining European competitiveness.

Both approaches have a rationale. The EU wants public resources to generate employment, technological capacity and investment within its territory, while reducing dependence on unreliable suppliers. Türkiye, meanwhile, is neither an EU member nor an ordinary third-country exporter. The Customs Union encouraged manufacturers to distribute production, sourcing and investment across

the EU–Türkiye border. Automotive, machinery and components have developed as integrated industrial networks. A new preference regime that rewards geography can therefore change the incentives governing production systems previously organised around economic integration.

This is not simply a dispute about whether Türkiye deserves an exception. It concerns what European industrial sovereignty is intended to achieve. If the objective is more EU-based production regardless of cost, narrow territorial rules have an obvious logic. If the objective is a more competitive, resilient and secure European industrial base, the value created by trusted production partners also matters. The two objectives may overlap, but they are not identical. Their tension should be tested against actual supply chains rather than settled by political labels.

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## Three European Positions, No Final Rule

The Commission's IAA proposal, published on 4 March 2026, seeks to support strategic manufacturing through European-content and low-carbon requirements in selected public procurement and public-support schemes.<sup>3</sup> It is not a universal origin rule for all goods sold in the EU. Crucially, the proposal also provides conditional mechanisms through which content from certain trade partners, including in relevant circumstances customs-union partners, may be treated comparably to Union-origin content. This is neither an unconditional guarantee for Turkish producers nor categorical exclusion. Eligibility depends on the instrument, the legal conditions and the final legislative text.

Three distinct developments must be kept separate. First, the Commission has tabled a proposal that includes differentiated treatment of external partners. Second, the European Parliament is considering amendments, some of which would put greater weight on reciprocity, economic security or political alignment.<sup>4</sup> An amendment is a negotiating position, not adopted EU policy. Third, the Franco-German automotive position is an influential political intervention, but it does not itself change the IAA.<sup>5</sup> Reported approaches to the United Kingdom may also rest on institutional circumstances different from Türkiye's Customs Union relationship. None of these positions establishes the final legal outcome.

The uncertainty already matters. Industrial investment has a longer horizon than EU legislative bargaining. Manufacturers choosing where to locate a future assembly line, component plant or research operation must form expectations today about tomorrow's eligibility rules. A sustained perception that Turkish content will count for less can divert future investment before any final law takes effect. This is why an accurate account of the legislative process is necessary—but not sufficient. The larger question is what different possible rules would do to European industry.

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## The Competitiveness Test: Ford Otosan

Ford Otosan illustrates the problem better than aggregate bilateral trade figures. Its manufacturing network spans Türkiye and Romania, placing interconnected production facilities on different sides of the EU's institutional border. According to company reporting, Ford Otosan exported approximately 603,000 vehicles in 2025: about 400,000 from Türkiye and 203,000 from Romania. It also reported

accounting for 79% of Ford’s European commercial-vehicle sales.<sup>6</sup> These figures do not measure the number of vehicles exposed to the IAA. Rather, they show how much of a major manufacturer’s European industrial system operates across EU and non-EU locations.

FIGURE 1 — FORD OTOSAN VEHICLE EXPORTS BY PRODUCTION LOCATION, 2025



Total ~603,000 vehicles; 79% of Ford’s European commercial-vehicle sales. Source: Ford Otosan investor guidance.

The potential effects of origin requirements occur through two distinct channels. For finished vehicles, eligibility conditions attached to a particular procurement programme or public incentive could make a Turkish-made vehicle less attractive than a comparable qualifying alternative. The size of any disadvantage would depend on the support offered and the relevant product market. It would be wrong to extrapolate exposure from total export volumes: a public bus tender, commercial fleet scheme and consumer purchase subsidy create different incentives.

For components, the mechanism is less visible but potentially more consequential. If an input sourced from Türkiye does not count towards a European-content threshold for a vehicle assembled inside the EU, the manufacturer may switch to an EU-origin supplier. That substitution could deliver exactly what industrial policy intends: new European production capacity, supplier expertise and employment. Yet it could also require duplicate investment, additional certification, higher component prices or longer lead times. Depending on the component, the costs could erode the competitiveness of an EU-based final assembly operation. Neither positive localisation effects nor negative cost effects should be assumed in advance.

The relevant question, then, is not whether a supplier operates inside or outside the EU, but what happens when its location is changed. Does substitution create a genuinely new European capability or merely duplicate an efficient, reliable supplier relationship? Does it reduce a strategic vulnerability or increase dependence on another source? How much additional European value is generated, and at what cost to manufacturers and customers? Ford Otosan cannot answer those questions on its own, but it shows why the unit of analysis should be the production network, not simply the nationality of the final product.

European manufacturers themselves have raised this concern. Toyota has proposed a “Made with Europe” approach that recognises production relationships with partners including Türkiye, the UK and Japan.<sup>7</sup> The European Automobile Manufacturers’ Association (ACEA) has also warned that narrow geographical definitions can overlook customs-union partners, especially in heavy-duty vehicle supply chains.<sup>8</sup> These are interested industry positions, not independent estimates of economic costs. But their underlying contention is testable: territorial origin rules may not map neatly onto the location of value creation or strategic industrial capability.

The strongest critique of a narrowly territorial “Made in Europe” regime is therefore conditional, not absolute. European preference may be warranted where it generates viable domestic capacity and reduces material risks. It becomes self-defeating where it weakens competitive EU-based

manufacturers by disregarding integrated suppliers that contribute to their scale, know-how and resilience. The consequences are likely to differ across vehicle classes, components and instruments. Industrial sovereignty should be assessed by these outcomes, not inferred from the place of production alone.

## IV

## A Negotiating Agenda Grounded in Economic Evidence

The EU and Türkiye need to separate three questions. What rights does Türkiye already have under the Customs Union? What additional benefits could it receive under new EU subsidy and procurement programmes, and what might the EU reasonably ask for in return? And, most importantly, would excluding Turkish production make European industry more competitive? The Customs Union allows Turkish industrial goods to circulate largely without customs duties, but it does not automatically entitle Turkish manufacturers to every new EU support programme. The EU may reasonably seek reciprocal commitments, such as greater access to Turkish public procurement, before extending certain benefits. Whether exclusion makes economic sense is a separate question. Localisation may create jobs and strengthen capacity within the EU; it may also raise costs for European manufacturers without meaningfully improving resilience. The outcome should be judged against the EU's own industrial objectives.

The priority for EU–Türkiye negotiations should not be to create a new system for recognising Turkish production. The Commission's IAA proposal already provides a basis for treating certain production from Customs Union partners as equivalent to EU-origin content, subject to conditions and possible exclusions. The immediate challenge is to preserve that principle in the final legislation and ensure that any restrictions are transparent, proportionate and grounded in clear economic or security concerns.

The High-Level Trade Dialogue offers a forum for addressing these questions, including the reciprocal commitments the EU may seek from Türkiye. Economic evidence should support the negotiation rather than replace it. Automotive manufacturing provides a useful starting point: Turkish and European firms could show where cross-border production supports EU-based employment, investment and competitiveness, and where disrupting those networks would impose costs without meaningful gains in industrial resilience. The objective is not automatic inclusion of every Turkish component or a permanent product-by-product approval process, but predictable rules that distinguish genuine strategic dependencies from production relationships that strengthen European industry.

This approach would also sharpen each side's argument. Ankara should demonstrate the measurable contribution of Turkish production to European industrial performance rather than rely solely on the political legacy of the Customs Union. Brussels should show that any territorial restriction creates sufficient productive and strategic benefits to justify the disruption or higher costs it may generate. Reciprocity belongs in the negotiation, but it should not substitute for analysis of the policy's economic effects.

## V

## Conclusion

The question is not simply whether Türkiye belongs inside or outside Made in Europe. It is whether the EU can strengthen production within its borders without weakening the industrial networks that support its competitiveness. The Commission's proposal provides a starting point for recognising Türkiye's existing integration, but the final rules will reflect political choices about reciprocity, localisation and economic security. Türkiye's strongest argument is therefore not an automatic entitlement based on the Customs Union, but the demonstrable contribution of Turkish manufacturing to European industry. Preserving that contribution while addressing legitimate EU concerns should be the objective of the negotiations.

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### ENDNOTES

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