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MADE IN THE EU: RISKS FOR THE TURKISH-EUROPEAN AUTOMOTIVE SUPPLY CHAIN

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The European Commission's Automotive Package

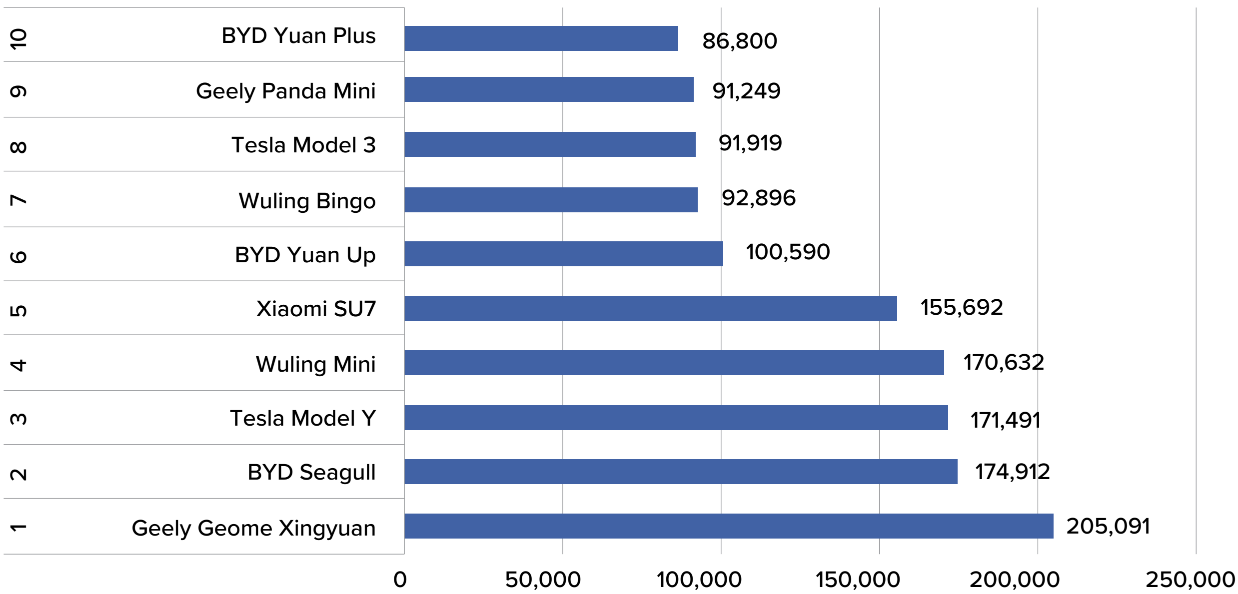
The share of electric vehicles (EVs) in global automotive markets has been on the rise. In 2024, EVs accounted for 20% of new automobile sales worldwide. Similarly, the share of EVs in global automobile exports rose more than 20% compared to the previous year.[1]

Today, China dominates the global EV market. At the country level, the Chinese market has the largest EV demand worldwide: of the 17 million EVs purchased globally in 2024, 11 million were purchased in China. Most notably, as Figure 1 shows, Chinese EV producers have dominated the Chinese market, with Geely Geome Xingyuan, BYD Seagull, and Wuling Mini standing out as the leading models (see Figure 1).

China is also the world's largest EV exporter, accounting for 40% of global EV exports with 1.25 million EV sales abroad.[3] For the first time, BYD's EV sales exceeded Tesla's in 2025.[4] In close tandem with this, the market share of Chinese EV producers in Western Europe rose from 3.8% in 2021 to 9.6% in 2024.[5] Such growth was achieved despite the fact that the purchase of Chinese EVs in the United States is extraordinarily difficult due to national security restrictions and high tariffs.[6]

With the increasing competitiveness of Chinese EVs in the global automotive market, the United States has taken an increasingly protectionist turn during the second Trump administration. Currently, the United States imposes a 15% tariff on EU-based car exports, which was 2.5% before Trump's inauguration in January 2025. This is crucial for the EU, since the United States is its top automotive export destination, accounting for nearly 40% of its total exports.

Figure 1: Top Selling EVs in China (2024)[2]



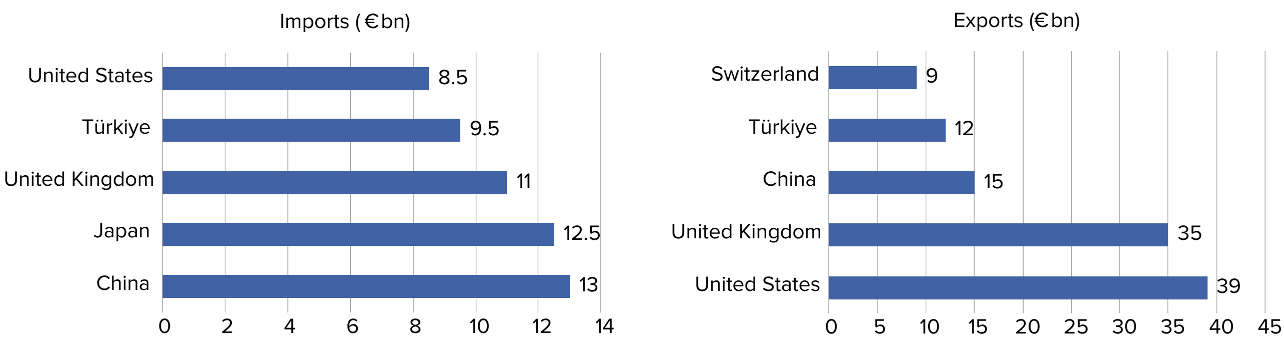
Overall, the evolving global political economy reconfigurations have inevitably put large-scale European carmakers under severe economic pressure. In tandem with the recent protectionist turn of the second Trump administration, German car sales to the United States declined by roughly 14% in the first three quarters of 2025.[7] Similarly, the sales of three German automobile firms (Volkswagen Group, Mercedes-Benz Group, and BMW) in China declined by 8% from January 2025 to September 2025.[8] Specifically, BMW recorded the lowest sales in China during the first quarter of 2025 compared with sales in the previous five years.[9] Mercedes-Benz Group's sales in the United States and China dropped by 17% and 27%, respectively, during the third quarter of 2025.[10] Against the backdrop of these developments, the German automotive industry downsized its workforce by nearly 7%, amounting to about 51,000 layoffs, from June 2024 to June 2025.[11]

It was in this context that on December 16, 2025, the European Commission proposed the Automotive Package to the Council of the European Union (EU) and the European Parliament (EP). One central aim of the package is to set significant CO_2 emissions targets for carmakers in the EU after Brussels put the expected ban on internal combustion engines (ICE) by 2035 on hold. Instead, the new proposal requires a 90% drop in tailpipe emissions compared to 2021 levels, rather than the previous target of 100%, thereby allowing the production of "plug-in hybrids (PHEV)", range extenders, mild hybrids, and internal combustion engine" in the future.[13]

The other building block of the package is to enhance the competitiveness of EU carmakers, thereby responding to the evolving political and economic strains on the EU automotive market globally. This includes providing super credits for EU-made EVs, supplying a total of EUR 1.8 billion in interest-free loans to boost the EU-made battery value chain, offering financial incentives for large firms to use zero- and low-emissions EU-made vehicles, and cutting administrative and compliance costs for EU carmakers by simplifying regulations. Though these measures appear to protect EU-based car producers, they are expected to seriously undermine the competitiveness of the EU's top automotive import partners such as Türkiye. A public statement from President of the Automotive Manufacturers Association (OSD) in Türkiye Cengiz Eroldu in December 2025 outlines the potential damage of this policy on Türkiye's automotive industry:[14]

> Excluding vehicles and parts produced in our country from this definition will eliminate the advantage that the Customs Union brings to

Figure 2: EU's Top Trade Partners for Cars, 2024[12]



Türkiye and the EU and will cause this structure to lose its function. Given Türkiye's status as a Customs Union partner, it is extremely important that Türkiye is evaluated equally with the European Union in "Made in the EU" applications and not excluded from incentive mechanisms. The inclusion of Türkiye in this definition is a strategic necessity for the Turkish and European automotive industries to maintain their competitiveness.

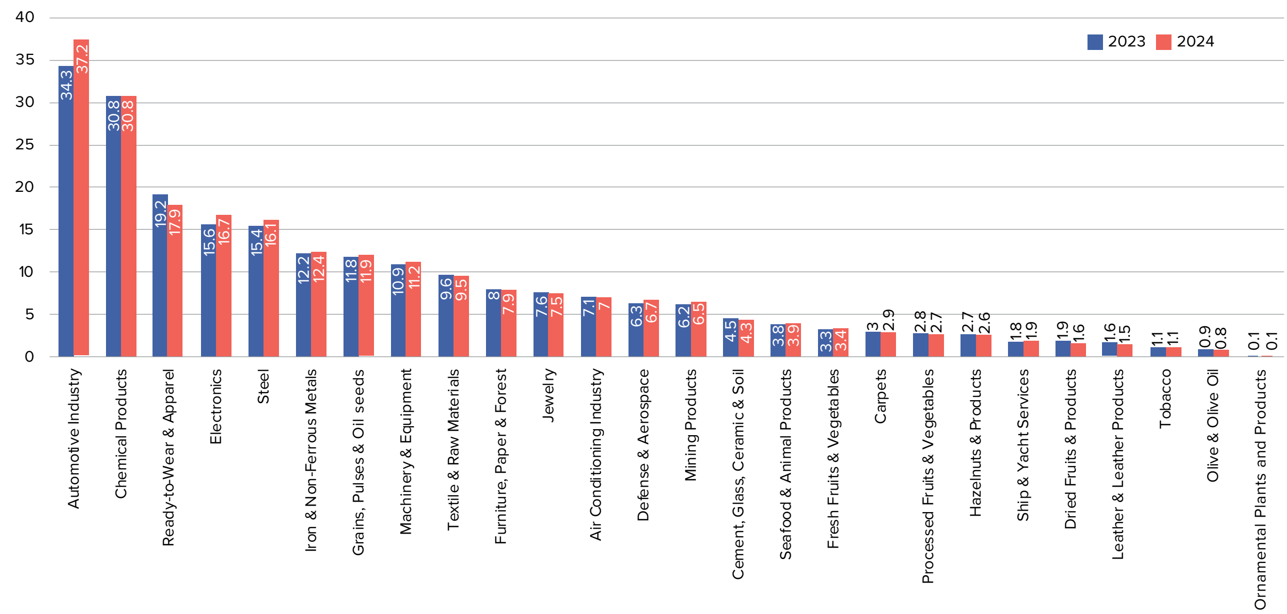
Given this backdrop, this policy analysis examines the risks the Automotive Package poses to the Turkish-European automotive supply chain. The following section answers this question, elaborating on how the sale of European vehicle brands from Türkiye to Europe is undertaken by fully or partially EU-originated firms based in Türkiye and the presence of deeply integrated bilateral supply chains between Türkiye and Germany and between Türkiye and France. Owing to these, Türkiye ranks as the fourth largest exporter of cars to the EU and fourth largest importer of cars from the EU.

The third section then analyzes what Türkiye can do to ensure that the Turkish-European automotive supply chain is not harmed, underscoring the scope of Türkiye's lobbying activities and the proposals it should pursue. Lastly, the report highlights that Türkiye currently plays a limited role in the EV export market. For Türkiye to strengthen its competitiveness in this regard, the definition of "Made in the EU" should include Türkiye so that the Turkish market can ensure adaptation to EV technologies in line with EU market demand.

The Risks of the Automotive Package for the Turkish-European Automotive Supply Chain

The automotive industry occupies a central place in the Turkish economy. In 2024, it recorded exports of USD 37.2 billion, the largest among all sectors (see Figure 3), which corresponded to 17% of Türkiye's total exports. More recently, the automotive industry in Türkiye has been close to setting a new annual record. Over the January 2025–November 2025 period, automotive exports reached USD 37.13 billion, with 61% from automobile production and the rest from auxiliary industries.[15]

Figure 3: Turkish Exports by Sector (billion USD)[16]



In 2024, 60% of Türkiye's automotive exports were destined for the EU.[17] This translated into Türkiye being ranked fourth among the EU's top import partners in the automobile industry (see Figure 2). Notably, most firms engaged in exports are either fully or partially foreign-owned. One key example is the American-Turkish consortium Ford Otosan, which accounted for 37% of Türkiye's total automotive exports in 2025 (see Table 1). Another one is the fully Japanese-owned Toyota Automotive Industry Türkiye Inc., which made up 14% of the total automotive exports (see Table 1).

Fully or partially EU-owned firms, such as Mercedes-Benz Türk, Man Türkiye, Oyak Renault, Tofaş, and Türk Traktor, constitute the other building blocks of Türkiye's automotive industry. In total, their exports amounted to 32.36% of Türkiye's automotive exports in units (see Table 1).

Specifically, two German firms, Mercedes-Benz Türk and Man Türkiye, dominate Türkiye's bus exports, accounting for 71% of total exports from January 2025 to November 2025.[18] Mercedes-Benz Türk alone accounted for 69% of Türkiye's total truck exports in the same period.[19] Importantly, Mercedes-Benz's top bus exporting destinations were Spain, Portugal, and France, and top truck exporting destinations were Poland, Spain, and Italy.[20] Similarly, the European region is the leading destination for Man Türkiye's exports.[21]

Table 1: Exports by Manufacturers (in % of total number of units)[22]

Manufacturers	2023 (%)	2024 (%)	Jan–Nov 2024 (%)	Jan–Nov 2025 (%)
A.I.O.S.	0.11	0.1	0.11	0.1
Ford Otosan	30.06	32.19	31.63	37.4
Hattat Tractor	0.07	0.04	0.04	0.02
Hyundai Motor Türkiye	19.83	19.88	20.24	15.62
Karsan	0.04	0.05	0.03	0.04
Mercedes-Benz Türk	1.75	0.89	0.91	1.05
MAN Türkiye	0.28	0.24	0.24	0.34
Otokar	0.25	0.22	0.22	0.26
Oyak Renault	22.26	23.53	23.08	25.76
Temsa	0.11	0.14	0.14	0.13
Tofaş	5.84	3.27	3.43	4.07
Toyota	17.85	18.24	18.64	14.16
Türk Traktör	1.55	1.22	1.29	1.04
Total	**100**	**100**	**100**	**100**

The joint venture of Turkish Koç Holding and Italian-Dutch CNH Industrial Türk Traktör made up 97% of Türkiye's tractor sales, with 80% of Türk Traktör's exports delivered to the European and North American markets in 2024.[23]

Regarding passenger car exports, Oyak Renault (51% owned by French Renault Group) and Tofaş (a joint venture of Italian Fiat and Turkish Koç Holding) constituted 47% of Türkiye's total exports.[24] Once again, Western Europe is the leading export destination for Oyak Renault.[25] Similarly, Tofaş's 61.7% of sales were delivered to Europe, with Italy (38.7%) representing the largest export market in 2024.[26]

Finally, Bosch Türkiye, a subsidiary of the Bosch Group, constitutes one of the most significant European investments in the Turkish market. Employing a large workforce of over 18,000 people, it generated net sales of EUR 5.5 billion in 2024.[27] Most notably, automotive parts (e.g., diesel fuel injection systems, braking system components, and automotive sensors and electronics) are a core component of its exports, and Germany is one of its principal export markets.[28]

These numbers clearly demonstrate that EU-originated investors have thus far greatly benefited from the Turkish market, particularly its relatively modest production costs, the EU-Türkiye Customs Union (CU), and a resilient spare parts industry well-equipped to support ICE-based automobile production. European investors have used the Turkish market to supply specific goods to Europe. It is in this context that excluding the products made in Türkiye from the recently proposed Automotive Package will not only undermine the competitiveness of Turkish exporters but also pose a central risk for European investors based in Türkiye.

Beyond undermining European automotive investments in the Turkish market, the package will further weaken the deeply integrated automotive supply chains between Türkiye and EU member states on a bilateral basis. Germany, for example, has been Türkiye's top export destination, and it is one of the top five importers of Türkiye-made automobiles.[29] The automotive industry plays the most significant role in this robust trade relationship. According to available data, while the most exported product from Germany to Türkiye in 2023 was German cars,[30] Türkiye's primary exports to Germany were motor vehicles, parts, and accessories.[31] France follows Germany in this regard: it was Türkiye's second-largest motor vehicle, parts, and accessory importer that year.[32] Additionally, the French market was Türkiye's top car-exporting market in 2023, with Italy, the United Kingdom, Spain, and Germany assuming subsequent ranks, respectively.[33]

Possible Scenarios Ahead

LOBBYING ACTIVITIES

As of today, the Automotive Package has only been proposed. Now, it will be subject to the Ordinary Legislative Procedure (OLP), in which the Council of the EU and the EP will co-legislate, meaning that the two bodies will together decide whether to accept the proposal at the first, second, or third reading, or reject it. If the EP or the Council of the EU (or both) request amendments to the proposal during the first reading, the legislation will be amended and then submitted for a second reading. Both the EP and the Council of the EU have the authority to request amendments to the proposal during the second reading, as well. If no agreement appears, a Conciliation Committee, consisting of the Council of the EU and EP representatives, is formed to reach an agreement at the third reading.

Given this backdrop, since the European Commission has recently proposed the Automotive Package, one can argue that Turkish lobbying efforts can now be the most effective. The lobbying activities of the leading business associations and automotive industrialists in Türkiye have been underway on a considerable scale.[34] Business associations in Türkiye target the EU bureaucracy through Turkish ministries and European business associations—especially the European Association of Automotive Suppliers (CLEPA) and European Automobile Manufacturers' Association (ACEA).[35] One key pillar of this strategy is that European investors in Türkiye also participate in such lobbying activities, especially by directly contacting EU member state leaders. After all, the interests of European investors are equally at stake.[36]

However, there is some bad news for Turkish lobbying efforts. Table 2 shows that 80% of the proposals in the OLP were accepted at the first reading from 2019–2024. The European Commission usually does not propose legislation with a low probability of adoption by the Council of the EU and the EP, as the European Commission does not like to be perceived as failing. This inevitably invites anticipatory compliance on the European Commission's part, making consultation and input from third parties, especially civil society organizations, meaningful in the preparation of the proposal. Therefore, Türkiye might already be too late to step up lobbying efforts. Most notably, German Chancellor Friedrich Merz, whose country has the highest voting share in the Council of the EU, welcomed the package, describing it as "opening up the market to vehicles with combustion engines while compensating for emissions [which] is pragmatic and in line with market conditions."[37]

One can further argue that if the proposed legislation transfers to the second or even third readings, an amendment that categorizes automotive products made in Türkiye as "made in the EU" can be added. However, Table 2 shows that none of the proposals were accepted at the second or third reading over the 2019–2024 period.

Nevertheless, 13% of the proposals over the 2019–2024 period were accepted in the early second reading, indicating the formation of trilogues, an informal interinstitutional meeting among the European Commission, EP, and the Council of the EU after the EP's first reading and before the Council adopts its position. If negotiations prove effective, the EP ratifies the Council's position

Table 2: Commission Proposal Adoption Rates and Withdrawal/Rejection Rates (via OLP)[38]

Period	1st Reading	Early 2nd	2nd Reading	3rd Reading	Withdrawn/ Rejected
1999–2004	113 (27.7%)	101 (24.8%)	101 (24.8%)	89 (21.8%)	3 (0.7%)
2004–2009	322 (62.5%)	45 (8.7%)	58 (11.3%)	22 (4.3%)	68 (13.2%)
2009–2014	421 (79.3%)	40 (7.5%)	25 (4.7%)	10 (1.9%)	36 (6.8%)
2014–June 2019	357 (72.3%)	40 (8.1%)	4 (0.8%)	0 (0.0%)	93 (18.8%)
2019–June 2024	357 (80.6%)	58 (13.1%)	0 (0.0%)	0 (0.0%)	28 (6.3%)

by a simple majority, without requesting any amendments.[39] Hence, the automotive industry in Türkiye still stands a chance to lobby, though a minor one. The good news is the absence of a deadline on the EP's and Council's first reading,[40] meaning that there is still time for lobbying.

MODERNIZING THE CUSTOMS UNION?

The process of modernizing the EU-Türkiye CU began in 2014, with the overarching objectives to expand the CU's current coverage from industrial products toward services, public procurement, and food and agriculture; eliminate the transport quotas and visa barriers for economic actors; forestall the disadvantages for Türkiye stemming from the agreements that the EU has concluded with third countries; and align Türkiye's state aid regime with the EU acquis.[41] In the last 12 years, however, no significant progress has been made in upgrading the EU-Türkiye CU.

Given more than a decade of stagnation on this issue, Türkiye's primary strategy should not be to bring the issue of treating automotive products manufactured in Türkiye as "Made in the EU" to the negotiation table on the EU-Türkiye CU in the short term. Instead, Türkiye should give priority to concluding an interim agreement with the EU that would allow products manufactured in Türkiye to be recognized as "Made in the EU." In the past, the EU has concluded interim agreements with third countries to enhance its existing economic cooperation. As such, it concluded an interim agreement on trade and trade-related matters with Serbia in 2013, aimed primarily at abolishing customs duties and quantity restrictions in particular sectors, regulating anti-dumping measures, and ensuring Serbia's alignment with the EU's competition policy.[42] The EU also developed an interim trade agreement with Chile in 2023 to upgrade the association agreement between the EU and Chile.[43]

These instances suggest that the EU enters into such interim agreements with third countries when economic considerations support them. Given the deep integration of the Turkish and European automotive industries (e.g., the presence of European automotive producers in Turkey, Europe being the number one export destination of European investors in Türkiye, and the extensive sale of automotive components from Türkiye to Europe), both Türkiye and the EU should seek to conclude an interim agreement as an immediate solution. Only then can Türkiye consider pushing for modernizing the EU-Türkiye CU in a way that would recognize automotive products made in Türkiye as "Made in the EU" as a longer-term strategy.

Final Remarks

Although the EU took a step back from an outright ban on ICE vehicle production by 2035, the current automotive package still encourages the expansion of hybrid and electric vehicle production on EU soil. Hence, even if Türkiye is included in the Made in the EU package, it will still need to adopt eco-friendly car production technology. Currently, Türkiye's automotive industry is strong in ICE vehicle production, but hybrid and electric vehicle production is limited. Automotive representatives in Türkiye suggest that Turkish automotive industrialists will inevitably adopt such eco-friendly technologies in line with demand in European markets, their current key export destination.[44] For that to happen, however, the Turkish market must be included in the definition of Made in the EU.[45]

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The Istanbul Policy Center–Sabancı University–Stiftung Mercator Initiative aims to strengthen the academic, political, and social ties between Turkey and Germany as well as Turkey and Europe. The Initiative is based on the premise that the acquisition of knowledge and the exchange of people and ideas are preconditions for meeting the challenges of an increasingly globalized world in the 21st century. The Initiative focuses on two areas of cooperation, EU/German-Turkish relations and climate change, which are of essential importance for the future of Turkey and Germany within a larger European and global context.

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