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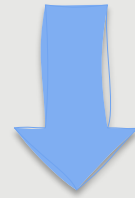
INVESTMENT AND EXPORT PROMOTION VIA DIAGONAL CUMULATION BETWEEN GEORGIA, TÜRKİYE AND THE EUROPEAN UNION

Research Report

THE USAID ECONOMIC
SECURITY PROGRAM

ABOUT DIAGONAL CUMULATION

The Diagonal Cumulation operates between Georgia, Türkiye and the European Union, as they have Free Trade Agreements containing identical origin rules and provision for cumulation between them.



Materials originating in Türkiye may be used to produce a final product in Georgia, and this product will be considered as originated in Georgia.



Türkiye



Georgia



EU

ABOUT THE PROJECT

The project aimed to identify examples of value chains and products with a high potential to benefit from diagonal cumulation.

Research was conducted **from November 2021 to May 2022.**



METHODOLOGY

Quantitative

- Top exported HS 6-digit level products from Türkiye to the EU in 2020
- Türkiye's share in EU imports ($>10\%$)
- An average annual growth of Türkiye's exports in the EU market in 2016-2020 ($>0\%$)
- The EU Most Favored Nation (MFN) tariff average ($>3\%$)

Qualitative

- Product's rule of origin
- Raw materials availability in Türkiye
- Key factors of production for each product and their availability in Georgia



FOR EACH PRODUCT WE ANALYSED/IDENTIFIED:

1	Trade Statistics
2	Revealed comparative advantage (RCA)
3	Main production materials
4	Manufacturing process
5	Certification requirements and quality control
6	Capital requirements
7	Direct manufacturing costs (labor, energy, logistics)
8	List of Turkish manufacturers

SELECTED VALUE CHAINS AND PRODUCTS

PRODUCT		SECTOR
Plastic		
1	Flexible Intermediate Bulk Container (FIBC) bag	Packaging
2	Polypropylene (PP) bag/sack	Packaging
3	Surgical gown	Personal Protective Equipment (PPE)
Aluminum		
4	Semi-Finished Product:Aluminum Profiles	Construction materials
5	By-product: Doors/windows	Construction materials
6	By-product: Radiators	Construction materials
7	Semi-Finished Product:Aluminum plates and sheets	Construction materials
8	By-product: composite panels and radiators	Construction materials
9	Bicycles	Bicycles
10	Product: Road Wheels of Aluminum	Parts and accessories of the motor vehicles of headings
Cotton		
11	Trousers	Apparel
12	Bedlinen	Textile
Other Products		
13	Washing machine	Home Electronic Appliances
14	Dishwasher	Home Electronic Appliances
15	Shoes	Sheos
16	Mattresses	Furniture

PLASTIC

1

Türkiye is the second largest plastic producer in Europe and the seventh largest producer in the world.

2

Polypropylene and polyethylene are the most common material for three selected products.

3

Türkiye is the second biggest importer of polypropylene in primary forms accounting to 8,35% of worlds import in 2019. Türkiye imports polypropylene in primary (PP) forms mostly from Saudi Arabia, Egypt, South Korea, India and Isarel.

4

There are over 150 companies in Türkiye manufacturing technical textiles and nonwovens, of which more than 20 large companies produce nonwoven roll goods.

5

Türkiye is one of the biggest exporter (3.67% of total world export) of nonwoven materials. The biggest share of Türkiye's nonwovens export goes to Europe.

6

Suitable infrastructure for technical textiles and nonwovens which is growing and developing in terms of technology, human resources, and know-how.

PRODUCTS

MFN
Tariff

Share in the
EU Imports

Key Materials

Why Cumulate with
Türkiye?

SINGLE-USE GOWNS

12%

12%

- Nonwoven fabric

- World's 2nd biggest exporter of garments made up of textile felts and nonwoven fabric.
- Most of Türkiye's export goes to the Europe.

FLEXIBLE INTERMEDIATE BULK CONTAINERS (FIBC)

7.2%

17%

- Polyethylene or polypropylene strip

- World's 4th biggest exporter.
- 87% of Türkiye's FIBCs export goes to Europe.

SACKS AND BAGS

7.2%

20%

- Polyethylene or polypropylene strip

- World's 3rd biggest exporter.
- Europe is the largest importer of packing sacks and bags from Türkiye.
- Export increased by 7% on average annually in 2016-2020.

ALUMINIUM

1

Aluminium use has increased over the last twenty years, and it is still increasing – according to European Aluminium projection, aluminium use will continue to grow, leading to a 40 percent increase in demand in Europe by 2050.

2

Key drivers of this growth are automotive, construction, packaging industries.

3

Türkiye's aluminium sector, which has grown by 10% in the last ten years, makes export to more than 180 countries. There are approximately 1.500 active companies and employ more than 30.000 employees.

4

Türkiye's aluminium industry is widespread in the whole value chain.

5

Türkiye is one of the top exports of different aluminum products (profiles, bars, sheets, construction materials, etc.) in the world and in Europe.

PRODUCTS	MFN Tariff	Share in the EU Imports	Key Materials	Why Cumulate with Türkiye?
SEMI-FINISHED PRODUCT: ALUMINIUM PROFILES	7.5%	8%	<ul style="list-style-type: none">Aluminium billets	<ul style="list-style-type: none">World's 3rd largest exporter of aluminium bars, rods and solid profiles (2020).62% of Türkiye's export goes to Europe (Germany, Czechia, Netherlands and Austria).Türkiye's export increased by 13% on average in 2016-2020.
BY-PRODUCT: DOORS/WINDOWS	6%	4%	<ul style="list-style-type: none">Aluminum profileAluminium sheetStone woolPolyurethane	<ul style="list-style-type: none">The largest share of Türkiye's export goes to Europe (Germany dominating).Türkiye's export increased by 15% on average in 2016-2020.
BY-PRODUCT: RADIATORS	6%	3%	<ul style="list-style-type: none">Aluminum profile	<ul style="list-style-type: none">Türkiye's export to the EU is increasing.

PRODUCTS	MFN Tariff	Share in the EU Imports	Key Materials	Why Cumulate with Türkiye?
SEMI-FINISHED PRODUCT: ALUMINIUM PLATES AND SHEETS	7.5%	96 mln. €	<ul style="list-style-type: none"> Aluminium ingots and slabs Molten aluminum and special molds 	<ul style="list-style-type: none"> One of the biggest importer of unwrought aluminium alloys, includes aluminium ingots and billets (2020) The biggest share of Türkiye's export of aluminium plates, sheets and strip goes to Europe (Germany dominating, followed by Italy).
BY-PRODUCT: COMPOSITE PANELS AND RADIATORS	6%	3%	<ul style="list-style-type: none"> Aluminium sheets, Inner thermoplastic base core 	<ul style="list-style-type: none"> The use of aluminum composite panels has been expanding under the cover of energy efficiency, low price and construction possibilities. It is specially designed for the construction of ventilated facades, their renovation or rehabilitation.

PRODUCTS	MFN Tariff	Share in the EU Imports	Key Materials	Why Cumulate with Türkiye?
BICYCLES WITH BALL BEARINGS	14%	39 mln €	<ul style="list-style-type: none">Diamond-shaped frameSaddles, seat posts, cranksets, brakesWheels, tires, hubs, derailleurs, shiftersHandlebars, stems, headsets	<ul style="list-style-type: none">The global market for Bicycles is projected to reach a revised size of US\$34.6 Billion by 2027, growing at a CAGR of 2.4% over the period of 2020-2027.96% of Türkiye's bike export goes to Europe (Germany , Netherlands, France and Finland).Turkish bicycle industry is rapidly growing.
ROAD WHEELS OF ALUMINIUM	3.8%	11%	<ul style="list-style-type: none">Hypoeutectic Al-Si casting alloys with: A silicon content of 7% to 12%Varying levels of magnesiumLow iron	<ul style="list-style-type: none">World's 5th biggest exporter of road wheels, including parts/accessories for motor vehicles (2020).91% of Türkiye's export goes to Europe (Germany dominating, Spain, United Kingdom and France).Export increased by 9% on average annually (2016-2020).The Turkish industry serves major global vehicle manufacturers and suppliers (BMW, Continental, Daimler, IVECO, Ford, Michelin, Volkswagen Group, Volvo).

TEXTILE/COTTON

1

Textiles is one of the largest and best performing sectors in the Turkish economy with Textiles is one of the largest and best performing sectors in the Turkish economy and has accounted for an average of 7% of GDP over the years and represented with approximately 20,000 manufacturers.

2

The sector accounts for 8.8% of the production value of the manufacturing industry and 9.9% of the value-added created in the manufacturing industry.

3

Türkiye is the 5th largest exporter of textiles/apparel in the world and the 3rd largest in Europe. Textiles account for 3.9% of Türkiye's total exports.

4

Cotton industry as one of the major segments in the country's fabric and textile industry.

5

Türkiye ranks as the world's 7th biggest cotton producer. Both cotton planting area and production are forecasted to increase.

PRODUCTS	MFN Tariff	Share in the EU Imports	Key Materials	Why Cumulate with Türkiye?
WOMEN'S OR GIRL'S TROUSERS AND SHORTS, OF COTTON, NOT KNIT	12%	13%	<ul style="list-style-type: none">• Cotton fabric, dye, sewing thread• Button, lining, zipper• Labels, packing materials	<ul style="list-style-type: none">• World's 3rd biggest exporter of women's or girl's trousers and shorts, of cotton, not knit (2020).• 88% of Türkiye's export goes to Europe (Spain, Germany, United Kingdom and Netherlands).
BED LINEN	12%	16%	<ul style="list-style-type: none">• Cotton or cotton fabric• Dye• Sewing thread	<ul style="list-style-type: none">• The Turkish home textile industry is one of the world leaders with its wide range of products.• World's third biggest exporter of bedlinen (2020).• 80% of Türkiye's export of bed linen goes to Europe (Germany , France, Italy and Austria).

OTHER PRODUCTS

1

DISHWASHING MACHINES OF THE HOUSEHOLD TYPE

2

AUTOMATIC WASHING MACHINES OF A DRY CAPACITY <6 KG

3

SHOES

4

MATRASSES WITH SPRING INTERIOR

PRODUCTS	MFN Tariff	Share in the EU Imports	Key Materials	Why Cumulate with Türkiye?
DISHWASHING MACHINES OF THE HOUSEHOLD TYPE	2.7%	14%	<ul style="list-style-type: none">• Sheets of stainless steel, coiled sheet steel• coiled wire, powder polyvinyl chloride (PVC) or nylon• pellets of calcium-reinforced polypropylene plastic• Motors, pumps, and electrical controls and components	<ul style="list-style-type: none">• World's 2nd largest white goods producer after China, and the leading country in Europe in the white goods industry, exporting 70% of its manufacture to more than 100 countries.• The white goods companies operating in Türkiye are making significant investments in the R&D.• World's 4th biggest exporter of dishwashing machines of the household type (2020).• 78% of Türkiye's export goes to Europe (United Kingdom, France, Spain, Italy, Germany and Poland).• Exports increased by 14% on average annually in 2016-2020.
AUTOMATIC WASHING MACHINES	2.9%	14%	<ul style="list-style-type: none">• Sheet steel, plastic parts, cast aluminum• Enameling iron with a porcelain coating• Pumps and motor	<ul style="list-style-type: none">• World's 3rd biggest exporter of automatic washing machines, of a dry capacity <6 kg (2020) after China and Poland.• Most of Türkiye's export goes to European countries, among which United Kingdom, Germany, France, Spain and Italy are the biggest importers.

PRODUCTS

MFN Tariff

Share in the EU Imports

Key Materials

Why Cumulate with Türkiye?

SHOES

7.6%

73 mln. €

- Outer soles of rubber, plastics or composite leather
- Uppers of leather

- Turkish footwear exports reached 1 billion US dollars in 2021 - the record figure, reflecting an increase of 22.9%, as compared to 2020.
- Most of Türkiye's footwear export goes to the European countries (Germany, Netherlands, Romania, Spain, Italy, and Poland)
- Export increased by 12% on average annually in 2016-2020.

MATRASSES WITH SPRING INTERIOR

7.5%

6%

- Fabric, mattress frame
- Buckram, foam rubber
- Wadding, felt
- Spiral spring

- World's 4th biggest exporter of mattresses (2020).
- 64% of Türkiye's export goes to Europe (United Kingdom, Netherlands, Germany, Ireland and Greece)
- Export increased by 25% on average annually in 2016-2020.
- Spring mattress dominates the market and continues to dominate in coming



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Thank you for your attention!

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