

**BSEC - KAF - KOSGEB - UN/ECE - UAFT - BC-SMEs**

**WORKSHOP ON**

**SMEs - THEIR ROLE IN FOREIGN TRADE**

**Kyiv, 13-14 November 1997**

**Summary Proceedings**

1. The Workshop titled "SMEs, Their Role in Foreign Trade" was held on 13-14 November 1997 in Kyiv. It was organized by the BSEC-KAF-KOSGEB-UN/ECE in cooperation with the Ukrainian Academy of Foreign Trade and the Balkan Center for Cooperation among SMEs.

2. The welcoming addresses were made by the host country on behalf of the Ministry of Foreign Affairs and Ministry of Foreign Economic Relations and Trade of Ukraine, by Mr. Alexander Pokreschuk, Rector of the Ukrainian Academy of Foreign Trade and by Dr. Wulf Schönbohm, Representative of the Konrad Adenauer Foundation in Ankara, Turkey.

3. Representing the PERMIS of the BSEC, Ambassador Nurver Nureş, First Deputy Secretary General of the Permanent International Secretariat delivered his statement on the Development of Market-Driven and Export-Oriented SMEs, the text of which is attached herewith as Annex I.

Guest speakers Messrs. Antal Szabo, Will Keenan, Regional Advisers at UN/ECE, Mr. Jason Spencer-Cooke, Senior Training Officer from ITC, and Dr. Dieter H. Kaiser from the Chamber of Industry and Commerce in Stuttgart attended the Workshop.

4. The Workshop was chaired in rotation by Dr. Schönbohm, Messrs. Nureş, Szabo and Keenan.

5. The Workshop was attended by the following BSEC Participating States:

Republic of Albania  
Republic of Armenia  
Republic of Azerbaijan

Republic of Bulgaria  
Georgia  
Republic of Moldova  
Romania  
Russian Federation  
Republic of Turkey  
Ukraine

The list on the composition of their delegations, including the guest speakers is attached as Annex II.

6. In the addresses made, statements delivered by the guest speakers followed by discussions in the course of national presentations of the state of SMEs in national economies, their contribution to development and in particular to foreign trade, the following emerged as observations of particular concern:

a) It is the shared view of all the participating delegations that SMEs are moving agents of economic growth and creation of a conducive environment for their effective operation is becoming a major task for all the governments.

b) SMEs form the backbone of the EU enterprise culture and are the engine of development in market economies: They represent 99.8 percent out of the 16 million enterprises, excluding non-agricultural market sectors, within the European Union; provide gainful employment to more than 101 million people which constitutes two-thirds of the private sector work force and practically generate two-thirds of total turnover by all non-agricultural market sectors. In this context the figures in Greece and Turkey signal growth trends which are not too far off then those exist in the European Union.

In the United States small businesses employ 53 percent of the private work force, contribute 47 percent of all sales in the country and are responsible for 50 percent of the GDP.

In Asia Pacific region SMEs account for 90 percent of enterprises, from 32 to 40 percent of employment and from 60 to 80 percent of gross domestic product in individual Asia Pacific economies.

c) Among other notable features SMEs are found flexible, apt to accommodate relatively easily current market conditions and prospects, more attuned to competition which requires constant innovation nowadays, capable to respond rapidly to demand fluctuations, act as the seed-bed for the development of entrepreneurial skills, curb the monopoly of large enterprises and offer them complementary services, can play an effective role in streamlining state economic enterprises thus contributing to privatization, often located in urban areas they activate untapped resources and skills contributing to a more equitable distribution of income, play a positive role in sectoral balance and regional development and hence help to strengthen political stability in the country.

d) The SME environment, its structural set-up and role in the national economies and foreign trade display striking variations among the Participating States: While in Greece and Turkey SMEs have increasing role and share in the national economy and foreign trade, a second group of member states are in the process of developing structural set-ups and beginning to formulate the necessary legislative support and procedural measures in which SMEs would be able to make their expected contribution and a third group of member states are at the start of the process having taken only initial steps which hopefully will develop into a viable SME environment. These differences both stimulate and encourage within the region exchange of experience and know-how, which it is hoped, member countries will take advantage of.

In the framework of SMEs the weaknesses originate principally from lack of transparent national policy, lack of financial resources, inadequate supportive legislation and other administrative measures, human resources lacking in skills and management, inexperience in purposeful handling of information and underdeveloped innovation skills including R&D.

e) As the new architecture unfolds in the BSEC region, there is need to accelerate both the pace and scope of privatization in the transitional economies. In this process as transition accelerates it is destined to increase the number and the role of SMEs due to that strong correlation between transformation to market economy and the development of the private sector. Transition to market economy is not simply an act of privatization but rather a comprehensive reform process during which while governments concentrate their efforts on privatization, equal emphasis needs to be given to SMEs at the present early stage of economic transition, which proved to be of particular importance in the industrial restructuring in Central Europe and CIS.

f) There is no panacea for the creation of the most effective system for the development of SMEs which is a continuous process and requires commitment at the national level envisaging a partnership between the public and the private sectors. The former will assume the role of facilitator and promoter from which environment SMEs as the private sector will drive its strength and deliver its critical role.

SME development requires an integrated approach. The issue might be addressed at three distinct levels:

- i) at the strategic level where the governments are expected to undertake the necessary policies and strategies;
- ii) at the institutional level where support institutions would be created in public and private sectors;
- iii) at the enterprise level where the actors of SME sector will perform and determine the outcome.

It is obvious that only sustained cooperation and interaction at these three levels will yield the desired results.

g) Transformation of state-owned enterprises into private enterprises does not automatically lead to the creation of entrepreneurship. Entrepreneurship exists in hidden form in any society and it has to be developed and promoted to come to surface and lead to the market economy.

h) There is a need to harmonize definition of SMEs among the BSEC Participating States with the definition of SMEs in the EU concerning number of employees, turnover, total balance sheet and other criteria with the aim of nearing the eligibility criteria for government supportive measures.

7. It is evident that while in the process of transition accompanied by development and reforms in various domains take place, markets are opening as never before on a world-wide scale which is forcing the doors of fierce race in market sharing through global competition. It has become therefore highly pressing to address the issue of SMEs which are destined to play a crucial role as dynamic components of industrial growth. Bearing in mind that they have an enduring character in all the Participating States for the foreseeable future, the Participating States decided to propose the convening of an ad hoc Group of Experts at decision-making level from both the public and the private sector in order:

- i) to thoroughly investigate the issue of SMEs in transition and development;
- ii) to analyse constraints and growth in the process of SMEs;
- iii) to formulate the principal elements which help to enhance SMEs in their contribution to development and expansion of trade, with particular emphasis on exports;
- iv) to strengthen the Balkan Center for Cooperation among SMEs;
- v) to work out a Plan of Action which will aim to respond to the priority questions Participating States face in the process of SMEs in their respective countries;
- vi) to ask the Balkan Center for Cooperation among SMEs to take charge of this Plan of Action and inform periodically on its progress to the competent subsidiary organs of the BSEC;
- vii) to ask the UN/ECE to provide further assistance in developing SME national policies and programs in BSEC countries and in organizing workshops and seminars.

8. The participating delegations thanked the concerned Ministries of Ukraine, in particular the Ukrainian Academy of Foreign Trade for organizing the Workshop and the excellent arrangements which ensured its smooth conduct.

