

WORKSHOP ON SME CLUSTERING

Istanbul, BSEC Headquarters, 14-15 December 2006

Summary Proceedings

1. The Workshop on “SME Clustering” was held in Istanbul, at the BSEC Headquarters, on 14-15 December 2006.
2. The Workshop was chaired by Mr. Ömer PAK, Director of the Turkish Small and Medium Industry Development Organization (KOSGEB) Technology Development Center, Istanbul.
3. The Workshop was attended by the representatives of the following BSEC Member States:
 - Republic of Armenia
 - Republic of Azerbaijan
 - Georgia
 - Hellenic Republic
 - Republic of Moldova
 - Russian Federation
 - Republic of Serbia
 - Republic of Turkey
 - Ukraine

The list of participants is attached as Annex I and the Agenda of the Workshop is attached as Annex II.

4. The representatives of the Parliamentary Assembly of the Organization of BSEC (PABSEC) and the BSEC Business Council also participated in the Meeting.

5. Welcoming statements were delivered by Ambassador Murat SUNGAR, First Deputy Secretary General of BSEC PERMIS and Mr. Bayram MECİT, Acting President of the Small and Medium Industry Development Organization (KOSGEB), Ministry of Industry and Trade of the Republic of Turkey.

5.1. Ambassador M. SUNGAR welcomed the Participants to the Workshop. He pointed out the contribution of the Small and Medium Industry Development Organization (KOSGEB) to the organization of the Workshop. Ambassador M. SUNGAR stressed that today there was a world-wide broad agreement that SMEs constituted the basis of modern market economies. SMEs play an important role in transition as well as in developed market economies. They are considered one of the principal driving forces in economic development. SMEs promote private ownership, stimulate innovation and develop entrepreneurial skills. Their flexibility enables them to match quick changes in market demands. They generate the majority of jobs, promote diversification of economic activities, support sustainable development and make a significant contribution to exports and trade. Moreover, SMEs contribute to the democratization and decentralization process in transition countries.

Particularly, Ambassador M. SUNGAR stated that BSEC, by means of collaborative and cooperative efforts with the Representation of the Konrad Adenauer Stiftung (KAS) in Turkey, had engaged in a campaign to raise the public awareness in the BSEC region of the importance of SMEs. Through a series of Workshops it had been possible to address various issues involved in the development of SMEs and reach guiding conclusions.

The establishment of the BSEC Working Group on SMEs points to the awareness of the BSEC Member States of the important role SMEs play in economic, social and political development of their countries. This awareness is translated into effective policies by providing concrete measures to enable sustainable development of the SMEs sector in the region. This Working Group contributes to the improvement of the effectiveness of the SME support policies and the relevant instruments of the BSEC Member States.

Further in his statement Ambassador SUNGAR stated that the Workshop on clustering mechanism had an importance for the private sector in the BSEC Member States. He explained that as a geographic concentration of interconnected businesses, suppliers, and associated institutions in a particular field, clusters were considered to increase the productivity with which companies could compete, nationally and globally. Clusters have the potential to affect competition in three ways: by increasing the productivity of the companies in the cluster, by driving innovation in the field and by stimulating new businesses in the field.

Ambassador M. SUNGAR also pointed out that through a successful clustering, SMEs' competitiveness was increased at international level; their economies were improved at local and regional level. The productivity of the sector is enhanced and new products are developed. The time and cost in personnel recruitment processes are reduced and costs decrease as a result of using closer suppliers. The statement of Ambassador M. SUNGAR is attached as Annex III.

5.2. Mr. B. MECİT welcomed the participants and pointed out that SME development was one of the major areas of cooperation in the BSEC region.

Being the Country-Coordinator of the BSEC Working Group on SMEs, the Republic of Turkey elaborated the Action Plan in the field of SMEs, which has been endorsed during the previous Chairmanship of the Russian Federation in BSEC.

Mr. MECİT mentioned that the Workshop was intended to meet the following objectives:

- Deepening our knowledge of clustering in a way to improve our practices in the field.
- Making Turkey's view to the clusters subject known.
- Sharing clustering practices of representatives of the BSEC Member States.

He stressed that the Workshop should be conducted in a way to have a complementing theory and practice. He stated that the study visit to the industrial zones would enable the participants to visualize some concerns about clustering issues in a concrete way. The statement of Mr. B. MECİT is attached as Annex IV.

6. The Participants of the Workshop delivered presentations with regard to SMEs clustering mechanism in the BSEC Member States.

6.1. Dr. Hüsniye GÜLER, Expert at the Foreign Relations Department of KOSGEB, made a presentation on SME clustering. After presenting the definition and concept of clusters, she revealed the potential of clusters in affecting competition between the enterprises in the cluster itself. She stated that the SMEs were the driving force of the cluster. Partnerships among companies give rise to improvements in the field of research and development (R&D), new products, quality and joint commercial products.

Dr. H. GÜLER explained the role of the Government of the Republic of Turkey in planning and development of clusters, including the concept from Article 699 in 9th Seven-Year Development Planning Organization (DPT). She presented concrete examples of clustering in Turkey; namely automotive in Bursa, tourism in Antalya, textiles in Denizli, marble in Diyarbakır, and others.

Dr. H. GÜLER informed the Participants of the Workshop regarding the outcome of the International "Clustering'06" Conference realized by the European Union Turkish Delegation, Entrepreneur Supporting Centers (GAP), EU Business Development Centers and ITKIB Fashion and Textile Business Cluster Project held in Istanbul on 25-26 May 2006. The text of the presentation of Dr. H. GÜLER is attached as Annex V.

6.2. Mr. Tolga ARICAN from the Ministry of Industry and Trade of the Republic of Turkey made a presentation on the industrial strategy of Turkey towards SMEs clustering. He stressed that small and medium sized enterprises were supported and developed through a special program taking account of the problems of adjustment they might face in Customs Union process with EU and global markets. Then he continued that the provision of infrastructure to SMEs in Small Scaled Industrial Estates and Organized Industrial Zones

was used as an important tool in stimulating the industrial growth and increasing the industrial investments.

Mr. T. ARICAN pointed out that the Government had undertaken investments in infrastructure and put great emphasis on energy, transportation and communication. The impact of this policy is that the industrial investment and national resources are more equally spread throughout the country.

He also emphasized the importance of organized industrial zones in Turkey and their main objectives. Among most important objectives, he mentioned:

- help organize urbanization-industrialization relations and
- offer comprehensive possibilities of low cost infrastructure services and easier production,
- not disregarding the control of environmental pollution caused by industrial enterprises.
- Furthermore, these zones contributed to the development of the country by providing the necessary environment for the emerging and growing of SMEs.

The representative of the Turkish Ministry of Industry and Trade also touched upon the issue of Small Scale Industrial Estates (SSIEs) and Organized Industrial Zones (OIZs). They may serve as a step towards more advanced industrial infrastructure such as Qualified Industrial Zones, Techno Parks, Industrial Clusters and Industrial Zones which are established, supervised and credited with the help of the Ministry of Industry and Trade. He mentioned that OIZs and the more advanced types of industrial structure could only contribute to industrial development in the context of an overall strategy. Without macroeconomic policies ensuring a favorable business climate and without an adequate power and transport infrastructure, investment in an OIZ and SSIEs may not result in expected levels. The text of the presentation of Mr. T. ARICAN is attached as Annex VI.

6.3. Mr. Mehmet GÜVEN from the Turkish Confederation of Craftsmen and Tradesmen made a presentation on behalf of Mr. Ali Rıza ERCAN, President of the Turkish Federation of the Wood Works (TAIF). He presented a case study on the establishment of Ankara Furniture Industrial Zone. He said that it has been established with the aim of gathering the scattered people working within the neighborhood and providing them a healthy working environment. He also mentioned that the zone which was formed on 1000 sq. meter area, today expanded 4-5 times. Taxpayers who were nearly 1000, today they reached the number of 30.000. It happened that the application has expanded in most of the cities and has been taken as an example, and that it is the biggest Furniture Industrial Zone in the Balkans and the Middle East. Mr. M. GÜVEN mentioned the difficulties in wood workers sector and solution proposals. He particularly emphasized that the furniture sector complained about impossibilities, lack of interest and bureaucratic barriers like other sectors. Although being the largest and the most improved, the most grown and the most productive sector after textile industry, there is not enough support to the furniture sector. The text of the presentation of Mr. A. R. ERCAN is attached as Annex VII.

6.4. Ms. Zorica MARIC, Head of Unit for Promotion of Competitiveness, Ministry of Economy of the Republic of Serbia made a presentation on Cluster Development Support.

After giving the definition of the clustering mechanism, she focused on Pilot Project for Cluster Development 2005/2006. She emphasized the role of the Ministry of Economy of Serbia, particularly that the Ministry did not define the cluster development areas, neither it determined the strategy, rules, and form of organization and cluster management process, nor appointed and chose cluster actors. The Ministry acts as a catalyst in the cluster development process without replacing market mechanisms. She defined the goals of the Pilot Project; among them achieving a high level of partner relationship for improving innovation and technological development, and removing the obstacles for productivity growth. Ms. Z. MARIC also informed about further steps undertaken by the Serbian authorities in stimulating SMEs and entrepreneurship. The text of the presentation of Ms. Z. MARIC is attached as Annex VIII.

6.5. The Delegation of the Republic of Armenia distributed a presentation on Supporting the Development of Clusters in Armenia. The text of the presentation is attached as Annex IX.

Mr. Efstathios ZAFRANTZAS, Counselor to the Secretary General for Industry, Ministry of Development of the Hellenic Republic made a brief statement in which he informed about the program for the promotion of the clustering and networking of SMEs implemented by the Ministry of Development General Secretariat of Industry. The program provides a grant covering up to 50% of the total budget of the project. The members of the cluster might be enterprises from the manufacturing, commercial or service sectors. The cluster should have a legal status in order to be financed. Eligible expenses include the feasibility study for the cluster, the organization of the functioning of the cluster, the acquisition of modern equipment, of know-how technology and innovation, the building of the industrial premises, the cooperation with the universities' research centers, etc. which can offer technological and scientific support to the cluster. Mr. E. ZAFRANTZAS pointed out that the BSEC Working Group on SMEs should explore the possibilities offered by the new ENP of the European Union for the financing of the joint (transnational) projects for the development of SMEs in the BSEC region.

7. Dr. Costas MASMANIDIS, Secretary General of the BSEC Business Council invited the Participants of the Workshop to participate in the Forum on Competitiveness and Innovation to be held in the Republic of Serbia on 22 March 2007.

8. The representative of BSEC PERMIS expressed his sincere thanks to all Participants for their presentations and for their active debates regarding SMEs clustering mechanism. He also expressed deep gratitude to the Ministry of Industry and Trade of the Republic of Turkey for its contribution to the Workshop and for the hospitality extended to the Participants during the Workshop in Istanbul.