

**WORKSHOP ON  
SMEs IN ACTION**

**İzmir, Turkey, 25-27 August 1999**

**Summary Proceedings**

1. The Workshop titled “SMEs in Action” was held in İzmir, Turkey on 25-27 August 1999. It was organized by the BSEC and the Konrad Adenauer Foundation (KAF) together, in cooperation with various organizations and private enterprises from İzmir.

2. After Mr. Mehmet AKYELLI, Deputy Chairman of the Board of İzmir Chamber of Commerce (İTO) welcomed the participants, The Honorable Kemal NEHROZOĞLU, Governor of İzmir delivered the opening address.

3. Dr. Wulf SCHÖNBOHM, KAF Representative to Turkey gave his statement “SME- The Condition for a Positive Economic and Social Development” followed by Ambassador Nurver NUREŞ, First Deputy Secretary General representing the PERMIS with a statement titled “SMEs in Action- What are we after?” the text of which is attached as Annex I.

4. The İzmir Chamber of Commerce (İTO), The Chamber of Industry of the Aegean Region (EBSO), Aegean Free Trade Zone, Organized Industrial Zone of Çiğli and the private enterprises Hugo Boss Textile Industry Ltd., Vestel Com., Tüfekçi-Citrus Fruits- Agricultural Products Export-Import Trade and Industry Ltd., Simko Trade and Industry Company, Maurice and Hendrik Dutilh Shipping and Tourism Ltd., EGS Egeser Textile Industry Domestic and Foreign Trade, Ayboy Textile and Industry Co. and Bak Packing Industry and Trade Co. actively participated in and contributed to the Workshop.

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

Republic of Albania  
Republic of Armenia  
Republic of Azerbaijan  
Republic of Bulgaria  
Romania  
Russian Federation  
Ukraine

6. Representatives from the Republic of Italy and the Republic of Poland attended the Workshop as observers.

The list of participants, including the guest speakers is attached as Annex II and the Program of the Workshop together with its attachment as Annex III.

7. The study visits to the chambers, trade and industrial zones and eight private enterprises ranging from manufacturing yarn, textiles and garments to production of consumer electronics, industrial installations and equipment with electricity as driving force to packing materials, trading and tourism following the opening session, directed the participating delegations from the normal round-table presentations/discussions to open, pragmatic and action-driven exchanges based on entrepreneurial management as actually displayed in the normal flow of business in action.

Through participatory and active exchanges between the parties as administrators/managers and the participating delegations from the Member States composed of private sector representatives and representatives from the institutions concerned with SMEs, the latter gained insight into the operation of support organizations and private businesses. They observed as well different administrative/management measures and skills originating from the operation of diverse companies from the industrial and service sectors.

For the purpose of clarity the proceedings will be presented hereunder in two different planes; Private Sector and semi-official Support Organizations which are interactive and reinforcing in the operation of daily business.

#### 8. **Private Sector** :

This summary is based on the business enterprises enumerated in paragraph four above. The following principal observations emerged:

- SMEs constitute the overwhelming majority of business enterprises in the outside world and so they are expected to represent in the countries in transition (CITs) as transition moves forward and privatisation within this process gains momentum. Therefore SMEs are the life blood of economic development and need to be maintained on the agenda for constant support and promotion to keep pace with the rapidly changing business circumstances.
- Majority of the enterprises visited are large business initiatives utilising the latest state of the art technology while the rest are medium-sized enterprises appear to be well equipped and managed.
- Enterprises in partnership with foreign companies, despite some minor differences in management emanating mainly from national traditions/backgrounds, appear to be doing well.
- Joint enterprises act as important vehicles of foreign investments, transfer of high technologies and promote and foster job creation and employment. All are export-oriented, keep expanding the variety of Turkey's export items, seek to broaden export markets and earn precious hard currency indispensable for the process of development.
- A major holding company also active in textile industry and garments has developed a banking system, encompassing approximately 500 private SMEs therein, which provides services in human resources, equipment purchases, import

of raw materials, export of manufactured products including their transport through a system of securing credits. While a prestigious, foreign educational institution has taken this innovative venture as a case study to review, its general operation attracted the full attention of the participating delegations. The Turkish company concerned expressed its readiness to share experience and know-how in this respect and a shared view emerged that this scheme might be useful in some other Member States subject to local adjustments.

- Although the present economic slow-down in Turkey, in the region and at large impacts negatively enterprises in different scales, those who are effected are already implementing various administrative and improvement measures in order to cope with this situation. All follow with keen interest future business trends and prospects, while ideas are in the making towards expansion.

- In the selection of İzmir as business base and operation various elements, i.e. central location of İzmir in proximity to major consuming areas and emerging markets, availability of educated work-force including mid-level management, facility in land-sea-air transport, certain legislative rights and privileges recognized, acceptable wage rates and agreeable climatic conditions are understood to be among the leading determinative factors.

- The managerial staff appear to be well educated and experienced, highly business motivated and strongly export-oriented. All the establishments, the general image they reflect, the display of order and discipline extending to the auxiliary staff left a positive impression and the participating delegations seemed impressed by the standard of the said establishments.

#### 9. **Semi-Official Support Organizations :**

This summary is based on the Support Organizations enumerated in paragraph four above. The following principal observations emerged:

- Nearly the entire membership of the Chambers of Commerce and Industry is constituted of SMEs. In other words, practically all the inputs originating from these Chambers are directed to such enterprises. New initiatives as the creation of a finance center in the form of a securities market composed of certificates issued by SMEs, a strategic plan to strengthen them and widen the scope activity are about to be launched and hopefully will yield results meeting various pressing demands of these enterprises.

- While the Chambers of Commerce and Industry are the traditional support initiatives to business enterprises/entrepreneurs, Free Trade Zones and Industrial Parks are the recent actors in this domain and all function principally in tandem with the private sector. All are semi-official units and those employed by them in administrative cadres are considered to be government officials.

- The Chambers constitute bridges between the government and the business circles through regular dialogue. They are the antennas in this durable working relationship.

- Chambers have a comparable role also in a triangular dialogue among the educational institutions- Chambers themselves- business enterprises. They are acting as an open channel in between the educational institutions and the business sector alerting the former timely to respond to human resources requirements which the business community faces as a result of the constantly changing business environment. In addition to supplying business-driven experience, information and know-how they undertake activities/services to ignite and promote newer business opportunities and informative-educational-training initiatives geared to local capacity growth.
- The Chambers assist in creating business circumstances appealing to the establishment of foreign enterprises in order to encourage flow of foreign investments and import of new technologies.
- Free Trade Zones and Industrial Parks, for which detailed expansion plans country-wide are in the process of execution, appear to be well-organized and managed and are destined to play increasing role in the development of Turkey.
- The establishments which operate in the Free Trade Zone and Organized Industrial Zone seem to be satisfied with the management of these zones; differences emerging between any one of them and the administration appear to be in control and find their solution through mutual good will and understanding. In this frame further reduction of bureaucratic formalities including customs procedures, a more effective “one-stop-shop” services are sometimes the headaches whose removal might well improve the overall business and investment climate.
- Free Trade and Industrial Zones operate without apparent risks to the environment and hence set examples for clean industrial production for those who operate outside. In this frame the Industrial Park is to be assessed as a link in the chain for cleaner industrial production and a sign of mid and long-term official strategy to move manufacturing establishments from population centers to appropriate places where they operate free of environmental threats.
- The organization of an educational apprentice program keyed to lathe operation, moulding and other technical skills proved to be very useful in meeting some of the urgent requirements of the companies operating in the Industrial Park and in the region outside. Such activities are expected to be repeated depending on the changing demands of the businesses.

## **CONCLUSION**

1. Previous SME Workshops within BSEC revealed lack of capital, inadequate human resources, rudimentary legislative infrastructure and very weak institutional framework to compliment it as the major shortcomings in all the CITs. The particular attention given by the participating delegations to the financing of SMEs and legislative and institutional infrastructure confirmed these weaknesses. The CITs need to address these issues while Turkey, better placed in this respect, requires to improve considerably its performance in this respect.

2. In an efficiently operating market economy public sector and private sector, composed overwhelmingly of SMEs, need to work in a lasting partnership. The Chambers of Commerce and Industry are integral to this partnership and yield useful service as support ventures to SMEs.

3. Free Trade Zones and Industrial Parks are environment-conscious initiatives which also bring order, discipline and efficiency to work and hence accelerate development and increase well-being. These measures therefore might be encouraged and cultivated.

4. Broad-based Free Trade Zones and Industrial Parks give rise to frameworks conducive to the flow of foreign investments and high technology.

5. In addition to a number of attractive qualities offered by SMEs, being widely dispersed, they also assist regional and local development. Their growth complemented by Support Organizations, Free Trade Zones and Industrial Parks in a broad framework, harmonious and operable, will help to mobilise local social and economic capacity which hopefully will bring around a dynamic, country-wide movement of development and prosperity.

