

STRATEGIC ALLIANCES OF SMALL AND MEDIUM SIZED
ENTERPRISES IN GLOBAL MARKET ; A CASE STUDY FROM IRAQ

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STRATEGIC ALLIANCES OF SMALL AND MEDIUM SIZED ENTERPRISES
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Approval of the Graduate School of Social Sciences

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ABSTRACT

STRATEGIC ALLIANCES OF SMALL AND MEDIUM SIZED ENTERPRISES IN GLOBAL MARKET : A CASE STUDY FROM IRAQ

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This thesis focuses on the strategic alliances of SMEs in global markets. The primary objective of this thesis is to define the global market and Small and Medium Sized Enterprises, analyse the SMEs' global entry strategies and their advantages and disadvantages at global markets. For this purpose, a survey was conducted to the 65 firms working in Iraq.

Keywords: SME, Globalization, Global Market, Entry Strategies, Iraq

ÖZET

GLOBAL MARKETLERDE KOBİLERİN STRATEJİK İŞBİRLİĞİ SEÇENEKLERİ ; IRAK PAZAR ARAŞTIRMASI

Ayhan, Ayfer Burçak

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Bu tez küçük ve orta büyüklükteki işletmelerin global marketlerdeki stratejik işbirliği seçenekleri üzerine odaklanmıştır. Tezin öncelikli amacı; global market ve küçük ve orta büyüklükteki işletmeleri tanımlamak, küçük ve orta büyüklükteki işletmelerin global pazarlara giriş stratejilerini analiz etmek ve de global marketlerde kobi'lerin avantaj ve dezavantajlarını incelemektir. Bu amaç için, Irak içi 65 adet firma ile araştırma yapılmıştır.

Anahtar Kelimeler: KOBİ, Küreselleşme, Global Pazar, Global Pazarlara Giriş Stratejileri, Irak

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To My Parents

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INTRODUCTION

With the increase of competition in international level and dependence of markets to each other, necessity for realization of strategic approach in order to enter into the international markets was born.

Rapid technological developments in world at transportation, information and knowledge technology fields made the people, companies and nations getting closer, moreover, dependent to each others.

The most important dimension of global economic integration is the international trade. Among the properties that determine superiority of the companies in global market, the leading ones are cost, price and quality of the product. The other factors important in global markets are competition intensity, price determining power of company, scale economies in the sector, capacity and technology using capacities, organization and management style and financing conditions in the sector of the company.

However; management conceptions who do not care or see the opportunities in global market, deficiencies in management capabilities of companies, insular management levels, difficulties in finance conditions prevent companies going

outside their boundaries and makes it difficult to enter foreign markets. Therefore, companies should form a marketing strategy, to determine new market opportunities, and should act in a systemized planning by considering demands of their customers for entering international markets in long-term.

Globalization has shown its effects on industry as well as all aspects of social life. Small and medium sized industry (SME) have a position of most important actors of economy and management world with respect to dynamism they have shown and position owned in economical structure. Necessity of being powerful and showing activities in global markets, is the proof that more important and more dangerous period has started for SMEs that can not use the resources they have adequately and depressed under various problems. Competition ratio and increase of the number of competitors show the share of SMEs in the market that they have activities shall decrease gradually. However, enterprises open to global markets that determine the target mass as customers and markets of various countries can provide serious developments if they are organized systematically. It is an important step for SMEs to direct themselves to foreign markets, to have steps on the pathway to globalization in order to grow and become powerful by getting out of local markets in which they are depressed. However it is very difficult for SME demanding to be open to global market to realize this alone. It is necessary that SMEs should concentrate on various cooperation alternatives.. Strategic cooperation alternatives of SMEs are given as shown below:

- Export organizations formed by gathering of a large number of SMEs in order to increase export,
- License and franchising agreements signed with local or foreign enterprises,

- Joint ventures realized by gathering of one or a large number of SMEs.

Direct entry of SMEs to Global markets provides important chance of joint venture alternative with respect to flexibility, rapid adoption to changes and power of creating innovations.

This thesis is composed of basically four chapters prepared with objective of determination of small and medium sized industry gaining gradually global identity in world markets and examining the selection of strategic cooperation which shall be realized by small and medium sized industry demanding to be open to foreign markets.

In the first chapter, definitions valid in Turkey and the World and development in history process of small and medium sized industry were reviewed.

In the second chapter, global marketing activities, definition, determination of Global Market environment, Globalization term, and factors of competition power at small and medium sized industry were considered.

In the third chapter, entry strategies to global markets and local and foreign environmental factors affecting determination of these strategies were examined in detail.

In the fourth chapter, strategic cooperation options that could be applied by small and medium sized industries with desire of entering to the global markets have been included.

In the fifth chapter, information about problems and recommended solutions encountered by small and medium sized industry in order to enter into foreign markets were given.

In the sixth chapter, within the context of Iraq country analysis, advantages of doing business in Iraq, strategic cooperation with Iraq and reconstruction of Iraq followed by company study as sample application were included. Regarding to the strategic importance of Iraq in 21st century, it takes an important role in the economic market. In this chapter, strategic role of Iraq will be defined exactly and which is the best strategy to enter Iraq Market will be analysed.

CHAPTER 1

1. SMALL AND MEDIUM SIZED INDUSTRY

1.1. Identification of Small and Medium Sized Industry (SME)

An agreement is not provided for the term small and medium sized enterprise that has been defined differently almost in every nation of the world, not its legal feature but its economical feature is emphasized. We can list the criteria causing SME to be defined differently as follows: (Çetin, 1996, p.34-35)

- Time
- Economical development level
- Industrialization level
- Technology used
- Size of the market
- Business branch of the activity done
- Production technique used
- Properties of the product produced

In framework of these general criteria, it is useful to consider the points affecting definition of SME.

Organizational structure of SMEs is that they are managed by owners or partners of the companies in a simple order. SME

owners realize their activities independent from each other without being subjected to a definite supervision. For this reason SMEs are enterprises with low share in the market. (Sandeno, 1995, p.10)

1.1.1. Identifications of Small and Medium Sized Industry in World

According to the Barthes; two approaches are adopted in the article written on September 2003. The first is to use the definition adopted by the economy concerned. The second approach is to use a standard definition of an SME across all economies, for this purpose an SME is defined as employing less than 100 people , a medium sized SME employs between 20 and 99 people , small firm between 5 and 19 and a micro firm less than 5 employees and includes self employed managers. In the article it is indicated that most SMEs are actually very small and about 70 % to 80 % of them employ less than 5 people. There is only very small percentage of firms, typically ranging from about 1 %to about 4 % which have more than 100 employees. (Barthes, 2003)

If we examine the SME terms in framework of the world it is necessary to consider them in two general headings:

1.1.2 Identifications of Small and Medium Sized Industry by Various World Countries

1.1.2.1 Identification of SME by U.S.A.

Taking the number of working people as criteria, U.S.A. did not ignore investment quantity and volume of sales. For example although some institutions and experts accept small enterprise as enterprises working with less than 100 people, there are experts and institutions who accept small enterprises as enterprises working with less than 500 people. The mostly accepted small enterprise identification is enterprises which their sales is less than 20 million dollars and which the number of working people is less than 500. (Hosmer and Tucker, 1996, p.489)

1.1.2.2 Identification of SME by Great Britain:

In Great Britain, criterion for SME identification considers generally the number of working people and annual sales quantity. It is accepted that a small enterprise in manufacturing enterprises is accepted the one whose workers is less than 200 people. For mining and construction sector, enterprises with less than 25 people are accepted as SME. If annual sales quantity is taken as basis, enterprises those sales quantities is less than 50.000 pounds in retail sector, less than 200.000 pounds in trade sector and less than 100.000 pounds in motorized vehicle and maintenance and repair sector have been accepted within the context of small and medium sized enterprises. (Müftüoğlu, 1997, p.45)

1.1.2.3. Identification of SME by France:

It is defined as enterprises that whose directors take financial, technical, social, ethical and legal responsibilities. If number of workers is 10-50, then it is classified as a small enterprise and number of workers is 50-500, then it is classified as a medium enterprise. (Çetin,1996, p.39-40)

1.1.2.4. Identification of SME by Italy:

In SME identification in Italy, number of working people and rate of fixed capital is considered. An enterprise with maximum 500 working people and fixed capital investment not exceeding 3 billion lire is considered under SME context. In SME identification, properties related with management organization are also important. At top management, enterprises with division of labor are considered as big enterprises and enterprises without division of labor are considered and that all functions are collected on the owner of enterprises are accepted as small and medium enterprises. (Müftüoğlu, 1997, p.113)

1.1.2.5. Identification of SME by Germany:

In SME identification in Germany the used criteria are number of workers and annual sales quantity. Identification based on sector show some differences. Accordingly, in manufacturing sector, it is accepted as enterprises having annual sales volume of less than 2 million marks and with number of workers of 1-49 is small, enterprises having annual sales volume of 2-25 million marks and with number of workers of 50-499 are medium

enterprises. In retail trade, it is defined that enterprises having annual sales volume of 500.000 marks and with number of workers of 1-2 are small, enterprises having annual sales volume between 500.000 and 10 million marks and with number of workers of 3-49 are medium sized enterprises. . (Çetin,1996, p.38-39)

1.1.2.6. Identification of SME by Japan:

SME identification is done by capital quantity and number of workers. There are different definitions based on the sectors. In industry sector enterprise is small if number of workers is less than 300 and capital is less than 100 million yens, in trade sector, enterprise is small if the number of workers is less than 100, and capital is less than 300 million yens and in service sector enterprise is small if the number of workers is less than 50, and capital is less than 10 million yens. . (Müftüoğlu, 1997, p.113)

1.1.3 Identifications of Small and Medium Sized Industry according to Official Foundations

This definition covers SME definitions done by Europe Union (EU) and Organization for Economic Cooperation and Development (OECD).

1.1.3.1. Identification of Small and Medium Sized Industry by European Union (EU)

According to identification done by European Union, enterprises are accepted as SME if number of workers is less than 250 people. Medium sized enterprises are identified as enterprises with number of workers are between 50 and 250 and yearly endorsement is less than 40 million ECU. SME identifications and related criterion specified European Union are shown in Table 1. (Sayın and Fazlıoğlu, 1997, p.3-4)

Table 1: SME Definition of EU

SME	No. of workers	Sales Quantity	Independence
Very Small Size	Less than 10		It should
Small Size	Less than 50	Less than 7 million ECU	not belong to one or several
Medium Size	Less than 250	Less than 40 million ECU	companies

Source: (Sayın and Fazlıoğlu,1997, p.3-4)

1.1.3.2. Identification Of Small And Medium Sized Industry By Organisation For Economic Cooperation And Development (OECD)

According to identification done by OECD number of working people is taken as basis. Table 2 shows these criteria and classifications.

Table 2: SME Definition of OECD

Enterprise Size	No. of Workers
Very small	Less than 20
Small	20-99
Medium	100-499
Big	More than 500

Source: (Müftüoğlu, 1997, s:119)

1.2 Identification of Small and Medium Sized Industry in Turkey

With development of Turkey and Turkish economy, number of people and institutions interested in SMEs are increased. Parallel to this increase, numbers of identifications of SMEs are also increased. Institutions doing SME identifications in Turkey are shown below:

1.2.1. Turkish Statistical Institute

Turkish Statistical Institute has classified enterprises into two as small and big enterprises in classifications done in 1980 and 1985. In SME identification of 1985, small enterprises have number of workers with 1 and 24, while big enterprises have number of workers more than 25. (Arıcan, 1996, p.43)

In 1998, definition of SMEs became wider, in manufacturing sector SME is defined as enterprise whose no of workers is maximum 150 and whose total fixtures in legal records except the land and buildings is not more than 50 billion TL.

(Arıcan, 2000, p.43)

Table 3 shows enterprise definition of Turkish Statistical Institute. In this table number of workers is chosen as basic criteria.

Table 3: SME Definition of Turkish Statistical Institute

Enterprise	Number of workers
Very small	1 to 9
Small	10 to 49
Medium	50 to 99
Big	More than 100

Source: (Müftüoğlu,1997, p:133)

1.2.2. State Planning Organization

While State Planning Organization makes plans related with economic, cultural and social development of our country, it also benefits from various expert commissions founded in its structure. Accordingly, the report prepared by Small Industry Special Expertise Commission formed inside the structure of the organization for the VI. Five Years' Development Plan is shown in Table 4.

Table 4 : SME Identification of Small Industry Special Expertise Commission Prepared for VI. Five Years Development Plan

Enterprise	Number of Workers
Very Small	1 – 9
Small	10 – 49
Medium	50 – 99

Source :(Müftüoğlu, 1997,p:47)

1.2.3. Turkey Public Bank

Founded with aim of providing financial support to SMEs, Turkey Public Bank has classified in 1995 small enterprises with maximum 100 workers and the value of total fixtures, machinery, installation, vehicle, appliance and materials except the land and the buildings in legal records does not exceed 15 billion TL. Big enterprises are classified as enterprises with maximum 250 workers and total investment value in legal book records does not exceed 30 billion TL.

Founded with aim of increasing share and effectiveness of SMEs in meeting economic and social needs of our country, enhancing the competition power and levels and realizing the industrial integration conforming to economic developments, Organization for Small and Medium Sized Industry Development (KOSGEB), has activities as helping SMEs, meeting the necessary training needs and supporting young investors. SME identification of KOSGEB is shown in Table 5.

Table 5. SME Identification of KOSGEB

Enterprise	Number of workers
Small	1 and 50
Medium sized	51 and 150

Source: (Gücelioğlu, 1994, p.2-3)

Until now, almost all identification of SME term keeps the quantitative criterion in the foreground. Since quantitative criteria are measurable and carry a tangible property, they play an important role. The used quantitative criteria should match with meanings depending on with meaning, definition and objective. Otherwise, quantitative criteria carry different meanings depending on time and economic conditions that they are subjected. Many qualitative criteria used in identification of SME shall have this deficiency. For this reason, in using quantitative criteria, it is necessary to use as few variables as possible, and to refine them from outer environment and to increase its reliability. Diane Holt indicated in her article published in 2000, the most common criterion is the number

employed ,but capitalization, assets , sales or turnover and production capacity are also used by various economies.

1.3. Historical Process of Identification of Small and Medium Sized Industry

Since they produce merchandise and service for the benefit of consumers, they have taken place in every period of history and in all cultures.

1.3.1. History of Small and Medium Sized Industry in World

They give services as cornerstones of the economy until industrial revolution is realized and mass production style is come forward. (Siropolis, 2005, p.2)

After industrial revolution with appearance of big enterprises doing serial production and gaining big financial advantage by this method, forced these enterprises to be closed that have being affected negatively and not adopted to new competition conditions. (Bağrıaçık,1999,p:84)

At the end of the sixties, changes take place in the world has started to remove the indifference to the small and medium enterprises.

After appearance of petroleum crisis in 1973 increase of energy prices rapidly, increase of costs of production inputs, living big

declines in customer demands and entry to a period of economic recession have caused a shock for the big enterprises. In this period, SMEs have succeeded to resist and gained advantage from this situation. Contribution of SMEs to employment has been appeared. Howard Biney indicated in his article that ; in order to encourage SMEs, a policy is formed in two fields.

- For objective of foundation of new SMEs, encouragement of productive investments in various ways,
- Development of present SMEs

1.3.2. History of Small and Medium Sized Industry in Turkey

Regulations concerning small enterprises have put forward in framework of laws with the foundation of modern Turkey Republic in 1923. For determination of official policies about SMEs, Five Years Development Plans that have been applied since 1963 have an important position. Accordingly,

- I. Five Years Development Plan(1963-1967)

The objectives considered to be realized are the following:

- Providing cheap credits to related people and enterprises
- Encouraging cooperation and union
- Collecting small industry in industrial zone
- Improving apprenticeship
- Regulating marketing of products

- II Five Years Development Plan(1968-1972)

This plan directed foundation of Development Center for Small Industry (KUSGEM) by giving importance to the organization of small industry.

- III. Five Years Development Plan (1973-1977)

In this plan, the attention is focused on not encouraging adequately of the related sector and not establishing center for handwork yet since KUSGEM had not been adequately organized.

- IV. Five Years Development Plan(1979-1983)

In this plan small industry and artisans and tradesmen are differentiated. In this period Small Industry Development Organization (KUSGET) has substituted KUSGEM.

- V. Five Years Development Plan(1985-1989)

In this plan policy regarding small and medium enterprises is determined. This policy contains subjects as increasing production power of small industry, extending the financial and technical consultant services on export, determining the leading sector for the development of small industry, integration of small and medium enterprises with big enterprises, providing quality control organizations etc.

- VI. Five Years Development Plan(1990-1994)

In this plan, training, organization and productivity items are highlighted. Especially activities of SMEs directed to export are organized and subject of increasing effectiveness was given importance.

Different from other plans, in this plan dynamic and venturesome work has come into prominence. (Erdoğan.2002, p.24)

1.4. Position of Small and Medium Sized Industry in World Economy

While SMEs have contribution to economy producing merchandises and services in a competition with big enterprises; they became helpful to big enterprises by supplementing the big enterprises as ancillary industries.

1.5. Position of Small and Medium Sized Industry in Turkish Economy

In our nation, SMEs have activities almost in every field of economy. Table 7 shows the ratios of main sectors owned in the Gross National Product (GNP) between 1990 and 1999.

Table 6: Distribution of Sector in Gross National Product

Sectors	1990	1993	1994	1995	1998	1999
Agriculture	24,13	22,59	22,1	21,78	24,8	20,32
Industry	21,87	23,36	24,13	24,8	26,37	26,45
Production Industry	17,62	19,26	20,07	20,32	21,6	21,55
Services	54	54,05	53,77	53,42	51,75	53,84
GSMH	100	100	100	100	100	100

Source: (Uludağ and Serin,2001,p.29)

Some information in Table 6 implies that there is a shift from agriculture sector to industry sector and the share of industry and production industry sector have gradually been increased.

1.6. Benefits of Small and Medium Sized Industry in Economic System

SMEs which have important position in all less developed, developed and highly developed countries provide contributions to economic and social structures of the society. According to the article written by Steward Anthony in 2000, SMEs represent a vital part of capitalist system. Since most companies start small, SMEs are engines of innovation and economic growth. In the article it is indicated that during the last major world recession, SMEs climbed to the top of the political agenda as a key to the recovery of an enterprise culture.

Contributions of SMEs to economic system can be listed as follows:

1.6.1. Dependence of Enterprises to Each Other

1.6.2. Employment and Providing New Business Opportunities

1.6.3. Providing Balanced Development among Regions

1.6.4. Protection and Encouragement of Competition

1.6.5. Manifestation and Development of New Ideas and Innovations

1.6.1. Dependence of Enterprises to Each Other

One of the most important and basic realities of modern life is that all enterprises need each other and that they are obliged to work in cooperation. Today no enterprise can have activity alone and independently for this reason each enterprise must buy and sell the commodity and service needed. Established communications between big enterprises and SMEs show themselves in relations serving different purposes. These purposes are as follows: (Bağrıaçık,1999, p.3-4)

- Taeko Takahshi indicated in his article published in 2007, big enterprises want to be saved from fixed costs and to decrease their production costs by transferring some production business to SMEs.
- For some products, applying to ancillary industry having know-how for production is necessary
- In cases which production capacity of big enterprises is not adequate, it is rational to use inert capacity of ancillary industry due to positive effect on employment and income distribution of the country in both economic and both general sense.
- In periods of narrow demands it is desired to be saved from financial burden brought by fixed costs

1.6.2. Employment and Providing New Business Opportunities

The first reason that SMEs become prominent in world economy is undoubtedly that they create employment and new job opportunities. After economic stagnation brought after 1973 oil crisis, the fact that SMEs were not affected moreover, employment was increased became important advantage for SMEs. In a study conducted at European Union level, it was seen that employment provided by SMEs :

- Were mostly as part time work
- Most of the employees were women
- Continuity was low
- With respect to big enterprises, lower wages were paid
- In service sector, it was more concentrated.

1.6.3. Providing Balanced Development among Regions

In order that lower capital and less technology is required for establishment and development of SMEs than big enterprises, it is possible that SMEs can spread to many regions of the nation. SMES provide employment and increase of income at the regions they have activity and prevent migration to big cities and prepare environment for birth of new enterprises with high development and active life. During the development process of the region, SMEs cause all the creative potential of the country to appear.

1.6.4. Protection and Encouragement of Competition

According to Kotler , In free market economy competition is important. In case monopol and oligopol market conditions prevail in commodity and service market, prices formed in market are higher than competition market, and production quantity is decreased. For this reason, encouraging SMES, increasing their weights in economy, prevention of monopolization in market helps working of free trade conditions as necessary.

1.6.5. Manifestation and Development of New Ideas and Innovations

When SMEs are closer to the consumers, it provides opportunity immediately to evaluate the changes in preferences and problems of consumers and to make necessary changes in their production systems in a short time.

Soong indicates in his article published on 2001, Big enterprises and SMEs are in cooperation about innovations. SMEs need to present their ideas and recommendations to big enterprises in position of integrator of big enterprises.

1.7. Small and Medium Sized Industry Data In Turkey

The basic criterion whether it is possible or not that globalization can turn an opportunity for a nation with an integrated strategy depending on SMEs is a problem related with potential of SMEs. Turkey is one of few countries having advantage on this subject. Briefly, we see the following:

In production employment is provided by SMEs. For SMEs, employment per enterprise is 4,8. This situation suggests that micro enterprises are majority. In markets of today, it is necessary to concentrate on creation of micro SMEs with 1–9 workers and support them with initiative development perspective since the lifespan of a product is very short such as 3 years and variety has become extraordinary demand.

Although number of SMEs in Turkish economy is high, their national income is low due to low efficiency.

CHAPTER 2

2. GLOBAL MARKETING ACTIVITIES

2.1. Definition of Global Marketing

While companies show global marketing activities, they became localized in markets they have entered and constitute marketing complex of the product conforming to local form and style.

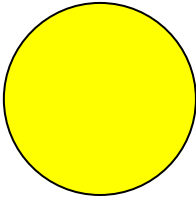
Global marketing does not mean going to every country. Global marketing is approach to scan risks and opportunities in world or to carry business volumes or horizons of the company outwards. Global marketing strategies consider product and system designs together with details like product placement, packing, distribution, customer relations and supplies. (Çam,2001, p.38)

According to suggestion of Levitt it was emphasized that there will be a standard global market approach covering all world markets. However although the time has passed, it became evident that this situation can not be possible. (Levitt, 1993 , p 92-102)

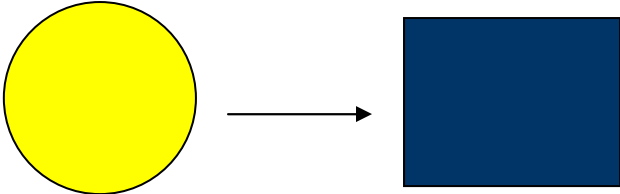
According to Kotler, each market has its own culture, pleasure, style, customer demands, competition measure, legal, political, and economical environment. For this reason instead of single global marketing concept, market and product search considering differences should be done. (Kottler, 2000, p.16)

Figure 1: Market Types (Erem , 1992)

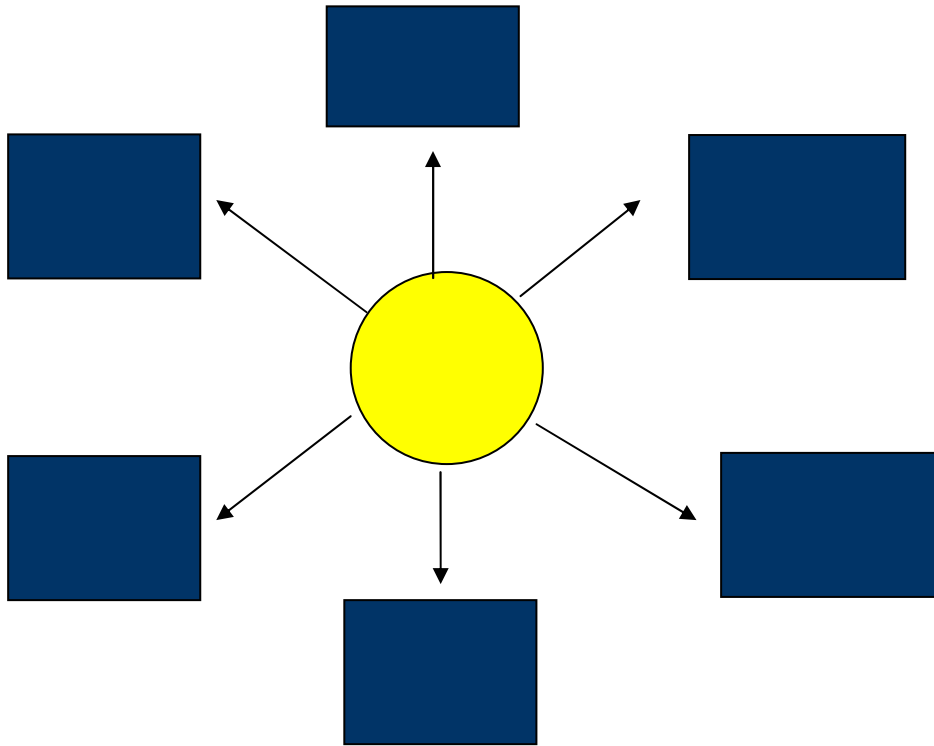
- Market with Single Country



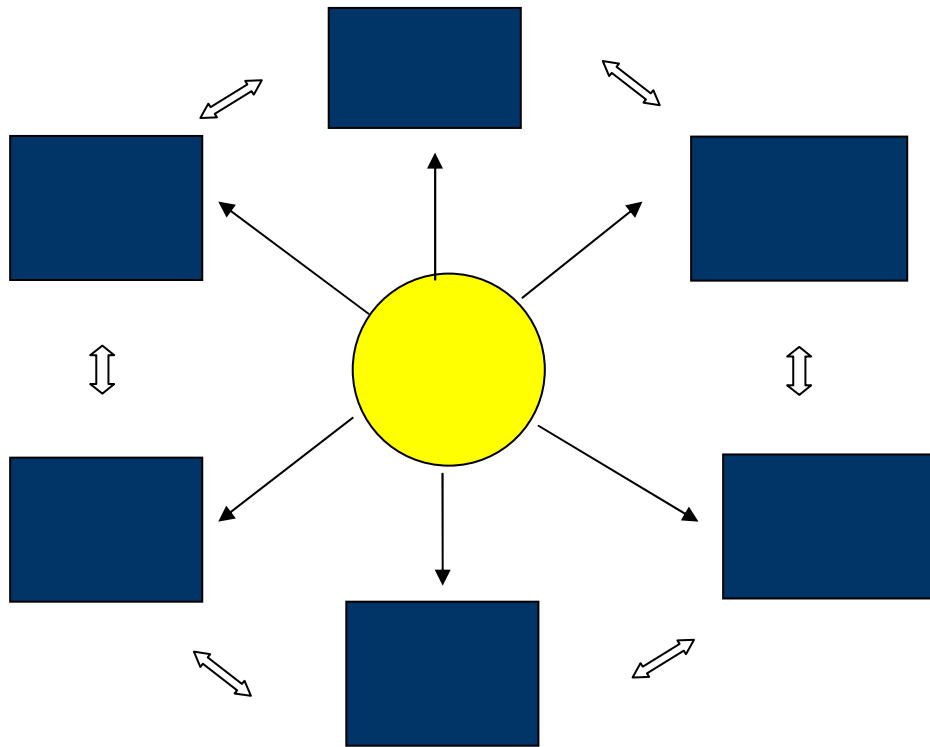
- Market with Two Countries



- Market with Many Countries



- Global



According to Phillip Cateora, purpose of the terms like global, multinational, international, or foreign marketing are used in broad sense to manifest relation related with international activity. However view point of global assumes the World as a single market focusing on similarities rather than regional differences. (Cateora ,1993,p.66)

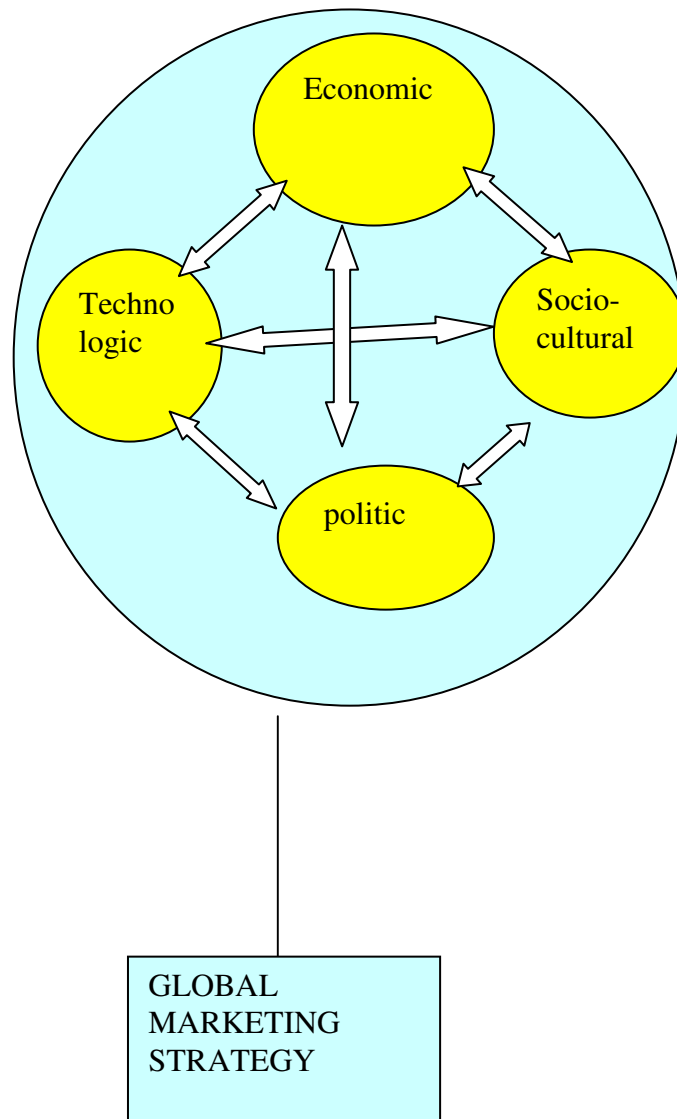
2.2. Determination of Global Market Environment

Development of Global economy especially for the last 50 years is shaped by driving and resisting forces. Regional economic agreements, needs and demands of expanding market, developments at communication and transportation technologies, increase of pressures causing better quality, global economic expansion etc. became driving force of global expansion. While companies want to expand their countries to world, there are protection efforts of the industrial development in the country. For this reason, there are also forces preventing and retarding the direction towards global markets in some countries. (Sheth and Jagdish ,1997,p.87)

Development of industries in historical process and differentiation of international policy and economy have influence on world trade. Economic inputs of countries with the same quality in world trade can get bigger advantages in some sectors than the alternative production areas.

Before establishing global market strategy, forces directing to a change with respect to competition environment and continually shaping themselves need to be better understood.

Figure 2: Forces Shaping the Market Strategy



Source : (Douglas and Craig, 1997,p.36)

2.2.1. Features of Global Competition

Today competition power in large sense relies on collection of information. Factors determining the competition power are as follows: (Atkan , 1998 ;p. 111)

- Quality and cost of the commodities produced by the company

- Capital cost
- Import cost
- Tax cost
- Social security cost etc.
- Efficiency
- Profitability
- Information technology
- Organization and management structure
- Efficient using of sources
- Innovation and Creativity

Competition level of a nation depends on the development and innovation of its industry. As a result of challenging with the most important competitors of the world and meeting with some pressures, companies may become advantageous.

According to Michael Porter; competition power of nations depends on five essential conditions: (Porter, 1996,p.86)

1. Factor Conditions
2. Demand Conditions
3. Related and Supportive Industry Conditions
4. Strategy of the Companies
5. Conditions Related with Infrastructure and Competition Structure

2.2.2. Global Market Information Systems

Trends prominent in environment related with marketing are analysed with five channels interacting and depending each other forming information system of the market: (Tek,1997,p:90)

1. Reporting System Inside Enterprise
2. Marketing Intelligence System
3. Marketing Decision Supporting System
4. Database
5. Marketing Research System

According to Keegan the context of information that can be classified in six categories in Global Market Information System is as follows: (Keegan, 1997, p.69-70)

1. Market Potential
2. Information on Competitors
3. Economic Data
4. Procedure Information
5. Collecting Information on Sources
6. General Matters

2.2.3. Global Market Environment

Although each market has its own differences, the impact of international economy is sensed more in the world and money and trade flow is developing without knowing boundaries. (Sharge, 1989 , p :70 -76)

Companies oriented to global markets make their commodity components variable meeting different wish and needs of different markets. Available commodities and services conform to foreign market conditions and if it is not possible, they are opened to foreign markets with new commodities or services completely different than local market. Instead of offering special commodity or service to each targeted foreign market section, a standard commodity policy demand is an ideal target.

2.3. Globalization

Basically an economical process and accelerated in seventies and become distinct in eighties, globalization expresses liberation of production, trade, capital movements and technologies by gaining an international feature and orientation to the integration of the world economy. (Ekin,2000,p.32)

Globalization targeting the whole world to become one market appears for the first time as a process that does not give opportunity to intervention of no country, power or political party group and every nation, enterprise and individual wanting to be connected to outer world should have this opportunity.

2.3.1. Dimensions of Globalization

In order to understand better the process of globalization and the point that is arrived today these dimensions should be examined.

2.3.1.1. Political and Economic Dimension

From seventies to present day, especially after eighties is the period that globalization is expanded rapidly and becomes dominant power. While international mobility of international capital was mostly commercial bank credits in seventies, it was turned to foreign investments. At the end of eighties, with the collapse of the socialist block, the countries in the socialist block have started to pass to the free market economy. This development was perceived appearance of new markets and activity field of international investors was developed more.

2.3.1.2. Technological dimension

Production systems depending on handwork until the end of 18. century, lost their validity with realization of industrial revolution and plant production has taken its place. An explosion was lived in production volume with scientific management techniques developed by Taylor and mass production was started. This new production system called as Fordist production had targeted to decrease the costs by producing standard products. In fifties, benches with computer control were started to be developed. Economic stagnation with oil crisis showed ineffectiveness of Fordist system. 1980 and afterwards is the period that information era has started. Acceleration of production and share of information caused big changes in social

and economic life. Meanwhile, technological developments lived in communication and transportation converged world nations to each other and international trade and cooperation has increased. (Ansal and Çetindamar,1993, p.13)

2.3.1.3. Cultural Dimension

The effect of globalization process on culture caused two different results. While homogenisation in world level, a common world culture and new world citizen identity appear, it is seen that local culture becomes powerful as a reaction to these developments. While Western type consumer culture expands rapidly, religious and nationalist trends in basis of nations become strengthened.

Cultural differences are very important especially for the enterprises having activity in international area. Management of international enterprises must analyze the cultural differences and design their enterprise activities so that these differences should be eliminated.

2.4.Competition Power

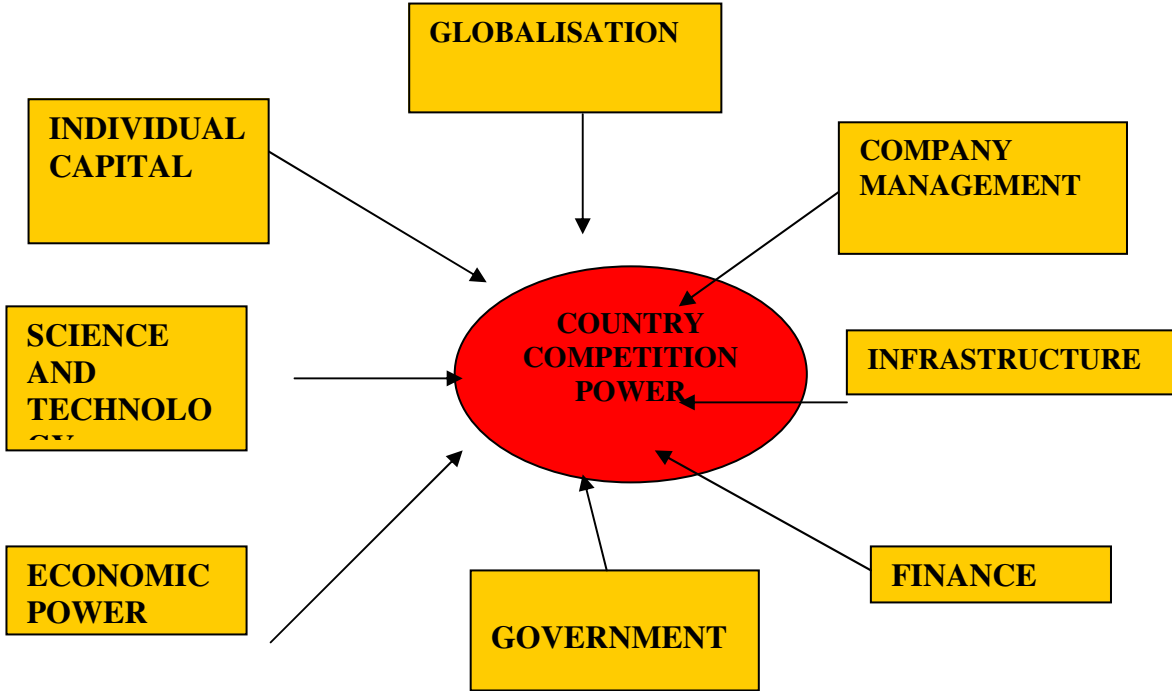
2.4.1. Global Competition Power

In the 21. century, international market share efforts expressed as “global competition” are gradually concentrated in the world economy. When looked in this angle, it is clear that it is necessary that very consistent “global market” information and capabilities should be owned for solving the difficulties that foreign trade has since 2000 years. (Erem,2004,p.68)

2.4.1.1. Analysis of Global Competition Power Factors

Global competition power factors are summarized as below.

Figure 3: Global Competition Power Factors



Source:(The World Competitiveness Year Book ,2002)

1. **Company Management:** It tries to measure how profitable, effective and open to novelties of the enterprises and resistance capability to exterior hazards.

2. **Infrastructure:** Some variables are used in formation of this factor. Among them, variables as production of natural sources, self-capability of a nation in energy, forest areas fitting to agriculture, land-sea-air ways network, communication network with wire and wireless, number of telephones per individual, using level and urbanization rate etc are examined.

3. **Finance:** It measures formation and work of capital and capital market in the country, and service quality of finance institutions. Capital cost, turnover, development level of capital market, factoring and other variables are examined.

4. **Government:** How much state institutions and present government increase the competition power in local and international market is measured. Variables constituting this factor are as follows: Foreign debt value of the nation, inner debt stock of the state, foreign exchange reserves, central bank gold and foreign exchange reserves, monetary policy, subventions, price controls, budget deficit, political risk, etc.

5. **Economic Power:** It is used for making general evaluation of the related national economy. Economy is measured quantitatively. Among these variables, there are gross national product, and annual increases, investments and annual increases, savings, capital formation level, economical risks, etc.

6. **Science and Technology:** It tries to measure the role of scientific and technologic capacity in the nation in formation of

competition power. Public and private enterprise research and development expenditures, number of staff related with research and development, the size of technology source are studied separately.

7. Human Capital: Existence and qualities of nation manpower are measured. Following indicators are used for this: Population of the country, population increase rate, labor power, birth rate, escape of brain migration, life quality, value of health investments, ratio of reading and writing people, etc are examined.

8. Globalization: It determines how active a nation is in international trade and investments. Variables considered in formation of this factor are import and export increase level, distribution concentration of import and export according to countries, foreign trade rules, etc.

2.4.2. Competition Power of Small and Medium Sized Industry in Global Markets

Global market can be defined as a market affected by competition power and the present condition of any nation where global companies work. Connection between technology and Market brings a large strategic subject into agenda.

According to Michael Porter, competition power, the basic indicator of market income highlights foreign market and competition opportunities. A company shall try to choose a market carrying the most suitable competition conditions. Company has to develop its inner capabilities necessary for carrying to success. Later it can bring itself to a position that

creates competition advantage and sustain it. It should have adequate capability for it. (Porter, 1998, p.79)

People at various places of world have an income that can buy some of the commodities and services. This shows the existence of large consumer groups and large markets in many regions of world. As a result of transportation and logistic development products can be found if it is looked for in many places of the world. As a result of increasing communications of consumers, we have more information on products compared to past. (Şanlı and Coşkun, 1998, p.3)

The key of success in national and international area is competition power. Related with it, we can summarize the factors affecting competition as follows:

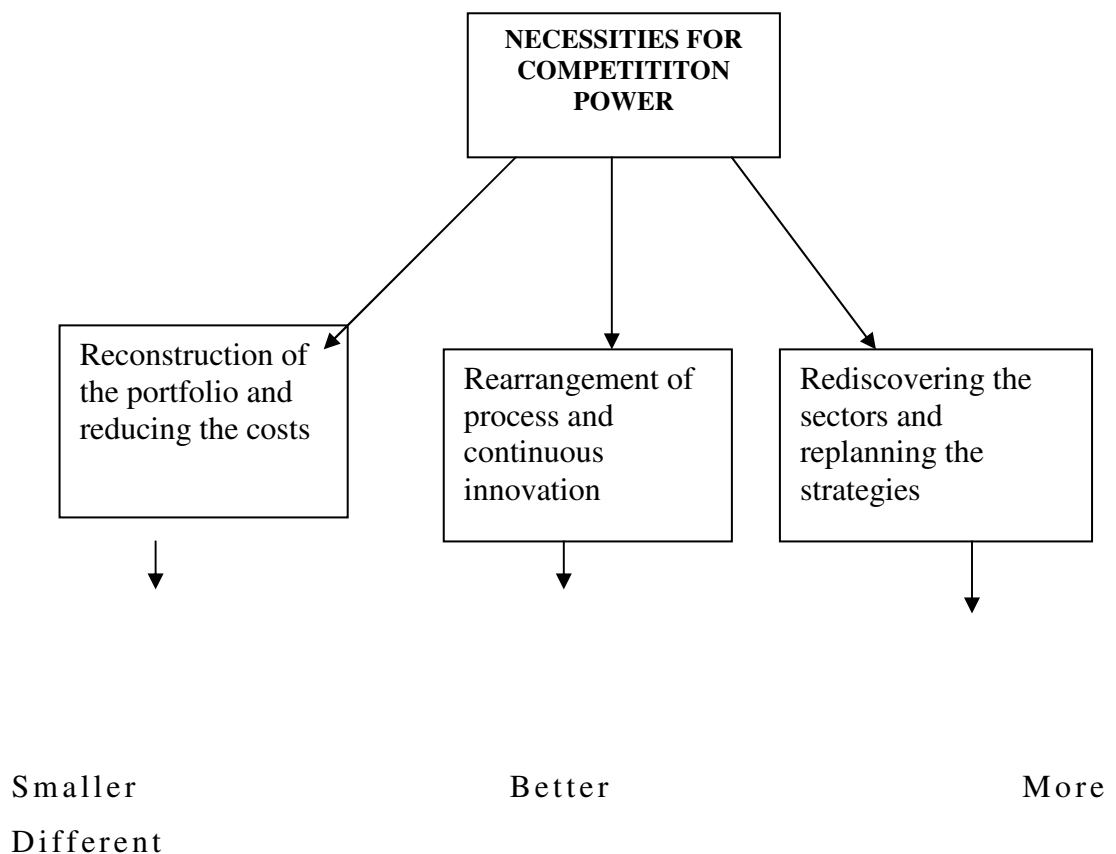
1. To work efficiently, to have capital collection in country, to orient collections to investments, to have positive effect on economic performance of the country
2. To be open to international economic activities, to have integration with the world, to reach high living standards, and to provide sustainability of these standards
3. To provide social macroeconomic conditions protecting companies from risks initiated from outside, to provide flexibility to economy fitting to changing international environment, and to make regulations helping the healthily operation of competition environment by the government.

4. To develop finance markets, to support infrastructure investments

5. To operate enterprises efficiently, to enter into changes conforming to competitive environment, to participate in globalization process shall increase the competition powers. (Hamel, 2000)

In 21st century most important thing is creating difference. It has been shown in Figure 4.

Figure 4: Means of competition power in Enterprises



Source: (Hamel, 2000,p:89)

Today all governments in world have noticed importance of SMEs and their contributions to economy, employment, regional and local developments. With globalization, it is possible that these contributions would increase at higher rates. It is seen that

companies of the countries under development and developed countries are trying to do studies orienting to export with target of being strengthened and developed.

In 21.century, the reasons for increase of the importance of SMEs can be listed as follows: (Sahavet and Uslu,2000, p.43)

- Adoption to change and development lived in the world, changing of cultural environment, and concentration of competition make obligatory conforming to new conditions. SMEs can realize this adoption faster. Because compared to a big company, small companies shall pass to any change easily and faster.
- Rapid technologic development has decreased the need for humans. Thus, increased human sources were used by SMEs.
- Functions of SMEs are increased due to consumer preferences and necessity of responding rapidly that is changed and varied by market-technology interaction
- Today money comes after information. Because information competition about the product technology and market shall create advantage.
- Price fluctuations, economic and politic fluctuations have more effects on big enterprises.

Today all nations in world have noticed importance of SMEs and their contributions to economy, employment, regional and local development.

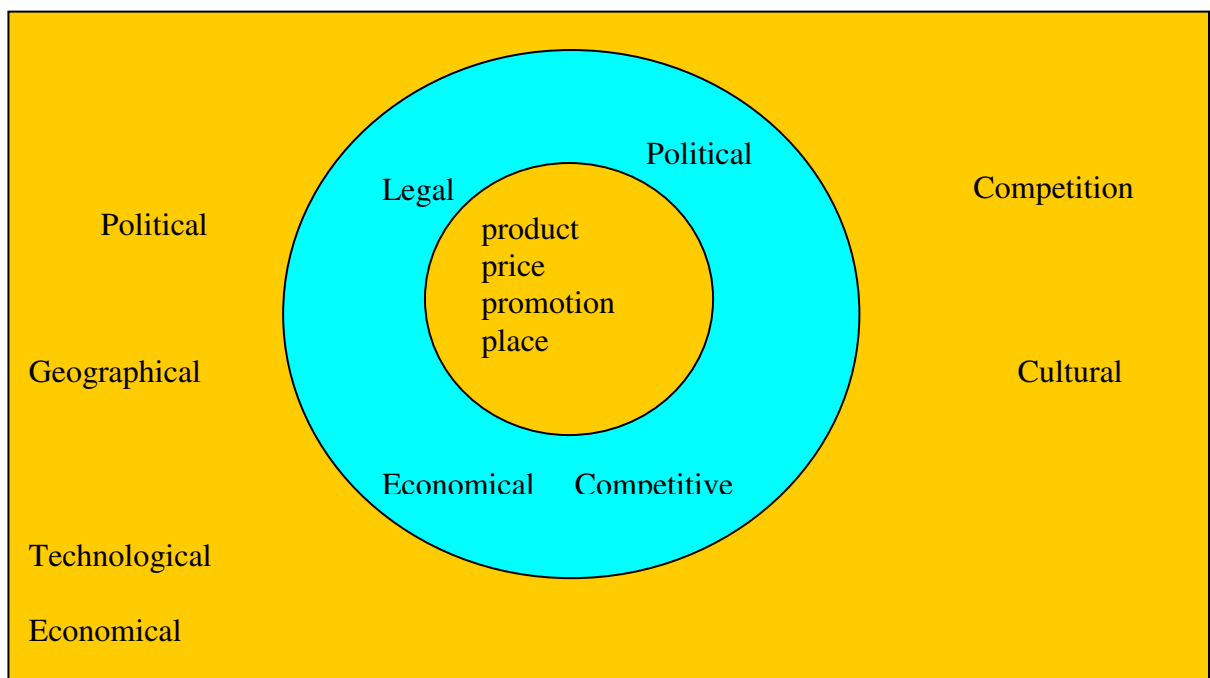
CHAPTER 3

3. ENTRY STRATEGIES TO GLOBAL MARKETS

3.1. Factors Affecting Determination of Entry Strategies to Global Markets

As the world has a complex structure, it can not be said clearly which would be the best strategy for entry to global markets. Different entry strategies are suitable for different environmental conditions. It is necessary that enterprises should be aware of what is going on about the environment and collect the necessary information and make a strategic plan. A company wanting to be opened to international markets should evaluate inner and outer environments and should make plans after evaluation. (Terpstra, 1998, p.44)

Figure 5: Factors Affecting Entry Strategy to Global Markets



Source: Cateora, 1999, p.8

3.1.1. Foreign Environment Factors

Enterprises wanting to enter to global market would show activity in an environment with politic, economic, legal and cultural ambiguities different than the environment they have activity. For this reason they put their efforts on conforming to different regulations in each country. Decisions related with entry to global market are effected by cultural, economic, legal, politic, geographic technologic competition factors. (Koch,2001, p:352)

3.1.2. Cultural Environment

Culture is a behavior rule gained by process of learning during lifetime passing from generation to generation. Changes in culture have effects on social life, working life, production design and its acceptance, communication methods, roles of family individuals during process of purchasing, all fields of market such as relations with distributors and physical distribution, marketing behaviors. (Subhash, 2004, p:97)

3.1.3. Geographical Environment

Climate conditions, natural resources, distances, places of the countries, whether they have mountain or not, whether they are close to the sea or not, potential of natural calamities are important on decision of entry of relation with which country upon which strategy. (Cateora,1999, p:60)

3.1.4. Economic Environment

Wealth of natural resources, population structure, GNP, income per capita, purchasing power, level of education, wage and salary levels, interest rates, membership of regional economic blocks, money convertibility, inflation and tax system, import and export opportunities, market structure of each nation is different and it affects entry strategies to global markets.(Subhash,2002,p:201)

Economic structures and industries of nations are in continuous change. Today countries want to grow and expand with more rapid and less risky strategies.

With globalization, local economies get closer and start to show more dependence, thus Turkey and many countries are affected from this. (Çavuşgil,2001, p.12)

3.1.5. Political and Legal Environment

Governing style, politic ideology, stability of government, power of opposing party and groups political tension, behavior of government to foreign enterprises, foreign policies, regulations and rules of the country where enterprise have activities, have effects on various successes and decisions taken at the enterprise.

Foreign enterprises encounter risks such as foreign currencies are not convertible in the country with political risk, different exchange currency politic and systems, nationalization of the collateral of foreign enterprises by local nation government, terror and sabotage.

Political risk can be decreased by foreign enterprises providing local employment opportunity, supporting the benevolent organizations, establishing joint ventures with local enterprises, and sharing their expertises. (Harrison, 2000, p.85)

3.1.6. Technological Environment

Information of how and better products can be obtained with specific input prices or information of producing with cheaper costs than competitive enterprises is called technology or technological information. This information is known among the patented production design and process workers or company workers as shared know-how. Technologic information is one of the untouchable sources of giving competition superiority to an enterprise.

Technology transfer does not happen easily and by itself. In order that technology transfer is successful, it is important that a reliable system should be available protecting ownership rights in target markets and preventing illegal use of patented technology and copying by local enterprises, capacities of the ones receiving the information and whether there is a powerful production style or not. (Takehiko, 2000, p.468)

3.1.7. Competition Environment

If enterprises do not know industry structure, competitors, and strategies of competitors, knowing their products and activities is not very important.

Entry to some investment areas requires big risk and investment expenditures. That the competition structure in target market is in oligopoly structure or in monopoly competition structure where there are not any competitors have effect on decision of entry strategies. (Dinçer, 1998, p.192)

3.1.8. Local Environment Factors

After outer environmental is evaluated for purposes desired to be realized in international markets, targeted markets, share of market, investment level, expected gains, how to succeed should be determined. In this determination, size of enterprise, sources, competition power, inter national experience is important. Other necessary variables to be studied are resident place, sources, properties of products, market and distribution channels.

(Harrison, 2000, p.58)

3.2. Entry Strategies to Global Markets

- Export Strategies
 1. Direct export
 2. Indirect export

- Entry Strategy With Agreement
 1. Licensing
 2. Franchising
 3. Production Agreement
 4. Key Delivery Project
 5. Management Agreement
 6. Joint Research Development Agreement
 7. Mutual Market Agreement

- Direct Investment Entry Strategies
 1. Opening Ancillary Foundation
 2. Joining or Buying Joint Venture(Root,1997,p.87)

3.2.1. Elements of Entry Strategies

Company managements should form separate plan of each product for market of each country. Because it is not correct to consider creating the same reaction by entry with the same strategy in various products at different markets

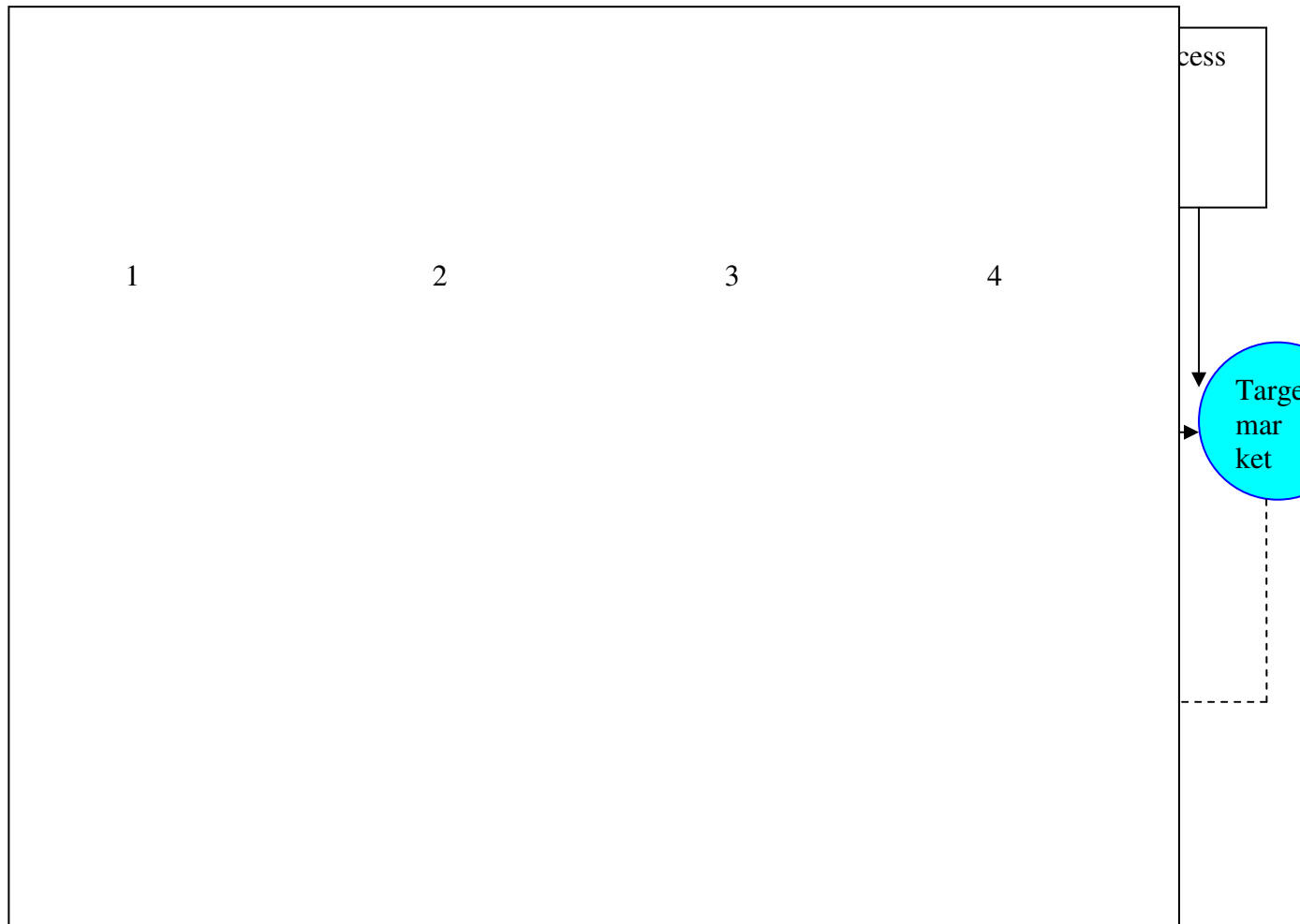
Product-Market plans should be prepared followed by integrating these plans with strategy for establishing entry strategy of the enterprise to international markets.

Product-Market entry strategies should contain these elements;

(Gilbert, 2003, p.12)

- Selection of target product/market
- Purposes and targets desired to arrive at target markets
- Methods of market entry
- Market plan
- Control system

Figure 6: Elements of Entry Strategies to Global Markets



Source: (Root,2000, p:4)

3.2.2. Classification of Entry Method

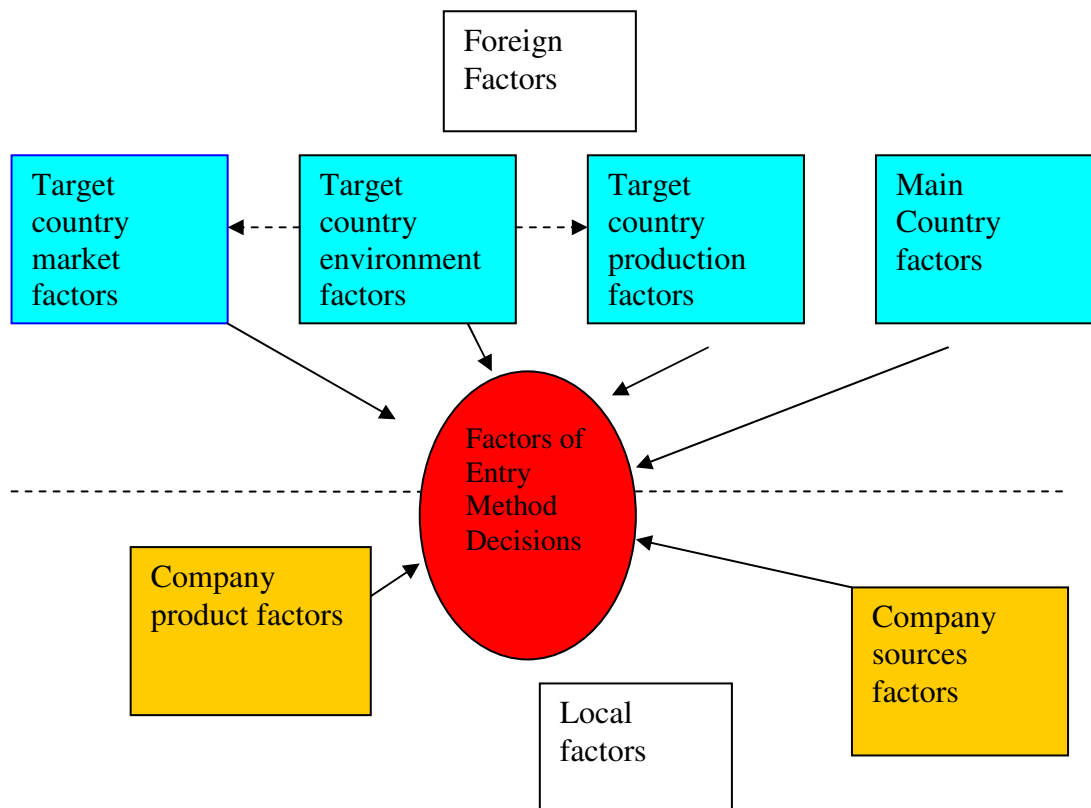
Entry method to global market is an institutional arrangement providing entry of company products, technology, human abilities, management and other sources to a foreign country. (Taylor and Zou, 2000, p.146)

3.2.3. Factors affecting Selection of Entry Methods

Selection of entry method to international markets of enterprises is often result of powers conflicting with each other. The variety of these powers, difficulty of measuring their effects, necessity of estimating their directions during planning process in future and changes among alternative entry methods make this process complex.

It is impossible to change the properties shaping both national market environment, both international market environment in short term. For this reason, they are often called “Uncontrolled Market Variables”. Success of enterprises is not measured by changing these variables, but by best application with commodity, quality, price and adoption offered.

Figure 7: Factors of Entry Method Decisions



Source: (Root, 2000, p:9)

3.2.3.1. Foreign Factors

3.2.3.1.1. Target Country Marketing Factors

Present and expected size of target country market is the most important agent that has effect on entry method. The other important point of target market is competition structure. Market infrastructure is used in determination of target country market. (Douglas and Craig, 1995, p.148)

3.2.3.1.2. Target Country Production Factors

Besides quality, quantity, price of raw materials, manpower, energy and other production elements in target country, quality and cost of the economic infrastructure have effects on choice of entry method. Low production costs in target country are more attractive in local production than export.

3.2.3.1.3. Target Country Environment Factors

Politic, economic, social and cultural agents of target country have precise effect on entry method. The most important ones among them are government policy and regulations. Foreign economic relations of target country (volume of import and export, items and direction of change, movements of foreign exchange etc) are among the environmental factors that have effect on target country.

Social-cultural factors also have effect on selection of entry method. Generally the most important element is cultural distance between societies of main country and target country. For this reason, an entry method that does not necessitate possession and that limits participation of enterprise is seen more advantageous among nations having cultural distance.

Generally in countries with high politic risk, entry method that requires limited possession investment is preferred in countries with high politic risk. (Nina, 1998, p.27-28)

3.2.3.1.4. Main Country Factors

Market, production, and environmental factors of the main country have effect on preference of selection of entry method to target country market. Big local markets provide opportunity of growing of a company before entry to foreign countries. Small companies find export attractive in order to reach optimum size with scale economy.

Competition structure of the main country has effect on entry methods of enterprises. Production cost and government policy are also the other two main country factors. (Poliwoda, 1997, p. 21-27)

3.2.3.2. Local Factors

In selection of entry method, how Enterprises react to foreign factors depends on local factors.

3.2.3.2.1. Product Factors

Products varied with respect to competitive products and having a definite advantage provide opportunity to put price to the sales considerably. Consequently, such products can stay competitive in target market by absorbing high unit transportation costs and high customs costs. Alternatively, less varied products should have competition in target market in price basis.

For this reason, while varied products make attractive the export entry methods, less varied products make attractive the local production.

If the product is service (banking, catering services etc.), in this case enterprise should find a way to produce these products in target market. Such products can not be exported, only used in place where it is produced.

3.2.3.2.2. Source Factors

The more management, capital, technology, production, and market opportunities an enterprise has, it has larger entry method options.

Although small enterprises want to have high control level on international transactions and to have more participation share, mostly they choose export since they do not have sources that are necessary for them. For this reason, entry by export is mostly suitable for small enterprises. (Paliwoda and Ryans,1997, p.22)

CHAPTER 4

4. OPTIONS OF STRATEGIC COOPERATION OF SMALL AND MEDIUM ENTERPRISES IN GLOBAL MARKETS AND JOINT VENTURES

Importance of international strategic cooperation policies increases by depending on some changes occurring today. Becoming international of the markets, complexity of technology and acceleration of technological changes are the prominent ones in these developments. Each of societies is having more information about others, its consumption model is becoming similar, and consequently similar products are sold and are presented to foreign markets. (Erdil, 1994, p.38)

Today strategic cooperation agreements are widespread due to following reasons (Marangoz,1997,p.233)

1. Economic procedure has become more flexible,
2. Rapid technological change rates and consequently product life spans are increased,
3. More investment is required oriented to develop new processes and acceptance of risky new projects,
4. Concerned governments support entries of new enterprises,
5. USA; Europe and Japan becomes mature in industry and economy,
6. Informatics opportunities are developed and increased, and computer becomes powerful,

7. Business branches formerly that competition has limited by geographical boundaries are now globalized.

Generally international cooperation has provided advantages to the parties, these advantages are as following.

Strategic unions in production, common research and development agreements, reconstruction studies, strategic cooperation in distribution and market (separate cooperation may be established in distribution and storing, in marketing and selling), sharing of risks, ease in entry to market, providing competition superiority and share of the resources mutually.

An enterprise desiring to enter foreign market can be saved from many problems by establishing strategic cooperation; moreover, it can gain the above advantages, together with it.

In recent years, strategic unions have increased a great speed. Although enterprises want to have international strategic unions, it is seen that some industries have more than others.

Table 7: Share of industries (%) in international strategic unions in world markets

Industry	Increase (%)
Motorized Vehicles Industry	24
Airplane Industry	19
Informatics	17
Computer	14
Electronics	13
Other industries	3

The largest share in international strategic unions in world markets belongs to motorized vehicle industries with 24 % share. Since competition in this industry branch competition is highly concentrated, companies are oriented to international strategic unions.

In global competition environment, basic factor that makes the nations to stand is the economic power they possess. Providing superiority in world markets through enterprises and their big share of market causes nations to gain important power and prestige.

It is necessary that small and medium sized enterprises should increase their activities and powers by opening to foreign markets. However it requires that companies desiring to have activity in global markets should fulfill some preliminary

conditions. In order to be successful in global markets, it is compulsive to have standard product quality, reliability in delivery, and to catch production capacity to be demanded in market.

It may be in agenda that the question of what would the selection methods be in opening to foreign market. Since opening method to foreign markets would be the most important factor in providing SMEs to be successful in these markets, it is required that this subject needs special attention and selected method should be determined by taking attention to properties of both SMEs and both market considered to show activities.

With aim of overcoming obstacles encountered in entry to global markets, making investment in foreign countries are realized by big enterprises and it is accepted that it is an important step oriented to globalization.

SMEs wanting to be opened to global markets are obliged to make cooperation and benefit from synergy of being together in order to overcome obstacles and to become successful. It is seen that starting from this point; SMEs do export among themselves, form consortiums, do production or management agreements and realize joint venture with foreign companies.

4.1. Organizations Directed to Increase Export

SMEs have important contributions as presenting subcontractor services by providing export commodities, various parts and components of big enterprises, making indirect export by foreign trade companies, serving as ancillary industry, direct export of

final products and intermediate products in export. (Baykal, 1996, p.7)

Having low share of SMEs in export indicates that they have important problems on this matter.. These problems are listed as follows: (Koçak ,1996, p.92)

- Information and staff incapability about foreign markets
- Not knowing the competitors in foreign market
- Inadequacy of the export market study
- Higher foreign market costs than activities of the enterprise
- Incapability of distribution and transportation channels
- Incapability of finding cheap local-foreign raw material with quality
- Making mistakes in foreign prices
- Not doing research and development studies as required before and after the investment
- Inadequacy of public finance aids and encouragements
- Not applying a planned strategy for orienting SMEs to export and for developing their exports
- Not expressing the purposes clearly targeting contribution of SMEs to export
- Meeting with various obstacles related with tariff and quotes

- Although a target is defined for support of SMEs in the export, taken precautions and applications being conforming to this purpose.

4.2. Rationalization in Export

Today entering to global market and sustaining to market alone of SMEs are very difficult. It is expected that SMEs wanting to be successful in global markets and sell their products by export should be organized as groups by joining their forces and experiences. When realized regulations for increasing export and consequently competition power of SMEs in world scale are investigated, it shows that foreign trade companies are established with government support and participation of private sector for encouraging export of these enterprises in many countries.

Entry to new markets, planning for long terms, decreasing unit production costs, increasing the share of profits, increasing knowledge of export markets, decreasing the fixed export costs, removing intermediates in export, etc are items concerning enterprises in micro sense. Macro contributions of joint foreign trade companies to nation economy are contributions as solving of unemployment problem and contribution of increasing the foreign currency incomes. (ASOMEDYA, 1996, p:36-37)

Sectoral Foreign Trade Companies (SFTC) is an organization model adopted and supported by government for orientation of productions of SMEs with important share in production and employment to export and providing an increase in their exports available. In this model developed for easy solution of economic

and structural problems, the objective is to collect manufacturer and exporter SMEs in an export organization and let them be opened to world markets, to have agreements in foreign trade, providing more effective business by this means.

Reasons for organization model of SMEs in export are given below.

With organization in export, it is possible that small and medium enterprises that do not compete with each other and having activity in the same production sector can only make export with having cooperation under such establishment. In such organizations small and medium enterprises shall have more efficient and more rational labor order through channels of supply, market, finance etc units formed outside the production. For example we can say that company partners have benefits from market functions of ;

Product Development

Market Research

Information

Sales Distribution

Getting a place

Sales Development through only channel of export market unit.

SMEs have disadvantages as:

- A stable success can not be provided in the export done alone, it requires well established organization, experience, capital and staff,
- They do not have finance and staff for doing project and market study abroad,
- SMEs have not references at sufficient level abroad,
- Besides the quantity and quality of commodity produced, benefiting from modern market methods are also necessary. However, these works are expensive and difficult for the SMEs,
- Finally it is impossible to supply all these factors by SME alone.

Organization in export have following advantages;

- Foreign currency input to enterprises are increased,
- It helps new employment areas to be opened in enterprises and production quality to be increased,
- Enterprise is brought from national dimension to international dimension and orientation of enterprise to quality, production and effective market, provides positive prestige among the consumers to company product,
- Enterprise is provided with technological renewal and expertise related with market techniques,
- It causes using of the inactive capacity of enterprise, followed

by increase of the productivity,

- It provides benefits to enterprises regarding to be helpful to be saved from available economic fluctuations, inflationist pressures, concentrated risk environment,
- By obtaining market power, more profitable sales can be done,
- In general industry, opportunities for becoming recognized can be created,
- Ability to act together is gained,
- Long term investment and production planning can be done,
- Orders in large quantities can be supplied easily by means of the company,
- It provides decrease in unit production and distribution costs,
- It contributes increase of the information ,
- It provides an effective communication between industry and government,
- It prepares ground for formation of competitive strategies,
- It provides opportunity to develop growing and application strategies.

Such benefits forced SMEs being together with logic of “cooperation” in order to be opened to world markets and bringing forces together. As a natural result, freedom for SMEs

was being opened to abroad and to act in nation as competitor and abroad as united force. Because positive applications of this logic was seen formerly in multi dimension and it was reasonable that our SMEs benefited from application and gained share from market. (Beşeli, 1997, p.37)

4.3. Advantages of Rationalization in Export to Small and Medium Sized Enterprises

The basic objective of export unions is collecting financial, technical and management opportunities of producers and providing a higher level than the level when they were alone and being opened to foreign market.

Advantages provided by Export Unions to SMEs are given below: (Beşeli,1997, p:37)

1. Opportunity to find market and doing services easily arises with using economic scale and export volumes.
- 2 Profit margin increases are realized from general costs of export department, sharing of research and consultant service costs of foreign offices.
3. Since export is a professional business, opportunity to form professional teams arises for certain commodity and markets.
4. Financial power for employment of qualified foreign trade marketing personnel is provided.

5. Opportunity to make collective advertisement arises.
6. Opportunity to enter export markets arises.
7. Facility to reach new buyers at available markets is provided.
8. Opportunity to supply import demands in big parties arises.
9. Because of the sustainability gained in export, long term planning and investment can be made.
10. Competition power is increased.
11. There is reduction in transportation, storing costs.
12. Cooperation is made in development of product for the export.
13. Opportunity for providing shared credit arises.

4.4. License Agreements

It is realized by giving right to use patent, trademark, technologic information of an enterprise possessing production rights and technology of any product to another enterprise as a licensee. A licensee enterprise gives information about management services technical information and production process together with right of using patent, and trademark. Compensation to these rights enterprise taking the license pays a definite price to the licensee according to conditions agreed by the parties. (El Kahal, 2002, p.123)

4.4.1. Advantages of License Agreements

The biggest advantage of license agreement is giving opportunity to pass “customs tariffs and quotes” import regulations. At the same time license agreement saves from high transportation costs that make the products uncompetitive in the target market.

In some cases entry of the producing company can be limited by import and investment limitations. The only applicable entry method in this case is the license agreement. (Doole and Lowe, 2000,p.266)

For the companies that final products can not be exported, it is attractive to make a license or franchising agreement instead of opening an office or subsidiary company.

Since license agreement is low cost entry method, license agreements are advantageous entry method especially for small enterprises.

4.4.2 Disadvantages of License Agreements

The most important disadvantage of license agreement is the lack of control of the licensee on market plan and program in target country.

Total yield quantity provided by license agreement is one of the disadvantages. Royalty rate is limited according to previous license agreements, industrial experience, competition and target country government. Royalty income with respect to export or investment income is limited by the period of license agreement.

Generally during license agreement period licensee does not use another entry method from the country of licensor. In case this opportunity of license has bad performance by licensee, licensor has right to cancel or turn it to joint venture with, addition of this article may decrease the effect but it does not remove it.

(Root, 1987, p: 86)

4.5. Franchising

Franchising ,is a special type of license agreement covering market plan containing trade name, logo, product name, logo and product process management.(Jeannet and Hennessey,2004,p.362)

Franchising is an independent trade relation type of distribution companies similar to each other, working under support and reliability of a trademark that has experienced and proven itself around an enterprise oriented to distribution of commodities and services against a definite price entered with the owner of system and trade name, the franchisor.

Franchising system provides great superiority to SMEs. With this system a trademark that has right to use gives these companies right of reaching a high standard and quality in a short way.

Since trademark is well-known, realization of advertisement organization of product and trademark by the franchisor against a small fee shall provide against a small fee taken on the sales.

Without taking high risks, SMEs entering production area with definite management support and technological information shall learn to make production and marketing in global standards and shall obtain the opportunity to have information collection and experience to create its own trademark in the future. (Izraeli, 2000,p. 3)

4.6. Joint Ventures

With increase of global competition, it is seen that cooperation among countries has largely increased. Enterprises that want to be successful need to unite their separate capabilities and powers strategically by coming together in order to increase their competition power and survive their lives.

While some of enterprises that realizes joint venture may have qualified and professional human sources or rich financial source some others may have developed technology or sufficient raw materials and natural sources. Thus joint investments formed by enterprises completing each other by the sources they own get benefits from synergic power of common investment co-operation and causes these enterprises grow more. (Douglas and Craig,2003,p.8)

Joint enterprise strategies establish very attractive superiorities for SMEs. At one side it decreases risk of starting a new business, on the other side it provides possibility of having competition with big enterprises and obtaining new technologies easily.

4.6.1. Advantages of Joint Ventures

The most important advantage of joint venture is making the foreign investments forbidden or difficult to enter by the government. Since it is a strategy dictated by government rather than business policies, joint ventures is accepted as the second best entry strategy. Most of the producer companies making investment in the nation prefer direct investment.

Joint venture is easy, even the only way to enter a definite market. Because in many countries, hundred percent foreign enterprise is allowed. In some countries, governments allow only the investments of the companies of the nations they feel that it is politically close. For this reason multinational companies prefer to form a joint enterprise to foreign countries by sharing the ownership and control with local investments of the host country.

Multinational enterprises may decrease also investment risk by obtaining information on environmental conditions of the host country through the local partner more easily with such agreements. (Terpstra and Sarathy, 2000, p.395)

Some advantages of joint ventures regarding multinational enterprises having foreign partners are as follows: (Mutlu, 1999, p.115-116)

- By Joint Venture, foreign risk is shared by local enterprise
- Local enterprise has valuable information about the host country
- Such partnerships sometimes provide political advantages
- Decrease in costs is realized.
- Technological superiority to competitors are provided.
- Competitive superiority in market is provided.
- Sources are more easily reached.
- Entry to new markets is provided.

Considered with view point of multinational enterprises, a disadvantage may arise as losing a control due to technology transfer of joint ventures. These agreements give control opportunity to multinational enterprises as the enterprises owned by direct foreign investment.

Another controversy originated from share of the obtained profits is another important disadvantage. Multinational enterprises may content with lower profit than they obtain by direct investment. (Mutlu, 1999, p.117-118)

CHAPTER FIVE

5. PROBLEMS ENCOUNTERED BY SMALL AND MEDIUM SIZED INDUSTRY FOR ENTRY TO FOREIGN MARKETS

The prior aims of a nation is not staying outside the global world or integrated world, to use opportunity and advantages for taking share from continually growing market or world trade. For integration with global world and to be opened to foreign markets SMEs are prominent. For this reason, SMEs have different features than other enterprises. Before all, such types of enterprises supply more production and product type with less investment.

Developments and changes in Turkish economy, phenomenon of companies to be opened to international markets, risk and uncertainties that can be lived in these markets, various opportunities, may have effects on enterprises sometimes positively, sometimes negatively. For companies wanting to be opened to foreign markets there are some definite problems and obstacles. These problems and obstacles should be analyzed and solution ways should be looked for that enterprises should be successful and should have competition.

Problems faced in opening to foreign markets contain all types of administrative, functional and structural limitations preventing entry of companies to international markets or preventing widening the existant markets. (Bilkey, Tesar, 1977, p.95). These problems can be divided as interior and exterior problems. Interior problems are problems originating from companies and their organizations or behaviors of companies

directed to export markets. Exterior problems are originated from environment conditions that companies are placed. Export problems can also be divided as national and international problems (Leonidou, 1995, p.30).

The most important problems faced in opening of enterprises to foreign markets are as follows:

5.1.1. Security: CE- Mark

Marking the products with CE sign means that products have free circulation “passport,, for EU countries (Akın,1996,p.66). For providing free circulation of commodities in European Union countries a common official mark application has started in 1989 in framework of global politics door certification and testing according to new approach instructions. Since the application is relatively new, for validity of the said instructions and member country versions a date is given and use of CE marking starts on the stated date. At the end of transition date, production or sale of the commodity do not carry the marking are prohibited.

5.1.2. Environment: ISO 14000

One of the leading elements of the global world is protection of environmental values. Unresponsible use of environmental elements caused environmental pollution to reach serious levels. Reaction of public opinion makes environmental problems more sensitive. This reaction of public opinion has effect on view point of enterprises to the environment. Environmental management has become a heavy subject in general company administration. In order not to pollute environment during production and produced products to be sensitive to the environment, ISO14000 Environment Management System

Standards are issued. Today enterprises with these documents can enter into markets more easily.

5.1.3. Quality: ISO 9000 Quality Standards

In competitive global world markets in order to be successful, it is required a Quality Assurance System to a minimum level owned based on competitive enterprises and countries should be developed. In order to provide this, traditional system and options should be left and contemporary quality concept and management should be dominant. Today many countries in international markets stipulate various quality documents for goods and services to enter into their nation boundaries.

5.1.4. Qualified Personnel and Language Problem

Companies to be opened to foreign markets can not show sufficient performances due to incapability of personnel with qualified information and experience. Especially Companies to be opened to foreign markets need trained, experienced and personnel knowing foreign language about entering to foreign markets. Considering the majority of companies active in auto ancillary industry are formed by SMEs, mature personnel problem may become more important.

Language problem is a common problem for companies marketing their products in international markets. Language problem is influenced by various applications and activities as entry to market, marking, packaging, instructions for using or installation of the product, guarantee information, relations with members of distribution channels and promotions

This problem is solved by employment of experienced staff knowing foreign language end experienced in subjects of export

and marketing. Today in global competition environment language problem is encountered in every field.

5.1.5. Government Practices and Import Quotes

Government practices and import quotes may be an obstacle for entry to international markets in an unstable politic environment. Governments change in third world countries and in developing countries. Countries marketing their products in unstable countries generally can enter to these countries by strategic co-operations that details are explained below solution recommendations or can do direct export.

5.1.6. Technology and Research & Development

With influence of globalization, technological innovations become old rapidly and any innovation appearing on any part of world can be imitated quickly. For this reason, one condition that makes companies to have the competition power is providing continuously new product and services. For this reason the share allocated to the research and development should be increased or at least, should be in sufficient level.

5.1.7. Standardization

Standardization is determination of boundaries, levels that products produced and used in distinction are obliged to fit. Standard is an identification list determining qualities, characters and properties of the products. Standardization of products provides model and unity according to a definite standard. An operator may determine special standards for his products or may conform national and international standards placed by the industry of which he takes place. Standards may be

weight, size, resistance, maturity, chemical composition etc. (Tenekecioğlu,1994, p.180)

5.1.8. Culture

Obstacles of some cultural and value differences in front of global enterprise administrations are as follow. (Tek,1997,p.259)

- Emphasizing the superiority of the managers in the own nation.
- Selection method of overseas managers.
- Differences of holiday, religious days and traditions (In Islam nations, Fridays are holiday, etc.) (In many agendas issued in Turkey, holiday, vacation days etc for world nations especially for exporter and importers are included for a long time)
- Since people at various cultures have different needs, “money” comes before “enriching of the business” in countries under development.
- Language difference

5.1.9. Country and Company Image

At international marketing, especially country and company image are very important for the companies wanting to be expanded to foreign markets.

With respect to country image, subjects as behavior of countries to foreign investments, political stability, social peace, syndicat activities etc are very important factors. At the other side,

company image depending on country image may constitute an opportunity or obstacle in expanding to foreign markets. Sensitivity to environment, respect to human rights and social responsibility are very important subjects for company and country image.

If to the foreign market to be entered another companies (having activity at same or different fields) have entered and negative image was created, this shall affect the entry activity to the market negatively.

5.1.10. Production Costs

In international markets, continuing of competition by increasing every day presents companies pressures for decreasing of prices. Companies wanting to be successful at international markets, at first, have to adjust their quality and price balance (high quality, low (suitable) price) very well. On this subject, new finance and cost estimation techniques should be used.

5.1.11. Transportation-Storing and Distribution

There is no opportunity to access every nation in our country. Transportation goods to many countries requires high cost and time and it increases costs more. For this reason from the start of foreign market project, transportation opportunities and costs should be examined and compared with competitors.

5.1.12. Competitors and Intensity of Competition

If the competitors in the foreign market that is intended for entry are very powerful and very stable, they may prevent the sale of a product in that market with a high profit. For this reason it is necessary that competition conditions should be carefully examined.

5.1.13. Used and Imitated Merchandises

Imitated merchandises produced with low quality raw materials however that can be marketed with same package as original can be sold in the market with low price which causes unjust competition by disrupting price balance.

5.2. Position and Importance of SMEs in National Economy

Considering three important indicators namely number of working places, number of workers and contributing value regarding position and importance of SMEs, they occupy an important place with respect to social and economic perspective. Below there are figures from KOSGEB (Vizyon, 2001, p.10)

- Small and Medium Enterprises constitute 99.5 % of the enterprises exhibiting activities in manufacturing industry.
- Employment in manufacturing industry by SMEs is 61.1%.
- In created value contribution, the share of SMEs is 27.3 %.

5.3. Chance of Turkey in Passing to SME Economy

If we look at this “reconstruction” that SMEs have gained importance again from historical conditions and present position of Turkey, important clues for producing new strategic politics may be found. Turkey has been focused on evolution of new political strategy gradually becoming a case of existence or nonexistence. Direction and context of globalization is determined by three blocks namely, USA-Europe-Japan. These blocks have production powers originating from industrial revolution. Other nations participate globalization with assets as Agriculture, Natural Sources, Forest, Tourism, Water. For this reason, economy and trade is being global but science and technology does not globalize, it is staying at the monopolies of the developed countries. Competition is operating in one direction, not mutually. Turkey has chance to create new political orientation and economical development concept. Using this chance is related with understanding and controlling its potential and opportunities correctly.

Small and medium sized production (SEM) not giving any trouble to mass production was developed in Western economy subjecting to mass production after World War Two especially after oil crisis in 1973. In Turkey same process was lived starting from 1960. Big Production became more efficient and profitable due to SME sized ancillary industry. Because SMEs were born in areas limited with classic sectors and with low profitability for undertaking the troubles decreasing the risks of big production as ancillary industries with objective of creating employment. In West, they became successful, global and became ahead of others in the sectoral line they are extensive.

At Mexico, Turkey, South Korea, Egypt, Pakistan and Nigeria living the same process, SMEs were taken as the basis for “Import Substitution” so that they became developing dynamics

of “national market” under customs protection. Turkey has lived the most bright development of Republic history by SMEs during period of 1960-1980. Export burst adopted after 1980 has become possible due to production basis formed by SMEs.

While these were happening, at the important section of world, no production at SME scale was realized (except China and socialist economies).

5.4. Formation of a Strategic Area by SMEs

There is a tendency to form a new economic block among Iran, China, India, Russia Federation and Brazil and a distinct affiliation is realizing at the periphery having ability to collect inheritance of “Nations without Block”. Middle East and Africa markets encourage this tendency. These formations create splits cutting base of structural sensualities of Turkey. The importance of these developments increases with viewpoint of Turkey.

In developed countries, there is reaction and resistance of Western countries to SME productions in developing countries. They develop techniques and regulations meaning “cheap commodity embargo” with justifications as “Standard”, “quality”, “safety” etc. However in markets of Russia and nations under its past influence there is no resistance, otherwise there is invitation.

For Turkey whose economy relies on SME weight and success, all Eurasian nations, Turkic Republics, Middle East and North Africa markets have alternative market nature. Entry and enduring to these markets is possible and real opportunity by an integrated national SME policy.

5.5. Solution Recommendations related with Problems for Entering Foreign Market

5.5.1. E-Trade

Three elements have encouraged E-trade turning to a global movement on the world. These are: (Marangoz, 2001 p.13)

1. E-trade encourages trade, trade agreements and realization of economic development.
2. In global sense, activities that can not be coordinated and regulated in local level create obstacle for rapid development of trade and information.
3. It balances competition chance among enterprises disregarding size difference.

Importance of international strategic cooperation increases depending on some developments occurring at present. Internationalism of markets, complex occurrence of technologies, and highness of technological change speed are leading among these developments.

Each of the societies have more information about other, consumption models become more or less similar and as a result, similar products are produced and presented to the foreign markets (Erdil, 1994, p.38)

From the following reasons, strategic cooperation agreements become widespread today. (Marangoz,1997,p.233)

1. Economic regulations become flexible.
2. Rapid technologic change rates and short product lives become longer increasingly.
3. For undertaking new projects with risk and developing new processes, more capital is needed
4. Entries made by new companies supported by concerned governments,
5. Industrial and economic maturity at USA, Europe and Japan,
6. Developed and increased communication means, and computerized power,
7. Globalization in business areas formerly limited by geographic competition.

5.5.2. International Cooperation

This section gives information on cooperation programs formed and on encouragement and support of cooperation among enterprises of Union and enterprises of nations not members of the Union: "EFTA" nations, Central and East Europe, Commonwealth of Independent States, Georgia, Asian Nations, South America and Mediterranean Nations.

5.5.2.1. Cooperation with European Economic Area Countries ("EEA")

With validity of European Economic Area Countries in January 1, 1994, European Free Trade Association (EFTA) members except Switzerland and Lichtenstein participated Association activities in enterprise policy and tourism subjects (Austria, Sweden, Finland, Norway, and Iceland). These nations participated in all enterprise policy activities and contributed with total amount of 2.5 millions ECUs. Thus communication and information centers were formed in these nations and in June 1994 they became full developed European Information Centers, "Euro-Info-Centres".

5.5.2.2 Cooperation with Central and Eastern European Countries ("CEECs")

Subprograms were formed for development of SMEs by providing technical aid to the nations stated below. They are Poland, Hungary, Czech Republic, Slovakia, Albania, Slovenia, Romania, Lithuania, Latvia, and Estonia. Regarding this, European Union has credited an aid with total of 320 millions ECU based on each nation and each item between 1990 and 1993. Three items considered in provided aid were aid services to SMEs (counseling, information and training), financial instruments (banking services), and guiding criteria for formulation of enterprises policies.

5.5.2.3 Cooperation with Commonwealth of Independent States and Mongolia

It is a European Union activity arranged for common benefit of Commonwealth of Independent States (“CIS”) and Mongolia and it encourages development of successful and suitable economic and political relations with European Union and these common States.

5.5.2.4 Cooperation with developing Asia, South America and Mediterranean Countries

It has been applied in definite programs for definite number of nations undertaking development of SMEs. The most important ones are “MED-INVEST” program for third Mediterranean countries; “AL-INVEST” program for South America countries and “ECIP” program.

"MED-INVEST" is an incentive program to cooperation for development of SMEs in third Mediterranean countries by help of European SMEs and professional organizations. Its objective is providing necessary incentives on creating environment for increasing competition capacities in development of SMEs in third Mediterranean countries. With a fund of 12.2 millions ECU, “MED-INVEST” provides aids with no return with a period of two years (1993-1995) at information field to a group of enterprises, institutes, organizations and foundations or development companies which have suitable opportunities for cooperation among enterprises and encouraging economic development.

"AL-INVEST", a program for encouraging 119 industrial cooperation and investment in South American countries, has aim for providing commercial changes, technology, finance and "know-how" transfers for mutual benefits of South American and European enterprises for two years (1993-1995) with a fund of 18.5 millions ECU.

The basic objective of "ECIP" is providing establishment of common enterprises in suitable countries and thus having contribution of the economic development of these countries. In this sense, program can have intervention to various stages of the establishment of enterprise. Among the functions of this project are identifying and determining partners and potential projects, doing feasibility studies to intermediary establishments supplying training and technical assistance, and participating in the capital of the joint enterprise.

5.5.2.5 Cooperation with China

In order to develop communication between SMEs two enterprises meetings in Paris and Nanjing were arranged in 1994. Furthermore, in the last meeting of Europe-China Integrated Commission (Beijing, February 1994) especially it was decided to give the first priority to industrial cooperation among Chinese and European enterprises. In this sense many activities for development of this program are in the preparation stage.

5.5.2.6 Export Promotion of European Union to Japan

"EXPROM" is a Japanese program stipulating for encouragement of European Union export to Japan. In this sense commission

executes shared activities applied with Japanese authorities in order to introduce small enterprises to Japanese market. Within the context of commercial cooperation executed by Commission and Japanese authorities, Commission nominates especially small and medium enterprises for “JETRO” (Japanese Foreign Trade Organization) Export Study Program to Japan.

As a result, most of the programs like "TACIS", "PHARE", "EXPROM"-Japan, "MED-INVEST" and "ECIP" with objective of cooperation between third countries are targeted to development of SMEs and especially joint enterprises.

5.5.3. Marketing Data Base

Information on marketing environment and customers increasingly becomes a competition means for many companies. Gaining of international competition an international dimension with globalization and developments appearing in information technologies become important for preparation and application of marketing strategies. In this sense, marketing data base applications which are expanding rapidly and used almost in all enterprises, have become an instrument for the companies expanding to international markets under heavy competition environment.

5.5.4. Sectoral Foreign Trade Companies

As in all countries Small and Medium Enterprises (SME) in Turkey are also the main driving force of development and have a big potential for export. For encouragement of this potential, a legal regulation has been validated in December 1994 about

organization of SMEs. After execution of this regulation, SMEs are started to organize under framework of export companies called as Sectoral Foreign Trade Companies (SFTC). These companies are specialized on export. 32 SDŞ are established in different sectors. (Yüzal, 2005, p.22)

5.5.5. Barter

Many companies are aware of that barter is one of the methods with lowest cost in changing inert capacity to the product and marketing of the products. Especially for economy shrinking in economic crisis today and continuously decreasing, barter with features of changing inert capacity into product and with functions of being advertisement and marketing is a model that should be considered carefully. As a marketing instrument, advantages of barter are shown as below. (Marangoz, 2001, p.13)

1. Companies collected in barter organization, may change commodities and services among themselves without using cash money.
2. Objective of barter system: dissolution of inert capacity and stocks of member companies, decrease of financing costs, providing turnover increase by gaining customer and new market.
3. Depending on it, company can increase market share and efficiency in heavy competition environment.
4. System provides facility for expanding to foreign markets especially for small and medium sized enterprises. Difficulties such as finding customer, going to a foreign country disappear and exports can be done without going anywhere.

5. Each company entering barter organization can use a market information-communication service automatically.

6. Member list issued monthly and news at economy newspaper and barter shop pages on the internet of barter organization are an advertisement means arriving the target free of charge. Members of barter can expand their access areas through internet web and address lists of other members, as well as decreasing their promotion costs.

5.5.6. Fairs

International trade and industry fairs function both as a showcase and both as a market for exporter. Here exporter can exhibit his commodity, can give detailed information to whom are interested, can contact with buyers and even finds opportunity to learn the sector which he is part of it in international dimension.

5.5.7. Incentives and Supports

In world and especially in EU nations, various incentives and supports are provided depending on the importance of SMEs. EU has adopted some policies besides general policies generally for Union, supporting financially by considering the limited financial sources of SMEs. Main aid types provided for SMEs and approved by EU Commission are shown below: (Yücel, 2000, p.30-31)

- Donation, credit with low interest or credit guarantee for establishment of small enterprises,

- Credit with low interest or aid for innovation projects as development of new products or production processes or renewal of existing products and processes radically that shall be attempted by SMEs which can not provide credit from capital markets or banks due to risk structurally inherent in SMEs,
- Credit with low interest and aids for investment projects providing saving of raw materials and energy or substitution to other energy sources,
- Aids directed to decrease the costs of development of administration or sales policy of small enterprises by supervision or computerizing,
- Aids directed to decrease the costs of research and development executed outside the enterprise due to lack of facilities and staff for performing research and development of SMEs.

Table8: Supports directed to SMEs

FINANCIAL SUPPORTS	TRAINING SUPPORTS
Halk Bankası	İktisadi Kalkınma Vakfı(İKV)
Eximbank (export credit)	TOSYÖV
TKB	İGEME
World Bank	KOSGEB
Kredi Garanti Fonu (KGF)	Milli Prodüktivite Merkezi(MPM)
INVESTMENT SUPPORTS	COUNSELLING SUPPORTS
Hazine Müsteşarlığı	KOSGEB
Türkiye Odalar ve Borsalar Birliği (TOBB)	Holanda Yönetim İşbirliği Programı (NMCP)
KOSGEB	TOSYÖV
Halk Bankası	Türkiye Teknoloji Geliştirme Vakfı (TTGV)
TGB	Milli Prodüktivite Merkezi
TSGB	Halk Bankası
MARKET SUPPORTS	EXPORT SUPORTS
TOBB	Türk Standartları Enstitüsü (TSE)
KOSGEB	İhracatı Geliştirme Etüt Merkezi (İGEME)
Istanbul Ticaret Odası (ITO)	Dış Ticaret Müsteşarlığı (DTM)
İKV	KOSGEB
INFORMATION SUPPORTS	RESEARCH DEVELOPMENT SUPPORTS
TOBB	TTGV
KOSGEB	TÜBİTAK
Halk Bankası	İGEME
Avrupa Birliği	KOSGEB
İKV	DTM
İGEME	Hazine Müsteşarlığı
TESK	Türk Patent Enstitüsü (TPE)

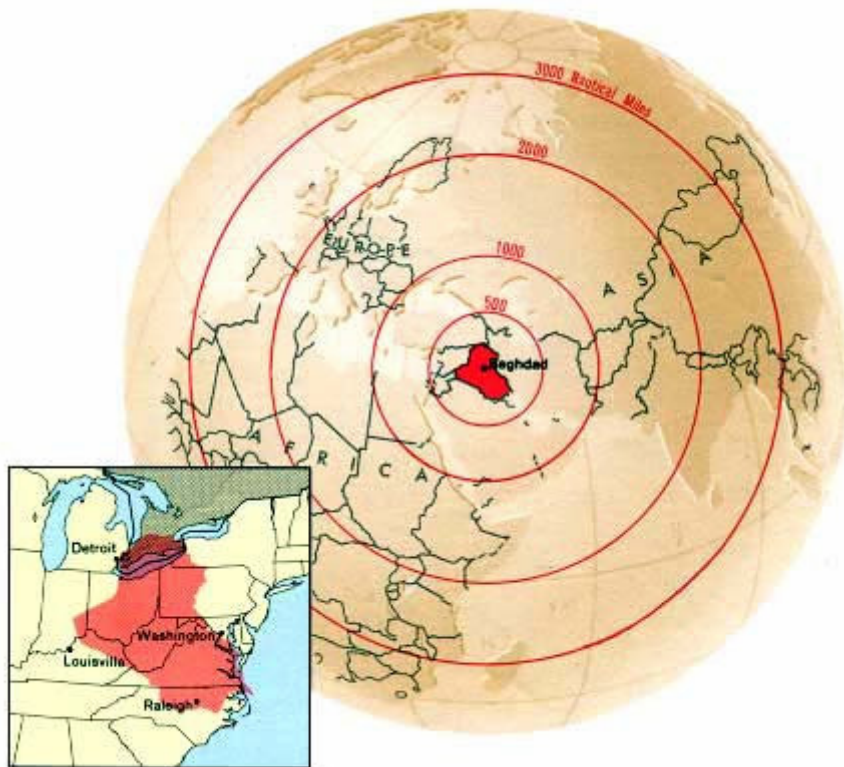
GAIN OF SEMI FINISHED INVESTMENTS TO THE ECONOMY	COOPERATION SUPPORTS
Hazine Müsteşarlığı	KOSGEB
T.Vakıflar Bankası	İKV
TKB	Free Zone Supports
SHARED WORKSHOP SUPPORTS	PARTICIPATION TO FAIRS SUPPORTS
KOSGEB	İGEME Fair Supports
Bölgesel Kalkınma Enstitüsü (BKE)	State Aids
EMPLOYMENT SUPPORTS	ELECTRICAL ENERGY SUPPORTS
KOSGEB	Hazine Müsteşarlığı
DİM	TEAŞ
İGEME	TEDAŞ

Source: Yılmaz, 2004

CHAPTER 6

6. A CASE STUDY FROM IRAQ

6.1. Iraq Profile



Source: <http://lcweb2.loc.gov/frd/cs/profiles/Iraq.pd>

6.1.1. Country



Source:

http://news.bbc.co.uk/2/hi/middle_east/country_profiles/791014.stm

Formal Name: Republic Of Iraq(Al Jumhuriyah Al Iraqiyah)

Term of Citizen: Iraqi(s)

Capital: Baghdad

Major Citizen (in order of population size): Baghdad, Mosul,Basra, Arbil, Kirkuk,and Suleymaniyah

Population (2006 estimate): 26,800,000.

Population growth rate (2006 estimate): 3.0%.

Ethnic groups: Arab 75%-80%, Kurd 15%-20%, Turcoman, Chaldean, Assyrian, or others less than 5%.

Religions: Muslim 97%, Christian 3%, others less than 1%.

Languages: Arabic (Official), Kurdish (Official), Assyrian, Armenian.

Education: Years compulsory--primary school (age 6 through grade 6). 74.1%.

Health: Infant mortality rate--48.64 deaths/1,000 live births. Life expectancy--69 yrs. (2006 est.)

6.1.2. Government

Type: Parliamentary democracy.

Constitution: October 15, 2005.

Independence: On October 3, 1932, Iraq gained independence from the League of Nations Mandate under British Administration; On June 28, 2004, the Coalition Provisional Authority (CPA) transferred sovereignty to the Iraqi Interim Government. A new four-year, constitutionally based government took office in March 2006, and a new cabinet was installed in May 2006.

Branches: Executive--Presidency Council (one president and two vice presidents); Council of Ministers (one prime minister, two deputy prime ministers, and 34 cabinet ministers). Judicial--Supreme Court appointed by the Prime Minister and confirmed

by the Council of Representatives. Legislative--Council of Representatives (CoR) consisting of 275 members.

Divisions: 15 governorates and one regional government.

Governorates: Al Anbar, Al Basrah, Al Muthanna, Al Qadisiyah, An Najaf, Kirkuk, Babil, Baghdad, Dhi Qar, Diyala, Karbala', Maysan, Ninawa, Salah ad Din, Wasit. Regional government-- Kurdistan Regional Government

6.1.3.Economy

GDP (2006 proj.): \$47 billion (official exchange rate).

GDP per capita (2006 proj.): \$1635.

GDP real growth rate (2006 proj.): 4.0%.

Rate of inflation (12 months ending August 2006): 76.6%.

Unemployment rate (2005 estimate): 27%.

Budget (2006 est.): \$48.0 billion revenues and \$64.5 billion expenditures.

Public debt: Approximately \$125 billion.

Natural resources: Oil, natural gas, phosphates, sulfur.

Agriculture: Products--wheat, barley, rice, vegetables, cotton, dates, cattle, sheep.

Industry: Types--petroleum, chemicals, textiles, construction materials, food processing.

Trade: Exports (2006 est.)--\$30 billion. Export commodities (2006 est.)--crude oil (97%), other exports (3%).

Export partners (2005 est.)--U.S. 49%, Jordan 20%, Canada 13%, Italy 12%. Imports (2006 est.)--\$29.7 billion.

Import commodities--food, medicine, manufactured goods, refined petroleum products.

Import partners (2005 est.)--Turkey 22%, U.S. 21%, Jordan 12%, Vietnam 5%.

6.1.4. Geography

Iraq is bordered by Kuwait, Iran, Turkey, Syria, Jordan, and Saudi Arabia. The country slopes from mountains over 3,000 meters (10,000 ft.) above sea level along the border with Iran and Turkey to the remnants of sea-level marshes in the southeast. Much of the land is desert or wasteland. The mountains in the northeast are an extension of the alpine system that runs eastward from the Balkans into southern Turkey, northern Iraq, Iran, and Afghanistan, terminating in the Himalayas.

Average temperatures range from higher than 48°C (120°F) in July and August to below freezing in January. Most of the

rainfall occurs from December through April and averages between 10 and 18 centimeters (4-7 in.) annually. The mountainous region of northern Iraq receives appreciably more precipitation than the central or southern desert region

6.1.5. Political Conditions

Since March 2006, the Government of Iraq has been a broad coalition led by a Shi'ite legislative bloc known as the United Iraqi Alliance (UIA). The UIA currently holds 128 of 275 seats in the Council of Representatives. The UIA is currently composed of SCIRI, the al-Sadr movement, al-Da'wa, Jama'at al-Fadilah, and various independents. Politicians with Sunni religious affiliations, including the Tawafuq and Hewan groups, presently hold 59 seats in the Council of Representatives. The Kurdish bloc known as the Democratic Patriotic Alliance of Kurdistan (which includes the KDP & PUK) holds 53 legislative seats. Ayad Allawi's Iraqi National Accord (INA) holds 25 seats. The remaining seats are composed of various independent and secular politicians.

With regard to the executive branch, much care has been given to ensure that there is proportionate distribution of ministerial positions among the three major ethnic groups. For example, in the Presidency Council, President Jalal Talabani is Kurdish, Deputy President 'Adil 'Abd al-Mahdi is a Shi'a Muslim, and Deputy President Tariq al-Hashimi is a Sunni Muslim. Additionally, the Council of Ministers consists of 18 Shi'a Muslims, 8 Sunni Muslims, 8 Kurds, and 5 members of Ayad Allawi's secular INA.

The Government of Iraq is currently working toward amending the Constitution. The process is likely to be a long and careful one, as consideration needs to be given to the interests of each of the three major ethnic groups. Issues to be addressed include federalism and the sharing of oil revenues.

6.1.6. Transportation and Telecommunication

Roads: In 2006 Iraq had about 39,000 kilometers of paved road , many of which were broad highways constructed for military and commercial use in the 1970s and 1980s. Most road and bridge damage was repaired after the 1990 Persian Gulf War had targeted transportation infrastructure. However, beginning in 2003 main roads in center and northern Iraq, such as the connector between Baghdad and the Jordanian border, sustained repeated damage by saboteurs. Bridge damage in 2003 by coalition forces were the focus of major repair operation in 2004.

Railroads: In 2006 Iraq had an estimated 2,400 kilometers of standard-gauge railroad track, connecting Baghdad with other Iraqi cities and foreign borders in several directions. In the early 2000's only % 30 of Iraq's commercial traffic moved by rail, in part because only %40 of locomotives were operable. Most of the railroad infrastructure was in poor repair ,an estimated %70 of track was impassable at normal speeds, and improvements were very gradual in the early 2000s Operation on the Baghdad – Mosul and Baghdad –Umm Qasr lines were

restored following the government change of 2003s ,although service remain unreliable.

Ports: In October 2005 Basra's capacity was 2 million barrels of oil per day, and the planed capacity of Khawr al Amayah was 1,2 million barrels per day.

Benefited from major renovation since 2002, has 23 berths on the Shatt al Arab for general commercial use and delivery of emergency supplies. (Library Congress,2006)

6.1.7. Trade

The United Nations imposed economic sanctions on Iraq after it invaded Kuwait in 1990. Under the Oil-For-Food program Iraq was allowed to export oil and use the proceeds to purchase goods to address essential civilian needs, including food, medicine, and infrastructure spare parts. With the lifting of UN sanctions after the Ba'ath regime was removed in 2003, Iraq is gradually resuming trade relations with the international community, including with the U.S. The U.S. designated Iraq as a beneficiary developing country under the Generalized System of Preferences (GSP) program in September 2004. Iraq was granted observer status at the World Trade Organization (WTO) in February 2004, and began its WTO accession process in December 2004.

Table9: Important Trade Partners of Iraq

IMPORT	MILLION\$	% OF TOTAL	EXPORT	MILLION \$	% OF TOTAL
TURKEY	1,995	24,5	USA	8,367	55
USA	942	11,6	SPAIN	1,171	10,9
JORDAN	801	9,8	JAPAN	1,066	14
VIETNAM	700	8,6	ITALY	913	5,6
GERMANY	444	5,4	CANADA	842	12,7
TOTAL	8,15	100	TOTAL	15,016	100

The most important share in import of Iraq owns to Turkey with 24.5 % share. The second important country is USA. In export USA takes the first place followed by Spain and Japan.

6.1.8. Foreign Relations

Iraq currently has diplomatic representation in 54 countries around the world, including 3 permanent Missions to the United Nations in New York, the United Nations Commission on Human Rights in Geneva and the Arab League in Cairo. 47 countries have diplomatic representation in Iraq.

From the 1990s until the 2003, the international trade embargo restricted Iraq's export activity almost exclusively to oil. After the end of the trade embargo in 2003 expanded the range of exports. In 2004 Iraq's export income doubled. In 2004 and 2005 sabotage significantly reduced oil output, limiting total export value. In 2005 the main sources of Iraq's imports (in order of value) were Syria, Turkey, The United State, Jordan, and Germany. Because of Iraq's inactive manufacturing sector, the range of import was quite large, including food, fuel, machines and manufactured goods. (Library of Congress, August 2006 Country Profile, Iraq)

The Republic of Iraq belongs to the following international organizations: United Nations (UN); Arab League (AL); World Bank (WB); International Monetary Fund (IMF); International Atomic Energy Agency (IAEA); Nonaligned Movement (NAM); Organization of the Islamic Conference (OIC); Organization of Petroleum Exporting Countries (OPEC); Interpol; World Health Organization (WHO); G-19; G-77; Arab Bank for Economic Development in Africa (ABEDA); Arab Fund for Economic and Social Development (AFESD); Arab Monetary Fund (AMF); Council of Arab Economic Unity (CAEU); Food and Agriculture Organization (FAO); International Bank for Reconstruction and Development (IBRD); International Civil Aviation Organization (ICAO); International Community for Radionuclide Metrology (ICRM); International Development Association (IDA); International Development Bank (IDB); International Fund for Agricultural Development (IFAD); International Finance Corporation (IFC); International Federation of Red Cross and Red Crescent Societies (IFRCS); International Labor Organization (ILO); International Maritime Organization (IMO); Intergovernmental Oceanographic Commission (IOC); International Organization for Standardization (ISO); International Telecommunication Union (ITU); Organization of

Arab Petroleum Exporting Countries (OAPEC); United Nations Conference on Trade and Development (UNCTAD); United Nations Education, Scientific, and Cultural Organization (UNESCO); United Nations Industrial Development Organization (UNIDO); Universal Postal Union (UPU); World Customs Organization (WCO); World Federation of Trade Unions (WFTU); World Intellectual Property Organization (WIPO); World Meteorological Organization (WMO); World Trade Organization (WTO) observer.

6.2. Trade Relation between Iraq-Turkey

When development of trade between Iraq and Turkey is examined, trade between Iraq and Turkey is stopped during Gulf War (in 1990's) completely. This period is continued until intervention of United Nations.

Turkish companies go to the Region by individual means in various ways and realize their trade. Entry to Iraq with trade aim is naturally done through neighbor nations having land boundaries.

Table10: Foreign Trade Figures per Years (2006)

FOREIGN TRADE FIGURES				
YIL	İMPORT(\$)	EXPORT(\$)	FOREIGN TRADE BALANCE	FOREIGN TRADE VOLUME
2000	\$0,00	\$0,00	\$0,00	\$0,00
2001	\$0,00	\$0,00	\$0,00	\$0,00
2002	\$0,00	\$0,00	\$0,00	\$0,00
2003	\$122.601.287,00	\$829.057.535,00	\$716.456.248,00	\$941.658.822,00
2004	\$467.588.134,00	\$1.820.801.885,00	\$1.353.213.751,00	\$2.288.390.019,00
2005	\$458.651.085,00	\$2.695.609.774,00	\$2.236.958.689,00	\$3.154.260.859,00
TOPLAM	\$1.048.840.506,00	\$5.345.469.194,00	\$4.306.628.688,00	\$6.384.309.700,00

Source:DTM (2006)

- EXPORT

While export of Turkey was 829 million USD in 2003, it is increased to 1820 million USD levels in 2004 with 199 % increase with respect to previous year. In 2005, our export has lived an increase and our export was increased to 2.695 million USD levels.

In future Iraq shall have position of a nation having a persistent potential for Turkey. Since the security is not established Turkey is in more advantageous spot with respect to other competitors as a result of its geographical position.

- IMPORT

Our import from Iraq also showed similar increase as export. In 2003 our import was 112 million USD, and in 2004 with 312 % increase it has attained to the level of 467 million USD.

Table11: Distribution of Vehicles Transporting to Iraq

Distribution of Vehicles Transporting to Iraq According to Border Gates (Export+Harbor+Transfer+Transit)			
YEARS	CİLVEGÖZÜ	HABUR	TOTAL
1997	-	15.000	15.000
1998	11	38.127	38.138
1999	11	40.603	40.614
2000	18	49.174	49.192
2001	266	93.165	93.431
2002	98	70.764	70.862
2003	594	163.328	163.922
2004	2.076	251.688	253.764
2005	1.284	260.700	261.984

Source:http://www.roder.org.tr/TR/COUNTRIES/DOWNLOAD/co_u_import_iraq.xls

Table12: Iraq Transportation Vehicles to Turkey or Over Turkey

Iraq Transportation Vehicles to Turkey or Over Turkey

YEAR	IMPORT		TRANSIT ENTRY		EXPORT		TRANSIT EXIT	
	FULL	EMPT TY	FULL	EMPT Y	FULL	EMPT TY	FULL	EMPT Y
1998	0	0	0	0	0	0	0	0
1999	0	0	0	0	0	0	0	0
2000	0	0	0	0	0	0	0	0
2001	0	0	0	0	0	0	0	0
2002	0	0	0	0	0	0	3	0
2003	10	3150	0	0	3129	0	0	0
2004	0	2956 8	0	0	29545	0	0	0
2005	0	3378 0	0	0	33783	0	1	0

(2006)

Source: http://www.roder.org.tr/TR/COUNTRIES/DOWNLOAD/cou_import_iraq.xls

6.3. Business Opportunities in Iraq

There are many business opportunities in Iraq. The leading business opportunities are through:

- (1) U.S. reconstruction contracts and subcontracts,
- (2) Contracts with Iraqi Ministries,
- (3) Private sector opportunities,

(4) Contracts with the United Nations (UN) and international organizations.

(Iraq Investment and Reconstruction Task Force's (Task Force) Business Guide to Iraq)

6.4. Strategic Cooperation with Iraq And Reconstruction

With purpose of improving the conditions of Iraq retarding in many respects by the invasion of USA, and worsened by long term embargo and damages caused by war, reconstruction is directed in areas as improving finance condition, creating investment,, trade, functions of government, training, health and employment.

Considering the geological position of Turkey related with reconstruction of Iraq it is definite that our industry shall participate in this reconstruction context.

Studies for reconstruction of Iraq have following topics.

1. Strengthening of institutions related with administration of nation for adopting transparent and a good administration form,
2. Reconstruction of infrastructure and basic services that are damaged or lost their functions,
3. Supporting economic and social transition providing development and social protection

For the safety reasons trucks are not found for transportation of goods at the end of trade connections. Transportation companies accepting the carriage, demand very high freight costs. In adjudications where Turkish companies participate, this causes Turkish companies not keeping the price.

Due to security reasons lived in Iraq, Turkish trucks have started to transport goods along Mosul-Baghdad route moving in convoy escorted by USA security forces since December 3, 2003.

6.5. Finance Sector

Finance system of IRAQ is not functioning properly yet. Finance problems originating from weakness of infrastructure and ineffective activities of the related institutions have limited transition to a stable and modern finance system.

For reconstruction of Iraq regarding finance structure, necessary measures are the following:

6.5.1. Finance Sector Measures

- Giving counseling support to two trade banks in serious sense oriented to regulation and coordination of transactions related with banking system (reinstallation of main office and branches, completing deficiencies, innovation of technology, providing technical assistance and training, etc.)
- Establishing of the capacity necessary to be applied in medium term, providing institutional reconstruction

6.6. Developing Finance and Private Sector

6.6.1 Priorities in Medium Term (2006-2008)

Recommendations on this subject are direct investment or solution of technical assistance needs.

In order to develop the investment environment:

- It is necessary to provide technical assistance and investment for collecting information of government on trade and investment environment; to support necessary public and private sector establishments; and to solve basic contingencies,
- To establish a risk capital fund, to start a new credit means assisting for warning and canalizing the capital flow of private sector directed to SMEs,
- To develop frame work conditions related with indemnification of environmental responsibilities during privatization.

In order to provide commercial support:

- Rehabilitation and modernization of customs, formation of customs department in the Ministry of Finance, simplifying customs transactions, and determination of personnel that shall work with customs personnel.

Recommendations:

Recommendations to businessmen and industrialists wanting to be effective are ;

- Consideration that no customs procedure is applied to exported goods to Iraq,
- Determination of a strategy by considering that higher risks bring higher profits
- Opening of an agency office in Iraq or Amman-Jordan; having a store outside the city for making spot loading,
- Opening office with some companies, this shall decrease all costs especially security costs.
- Contact with companies knowing the region very well. In this sense, MUSIAD offers various supports to its members on coordination field.

- Not forgetting to be ready for supply of products in all sense when life turns normal in Iraq (office, storehouse, marketing personnel, etc.)

APPENDICES

APPENDIX A: STUDY QUESTIONNAIRE (ENGLISH VERSION)

Dear Participant,

The following is a survey form I have prepared for the purpose of development of doing business in Iraq and giving more importance on Strategic Alliance with SME for my Business Administration Post Graduate Studies in Izmir University of Economics. The data derived from this survey will definitely and wholly be used for academic purposes. The individual answers of the companies are very important but the total results derived from sampling are important too. The survey data may be sent by e-mail upon request.

The success of the survey depends on your cooperation. Thank you for your contribution to the survey in advance.

Best regards

Burçak AYHAN

1. Name of the company (.....)
(This information will be used for not taking more than one survey from the same company)

2. Name, surname and the title of the authority who fills out the form (.....)

3. Which one of the following is your company dealing with?
Transporter Producer and exporter Exporter

4. How long has your firm been operating?
Less than a year Between 1 and 5 years
Between 6 and 10 years More than 10 years

5. The Number of the employees in your company?

Between 10 and 49 Between 50 and 99
Between 100 and 499 500 and more

6. The distribution of the employees working in your companies, according to their educational status?

Technical personnel (.....)
Graduated from university (.....)
Administrators (.....)
Uneducated(.....)
Other(....)

7. The Capital Structure of Your Company is:

Completely Turkish Capital	
Completely Foreign Capital	
Partially Foreign Capital	

If The answer is ‘‘ Completely Foreign Capital or Partially Foreign Capital’’ ,Please write which country you are adhered?(.....)

8. Do you organize in service trainings for your personnel?

- No Yes

If your answer is yes how often do you organize these?

- Once a month Once in two months
 Once a year Once in Five years
 Other(.....)

9. How long have you been carrying out Logistic Sector?

- Less than a year Between 1 and 5 years
 Between 5 and 10 years More than 10 years

10. How long have you been doing business in Iraq?

- Less than a year Between 1 and 5 years
 Between 5 and 10 years More than 10 years

11. Please check the sectors you are export mostly to Iraq?

OTOMOTIVE	
CONSUMER GOODS	
MARBLES	
CONSTRUCTION GOODS	
CHEMICAL AND CHEMICAL WEAPEN	
TEXTILE	
ELECTONICS	
PACKAGING	
PLASTICS	
AGRICULTURE	
OTHER(...)	

12. Is the company income within the limitations of your target?

- Yes No

If the answer is no list the reasons in the order of importance from 1 to 5 . (1 is the most important)

- There are lots of rivals and there is unfair competition
- The products which are up to the desired quality and price can not be presented
- There is lack of publicity and effort that help increase the sales

- Can not provide quality standards
- Not being strange enough in the marketing activities
- Taxes and the funds are very high
- Law and legislation force the product capacity
- The cost of power is high
- Labor expenses are high
- Lack of qualified personnel
- Being dependent on foreign countries for the supply of hard material
- Other (.....)

13. What are the problems you face with while you are transporting to Iraq? Put them in the order of importance from 1 to 5 . (1 is the most important)

- Problems related to marketing
- Financial problems
- Lack of enough vehicle
- Problems related with legislations
- Customs problems
- Transportation problems
- Inadequacy of technology
- The problem of complying with quality standards
- High cost of power
- High cost of labor
- Not being able to provide security system

14. Please list the main expense items in the order of importance? (1 is the most important)

- Energy
- Labor
- Transport expenses

- Taxes and funds
- Royalty and rent expenses
- Overtime Pay

15. The Percentage of the contract that Turkish companies participate in ?

- 1-19%
- 20-39%
- 40-59%
- 60-79%
- 80-100%

16. Which Strategic alliances your company prefers while co-operating with Iraq's merchants

- Franchising
- Joint Venture
- Licenses Agreement
- The development of Export Organizations

17. What are your strongest and the weakest sides compared with your rivals?

<u>Strong</u>		<u>Weak</u>
Marketing Policy	()	()
Sales Policy	()	()
Capital and Finance Structure	()	()
Pricing Policy	()	()
Customer relations and its network	()	()
The position of qualified personnel	()	()
The trade attraction	()	()

18. What kinds of precautions should be taken to expand your business volume to Iraq?

(Put them in the order of importance and write 1 for the most important.)

- The incentives should continue,
- Iraq market should be followed closely
- Loan interests should drop
- The formalities related to transportation should be lessened
- There should be easier transport
- The energy expenses should be subsidized by the government to a certain extend.
- Other (.....)

19. Do you think SME's incentives are enough to do business in Iraq?

- I definitely agree
- I agree
- I don't know
- I don't agree
- I definitely don't agree

20. Do you think the Iraq¹ local trading companies are working well enough?

- Yes
 - No
- (If no, why not?.....)

21. Please evaluate if the following are important in trying to increase the business volume of your company in Iraq.

	Definitely Agree	Agree	Uncertain	Disagree	Definitely Disagree
Iraq War effected the volume of trade negatively					
Goods are delivered to ultimate consumers at the right time and right place					
Payments-in or collection system is good enough					
Cooperating with local companies are proving financial support					
Lack of trained men and technology affects badly in Iraq					

SURVEY FOR THE PURPOSE OF DEVELOPMENT DOING BUSINESS IN IRAQ AND GIVING IMPORTANCE ON STRATEGIC ALLIANCE

In this section, the evaluation of a survey prepared and carried out with the local partners and the companies which are exporting or aimed to export have been made.

Aim of the study;

The aim of doing this survey is to determine the best entry strategy to Iraq Market related with analyzing the problems of companies because of the strategic importance of Iraq.

For this aim 65 companies were asked to fill out the questionnaire. The SPSS 11.0 (Statistical Programming for Social Scientist) was used for processing the survey data.

The study has taken Iraqi companies and as base and the export possibilities producers and operators of Iraq are taken into consideration. The study is limited to the cities in Iraq and the cities studied are Zakho, Mosul, Baghdad, Erbil, Suleymaniye, and Kerkük.

The List of The Companies Who Participated In The Survey;

The names of the companies which participated in the survey take place below. This information is given just because there won't be the repetition of evaluation of more than one survey from the some company. The companies are chosen according to how effective we can connect with the companies because of the war. Most of the companies in Iraq can not use even telephone. That is a reason to choose the companies we can go and deal

with directly face to face. There are 35 Turkish Companies operates in Iraq and the exact number of Iraqi Company information can not be reached. According to an interview made by an American Commander who does not want to give his name because of the security reasons, there are more than 1000 Iraqi company wants to operate in Iraq but they only let very few of them which they also do not know the exact number.

The Names of Companies;

ZAMGROUP
WGINT CO.
VERIZON CO.
UELIMITED Co.
TIGRIS NET
THEAF AL RA
THE EAST
SWEER CO.
STS GLO.
SAP CO
SALIHI GROUP
SABEC CO
ROWAD
ROMELECT
RAWWAT
QODS-E RA
PREBETON
PHORABI
PBWORLD
SEENEN
NATA GROUP

NAPCCO
NABEEL CB
MIRZA GROUP
MIGIRAG
MENLOWORLD
I AND SOLUT
KHUDAIRI GR
KADOW
JAHAN NAMS
RUBBER
PIPES
INTERACTIVE
INTERGLOBE
HYDROTEC
HARSHAM
DARIN
GREEN PAC.
GITA
GASGOUS
ENANA
DNANA GROUP
DIZLA
DIAMOND
DAS GROUP
DANUE GROUP
DAMLORAN
CARUS GROUP
CIRCULAR CI
CHOOPEN
BW CO.

BEHPAK INT.
BB OVERSEA
BATUSAN
MAKYOL
NURYAPI
77 INSAAT
HARZEMOĞLU
KARYA
EMTA
ENKA
VATAN
SERKA

2.The Type of the companies participated in survey ;

TYPE

	Frequency	Percentage
Producer and Exporter	13	20
Exporter	50	76,9
Total	63	96,9
Total Company	65	100

As can be seen in the above table, 13 companies deal with both production and export, 50 of them deal with only exporting

3.“How long has your firm been operating?” Is asked to the companies who participated in the survey. The Frequency and the percentages are given in the below table.

DURATION

	Frequency	Percentage
Less than 1 year	8	12,3
Between 1-5 year	32	49,2
Between 6-10 year	23	35,4
Total	63	96,9
Total Company	65	100

49.2% of the firms have been operating both “Between 1 and 5 years“ and “between 6-10 years“;35,4 % of them and less than one year is 12,3 % .

4. The answers to the “How many people are working in the company?” Questions are given below in respect to the frequency and the percentage.

EMPLOYEES

	Frequency	Percentage
Between 10-49	32	49,2
Between 50-99	31	47,7
Total	63	96,9
Total Company	65	100

In 49% of the companies, the number of the employees is between 10 and 49, in 47,7 % of the companies between 50 and 99.

5. The distribution of the employees working in these companies, according to their educational status is shown in below table.

EDUCATIONAL STATUS

Educational Background	Average
Technical personnel	4,48
University graduated	3,11
Administrators	4,95

The average number of the technical personnel in these companies is 4.48; 3.11 are university graduated, and 4.95 are administrators.

6. The answer to the ‘‘the capital structure of your companies is given below .

CAPITAL STRUCTURE

	Frequency	Percentage
Partially Foreign	41	63,1
Completely Foreign	22	33,8
Total	63	96,9
Total Company	65	100

63,1 % of the companies are belong to partially foreign capital and 33,8% of the companies are completely foreign.

7.The answers to the “Do you organize in service trainings for your personnel?” Frequency and the percentage of the answers are shown below in table and the answers to” How often do you organize service training?” is shown in following table.

TRANING

	Frequency	Percentage
No	56	86,2
Yes	7	10,8
Total	63	96,9
Total Company	65	100

10,8 % of the companies arrange in service trainings but 86,2% don't.

8.“How often are the in service training programs organized?”

PROCESS OF TRAINING

	Frequency	Percentage
Once a Month	56	86,2
Once a Year	7	10,8
Total	63	96,9
Total Company	65	100

86,2% of the companies arrange in service programs once a year, and 10,8 of the companies are once a year

9. Frequency and the percentage of the answers to the question “How long have you been carrying out logistic sector?”

LOGISTICS

	Frequency	Percentage
Between 1 -5 year	56	86,2
Between 6-10 year	7	10,8
Total	63	96,9
Total Company	65	100

56 companies have been carrying out logistics sector between 1 and 5 years and only 7 companies have been carrying out logistics sector between 6 and 10 years.

9. Frequency and the percentage of the answers to the question “How long have the companies been doing business in Iraq?”

IRAQ

	Frequency	Percentage
Between 1 -5 year	24	36,9
Between 6-10 year	39	60
Total	63	96,9
Total Company	65	100

24 of companies have been doing business in Iraq between 1 and 5 years and 39 of companies have been business in Iraq between 5 and 10 years.

11. Frequency and the percentage of the answers to the question “Which countries do you do business to?”

COUNTRIES

	Frequency	Percentage
Iraq	35	53,8
Jordan	14	21,5
Syria	5	7,7
Iran	4	6,2
Russia	3	4,6
Turkic Republic	2	3,1
Total	63	96,9
Total Company	65	100

- 53.8% of the countries doing business to Iraq.
- 21.5% of the countries doing business to Jordan .
- Only 3,1% of the companies doing business to Turkic Republic/

12. “The Sectors that companies are exporting mostly to Iraq”
The answers and their frequency and percentage are given below

EXPORT

	Frequency	Percentage
Consumer Goods	25	38,5
Electronic Goods	3	4,6
Construction Materials	30	46,2
Plastics	5	7,7
Total	63	96,9
Total Company	65	100

The majority of the sectors that the companies mostly export to construction goods with %30 percentage .and only %4,6 of companies dealing with the electronic sector in Iraq.

13. “Is the company income within the limitations of your target” The answers, their frequency and percentage are given below.

INCOME

	Frequency	Percentage
Yes	40	61,5
No	23	35,4
Total	63	96,9
Total Company	65	100

Although 61.5 % of the companies income are within the limitation of their target; %35,4 of companies are not.

The reason why the companies income have not matched their target is:

REASON

	Frequency	Percentage
Unfair Competition	23	35,4
Price can not be presented	15	23,1
Lack of publicity	4	6,2
Not providing Quality	8	12,3
Not being strong in marketing activities	7	10,8
High taxes	2	3,1

Laws and Legislation	4	6,2
Total	63	96,9
Total Company	65	100

%35,4 percentage of companies showed the reason was that ‘‘Unfair Competition’’and %3,1 of companies answer the reason was ‘‘high taxes ‘‘

14. What are the problems the companies face while they are transporting to Iraq? The answers, frequency and percentage of this question are as follows.

PROBLEM

	Frequency	Percentage
Lack of vehicle	16	24,6
Customs problem	6	9,2
Transportation problems	9	13,8
Inadequacy of technology	8	12,3
High cost of power	7	10,8
High cost of labor	8	12,3
Security Problems	9	13,8
Total	63	96,9
Total Company	65	100

Both %13,8 of companies takes the first range with the problem of transportation and not being enough security system in Iraq .

15.’’the main expense items that the companies encounter while doing business are given below table.

EXPENSE

	Frequency	Percentage
Energy	12	18,5
Royalty and Rent	23	35,4
Transportation Expense	28	43,1
Total	63	96,9
Total Company	65	100

%43,1 of the companies main expences consist of transport expences following that with %35,4 comes royalty and rent expences.

16.’’the percentage of the tender that the Turkish companies participate in ? The answer, frequency and percentage of it as follows:

TENDER

	Frequency	Percentage
40-59 %	11	16,9
60-79%	45	69,2
80-100%	7	10,8
Total	63	96,9
Total Company	65	100

45 of the companies participate in tenders between 60 and 79 percentages.

17. ‘‘which strategic alliances your companies prefers while co-operating with Iraq’s partners?’’

STRATEGIC COOPERATION TYPE

	Frequency	Percentage
Joint venture	12	18,5
Export Organization	51	78,5
Total	63	96,9
Total Company	65	100

%78,5 of the companies prefer Export organization while doing business in Iraq and also %12 of the companies takes the second range with a joint venture.

18.'what kinds of precautions should be taken to expand your business volume to iraq?

The answer, frequency and the percentage is as follows.

PRECAUTION

	Frequency	Percentage
Incentive	17	26,2
Iraq Market	5	7,7
Loan Interest	2	3,1
Lessen the formalities	28	43,1
Easier Transportation	9	13,8
Energy Expenses	2	3,1
Total	63	96,9
Total Company	65	100

28 of the companies agreed that the formalities related to transportation should be lessened and only 2 of the companies answered that the energy expenses should be subsidized by the government to a certain extend.

19. "Do you thing SME's incentives are enough to the business in Iraq? The answers have shown below.

INCENTIVES

	Frequency	Percentage
Agree	1	1,5
Do not agree	36	55,4
Definitely Do not Agree	26	40
Total	63	96,9
Total Company	65	100

36 of the companies give the answer is definitely do not agree and only 1 company showed the answer is agree.

20. "Do you think the Iraq partners are working well enough ?

PARTNER

	Frequency	Percentage
No	55	84,6
Yes	8	12,3
Total	63	96,9
Total Company	65	100

Only 12,3 % of the companies said that local Iraq partners working well .

21. The evaluation of the following ideas to increase the business volume of your companies in Iraq.

IMPORTANCE

	Frequency	Percentage
Iraq war affected the transportation negatively	60	92,3
Lack of trained man and technology	3	4,6
Total	63	96,9
Total Company	65	100

60 of the companies give the most importance on Iraq war affected the volume of transportation negatively .and the least importance goes to lacking of trained men and technology .

CONCLUSION

In world globalized and in increasing competition conditions it is necessary that SMEs should expand to global markets. In globalization process, it is inevitable that each enterprise should conform to continuous change and regulations. That a product produced at one spot can be introduced at another spot of the world and product can be transported to that spot due to communication and transportation network, it is much easier in framework of developed technological conditions.

SMEs in Turkish economy have very important place with respect to number of work places and contributions to the employment. SMEs with their dynamism and potential powers, have very important place at solution of the problems of Turkish economy.

Especially with becoming of global economy a dominant power and removal of boundaries of the national boundaries SMEs have lived a threat of vanishing. Because it is a fact that SMEs can not show performances that is expected from them.

Forced to be expanded to global markets, it is necessary that SMEs should find the most suitable strategy among the other alternatives and should act according to it. The most preferred strategy of SMEs is to obtain some competition advantages by entering with export organizations . Joint venture is another suitable entry strategy to global markets. In order to find new markets and to show SMEs themselves in competition environment of these markets SMEs should expand themselves to foreign markets. Expanding to global markets brings together various risks and difficulties. Besides legal obstructions and habits put by other nations, occupying with difficulties originating from structural features and economic difficulties of

their own nations, it seems the best way that SMEs should prefer to find national and international partners for cooperation.

Preferring joint-venture alternative of SMEs trying to have activity in foreign markets shall provide positive contribution regarding to production volume and expansion of market volume.

Globalization event has made the competition power of companies, sector, even the nations, to be very important. In order to gain competition power of the industry of our nation, it is necessary that SMEs should give priority to research and development, produce technology, take care for the preference and health of the consumers, apply modern marketing methods, and catch the advantages of the globalization. One of the most important ways to catch and sustain competition superiority is that companies aware of the novelties as the reality of the contemporary age before the competitors understand and they should act as soon as possible.

The only condition of success of SMEs is that they should use capabilities and source powers in the best way and that they should make strategic plans for application accordingly. The successful SMEs are flexible enterprises using sources correctly and rationally conforming to changes easily and open to the new rules.

It is necessary that SMEs should organize in a right manner and form a power by uniting among themselves continuously. SMEs performing those can increase their successes in export more.

SMES using their competition powers in national market should use them in foreign markets as well. As a result of the applications in the world it is seen that SMEs forming power by uniting has provided great contributions to their own countries by means of export.

Management type, culture, values, technology, strategy, plans of SMEs greatly affects survival in competition, environment and effectiveness in global market. Deciding to global marketing,

SMEs should analyse the reasons for being together and make confidence to each other their objective.

Cooperation becomes insufficient in joining sources and capabilities of SMEs. It is necessary that partners should be encouraged , have confidence to each other and to act together in this confidence.

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