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INTERNATIONAL MARKETING RESPONSIVENESS:

AN EXPLORATORY STUDY ON THE INVOLVEMENT OF TURKISH  
FIRMS IN THE FORMER USSR MARKET

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FIRMS IN THE FORMER USSR MARKET

BY

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INTERNATIONAL MARKETING RESPONSIVENESS:  
AN EXPLORATORY STUDY ON THE INVOLVEMENT OF TURKISH FIRMS IN  
THE FORMER USSR MARKET

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to my parents,  
and in memory of Professor Warren Bilkey





## **SUMMARY**

This thesis is a pioneer study in exploring the issue of former USSR trade and business relations with a developing country (Turkey), so it can be classified under the area-oriented studies of international marketing.

The purpose of the study was to explore the factors inherent in the Turkish business peoples' involvement with the USSR.

The research for the study was carried at a unique time for the USSR which was (and still is) in transition from a centralized economy to a market oriented economy with significant changes at the state and administrative levels. The study includes background information on USSR market, Turkish foreign trade system, Turkish-USSR economic and trade relations, as well as a survey of international business literature on area-studies (USSR and the East) concerned with the "firms behaviour towards USSR".

The findings of the study are based on a field survey carried out with 63 Turkish firms that were already involved with the USSR as of December 1991. Different aspects of the strategic involvement of these firms with the USSR are studied, which are USSR market involvement decisions, involvement types, countertrade, joint ventures, negotiation, and marketing strategies.

The results of the exploratory research showed that entering into a new market such as the former USSR requires the consideration of a multitude of factors ranging from government support systems to various risks involved. The dissertation identified specific characteristics explaining the effectiveness of business relations. It is concluded that there are unique external and internal factors that speed up the Turkish companies' entry and lead to success in the former USSR market. Turkish firms enjoy various types of government support, have found different ways of coping with the risks involved, have learned to capitalize on some elements of comparative advantage (such as physical and cultural proximity to the new market), are making good use of specific country related characteristics (such as

uncertainty handling, negotiation style, using formal risk assessment techniques), and are experienced in dealing with bureaucratic structures.

Although the internationalization experience of Turkish firms is a recent phenomenon, they already have accumulated significant experience with respect to various forms of entry and involvement. New forms of trade, namely countertrade and joint ventures are found as attractive ways of tapping USSR market opportunities. The research indicates that joint venture type is the most satisfying form of involvement.

It is hoped that this dissertation will provide a take off point for further studies and serve as a guide to firms contemplating entry into or growth in the former USSR market.



## ÖZET

Bu tez eski SSCB ile geliřmekte olan bir lke (Trkiye) arasındaki ticaret ve iř iliřkilerini keřfedici(exploratory) nc bir arařtırmadır. Bu zelliğinden dolayı, uluslararası pazarlama alanında blgesel alıřmalar arasında sınıflandırılabilir.

alıřmanın amacı, Trk iřadamlarının SSCB ile olan iř iliřkilerine zgn unsurları arařtırmaktır.

Bu alıřmanın arařtırması, SSCB'nin hem devlet hem de idari seviyelerde nemli deėiřiklerle merkezi bir ekonomiden pazar ekonomisine geiř yařadığı (ki bu durum hala devam etmektedir) ok zel bir dnemde gerekleřtirilmiřtir. alıřma, SSCB pazarı ile ilgili temel bilgiler, Trk dıř ticaret sistemi, Trkiye-SSCB arasındaki ekonomik ve ticari iliřkilerin yanısıra, uluslararası iřletme literatrndeki "řirketlerin SSCB'ne ynelik davranıřları" ile ilgili blgesel arařtırmaları (SSCB ve Doėu Bloku) da iermektedir.

alıřmanın bulguları 1991 yılı Aralık ayı itibarıyla SSCB ile iř iliřkisi iinde bulunan 63 Trk firması ile gerekleřtirilen bir saha arařtırmasına dayanmaktadır. Bu řirketlerin, SSCB pazarına girme kararları, iř iliřkisi Őekilleri, baėlantılı(takas) ticaret, ortak giriřim ve pazarlama taktikleri gibi SSCB ile stratejik iř iliřkilerinin deėiřik ynleri ayrı ayrı incelenmiřtir.

Bu keřfedici (exploratory) arařtırmanın sonuları eski SSCB gibi yeni bir pazara girmenin, devlet destekleme sistemlerinden bu yeni pazara iliřkin eřitli risklere kadar uzanan birok unsurun gznne alınması gerektirdiėini gstermiřtir. Bu tez, iř iliřkilerinin etkinliėini aıklayan belirgin zellikleri ortaya ıkarmıř ve tanımlamıřtır. Trk firmalarının eski SSCB pazarına girme ve bařanya ulařmalarını hızlandıran ok zel i ve dıř unsurlar olduėu sonucuna varılmıřtır. Trk firmaları deėiřik devlet desteklerinden faydalanmakta olup, pazara iliřkin risklerle bařetmenin deėiřik yollarını bulmuř, karřılařtırmalı avantajların bazı unsurlarını (yeni pazarlara fiziksel ve kltrel yakınlık gibi) sermaye gibi kullanmayı ğrenmiř, lkeye zg zellikleri (belirsizlikle baředebilme, mzakere tarzı, dzenli risk deėerlendirme teknikleri gibi) iyi kullanmıř ve brokratik yapılarla baředebilmede tecrbe kazanmıřlardır.

Türk firmalarının uluslararasılaşma tecrübelerinin yeni olmasına rağmen şimdiden yeni pazarlara ilk giriş ve iş ilişkilerinde bulunmada kayda değer tecrübe birikimi sağlamışlardır. SSCB pazarının fırsatlarından faydalanmada bağlantılı ticaret ve ortak girişim gibi yeni ticaret şekilleri cazip yöntemler olarak bulunmuştur. Araştırma, ortak girişimin en tatminkar iş ilişkisi olduğunu göstermektedir.

Bu tezin gelecekte yapılacak çalışmalara bir başlangıç noktası sağlayacağı ve eski SSCB pazarına girmeyi veya bu pazarda büyümeyi tasarlayan firmalara bir yön gösterici olacağı umut edilmektedir.



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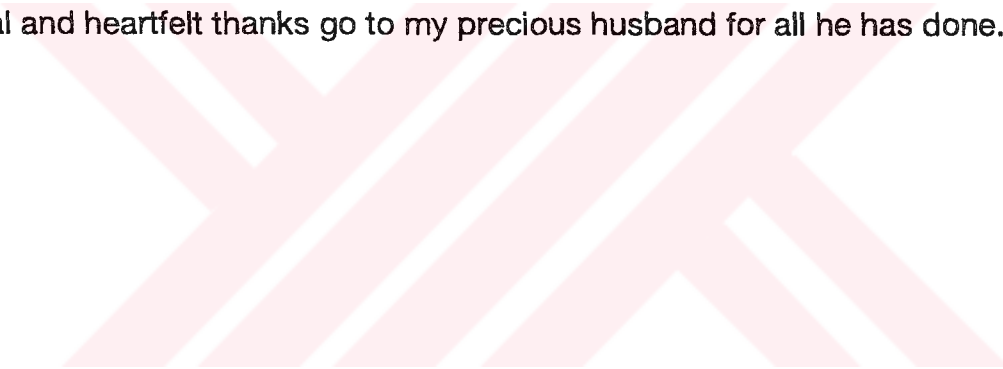
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# PROLOGUE

When information was being collected and the field study done for this research, the USSR was undergoing a drastic transition. Therefore, in any analysis of the current state, terms like the East, Soviet-type, Soviet bloc or centrally planned economy, and organizations like the Council for Mutual Economic Assistance (CMEA) are all questionable now, given the currently prevailing structural reforms and centrifugal forces within the Eastern bloc. This doctoral thesis, however, basically studies the Turkish firms' business behavior towards the USSR, believing that this behavior is strongly influenced by relations that have existed so long between these two countries.

Eventhough the analyses rely on a survey of 63 businessmen, conducted in December 1991, activity patterns have not deviated much from the past track. Therefore, most of the arguments are believed to be valid in view of the present situation.

Throughout this study, the country involved will be referred to as USSR for the period up to the conduct of the field study, but from then on all analyses and recommendations will be in terms of ex-USSR or former USSR, rather than CIS (Commonwealth of Independent States).

# I. INTRODUCTION

Following Turkey's economic metamorphosis in 1980 and the ensuing export oriented development policy, many firms have adapted to a new frame of mind. That is, exporting has become a regular part of daily business event for many of the firms. In the late 1988 to 1991, the export level has been somewhat stabilized around the 10-12 billion USD per year. The government has been searching for a new export strategy, while the practitioners have been pushing for "difficult to enter" markets, or trying to improve the added value of the exported items by improving their quality.

In 1984, Turkey signed a countertrade agreement with the USSR involving the purchase of natural gas, while the payment would be with exports of goods and construction services. The actualization of the deal became possible in 1989 and immediately USSR became the new target market for many firms.

The structure of the ex-USSR market is quite different from the traditional trade partners of the Turkish firms (1). So, exporting to USSR not only needed adaptation to new rules of the market, but also it necessitated more proactive involvement and commitment from the Turkish side. Traditionally, the OECD members would ask for specific orders by coming to Turkey, and the Turkish party would fill in the order without much difficulty in payment, shipment, or agreement. This kind of activity was mostly sales, not marketing. At this stage of the development of the Turkish industry, expertise was accumulated in certain aspects of international trade, such as exporting, and credit sourcing. In 1989, Turkey faced the challenge of exploring the ex-USSR market.

Just as the Turkish businessmen were beginning to understand the "how to's" and developing their own marketing networks in the ex-USSR, there was the break of the Berlin wall and the movement of ex-USSR towards liberalization and decentralization.

Surprisingly, the 1991-1992 decentralization brought with itself another set of new rules of doing business, where the new rules were mostly set while doing the business itself. Dynamism, entrepreneurial drive, investments, and privatization have become the new vocabulary of economics in the Marx's country. The Turkish businessmen were there. The local and international media were tailoring a big role for Turkey in the Republics of the USSR. The Central Asian Republics, began to see Turkey as their big brother.

This study, tries to put forward how the actual practitioners of business see the former-USSR trade relations with Turkey and the realistic role they could take. Besides, the study examines the Turkish firms entry into the ex-USSR, their evaluations of themselves, the government, and their counterparts in the business agenda.

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1 For the documentation of trade partners, see Appendix: 3 and 4.

## 1.1 OBJECTIVES OF THE STUDY

Although Soviet trade has been extensively discussed in international economics and business literature, they were mostly involved in trade among CMEA countries, trades with the West (particularly U.S.), or trade with special agreement countries e.g. Finland. But there is a lack of information about the USSR trade and business relations with the developing countries. This study will be among the first to explore this issue. In this way, the business behavioral pattern toward the USSR market are analyzed.

Two groups of objectives directed the work undertaken for this thesis. The first one was related to identifying and understanding the nature of the business with the USSR from the Turkish side. For this purpose many secondary sources were collected and sorted in order to fulfil the following three sub-objectives:

A. To provide information on the USSR market during its transition period, specifically:

- \* Collecting background information on the USSR's political and economical situation including the most recent developments.

- \* Presenting USSR's business environment and the changing actors/institutions active in it.

- \* Providing information on the USSR's changing trade patterns.

B. To document the necessary background information for the involvement of Turkish firms with the USSR.

- \* Gathering information on the Turkish-USSR economic and trade relations.

- \* Presenting Turkish foreign trade system, the forces active in it, and Turkish direct investments abroad.

- \* Identifying the possible effects of forces deriving from the Turkic origin of the Republics.

C. To summarize the area-studies carried out in the academic world on the "Firms behavior towards USSR trade", which constituted the basis for the theoretical framework of this dissertation.



With the help of the information thus collected, an empirical study was designed and executed to serve a second form of objectives with the following sub headings:

- \* **Evaluation of different factors in getting effectively involved with the USSR,**
- \* **Assessing different governmental support instruments in getting involved with the USSR,**
- \* **Assessing the effect of company size on the likelihood of success in the USSR,**
- \* **Understanding the alternative processes of political risk evaluation in forming joint ventures in the USSR,**
- \* **Investigation of countertrade practices with the USSR,**
- \* **Study of alternative involvement types with the USSR,**
- \* **Discovering the impact of negotiation process in doing business with the USSR,**
- \* **Evaluation of different factors leading to success in doing business with the USSR,**
- \* **Evaluation of marketing activities in doing business with the USSR,**
- \* **Identifying future expectations of business people about the USSR.**

Eventhough some of the topics listed above are self explanatory, it is believed that additional explanation is needed on some issues:

Since the rapid developments in the Turkish-USSR economic relations which date back to the natural gas agreement of 1984, a number of Turkish firms have started to practice new forms of international business involvement with the USSR. Especially after the 1987 legislation permitting foreign participation in the ownership and operation of joint ventures located in the USSR, Turkish firms started to sign joint venture agreements with Soviet partners. This investment outflow has been very unique in Turkish business history: Turkey was trying to attract foreign investment by supplying many incentives during the last decade. With the exception of a few Turkish business investments to certain other countries (2), USSR investments demonstrate the first group behavior of Turkish firms in the direction of deeper/heavier internationalization.

1990s are wittnesing the global integration scheme and the firms not necessarily follow-up the well proven success methods of internationalization. So long, an “investor seeking” country (Turkey) has turned to be an “investor sending”

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<sup>2</sup> For the documentation of direct investments from Turkey, and the profit-loss of these Turkish companies, see Appendix 5 and 6.

country because of the former Eastern Blocs new liberalization policy. Turkish companies are taken in this study as examples to explain their specific positions in going beyond the “incremental internationalization steps”. Joint ventures, countertrade practices and other type of contractual business relationship in the former USSR became the usual practice of Turkish businessmen. This market and the uncommon ways of doing business seem to remain a constant and magnified item on the agenda of the coming years.

The investment outflow is best demonstrated by the Turkish companies joint venture establishments in the USSR.

The primary objective is to present a picture of developments up to this point together with analysis of factors shaping these developments. It is hoped that this study will provide a take-off point for other studies as well as a guide to firms contemplating entry into or growth in these markets.

## **1.2 DESIGN OF THE THESIS**

This chapter introduced the scope and objectives of the dissertation. The reader may follow the objectives of the research and the way they are handled in each chapter in a consecutive order.

In chapter two, first, background information on the effects of recent developments on the USSR's internal dimension and external relations are presented with particular emphasis upon the business environment and potential. Secondly, Turkish business and economic environment is discussed in detail, emphasizing bilateral business and trade relations with the USSR.

In chapter three theoretical background for the empirical research is presented in two parts; literature review on the theoretical concepts constitutes the first part, the relevant empirical research found among the area-studies (USSR) of the international marketing field makes up the next part.

In chapter four research design and methodology forming the basis for the survey conducted among firms involved with the USSR is presented.

In chapter five findings of the survey are discussed. First, the identity of the sample firms as it manifests itself in their business relations with the USSR are examined. Then the findings based on the empirical research objectives are evaluated in detail.

Chapter six covers the conclusions reached and the evaluation of the findings and results of the study, and also reflects the implications for various parties of interest as well as for further research.

## II. USSR'S INTERNAL DIMENSION AND EXTERNAL RELATIONS

### 2.1 USSR - INTERNAL DIMENSION

In this section USSR's economical and business environment and the effect of recent developments will be presented.

Europe ended the year 1991 with a dozen more countries than it had had at the start, and with a transformed political landscape (3). The Soviet Union disintegrated, and Soviet communism came to an end. In January 1991 the Soviet Union was still Communist and in one piece, with a mini crackdown in the Baltic. By the year's end the place had dissolved into 15 separate countries, some of them loosely connected in a new "Commonwealth". The turning point was August's coup in which hardliners botched their attempt to save communism and the Soviet state. After that, the place simply crumbled, bringing down Mikhail Gorbachev with it (4).

#### 2.1.1 ECONOMIC PERFORMANCE THROUGH 1987

After achieving high rates of growth by world standards in the 1930s and in the years following World War II, the Soviet economy entered a period of secular decline in output growth. When the beginning of this decline is a subject of continued debate; official statistics indicate it started only in the 1970s, whereas other sources-both Soviet and non-Soviet-suggest that it was already apparent in the 1960s. It is now generally accepted that official statistics have tended to exaggerate growth, for example, the failure was explicit in the for so-called hidden inflation. There is little agreement, however, on the extent of overstatement. According to official statistics, the average annual rate of growth of net material product (NMP) fell from 7.8 percent in the second half of the 1960s to 5.6 percent in 1971-1975, 4.3 percent in 1976-80, and 3.2 percent by the first half of the 1980s (OECD, 1991: vol 1-p.11).

The slowdown in Soviet growth has been attributed to many factors. The relative contributions of these are difficult to assess, but it is useful to distinguish between two sets of factors for establishing a context for the reform efforts of the 1980s . The first relates to the choice of growth strategy. By relying on the rapid mobilization of capital, labor and raw materials to generate economic growth, the USSR was bound sooner or later to run into constraints on the availability of resources. It can be argued that, by the 1970s, these constraints were beginning to bite, and that there was little hope that policy could relax them. A second set of factors, by contrast, points to inherent deficiencies in the planning system itself, and it was on these problems that reforms would primarily focus.

Numerous steps had been taken by the authorities in the early 1980s to raise productivity, including measures to strengthen labor discipline, tighten surveillance of output quality, improve enterprise rewards for plan fulfillment, give

3 The Economist, *1992 Year Book-1991 in Review*, pg.82, London, U.K.

4 For the calendar of events in USSR during 1991, see Appendix-9.

incentives to the firms for reducing the material and energy intensity of output, and redirect investment toward renovation (OECD, 1991: vol 1-p.19). These partial reforms foundered, however, on a fundamental contradiction. If efficiency were to be encouraged, bonuses could no longer depend so heavily on the fulfillment of gross output targets. Yet, the coherence and effectiveness of the existing planning and administrative system depended on the ability to generate, at least approximately, a consistent set of inputs and outputs in gross terms. These reform measures were therefore not generally successful, and were seldom pursued beyond an initial experimental phase. Bolder initiatives awaited the arrival of a new leadership in 1985.

## **2.1.2 THE 1987-89 REFORMS AND THEIR EFFECTS**

Together with the industrial modernization and discipline campaigns, the Government subsequently introduced a third scheme of “radical reform,” which was explicitly endorsed at the 27th Party Congress in February 1986. Reform and industrial modernization were intended to be complementary, but they were bound to conflict initially if the reforms were truly radical, as it would involve at least short-run disruption of traditional links between suppliers and customers and modernization based on an evolving restructured base rather than the traditional industrial structure. The reform measures announced over the next 18 months aimed, however, for a hybrid “market socialism,” with increased economic autonomy for enterprises and individuals, but still within a framework of predominantly state ownership. Key prices and investment decisions would continue to be controlled by the state, with factor markets narrowly circumscribed. In parallel to the diminishing role of central planning and greater enterprise autonomy, the conduct of fiscal and monetary policy was to become, at least in principle, increasingly independent of the plan (OECD, 1991: vol 1-p.25).

### **2.1.2.1 REFORMS IN PLANNING AND DISTRIBUTION**

The cornerstone of the reforms was intended to be the Law on State Enterprises, promulgated on July 1, 1987 in time to be reflected in the 1988 Plan. Abolishing the traditional mandatory output targets, it allowed enterprises to contract directly with their suppliers and customers, and gave them greater freedom in decisions concerning investment and the deployment of profits. Central planners and branch ministries would concentrate on formulating long-term investment objectives and putting out procurement contracts (“state orders”) for direct government needs. Enterprises were now given centrally-determined profit norms and remained subject to rules governing the setting of prices, but would otherwise be free to produce and trade as they wished. Their profits would be taxed at rates which would be reasonably stable and homogeneous. The residual would be available for allocation across various funds, from which investment would be financed and bonuses and other nonwage remuneration paid. In addition, workers were given an expanded role in the selection of enterprise managers (OECD, 1991: vol 1-p.26).

In practice, however, state orders accounted for over 90 percent of all industrial production in 1988, and the degree of enterprise autonomy in respect to inputs



and outputs was less than that had been envisaged. This was partly a result of planners and branch ministries wanting to ensure supplies of low-profit or loss-making items. But it also reflected pressure from enterprises themselves who, in an economy prone to chronic shortages and distribution failures, wanted the assurance of a guaranteed source of inputs to meet their own state orders.

State orders were, however, less tightly specified than the previous production targets. Thus, enterprises, when producing under these new contracts, were able to switch the composition of their deliveries toward higher-priced products. This may have contributed to the very rapid increase in total enterprise pre-tax profits in 1988 (up 16 percent from the previous year), as the gross operating surplus of enterprises (i.e., profits before payment of turnover taxes and receipt of subsidies) increased by 2 percentage points of GDP. Having generated larger profits, however, enterprises were not in fact subject to a markedly more stable or less differentiated profit tax system than before. Ex post tax rates continued to vary from zero to 90 percent, and ministries continued to confiscate profits arbitrarily in order to cross-subsidize loss-making enterprises. Nevertheless, total profit remittances to the budget actually fell in nominal terms in 1988, and after-tax profits in relation to GDP rose by over 4 percentage points. In the face of low or negative real interest rates, and to guard against possible confiscation of funds by branch ministries or the budget, enterprises used much of their increased liquidity to accumulate excess inventories and hoard investment goods. One approach was to launch new investment projects, in the expectation but with no guarantee of being able to procure the additional resources necessary to ensure completion. Following two years in which changes in total "material circulating means and reserves" (i.e., stockbuilding broadly defined) made little or possibly even a negative contribution to NMP growth, the build-up in these resources unambiguously made a significant contribution to NMP in 1988. At the same time, the change in unfinished construction almost tripled as a proportion of gross fixed investment (to 9.8 percent) and of GDP (to 2.2 percent) (OECD, 1991: vol 1-p. 93).

The pervasiveness of state orders began to diminish in 1989, leaving an increased proportion of output to be traded on inter-enterprise wholesale markets. This was in the spirit of the provisions of the Law on State Enterprises but under the circumstances it proved to be highly disruptive. The first problem was that a comprehensive network of market contacts between enterprises did not exist. While it should have begun to develop as soon as the new law came into operation, the domination of state orders in 1988 had almost certainly stunted its growth. A significant number of enterprises had so-called "stable links" with their main suppliers and customers, but these would not be able to provide enterprises with much flexibility in the event of shifts or disruptions in demand and supply conditions of the kind that prevailed in 1989.

The lack of well-functioning markets interacted with the continued growth of enterprise liquidity to induce an apparent further increase in 1989 in stockbuilding (although at a slower rate than in 1988) and in unfinished construction. As the role of the state wholesale distributor (GOSSNAB) declined, uncertainty regarding the availability of inputs and possibly rising inflationary expectations probably encouraged enterprises to accumulate excess inventories. This behavior was, of course, mutually-reinforcing, since hoarding could itself aggravate or even generate shortages, in turn creating the disruption in supply which enterprises

had feared. It was also associated with an increasing prevalence of inter-enterprise barter and of a growing tendency toward enterprise self-reliance, whereby firms took on ancillary functions (such as producing their own machine-tools, or consumer goods for their workers) which they might normally have contracted out.

The distribution system for agricultural produce was also adversely affected by the weakening of central control. Farmers were increasingly reluctant to sell their output to the state procurement agencies at what they regarded as inadequate prices and given the growing shortages of various consumer goods available to them. Despite a 16 million ton rise in grain production in 1989, the share going to the state's All-Union Fund was the lowest in 30 years, and a full 30 percent short of the plan. While it had been deliberate policy to reduce reliance on the All-Union Fund, the aim was to spur local production, not simply redirect output onto local markets. The result was an increasingly uneven distribution of food between the cities, which relied heavily on state food stores, and the countryside, as well as across regions (OECD, 1991: vol 1-p. 27).

According to IBS Report (1991: No 4/VII-35), both retail and wholesale trade continue to be dominated by the state, mostly at republic and local levels. Legal private activity is still confined to the collective farm markets, accounting for no more than 2.5 % of retail sales in 1988, and trade cooperatives, whose share is probably smaller still. The designation of such trade as a nonproductive activity has made distribution a neglected sector of the economy. Employing around 7 % of the work force, the sector is less than half the size of comparable sectors in the main market economies. Retail markups are one-fifth to one-quarter of those prevailing in the G7 economies, and distribution as a whole receives only 3% of total investment, compared to roughly 4-9% in France, Germany, the United Kingdom and the United States. In a system characterized by central allocation and chronic excess demand, there is no incentive to develop a modern marketing infrastructure: advertising, packaging, self-service retailing and financial services are rudimentary or nonexistent. Worsening shortages have encouraged enterprises to produce their own inputs and bypass the distribution system by resorting to barter.

#### **2.1.2.2 REFORMS IN THE BANKING SYSTEM**

The old banking structure, which basically represented an accounting of cash flows with no account of the efficiency of these flows, has been replaced. In the past, all payments between enterprises were effected through the State Bank. Money was channeled through the system without regard to its most effective use. Thus, any profits of an enterprise were placed into the state budget and enterprises that could not cover all payments with available funds would receive credit from this pool of money. However, loans were usually given with little or no interest and payback periods ranged from two years to "an indeterminate amount of time". It is important to understand how little the Soviet banking system before Gorbachev resembled banking systems in the capitalist countries. Not only were the functions much simplified, but the philosophy was completely different. The banking system employed close to 300,000 people but commercial expertise was nonexistent (Price Waterhouse, 1991: 63).

Under the new self-financing rules that underpin the transition of the Soviet economy to a market economy, Soviet enterprises are obliged to operate on a profit and loss basis with due regard to cost accounting and other accountancy principles. Banks have new powers for initiating bankruptcy proceedings. One result is that the role of credit and the importance of solvency and liquidity in the enterprise has been enhanced. A banking system which does not reward efficient use of funds becomes a brake on the entire reform process.

The old banking structure has been dismantled by reforms of the last two years and a new Banking Act, which would bring Soviet banking into a more market-oriented relationship with enterprises, has been passed. In macroeconomic terms, the most significant monetary reform in 1988 was the lifting of administrative control over enterprise deposits. With the extension of self-financing under the Law on State Enterprises, deposits which had previously been strictly earmarked, and often owned "jointly" with a branch ministry, became fungible and left at the sole disposal of the enterprise. The first reforms in 1988 created a structure involving a Banking Council, a new role for the State Bank (Gosbank), new sector banks, and new commercial banks and cooperative banks (Price Waterhouse, 1991: 64).

Even now, according to Price Waterhouse Consulting Group Report (1991) since the new legislation has been adopted, it will take sometime before the Soviet banking system fulfills the role of a normal market-oriented banking system, i.e., acting as intermediaries between depositors and borrowers, promoting an efficient allocation of financial resources, with interest rates as the key market price. This is because banks still suffer from the absence of information required for this activity and there are still numerous structural constraints on capital flows.

### **2.1.2.3 TRADE REFORMS**

Although external sector reforms had been initiated in 1986 with the tentative decentralization of trading rights and the reorganization of government bodies overseeing foreign economic relations, the effects of these measures on foreign trade flows and domestic economic activity remained minimal. Trade continued to be conducted mainly through foreign trade organizations (FTOs). More extensive reform was put off until April 1, 1989 when all state enterprises, joint ventures, production cooperatives and other entities, judged by the Ministry of Foreign Economic Relations (MVES) to be competent to trade internationally, were given the right to do so. By the second half of 1990, some 20,000 firms were registered to participate directly in foreign trade (although the actual number of participants probably was closer to one third of this total), and their combined share of total transactions had risen significantly at the expense of the traditional FTOs. This dismantling of the state foreign trade monopoly and the licensing of imports under the principle of self-financing were to aggravate balance of payments difficulties in 1989-90 (OECD, 1991: vol 1-p. 32).

**Table 2.1**

USSR TOTAL TRADE, 1986-1989 (billion USD):

	1986	1987	1988	1989
<b>USSR: Export by Region</b>				
Communist Countries	65	70	71	67.1
Developed Countries	18.8	22.7	24.6	26.5
Less Developed Countries	13.2	14.9	15.2	15.7
<b>TOTAL</b>	<b>97</b>	<b>107.7</b>	<b>110.7</b>	<b>109.3</b>
<b>USSR: Import by Region</b>				
Communist Countries	59.4	66.6	71.6	71
Developed Countries	22.7	21.1	27.2	33.1
Less Developed Countries	6.8	7.3	8.5	10.6
<b>TOTAL</b>	<b>88.9</b>	<b>96</b>	<b>107.3</b>	<b>114.7</b>

Note: Includes both hard currency trade and countertrade  
Source: CIA/DIA, April 90, IBS-91 No.2 p.V-14

The USSR trade partners as divided into three; communist, developed, and developing country groupings once again show the high percentage of communist country trade over the other regions (Table 2.1). Besides, USSR showed growing emphasis to shift its imports from the developing nations in 1989.

Until 1987, the exchange rate served mainly as an accounting unit, with trade taxes and subsidies making up the difference between foreign and domestic prices. The introduction of differentiated foreign exchange coefficients (DVKs) for most exports and imports from the start of 1987 was intended to give the exchange rate more of an economic function by making enterprises sensitive to changes in foreign currency prices. Trade flows were little affected, however, as most continued to be determined on the basis of plan targets. The dispersion and number of DVKs were subsequently reduced to cover mainly exports and imports of machinery.

Of generally greater importance was the introduction in 1987 and subsequent enhancement of foreign exchange monopoly. Depending on the degree of processing of their output, enterprises were allowed to retain a portion of their foreign exchange earnings. The conditions under which these retained balances could be used were successively relaxed. Of some significance were the permission to use part of the retained amounts for imports of consumer goods for the benefit of workers, and the introduction of foreign exchange auctions in late 1989 at which excess holdings of foreign exchange could be sold at market exchange rates. The foreign exchange retention scheme failed to promote rapid export expansion due to quantitative restrictions on exports, the largely unchanged price system, and continued central allocation of most material inputs.



Attempts to attract foreign capital through joint-venture legislation failed to elicit a significant response. The initial legislation was passed in 1987 and liberalized in December 1988 to permit majority foreign ownership and enhanced tax benefits. However, the number of joint ventures that actually commenced operation remained small and foreign exchange inflows limited. The reasons for this disappointing response seem to lie in the unstable legal framework, the great uncertainties about economic conditions in the USRR and the continued difficulties encountered by the private sector in securing inputs in the economy (OECD, 1991: vol 1-p. 32).

#### **2.1.2.4 REFORMS IN ENTERPRISE MANAGEMENT**

While the guidelines envisage the tightening of budget constraints on (and financial accountability of) state enterprises, they remain silent on such important issues as: the criteria for selecting managers of enterprises which would remain under state ownership or control and for assessing their performance; the prospective role of workers' organizations in enterprise management; and the degree of autonomy that managers would be afforded in, inter alia, investment and employment decisions. For the near term, at least, the emphasis placed on maintaining existing economic links and on controls over process and wages would appear to imply that enterprises' autonomy will remain substantially constrained.

#### **2.1.3 ECONOMIC AND BUSINESS POTENTIAL - INVESTMENTS IN THE USSR**

The former Soviet Union, consequently the new republican states offers a huge potential market. There lives 290 million people, it is endowed with massive natural resources and a well-educated, highly skilled work force (eventhough the technological developments in the electronics are not reflected in the education/training of the workforce and eventhough the only science and art is the "state imposed" one to the people; ie. the price theory is totally ignored in the state doctined economics, the business is skipped- so entrepreneurial drives are not understandable to the people). Yet it is virtually bereft of light industry, over-endowed with out-moded heavy industry, starved of consumer goods, and many of its people have sub-standard living conditions. Its trade structure is as skewed as that of many developing countries; its exports mainly consist of raw materials and its imports include large quantities of higher technology items.

Most of all, right now the former republics lack the foreign exchange in order to carry out their international trade activities. Their intra-regional trade is still carried out with special accounts (a form of countertrade), or the use of Ruble is adequate. There is also the lack of trained bureacrats to carry out the necessary administrative procedures in the international trade in most of the republics. Because of these two very important reasons, the usual form of trade is replaced by some forms of countertrading activities.

These conditions make investment in the USSR something best to be afforded by those who can wait for their money or better design countertrade contracts. Problem of repatriating the profits remains as the biggest obstacle in the investment schemes.

There are several ways of taking advantage of the business potential in the ex-USSR. The republican governments are trying to encourage foreign participation in the new development era with different incentive schemes.

### **2.1.3.1 JOINT ENTERPRISES**

A joint enterprise is a separate legal entity under Soviet law and is formed by the agreement of a Soviet entity and a foreign partner. Joint enterprises are commonly referred to as joint ventures or JVs, although they do not correspond to the Western sense of the term.

Despite the growing number of joint ventures, their impact on the economy has not been dramatic. Yet the experiment as a new form of doing business in the U.S.S.R., is significant, and has paved the way for more extensive reforms.

Although it has been estimated that about 2800 joint enterprises have been registered, only about 200 are operational by the beginning of 1991. During the first three quarters of 1990, total sales of goods and services by joint enterprises in the domestic Soviet market amounted to only 88 million roubles. During the same period, imports amounted to 258 million roubles and were nearly four times as large as exports, which amounted to only 70 million roubles (Price Waterhouse, 1991: 51). Among the problems faced by joint enterprises are the nonconvertibility of the rouble, environmental issues, supply and distribution complications, rigidities in what remains an essentially centrally planned economy, and unsuitable choice of partners - foreign and Soviet.

Although a joint enterprise is no longer the only choice for foreign investors, it may be commercially desirable to enter such an arrangement because of the local operating expertise and the office space that may be offered by the Soviet joint enterprise partner.

Since the January 1987 Decree of the Council of Ministers authorizing joint enterprises between Soviet and Western entities, Soviet laws and regulations affecting their establishment and operation have been steadily evolving. The Soviet experience in negotiating and concluding joint enterprises has led to two basic modifications of the original decree, one in September 1987 and the second in December 1988. The overall trend has been to facilitate joint enterprise establishment; however, each individual venture will still encounter difficulties because of the novelty of this type of organization in the Soviet economy and the myriad unsolved issues concerning the place of joint enterprise in the context of internal Soviet economic relations (Price Waterhouse, 1991: 52).

Soviet authorities are still determined to maintain a joint venture policy, although as new forms of doing business evolve, they may not remain the chief vehicle for Western business. This new forms will be discussed in the coming sections furthermore.

### **2.1.3.2 WHOLLY OWNED FOREIGN ENTERPRISES**

In October 1990 President Gorbachev issued a decree allowing 100 percent foreign ownership of subsidiaries in the Soviet Union. According to the decree, foreign investors may invest in the Soviet Union through the following channels (Price Waterhouse, 1991: 52) :

1. Share participation in enterprises organized jointly with Soviet participation.
2. Acquisition of stocks, bonds and other securities.
3. Acquiring independently or with the participation of Soviet legal persons the right to use land and other property rights, including rights to concessions.

Foreign investors are also allowed to create their own subsidiaries in the Soviet Union, having all rights of other enterprises, Soviet or foreign. No further details were given regarding implementation.

The draft law on foreign investment, under consideration in the Parliament at the time of the above decree, contained more detailed instructions for foreign investors. According to the draft law, applications by foreign investors for permission had to be accompanied by a technical and economic justification (feasibility study) of the enterprise, a document of consent from authorities in the locale where the proposed enterprise is located, and the draft regulations (articles of association) of the enterprise.

The legislation also stipulates that investors seeking full ownership of an existing enterprise must get a copy of the contract agreed with the owner of the enterprise.

### **2.1.3.3 COOPERATION AGREEMENTS**

A significant number of foreign businesses have entered into cooperation agreements with Soviet enterprises and state organisations. For specific projects, or when a permanent local presence is not required, these have proven to be beneficial. A cooperation agreement is often a precursor to a full joint venture.

### **2.1.3.4 REPRESENTATIVE OFFICES**

Foreign companies may open offices in the Soviet Union through a procedure known as 'accreditation', pursuant to which a company receives the right to open a representative office to continue to develop its business in the Soviet Union. Accreditation traditionally was available only to foreign firms with a long, productive commercial relationship with Soviet organisations. This concept is expanding to make it easier for foreign companies to open offices.

### **2.1.3.5 INVESTMENT CONCERNS**

The political and economic climate of the ex-USSR has been very dynamic in the previous years. The new laws to pull foreign investments sometimes lacks the basic understanding of the foreign business firms concerns. Consequently, eventhough many firms were interested in investing in the ex-USSR, the actualized figures are very limited. There may be many reasons of these concerns, here a salient one; repatriation of profits will be discussed.

Profit repatriation is the major concern of joint ventures (IBS Report: No 2/X-19). Distribution of the profits of a joint venture, after all taxes due are paid and deductions to the funds are made, is based on each party's share in the authorized fund. According to the 1987 Decree, the foreign partner has the right to transfer his share of the profit abroad in foreign currency. The problem is how to obtain enough -meaningful amount to justify going through bureaucratic hustles- foreign currency from the earnings of the joint venture so that profit repatriation can be made. The Soviet side expects the joint venture to be oriented to exports with its competitive advantages. This often conflicts with the objectives of the foreign partner. The foreign partner may be there to acquire a share in the huge Soviet market rather than to export, often seeking to absorb excess capacity in its operations from western markets.

There are in general three ways to overcome this problem. First, the joint venture may make its sales to Soviet enterprises in foreign currency if an agreement is reached. Secondly, if high priority imports are of concern, the foreign currency allocation created from central funds may be used to buy the joint venture's products rather than imports. Thirdly, there is the possibility of countertrade. The joint venture may buy products from the Soviet market with its rouble earnings and then export them in return for hard currency.

November's all Union Legislation on Foreign Investment has substantial advantages to investors on this issue. Article 8 of this legislation states that for the purpose of transfers from rouble accounts, foreign investors may obtain foreign currency according to exchange rates formed within authorized rouble markets (auctions, stock market transactions and other forms). How this will work is still uncertain. Also, the Council of Ministers of the USSR and the Councils of Ministers of the Union Republics may carry out an agreement with foreign investors for the exchange of their profits in roubles into foreign currency at the Gosbank rate used in external trade.

## **2.2 USSR - EXTERNAL RELATIONS**

In this section external relations of USSR are presented with particular emphasis upon the business and trade environment.



## **2.2.1 THE EFFECT OF USSR ON WORLD ECONOMICS**

The former-USSR had been very powerful both militarily and economically in the past. Its effect on the world trade continues as indicated by the following evaluations belonging to IMF economists (that is extracted from the World Economical Outlook; 1992, p.5) :

Part of the slowdown in world activity in 1991 reflected the dramatic contraction of output in Eastern Europe and the former USSR. A major factor behind the contraction has been the inevitable -albeit larger-than-expected- costs of transition from the distortions and misallocations of resources under central planning. The inability of the former USSR to maintain supplies of energy and raw materials to its partner member countries of the former Council for Mutual Economic Assistance (CMEA) and Eastern Europe's large terms of trade loss vis-a-vis the former USSR have also contributed to the drop in output. There are, however, signs that the economic contraction is beginning to bottom out in some of the Eastern European countries. In contrast, in the republics of the former Soviet Union, further output losses may be in store.

For the republics of the former Soviet Union and other economies that have begun the process of transition from central planning to a market-based economic system, including some Asian countries, the experience of Eastern Europe underlines the need for a comprehensive approach to structural reform, as well as for a decisive effort at stabilization. The Baltic countries and the other states of the former USSR are also facing the challenge of averting a collapse of inter-republic trade. To achieve financial stability and to maintain an open trading environment within the ruble area it will be necessary for the Russian Federation and other republics to establish closer coordination of economic policies and, in particular, a more unified approach to price reform and to monetary and exchange rate policy. It is also a matter of urgency to dismantle inter-republic export barriers and other obstacles to mutually beneficial trade.

It is believed that, the economic needs of ex-USSR is increasing, and the nations of the world should respond to satisfy these needs as soon as possible, as the effect of USSR on the World Economics is still very significant. Also, for the international community, it is a major challenge to respond to the needs of the republics for guidance and financial assistance as they struggle to overcome the legacies of the past.

## **2.2.2 CHANGING TRADE PATTERNS**

### **2.2.2.1 CHANGING TRADE REGIME**

As the liberalization of dealings with foreign companies took place and as CMEA started to lose its significance, the Soviet leadership took many measures realigning its foreign trade patterns. One significant evolution was moving towards Western institutions like GATT and IMF.

Under the Communist regime, Soviet trade decisions had been highly centralized. Ministries decided what foreign goods were to be purchased according to the requirements put forward by the State Planning Committee (GOSPLAN). Then a

specialist Foreign Trade Organization (FTO) carried out the negotiations with the foreign companies. The inefficiency stemmed from keeping the end-user out of the process.

The regime had been changing since the mid-1980s, and by April 1990 12,680 foreign trade organisations were conducting foreign trade independently. The reforms bringing these changes mainly had two dimensions (IBS Report, 1991: No 2/V-3). They are examined in detail below:

#### 1. The right to trade independently

- On January 1, 1987, 68 enterprises and 21 ministries were granted the right to deal directly with western partners.

- On December 2, 1988, all Soviet enterprises, associations, cooperatives and other organisations were given the right to establish their own foreign trade organisations.

- A March 1989 decree on government regulation of foreign trade gave the right to conduct their own foreign trade operations to nearly all enterprises, companies, associations, production cooperatives, consortiums, joint ventures and other groups or bodies with foreign economic ties.

#### 2. The right to retain and spend foreign currency

- In 1986, a group of enterprises responsible for approximately 50% of Soviet industrial output were given the right to retain a percentage of their hard-currency export proceeds in order to finance the imports they needed. The retention level depended on the product being exported - e.g. 90% can be retained for computer and high-tech goods; 35-45% for machine building goods; 2-3% for oil and gas sales.

- The December 1988 foreign and trade legislation included a decree permitting enterprises to spend up to 10% of the hard currency which they earned to purchase western consumer goods.

Developments were not always on the encouraging side. In November 1990 a decree was issued ordering that Soviet enterprises would have to surrender 40% of their export earnings in 1991 in order to help repay the Soviet Union's foreign debt. Only companies with foreign capital would be exempt from this requirement.

Creation of the State Foreign Economic Commission to set policy for external economic relations, have also brought questions about a super-ministry.

### **2.2.2.2 THE ROLE OF CENTRAL AGENCIES INFLUENCING TRADE**

Under the old system of trade, the main responsibility for import/export lay with GOSPLAN (the State Planning Committee), GOSSNAB (the State Committee for Material and Technical Supply) and the Foreign Trade Organisations (FTOs).

GOSPLAN, the central coordinator for all planning, would make a detailed "import and use" plan; the Council of Ministers would issue permits to implement this plan, and these would usually go via GOSSNAB, (responsible for tying specific customers to specific suppliers and with a significant role in choosing and distributing imports) to the relevant FTO. Other bodies involved in the import/export decisions were the State Committee on Prices, (the supervisor for the domestic pricing of imported goods, and with some responsibility for export pricing), and GKNT, the State Committee for Science and Technology, with responsibility - in an advisory, but not direct trading capacity - for supervising the introduction of new technology (IBS Report, 1991: No 2/V-5).

### **2.2.2.3 CHANGES IN TRADE AND PAYMENTS WITH CMEA COUNTRIES**

Since 1991, the CMEA trade and payments system is fundamentally changed. Six major factors have influenced trade developments (OECD, 1991: vol 1-p.174). First, trade generally started to take place at world prices. Second, in principle, trade is settled in convertible currencies. Third, trade might have been influenced by the use of some proportion of outstanding balances for settlement. Fourth, trade is affected by the further decentralization of trading activities and restructuring in the USRR and its Eastern European CMEA partners. Fifth, it is influenced by the extent to which the USRR and its CMEA partners could provide export financing for investment goods. Finally, trade with the former GDR is affected by the unification of Germany.

All these developments led to the Soviet Union and five East European countries formally dissolving the Warsaw Pact, at the date of July 1st, 1991.

## **2.3 TURKISH-USSR RELATIONS**

In this section Turkish business and economic environment is discussed in detail, emphasizing bilateral business and trade relations with the USSR.

### **2.3.1 TURKISH TRADE (FOREIGN BUSINESS INVOLVEMENTS)**

#### **2.3.1.1 TURKEY'S FOREIGN TRADE SYSTEM**

Until 1980, Turkey's development strategy relied on import substitution and the protection of domestic industry. After 1980 the government restricted its economic interventions to macro economic policies and to infrastructure only. It laid its hands off trade and other economic activities. Price controls were abolished. Subsidies were phased out. Imports were liberalized; all quotas and other non-tariff barriers were removed and tariffs were lowered. To attract foreign capital, foreign investors were granted the same rights and obligations as local investors. Interest rates were freed and consequently a flexible and realistic exchange rate was established. Parallel to these measures, a new incentive system was introduced to boost exports and transform the export structure in favour of manufactured goods. These incentives have later been gradually

abolished once the exporters learned to stand on their own feet.

Turkish exports have increased from 2.9 billion USD in 1980, to 13 billion USD in 1990. Besides, the share of manufactured goods in exports increased from 35% in 1980, to about 80% in 1990. The export policy changes helped triple the share of exports in GNP. Until leveling off in 1989, exports made a major contribution to growth.

### 2.3.1.2 TURKISH TRADING COMPANIES

In the 1980's Turkey's trading companies could be divided between those obtaining special privileges as a result of their large export volumes and the rest, composed of big-medium-and smaller companies. The larger exporters, classified in Turkish system as "Foreign Trade Capital Companies" (FTCC) (5) were entitled to enhanced export subsidies and enjoyed exclusive trading rights with socialist economies. The aim was to give a Japanese-style lead to Turkey's export drive. However, as time passed, the preferential subsidies have been reduced and at the beginning of 1990 the exclusive rights to trade with Eastern Europe granted to Turkey's large trading houses' were ended. Even while the large trading houses had this monopoly, smaller trading houses and firms were building up the Soviet export market; often the only role of the large trading house was to "book" a transaction arranged by a small firm.

The effect of FTCCs on the Turkish trade has been diminishing, and this is shown in the following Table 2.2.

**Table 2.2**  
**Export Performance of FTCC**

YEAR	NUMBER	TOTAL FTCC EXPORT (million USD)	% IN TOTAL EXPORT
1987	46	4,881	47.9%
1988	37	5,916	50.7%
1989	29	4,956	42.6%
1990	23	4,613	35.6%
1991	20	3,917	28.8%

Source: Türktrade, 1992

In the years to come the FTCC exports might decrease even more, as the rest of the companies gain experience. Besides the governmental incentives for exporting has changed from the exporting company level to the producer level. That is, instead of promoting the FTCC by extending the incentives for them, government chooses to allocate the incentives to the manufacturer companies.

5 In order to be eligible for FTCC status, the company should have paid capital of 5 billion TL, and export volume of 100 million USD: according to Decree promulgated in Official Gazette dated 18 January, 1992.



## **2.3.2 TURKISH-USSR ECONOMIC AND POLITICAL RELATIONS**

### **2.3.2.1 TURKISH-USSR TRADE RELATIONS**

The first Turkish-Soviet Trade and Maritime agreement was signed in 1927. Ten years after that, on October 8, 1937, a formal mechanism for trade between the two countries, namely; "Trade and the Movement of People and Vehicles" treaty was signed (IGEME Country -USSR- Report, 1989). Trade was under a clearing account, with commerce limited to traditional goods in predetermined amounts. Coincidentally, a still valid agreement was reached and placed each other as "the most favored country in international relations". At those years, the Soviet Union built two textile mills for Turkey, at Kayseri and Nazilli.

The 1967 Agreement for Trade and Technical Cooperation marked a major milestone in Turkish-Soviet trade. Under the terms of the agreement, the Soviet Union undertook to construct and equip six major state-sector industrial projects in Turkey: İskenderun Integrated Iron and Steel factory, Seydişehir Aluminium Works, Aliaga petroleum refinery, Bandırma Sulphuric Acid plant, Artvin Fibre Board factory, and 310 km. of electricity transmission lines connecting Seyitömer and Seydişehir. Under the terms of credit, Turkey would repay the Soviet Union with exports of surplus goods. The agreement also created new trade mechanisms and granted Turkish enterprises and firms autonomy in negotiating new deals with the Soviet Union. Previously, negotiations had been mostly conducted on a government-to-government basis. For these projects, the Soviet Union was the sole outside supplier of credit and equipment. The deal seems favorable for Turkey: repayment would be in surplus export goods, such as nuts and oranges, rather than foreign currency, then in scarce supply; interest was 2.5%, repayment over 15 years, with a 1-year grace period following delivery of the equipment.

The agreement to continue economic and technological cooperation between Turkey and the USSR was signed on July 9, 1975. This agreement was the base for the establishment and operation of "Mixed Economic Commission"; where evaluation and credit supply was carried out at project-by-project basis. Again a type of countertrade contracts were formed as a repayment of the technological investments of the Soviet part by the Turkish goods. The main projects since the 1975 Agreement had been as follows:

- \* Transfer of patents, equipment, start up supervision, and personnel training of Şişecam's Sodium Bichromate facility at Mersin in 1978. Repayment for this project was arranged through the firm, with no government involvement at all.
- \* Transfer of patent rights of production of hydrogen peroxide at the Etibank plant at Bandırma, in 1979.
- \* Providing of the fitting specifications for the thermal power station at Orhaneli.
- \* Doubling the capacity of Aliaga refinery from 5 million to 10 million tons.

These trade agreements always necessitated supervision of banking services. This task had been carried out with commercial banks at the Turkish side, and by Vnesheconombank on the USSR side. A new period is started in banking services between the two countries after the opening of Vnesheconombank representative office in Istanbul, in 1989. On the other side, Turkish banks are opening branches in the USSR, where Yapi Kredi, Garanti, and Iktisat are the first of those. These banks are expected to accelerate the trade relations by easing the financial difficulties.

### **2.3.2.2 TURKISH-USSR TRADE CHANNELS**

At present, Turkish-Soviet trade relations are conducted through three channels. The first of those are the trade through the "Long Term Frame Agreement" and "1986-1990 Product Exchange Agreement"; where the yearly protocols prepared and the lists of the tradeable goods arranged are the major tools. These lists are used in general to show direction; the parties decide by their own on the type and amount of the goods to be purchased.

The second one is related to the 1967 agreement of back payment of Soviet project credits by Turkish export products. Each year an exportable list is decided by the joint Turkish and Soviet Mixed Economic Commission.

The third trading is based on the Natural Gas Agreement.

#### **Natural gas deal**

Natural gas is imported by Turkey under a 25 year countertrade agreement with the USSR which provides for natural gas in exchange for services, manufactured goods, and agricultural commodities. The countertrade deal involves the Soviets accepting Turkish goods and services as payment for 70% of the natural gas where the settlement in both directions is in hard currency. The 35% of this 70% is allocated to construction services in the USSR. In other words, the imported value of natural gas is rationed as 45.5% to export of goods, and 24.5% to export of construction services. The rest of 30% is used as a back payment of the investment and consumer goods credits that were opened to USSR by Türk Eximbank.

The main source for the import of natural gas from the USSR is the pipeline passing through Bulgaria. The collapse of the Soviet Union has not interrupted gas supplies. After dissolution of USSR, the natural gas import deals were made between Turkey and three of the republics: Russia, Ukraine, and Belorussia. Natural gas imports from the former USSR are shown in the following table:

**TABLE 2.3**  
**NATURAL GAS IMPORTS FROM THE SOVIET UNION, 1987-1991**  
(million cubic meters)

YEARS	AGREED AMOUNT DELIVERED	AMOUNT REALIZED
1987	700	432
1988	2.000	1.141
1989	3.000	2.997
1990	3.300	3.257
1991	3.500	4.035

Source: Botaş Figures

Between the Turkish and USSR authorities, "a natural gas list" is prepared each year. This list consists of the goods to be exported to the USSR by the Turkish firms. In order to import from Turkey through the gas deal, the inquiries of the USSR firms are collected in the Undersecretariat of Turkish Treasury and Foreign Trade (UTFT). Then the negotiations start between the Directorate and the Soviet Trade Consul in Ankara. Negotiations are based on lists prepared by the Directorate (UTFT) with the help of information related to contract between Turkish and Russian firm. Letter of intention and credit arrangements supplied by the Russian side are also appended to these lists. After the acceptance of the contract agreement by the Directorate, the permit to export through the gas deal is given to the firm.

In order to qualify for export as part of the gas list, the following conditions must be met (DEIK-Soviet Report, 1991: p.64) :

1. Turkish added value: In case the investment has received incentives, Turkish value added in the first year should be at least 30%, 40% in the second year, and 50% in the third year.
2. Manufacturing certificate received from the Chamber of the Industry.
3. Approval of the export contract by the Foreign Trade Directorate.

The monitoring of this contractual agreement is done in Turkey by the Undersecretariat of Treasury and Foreign Trade (UTFT). In application, Turkish exporters register the goods prior to actual transfer in this Directorate, then the private banks that conclude these transactions keep the records (at the time of transfer the banks put a clause stating that this transaction is within the natural gas account). The Prime Ministry has also a copy of the up-to-date records collected from the banks and the treasury.

The agreement was signed between the Turkish and Soviet governments on September 18, 1984. The importing of the natural gas started in 1987, and since then has created several opportunities for bilateral trade between Turkey and the USSR. The outstanding benefits of the agreement is as follows (DEİK - Foreign Economic Relations Board, -see Appendix 10 and 11 for Deik and Turkish Soviet Business Council-, 1990):

\* With the Natural gas agreement Turkey has for the first time started to give Construction Contract Services to USSR.

\* With the bilateral trade system, foreign exchange has been generated and become available to USSR; which made it possible for the USSR to import or sample previously untried/untraditional Turkish export products.

\* The third countries were motivated to invest in Turkey in order to explore/benefit from the Soviet market.

### **Türk Eximbank in the Soviet Union**

Türk Eximbank, shaped out of the former State Investment Bank in order to assist Turkey's export drive, is an active institution in Turkish trade.

Türk Eximbank has classified around 130 countries into five groups (IBS Report, 1991: No 3/VII-16). The commercial risks taken by Türk Eximbank are reinsured with some European and Turkish insurance companies. For the year 1992 Türk Eximbank is planning to insure 500 million USD of exports on six-month terms, thus reaching an annual insurance capacity of 1 billion USD. The targeted insurance capacity is equivalent to 8% of Turkey's exports.

The two 150 million USD consumer goods credits that Türk Eximbank extended to the Soviet Union in 1989 were a major factor in boosting Turkish exports to that country. They were followed by a 300 million USD credit and then a 200 million USD wheat products credit. In addition there is a 350 million USD project credit (See Appendix 7).

The course of the last consumer credit is interesting in the sense that it showed that the problems in establishing mechanisms were faced by official bodies as well as by the private trader. After about one year of negotiations, the credit agreement was signed in December 1990. In March 1991, during President Özal's trip to the Soviet Union, it was announced that the credit had been increased to 400 million USD, of which 200 million USD would be for telecommunications. But, according to Türk Eximbank officials, this increase was not formally registered and the Soviet Union side has not asked to use it so it has not been made available. As of January 1992, usage of the telecommunications part of the credit had still not started.

Türk Eximbank arranged these credits by first taking bridging finance from a number of Turkish banks and then arranging its own longer-term finance. The subsequent transactions under the credits were divided by Vneshekonombank



between the Turkish banks which provided the bridging finance. To qualify for use of the credit, the exporter should obtain permission in principle from Türk Eximbank for its export to be included in the list.

### **“Special Account” Arrangement**

As of September 1989, Turkey owed 393.5 million USD to Eastern European countries for technical assistance and credit on industrial and infrastructure projects (IBS Report, 1991: No 3/VII-8). In 1991, 26 million USD worth of goods were exported to the Soviet Union under “Special Account” for repayment of such credits from the Soviet Union. As will be seen, such exports are mainly of agricultural products. Payments under the Special Account are to be completed by 1997.

The Special Account is operated by the Central Bank. The normal procedure for the would-be exporter and importer was to reach an agreement in principle and both sides then seek a green light for the transaction to be included under the “Special Account”. The exporter needs to receive a letter of credit from the importer in the Soviet Union through Vneshekonombank, with a reimbursement clause referring to the Special Account. The Central Bank then informs the commercial bank in question and credits this bank for payment to the exporter. With minor modifications, this system is still in place, though the debate about whether Russia alone should receive the full amounts outstanding is yet to be resolved.

### **Normal Settlement**

For the great majority of transactions in 1991, the basic mechanism for trade finance was payment in hard currency on the basis of a letter of credit or cash against documents or cash against goods. Since the turn of the year, however, even letter of credit business has dried up.

## **2.3.2.3 TURKISH EXPORTS TO AND IMPORTS FROM USSR**

### **Trade Growth from 1986 to 1991**

The overall effects of the bilateral agreements were not only felt in the trade volume but also in the increasing variety of goods being traded. Whereas only 25 items of goods were exported to the Soviet Union in 1986, 70 items were exported in 1990. In 1987 the main Turkish export items had been fruits and nuts, but then Turkey began selling a broad range of export items, led by iron and steel and pharmaceuticals in 1990. Exports of items such as tea, aluminium and related products, electrical machinery and equipment and vehicles increased significantly. There have also been significant tobacco exports, while a new item on the list was ships. However, as shown in the performance of pharmaceuticals, soaps and detergents, plastics, leather goods and textiles, what goes up, may also come down. One key characteristic of Turkish-USSR trade has been its volatility.

**TABLE 2.4**  
**TURKISH SOVIET FOREIGN TRADE**  
 (thousand USD)

YEAR	EXPORTS	IMPORTS	EXP/IMP
1987	169,496	306,982	0.55
1988	271,408	442,619	0.61
1989	704,797	596,710	1.18
1990	530,723	1,271,355	0.42
1991	610,607	1,089,856	0.56

Source: State Planning Organization (SPO), State Institute of Statistics (SIS)

As shown at the above table, the bilateral trade has increased by more than three times during the past five years. On the other hand, the export to import ratio has been very volatile, it has changed in line with changes in bureaucratic obstacles put forth by the USSR side. The overall development in trade can be taken as a reliable indicator for future expectations.

### Exports

When the structure of Turkish export is analyzed for the year 1988, it is seen that 40% of the total exports are agricultural and foodstuff industry products. In 1989 there has been an increase in the industrial products and the export of soap, razor blade, ceramic tiles, buses, artificial plastic raw materials, and some other chemical products were actualized exports which were very limited or null previously. Besides, iron-steel pipe, medicine, synthetic fibre, batteries, compressor, and electrical cable exports have increased drastically. But, there has been a decline in the export of margarine, super phosphate, and other machinery and electrical equipment (Appendix 1).

The major exported items of 1990 and 1991 are compared in the following table:



**TABLE 2.5**  
**TURKISH MAIN EXPORT ITEMS TO USSR (1990-1991)**

<b>1990</b>	<b>Export (000 USD)</b>
Pharmaceutical products	57,190
Fruits	54,977
Soap	49,039
Animal and vegetable fat	47,266
Iron-steel articles	44,981
Tea	37,845
Tobacco	22,716
Iron and steel	19,503
<b>1991</b>	
Cereals	105,894
Iron-steel articles	74,619
Ship	56,538
Mill related products	45,772
Electrical machinery	40,228
Animal and vegetable fat	26,272
Pharmaceutical products	25,180
Boiler and machinery	24,427
Source: SIS	

As the ex-USSR was suffering from the shortage of cereals in 1991, their major and priority import item for the same year has been that. The decrease of pharmaceutical exports can be explained solely with the decline in Eximbank credits in 1990. The growth of ship and mechanical products seem to be the most distinguished items, even though Turkish firms face heavy competition in those areas.

### **Imports**

Major items in Turkish imports from USSR are petroleum, natural gas, motorine, and other petroleum derivatives. The import of machinery and equipment has decreased over the years and lost its importance in 1988. The reason is the completion of Soviet projects in Turkey, and not having further projects that would allow the machinery import. On the other hand mineral and metallurgical imports have increased.

The major imported items of 1990 and 1991 are compared in the following table:

**TABLE 2.6**  
**TURKISH MAIN IMPORT ITEMS FROM USSR (1990-1991)**

<b>1990</b>	<b>Import (000 USD)</b>
Mineral fuels, oils	800,896
Inorganic Chemicals	78,248
Iron and steel	65,944
Fertilizer	58,818
Aluminium and products	41,712
Air transportation vehicles	40,959
Cars and other vehicles	40,594
Paper and cartoon	23,641
<b>1991</b>	
Mineral fuels and oils	525,627
Iron and steel	126,206
Inorganic chemicals	76,573
Fertilizers	53,676
Paper and cartoon	50,386
Cotton and fibres	39,615
Cars and other vehicles	35,798
Animal and vegetable fat	33,368

Source: SIS

During 1990 and 1991 besides the traditional imports of mineral fuels, fertilizers, and chemicals, new products like cotton and vehicles started to become major line of imports. It should be borne in mind that in the future, cotton imports might threaten the Turkish production of cotton. Therefore careful inspection of import pricing should be done in order to prevent the accusations of damping by local cotton producers.

#### **2.3.2.4 BLACK SEA ECONOMIC COOPERATION**

In 1990 Turkey proposed to the other Black Sea littoral powers that a Black Sea economic cooperation zone be established to address the joint problems of the area.

The initial focus was on issues such as fishing and marine resources, transport and free trade zones. In 1990, working groups were established and a series of meetings were held with the prospective members; Bulgaria, Rumania, the Soviet Union, and Turkey. A charter of principles was drawn and, once agreement was reached on the name to be attached to the zone, Turkey pressured for a meeting with the heads of government to launch the concept officially.

The outbreak of events that resulted in the dismantling of the Soviet Union, the domestic problems of Romania, elections both in Bulgaria and Turkey were the primary developments that delayed the high level meeting for the signing of the Declaration.

The heads of state and government of Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Rumania, Russia, Turkey, and Ukraine met on 25 June 1992 and signed in Istanbul the declaration on Black Sea Economic Cooperation, which is known as the "Bosphorous Statement".

The heads of state and government stated that by the Black Sea Initiative, they could better realize concrete schemes of cooperative action that would contribute directly to the wellbeing and prosperity of their peoples and the region (Turkish Foreign Ministry Report, 1992). They affirmed that feasible and practical possibilities for cooperation in all fields identified in the declaration should be encouraged and actively pursued.

Black Sea Economic Cooperation comprises various fields such as transport and communications, informatics, exchange of economic and commercial data, standardisation, energy, mining, tourism, agriculture, health care, science and technology etc. In these areas, the governments will identify and carry out joint projects directed towards the development of the infrastructure in the region. At the same time, the Cooperation will be driven by the inner dynamics of the private sectors which will directly participate in the process. Accordingly, the governments will create favorable economic, commercial, fiscal and legal conditions to improve the business environment and to promote the relations among entrepreneurs, companies and the private sectors in general. These conditions will be particularly directed to ensure the prompt entry, stay, and free movement of businessmen, to the expansion of mutual trade in goods and services, and to bring about a more congenial environment for capital flows.

Now, the Cooperation is in the process of establishing a bank - or a type of financial institution - for controlling and simplifying the complexity of the transactions pertaining to bartering and other forms of countertrade. It is assessed by the author that the realization and effectiveness of this project will take another year as there is a lack of:

- \* know-how and experience on the procedures of countertrading,
- \* capital to finance the projects,
- \* statistics (informatics) related to the products available to trade.

### **2.3.3 TURKISH DIRECT INVESTMENTS ABROAD**

Traditionally, Turkey has been the foreign investment searching country; there has been many incentives for investment and especially in order to pull foreign investment, there has been major activities by the government during the last decade. Contrary to this development, with the abolishment of the Eastern Bloc, especially with the new joint venture rules with the Soviet Union, investment outflow to these countries from Turkey has started to develop (6).

The statistics of Turkish companies' profit-loss statements of their foreign investment activities show that, amount of income they brought to Turkey after 1980 was around 500.000 USD each year until 1987. But afterwards it reached to 4.8 million USD for 1987, 1.2 million USD in 1988, 1.7 million USD in 1989, 3.1 million USD in 1990. During 1991, it was back to 700.000 USD again as their profitability for the year has decreased sharply.

When the above mentioned statistics are examined, total number of Turkish firms' direct investments abroad was only 185 until 1989, the major countries invested was Germany (40 investments), Switzerland (38), N.Cyprus (32), U.K. (23), and U.S.A. (11). During 1990, there was a total of 31 investments abroad; and in 1991 this number was 36; and in 1992 (until March) 14 companies have invested abroad. The share of former USSR in the total investments show an increasing trend; until 1989 only one firm has invested there, in 1990 it was two firms, in 1991 the number increased to seven firms, and until March 1992, five firms have actualized investments.

These developments lead to the assessment that the investment outflow is best demonstrated by the Turkish companies joint venture establishments in the USSR. Besides, the aims and organizational structures of these firms' could be different from the ones in W.Germany, or N.Cyprus. This issue will be analyzed in the findings section in more detailed.

### **2.3.4 TURKISH CONSTRUCTION ABROAD**

#### **2.3.4.1 TURKISH CONSTRUCTION COMPANIES IN THE WORLD**

Turkish construction services abroad receive government support in the form of exemption from various taxes, fees and duties. This incentive measure covers all charges on credits. Normal export incentives are applicable for the contractors exports of material and equipment. There is also limited Türk Eximbank insurance cover.

Turkey's international construction companies presently handle contracts in a dozen Middle Eastern and African countries and in the Soviet Union (see Appendix 2 for the Turkish contractors overseas work, 1982-89). In 1991, the total number of companies active abroad was 68 (see Table-2.7). Most countries in these regions have five year economic development plans and yearly programs

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<sup>6</sup> For the documentation of direct investments from Turkey, and the profit-loss of these Turkish companies. see Appendix 5 and 6.

**Table 2.7**

**GENERAL INFORMATION ON FIRMS CONTRACTING ABROAD**

(in million USD)

EXPLANATIONS	LIBYA	S.SARABIA	IRAQ	former-USS	T.R.N.C	ISRAEL	JORDAN	OTHER	TOTAL
NUMBER OF FIRMS SUPPLIED INFO.*	49	41	20	13	11	2	3	22	161
NUMBER OF FIRMS STILL WORKING	37	9	0	11	7	1	0	3	68
TOTAL VALUE OF CONTRACTS UNDERTAKEN	14243	3716	3542	1182	59	12	74	991	23819
PERCENTAGES BY COUNTRY	59.80%	15.60%	14.87%	4.96%	0.25%	0.05%	0.31%	4.16%	100.00%
TOTAL VALUE OF WORK COMPLETED	9330	3239	2670	584	40	5	48	695	17211
PERCENTAGES BY COUNTRY	57.70%	18.82%	15.51%	3.39%	0.23%	0.03%	0.28%	4.04%	100.00%
TOTAL VALUE OF OUTSTANDING WORK	4005	452	814	799	16	7	26	479	6598
PERCENTAGES BY COUNTRY	60.70%	6.85%	12.34%	12.11%	0.24%	0.11%	0.39%	7.26%	100.00%
TOTAL FOREIGN CURRENCY BROUGHT TURKEY	1731	358	527	254	3	1	27	33	2934
FOREIGN CURRENCY BROUGHT IN 1991	150	2	0	100	6	1	0	0	259
TOTAL AMOUNT OF EXPORT	281	68	159	34	8	0	0	8	558
AMOUNT OF EXPORT IN 1991	16	0	0	20	1	0	0	0	37
TOTAL WORKER WAGES PAID	1907	471	117	62	1	0	0	44	2602
WORKER WAGES PAID IN 1991	76	4	2	33	1	0	0	0	116
TOTAL CONTRACT AMOUNT IN 1991	308	20	0	576	0	7	0	0	911
PERCENTAGES BY COUNTRY	33.82%	2.20%	0.00%	63.24%	0.00%	0.75%	0.00%	0.00%	100.00%
AMOUNT OF BIDS-OFFERS IN 1991	2196	42	333	1010	0	10	0	0	3591
PERCENTAGES BY COUNTRY	61.15%	1.17%	9.27%	28.13%	0.00%	0.28%	0.00%	0.00%	100.00%
NUMBER OF WORKER AND OTHER PERSONNEL	9875	357	0	8808	258	110	0	0	19408.00

\* This table is prepared according to 156 firms supplied information to UTFT as of 31.12.1990, and 71 firm informed as of 31.12.1991

SOURCE: UTFT (HDTM), Treasury General Directorate, "Turkish Financial Systems Statistics", March 1992, pg.87



which assist them in the allocation of resources and determining socio-economic developmental priorities. The development and improvement of the physical infrastructure and construction sector has utmost importance. This has created a need for outside construction companies. Turkish companies have evaluated this need very well, and by taking advantage of credits and geographical proximity have started to obtain projects in the USSR.

A continuing slowdown in domestic construction coupled with the problems faced in Iraqi and Libyan markets has contributed to a large unused capacity in the Turkish construction sector. However firms' capital equipment is largely amortized, allowing them to bid at competitive prices; which allowed them to increase their international orientation.

The internationalization process of these companies went through four distinct stages (Kaynak and Dalgıç, 1992). Initially, the companies tried to become low-cost bidders to win projects abroad, and then secondly sought more efficient business opportunities to maintain profitability. In the third stage, the construction companies concentrated heavily on creating economies of scale to improve productivity and efficiency. Finally, they became global companies whose activities are diversified along concentric, horizontal and conglomerate lines.

In addition to their quantitative achievement during the 1980s, the qualitative performance of Turkish contractors has also been spectacular. Ten years before, Turkish construction companies had to forfeit projects involving the construction of dams, harbors, tunnels, bridges, highways, airports and industrial plants, to foreign multinationals. But by 1988, Turkish companies had possessed the requisite highly-organized structure, advanced technology and field experience to undertake projects not only in domestic, but also in foreign markets (7).

According to the latest official information on the Turkish firms' contracting business abroad, which is summarized in Table-2.7, the following evaluations can be made:

\* Traditionally, the largest contracting business has been taken in Libya (59.8% of total contracts taken up to 1992), followed by Saudi Arabia (15.6%), Iraq (14.87%) and former-USSR (4.96%). But for the year 1991, the weight of the countries changed in the total value of contracts undertaken. Former-USSR became the largest party in the contracting business with 576 million USD (63.24% of 1991 total), and followed by Libya (33.82%) and Saudi Arabia (2.20%).

\* According to the total value of outstanding work, Libya (60.7%) is followed by Iraq (12.34%), and ex-USSR (12.11%). Here, the growth of USSR market importance is obvious.

\* During 1991, former-USSR based projects for which the bids and offers were given, had the highest rate of realization. That is, out of 1,010 million USD of bidden/offered job, 576 million USD worth of projects were realized in the USSR; where for Libya, out of 2,196 million USD bidden projects, only 308 million USD

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<sup>7</sup> A recent development has been the entry of Turkish contractors into the US market eg Kiska's Brooklyn Bridge shaft contracts. This reflects the increasing level of sophistication of Turkish contractors' services.



worth were successfully contracted. So, this can be interpreted as the amount of time spent for the precontracting work (that is negotiations, technical and economical preparations) in the former USSR market had paid higher return of realization compared to Libya. This can be taken as a guide to forecast the trends for contracting business in the future in former-USSR.

\* The contracting projects taken help to support the exports, as well as supplying employment.

\* Contracting projects have a positive effect on the foreign currency stocks of the domestic country; this is reflected in 258 million USD brought back to Turkey in 1991.

#### **2.3.4.2 TURKISH CONTRACTORS IN THE SOVIET UNION**

The Soviet contracting market was long the preserve of Finnish and Yugoslavian contractors, who enjoyed a virtual monopoly in this area. This was mainly a consequence of bilateral trade agreements between these countries and the Soviet Union. Some Finnish construction material suppliers reinforced their market dominance by setting their own standards for suppliers. Most European or American companies have traditionally found it very difficult to enter the Soviet construction market due to prohibitive transport costs and relatively high personnel costs. Italy, Spain, Austria and Germany are among other European countries currently moving into Soviet contracting.

As in most other areas of trade, the main obstacle in this sector is the lack of financial resources. Due to a chronic shortage of hard currency and current difficulties in repaying existing debts, customers prefer to work on barter terms, and favour foreign contractors who can bring their own financial resources.

Turkish contractors claim they are 30% cheaper than their Western competitors (IBS Report, 1991: No 4/VIII-4). They first began to establish a presence in the market after 1986. The inclusion of contracting services in the natural gas agreement gave an impetus to Turkish contractors to dislodge their higher-cost European competitors. At the same time, the contracts formed as a result of this deal led Turkish contractors to begin to win other projects.

Of the total worth of construction businesses generated from the USSR, the USSR paid for construction services with the products Turkey imported. To this end, 300 million USD was paid through natural gas purchases and another 400 million USD worth of iron and steel, chemical products, coal and asbestos under Türk Eximbank credit. This amount also includes the installment payments of the two Soviet built İskenderun Iron and Steel and Seydişehir Aluminium Factories. The remaining amount is paid in hard currency provided by the German Government grant. Presently there are also proposals from the Soviet side to engage in construction joint ventures with Turkish construction firms as well as bartering Soviet cotton by Turkish construction services (Kaynak and Dalgıç, 1992).

## **Contracting Services under the Natural Gas Deal**

Under the 1984 Natural Gas Agreement, 70% of Turkey's natural gas imports would be paid back in the form of Turkish exports. In 1986 a Soviet delegation came to Turkey on the contracting issue and the two parties agreed to include contracting services in the content of natural gas account. As set out in the Official Gazette dated February 9, 1989, the amount to be set aside for contracting services would be 35 million USD for 1988 and 35% of the 70% of Turkey's natural gas imports for 1989, that is 24.5% of the total natural gas deal. Since December 1989, this has been rounded to 25%. This presented a major opportunity to Turkey's contracting sector which was suffering from the decline in the Middle-East and North-African markets.

The Soviet payment difficulties faced in 1991 affected Turkish contractors as well. In summer 1991, Turkish contractors faced serious problems but the situation eased towards winter. Currently there is not much room for new projects to be commissioned under the natural gas account, but Turkish contractors find new (creative) ways of getting paid by the Republic authorities.

## **Türk Eximbank Project Credits**

To alleviate the difficulties faced by Turkish contractors, in 1989 Türk Eximbank proposed a 350 million USD credit to be used for agreed projects. But, as of January, 1992, only one project had been contracted under this credit - to Alarko (a baby food plant in Varonej worth 25 million USD - and even this was still awaiting approval from Türk Eximbank).

The original memorandum concerning this credit was initialled in November 1989 and an agreement signed in July 1990. Apart from the Soviets' anxieties about contracting new debt, one obstacle was agreeing the level of local content sought by the Turkish side. As might be expected, Turkey wished the credit to be used for projects which have a high Turkish content. This conflicted with the Soviet authorities' desire to commission the latest technology - which often involves procurement from a third country. As of January 1992, Türk Eximbank was planning to finance the Turkish part and only 30% of the foreign company's share in consortiums. Repayment of the line is to be over in 9.5 years, with 4 years' grace and interest at OECD consensus rates.

In the former Soviet Union, even before the credit came into effect, doubts were emerging about the projects listed as wanted (IBS, 1991, p.VIII-9).

## **2.3.5 REPUBLICAN ASPECTS AND TURKISH RELATIONS WITH INDIVIDUAL REPUBLICS**

### **2.3.5.1 ETHNIC GEOGRAPHY**

The USRR is one of the most ethnically diverse states in the world, embracing over 90 indigenous nationalities among its 290 million people. According to the 1989 census, 22 of the nationalities number more than one million and another 32 number between one hundred thousand and one million. The predominant national group is Russian, comprising 145 million people in 1989 or 51 percent of the total Soviet population. Russians are concentrated in the European interior and southwestern Siberia, but a century of spontaneous and planned migration has spread Russians throughout the settled regions of the USRR. The Ukrainians and Belorussians, speaking Slavic languages closely related to Russian, make up 15 percent (44 million) and 4 percent (10 million) respectively, of the total population.

The largest non-Slavic contingent is formed by Turkic Muslim peoples, subdivided into Uzbeks (17 million people in 1989, or 6 percent of the Soviet total), Kazakhs (8 million), Azeris and Tatars (7 million each), Turkmen and Kirgiz (3 million each), and other small nationalities. Closely related by culture and by generations of intermarriage are the Tadzhiks (4 million), a people of mostly Iranian stock.

Most of the Muslim peoples, who together comprise over 50 million people, are concentrated in Central Asia and neighboring areas. The main exception is the Tatars: a major Tatar concentration can be found in the Russian Republic (RSFSR) interior near the big bend of the Volga river, but the remainder of the population is fairly dispersed, partly reflecting the Soviet authorities' decision during World War II to expel a large Tatar community from the Crimea.

### **2.3.5.2 REPUBLICS AND TURKEY RELATIONS**

The Turkic people spread from the Caucasus Mountains through the steppes of Central Asia along either side of the "Silk route" to the borders of China. Today, four of the 15 republics of the Soviet Union have a majority of Turkic-speaking (same linguistic root with Turkish, but very different dialect -hard to communicate except Adzerbaijan) people.

Language and politics are different matters, and the extent to which this identity involves forming links with Turkey (and the speed with which such links will be established) should not be overemphasized (IBS Report, 1991: No 3/I-11). Equally while there is some Moslem revival in the Soviet Union, the implications of this for relations with secular modern Turkey can be exaggerated. While almost all Turks and Soviet Turkic citizens are Muslims, the Azeris are largely from the Shiite sect personified by Khomeini and the Turks largely Sunni (IBS). So the issue of influence and power in Adzerbaijan and the other Turkic Republics are question mark yet. The issue is very complex and needs very careful investigation, and analysis.

Soviet Republics are moving in full speed to use their autonomy in dealing with foreign governments. After the perestroika, many republics have started signing protocols and agreements with foreign countries. Initially, these were on the “soft” issues like culture and education. Progressively, they involve more of economic links, joint investment projects like energy, telecommunications and transportation.

Turkey has been very active in the Central Asian republics projects, quickly developing very good relations, and this is often expressed by the kin relation between these republics and Turkey. The implication of all this closeness for third countries is an opportunity in those markets through Turkey. In other words, the general advantages of links with Turkey for trading with the Soviet Union are thus reinforced in these republics.



### III. THEORETICAL BACKGROUND

In this chapter theoretical background for the empirical research is presented in two parts; literature review on the theoretical concepts constitutes the first part, the relevant empirical research found among the area-studies (USSR) of the international marketing field makes up the next part.

#### 3.1 INTERNATIONALIZATION AND ENTRY STRATEGIES

The distribution question faced by the international marketer has made the issue of deciding on the method of entry into foreign markets ever more important. It is one of the most critical decisions in international marketing (Terpstra, 1991: 362). In its entry decision, the firm chooses a level of involvement in foreign markets. Eventhough this decision is a strategic one, depending on the choice, the marketing activities of the firm will be affected.

There are alternative methods of market entry. Marketing and international business literature is full of different typologies, and categorization for the entry choices which lead to internationalization of firms. Here, the term internationalization is used roughly to describe the outward movement in an individual firm's operations (8).

Experts have identified two patterns of internationalization: incremental and nonincremental (9). The Nordic school of thought sees internationalization as an incremental and step-wise process (10). That is, firms start with the mode of entry which requires the least commitment (and the least risk), and gradually increase resource commitment; a typical pattern being from no exporting, to exporting via an agent, to a sales subsidiary, and finally to a production subsidiary. A competing theory is the nonincremental approach, where a systematic predictable pattern is not evident (Okoroafo, 1991). These firms evaluate different choices for entry as dynamic alternatives. Thus, some firms with no international experience might choose to enter a foreign market through a joint venture agreement or some other form of contracts like countertrade, without following other incremental internationalization steps. This dilemma is best explained by Okoroafo (1991: 345) in following terms:

"For a firm to choose between incremental or nonincremental pattern there will be many internal and external factors. For instance, the incremental pattern typically will be used by a cautious and risk adverse firm which has recognized the need not to overexpose itself in the foreign market. A more aggressive firm would choose the nonincremental pattern which opens the way for use of riskier alternatives such as joint ventures or investments. Alternatively, the choice of the nonincremental pattern can be justified by the firm's large size or very attractive host market" .

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8 For a further information see. Piercy, 1981; Turnbull, 1985.

9 In this discussion Okorofo's terminology of dividing is used. See: Okoroafo, 1991: 341.

10 For a further discussion on the Uppsala school and incremental approach see. Johanson and Wiedersheim-Paul, 1977; Luostarinen, 1979.



### **3.1.1 ENTRY METHODS**

As explained earlier a firm might choose to enter a new foreign market through many alternatives. These range from indirect exporting, licensing, direct exporting, joint ventures, to 100% ownership direct investment.

One crucial characteristic of foreign direct investment (FDI) is that it involves the ownership, and thus the control, of domestic production facilities by foreigners (Hennart, 1989: 211). Some host governments do not agree that they should (or can) lose control of some domestic enterprises to FDI's, because of the economic gains they bring. Internal political struggle, social-political culture of the country and the governing bureaucracy are some limitations on this. As a solution, one way to benefit from the FDI related assets without losing political independence was thought to be to contract them through market forces, and to leave the ownership of production facilities in the hands of domestic nationals. Host countries have thus attempted to "unbundle" the FDI package by purchasing all of its components through contracts: technology through licensing, plants through contracts with engineering firms, financial capital through bank loans, and marketing services through distribution contracts with trading houses (Hennart, 1989: 212).

The trend towards the use of these contractual forms was chronicled in the literature on the "new forms of investment" (Oman, 1984). "New forms" usually include arrangements that fall short of majority ownership, such as various forms of contracts (licensing, franchising, management contracts, turnkey and product-in hand contracts, production-sharing contracts, and international subcontracting) as well as joint ventures. Firms have been participating in joint ventures and contractual agreements to a greater extent over the last decade or so (Dymsza, 1984).

A range of contracts with excellent enforcement properties are developed, and they are described in the literature on East-West trade and countertrade (11).

### **3.1.2 PSYCHIC DISTANCE AND INTERNATIONALIZATION**

There developed a strong belief that the geographic spread of a firm was related to that firm's knowledge of foreign markets and that uncertainty was the main obstacle to foreign ventures (Wiedersheim-Paul 1972). Uncertainty was explained by the concept of psychic distance. Psychic distance can be described as the perceptions and feelings about a particular foreign market arising from differences in market conditions and the difficulties in acquiring information about these differences. Vahlne and Wiedersheim-Paul (1973) thus define psychic distance as being a function of; the level of development and education in the foreign country, together with the differences in these levels between the two countries; language and cultural differences; and the extent of commercial connections between the countries. These authors conclude that psychic

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11 For a further discussion see Kogut, 1986; Verzariu, 1985; OECD, 1981; Alexandrides and Bowers, 1987.



distance is a better explanation of obstacles or advantages to internationalisation than trade barriers or government actions.

### **3.1.3 ORGANIZATION FORM AND INTERNATIONALIZATION**

Furthermore, it is important to discuss the issue of organisational forms. Classification of organizations is a necessary part of research for both descriptive and analytical purposes. Many different classifications can be found in the literature: Ansoff (1982) uses a very simple classification of direct export, international and multinational: Rothschild (1983) also propounds a simple three fold classification of domestic, quasi-domestic and multi-national; Johanson and Wiedersheim-Paul suggest four types of exporting, ie. direct, indirect (using agents), local sales (sales office and subsidiary) and local manufacturing.

Bilkey and Tesar (1978) suggest a more complex typology of export stages:

- . Unwilling to export
- . Fulfill unsolicited orders
- . Explore feasibility of exporting
- . Export experimentally to one or two markets
- . Experienced exporter in a few markets
- . Explore further markets

Whilst the process of export development may be sequential, the organisational form adopted, which can be seen as an output of the process on the one hand, and a facilitator of the process on the other hand, need not be a sequential stage process (Turnbull and Ellwood, 1986). Thus, when we try to fit organisational export structures into these classifications, difficulties arise because the classifications are so broad and some companies have characteristics which meet the criteria of two or more of the classification categories.

### **3.1.4 TOP MANAGEMENT AND INTERNATIONALIZATION**

Impact of top management on the internationalization has received a lot of attention. Sullivan and Bauershmidt's (1990) empirical study indicated that internationalization is shaped by managers' objective and experiential knowledge as well as other factors. Çavuşgil (1980) reports that managers who are growth-minded, dynamic and willing to pursue opportunities facilitate initial involvement. The initial interest of management stemming from the international outlook, which has been defined as "the extent to which the decision maker perceives and considers as interesting , events occurring outside his own local environment" (Wiedersheim-Paul et al., 1978, p.48), has turned out to be critical.

### **3.1.5 COMPANY CHARACTERISTICS AND INTERNATIONALIZATION**

In the assessment of the degree of internationalization of one firm versus other, the simplest measure used is the foreign sales relative to total sales (Welch and Luostarinen, 1988: 37). The proportion of total sales exported has often been used as an indication of export performance despite its drawbacks (Çavuşgil and Godiwalla, 1982). These measures without some accompanying information would be inadequate and misleading. There is no generalizable method developed yet to explain the degree of internationalization of one firm in comparison to the others.

Çavuşgil (1984) tried to see the effect of several measurable company characteristics on the degree of internationalization. He found company size as measured by sales and the percent of profits derived from exporting as a better predictor of internationalization than length of company experience in exporting, and export sales as a percentage of total sales.

## **3.2 COUNTERTRADE**

### **3.2.1 COUNTERTRADE FORMS**

Countertrade has emerged as one of the most interesting and important topics of international trade during the 1980s. Estimates of global countertrade transactions as a percentage of world trade, range from one percent (IMF Report 1983) to 30 percent (Cohen and Truell 1982). Although accurate statistics are hard to obtain, the consensus of expert opinion puts the percentage of world trade financed through countertrade transactions at between 20-25 percent (Okoroafo, 1988).

The term “countertrade” is used here to describe seven types of transactions: barter, clearing arrangements, switch trading, evidence accounts, buy-back, counterpurchase, and offset. In all these transactions, a seller provides a buyer with goods or services, and promises in return to purchase goods or services from the buyer (Banks, 1983: 160). In other words, countertrade is a form of reciprocal international trade obligation that establishes a linkage between imports and exports. The first group of transactions; simple barter, clearing arrangements, and switch trading are undertaken without any use of hard currency, whereas the second group; evidence account, buyback agreement, counterpurchase, and offset imposes the reciprocal commitments as the main feature. Appendix 8 provides a schematic classification of these seven types of countertrade activities, adapted from Hennart’s (1990) six types model.

Simple **barter** consists of a direct exchange of goods or services of equivalent value without the use of currency. It is handled through a single contract between the trading parties; there is usually no third party involved. Simple barter occurs most often in one-time, spot transactions, and is used primarily by countries that have no foreign exchange and no outside sources of credit.

In a **clearing agreement** a large number of barter exchanges can be consolidated. It is a bilateral soft currency agreement between two governments (rather than between a private exporter and a government) who agree to import a set volume of goods from the other over a specified period of time -usually a year. It is handled through a single contract. Payment for the goods is handled through nonconvertible clearing account units; each country sets up an account that is debited whenever one country imports from another. Exporters in each country are paid by local banks in domestic currencies. The contract usually requires that all trade exchanges stop if the trade imbalance reaches a specified maximum point (usually about 35% of the annual trade volume), until the deficit country decreases the imbalance below that figure. The inflexibility inherent in a clearing arrangement can be alleviated by **switch trading**, which consists in buying a country's position in exchange for hard currency and selling it to another customer. These deals are handled by specialty traders and trading houses.

In contrast to barter, the other forms of countertrade involve the use of money or credit. They consist of two parallel money-for-goods contracts, imposing reciprocal commitments.

**Evidence account** transactions occur between one or more private Western exporters and a government entity or entities, such as an FTO (foreign trade organization) or Ministry of Trade ( Turkish application is through different state agencies and/or the Central Bank's contract with foreign governments or governmental entities). Under an evidence account agreement, there are listings of purchases and sales that the buyer and seller conclude with each other, and an agreement on the ratio of sales to purchases. The trade flow is monitored and accounts must be partially or fully balanced at the end of the contract period, usually one to three years. The main advantage of an evidence account is that a mix of Western exporters and importers can trade with a similar group in the trading country on purely commercial considerations. In this way, each can get the products that they want, instead of undesirable or overpriced counter deliveries. It is most often used in CMEA countries and China.

Under a **buyback agreement**, exporter builds a plant in the buyer country, provides technology and equipment, and agrees to buy back all or a portion of the products produced. The transaction is accomplished through two separate contracts; when the project is completed, the plant seller is paid in full by the buyer from hard currency borrowed from eastern and western sources, then the buyer uses the proceeds of the sale of the output to the plant seller to repay the lender (Verzariu, 1980: 93).

**Counterpurchase** is the most common form of countertrade. It is an agreement whereby each party agrees to buy goods and services from the other for hard currency over a specified period of time. Transactions are structured by two separate short-term sales agreements; one for the primary sale (seller company exports) and the other for the secondary sale (buyer country exports) with separate delivery and payment terms. The two transactions are usually linked by a third or side agreement called a protocol. The selling company's counterpurchase obligation is set out in the secondary contract: the obligation can range from 25% of the primary sale to several times its value (Alexandrides, 1987: 6).

**Offset** is used to describe the imposition on exporters of a more complex basket of reciprocal concessions (Hennart, 1990). Offsets are particularly common in the purchase of weapons, but they are also used in non-military equipment. When governments make large purchases from foreign companies, they increasingly insist that the purchase price be offset in some way by the seller. During the first twenty years after World War II, military offset consisted mostly of coproduction, but now offsets are used as a vehicle for employment, industrial development, and export development. Offset trade may be either government-to-government or private-to-government. Offsets may be divided into two classes: direct and indirect. **Direct offsets** are those directly related to the original product sold to the country, while **indirect offsets** involve goods and services not related to the product. Arrangements under direct offsets include coproduction, licensed production, subcontractor production, foreign investment, and technology transfer. Arrangements under indirect offsets may include investment and technology transfer, but also include such things as counterpurchase, buyback, barter, tourism development, use of the country's air carriers and hotels, and so on.

### **3.2.2 SOCIALIST COUNTRIES' MOTIVES FOR COUNTERTRADE**

The socialist countries of Eastern Europe have fundamentally different reasons for wanting countertrade as compared to the developing countries and socialist China. Factors such as hard currency shortage and the need for technology transfer are shared with the developing countries, but others are not. They did not consider trade with the market economies to be a priority, preferring instead to strengthen trade within their group. Countertrade is used primarily to import technology and upgrade manufacturing facilities; the conservation of hard currency, the generation of foreign exchange through buyback exports, and the penetration of Western markets are secondary considerations (Alexandrides, 1987: 33).

Eastern European countries accounted for a great deal of postwar countertrade volume and influenced the trade management policies and state trading systems of many non-socialist countries. Eastern European FTOs (Foreign Trading Organizations) are taken as models by developing countries after countertrade has become popular; besides large countertrade service industries are developed in Vienna and London due to Eastern European countertrade.

Some other countertrade motives of ex-CMEA used to be as follows:

- \* Low agricultural production lead to the import of large amounts of food either with cash payments to industrial countries or by bartering manufactured goods to developing country producers of wheat and other vital agricultural products.
- \* Currency inconvertibility leads ex-USSR to pay for imports in gold; obviously countertrade is preferable.
- \* To get the latest industrial and agricultural technology by contacting with market



economies as it can not develop all necessary technology on its own.

\* Protectionism is a factor; there were substantial tariff and nontariff barriers against ex-CMEA exports to industrial countries (only Hungary, Poland, and Rumania are members of GATT).

\* Use of countertrade to overcome a lack of international marketing skills. Western analysts maintain that the ex-CMEA did not know how to sell to Western markets, either in producing a desirable product or in the areas of packaging, promotion, distribution, and servicing, and therefore uses its Western countertrade partner as a marketing agent.

\* Unlike developing countries, ex-CMEA had been able to get new loans, and external debt had not been a primary motive for Eastern European countries.

\* Commodity prices are not an important factor, as the ex-CMEA is not dependent on commodities for export income. Export diversification from primary products to manufactures is also not valid, since most CMEA exports are already manufactured products.

### 3.3 NEGOTIATION

In recent years researchers have shown a growing interest in cultural aspects of negotiation (Weiss, 1990). Publications by practitioners and academicians include descriptions of the cultural dimensions of negotiations in several nations. However, as far as we know, there has been no attempt to study the styles of negotiation peculiar to countries with a long cultural history and newly trying to get industrialized (12). In this dissertation, Turkish managers' negotiation behavior in the USSR in some international activities (export, import, countertrade, joint-venture etc.) is going to be explored.

In order to examine the cultural dimension of the Turkish negotiation approach, it will be necessary to look at the "Turkish culture".

Turkish culture has its main roots in middle Asia (China and India), and Islamic countries including Iran. However a distinction should be made between this culture and what has been termed as "Republican Turkish" culture (Turan, 1990). This includes elements of Middle Asian, Islamic, Anatolian, and European. As both of these concepts suggest the Turkish culture is a highly complex and heterogeneous one with a diversity originating from ethnic and religious conglomerations.

Therefore it is no surprise that negotiation styles developed in and fed by these two overlapping cultures will be highly complex in terms of attitudes, beliefs, and aspirations. Heterogeneity of social values and norms will further add to the complexity of the picture.

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12 Only in a previous empirical study by Toduk-Akiş (1991), Turkish managers' attitude in negotiation, with the foreigners for a merger and acquisition type of activities in Turkey, was analyzed.



In an approach to understand the Turkish business person's negotiation style in the USSR, we need to examine what is already known about their business attitude toward negotiation activities in general; that is about prenegotiation phase as well as face-to-face interaction which involves bargaining (Hendon and Hendon, 1990).

Negotiation should be perceived as a process consisting of various activities where the prenegotiation stage is found to be very important for a successful negotiation (McCall and Warrington, 1990).

It is suggested that most Turkish companies see negotiation as a single event involving agreement after some concessions. Especially in their merger and acquisition related collaborations in Turkey, only a few giant Turkish conglomerate companies (e.g. Sabancı, Eczacıbaşı) determine the type of foreign company they will get involved after a serious planned evaluation. This may be based on their competitiveness in their industries and the need for global positioning may be a motivating factor (Alban, 1991). The lack of understanding of the essentiality of determining objectives at the prenegotiation phase could cause unsatisfactory relations for the companies.

The similar outcome is reached in the Toduk-Akiş (1991) work, which was carried out with 30 Turkish firms that have formed some sort of partnerships with foreigners in Turkey. The interviews showed that, during the preparation phase for a possible cooperation with the foreigners, the Turks do no prior assessments and financial valuation study (7/29 of the responses) or had carried out a limited valuation study within the firm (8/29 of the cases) in order to estimate its market value or net worth. As a predictable outcome, the negotiation process might have ended before it took off in many cases, stemming from the absence of prenegotiation work.

Turks in general are not known to be good planners. Dilber (1981) suggests that the exercise of planning function in Turkish private industry is far away from sequential and scientific manner. The majority of the managers either accepted that they did not know how the objectives were set, or used traditionalism or gut feelings to set their objectives. Besides, these goals were not effectively communicated to the subordinates within the organisation. Koç (1991) believes Turks in general lack measurement and recording skills which results in unplanned activities. Dynamism of Turkish business environment might be a source of this type of behavior, which strengthens flexibility and adaptability. Planning time frame is mostly from three months to one year in an ordinary Turkish mid size manufacturer (Alban, 1991; Dilber, 1981). The operations are analyzed in weekly time spans in Turkey which is done possibly quarterly to annually in the Western world. It is not likely that a typical Turkish firm will change its habits to do planning, and scenario building prior to a negotiation.

In Turkey, one characteristic of "doing business" is extreme flexibility (Bugra, 1991). The inflationary economic environment that exist under dynamic, remodeling and recasting political environment might be the certain result of this flexibility. We believe this survival under uncertainty increases the Turkish party's success during negotiation. This handling of uncertainty might have developed/learned in

the last decade or so, as Hofstede (1980) reports strong uncertainty avoidance in his empirical work between 1967-1973.

Turkish firms negotiation process of contracting projects in USSR are examined in detail by the IBS Research Group (IBS Report, 1991: VIII/12-14), which emphasizes the administrative difficulties in getting the contract:

#### **A. Before the contract**

The procedures to be followed in the USSR contracting market are complex and changing as local authorities claim more say in their projects in their area.

Firstly, there is the ultimate client to be dealt with. This is usually one of the local administrations under whose jurisdiction the project will eventually operate. Although these bodies are important customers of contracting services, in the past they were not given the authority to actually sign contracts with foreigners. Now, some are claiming this authority but, of course, do not have the experience to smooth this process.

Secondly, there are the Design Institutes - in effect, the equivalent of consulting engineers - one of whom has to be involved in each project.

Thirdly, the contracts are signed by large foreign trade organisations (FTOs) such as Sojuzvneshtroimport and Tekhnoexport.

With the inclusion of the Ministry under whose authority the local administration exists, there are a total of four different administrative bodies with whom the contractor must deal.

During the bidding process the contractor should communicate

- \* with the project owner about the overall project;
- \* with the design institute regarding technical details;
- \* with the foreign trade authority on financial matters.
- \* with the local authorities about procurement.

Few projects have been negotiated in less than one year. Many projects on which negotiations began in 1987 are still not signed. One reason of this is the relative lack of experience in preparing invitations to tender. This means that the original request is often a very short document. Turning this request into a clearly defined project is one major task for the contractor - and one reason why Turkish contractors often persist in following a project whereas their more impatient US and Western colleagues drop out. A second major task is in turning a project into a legal agreement. Again this requires patience. Further (and it may amaze some of their Western colleagues) Turkish contractors usually negotiate contracts without bringing lawyers to the negotiating table. "We have enough experience not to need to hire expensive international firms," one successful contractor says. "In any

case,if we can't solve problems that emerge with the client,nobody else will be able to."

As of January 1992,the situation is expected to become even more complicated,since most of the earlier contracts were signed with central bodies.Especially projects located elsewhere than the Russian Republic may be subject to problems about the ownership and administration.

## **B. The Contract**

Turkish contractors report that the republics' authorities, often having relatively little experience in the specific area of the project in question, are open to contract structures which have worked elsewhere. As might be expected, they require performance bonds, accepting these from international banks and from registered Turkish banks.

## **C. After the Contract**

Surprisingly, Turkish contractors say that, once the agreement is signed, the bureaucratic mechanism starts to operate quite effectively. Again the project owner and the design institute in question act as controllers and they prepare the progress payment reports. The payments are made by the related foreign trade organization. The Turkish contractors said that the maximum arrears had totalled around 60 million USD in October 1991, but had since fallen. "Compared with Libya or even Ankara, the situation is reasonable," one industry expert says.

## **3.4 JOINT VENTURES AND POLITICAL RISK**

This dissertation examines the experience of the first group of Turkish firms to sign joint venture agreements with Soviet partners. Specifically, the Turkish firms' perception, and assessment of political risk associated with its joint venture in the USSR is investigated. It is sought to provide a better understanding of these early entrants' political risk. For these firms political risk did not deter them from investing in the USSR, eventhough in some cases this was their first joint venture investment abroad.

In addition, this study also compares the political risk management approaches of these pioneering firms in other countries; East European countries - Poland, Hungary, Rumania, Bulgaria - , and Libya, and Iraq.

Afterwards, the Turkish firms joint venture behaviour in the USSR is compared with the US firms behavior, with the help of a study by Nigh and Smith (1989).

### **3.4.1 POLITICAL RISK ASSESSMENT**

The mention of political risk is most likely to bring to mind the notion of unstable, less developed countries, bearded revolutionary leaders, and threats of expropriation. But political risk is a more pervasive influence, both geographically and in the ways it affects international enterprises. Political risk arises in host countries that are industrialized, such as France and Canada as well as in the LDCs. It can also arise in the home countries of investors like Sweden and the United States (Robock and Simmonds, 1983).

Political risk usually connotes the possibility of losses. Yet, as in the case of other types of risk, political risk can result in gains as well as losses. For example, dramatic political changes that improved the business environment for foreign firms occurred in the 1970s in the People's Republic of China. And the overthrow of the Allende government in Chile (1973) resulted in a return of expropriated foreign investments.

Political assessments should serve management in two phases of decision making. Political assessments are needed in preinvestment decisions where political-risk assessments are integrated with parallel studies of marketing, production, logistics, and finance. They are also needed on a continuing basis to guide, protect, and nurture already established operations.

Country or sovereign risk should be differentiated from political risk although the two are clearly related. Sovereign risk is a principal concern of financial institutions making loans in foreign countries. It refers to the risk that countries will have the capacity to meet foreign debt obligations and has to do with a country's external liquidity. In contrast, political risk is a much broader concept and extends to changes in a country's environment that affect the operations of a foreign firm within the country (Robock and Simmonds, 1983).

### **3.4.2 DEFINING POLITICAL RISK**

Although there is no general agreement on how to define political risk, the following definition has become widely accepted. Political risk is the likelihood that political forces will cause drastic changes in a country's business environment that affect the profit and other goals of a particular business enterprise (Kobrin, 1979: 67-70). Accordingly, political risk includes four necessary elements:

1. Discontinuities-dramatic changes in the business environment
2. Uncertainty-changes that are difficult to anticipate.
3. Political forces-defined as power and authority relationships in the context of society at large by Easton (1968).
4. Business impact-potential for affecting significantly the profit or other goals of a particular business enterprise.



### **3.4.3 POLITICAL RISK AND TURKISH-USSR JOINT VENTURES**

The dimensions of the political environment that may be of concern to Turkish firms evaluating the desirability of a joint venture in the USSR can be discussed under the following topics:

1. The political relationship between Turkey and the USSR.
2. The political stability of the USSR -and the new countries formed by ex-republics.
3. The development of the ex-USSR and/or republican laws and regulations that may affect the establishment and operation of joint ventures in the ex-USSR.
4. The transformation to market economics by eliminating the authority of Moscow and shift to decentralization at many levels.
5. Possible political effects upon the particular industry that the enterprise functions in.

The development of joint venture legislation, as well as the changes in the Soviet bureaucracy which will implement these are big concerns for the foreign investors. The Soviet legal establishment seeks to establish "a fair and uniform legal environment that would provide a sound and predictable basis for business" (13). Exactly what this legal environment will look like is far from clear. Of particular concern are regulations regarding currency conversion, valuation of assets contributed to the joint venture, pricing of production inputs and outputs, and labor relations (Nigh and Smith, 1989).

In addition, how and when the Soviet bureaucracy will adjust to the economic reforms is uncertain. Especially the newly born countries ; ex-Soviet republics lack the human resource pool to run the macro and micro concerns of the economies. The problem could be felt at the bureaucracy line of the international operations more severely.

The above discussion of the political risk that may be associated with a Turkish joint venture in the ex-USSR has been in general terms. However, it must be pointed out that "political risk is specific to each individual investment, and capable of being influenced by managerial action" (Nigh and Smith, 1989: 42).

### **3.4.4 ASSESSMENT OF POLITICAL RISK**

Corporate practices vary greatly among the international firms that have formalized the political risk assessment function. Political assessment "units" range from the part-time involvement of an assistant international treasurer to full-time staffs of political scientists, ex-foreign service officers, or other country specialists. The political assessment approach may involve no more than a

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13 "Foreign Investment in the USSR: New Avenues," Business Eastern Europe, September 26, 1988, p.305.



checklist or an outline for a country study, or it may entail a relatively sophisticated system designed to gather and process expert-generated opinion (Blank et al., 1980).

While considerable progress has been made in developing methodologies, the state of the art for political risk forecasting is still greatly underdeveloped compared with most economic and business forecasting techniques (Kobrin, 1981). The underdeveloped state of the art can be illustrated by a study of the pre-1978 published predictions for Iran based on the principal political risk models. Only two of the 10 models offered reasonably accurate forecasts of the impending 1978 Iranian revolution and the resulting massive expropriation of foreign direct investment (Kennedy, 1981).

The task of political-risk forecasting involves four basic steps. First, a profound understanding is required of the type of government presently in power, its patterns of political behavior, and its norms for stability. Second, the characteristics of the multinational's own product and operations must be analyzed to determine the kinds of political risks likely to be encountered in particular areas. Third, the potential sources for these risks should be identified and evaluated. The fourth step is to project into the future the possibility of political risks in terms of probabilities and time horizons (Robock, 1971).

Throughout the process, the emphasis must be on political forces that can cause abrupt changes in the environment for the business firm. What companies must ultimately know is not how stable a country will be, but how what happens in that country will affect its interests there (Robock and Simmonds, 1983).

### **3.5 LITERATURE REVIEW ON “ FIRMS BEHAVIOR TOWARDS USSR TRADE”:**

International business literature has been concerned primarily with the East-West trade, and as an extension of it trade particularly with the USSR.

Some of these area-studies have been on the importing from the communist countries, while others were on the exporting, countertrading, and lately on the investment in the ex-CMEA countries.

Much of the literature on East-West trade describes the process from the perspective of a Western firm attempting to enter an Eastern market as well as the relevance or existence of East-West trade cooperation agreements.

#### **3.5.1 ISSUE: TYPE OF INVOLVEMENT**

**Study:**

Marer and Millier (1977) , Sample : 233 U.S. firms

**Findings:**

\* Nearly half of the sample had some type of involvement in more than one country.

\* Involvements included investments to build general industrial capacity, as well as turnkey agreements where the U.S. sells plant, equipment, and technology in exchange for products from the operation.

**Study:**

Hoyt (1978) , Sample : 35 U.S. Corporate Executives

**Findings:**

\* 54 % of the firms were supplying parts, 86 % were supplying technical assistance, 63 % were involved in licensing, and 42 % were asked to provide turnkey plants.

**Study:**

Hisrich and Peters (1983) , Sample: 50 US manufacturer already engaged in trade with the East, 90 firms not engaged.

**Findings:**

The main relevant question that were sought in the Hisrich and Peters study (1983) and the findings, relevant within the context of our issue are summarized below:

**- What is the nature (type of transaction and level of satisfaction) of any trade activities?**

The 50 U.S. firms already engaged in trade relations with the USSR reported that, 44 % of the firms practice just exporting and 12 % only importing. But, 32 % of the firms are engaged in both importing and exporting, where the two contracts are not linked. 20 % have licensing agreements, and 12 % are involved in turnkey projects. There is just 8 % who have joint venture agreements with the USSR, and another 8 % that have counterpurchase practices.

Respondents level of satisfaction is measured on a five point scale ranging from very satisfied (scale value of 5) to very dissatisfied (scale value of 1) The mean value of these activities for USSR was 3.42. However, a number of manufacturers (25%) expressed significant dissatisfaction in exporting activities with the USSR. Part of the problem was due to exchange rates and political use of products. Licensing was rated highly satisfactory (4.20) in trading with the USSR.

### **3.5.2 ISSUE: DIFFICULTIES IN TRADE WITH THE EAST**

**Study:**

U.S. Department of Commerce (1978)

**Findings:**

\* There is an increasing insistence by communist countries for countertrade agreements while the small-and medium-sized U.S. firms are unable to dispose of countertrade goods.

**Study:**

Lange and Elliot (1977)

**Findings:**

\* Centralized purchasing through foreign trade offices and the inability to deal directly with end-user customers.

**Study:**

U.S. Department of Commerce (1977)

**Findings:**

Negotiating a firm's transaction with a foreign trade office can take upto 3 years, requiring very heavy front end investment and substantial amounts of senior executive time and talent.

**Study:**

McMillan (1981)

**Findings:**

\* The goods available in the countertrade agreement often are inferior or not in demand by the U.S.

**Study:**

Brunner and Taoka (1977)

**Findings:**

\* Extensive differences exist in such areas as technical backgrounds, language, currency conversion, and the use and extension of credit.

### **3.5.3 ISSUE: EAST-WEST TRADING RELATIONSHIPS (ATTITUDES AND INTEREST IN SPECIFIC TRADE -RELATED ACTIVITIES)**

#### **Study:**

Hisrich and Peters (1983) , Sample: 50 US manufacturer already engaged in trade with the East, 90 firms not engaged.

#### **Findings:**

\* A variety of reasons are identified that affect the decision for involvement in trade with controlled economies as well as the nature and extent of this involvement.

The main relevant questions that were sought in the Hisrich and Peters study (1983) and the findings, relevant within the context of our study are summarized below:

#### **- What is the level of satisfaction with trade support services provided by U.S. government?**

Generally satisfaction with the U.S. government services supporting East-West trade was relatively low. The scale ranged from very satisfied (scale value of 5) to very dissatisfied (scale value of 2). The result of the survey indicated that the US Government support in trade with the USSR received as a mean value of 3.0. Major complaints included:

- \* The time it took to obtain an export licence
- \* Lack of substance in public relations
- \* Lack of understanding of foreign trade policy
- \* Lack of clarity on embargoes
- \* Superficial nature of support

Favorable comments on government support services:

- \* Trade show support by the Trade Council
- \* Help of attachés

### **- What factors in trade relations are of greatest concern?**

A rating of concerns in East-West trade by those firms presently engaged in trade with the USSR are found to be as follows:

<b>- Factors</b>	<b>Weighted Mean Values</b>
1 - Lack of protection for US copyrights and patents	3.24
2 - Time required of senior management	3.05
3 - Financing of trade arrangements	2.95
4 - Harrassment of US business by foreign government during political crisis	2.65
5 - Loss of revenue from adverse American attitudes toward trade with USSR	2.60
6 - High initial investment without assurance of return	2.26
7 - Possibility of expropriation	2.19
8 - Possibility of default	1.94
9 - Varying exchange rates	1.90
10- Unfamiliarity with market	1.86
11- Language	1.50

### **- Primary reasons of trade with the USSR:**

Long term considerations	80%
Short term considerations	20%

### **3.5.4 ISSUE: EAST-WEST TRADING RELATIONSHIPS (ATTITUDES AND INTEREST OF U.S. FINANCIAL INSTITUTIONS)**

#### **Study:**

Hisrich and Peters (1985) , Sample: 55 U.S. banks already engaged in business dealings with the East European countries or USSR, 53 banks not engaged.

#### **Findings:**

\* A variety of reasons are identified that affect the decision by banks to become involved in trade with controlled economies as well as the nature and extent of this involvement.



The main relevant findings in the Hisrich and Peters study (1985) are summarized below:

- The decision not to conduct business in the Eastern Europe or USSR was usually based on external bank specific policy since the majority of the banks never fully investigated opportunities for developing trade relationships with these countries.
- Mostly provided bank services in the USSR by the U.S. banks were direct loans, remittance of money transfers, and commercial letters of credit.
- In general, the banks that were engaged in financial transactions with any of these countries were dissatisfied with the U.S. government's support through its available agencies (EXIMBANK and FICA). The major complaints about any government services were: that they were generally politically motivated, contained confusing signals and policy switches, or that information was very limited or not available when needed.
- Negative U.S. public image, investor perception, and possible trade harassment were the primary concerns of the banks engaged in USSR business dealings.

### **3.5.5 ISSUE: CONSUMER PERCEPTIONS OF PRODUCTS PRODUCED IN THE CONTROLLED ECONOMIES (EAST)**

#### **Study:**

Hisrich and Peters and Weinstein (1981), Sample : 158 U.S. Individuals

#### **Findings:**

\* There is a market in the U.S. for goods from communist countries and that there are identifiable segments of the population that are willing to purchase from these countries and would support increased trade relations.

### **3.5.6 ISSUE: USSR AS A MARKET FOR THE FIRMS**

#### **Study :**

Hecht and Oliver (1988) , Sample: 106 U.S. firms

#### **Findings:**

\* On an overall basis, the Soviet Union is considered to be about average in desirability among their foreign customers.

\* The Soviets are very reliable in their business dealings.

\* Soviet trade usually requires greater marketing costs than other foreign sales, particularly for initial sales.

\* Several opportunities and challenges are identified for U.S. corporations in the USSR.

The main questions that were sought in the Oliver and Hecht study (1988) and the findings, relevant for our study, are summarized below:

1. American firms which have done business with the USSR give the Soviets very high marks with respect to reliability:

**-How is the Soviet Compliance with Contract Agreements?**

- Very good	71 %
- Meets agreements, but exploits loopholes	24 %
- Sometimes does not meet agreements	5 %
- Does not meet agreements	0 %

2. Almost three-quarters of the respondents reported that selling to the Soviet Union required a greater marketing effort than selling to other foreign countries.

### **3.5.7 ISSUE: JOINT VENTURES AND THE POLITICAL RISK ASSESSMENT**

**Study:**

Nigh and Smith (1989) , Sample: 9 US companies with joint ventures in the USSR.

**Findings:**

\* Factors that have impact on the joint venture in the USSR for American firms.

\* Concerns on the joint venture's future.

\* Perceived level of political risk associated with a joint venture in the USSR compared to other countries.

\* Approaches to political risk assessment

**\* Political risk management**

The American companies contributed information, technology, and managerial expertise to the joint ventures, rather than money and goods which could become trapped (lost) within the USSR. Each firm had found a unique approach for their case.

As the joint ventures became operational, most of the American companies reported they were not monitoring political risk.

### **3.5.8 ISSUE: HOW SMALL- TO MID-SIZED U.S. FIRMS CAN PROFIT FROM USSR BUSINESS**

**Study :**

Vlachoutsikos (1989)

**Findings:**

\* Advantages of small to mid-sized firms in doing business with the USSR is seen as:

1. Small- to mid-sized companies send one or two top managers to bargain and agree to sudden changes with a final authority where large firms' vice-presidents do not have that final authority. This is a Positional Level advantage.
2. These managers possess both an overview of all their company resources and a detailed knowledge of their companies' operations, so they understand the costs and benefits entailed in any deal without having to consult associates overseas. That is Detailed Operating Knowledge Advantage.
3. Top managers from smaller firms can be reasonably good at skirting the Soviet bureaucracy when it slows or interrupts a deal's progress (i.e. Pepsico formed small subsidiary to handle Soviet business). That is Circumventing the Buraucracy Advantage.
4. For a manufacturing joint venture, there are frequent shortages and delays of Soviet inputs, so small- to mid-sized ventures are more likely to succeed, particularly if their reliance on Soviet inputs can be minimized.

\* Recommendations on pre-bargaining and negotiation stages of the deal:

1. Services of many US and Soviet agencies should be sought.
2. Western executive should expand and use pre-bargaining phase (time spent informing Soviet officials and clients about markets and products) to reduce time

remain very distinct in Soviet trade. In fact, the author thinks, most of the actual bargaining occurs before all the parties sit down over contracts in Moscow.

3. Companies should bring the issue of currency as early as possible during the pre-bargaining phase.

### **3.5.9 ISSUE: COMPARISON OF PROMOTIONAL MANAGEMENT IN EXPORTING TO THE SOVIET UNION VERSUS OECD COUNTRIES**

#### **Study:**

Möller (1982) , Sample : 100 Finnish firms exporting directly both to the USSR and some OECD country.

#### **Findings:**

\* Trade exhibitions and symposia together with customer visits play a prominent role in Soviet exports.

\* Advertising is regarded as an unimportant means of persuasion in exporting to the USSR.

\* The activities in the Soviet market demand more time than OECD countries. This is due to difficulties associated with planning.

\* In Soviet exports there are problems related to technical services and education; difficulty of determining the correct personnel and contacting them frequently enough within a reasonable period of time.

\* There are several positive sides of the Soviet market:

.Following the entry period, marketing costs can be relatively low.

.After successful penetration, the volume of exports often remains relatively stable for a couple of years.

.Competition is not so keen as OECD.

The area-studies directed towards USSR are summarized in this section. The dissertation will look at the USSR from a developing country angle, and explore the Turkish firms involvement with the former Soviet Union.

## **IV. RESEARCH DESIGN AND METHODOLOGY**

This chapter will introduce the field study conducted with 63 Turkish firms on their involvement with the former USSR.

### **4.1 PURPOSE OF THE STUDY**

The purpose of the study was to explore the factors inherent in the Turkish business peoples' involvement with the USSR. Specifically, the goals of the research were as follows:

- \* Evaluation of different factors in getting effectively involved with the USSR,**
- \* Assessing different governmental support instruments used in getting involved with the USSR,**
- \* Assessing the effect of company size on the likelihood of success in the USSR,**
- \* Understanding the alternative processes of political risk evaluation in forming joint ventures in the USSR,**
- \* Investigation of countertrade practices with the USSR,**
- \* Study of alternative involvement types with the USSR,**
- \* Discovering the impact of negotiation process in doing business with the USSR,**
- \* Evaluation of different factors leading to success in doing business with the USSR,**
- \* Evaluation of marketing activities in doing business with the USSR,**
- \* Identifying future expectations of business people about the USSR.**

### **4.2 RESEARCH DESIGN**

This is an exploratory study as the major emphasis is on the discovery of ideas and insights (14). As the Turkish-USSR business relations are quite new, clarification of certain business behavioral patterns was needed. The outcome of this study is hoped to aid in forming new and specific hypotheses for future research.

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14 The basic purpose is the one suggested by S., W., and C., Research Methods in Social Relations, 1976, pp.90-91.



### **4.3 SECONDARY DATA COLLECTION METHOD**

The study started with the identification of the available secondary data available on the following topics:

1. USSR related trade
2. Turkish-USSR trade
3. Turkish-USSR agreements and countertrade process
4. Turkish governmental policies in development of bilateral trade.

During 1989-1990, the only data available on the USSR international trade were the CIA Reports or some private research company forecasts, the Planecon Group being the most reliable source. In February 1991, OECD published a book on the USSR where the trade figures were brought together by the OECD Economists themselves. So, this publication was taken as a major guide in understanding the USSR trade and developments.

Türk Eximbank, Export Promotion Center (İGEME), and Foreign Economic Relations Board (DEİK) had a few publications on various aspects of the Turkish-USSR trade. These included the detailed trade data, with the items and quantities specified, Turkish-USSR economic relations' background, bilateural agreements like natural gas deal and Eximbank Credits scheme.

Besides these sources, a private commercial research group named International Business Services (IBS), had gathered information on the Turkish-USSR business relations, and included several examples of Turkish business enterprises in their four consecutive booklets. This publication has been useful in the design of the questionnaire.

Then secondly, several interviews were carried out with the officials of Eximbank, Undersecretariat of Turkish Foreign Trade and Treasury (UTFT), and Central Bank. In addition, the author participated in seminars on the Turkish-USSR economic relations that are open to public ie. İstanbul Chamber of Industry's International Symposiums dated 24-26 September 1990 on "The Economic Reforms in the USSR and the Eastern European Countries and Possibilities of Economic Cooperation with Turkey", and dated 24-25 February 1992, on "New Perspectives on the Turkish foreign Economic Relations", as well as some conferences mainly limited to members of the organizations eg. DEİK Turkish-Soviet Business Council meeting with UTFT's General Director on November 15th,1991.

### **4.4 METHOD OF ADMINISTRATION**

Relying on the background of the information at hand, a questionnaire was designed for administration to business people that were already involved with the USSR. At first, the questionnaire was pretested with several Turkish businessmen who were personally known by the researcher, and who had

relations with the USSR. Accordingly the final format of the questionnaire was prepared and professionally typeset and printed (Appendix 12A and B).

In the six-page questionnaire, most of the questions were closed-ended. This questionnaire was distributed to the members of the DEİK Turkish-USSR business council, during a plane trip to the biannual meeting in Moscow, on 15 December, 1991. So a substantial number of members all received the questionnaires at the same time. They all completed it within 1.5 hours.

Self-administered questionnaires were used in the researcher's presence, in this way there was an opportunity for the respondents to seek clarification on points of confusion, - thus information control was realized. This method also allowed the researcher to control the sampling; directing the inquiry to the right sampling units as well as increasing the cooperation of the respondents. Eventhough, personal interviews are usually more expensive, because of the unique approach of the method of data collection, per completed cost was not as high.

#### **4.5 SAMPLING PROCEDURE**

There was no list of active business involvers with the USSR to use as a population in order to draw a sample. So the sample was formed from the DEİK members as of December 15th,1991. This can be regarded as a judgement sample (15), as the researcher believed that most of the bilateral trade participants had joined the DEİK to get advantage of the Board's connections and influence in Moscow.

In December, 1991 there were 186 member companies in Turkish-USSR Business Council. 103 businessmen representing different companies have participated to the Moscow trip, and 63 usable questionnaires were completed.

#### **4.6 DATA COLLECTION**

Because of the nature of the sample (it was not a probability sample) it was not possible to control the sampling error in the study. So a very unique approach was carried out to minimize the nonsampling error during the data collection phase.

- In order to minimize the nonresponse error the self administered questionnaires were asked to be filled up in the presence of the surveyor.

103 questionnaires were passed to DEİK members during the plane trip from Istanbul to Moscow; on the way to the biannual trade council meeting. The responses were as follows:

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15 According to Churchill, 1991, Methodology in Marketing Research, p.540; "judgement samples are often called purposive samples; the sample elements are handpicked because it is expected that they can serve the research purpose. Most typically, the sample elements are selected because it is believed that they are representative of the population of interest".

- \* 63 business people representing different companies completed the questionnaire,
- \* 23 reported that they had insufficient experience with Soviet trade,
- \* 8 declined to answer the survey, stating company policy as an excuse,
- \* 3 of the questionnaires were incomplete.
- \* 6 did not return the questionnaire.

Initial response rate was quite high. There was some follow-up during the week in Moscow in order to complete some of the incomplete answers; 4 was actually gathered this way.

Refusals were minimum, as the researcher was there during a trip to Moscow, recognized by the president of the council, and the president also asked the cooperation in this research from the members of DEiK by an announcement on the plane.

- Besides, advance planning was done in order to eliminate the key extraneous factor; history (16). As one can never physically control the effects of history, in the field survey, one may find (or develop) a way to isolate that.

As 1991 has been extremely dynamic in terms of USSR and reflected in the business relations with that country, the questionnaires were distributed to the respondents at the same time, to guarantee that they all had the similar information at the time of the study. Otherwise, the effect of "history" would leave this research with uncomparable replies.

## 4.7 DATA ANALYSIS

Editing which involved the inspection and correction of each questionnaire form took place in Moscow, after receiving the answers on the plane. For a whole week editing was done and respondents were once again asked to complete the incomplete forms.

As there were both the open-ended questions as well as the close-ended ones, coding was not very easy. After the appropriate categories on the basis of the answers in the open-ended ones were determined by the researcher, they were cross checked with the thesis advisor once again.

The computer programme SPSS-PC was used as a tool to document the tabulations and the statistics of the survey.

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<sup>16</sup> Churchill (1991, p.182) definition "History refers to the specific events, external to the research (experiment) but occurring at the same time, that may affect the criterion or response variable".

#### **4.8 SIGNIFICANCE OF RESULTS:**

The findings of the present study is consistent with the findings of scholars who have studied American-USSR business relations.

During the last 9 months after this survey, information obtained from various media suggests that the behaviour of Turkish firms in the context of trade with the former-USSR has been developing as forecast by this study.



## V. FINDINGS OF THE STUDY

In this chapter findings of the survey are discussed. First the identity of the sample firms as it manifests itself in their business relations with the USSR are examined. Then the findings based on the empirical research objectives are evaluated in detail.

### 5.1 SAMPLE FIRMS

The 63 firms in the sample are analyzed according to their characteristics, general business relations, and former USSR related activities in this section.

#### 5.1.1 IDENTITY

In this section, sample characteristics will be presented; at first information regarding the firm (age, field of industry/service, sales) and contacted people (position, experience) will be presented.

**TABLE 5.1**  
**AGE OF FIRMS**

<b>FIRMS' AGE</b>	<b><u>n</u></b>	<b><u>%</u></b>
1-9 Years old	10	15.9
10-19 Years old	23	36.5
20-29 Years old	11	17.4
30-39 Years old	9	14.3
40-49 Years old	6	9.6
More than 50 Years old	3	6.3
<b>TOTAL</b>	<b>63</b>	<b>100.0</b>
<b>STATISTICS:</b>		
Mean	: 22.0	
Mode	: 10.0	
Median	: 17.0	
Std.Dev	: 15.963	



The firms in our sample represent a wide array of Turkish businesses in terms of years of existence (experience). The largest group in the sample is the 10-19 years of experienced firms. This is understandable in terms of the export-oriented development strategies of Turkey during the 1980s.

**TABLE 5.2**  
**CONTACTED FIRMS' FIELD OF INDUSTRY IN TURKEY**

<b>SIC - INDUSTRIES *</b>	<b><u>n</u></b>	<b><u>%</u></b>
31 - Foodstuffs / Beverage	7	11.1
32 - Textile / Clothing / Leather / Shoe	10	15.9
35 - Chemical / Petroleum / Rubber / Plastics	5	7.9
36 - Earthenware / Glass	1	1.6
37 - Iron & Steel / Metal Main	1	1.6
38 - Metal Goods / Machinery / Electrical Machineries/ Transport Vehicles / Scientific & Control	10	15.9
**40- Banking	4	6.3
**43- Construction	11	17.5
**45- General Trading Firms / Foreign Trade Organizations	14	22.2
<b>TOTAL</b>	<b>63</b>	<b>100.0</b>
*SIC CODE: Classification of the main groups of industry; Turkish Chamber of Industry) (some firms were active in more than one industry, their major line is taken for classification.)		
** Denotes the service industries, the codes are developed by the researcher for the easiness in coding the open-ended answers.		

The firms in our sample came from various industries. The highest number was from the general trading firms/foreign trade organizations, which were represented by 22.2 % in the sample. Construction sector had the second largest group with 17.5 %. Then came Textile (SIC 32) and Machinery groups (SIC 32), both having an equal share of 15.9 % .

**TABLE 5.3**

**LAST YEARS TOTAL SALES(GROSS INCOME) OF THE COMPANY CONTACTED**

<b>TOTAL SALES (GROSS INCOME)</b>	<b><u>n</u></b>	<b><u>%</u></b>
Less than 1 million USD	2	3.3
1.1 to 5 million USD	7	11.7
5.1 to 10 million USD	4	6.7
10.1 to 25 million USD	8	13.3
25.1 to 50 million USD	5	8.3
50.1 to 100 million USD	9	15.0
More than 100 million USD	25	41.7
<b>TOTAL</b>	<b>60</b>	<b>100.0</b>
No answer	3	

(Eventhough there were more firms who did not answer, secondary sources are used to complete firms' gross income).

The latest statistics regarding the total sales of top 500 manufacturing companies (ISO, 1992) in Turkey show that, in 1991 the Top 500 had gross sales over 10 million USD. Where as Top 250 firms had gross sales above 25 million USD, and the first 100 had more than 50 million USD. Only the Top 50 Turkish manufacturers had total sales more than 100 million USD.

This implies that, 78.3% (13.3 + 8.3 + 15 + 41.7) of the firms in our sample are among the top 500 firms with only their foreign sales, or for the service firms mainly in construction and banking, they could have been ranked equally high. Accordingly only 15% of our firms (total sales less than 5 million USD) can be classified as small- to medium-sized (17). The rest between 5-10 million are classified as large.

**17 Small- to mid-size Companies Definition:**

According to Turkish Law No.3624, enacted in April 12,1990 , Article.2: The industrial enterprises employing 1-50 workers are defined as Small Scale Enterprises, and the enterprises employing 51-150 workers are defined as Medium Scale Enterprises (For further information see Small and Medium Industry Development Organization (SMIDO,1990). Instead in this study the level of sales are used.

**TABLE 5.4**  
POSITION OF THE CONTACTED PEOPLE IN THE FIRM

<b>POSITION</b>	<b><u>n</u></b>	<b><u>%</u></b>
Owner/ Share Holder, General Manager, Board Member, General Coordinator	29	46.0
Assistant General Manager, Top Management	10	15.9
Marketing Manager, Export Manager,	14	22.2
International Relations Manager Moscow Representative	2	3.2
Member of Marketing or Export Department	8	12.7
<b>TOTAL</b>	<b>63</b>	<b>100.0</b>

In this study, both strategic issues and the operational problems have been investigated. Distribution of the contacted people's positions suggests that a high proportion of top management ( 46% + 15.9%) in our sample frame are in a position to put forward the strategic issues realistically. Furthermore, this will permit us to see the direction the firms will follow in the future. The rest of the contacted group comes from the operations-oriented positions. Their opinions on the difficulties and opportunities associated with the USSR trade relations will cover the other dimension of the study. Thus, it will be possible to obtain a complete picture of the situation.

**TABLE 5.5**  
EXPERIENCE OF THE CONTACTED PERSON IN EXPORTING OR  
INTERNATIONAL ACTIVITIES

<b>EXPERIENCE</b>	<b><u>n</u></b>	<b><u>%</u></b>
One to two years	6	11.5
Three years	10	19.3
Four years	9	17.3
Five years	9	17.3
Six years	9	17.3
Seven years	9	17.3
<b>TOTAL</b>	<b>51</b>	<b>100.0</b>
No answer	12	



**STATISTICS:**

Mean: 4.577

Mode: 3.000

Median: 5.000

Std.Dev: 1.730

The average experience of the contacted person in exporting or international activities is about 4.6 years, with standard deviation of 1.73; which suggests that 95% of our sample that have answered this question, lie between 1.14 years of experience to 8.06 years of experience. So our survey has covered people with sufficient experience for answering the questions probed in this study (more than two years is considered sufficient experienced by the researcher).

## 5.1.2 BUSINESS RELATIONS

In this section the sample firms' general international business relations as well as the USSR directed involvements will be analyzed in two parts.

### 5.1.2.1 GENERAL INTERNATIONAL BUSINESS RELATIONS

In examining the firms international business relations the following Table 5.6 offers an important dimension.

**TABLE 5.6**  
NUMBER OF COUNTRIES FIRMS ARE CURRENTLY INVOLVED WITH

<b>NUMBER OF COUNTRIES</b>	<b><u>n</u></b>	<b><u>%</u></b>
1	7	11.7
2-5	18	30.0
6-9	9	15.0
More than 10	26	43.3
<b>TOTAL</b>	<b>60</b>	<b>100.0</b>
No answer	3	

Firms that just started to internationalize, with USSR their only foreign market, is represented by seven firms, 11.7%, in our sample. This may give us a clue about

the effect of cultural distance in motivating this group (cultural distance theory suggests that the firms would start to internationalize by exporting to the culturally closest country). The second group that has business relations with two to five countries constitutes about 30% of the sample. This group might be very selective in choosing the countries in which they want to be active -ie concentration of their export markets (Bodur & Çavusgil 1985). Concentration strategy may be due to the exporters' risk aversion type of behavior or their decision to ration their resources. The third and fourth groups can be evaluated as actively involved international companies (18), that they are adjusting their marketing policies for different foreign market needs. This largest group represents 58.3 % of our sample. This can be attributed to the export development policy of the 1980's in Turkey. This development model is very similar to that found in the far east, a policy based on the Japanese model of building up huge Foreign Trade Organizations to serve as the engine of the export drive. So, during the 1990's these large "foreign trade capital companies" (FTCC) of Turkey worked as trading groups active in many foreign countries, and it is very likely that they are, and have been, active in the USSR since the last decade.

**TABLE 5.7**

**TURKISH FIRMS CURRENT ENGAGEMENT IN TRADE WITH EASTERN EUROPE**

<b>EASTERN EUROPE TRADE RELATIONS LEVEL</b>	<b>n</b>	<b>%</b>
We have currently trade relations with Eastern Europe	40	63.5
We do not currently have trade relation with Eastern Europe	16	25.4
We do currently consider having trade relation with Eastern Europe	7	11.1
<b>TOTAL</b>	<b>63</b>	<b>100.0</b>

As our sample is composed of the active involvers with the USSR, discovering the same group's interest in Eastern Europe would suggest their attitude towards internationalization. Especially their behaviour orientation in higher risk bearing countries (ie. Libya, Iraq, and Rumania as it is extracted from Table - 5.31) might suggest that these companies have entrepreneurial drive.

In our sample only 16 companies (25.4 %) do not currently have trade relations with Eastern Europe and do not plan to build up a new business relation with Eastern Europe. 11.7 % of our sample are considering to start a trade relation with the Eastern Europe eventhough they are not involved yet.

18 According to Çavusgil(1984) three stages of internationalization process is identified which are experimental involvement characterized by fulfilling unsolicited inquiries in a few foreign markets, active involvement where firms have expanded their exporting activity to a number of key markets, and finally committed involvement where worldwide business opportunities are sought and the distinction between domestic and foreign sales appear artificial. Accordingly, this ultimate stage in the internationalization process usually brings about other types of international involvement, such as direct investment, sales subsidiary, worldwide sourcing arrangements and so on.



As foreseen, 63.5 % of our sample is also involved in Eastern Europe which means that the transitional period of closed economies to market economies do suggest an opportunity for this group. And they go after it!

**TABLE 5.8**  
IMPORTANCE OF USSR FOR THE TURKISH FIRMS IN TERMS OF TRADE

IMPORTANCE LEVEL	<u>n</u>
It is the most important country	30
It is the second important country	8
It is the third important country	13
It is the fourth important country	2
No answer	10*

\*only 4 companies did not mention USSR in their prioritization and 6 people did skip the question

Our sample suggests that, 30 firms give USSR a priority position in their internationalization. This means that they will pay the highest attention to, they will place the majority of their resources in, and they expect a major return from this market. Only four companies did not place USSR among the first four countries that they consider as being important.

**TABLE 5.9**  
TURKISH FIRMS FIRST PRIORITY COUNTRY IN TRADE

COUNTRY	<u>n</u>	<u>%</u>
Hungary	0	0
Poland	0	0
USA	6	10.5
Germany	15	26.3
Iraq	5	8.8
Libya	2	3.5
USSR	30	50.9
<b>TOTAL</b>	57	100.0
No Answer	6	

Sample firms of the study were asked to prioritize their traded countries among the group supplied by the researcher. The suggested country groupings were formed according to the last few years Turkish trade partners (See Appendix: 2,3,4,5). And then, two highest traded country examples are taken from each group of countries; namely East European, OECD, Middle Eastern.

It is not surprising to see USSR emerging as the highest priority country as the survey was done on a flight from Istanbul to Moscow.

It is also understandable that Germany, USA, and Iraq came out as other important markets.

Iraq's and Libya's prioritization within this group of Soviet business developers also bring up a question whether the central buying systems (or similar buying systems) play a role in the groups self evaluation/expectation of success in the USSR.

**TABLE 5.10**  
PERCENTAGE OF EXPORTS/FOREIGN CONTRACTS IN TOTAL SALES

<b>FOREIGN SALES/TOTAL SALES</b>	<b><u>n</u></b>	<b><u>%</u></b>
Less than 10%	2	3.8
10 - 25%	16	30.7
26 - 50%	12	23.1
51 - 99%	11	21.2
100%	11	21.2
<b>TOTAL</b>	<b>52</b>	<b>100.0</b>
No Answer	11	

For 42.4% of the firms surveyed, exporting/foreign contracts has significant importance. They earn more than 50% of their sales revenues from abroad.

Exporting/foreign contracts can be said to be important for 23.1% of the firms. 26-50% of their revenues come from this source.

Finally, exporting/foreign contracts seems to have limited importance for 34.5% of the firms as less than 25% of their income is earned by these activities.

### 5.1.2.2 BUSINESS RELATIONS WITH THE USSR

As seen in table 5.11 most of the large Turkish firms (conglomerates) are very diversified in terms of their business line. For example, nine firms involved in construction services or stated construction as their major line are most likely also to be engaged in exporting, manufacturing in non-construction fields, or banking. This reflects perhaps the nature of large Turkish firms' structure.

**TABLE 5.11**  
**FIRMS USSR TRADE RELATION IN TERMS OF PRODUCT GROUPS**

<b>SIC - INDUSTRIES *</b>	<b>n</b>	<b>%</b>
31 - Foodstuffs / Beverage	10	16.4
32 - Textile / Clothing / Leather / Shoe	11	18.1
33 - Wood and cork products / Wooden furniture & fixtures	1	1.6
34 - Paper and paper products / Printing publication	1	1.6
35 - Chemical / Petroleum / Rubber / Plastics	8	13.1
36 - Earthenware / Glass	1	1.6
37 - Iron & Steel / Metal Main	5	8.2
38 - Metal Goods / Machinery / Electrical Machineries / Transport Vehicles / Scientific & Control	10	16.4
**40- Banking	4	6.6
**43- Construction	9	14.8
**45- General Trading Firms / Foreign Trade Organizations	1	1.6
<b>TOTAL</b>	<b>61</b>	<b>100.0</b>

\* SIC CODE: Classification of the main groups of industry; Turkish Chamber of Industry (some firms were active in more than one industry, their major line is taken for classification.)

\*\* Denotes the service industries, the codes are developed by the researcher.

Distribution of firms' USSR trade relation further shows that, 18.1% have textile, clothing, leather, and shoe manufacturing as their major activity. Metal goods, machinery, and transport vehicles manufacturers are represented by 16.4% of the total sample, which is same as the foodstuffs and beverages manufacturers. Then the major groups are construction services, chemical related production, iron and steel related production, and banking in the rank order.

This composition of the sample can be analyzed together with the Turkish export to USSR statistics (Appendix 1) and Turkish firms' overseas contracting work (Appendix 2). Eventhough exact comparison is not possible, the breakdown of trade along major lines of business and the distribution of the sample suggests that the sample is fairly representative of the actual business situation.

**TABLE 5.12**  
**TRADE RELATED ACTIVITIES AND TYPES OF INVOLVEMENT (n=63)**

INVOLVEMENT TYPES	<u>n*</u>	<u>%</u>
Exporting	34	54.0
Importing	23	37.0
Joint venture arrangements in the USSR	15	23.8
Countertrade (do barter type trade)	14	22.0
In building-construction business	11	17.5
Selling know-how	8	12.7
Arranging international credit	7	11.1
Supplying banking services	4	6.3
Licensing agreement	2	3.0
Border trade	2	3.0
Tourism business	1	1.6

\* multiple answers allowed

A total of 63 companies indicated that they were presently engaged in at least one of the trading activities investigated in this study. The most frequent activity was exporting. 34 Turkish companies were involved with exporting to the USSR. Importing from the USSR and joint venture arrangements in the USSR were used more often than other activities. Countertrading of any sort (counterpurchase, import and export with linked contracts, etc.) was used by 14 firms. Another frequently ( 11 firms) mentioned activity was building and construction business. Tourism business, border trading, and licensing were less popular trade activities for the Turkish firms that were involved with the USSR.

**TABLE 5.13**  
**THE DURATION OF INVOLVEMENT WITH SOVIETS**

<b>NUMBER OF YEARS</b>	<b>n</b>	<b>%</b>
Upto 1 year	11	17.5
2 Years	18	28.6
3 Years	7	11.1
4 Years	10	15.9
5 Years	4	6.3
6-8 Years	7	11.1
9-15 Years	5	7.9
More Than 16 Years	1	1.6
<b>TOTAL</b>	<b>63</b>	<b>100.0</b>

Turkish companies have shown increasing interest in the Soviet market during the last few years because of several reasons. The Glasnost policy and the market economy approach in USSR had the major impact, but Turkish governmental incentives (Türk-Eximbank credits, natural gas agreement) as well as the proven success of some Turkish firms (19) have played a major role in increasing the number of firms that want to get involved with the USSR. The high percentage (46.1 % = 17.5 % + 28.6 %) of firms whose involvement is only one or two years old supports this. The companies that had relations for more than five years old constitute 20.6 % (11.1 % + 7.9 % + 1.6 %) of our sample.

It can be concluded that this distribution realistically reflects the general nature of progress in bilateral trade relations and the unique place of USSR in this progress.

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19 Especially contractors like ENKA



**TABLE 5.14**  
**THE INITIATION OF RELATION WITH THE USSR**

<b>ACTIVITY INITIATION</b>	<b><u>n</u></b>	<b><u>%</u></b>
A USSR based importer approached us	1	1.6
A USSR based exporter approached us	1	1.6
We approached USSR based import/export firm	36	59.0
A Turkish state agent approached us	5	8.2
A Turkish trade agency approached us	7	11.5
Various approaches: Turkish firm was more active	2	3.3
Various approaches: Turkish firm was passive	6	9.8
Various approaches: Equal involvement of parties	2	3.3
Other	1	1.6
<b>TOTAL</b>	<b>61</b>	<b>100.0</b>
No Answer	2	

It is very clear that the development of business relations between the Turkish firms and their Soviet counterparts was mostly (59.0 % of the cases) initiated by the Turkish firms. Turkish Foreign Trade Capital Companies or another trade agent have initiated this business relations in 11.5 % of the time. These two results show that Turkish firms are actively seeking the new opportunities in the new markets and being proactive in the business development. Turkish state agents (both in Moscow and in Turkey) had also initiated these relations in 8.2 % of the time among the companies that were contacted. This figure suggests that, the traditional bureaucratic role of "being passive" and "wait and see" approach is beginning to be replaced by the active "go-getter" type of approach. Especially for the economies with entry barriers (either stemming from being a closed economy, or from the oligopolistic nature of the markets) the Turkish officials' active role bearing could open up new opportunities for the Turkish business circles.

Only in two cases (3.2 %), USSR based importer/exporter have approached the Turkish companies that were contacted. This result suggests that Turkish firms and officials need to identify the customers/middlemen to approach and then initiate the business development rather than waiting to be discovered and approached by others.

**TABLE 5.15**  
**BUSINESS (EXPORT/CONSTRUCTION) ARRANGEMENT FOR THE USSR**

ARRANGEMENT	<u>n</u>	<u>%</u>
We have a sales office in the USSR	19	35.2
We serve the USSR market directly from Turkey, using company personnel	22	40.7
We are involved in a joint venture with another company to handle our sales of our products	1	1.9
We use commission agents	4	7.4
We sell to a merchant distributor who takes title to goods and contacts buyers himself	1	1.9
Various combinations of above	7	13.0
<b>TOTAL</b>	<b>54</b>	<b>100.0</b>
No Answer	9	

Seven firms use multiple arrangements with varying weights depending on the situation, in their USSR business relations. 19 firms (35.2 %) have a sales office in the USSR, so they have their foot right in the middle of the developments at this transition period, whereas 22 firms (40.7 %) chose to serve this market from Turkey.

**TABLE 5.16**  
**FIRMS' USSR ORGANIZATION**

ORGANIZATION FOR SOVIET BUSINESS	<u>n</u>	<u>%</u>
Specialized department or specific part of export department	22	36.1
A person solely responsible for this market	14	23.0
General manager is directly responsible	10	16.4
All of the company is involved in this issue	8	13.1
All the related personnel	4	6.6
General manager and export department	3	4.9
<b>TOTAL</b>	<b>61</b>	<b>100.0</b>
No answer	2	

Sample firms' USSR organization is designed especially for the foreign market in 36.1% of the cases by organizing a specialized department. In 23% of the firms there is one person solely responsible for this market. These two groups can be taken as the "committed" exporters/involvers of the internationalization process typology suggested by Çavuşgil(1984).

For those firms where the "General Manager" is responsible directly, their organizations do not imply a strong commitment to the USSR market at this stage yet.

**TABLE 5.17**  
THE PERSON RESPONSIBLE FOR EXPORTS REPORTS TO

REPORTED POSITION	<u>n</u>	<u>%</u>
General Manager	31	60.8
Marketing Manager	3	5.9
Both general manager and marketing manager	8	15.7
Assistant general manager or group coordinator	3	5.9
Board of directors	5	9.8
Others	1	2.0
<b>TOTAL</b>	<b>51</b>	<b>100.0</b>

It is interesting to find out that general managers, themselves, are very keen in their USSR involvement (60.8% + 15.7%). They are active participants of the USSR decisions, and consecutively might as well spend a large part of their time for this market.

**TABLE 5.18**  
SATISFACTION WITH THE USSR RELATIONS

SATISFACTION LEVEL	<u>n</u>	<u>%</u>
Our relation is very satisfactory	11	17.5
We expect our relation to be satisfactory in the future	42	66.7
It is early to judge	8	12.7
We are dissappointed (couldn't find what we expected)	2	3.2
<b>TOTAL</b>	<b>63</b>	<b>100.0</b>

There are only two firms (3.2 %) that have negative opinion about the Soviet market. There is another cautious group of eight firms (12.7 %), that needs more time in order to collect the fruits of their Soviet market efforts. The presence of 11 firms (17.5 %) that evaluate their trade relations as very satisfactory can be taken as an indication of an expected increase in their business volume. Besides, 42 firms (66.7 %), the majority of our sample is very hopeful and optimistic about the prospective business development between the two countries.

**TABLE 5.19**

**DISTRIBUTION OF FIRMS ACCORDING TO VOLUME OF EXPORT TO USSR  
(1990 EXPORTS)**

<b>USSR EXPORT/CONTRACT VOLUME</b>	<b><u>n</u></b>	<b><u>%</u></b>
Less than 1 million USD	6	17.6
1 to 9 million USD	10	29.5
10 to 19 million USD	5	14.7
20 to 36 million USD	7	20.6
More than 40 million USD	6	17.6
<b>TOTAL</b>	<b>34</b>	<b>100.0</b>
No answer	29	

It is interesting to note that 29 firms chose not to answer this question. For the rest who answered, more than 10 million USD for foreign sales can be classified as a "significant amount" (total export was 531 million USD). 1-9 million USD exports as "important", and less than 1 million USD can be judged as a "trial parties; a kind of test market".

**TABLE 5.20**

**RATE OF DIRECT INVOLVEMENT IN EXPORTING TO USSR**

<b>DIRECT EXPORTS/TOTAL EXPORTS</b>	<b><u>n</u></b>	<b><u>%</u></b>
Less than 10%	2	6.2
75%	2	6.2
80%	3	9.4
100%	25	78.2
<b>TOTAL</b>	<b>32</b>	<b>100.0</b>
No Answer	31	

It is worth to note that 78.2% of total firms that have involvement with the USSR, do not use any other indirect channel; they handle exports directly. There were only two firms (6.2%) that use other agencies/channels for 90% of their volume.

### Shifts in the direction of Turkish Export Focus

Before the shift of trading power to the republics and factories, traditional USSR trade was handled according to GOSPLAN and the implementation was carried out by the MOSCOW based large Foreign Trade Organizations. It was a totally centralized buying system. The following survey questions are intended to find out the changes in the Turkish exporters sales destination during this transitional period.

This part of the survey is designed at three levels of selling: central, republic, and factory level. How the Turkish firms are adapting to this new channel structure is explored.

**TABLE 5.21**  
PERCENTAGE OF EXPORTS BY THE CENTRAL BUYERS

<b>RATE OF EXPORTS DIRECTED TO CENTRAL BUYERS</b>	<b>n</b>	<b>%</b>
25%	2	6.8
35-40%	2	6.8
70-75%	2	6.8
80-85%	2	6.8
90%	1	3.4
100%	20	69.1
<b>TOTAL</b>	<b>29</b>	<b>100.0</b>
No answer	34	

Turkish firms traditional export channel to USSR have been the FTO's. The results show that 20 firms are still using only this sales direction regardless of the change in the system. It is likely that these firms had trade relations for many years in the same items with those specific FTO's, and these FTO's still handle those specific product buying for the USSR or RUSSIAN Republic. Besides these exports could be the results of some previous linked contracts where the duration was not explored at the time of the study ie. countertrade agreements- gas deal, or yearly bilateral trade arrangement between the two countries.

The rest of the sample (nine firms) seem to ration their exports and have been more adaptive to the changes. They are likely to use different level of sales direction.



**TABLE 5.22**  
**PERCENTAGE OF EXPORTS TO THE REPUBLICS LEVEL BUYING**

<b>RATE OF EXPORTS DIRECTED TO REPUBLICS LEVEL</b>	<b><u>n</u></b>	<b><u>%</u></b>
3%	1	14.3
30%	1	14.3
45%	1	14.3
90%	2	28.6
100%	2	28.6
<b>TOTAL</b>	<b>7</b>	<b>100.0</b>
No Answer	56	

It is interesting to note that the decentralization efforts produced very little results as of December 1991, over the active Turkish firms. Only seven firms of the 63 exporters said they were involved at the republican level. Besides, only four firms have made 90-100 % of their volume through the direct involvement with the Republics. In years to come, this is of course, expected to rise sharply.

**TABLE 5.23**  
**PERCENTAGE OF EXPORTS TO FACTORY LEVEL**

<b>RATE OF EXPORTS DIRECTED TO FACTORY LEVEL</b>	<b><u>n</u></b>	<b><u>%</u></b>
10%	3	23.1
15-22%	3	23.1
55-75%	5	38.4
100%	2	15.4
<b>TOTAL</b>	<b>13</b>	<b>100.0</b>
No Answer	50	

Thirteen exporters have used only the factory destination as the target of their exports to the USSR. They seem very adaptive to the new Soviet reform in decentralization where the authority is given to the industrial plants. This type of behavior is very important for bilateral trade for at least 2-3 years until a new interconnected network of buying system for the Republics itself and within the

Republics will be formed. These 13 Turkish firms are the pioneers of the new selling system, where the buyers have a limited international experience in bank transfers, contract writings, and transportation. So these factories are at the exploring and learning phase and the Turkish firms are trying to do business at this era that does not promise much in terms of efficiency.

## **5.2 FACTORS IN BUILDING AND DEVELOPING THE TRADE RELATION WITH THE USSR**

Several factors are analyzed in getting involved with the USSR; at first a general approach is used, then government support services and size of the firm are evaluated in a detailed manner.

Table 5.24 on the next page, indicates the factors of concern in establishing and developing trade relations for the Turkish firms that have some type of involvement with the USSR. Uncertainty in payment conditions ( $\bar{x}=3.66$ ) was the highest concern in trading with the USSR. USSR market (in)experience and knowledge ( $\bar{x}= 3.33$ ) was ranked second among the Turkish firms. The turbulence of this transitional period can be the reason for these two factors. Buying inexperience at the Republic level by the local agents was also a major concern ( $\bar{x}=3.29$ ).

When this study on Turkish businessmen's attitude is compared with Hisrich and Peters (1983) study on US businessmen's trade relations with the USSR, there are some interesting outcomes.

In the American study with 50 firms that were involved in trade with at least one of the controlled economies in 1983 (Eastern Europe or USSR), the highest concerns in trading with the USSR, were as follows:

- 1.Lack of protection for US copyrights and patents ( $\bar{x}=3.24$ )
- 2.Time required of senior management ( $\bar{x}=3.05$ )
- 3.Financing of trade arrangements ( $\bar{x}=2.95$ )

The similarity of Turkish and American study is that, in both surveys, the factor of "time requirement by the senior management" ranked among the highest concerns.

In the American study, the lowest concerns in the trade relations with the USSR, were the following:

1. Language ( $\bar{x}=1.50$ )
2. Unfamiliarity with market ( $\bar{x}=1.86$ )
3. Varying exchange rates ( $\bar{x}=1.90$ ).

The striking difference on the perception of Turkish and American businessmen in evaluating the factors in building and developing the trade relation with the USSR were found to be "Market experience and knowledge" variable. For the Americans not having enough market experience, in other words being unfamiliar did not matter. Whereas for the Turks, not having enough market knowledge was found

**TABLE 5.24**  
**IMPORTANCE OF FACTORS IN BUILDING AND DEVELOPING THE TRADE RELATION WITH THE USSR**

FACTORS	NO. OF FIRMS (PERCENTAGE)				Mean	Std.Dev.
	Not important at all	Not Important	Important	Very Important		
Uncertainty in payment conditions	0	0	16 (34.0)	31 (66.0)	3.660	0.479
Market experience and knowledge	1 (2.1)	3 (6.3)	23 (47.9)	21 (43.8)	3.333	0.694
Buying inexperience in the republican/local agents	1 (2.3)	4 (9.1)	20 (45.5)	19 (43.2)	3.295	0.734
Time required by senior management	1 (2.2)	8 (17.4)	22 (47.8)	15 (32.6)	3.109	0.767
High initial investment for market entry	1 (2.2)	11 (24.4)	23 (51.1)	10 (22.2)	2.933	0.751
Varying exchange rates	7 (14.9)	10 (21.3)	14 (29.8)	16 (34.0)	2.830	1.070
Language	3 (6.7)	14 (31.1)	23 (51.1)	15 (11.1)	2.667	0.769

to be a very important factor. This may be due to two factors. First the “average year of experience with the Soviet market” between the Turkish and American businessmen can be very different. We know that the Turkish businessmen are lately involved and not very experienced, on the other hand we do not have an information on the experience level of the American sample.

The second factor, could depend on the time period of two studies. In the early 1980’s, when the American study was done, the economic and business environment was not as turbulent as the 1991-December. This transitional period required high adaptation to the on-going business-economic situation and that necessitates a very sound information on the markets, which is quite difficult to acquire. So, the Turkish firms concern on the market knowledge can be understandable within the “change” the country and republics are experiencing.

### 5.2.1 USE OF GOVERNMENT SUPPORT SERVICES

Companies that have formed a business relation with the USSR, were asked to evaluate their satisfaction with services provided by the Turkish government. First, they were asked whether they had received some of the government support services provided. The results given in Table-5.25 show that 17 firms out of 63, did not receive any of these government services. Of the rest, 28.3% mentioned that they have received seven different government related services. The average number of supports that have been used has become 4.391.

**TABLE 5.25**  
NUMBER OF GOVERNMENT SUPPORT SERVICES RECEIVED

NUMBER OF SERVICE	<u>n</u>	<u>%</u>
One type of service received:	9	19.6
Two types of services received:	5	10.9
Three types of services received:	3	6.5
Four types of services received:	5	10.9
Five types of services received:	5	10.9
Six types of services received:	5	10.9
Seven types of services received:	13	28.3
Eight types of services received:	1	2.2
<b>TOTAL</b>	<b>46</b>	<b>100.0</b>
No answer	17	
Mean	: 4.391	
Standard Deviation	: 2.380	

On the average, the Turkish firms in the sample received about 4 (mean is calculated as 4.391, but 4 is used for easiness) different types of government support services that were named in the study.

**TABLE 5.26**  
TYPE OF GOVERNMENT SUPPORT SERVICES RECEIVED AND SATISFACTION

	Not Satisfied at all n(%)	Not Satisfied n(%)	Satisfied n(%)	Very Satisfied n(%)	Not received Missing n	Mean	Std.Dev.
Help of attachés in USSR	6 (25.0)	2 (8.3)	14 (58.3)	2 (8.3)	39	2.500	0.978
Negotiation advice	2 (10.5)	8 (42.1)	8 (42.1)	1 (5.3)	44	2.421	0.769
Payment through gas projects	5 (17.2)	10 (34.5)	11 (37.9)	3 (10.3)	34	2.414	0.907
Business trip with bureaucratic delegation	6 (22.2)	6 (22.2)	14 (51.9)	1 (3.7)	36	2.370	0.884
Trade exhibits	6 (19.4)	12 (38.7)	12 (38.7)	1 (3.2)	32	2.2258	0.815
Eximbank credit	7 (21.9)	13 (40.6)	11 (34.4)	1 (3.1)	31	2.188	0.821
Special account payment	9 (36.0)	9 (36.0)	6 (24.0)	1 (4.0)	38	1.960	0.889
Other (DFIF-IGEME):	2						

Generally, satisfaction with the Turkish government services supporting Turkish-USSR trade was relatively low. The measurement scale ranged from very satisfied (scale value of 4) to very dissatisfied (scale value of 1). The most satisfying government service was the help of attaches in USSR which received 2.5 points out of 4.0. Then negotiation advice (2.42), and the payment through natural gas project (2.41) received the most favorable evaluation among the rest of the services. Special account payment (1.96) and Eximbank credit (2.18) had the lowest satisfaction level among the respondents.

Eventhough the mostly used promotional activity by the Turkish firms in the USSR has been trade shows and business trips with the bureaucratic delegations, they were not quite satisfactory according to the firms participating in the study. Wrong targeting and poor arrangements were major causes of discontent. But, the firms would still use these activities, as it had a positive image among the other Turkish firms and authorities. In other words, when a major Turkish firm does not participate in a trade show, it could lead to some misunderstandings by the others.

A comparison is done with Hisrich and Peters study (1983), on 50 U.S. manufacturers who are already engaged in trade with Eastern European countries. The U.S. companies have found trade show support and help of attachés as very satisfactory government support services. Help of attachés has also been found to be very satisfying in the present study, the Turkish case. Turkish government seems to have chosen the right attachés for the Moscow post in the past. This may still be valid. But the trade exhibits did not receive high rankings among the Turkish firms. This may be due to poor organizations or to



differences between the perceptions of Turkish participants regarding the outcomes of trade shows.

### 5.2.2 EFFECT OF FIRM SIZE

As size of the firm might have an effect on the firms involvement and further success with the USSR, this variable is analyzed in a more detailed manner.

**TABLE 5.27**

LIKELIHOOD OF SUCCESS - SMALL VERSUS LARGE FIRMS IN THE USSR

SIZE OF FIRM AND SUCCESS	<u>n</u>	<u>%</u>
Small firms have higher chance of success	3	5.4
Large firms have higher chance of success	21	37.5
Does not matter	32	57.1
<b>TOTAL</b>	<b>56</b>	<b>100.0</b>

Majority (57.1%) of the firms believe that, likelihood of success in the USSR does not depend on the size of the firms. On the other hand 37.5% of the respondents believe that large firms have higher chance of success in the USSR. Only three firms state that small firms have higher chance of success in the USSR.

Respondents were further queried to specify their reasoning. The open-ended questions for each group is classified for those who have answered:

**TABLE 5.28**

REASONS THAT LARGE FIRMS HAVE HIGHER CHANCE OF SUCCESS IN THE USSR

REASON	<u>n</u>
- Resource related advantages (high marketing costs, financial advantages, more government support, easier to take risks)	5
- Perceived power (image)	3
- Endurance	2
- Customer preference	1
<b>TOTAL</b>	<b>11</b>

Those who think that larger firms are advantageous, believe that this stems from the resources available to larger firms, and the USSR bureaucracy's or buyer's perception of better image. Endurance in this turbulent time is also more likely to be easier for the large firm than the small one.

**TABLE 5.29**

**REASONS THAT SMALL TURKISH FIRMS HAVE HIGHER CHANCE OF SUCCESS IN THE USSR**

<b>REASON</b>	<b>n</b>
- Flexibility	1
- Low overhead and so cost advantage	1

Flexibility and cost advantage stemming from the low overhead seem to be the only reasons why Turkish firms judge small firms to be more advantageous than the large ones in the USSR trade.

**TABLE 5.30**

**REASONS THAT FIRMS THINK SIZE IS UNIMPORTANT IN THE SUCCESS LIKELIHOOD IN THE USSR, WHAT IS JUDGED AS IMPORTANT**

<b>IMPORTANT FACTORS</b>	<b>n</b>
- Professional approach	4
- Personal contacts	2
- Staff	2
- Experience	1
- Other	1
<b>TOTAL</b>	<b>10</b>

About one third of the firms who think other factors than size is important in USSR business success have explained their reasoning.

According to some of the firms already active in the USSR, "professional approach" is the most important asset of the firm in order to be successful. Personal contacts and the quality of the staff are some other criteria suggested by the firms. Experience is mentioned by one firm as the important variable influencing success likelihood.

## **5.3 MODE OF THE RELATIONS**

In entering the USSR markets, Turkish firms have used modes different from those they are traditionally familiar with. In addition to, exporting and importing Turkish firms have gained experience in other forms of internationalization like joint ventures and countertrading. In order to practice either of these new forms of contractual relationships, Turkish firms had to acquire certain skills of negotiation. Besides, because of the centralization of buying function in the ex-USSR, even exporting procedures had to be carefully administered and this also involved a high level of negotiation. So, the Turkish firms came to participate, in negotiation processes that were more intensive and lasted longer than those they were accustomed to in their relations with other country markets.

### **5.3.1 JOINT VENTURES**

In January 1987, the USSR began to put in place the legislation permitting foreign participation in the ownership and operation of joint ventures located in the USSR. By June, the first of these joint ventures with a Western partner (involving the Finnish firm Kati Myynti) was registered with the USSR Ministry of Finance and thus acquired the status and rights of a separate legal entity in the USSR. Since that time a number of Turkish firms have signed joint venture agreements with Soviet partners and joined the small group of Turkish firms pioneering in this new form of international business involvement with the USSR.

Eventhough the bilateral trade between Turkey and the USSR is increasing significantly, joint ventures between these two countries do not expand as much as expected. There could be several reasons for the Turkish firms at this transitional period; political risk aversion being one of these.

This study examines the experience of the first Turkish firms to sign joint venture agreements with Soviet partners. Specifically, the Turkish firms perception, and assessment of the political risk associated with its joint venture in the USSR is investigated. It is hoped to provide a better understanding of these early entrants political risk and its management. For these firms political risk did not deter them from investing in the USSR, eventhough in some cases this was their first joint venture investment abroad. It is hoped that, these companies behavior patterns may teach some useful lessons to other Turkish or some other country firms.

In addition, USSR political risk assesment of these pioneering firms are compared with their political risk evaluation of some other countries. Here, in order to understand the impact of transformation economies' effect, their USSR choice is compared to some other East European countries' (Poland, Hungary, Rumania, Bulgaria) perceived political risk. Then, in order to sense the "central buying power" effect on their evaluation of political risk. Iraq and Libya's political risk evaluations are included for purposes of comparison.

Afterwards, the Turkish firms joint venture behaviour in the USSR is compared with the US firms similar behavior, by relying on the study by Nigh and Smith (1989).

**TABLE 5.31****COMPARISON OF THE LEVEL OF POLITICAL RISK ASSOCIATED WITH A JOINT VENTURE IN THE USSR WITH SOME OTHER COUNTRIES (n=15)**

	<b>Agree Completely (3)</b>	<b>Neither agree Nor disagree (2)</b>	<b>Disagree Completely (1)</b>	<b>Mean</b>	<b>Std dev</b>
USSR's political risk is higher compared to Hungary:	6	6	1	2.385	.650
USSR's political risk is higher compared to Polland:	5	7	1	2.308	.630
USSR's political risk is higher compared to Bulgaria:	5	3	2	2.300	.823
USSR's political risk is higher compared to Rumania:	3	5	3	2.000	.775
USSR's political risk is higher compared to Iraq:	6	0	9	1.800	1.014
USSR's political risk is higher compared to Libya:	5	0	9	1.714	.994

In the sample of 63 firms, 15 firms have formed joint ventures in the USSR (table 5.12). The level of political risk associated with a joint venture in the USSR is compared to some other Eastern European and Middle Eastern countries. According to these 15 firms, the countries politically riskier than USSR are Libya and Iraq in ascending order. Rumania has the same political risk as the USSR. Bulgaria, Poland and Hungary seem to have less political risk then USSR, according to our respondents evaluation.

A similar kind of a study for the American firms (n=9) was carried out by Nigh and Smith (1988). In that work the perceived level of political risk associated with a joint venture in the USSR compared to that of similar direct investments made by these firms in other foreign countries came out as follows:

<b>PROPOSITION</b>	<b>NO. OF FIRMS</b>
-A joint venture in the USSR did involve some increased risk -especially compared to developed countries	3
-USSR has lower political risk when compared with developing countries (these firms have extensive international business experience)	3

The difference in the outcomes of two studies stem from the categorization, in the Nigh and Smith survey, comparison was done in terms of USSR political risk versus developed or developing countries, whereas in this study the comparison base was the geographic or CMEA members.

**TABLE 5.32**

**DID THE FIRMS ASSESS POLITICAL RISK BEFORE THEY STARTED UP OR PLANNED FOR A JOINT VENTURE IN THE USSR (n=15)**

<b>POLITICAL RISK ASSESSMENT</b>	<b>n</b>	<b>%</b>
Yes	12	80.0
No	3	20.0
<b>TOTAL</b>	<b>15</b>	<b>100.0</b>

Three Turkish firms (20 %) have moved in and formed a joint venture in the USSR without any political risk assessment.

A further analysis is carried out to discover the type of sources used in the assessment of political risk in the USSR. The following Table-5.33 shows that Turkish firms have utilized their own experiences (91.7%) as the most reliable resource in the assessing the political risk for the joint venture establishments in the USSR. The use of Turkish government officials and its agencies (75.0%) , and top executive visit to USSR (75.0%) had the second highly mentioned sources in evaluating the political risk in the USSR.



**TABLE 5.33****THE TYPE OF SOURCES USED IN THE ASSESSMENT OF POLITICAL RISK IN THE USSR (n=12)**

TYPE OF SOURCES	USING		NOT USING	
	n*	%	n*	%
. Internal sources of information, our experiences	11	91.7	1	8.3
. Turkish government officials and government agencies(UTFT,EXIMBANK,IGEME)	9	75.0	3	25.0
. Soviet government officials and government agencies	5	41.7	7	58.3
. The Turkish-USSR trade and economic council (DEIK).	5	41.7	7	58.3
. Publications on country analysis and risk evaluations	4	33.3	8	66.7
. Top executive visit to USSR	9	75.0	3	25.0
. Used strategic analyst	1	8.3	11	91.7
. Employed professional consultancy services for analyzing political conditions in foreign countries	5	41.7	7	58.3
. Used the financial assessment to shorten the payback period and increase ROI criterion.	5	41.7	7	58.3

\*Multiple answers allowed

A similar kind of survey questions was asked for the American firms (n=9) in the Nigh and Smith study(1988). In that work approaches to political risk assessment are discussed and the following outcomes are obtained:

Type of Source Used for Political Assessment	No. of Firms
Internal sources of information are used heavily for political risk assessment (especially the firms who have extensive previous USSR experience - some had already offices in the USSR)	5
External sources of information are used heavily (Commerce department, State department, department of Defense, Soviet ministries, AMTORG, US-USSR trade and economic council, consultants)	4

Top executive trips to the USSR ( a judgement could be developed for the future of perestroika by first hand observation)	no exact number
Used a part-time strategic analyst	1
Used government affairs company personnel	1
The assessment is integrated with financial measures (payback and return on investment)	1

"It is fair to characterize the approach to political risk analysis used by these pioneering American firms as informal and unstructured, with heavy involvement by the highest level executives. We do not find evidence of application of an institutionalized assessment function utilizing structured, systematic analytical methods" (Nigh and Smith, 1989: 41). It is already known from the previous studies concerning the American-based multinational companies that a formal political risk assessment methods are still in the early stages of development (Kobrin, 1982).

Interestingly, Turkish firms seem to use more of the formal political risk assessment methods than U.S. firms. This can be seen in Table-5.33 where "the employment of professional consultancy services" and "use of financial assessment techniques" are used by 41.7% of the firms. But as our sample size is small, this variable has to be tested in other studies using qualitative measuring techniques and large sample sizes.

**TABLE 5.34**  
**NUMBER OF SOURCES USED FOR POLITICAL RISK ANALYSIS (n=12)**

NUMBER OF SOURCES	<u>n</u>
One source is used:	1
Two sources are used:	1
Three sources are used:	4
Four sources are used:	0
Five sources are used:	2
Six sources are used:	1
Seven sources are used:	1
Eight sources are used:	1
Nine sources are used:	1

If Turkish firms have assessed ( 80.0%, as Table-5.33) the political risk before starting up or planning a joint venture in the USSR, half of them used a few sources (one to three), and the other half used extensive sources (more than five) for their analyses.

**TABLE 5.35**  
**OPPORTUNITIES CREATED FOR THE TURKISH COMPANIES BY 1991 SOVIET  
 JOINT VENTURE REFORMS (n=15)**

OPPORTUNITIES	<u>n</u>
- Expanded market or increased market attraction	2
- Opportunity to use business know-how	3
- Countertrade	2
- Access to natural resources	1
- To practice already acquired market knowledge - situation to implement plans	2
- Unspecific opportunities	5
<b>TOTAL</b>	<b>15</b>

The opportunities listed by the companies to the open-ended question are grouped under several headings. This suggests that firms have identified their business opportunities in a detailed manner and have long-term expectations. This proposition holds true for at least 10 companies, the rest might have just taken the chance without much consideration.

**TABLE 5.36**  
**THREATS AND RISKS CREATED FOR THE TURKISH COMPANIES BY 1991**  
**SOVIET JOINT VENTURE REFORMS (n=15)**

<b>THREATS AND RISKS</b>	<b>n</b>
- Political uncertainty	5
- Economical-financial uncertainty	3
- Soviets' limited knowledge in doing business	2
- Loss of partner	1
- Competition	1
- Difficulty in raw material procurement	1
- Unspecific threats and risks	2
<b>TOTAL</b>	<b>15</b>

Political uncertainty seems to be the greatest concern for the Turkish companies, which is quite understandable within the time frame of USSR's transformation both politically and economically. General business environment related concerns are seen less of a threat for our sample firms. However, it must be pointed out that some of these threats and risks are of a general nature and obviously, the reforms have not been successful in eliminating them.

Eventhough the Nigh and Smith (1988) study does not specify the opportunities and threats, as this study has done, for comparison, it is interesting to see the American firms perspective.

**\* Nature of the risk for investing in the USSR is judged by the firms as:**

Uncertainty surrounding future US-USSR relations and potential changes in US trade policy 6

**\* Factors that have impact on the joint venture in the USSR are grouped as:**

Political stability of the USSR and the uncertainty concerning the success of Gorbachev's political and economic reforms 6

Even if Gorbachev were removed from the scene, reform in the USSR and joint venture impact would continue 2

**\* Concerns on the U.S-USSR Joint Venture future:**

Any uncertainty surrounding the future development of specific Soviet rules and regulations "a few"  
 Ruble convertibility and related issues "a couple"  
 Soviet bureaucracy power delegation 1

It is believed that because of the time relevancy in terms of risks concerned, the direct comparison of two countries (U.S. and Turkey) businessmen's attitude would not be very meaningful.

**5.3.2 COUNTERTRADE**

Turkey practiced countertrade on a country by country and case by case basis (Toduk-Akiş,1991). Only the state economic enterprises and private general trading companies with annual exports over 50 million USD were authorized to participate in different forms of countertrade operations according to the 1985 export regime, decree no.5, which remained effective until the end of 1990. However, considering the recent developments in the Eastern Bloc countries and the constraints on trade financing, some changes in the export regime have made it possible for any type of company to engage in countertrade. The only requirement is to obtain the approval of the Undersecretariat of Treasury and Foreign Trade. This new policy has had positive effects on the Turkish firms trade arrangements with the USSR.

At the time of the study, December 15,1991, only 14% of the sampled Turkish firms had practiced countertrade before (Table-5.37). For each company in the study, their satisfaction with the countertrading arrangements at the time of the central buying system (Table-5.38) and after the decentralization of the buying system - from the central Moscow authority down to the Republic level (Table-5.39) is measured. Five point Likert scale is used, very dissatisfied being 1, and very satisfied being 5.

**TABLE 5.37**  
**EXPERIENCE OF SAMPLED FIRMS IN COUNTERTRADE**

<b>PRACTICE OF COUNTERTRADE</b>	<b><u>n</u></b>	<b><u>%</u></b>
Yes	9	14.0
No	54	86.0
<b>TOTAL</b>	<b>63</b>	<b>100.0</b>



There are only nine firms who have involved in countertrade deals as of December, 1992. This number is assumed to increase because of the requirements of the new decentralized buying system.

**TABLE 5.38**

**SATISFACTION WITH THE COUNTERTRADING ARRANGEMENTS AT THE CENTRAL BUYING SYSTEM (n=9)**

<b>SATISFACTION LEVEL</b>	<b>n</b>	<b>%</b>
Very Dissatisfied	1	11.1
Dissatisfied	1	11.1
Somewhat Satisfied	3	33.3
Satisfied	3	33.3
Very Satisfied	1	11.1
<b>TOTAL</b>	<b>9</b>	<b>100.0</b>
Mean	: 3.222	
Standard Deviation	: 1.202	

**TABLE 5.39**

**SATISFACTION WITH THE COUNTERTRADING ARRANGEMENTS AFTER DECENTRALIZATION - REPUBLIC'S ECONOMIC INDEPENDENCE(FREEDOM) (n=7)**

<b>SATISFACTION LEVELS</b>	<b>n</b>	<b>%</b>
Very Dissatisfied	1	14.3
Dissatisfied	0	0
Somewhat Satisfied	3	42.9
Satisfied	3	42.9
Very Satisfied	0	0
<b>TOTAL</b>	<b>7</b>	<b>100.0</b>
Mean	: 3.143	
Standard Deviation	: 1.069	

**TABLE 5.40**  
**IMPACT OF CHANGES IN COUNTERTRADE POLICY FOLLOWING THE**  
**INVOLVEMENT OF THE REPUBLICS (n=7)**

CHANGE PERCEPTION	n	%
There is a difference(change)	2	28.6
There is no difference(change)	5	71.4
<b>TOTAL</b>	7	100.0

Out of nine firms that practiced countertrade (Table-5.38), their average satisfaction level at the central buying system was 3.222, which lies between “somewhat satisfied” and “satisfied”. The weighted average score of satisfaction for the seven firms that practiced countertrade at the Republic level was almost the same; 3.143 (Table-5.39). Only two firms of these seven firms believed that there was a difference on the effect of countertrade policy after the decentralization (Table-5.40).

At the time of the study, the changes in the USSR countertrade policy were quite new, and the Soviet bureaucrats that carried the practice remained the same in some cases. In other cases, even though the practitioners have shifted from Moscow to other Republics capitals, because of their lack of knowledge in international transactions, some important parts of the contracts have been referred to Moscow anyway. It is believed that, after some adequate time has passed for the Republics’ bureaucrats to be trained, the implication of countertrade agreements will be eased.

At the most important, there will be greater chance for the small and medium sized firms to negotiate some “smaller quantity” deals, which was almost impossible within the centralized system. Moscow, used to rely on (prefer) the company’s reputation which was strengthened by its size, and the magnitude of the countertrade deals. It used to be the play garden of the giant multinationals and well specialized companies, and the change in the buying system will bring substantial opportunities to the Turkish firms.

**TABLE 5.41**

**USE OF THE PRODUCTS OBTAINED BY THE COUNTERTRADE (n=9)**

<b>USE OF PRODUCTS</b>	<b>n</b>
Manufacturing process	2
Sell to a third party	3
Exchange of tourists	1
Mixed, various alternatives	3
<b>TOTAL</b>	<b>9</b>

When the Turkish firms that had practiced countertrade were asked on how they disposed the products obtained in the countertrade, they mentioned the use at their manufacturing process (2 out of 9 cases), selling to a third party (3 out of 9 cases), tourism exchange (1 out of 9 cases), and some mixed techniques of these above alternatives, as well as other creative solutions (3 out of 9 firms).

### **5.3.3 INVOLVEMENT TYPES**

Throughout the world, firms trying to internationalize use different modes of entry ranging from exporting to direct investment in the targeted country. In our sample, a total of 63 companies indicated that they were presently engaged in at least one of the trading activities investigated in this study (Table 5.12). The most frequent activity was exporting. 34 Turkish companies were involved with exporting to the USSR. Excluding exporting, importing from the USSR and joint venture arrangements in the USSR were used more often than other activities. Countertrading of any sort (counterpurchase, import and export with linked contracts, etc.) was used by 14 firms. Another frequently ( 11 firms) mentioned activity was building and construction business. Tourism business, border trading, and licensing were less popular trade activities for the Turkish firms that were involved with the USSR.

Respondents were further queried about the level of satisfaction with each type of USSR business involvement, using the cross tabulation analysis of Table 5.12 by 5.18. The scores are calculated by assigning numbers for the firms agreeing with the following statements which were included in Table 5.18 : 4 is assigned to the statement "our relation is very satisfactory", 3 to the statement "we expect our relation to be satisfactory in the future", 2 to the statement "it is early to judge" and 1 is assigned to the statement "we are disappointed (couldn't find what we expected)".

The mean scores are calculated accordingly, and the results are presented in the following Table-5.42:

**TABLE 5.42**

**LEVEL OF SATISFACTION WITH USSR BUSINESS INVOLVEMENT**

<b>ACTIVITY</b>	<b>MEAN SCORES *</b>	<b>STD. DEV.</b>	<b>n</b>
Joint venture in the USSR	3.33	.488	15
Arrange international credit	3.28	.488	7
Building-construction business	3.27	.467	11
Sell know-how	3.25	.463	8
Countertrade (barter etc)	3.07	.267	14
Exporting	3.06	.694	34
Importing	3.00	.798	23
Licensing	3.00	-	2
Tourism business	3.00	-	1
Supply banking services	2.75	.950	4
Border trade	2.50	.707	2

\* scale: satisfaction level is measured from 1 to 4, 4 being very satisfactory.

Eventhough, joint venture arrangements in the USSR have received the highest score in satisfaction among the Turkish businessmen, the score differences between the other activities like international credit arrangements, building-construction business, importing, know-how selling, and exporting are very small. Countertrade did not receive a high score, but this type of trade is expected to become more satisfying once the firms gain experience. Licensing and tourism business are also expected to flourish in the future and fulfill the managerial goals and expectations of the Turkish firms. Supplying banking services in the USSR, or border trading have received the least satisfactory grades for now; but the respondents are somewhat hopeful about the future.

### **5.3.3.1 CROSS COUNTRY COMPARISON: TURKISH vs USA**

Hisrich and Peters (1983) explored the nature of trade activities and level of satisfaction among 50 US manufacturers who were engaged in trade with the East (This study was presented in section 3.5.1).

Hisrich and Peters measured the level of satisfaction on a five point scale ranging from very satisfied (scale value of 5) to very dissatisfied (scale value of 1). The mean value for these activities for USSR was 3.42. However, a number of manufacturers (25%) expressed significant dissatisfaction in exporting activities with the USSR. Part of the problem was due to exchange rates and political use of products. Licensing was rated highly satisfactory (4.20) in trading with the USSR. In contrast, our findings indicate that joint ventures stand out as the most satisfying type of involvement for the Turkish firms. They are least satisfied with licensing. The differences between the findings of Hisrich and Peters and ours may be due to:

A. Differences in the USSR's economic and business environment at the times of these studies (1983 vs. 1991).

B. Differences stemming from two countries' technology intensity factors; that is as U.S. firms are much more advanced compared to Turkish firms in technological products/processes, they might have faced less difficulty in the USSR market related contracts.

C. Differences in firms experience level in supplying licensing. Traditionally Turkey has been the license receiver country and firms did not get much opportunity to be at a more advance level to be licensors. This clearly shows that they had limited or no experience prior to USSR involvement. This could have been reflected in building their "not realistic enough expectations" towards this type of involvement.

### **5.3.4 NEGOTIATION PROCESS**

The USSR central buying system has increased the bureaucracy to its peak, and the complex authority structure leads to a slow-moving and detail oriented negotiation process in the Soviets business interactions. For years, entering into Soviet market was perceived as extremely difficult because of this time taking, unbearable Soviet style in negotiations. According to an international businessman/academician (Vlachoutsikos,1989) "a small change in a fledging contract moves from table to table in Moscow, can take months to resolve, unless the Western (foreign) negotiator can pose an acceptable solution when all the key players still sit at the bargaining table". He sees the ability of prompt decision making as the only key of success to decrease the burden of negotiation.

As there was no field research done prior to this one (1991 as its start), some of the experiences and perceptions of businessmen, journalists, and academicians are tested in our sample inorder to arrive at a more scientific understanding of the



issue of business negotiations with the Soviets.

On the other hand, there was only one empirical research done on the Turks' negotiation style (Toduk-Akiş 1991). That study showed that Turkish businessmen in their home country were quite reluctant to be prepared for the negotiation with the foreigners. They almost had no planning before sitting at the bargaining table.

These and other observations led us to formulate the following questions on the Turkish-USSR negotiation process:

**1. Do the Turkish businessmen have a pre-bargaining preparation and planning in dealing with Soviets?**

In order to understand the respondents' previous experiences with planning before the bargaining, the level of their preparations in the USSR are presented at Table-5.43.

**TABLE 5.43**  
PRE-BARGAINING PREPARATION AND PLANNING BY THE TURKISH FIRMS  
(n=58)

PREPARATION LEVEL	<u>n</u>	<u>%</u>
Yes, done in detailed manner	41	70.7
Yes, done in a general manner	16	27.6
Sometimes done	1	1.7
No, whatever is required is done at the bargaining table	0	0
No, we do not see any necessity	0	0
<b>TOTAL</b>	<b>58</b>	<b>100.0</b>

At the previous Toduk-Akiş study (1991) of Turkish firms' negotiation behavior, it was found that they are not likely to do pre-bargaining preparation at their home land. So this result is very surprising that the companies that have developed international orientation, have also developed pre-bargaining planning and preparation. We may conclude that Turkish firms play the game as it requires, and in the Soviet case, if they were not well prepared, the contract signing procedure take months, if not years. So they save both the time and the cost of selling, by being prepared, eventhough this is not their usual style.

**2. Do the Turkish companies use some external service during their USSR contacts or bargaining?**

**TABLE 5.44**  
**USE OF INTERMEDIARY AGENCY (AGENCIES) AT THE TRADE ENCOUNTERS OR BARGAINING PHASE IN THE USSR (n=63)**

USE AND TYPE OF AGENCY	<u>n*</u>	<u>%</u>
- Do not use at all	42	68.9
- An official Turkish service (commercial attaché)	3	4.9
- A commercial Turkish service	12	19.7
- An official USSR service	6	9.8
- A commercial USSR service	5	8.2
- A commercial Western service	3	4.9

\* Multiple responses allowed

Most of the Turkish companies (68.9%) seem to take initiative at their business in the USSR and carry their work even at the bargaining table without using any intermediary agency. A commercial Turkish service, which is likely to be the help given by the big trade companies (FTCC) in getting the interested Turkish companies' foot in the USSR and then in building up the relation with the Soviet party seem to be the mostly used external agency (19.7%). The help of Turkish commercial attaché is reported as very low (4.9%), which is rather surprising.

For the American companies there are several organizations that help trade and joint ventures between US and USSR often at little or no cost. It is very likely that these agencies are increasing rapidly with the independence of the former-USSR Republics.

Throughout the process of negotiation, the parties usually have to make decisions on the spot, particularly when they face each other across the bargaining table, they seldom enjoy the luxury of calling their headquarters or consulting their staff. During these moments, ability to make fast decisions becomes a valuable asset, one that determines the outcome of negotiations. The following tables were intended to discover the attitudes of managers in this respect.

**TABLE 5.45**

**LIKELIHOOD OF MAKING PROMPT DECISION AT THE BARGAINING TABLE  
(n=58)**

<b>LIKELIHOOD</b>	<b>n</b>	<b>%</b>
1. Very unlikely	6	10.3
2. Unlikely	4	6.9
3. Sometimes	18	31.0
4. Likely	21	36.2
5. Very likely	9	15.5
<b>TOTAL</b>	<b>58</b>	<b>100.0</b>
MEAN	: 3.397 (Likert scale is used; very unlikely being 1, very likely being 5)	
STD.DEV	: 1.151	

It is interesting to note that more than half (51.7%) of the respondents have the capacity to make prompt decisions. However, a rather large percentage of those who feel otherwise (17.2%) suggests that many negotiations are likely to be prolonged for this reason if not for any other.

**TABLE 5.46**

**LIKELIHOOD OF CONSULTING TURKEY AT THE TIME OF CONTRACT SIGNING  
WITH THE SOVIET BUYERS (n=57)**

<b>LIKELIHOOD</b>	<b>n</b>	<b>%</b>
1. Very unlikely	9	15.8
2. Unlikely	9	15.8
3. Sometimes	15	26.3
4. Likely	17	29.8
5. Very likely	7	12.3
<b>TOTAL</b>	<b>57</b>	<b>100.0</b>
MEAN : 3.070 (Likert scale is used; very unlikely being 1, very likely being 5)		
STD.DEV : 1.266		

The Turkish companies in the study are well dispersed (mean of 3.070, and std.dev. of 1.266) in consulting to their headquarters behavior at the time of decision making with the Soviet party. This outcome shows that Turkish businessmen do not necessarily have the "complete understanding" of the business at the time of negotiation, or lack detailed oriented information. Some companies mentioned that, even though they wanted to reach their company in Turkey during the negotiations with the USSR, most often they could not because of the inefficiency in the Soviet telecommunication system. So, they either postponed the meeting, or tried to have the full authority to sign the contract at the time of the decision making.

The Soviet bureaucracy forces the foreign businessmen to be prepared along two lines in order to be effective during the negotiation process:

1. Knowledge about the total business of the company as well as the "specific deal that is being tried to be proceeded" has to be very complete.
2. The authority level, which is associated with the positional level of the person in the negotiation with the Soviet party should prove their "adequacy passport" for the deal making.

In order to understand the Turkish parties' positional level at the bargaining process, Table-5.48 is prepared:

**TABLE 5.47**  
**THE RELATIVE POSITIONAL LEVEL OF THE TURKISH COMPANY'S**  
**NEGOTIATOR AT THE BARGAINING TABLE WITH THE USSR PARTY (n=55)**

<b>POSITIONAL LEVEL AT THE BARGAIN TABLE</b>	<b>n</b>	<b>%</b>
1. Positional level is lower	10	18.2
2. Positional level is equal	25	39.7
3. Positional level is higher	12	21.8
- Varies according to situation	7	12.7
- Unspecified	1	1.8
<b>TOTAL</b>	<b>55</b>	<b>100.0</b>
<b>MEAN</b> : 2.043 (Likert scale is used; 1 being lower, 2 being equal, 3 being heigher)		
<b>STD.DEV</b> : .690		

According to these results, the Turkish companies are not trying to be represented at the highest levels, a variable suggested to be a success criterion by Vlachutikos (1989). Most of the participants in the study said they held equal positional level with the Soviet party (39.7%), at the bargaining table. Some of the companies believed that there were several ways to cope with each situation, so they were represented by different positional levels at various occasions (12.7%).

Once the Soviets sign their detailed oriented contracts, after a tremendous time taking bureaucracy, they have the reputation of complying with the agreement. This proposition is wanted to be tested in the Turkish companies' experience, and at a time where the old system is breaking up without the build up of any new system to take that over. Table-5.48 shows the Turkish case, then comparison is drawn with an American study at Table-5.49.

**TABLE 5.48**  
**SOVIET COMPLIANCE WITH CONTRACT AGREEMENTS (n=57)**

FREQUENCY OF COMPLIANCE	<u>n</u>	<u>%</u>
1. Always/often meets agreements	38	66.7
2. Sometimes meets agreements	12	21.0
3. Rarely meets agreements	7	12.3
4. Does not meet agreements	0	0
<b>TOTAL</b>	57	100.0
MEAN	: 1.456 (Likert scale is used; always/often meets being 1, does not meet being 4)	
STD.DEV	: .709	

Turkish firms which have done business with the USSR give the Soviets very high marks with respect to reliability as shown by this data. Only seven firms indicated any experience with the Soviets failing to meet agreements, and three of these commented that the failures were due to transfer of money which resulted from the country's economic-financial situation at the time, rather than purposely violating an agreement for gain.

**TABLE 5.49**  
**SOVIET COMPLIANCE WITH CONTRACT AGREEMENTS; TURKISH AND US FIRMS COMPARED**

FREQUENCY OF COMPLIANCE	TODUK-AKIŞ STUDY (1991) n=57	HECHT & OLIVER STUDY (1988) n=106
	% of firms agreeing with the statement	
- Always/often meets agreements	67	71
- Sometimes meets agreements	21	24
- Rarely meets agreements	12	5
- Does not meet agreements	0	0



Turkish and USA firms' belief in the Soviet compliance with contract agreements are very similar. Both countries' business people praised the Soviets for reliability. Before 1992, the failures for not meeting the agreements resulted from the inefficiency of the system (Hecht and Oliver, 1988), whereas during 1991-1992 this was due unfavorable payment condition; ie. allocation and transfer of foreign exchange by the Vnesheconombank when its duties and function were in the process of abolishment, as well as the total collapse of the central buying organization, which lead the local authorities to decide at the presence of no know-how of import/export procedures including the foreign exchange transfers.

The following Table-5.50 and 5.51 assess the advantage of "Being Turkish" at the bargaining table:

**TABLE 5.50**  
**ADVANTAGES OF THE TURKISH FIRM AT THE BARGAINING TABLE RELATIVE TO THE COMPETITORS (n=57)**

PERCIEVED ADVANTAGE	<u>n</u>	<u>%</u>
Yes, we have an advantage	49	85.9
No, we do not have any advantage	7	12.3
Varies	1	1.8
<b>TOTAL</b>	<b>57</b>	<b>100.0</b>

**TABLE 5.51**

**REASONS FOR ADVANTAGES OF THE TURKISH FIRM AT THE BARGAINING TABLE**

<b>ADVANTAGES</b>	<b>n</b>
- Product line with good value (including well-known brand)	9
- Marketing knowledge	5
- Experience	5
- Knowledge of markets-economies	3
- Sufficient preparation	2
- Size	2
- Trustworthiness	2
- Language advantage (Turkish)	2
- Skill in human relations	1
- Other ( decentralize decision making, fast decision-making etc)	3
<b>TOTAL</b>	<b>34</b>

Of the 49 firms that stated that Turkish firms have advantages at the bargaining table compared to its competitors, 34 specified reasons. These reasons are grouped under several headings. The most frequently mentioned advantage seems to be the product line advantage compared to the competitors so they can bargain in an easier manner. Marketing knowledge and experience factors were seen as other reasons that increase the negotiation power of the firms in the survey at the bargaining table. In addition to these factors like size, being trustworthy, Turkish language, sufficient preparation are also perceived by some firms as being influential in giving them an advantage at the bargaining table.

#### **5.4 SUCCESS FACTORS IN DOING BUSINESS WITH THE USSR**

In the following sections Turkish firms' success criterions in the USSR are assessed.

Ever since the independence of former Soviet Republics, Turkish and some of the international media were talking about the success of Turkish companies in the

ex-USSR. In order to explain this “success” phenomenon analysis is conducted at two levels:

1. The sample of firms were asked to state their opinion of “Turkish Companies Success” as they saw it themselves. The alternatives included successful, unsuccessful, not exactly successful, and no opinion. The distribution of answers are given below, in Table 5.52.

**TABLE 5.52**  
**OPINIONS OF RESPONDENTS ON TURKISH COMPANIES SUCCESS**

OPINIONS	<u>n</u>	<u>%</u>
Yes, they are successful	36	57.1
No, they are not successful	2	3.2
No, they are not exactly successful	19	30.2
No opinion	6	9.5
<b>TOTAL</b>	<b>63</b>	<b>100.0</b>

Confirming the opinions expressed in the media, 57.1% of the persons contacted in this survey believed that the Turkish companies are successful in their business relations with the Soviet Republics. 30.2% believed they were not exactly (definitely) successful, and only 3.2% found them as not successful. This 30.2% of the firms might have witnessed a few failures or inadequacies of some Turkish companies in the USSR and they consequently judge the total business action as “not enough successful”.

2. The second level of analysis focused upon an evaluation by those who believed Turkish companies are successful. They were asked to indicate the role of 10 different variables in this success. Five importance intervals were available for evaluating the role of each variable. The results of this second level analysis are summarized below in Table-5.53:

**TABLE 5.53**  
**POSSIBLE REASONS FOR THE SUCCESS OF THE TURKISH FIRMS IN THE USSR (n=36)**

Factors	No Answer	Not at all Important	Number of Firms (Percentage)				Mean	Std.Dev.
			Not Important	Neither Important nor Unimportant	Important	Very Important		
Future potential	2	0	0	1 (2.9)	14 (41.2)	19 (55.9)	4.5294	0.5633
Uncertainty handling	4	0	2 (6.3)	7 (21.9)	13 (40.6)	10 (31.3)	3.9688	0.8975
Logistical (geography) advantages	5	1 (3.2)	1 (3.2)	8 (25.8)	14 (45.2)	7 (22.6)	3.8065	0.9458
Able to communicate in Turkish with some Republics	6	2 (6.7)	4 (13.3)	4 (13.3)	15 (50.0)	5 (16.7)	3.5667	1.1351
Government support	6	3 (10.0)	4 (13.3)	2 (6.7)	16 (53.3)	5 (16.7)	3.5333	1.2243
Cultural Proximity	6	0	5 (16.7)	10 (33.3)	12 (40.0)	3 (10.0)	3.4333	0.8976
Turks' bargaining skills	6	3 (10.0)	5 (16.7)	8 (26.7)	12 (40.0)	2 (6.7)	3.1667	1.1167
Similarity of bureaucracies in two countries	5	4 (12.9)	5 (16.1)	7 (22.6)	12 (38.7)	3 (9.7)	3.1613	1.2137
Lack of alternative markets	7	3 (10.3)	6 (20.7)	8 (27.6)	10 (34.5)	2 (6.9)	3.0690	1.1317
Availability of Russian speaking employees	7	5 (17.2)	10 (34.5)	7 (24.1)	7 (24.1)	0	2.5517	1.0551

According to these results, the most important reason for the success of the Turkish firms in the ex-USSR is given as expected “future potential” with mean 4.53 and standard deviation of 0.56 . This score can be evaluated according to the generally accepted statistics that 95% of the total respondents believe that Future Potential expectations of the Turkish firms was the most important factor ( $4.53 \pm .56(2) = 3.41$  to  $5.00$ ). It is also the only variable that is rated between important to very important factor in explaining the Turkish firms success by the average of the respondents.

The second factor is the “Uncertainty Handling” (mean=3.968) skills of the Turkish businessmen. This is a very unique variable. The high inflationary environment of Turkey, the frequent changes in economic/business policies of Turkish authorities, and in general Turkish nature of handling uncertainty (Toduk Akis 1991, Hofstede 1978) play most important roles in explaining the Turkish firms’ success in the USSR.

The physical proximity of some ex-USSR Republics namely Russia, Ukraine, Azerbaidzhan, Georgia, and Armenia to Turkish borders comes out with a mean value of 3.8065 on the importance scale. This “logistical factor” is also stated by the foreign country officials frequently as being important. Turkey’s neighborhood to these Republics offers a unique opportunity to the western world as they could form strategic alliances with the Turkish firms to do business in the ex-USSR.

Turkish firms evaluate the “possibility of communicating in mother tongue (Turkish) in some Republics” as an important factor (3.5667). In Azerbaidzhan, one can easily communicate in Turkish and be understood. In some Turkic Republics like Turkmenistan, Uzbekistan, Kazakhstan, and Kirgizia even though there are some similarities, it is not possible to communicate in Turkish. Nevertheless, businessmen mentioned that, in highly industrialized Republics like Russia, and Ukraine, one sometimes got along with Turkish speaking (origin) people in the business circles.

Turkish “government support”, including the special gas deal (countertrade project explained earlier), Eximbank credits to USSR, export promotion credits by Eximbank and Treasury, special agreements with USSR since 1967, also plays an important role (mean=3.5333) in explaining the Turkish firms success in the USSR.

Eventhough the “cultural proximity” factor is also expressed by the Turkish and International media as a very important factor, our businessmen judge this as the sixth factor (3.4333) in importance. In months to come this variable needs to be tested once more, with decentralization gaining importance and becoming more operational. That is, at the time of field survey, in December 1991, the dependency of republics to Moscow in all aspects - including the economics and import decisions - were much higher than today. So, the most culturally close Republics of former-USSR ; Turkic Republics, Adzerbaijan, and some Black Sea neighbours of Turkey were not in a position to make economic decisions at themselves by the survey date. It is believed that in the last six months their involvement and pursuing of the Republican projects might have favored the Turkish businessmen because of the factor of “cultural proximity”.

Two variables came out almost on the border of important and not important: "Turk's Bargaining Skills" (3.1667) and "Similarity of Bureaucracy" (3.1613) scale.

Lack of alternative markets received a 3.0690 score, but there were 12 respondents (41.4%) that believed it to be more than an important factor. The highest level of standard deviation (1.1317) also explains this wide distribution of the opinions of the respondents.

"Availability of Russian speaking employees" received the lowest score (2.5517) among the success variables. It is clear that firms can communicate in different languages or hire a Russian translator when necessary.

## **5.5 MARKETING DIMENSION IN THE SOVIET INVOLVEMENT OF TURKISH COMPANIES**

In this section Turkish companies' marketing effort towards USSR will be compared to their efforts directed to other regions. Then the use and importance of specific marketing and promotional activities will be evaluated. Cross-country comparison will accompany the study.

Before the decentralization of imports, the structure of the bureaucracy used to act as a barrier to entry and ultimately reduced the marketing costs. Demand for goods was so high and supply so short that advertising budgets on the large Western scale virtually did not exist for Soviet firms or foreign firms active in the USSR market. Nor most product development teams constantly came out with new products to meet demands created by the severe competition we find in open markets. So market shares could remain secure with very little additional investment. Besides, because very few officials could purchase essentially all of one product for the nation, there's no need for an expensive sales force or distribution system. This led to the minimization of the marketing activity as a whole until 1992.

### **5.5.1 MARKETING EFFORT COMPARISONS**

The firms in the sample are examined on the level of their marketing effort towards USSR (Table-5.54). It is believed that asking the respondents to compare their marketing activities in three different country groupings would supply a useful explanation on this issue. The three country groupings are taken as OECD (as it has the largest share in Turkish trade), Eastern Europe (because of their similarity to USSR; transition economics to capitalism), and Mideast (central buying similarity to Moscow system till 1992 and the long negotiation procedure). Respondents answered only on the basis of their own experience, those without relevant experience were instructed to skip the question.



**TABLE 5.54**

**LEVEL OF MARKETING EFFORT REQUIRED TO SELL PRODUCTS/SERVICES IN THE USSR; COMPARISON WITH OECD, EAST EUROPE, AND MIDEAST MARKETING EFFORTS OF TURKISH FIRMS**

USSR MARKETING EFFORT	MARKETING EFFORT FOR:					
	OECD		E.EUROPE		MIDEAST	
	n	%	n	%	n	%
- Less marketing effort is required for most foreign customers	5	10.6	5	13.2	11	26.8
- Level of required marketing is about the same	3	6.4	17	44.7	8	19.5
- Much more marketing is required than for average foreign customer	12	25.5	6	15.8	7	17.1
- Initial sales require more marketing effort, but repeat sales require less	27	57.4	10	26.3	15	36.6
<b>TOTAL</b>	<b>47</b>	<b>100.0</b>	<b>38</b>	<b>100.0</b>	<b>41</b>	<b>100.0</b>

### 5.5.1.1 OECD vs USSR

In the opinion of 57% of the respondents who export both to OECD and USSR, initial selling to USSR require more marketing while repeat selling is easier.

Twenty six percent of the same group of exporters believe that in all cases selling to USSR needs much more marketing effort than selling to OECD countries. This is probably due to the fact that Turkish exporters do not have extensive marketing experience in selling to the OECD whereas selling to USSR is possible only if a firm uses aggressive marketing. Of course small marketing budgets supporting selling activities in OECD does not provide any significant room for aggressive activities. On the other hand exporters are aware that if they want to sell to USSR, they must invest in a certain level of marketing effort regardless of the volume of sales. Furthermore the absence of marketing intermediaries in the USSR market increases the marketing burden falling upon of the exporter.

Only 11% of all exporters believe that the USSR market requires less marketing effort compared to the OECD. Two evaluations may be advanced to explain their attitude:

1. Five companies comprising this group may be involved in extensive marketing in OECD and their comparison takes this level of activity as a point of reference.

2. These same five companies may have been lucky enough to obtain government (USSR) contracts without significant marketing effort.

Only 6% of these exporters reported that the level of marketing effort required is the same regardless of whether the target is in OECD or USSR. This is a rather surprising attitude. These two markets are markedly different along almost every dimension. Saying that required marketing effort is the same in these two different markets may reflect a unique perception of marketing by the respondents.

#### **5.5.1.2 EAST EUROPE vs USSR**

The highest level of respondents (45%), who export to both East Europe and USSR, believe that the marketing effort required to sell in these two markets is about the same. This is easily explainable as the development level of market economy in these two country groups is very similar. Therefore, in order to practice “marketing”, competitive and liberal market conditions are necessary.

The percentage of respondents who believe in the necessity of less or more marketing effort in selling to East Europe or USSR are very close: 13% vs 16%. This may be due to the exporters relative positioning in these two markets. That is, their comparative advantage in their export markets may not be the same. The level of specific industry needs and development stage may dictate the level of required marketing effort. Because of these conditions, for example, it may be possible for the same firm to get a certain market share without much marketing effort in East Europe, whereas in USSR it might need aggressive marketing efforts to achieve the similar volume or vice versa.

Almost 27% of exporters reported that initial sales to USSR require more marketing effort, but repeat sales required less when compared to East European countries. This may be due to the enormous power of buying agents in the USSR. As the Foreign Trade Agencies in the USSR were the monopoly to sign the contracts for the whole country needs until recently, initial selling required going through an extensive bureaucracy and lengthy negotiations.

#### **5.5.1.3 MIDEAST vs USSR**

Mideastern markets like Libya, Iran, Iraq have been the Turkish exporters' most productive countries(benchmarks) in their internationalization. Turkish exporters became very experienced in dealing with the central buying authorities in these Moslem countries. Even though there are different mixes of marketing activities needed for the Mideastern countries compared to USSR, it is expected that the overall marketing effort required to sell in these two markets could have been interpreted as similar by the respondents.

In the opinion of 37% of the respondents who export both to Middle East and USSR, initial selling to USSR require more marketing while repeat selling is easier. Furthermore, 27% of the exporters believe that less marketing effort is required for USSR compared to Mideast. This may be explained by the Mideastern buyers' incomppliance with the contracts. Besides, in recent years Turkish firms have faced collection difficulties in their exports to these countries. For example, Libyan government, through counterguaranties and its agents, who signed the contracts with the Turkish firms, have 3.5 billion USD of outstanding debt mainly for the last four years exports of goods and services - especially construction.

About 19% of the respondents reported that the level of marketing effort required is about the same regardless of the target of export destination.

Only 17% of the exporters believe that much more marketing is required for selling in the USSR compared to Mideast countries. These firms probably did not experience the recent years problematic sales to Mideast. Iraq market is almost closed, as mentioned earlier, Libya owes tremendous amount of debt, Iran favors some other nations because of the new game plan on former USSR Republics, and Saudi works to strengthen its ties with USA and other Islam ruled countries. On the other hand, these exporters might be in the initial effort of selling to the USSR. After having their first contract, and receiving further business, they might shift to the group of Turkish exporters who believe that repeat sales require less effort in selling to USSR compared to Mideastern countries.

#### **5.5.1.4 CROSS COUNTRY EFFORTS IN USSR: TURKISH vs USA**

In order to assess the uniqueness/commonness of Turkish firms evaluation of the marketing efforts towards USSR, a cross-country analysis is carried out with the help of the Oliver-Hecht study in 1988 for the 106 US firms.

In that study, almost three-quarters of the respondents reported that selling to the Soviet Union required a greater marketing effort than selling to other foreign countries, the related break down of the responses are as follows:

**TABLE 5.55****COMPARISON OF TURKISH AND USA FIRMS LEVEL OF MARKETING EFFORT REQUIRED TO SELL PRODUCTS/SERVICES IN THE USSR**

USSR MARKETING EFFORT	PERCENTAGE OF FIRMS*	
	TURKISH (TODUK-AKIŞ STUDY)	USA (HECHT&OLIVER STUDY)
- Less marketing effort is required for most foreign customers	17	14
- Level of required marketing is about the same	22	13
- Much more marketing is required than for average foreign customer	20	35
- Initial sales require more marketing effort, but repeat sales requires less	41	38
<b>TOTAL</b>	100	100

\* Percentage calculation is derived from table 5.54; by calculating the weighted average of each row.

When ranked, it is not a surprise to find out that the largest percentage of firms in both countries (41% of Turkish firms, and 38% of US firms) believe that the initial selling requires more marketing effort, but repeat selling requires less.

On the other hand, US survey indicates that, 35% of the US businessmen find USSR market in need of much more marketing effort than the average foreign customer. This attitude is not so widespread among the Turkish businessmen; the corresponding percentage is 20%. This difference in perception may be due to differences between the activity bases in the home markets of the respective respondents. The Turkish exporters compare the USSR market with the Turkish base whereas, the Americans naturally take the American base as the point of reference.

For an average American exporter, it can be quite difficult to build a marketing plan without having the secondary sources of information on the target customer ie. demographics, geographics, economic data on consumption patterns etc. Besides, the initial approach in defining the "right authority" can be perceived much more bureaucratic and difficult than that which appears to an average Turkish exporter.

In Turkey, use of marketing research and secondary data is only a recent experience. Therefore the Turkish exporter feels quite comfortable in carrying marketing activities without making use of these sources. For a Turkish exporter the main difficulty in Soviet market could be the size of marketing investment which is associated with the size of the USSR market. The 20% of the respondents might have evaluated the necessary marketing effort needed for the USSR market as the relative cost of marketing compared to their home base. On the other hand, for the American respondents of 35%, the marketing cost in the USSR could only be smaller than their home base.

The above analyses indicate that, in our specific case of Turkish versus American international marketers, as their understanding of the marketing activity and practices at their home countries are very different, this plays a significant role in making a comparison for the marketing activity towards the USSR as well. In short, it is important to understand that both of the groups define and compare "marketing activity" from different perspectives.

## 5.5.2 MARKETING ACTIVITIES FOR USSR MARKET

In order to understand the (export) marketing attitude of Turkish firms towards the Soviet Union, a twofold analysis is carried out. First the importance of marketing activities in doing business with the USSR is explored (Table-5.56 and 5.57), then the Turkish companies' use of these promotional activities for Soviet market is analyzed (Table-5.59). In the end, the Turkish findings are compared to Möller (1982) study which evaluated the marketing activities of Finnish firms directed to the USSR market (Table-5.58).

Several literary sources are used in defining marketing activities (product- price - place - promotion) that are examined at Table-5.56.

The "product" variable is measured by product quality as well as product design and package (Möller, 1982). Eventhough in the same Möller study "price" is asked in two dimensions, because of the importance of hard currency issue at the time of our survey, it is measured by three explanatory variables: Price and discounts, company credit, payment terms and conditions. "Place" is questioned in two dimensions: Delivery time, and distribution channels.

The promotional mix investigated in this study (Table-5.59) includes the following activities (Staube, 1974):

- \* Advertising
- \* Company and factory visits for customers
- \* Exhibitions, trade fairs, symposia
- \* Public relations activities, gifts, etc.
- \* Sales calls, product demonstrations
- \* Technical service and training



**TABLE 5.56**  
**DISTRIBUTION OF MARKETING ACTIVITIES IMPORTANCE (n=63)**

MARKETING ACTIVITIES	NUMBER OF FIRMS				
	Not Important At All	Little Importance	Important	Very Important	N.A. No Answer
Payment Terms and Conditions	1	3	15	28	16
Public Relations Activities, Gifts	1	4	19	22	17
Company Credit	2	3	20	19	19
Price and Discounts	1	6	18	19	19
Reputation	3	4	18	21	17
Sales Calls	3	3	22	16	19
Delivery	1	6	26	11	19
Product Quality	2	9	22	12	18
Distribution Solution	3	10	15	8	27
Product Design, Package	3	11	21	6	22
Customers Plant Visits	5	13	15	10	20
Technical Service and Training	3	15	11	8	26
Trade Exhibitions, Symposia	6	16	15	4	22
Advertising	9	16	8	6	24



Another closely related factor is company image (Möller, 1982), which is a function of both communication activities, and past and present company performance.

### 5.5.2.1 SPECIFIC MARKETING ACTIVITIES USED BY TURKISH FIRMS

The importance attached to various marketing activities by Turkish companies is presented in Table-5.56. Then the activities are ranked according to importance in the previous page, Table-5.57.

**TABLE 5.57**  
RANKING OF MARKETING ACTIVITIES IMPORTANCE

MARKETING ACTIVITIES	MEAN	STD DEV	RANK
Payment Terms and Conditions	3.489	.718	1
Public Relations Activities, Gifts	3.348	.737	2
Company Credit	3.273	.788	3
Price and Discounts	3.250	.781	4
Reputation	3.239	.874	5
Sales Calls	3.159	.834	6
Delivery	3.068	.695	7
Product Quality	2.978	.812	8
Distribution Solution	2.778	.898	9
Product Design, Package	2.732	.807	10
Customers' Plant Visits	2.698	.964	11
Technical Service and Training	2.649	.919	12
Trade Exhibitions, Symposia	2.415	.865	13
Advertising	2.282	.999	14

It is very obvious that pricing related variables ranked highest. They are followed by the public relation activities and sales calls. Advertising, and trade exhibitions and symposia were among the activities judged least important in the context of international marketing activities directed towards the USSR market by Turkish firms.

## 5.5.2.2 CROSS COUNTRY COMPARISON: TURKISH vs FINNISH

**TABLE 5.58**  
IMPORTANCE OF THE MARKETING ACTIVITIES FOR USSR EXPORTS

<b>MARKETING ACTIVITIES</b>	<b>TODUK-AKIŞ STUDY</b>	<b>MÖLLER STUDY</b>
	<b>mean scores(1)</b>	<b>mean(2)</b>
Payment Terms and Conditions	3.489	1.56*
Public Relations Activities, Gifts	3.348	2.16
Company Credit	3.273	1.56*
Price and Discounts	3.250	3.32
Reputation	3.239	3.12
Sales Calls	3.159	2.40
Delivery	3.068	2.64
Product Quality	2.978	3.08
Distribution Solution	2.778	1.88
Product Design, Package	2.732	2.12
Customers' Plant Visits	2.698	2.96
Technical Service and Training	2.649	1.96
Trade Exhibitions, Symposia	2.415	2.92
Advertising	2.282	1.44

\* Asked in one question

(1) calculated mean scores by using a 1-4 Likert Scale, 1 being the least important, and 4 being the most important.

(2) adjusted Möller (1982) study's Likert scale from 1-5 to 1-4 for comparison purposes.

When the findings of the Turkish study are compared with those of Möller's Finnish study in Table-5.58 in both studies advertising receives the lowest value. Surprisingly, in the Möller study, even though the "price" variable including price and discounts ranks as the highest important activity, another "price" variable consisting of credit and payment terms ranks as the second lowest variable. Möller, also finds this point noteworthy because as it is stated "credit and payment terms are usually very important when selling to the COMECON area. A possible explanation could be the rather small size of a typical order from

Finland". In the Turkish study this variable was divided into two dimensions as payment terms and conditions, and company credit. They were perceived as the first and the third most important variables in consecutive order for the marketing activities towards the USSR. This may due to the better balance of Turkish sample than the Finnish one (from small firms to big ones) in representing the general attitude.

### 5.5.3 USE OF PROMOTIONAL ACTIVITIES FOR USSR MARKET

#### 5.5.3.1 USE OF PROMOTIONAL ACTIVITIES BY TURKISH FIRMS

The utilization of promotional activities in Soviet exports was expected to be correlated with the pattern of their perceived importance. Table-5.59 gives the number of firms using each activity and their intensity of use.

**TABLE 5.59**  
USE OF PROMOTIONAL ACTIVITIES FOR SOVIET MARKET

ACTIVITIES	NOT USE AT ALL	USE RARELY	USE OFTEN	USE MANY TIMES	N/A	MEAN	STD.DEV.
Sales Calls	0	2	18	27	16	3.532	.584
Customer Visits	0	4	19	23	17	3.413	.652
Public Relations Activities, Gifts	2	9	15	17	20	3.069	.875
Trade Exhibitions And Symposia	2	13	20	4	24	2.667	.737
Technical Service and Training	8	11	8	3	33	2.200	.961
Advertising	8	20	8	3	24	2.154	.844

When the Turkish firms usage intensity levels are weighted according to the Likert scale; "1" being not used at all, and "4" being used many times, the weighted averages are calculated for each promotional activity. Sales calls ( $\bar{x}=3.53$ ) and customer visits ( $\bar{x}=3.41$ ) have received the highest usage levels in the Turkish sample (Table-5.59). However, the same variables ranked the sixth and the eleventh when all the marketing activities importance levels were considered (Table-5.60). So, a new Table-5.60 is generated in order to show the comparisons of the importance of the marketing activities, with the promotional activity importance and usage levels:

**TABLE 5.60**  
**COMPARISON OF MARKETING AND PROMOTIONAL ACTIVITIES IMPORTANCE**  
**AND USAGE LEVELS**

<b>ACTIVITIES</b>	<b>MARKETING</b>	<b>PROMOTION</b>	<b>PROMOTION</b>
	<b>IMPORTANCE</b>	<b>IMPORTANCE</b>	<b>USAGE</b>
	<b>RANK,MEAN</b>	<b>RANK,MEAN</b>	<b>RANK,MEAN</b>
Public relations activities, gifts	2(3.348)	1(3.348)	3(3.069)
Sales Calls	6(3.159)	2(3.159)	1(3.532)
Customers' Plant Visits	11(2.698)	3(2.698)	2(3.413)
Technical Service and Training	12(2.649)	4(2.649)	5(2.200)
Trade Exhibitions,Symposia	13(2.415)	5(2.415)	4(2.667)
Advertising	14(2.282)	6(2.282)	6(2.154)

As a whole, promotional activities, with the exception of the “public relations activities and gifts” ranked amongst the least important marketing mix activity. Sales calls, as stated was the sixth, and the rest of the four promotional activities have received the 11th, 12th, 13th, and 14th ranks.

As hypothesized before, the activities perceived as most important were expected to be used more than others. Eventhough “public relations activities, gifts” was judged as the most important promotion activity, it was only the third utilized promotional variable. This may due to the nonexistence/limited availability of professional public relations organizations, as well as the difficulty of identifying the right target to give gifts or build a company image. So it could not have been practiced as much as the Turkish firms would like to use.

### **5.5.3.2 CROSS COUNTRY COMPARISON: TURKISH vs FINNISH**

Finally, Table-5.61 puts the comparison of Turkish versus Finnish firms use of (without weight) promotional activities for the Soviet market. Turkish firms seem to utilize the promotional activities more than Finnish firms in general. In the particular cases there is not much difference on the ranks of promotional activities; sales calls, customer visits, trade exhibitions, and public relations activities rank the first four in both cases.

**TABLE 5.61**  
**USE OF PROMOTIONAL ACTIVITIES FOR SOVIET MARKET - TURKISH AND**  
**FINNISH COMPARISON**

<b>PROMOTIONAL ACTIVITIES</b>	<b>TODUK-AKIŞ STUDY (1991)</b>	<b>MÖLLER STUDY (1982)</b>
	<b>% of firms using the activity</b>	
Sales Calls	47/47=1.00	0.88
Customer Visits	46/46=1.00	0.82
Public Relations Activities, Gifts	41/43=0.95	0.75
Technical Service and Training	22/30=0.73	0.49
Trade Exhibitions and Symposiums	37/39=0.95	0.86
Advertising	31/39=0.79	0.29

## **5.6 OPPORTUNITIES AND CHALLENGES IN TRADE RELATIONS WITH THE USSR**

Respondents attitudes and expectations towards the USSR market and the business conditions were questioned in this section.

### **5.6.1 OPPORTUNITIES**

The results of the open-ended questions regarding the opportunities are summarized as follows:

**TABLE 5.62****THE MAJOR OPPORTUNITIES THAT THE TURKISH FIRMS VIEW IN TRADE WITH USSR**

<b>OPPORTUNITIES *</b>	<b>n</b>	<b>%</b>
- Expanding market size	19	43.2
- More countertrade	5	11.3
- New investment projects and market attraction	4	9.0
- Distribution of consumer goods	3	6.8
- Pricing and selling advantages	3	6.8
- Logistical advantage	3	6.8
- New credit arrangements	2	4.6
- The economics complementing each other	2	4.6
- Chance for the industrialist to move on stage	1	2.3
- Unspecified	2	4.6
<b>TOTAL</b>	<b>44</b>	<b>100.0</b>
No Answer	19	

\* The question was asked in an open-ended format, and only the strongest point made by the respondent as opportunity was coded for each answer, that is only one answer was accepted for each respondent.

Market size of the USSR is found to be the most widely mentioned opportunity that the Turkish firms view in trade with the USSR. Some other opportunities related to market attraction like countertrade, pricing, distributing and selling advantages are judged also as important. Contrary to expectations frequently voiced by the Turkish media logistical advantage was not mentioned as much often as an opportunity.

**5.6.2 PROBLEMS**

When asked, the companies cited the problem areas listed below in their trade relations with the USSR. But, since these firms continue doing business with this country, obviously these problems are not preventing them from action. They may, however, be responsible for some reductions in the volume of business.



**TABLE 5.63****THE MAJOR PROBLEMS THAT THE TURKISH FIRMS VIEW IN TRADE WITH USSR**

<b>PROBLEMS</b>	<b><u>n</u></b>	<b><u>%</u></b>
- Political & Economical	18	35.2
- Financial (Soviet side)	1	29.4
- Bureaucracy	8	15.7
- Insufficiencies (in banking, transportation, selling, and lack of knowledge in buyer behavior)	5	9.8
- Communication inefficiency	4	7.9
- Insufficient credit (Turkish side)	1	2.0
<b>TOTAL</b>	<b>51</b>	<b>100.0</b>
No Answer	12	

As expected, USSR related economical, political, financial problems have been widely mentioned. Bureaucracy and market related insufficiencies have also been judged as the major problem areas. Inefficiency of communication between the business people stem from the Soviets lack of understanding the rules of the market economy. Besides, some other insufficiencies also have a similar root: inexperience of firms in market economy or decentralized decision making and practice.

**5.6.3 IMPACT OF POLITICAL UNREST**

It is interesting to note in Table-5.64 that impact of political unrest upon trade was not judged as solely negative. In seven cases it was perceived as positive and in eight cases it was seen to be eventually positive eventhough it was negative at first. There were eight respondents who feel the situation is uneasy, and causes worry in businesses; this group is categorized as "other".

**TABLE 5.64**  
**IMPACT OF POLITICAL UNREST UPON TRADE**

<b>IMPACT</b>	<b><u>n</u></b>	<b><u>%</u></b>
- Negative	25	45.5
- Positive	7	12.8
- Neutral	3	5.4
- Negative at first than positive	8	14.5
- Difficult to judge	4	7.3
- Other	8	14.5
<b>TOTAL</b>	<b>55</b>	<b>100.0</b>
No Answer	8	

#### 5.6.4 PROSPECT OF TRADE RELATIONS

Respondents are further queried on their future related opinions.

**TABLE 5.65**  
**PROSPECTS OF USSR TRADE FOR TURKEY AND THE FIRM**

<b>PROSPECTS</b>	<b><u>n</u></b>	<b><u>%</u></b>
- Positive	25	41.7
- Will be positive	31	51.7
- Early to say	2	3.3
- Conditionally positive	2	3.3
<b>TOTAL</b>	<b>60</b>	<b>100.0</b>
No Answer	3	

**It is not surprising that all the participants in the study have positive expectations about the future of ex-USSR and Turkish business relations.**

**It was also frequently mentioned in the media that USSR trade will prosper in the future. The Turkish government officials also share this optimism and consequently finance the ex-USSR projects through EXIMBANK credits.**



## VI. CONCLUSIONS AND IMPLICATIONS

In order to explore involvement of Turkish firms in the former-USSR empirically, first, information has been provided in the following areas:

- \* USSR market during its transition period,
- \* Turkish foreign trade system,
- \* Turkish-USSR economic and trade relations,
- \* Area-studies (USSR and the East) on the "Firms behaviour towards USSR".

Then, a field survey was carried out with 63 firms that were already involved with the USSR as of December 1991. The concluding remarks of the empirical study consists of two sections. In the first section the major findings of the study and some specific implications will be summarized with a framework that was also used in the presentation of empirical research goals.

In the second section, the implications of the findings for government, business, and academic world will be discussed.

1. One of the primary aims of this research was the discovery and evaluation of different factors influencing business involvement in the USSR as perceived by firms. Research has shown that:

\* The concerns that are most influential in shaping the behavior of Turkish firms that do business in the former USSR are:

- "Uncertainty in payment conditions" prevailing in the Soviet market,
- "Insufficient experience and knowledge" about the USSR,
- "Lack of experience of the new republics in buying".

\* The countries that formerly made up the USSR are currently going through a turbulent period. The Turkish firms have to accept the prevailing uncertainty as a normal dimension of the present state and they must find ways of remedying their shortage of experience. They can be more creative in developing new ways of securing their payments. Some possibilities are:

- Entering into countertrade agreements such as contracting to buy goods in exchange of exports (counterpurchase), goods they can sell to third-parties in other countries.
- Cooperating with another firm (in any country) experienced in dealing with the USSR market and entering this market together.
- A variant of the mechanism mentioned above may be to get into a strategic alliance with a company well-known in the former USSR.

\* Not having sufficient experience with the USSR market leads to serious reservations (concerns, hesitations) among the Turkish firms. Therefore, there is an urgent need for international market research studies. Within the context of this study, the absence of comprehensive and up-to-date data on the USSR and

its republics increases the urgency of professional work by commercial institutions - both public and private. A study by Bodur and Çavusgil in 1985 showed that for successful export involvements Turkish firms need research on the following topics:

- Economic development, socio-cultural issues, political conditions and developments, business trends in the targeted countries.
- Feasibility studies for manufacturing in the targeted countries.
- Physical distribution systems and chances for product adaptability.

In order to increase market-related knowledge, research on these topics can either be done by the firms themselves or professionally procured. It has been a normal practice for some successful firms to share the experiences of other firms. There is no reason for not repeating such practices. It must also be remembered that it is not very easy to monitor the changes in the target countries -especially the former USSR- from so many miles away. The difficulties are great even when the researcher is located there.

2. The second aim of the research was to assess the government support services received; that is how the Turkish firms evaluate the importance of government services in promoting them in the USSR market.

\* In general, satisfaction with the Turkish government services supporting Turkish-USSR trade is found to be relatively low. The services examined were such as help of attachés in USSR, negotiation advice, payment through gas projects, business trip with bureaucratic delegations, trade exhibits, Türk-Eximbank credit, and special account payments.

\* The most satisfying government service was the help of attachés in USSR, which indicates the Turkish government's right choice of attachés for the Moscow post.

\* Surprisingly, trade exhibits did not receive high rankings among the Turkish firms. This may be due to "poor organizations", or Turkish organizers and participants having different expectations regarding the trade show outcomes.

\* Implications of the satisfaction with the attachés help in Moscow, in the trade relations is that, Turkish authorities should continue to appoint them very carefully (why not "cremé de la créme"). Besides, better trade shows with clear objectives should be organized for the satisfaction of the firms. Turkish organizers might easily work hand in hand with a third country professionals in this field, and organize tripartite trade shows. The effectiveness could be twofold: First, the experience of the third country's (developed nations such as U.S., Italy, Germany) can be gained. Second, a good opportunity of getting joint projects can be created for the satisfaction of all the parties involved.

3. The effect of company size on the success likelihood in the USSR has been assessed as a next research objective; that is, the chances of success of large versus small firms is sought.

\* The majority of the firms think that the size of the firm is unimportant for success in the USSR. They rather judge the factors like professionalism, personal contacts, and the quality of staff as more important in doing business with the former USSR.

\* A higher chance of success enjoyed by large firms is accepted by 37.5% of the firms. They think that this advantage stems from the resources available to larger firms, like ease in handling high marketing and financial costs, and receiving more governmental attention and consequently support. Furthermore, they believe that the large firms are in a better position to fulfill the expectations of USSR bureaucracies or they fit better the images held by the buyers.

\* This variable; "the size of company" should be further analyzed by the researchers and the government officials, so that the governmental support schemes could be designed according to factors determining the chance of success. For example, if professionalism is really seen as important, governmental bodies could develop certain guidelines to promote professionalism among those who receive Eximbank credit or trade through natural gas deal. If resource related advantages for the large firms are more important, government could ask small firms to form some sort of cooperations like GSD(20). If flexibility is really important, government could urge large bureaucratic organizations to form decentralized market oriented USSR units to gain from the size advantage, actually this is what PEPSICO did in the 70s. So, governmental support should be designed according to the outcomes of some further research on this issue.

4. Another aim of this research has been to understand the alternative ways of political risk evaluation in forming joint ventures in the USSR; that is the Turkish companies are questioned on how they have assessed political risk prior to investment in the ex-USSR.

\* Turkish firms use both internal and external sources in assessing risk before a joint venture is established. The companies' own experience and their top executive visits to the USSR have the highest importance in deciding for a joint venture. Besides they heavily rely on the information they gather through Turkish government officials and agencies. This implies that, Turkish governmental agencies should be fully equipped to supply the right and meaningful information to the companies. The organization of a "paid professional services" can be considered in this connection.

\* Interestingly, Turkish firms use more of the formal political risk assessment methods than U.S. firms (Nigh and Smith, 1988). This conclusion is reached on the basis of our finding that Turkish firms use professional consultancy services as well as financial assessment techniques in about 42% of the cases in deciding for a joint venture in the ex-USSR. This again underlines the need of Turkish firms for high-quality professional services.



5. Turkish firms were investigated in terms of their countertrade practices with the former USSR in line with the research goals; the inquiry into countertrade was carried out at three levels: central -Moscow, Republic, and factory.

\* In our sample only nine firms (14% of the sample) had experience in countertrade at the time of the study. This number is expected to increase because of the requirements of the new decentralized buying system of the ex-USSR republics as well as the 1991 Turkish Law that allows any firm to practice international countertrade.

\* The satisfaction of companies with countertrade arrangements during centralized and decentralized buying systems was measured. Findings indicate that no significant change occurred in satisfaction after buying was shifted from Moscow down to the level of the Republics. However, decentralized buying is a very recent development and the environment is full of rapid changes. Therefore further research is needed to identify the difficulties faced by Turkish firms in their countertrade practices in the republics. Mechanisms aimed at easing trade can be built only after such information is obtained.

\* At the time of the study, the changes in the USSR countertrade policy were quite new, and the Soviet bureaucrats that implemented the policy were kept in the same posts in some cases. In other cases, even though the practitioners were transferred from Moscow to other Republics' capitals, because of their lack of knowledge in international transactions, some important aspects of the contracts were still referred to Moscow anyway. It is believed that, after some adequate time has passed for the Republics' bureaucrats to be trained, the implementation of countertrade agreements will become easy and smooth.

\* Most important opportunity concerns small and medium-sized firms. They have a chance to negotiate some "smaller quantity" deals. This was almost impossible within the centralized system. Moscow used to rely on the company's reputation which was strengthened by its size, and the magnitude of the countertrade deals. It used to be the play ground of the giant multinationals and well specialized countertrading companies, so the change in the buying system will bring substantial opportunities for the average Turkish firms.

6. The next research objective was to search for alternative involvement types with the USSR; that is the Turkish firms choice of mode of doing business in the USSR (exporting, countertrading, licensing, joint venture).

\* Turkish firms' business engagement with the USSR included more than the traditional lines of international involvement. In the past, Turks have demonstrated success in exporting, importing, construction services, and international credit sourcing in the overseas markets. On the other hand, Turkish companies were not active in countertrade, joint ventures, licensing arrangements in other countries, and the sale of know-how. However, because of the USSR market conditions, firms were forced to search alternative modes of doing business. This study demonstrated the use of "new forms" of trade by the Turkish firms in the USSR market. These new types of entry might imply a committed involvement, and

provide learning experience for the Turkish firms in the international arena.

\* Whether the Turkish firms were practising simpler forms of international involvement patterns like export and import, or other new forms, their satisfaction level with the involvement was queried. The outcome indicated that, except from a limited number of very satisfied firms, the majority of the respondents are expecting their relation to be satisfactory in the future.

\* Although Turkish firms are currently experimenting with various forms of involvement with the ex-USSR market, they seem to be most satisfied with joint ventures with the ex-Soviets. This finding is markedly different from the conclusion reached by Hisrich and Peters (1983) whose study of 50 US firms found licensing as the most satisfying type of involvement. Possible explanations for this difference have already been advanced in section 5.3.3. Main reasons are:

- Changes in USSR environment between 1983 and 1991,
- Differences in the intensity of technology in US and Turkish firms making it easier for US firms in arranging market-related contracts,
- Differences in accumulated experience in different activities.

\* Turkish manufacturers and traders need to receive as much information on *different modes of doing business internationally as possible*. Participating in formal training programs, sharing the experiences of others are some ways of being exposed to such information.

7. Another objective of the study was discovering the impact of the negotiation process in doing business with the USSR; including the preparation for the negotiation, their level of participation in bargaining, and evaluation of their competitiveness during the negotiation.

\* Business negotiation is taken as a process in this study, which starts with prenegotiation activities (planning and preparation), and continues with face-to-face negotiations (bargaining table activities), and ends with post bargaining activities.

Turkish firms are found to have sufficient pre-bargaining preparations and planning in dealing with the Soviets. This preparation is done in a detailed manner by the majority (70%) of the sample.

In the previous Toduk-Akiş study (1991) of Turkish firms negotiation behavior, it was found that they are not likely to do pre-bargaining preparation on their home land. So this result is very surprising and shows that the companies that have developed international orientation, have also acquired the skills for pre-bargaining planning and preparation. We may conclude that Turkish firms play the game as it demands - especially in the Soviet case, if they were not well prepared, the contract signing procedure takes months, if not years. So they save both the time and the cost of selling, by being prepared, even though this is not their usual, or normal attitude.

\* Turkish firms intending to do business with the former USSR Republics should

be aware of the negotiation process and if possible should receive professional teaching/preparation on this issue. Here again governmental or private education oriented services are needed.

\* In the majority of cases (70%) Turkish firms were not using any intermediary agencies during their trade encounters or bargaining activities in the USSR. This may be an extension of the Turkish companies' usual negotiation behavior at home to USSR. Or this might have stemmed from the limited existence of these services either in Turkey or in the USSR. On the other hand, the usual practice of an American firm is to bring some lawyers to the bargaining table in the USA. This approach is extended to their behavior in USSR.

\* Most of the participants in the study said they held equal positional level with the Soviet party. This is contrary to a belief commonly held and found in literature that Russians generally expect to find the highest ranking official of the other party at the bargaining table.

\* The majority of the firms believe that Turkish firms have advantages vis-a-vis their competitors at the bargaining table. The most frequently mentioned sources of advantage are:

- . Product line
- . Marketing knowledge and experience

Some respondents have also mentioned, though with low frequencies, factors like size, trustworthiness, Turkish language and sufficient preparation as contributors to the bargaining power of Turkish firms.

\* Turkish businessmen praised the Soviets for compliance with the contract agreements. US firms held a similar belief (Hecht and Oliver, 1989). The failures are generally related to the unfavorable payment conditions on the Soviet side by the Turkish businessmen.

#### 8. Evaluation of different factors leading to success in doing business with the USSR has been another objective of the study.

\* Turkish media have been stressing the business success of Turkish companies in the USSR for two years. International media have also devoted space to the gas deal (countertrade agreement) between two countries and believed in the role Turks could play in the Central Asian Republics of ex-USSR. Confirming the opinions expressed in the media, most of the persons contacted in this survey believed that the Turkish companies are successful in their business relations in the Soviet Republics. But, some believed they are not exactly successful. Eventhough time will show the reality of these opinions, a further analysis is carried on why Turks are successful. But there need to be a qualitative research to discover why some Turkish businessmen judge the total business action in the USSR as "not successful enough".

\* Respondents who believed that Turkish companies are successful in the USSR, rated the role of 10 different variables in this success.

It is interesting to note that the attitude of a majority of those who believe Turkish firms to be successful in the USSR is influenced by the "Future Potential" of these markets. In other words optimistic expectations about the future rather than actual current performances are instrumental in shaping this attitude. Success seems to be a feeling rather than a reality.

The second factor responsible for success is the "Uncertainty Handling" skills of the Turkish businessmen. This is a very unique variable. The high inflationary environment of Turkey, the frequent changes in economic and business policies of Turkish authorities, and in general Turkish nature of handling uncertainty (Toduk-Akiş 1991, Hofstede 1978) play most important roles in explaining the Turkish firms' success in the USSR.

The physical proximity of some ex-USSR Republics namely Russia, Ukraine, Azerbaidzhan, Georgia, and Armenia to Turkish borders comes out as third on the importance scale. This "logistical factor" is also stated by the foreign country officials frequently as being important. Turkey's neighborhood to these Republics offers a unique opportunity to the western world as they could form strategic alliances with the Turkish firms to do business in the ex-USSR.

Turkish firms evaluate the "possibility of communicating in mother tongue (Turkish) in some Republics" as an important factor. In Azerbaidzhan, one can easily communicate in Turkish and be understood. In some Turkic Republics like Turkmenistan, Uzbekistan, Kazakhstan, and Kirgizia even though there are some similarities, it is not possible to communicate in Turkish. Nevertheless, businessmen mentioned that, in highly industrialized Republics like Russia, and Ukraine, one sometimes got along with Turkish speaking people in the business circles.

Turkish "government support", including the special gas deal (countertrade project explained earlier), Eximbank credits to USSR, export promotion credits by Eximbank and Treasury, special agreements with USSR since 1967, also have importance in explaining the Turkish firms success in the USSR.

Eventhough the "cultural proximity" factor is also expressed by the Turkish and international media as a very important factor, our businessmen judge this as the sixth factor. In months to come this variable needs to be tested once more, with decentralization gaining importance and becoming more operational. That is, at the time of the field survey, in December 1991, the dependency of republics upon Moscow in all aspects - including the economic and import decisions - were much higher than today. So, the most culturally close Republics of former-USSR ; Turkic Republics, Adzerbaijan, and some Black Sea neighbours of Turkey were not in a position to make economic decisions by themselves by the survey date. It is believed that during the last six months their involvement in and pursuing of the Republican projects might have favored the Turkish businessmen because of the factor of "cultural proximity".

Two variables came out almost on the border between being important and not important: "Turk's Bargaining Skills" and "Similarity of Bureaucracy".



“Lack of Alternative Markets” and “Availability of Russian speaking employees” received the least scores among the variables. It is clear that firms can communicate in different languages or hire a Russian translator when needed.

9. Another aim of this research was evaluation of marketing activities while doing business with the USSR; so marketing dimension is analyzed from the firms point of view towards the ex-USSR. Cross-country analyses of these firms marketing activities are also carried out.

The firms in the sample were examined on the level of their marketing effort towards USSR by comparing their marketing activities in three different country groupings. The three country groupings are taken as OECD (as it has the largest share in Turkish trade), Eastern Europe (because of their similarity to USSR; transition economics to capitalism), and Mideast (similarity of central buying to Moscow system till 1992 and the long negotiation procedure).

\* Companies selling both to OECD and USSR find that initial selling is easier to OECD than to USSR. But when it comes to repeat selling, it is more difficult in OECD than in USSR. When marketing is taken as a whole the prevalent belief is that selling to USSR requires much more marketing effort than selling to OECD countries. This may be due to the differences between the nature of exporting to these different groups of countries. Exporting to OECD may consist simply of filling a solicited order or selling in bulk without bothering with the problems surrounding other elements of the marketing mix such as branding and packaging. This characteristic of exporting to OECD may have created an illusion in the minds of Turkish exporters. Whereas exporting to USSR is possible if and only aggressive selling is practiced with particular emphasis upon negotiations. It must also be remembered that Turkish firms allocate very small budgets to support marketing activities in OECD. This does not leave much room for extensive marketing there. On the other hand exporters are aware that if they want to sell to USSR, they must invest in a certain level of marketing effort regardless of the volume of sales. Furthermore the absence of marketing intermediaries in the USSR market increases the marketing burden falling upon the shoulders of the exporter.

\* Companies exporting both to USSR and East Europe generally do not perceive any difference in the marketing effort required in selling in these countries. This is easily explainable as the development level of market economy in these two country groups is very similar. It can be concluded that, in order to practice “marketing”, competitive and liberal market conditions are necessary.

The relative positioning of exporters in these two markets, differences in the competitive advantage they enjoy and the level of specific industry needs and development stage seem to be effective in determining the level of marketing effort required. Because of these factors, for example, it may be possible for a given firm to get a certain market share without much marketing effort in East Europe whereas aggressive marketing may be required to get a similar volume in USSR. (16% of respondents believe more marketing is needed in USSR while 13% believe less is needed!)

A significant number of exporters reported that initial sales to USSR require more marketing effort, but repeat sales required less when compared to East European countries. This may be due to the enormous power of buying agents in the USSR. As the Foreign Trade Agencies in the USSR were the monopoly to sign the contracts for the total country needs until recently, initial selling required going through an extensive bureaucracy and lengthy negotiations.

\* Mideastern markets like Libya, Iran, Iraq have been the Turkish exporters' most productive countries(benchmarks) in their internationalization. Turkish exporters became very experienced in dealing with the central buying authorities in these Moslem countries. Eventhough there are different mixes of marketing activities needed for the Mideastern countries compared to USSR, it is expected that the overall marketing effort required to sell in these two markets could have been interpreted as similar by the respondents.

There is a wide spread belief among those respondents who export both to Middle East and USSR that initial selling to USSR requires more marketing while repeat selling is easier.

It is also widely believed that less marketing effort is required for USSR compared to Mideast. This may be explained by the Mideastern buyers' habit of not complying with the contracts. Besides, in recent years Turkish firms have faced difficulty in collecting the money amount of exports to these countries (21).

A small portion of exporters still believe that much more marketing is required for selling in the USSR compared to Mideast countries. These firms probably did not experience the recent years problematic sales to Mideast. Iraq market is almost closed; as mentioned earlier, Libya owes tremendous amounts, Iran favors some other nations because of the new game plan on former USSR republics and Saudis work to strengthen their ties with USA and other Islam ruled countries. On the other hand, these exporters might be in the initial effort of selling to the USSR. After having their first contract, and receiving further business, they might offer more realistic evaluations.

\* The way Turkish firms perceive the marketing effort required for selling to USSR has been compared with the perceptions of USA firms with the help of a study made by Oliver and Hecht in 1988 on 106 firms.

It is not surprising to see that the dominant attitude is the same both in USA and Turkey: in reaching the USSR market, initial selling requires more marketing effort than repeat selling.

On the other hand, US survey indicates that, 35% of the US businessmen find USSR market in need of much more marketing effort than the average foreign customer. This attitude is not so widespread among the Turkish businessmen; the corresponding percentage is 20%. This difference in perception may be due to differences between the activity bases in the home markets of the respective respondents. The Turkish exporters compare the USSR market with the Turkish

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21 For example, Libyan government through counterguaranties and its agents, who signed the contracts with the Turkish firms, have 3.5 billion USD of outstanding debt mainly for the last 4 years exports of goods and services - especially construction.



base whereas the Americans naturally take the American base as the point of reference.

For an average American exporter, it can be quite difficult to build a marketing plan without having the secondary sources of information on the target customer ie. demographics, geographics, economic data on consumption patterns etc. Besides, the initial approach in defining the "right authority" can be perceived much more bureaucratic and difficult than that which appears to an average Turkish exporter.

In Turkey, use of marketing research and secondary data is only a recent experience. Therefore the Turkish exporter feels quite comfortable in carrying marketing activities without making use of these sources. For a Turkish exporter the main difficulty in Soviet market could be the size of marketing investment which is associated with the size of the USSR market. The 20% of the respondents might have evaluated the necessary marketing effort needed for the USSR market as the relative cost of marketing compare to their home base. On the other hand, for 35% of the American respondents, the marketing cost in the USSR could only be smaller than their home base.

The above analyses indicate that, in this specific case of Turkish versus American international marketers, as their understanding of the marketing activity and practices at their home countries are very different, this plays a significant role in making a comparison for the marketing activity towards the USSR as well. In short, it is important to understand that both of the groups obviously define and compare "marketing activity" from different perspectives.

\* The relative importance of various marketing activities in exporting to USSR has also been explored. Then an analysis of the use of these activities by Turkish firms in the Soviet market has been attempted.

In this analysis, pricing related variables ranked highest. They were followed by the public relation activities and sales calls. Advertising, and trade exhibitions and symposia were among the activities judged least important in the context of international marketing activity directed by Turkish firms towards the USSR market.

When these findings are compared with those of Möller's Finnish study (1982) it is seen that in both studies advertising receives the lowest value. Surprisingly, in the Möller study, eventhough the "price" variable including price and discounts ranks as the highest important activity, another "price" variable consisting of credit and payment terms ranks as the second lowest variable. Möller, also finds this point noteworthy. In the Turkish study this variable was divided into two components as payment terms and conditions, and company credit. They were perceived as the first and the third most important variables in marketing activities towards the USSR. This may be due to the Turkish sample being more balanced (in terms of the range of firms from small to big) than the Finnish sample and therefore representing the general attitude better.

\* As a whole, promotional activities, with the exception of the "public relations

activities and gifts” ranked amongst the least important marketing mix activity. Sales calls came out as the sixth, and the rest of the four promotion activities received the 11th, 12th, 13th, and 14th positions.

As hypothesized before, the activities perceived as most important were expected to be used more than others. Eventhough “public relations activities, gifts” was judged as the most important promotion activity, it was only the third utilized promotional variable. This may be due to the nonexistence/limited availability of professional public relations organizations, as well as the difficulty of identifying the right target to give gifts or build a company image. So it could not have been practiced as much as the Turkish firms would like to use.

\* Comparison of Turkish versus Finnish firms' use of promotional activities for the Soviet market shows that Turkish firms seem to utilize the promotional activities more than Finnish firms in general. There is not much difference between the ranks of promotional activities; sales calls, customer visits, trade exhibitions, and public relations activities occupy the first four ranks in both country studies.

10. The last research objective was to identify future expectations of business people with the USSR; that is the perceived opportunities, threats, and future prospects.

\* Market size of the ex-USSR is found to be the mostly referred opportunity that the Turkish firms view in trade with the USSR. Some other opportunities related to market attraction like countertrade, pricing, distributing and selling advantages are judged also as important. Contrary to an expectation frequently cited by the Turkish media, logistical advantage was not mentioned that often as an area of opportunity.

\* USSR related economical, political, financial problems are mentioned as the major problematic areas by the companies as expected. Bureaucracy and market related insufficiencies had also been judged as the important problematic issues. Communication inefficiency between the business people stem from the Soviets lack of understanding the rules of the market economy. Besides, some insufficiencies also have a similar root; inexperience of firms in market economy or decentralized decision making and practice. Eventhough the companies see these threats to their business with the ex-USSR, they continue their business relations. So, these areas do not prevent them from doing business; they might only lead to reductions in the amount of business realized.

It is interesting to note that impact of recent political unrest in the ex-USSR upon trade was not judged only as a negative factor. In some cases it was perceived as positive and in others it was expected to become positive eventhough it is negative at present. This suggests that Turkish companies do not hesitate to turn the negative aspects into opportunities.

\* It is not surprising that all the participants in the study have positive ideas about the ex-USSR and Turkish business relations in the future. It was also frequently mentioned in the media that USSR trade will prosper in the future. The Turkish

government officials also share the same belief and consequently finance the ex-USSR projects through EXIMBANK credits.

## **Implications**

In view of these findings one can be optimistic about the future business potential in the ex-USSR as seen and evaluated by the practitioners. The specific implications of our findings for businessmen and other related parties (government bodies, chambers, universities, private and public research institutes) have already been referred to above, but it is worth to repeat here some of the highlights of those together with some general implications:

\* The Turkish government needs to provide more support for companies desiring to engage in and/or develop business relations with ex-USSR. It should act as the key base for disseminating the following information and educating all the key players in the network of Turkish and ex-USSR business relations:

- . Information regarding methods for alternative trade arrangements.
- . Information regarding problems in alternative trade arrangements.
- . Information on the methods and sources of financing trade arrangements.
- . Information on procedures for obtaining the needed approvals.

\* The government should also work in cooperation with financial institutions in arrangement of financing; ie. guarantees, insurance

\* Quality driven approach to government services like organization of business delegation trips and trade shows should be followed. Appointment of commercial attachés to the new Republic posts should be given high importance and priority.

\* Governmental or private education/training programs should emphasize the negotiation process in international business relations.

\* In the assessment of political risk, because of its high reliability, Turkish governmental agency(ies) should be urged to supply the necessary information to the companies doing business in the former-USSR.

\* The ex-USSR Republics based “continuous market studies” should be prepared and disseminated as the businesses are highly in need of this. This can be handled by private or public companies, our recommendation is providing high quality information as a paid service.

\* Professional consultancy services are also sought in political risk assessment.

\* Seminars should be provided by the business institutions on the procedures, benefits and problems of trade with ex-USSR.

\* In order to secure payments from the former-USSR parties, Turkish firms need to be more creative and knowledgeable in contractual forms of trade: countertrade. In this connection, seminars on the technics and practices of countertrade are highly encouraged. Making use of experiences of Turkish and foreign firms should also be a part of this project.

This study has raised as many new questions as it has answered. The following issues deserve further investigation:

\* Countertrading practises of Turkish firms in the republic states should be investigated by a longitudinal approach, so that difficulties can be addressed and accordingly better mechanisms can be established - ie. government can prepare more flexible laws for countertrade transactions, new intermediary agencies to ease the process can be established, banks can be trained to handle and lead this kind of trade etc.

\* The risk assessment component of this study should be repeated for ex-CMEA countries. this would permit a comparison of approaches to the same issue when another target market is under consideration. Such a study may uncover new components of political risk. Furthermore methods of assessing and handling political risks in other parts of the world of the same companies should be compared.

\* Incentives related to export promotions towards these countries should be carefully monitored so to encourage the right business segment in this prosperous market. This study assessed the role of "the size of the company" on the success likelihood in the ex-USSR but could not adequately reach a conclusion, so further research on the issue is recommended. Accordingly a governmental support scheme should be designed.

\* Companies should be informed about the different "modes of entry" into international markets and pro's and con's of each method. In this particular case further research on the alternative modes of entry is urged in order to carry substantial analysis directed at the former-USSR republics.

\* Financial institutions should be more active in providing the necessary capital and organizing the system for support the ex-USSR trade.

\* A further research should be carried out on the buying systems of new states.

\* A qualitative research directed to the businessmen is needed inorder to assess why Turkish firms are "not successful enough".

\* Effect and importance of "cultural proximity" in doing business with the former-USSR Central Asian Republics should be tested once more by academic researchers.

\* Continuous monitoring should be done at the business level to assess the effect



of developments on the bilateral trade. It is better to carry this research at an independent institute with no ties with businesses so that they can share their activities and their satisfaction level. A new international business strategies unit can be started within a university.

Some other university related recommendations are as follows:

- \* More emphasis should be given to international business and new forms of trade in the university programs.
- \* Students should have access to “study-abroad programs” with heavy emphasis upon ex-USSR and ranging from one semester to one school year.

**Examples of some tentative hypotheses that deserve testing by future researchers are:**

- \* Success in entering a new market is/is not dependent upon the use of marketing tools by the entrant.
- \* Non-marketing supports (i.e. government, financial, administrative) are chief determinants of successful entries.
- \* Characteristics of the USSR market require unique modes of entry that are sufficiently differentiated from those employed in entering other markets.
- \* Cultural proximity of the entrant to the market is a significant determinant of success.
- \* Size of firm is not the key determinant of success in the USSR market.

This thesis can be classified under the area-oriented studies in the field of international marketing. The time dimension of the research is a very unique one for the USSR which is in transition from centralized economy to market oriented economy with a radical switch both at the state level, and the administrative level. This is a pioneering study examining 63 Turkish firms' strategic involvement with the USSR from different aspects; USSR market involvement decisions, involvement types, countertrade, joint ventures, negotiation and marketing strategies. It is hoped that this dissertation can serve as both a source for further descriptive studies and a take-off point for similar works. Such works are needed to test the hypotheses advanced here and arrive at some meaningful generalizations.

# APPENDIX 1

## TURKISH EXPORTS TO THE SOVIET UNION 1986-1990

DESCRIPTION	1986	1987	1988	1989	1990
EDIBLE FRUITS AND NUTS etc	49,874	62,562	61,541	45,494	54,977
COFFEE, TEA, MATE AND SPICES	0	0	0	35,217	37,845
ANIMAL AND VEGETABLE FATS etc	2,864	5,119	27,237	60,800	47,266
TOBACCO AND ITS SUBSTITUTES	0	0	0	0	22,716
SALTS;SULPHUR;EARTHS AND STONE:etc	9,438	17,173	8,750	13,545	5,789
INORGANIC CHEMICALS etc	1,312	1,000	6,740	15,955	9,276
PHARMACEUTICAL PRODUCTS	0	0	12,462	97,921	57,190
FERTILIZERS	38,522	22,287	37,192	0	0
SOAP;ORGANIC SURFACE ACTIVE AGENTS;WASHING PREPARATIONS;ARTIFICIAL WAXES,etc	0	0	0	87,955	49,039
PLASTICS AND ARTICLES THEREOF	211	1,762	3,997	26,883	11,102
ARTICLES OF LEATHER SADDLERY AND HARNESS	1,379	409	10	35,776	11,218
TRAVEL GOODS,HANDBAGS AND SIMILAR CONTAINERS, ARTICALS OF ANIMAL GUT					
RAW HIDES AND SKINS AND LEATHER:FUR SKINS AND ARTIFICIAL FUR,MANUFACTURES THEREOF	1,868	1,205	1,182	22,680	11,969
MAN-MADE FIBRES (continuous)	7,544	10,826	13,661	8,702	6,093
MAN-MADE FIBRES (discontinuous)	2,852	1,253	5,803	22,073	18,785
KNITTED AND CROCHETED GOODS	1,987	5,628	3,619	0	0
ARTICLES OF APPAREL AND CLOTHING ACCESSORIES OF TEXTILE FABRIC OTHER THAN KNITTED OR CROCHETED GOODS,RAGS,etc	1,417	1,481	3,799	65,252	21,419
FOOTWEAR,GAITERS AND THE LIKE;PARTS OF SUCH ARTICLES	501	3,981	2,602	17,494	7,013
ALUMINIUM AND ARTICLES THEREOF	0	2,554	2,827	4,803	10,393
IRON AND STEEL AND ARTICLES THEROF	8,254	8,783	45,420	74,693	64,484
BOILERS MACHINERY AND MECHANICAL APPLIANCES PARTS THEREOF	12	1,058	2,396	5,501	8,035
ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS VEHICLES OTHER THAN RAILWAY OR TRAINSHIPS	6,371	5,724	3,795	13,571	17,031
ROLLING-STOCK	0	5	472	5,620	9,515
SHIPS	0	0	0	0	19,089
OTHERS	9,029	24,479	37,005	60,265	*
TOTAL	140,583	169,496	271,408	704,772	*

SOURCE: SIS



## APPENDIX 2

### TURKISH CONTRACTORS' OVERSEAS WORK, 1982-89 (\$ MILLION)

COUNTRY	1982	1985	1986	1987	1988	1989
LIBYA	8,167	8,657	9,266	9,266	9,422	9,935
SAUDI ARABIA	3,302	4,954	4,959	4,959	4,959	4,964
IRAQ	952	1,297	2,098	2,098	2,098	2,230
USSR	0	0	0	0	188	230
JORDAN	43	168	185	185	185	185
UNITED ARAB EMIRATES	39	51	51	51	51	51
KUWAIT	16	17	17	17	17	17
SENEGAL	20	20	20	20	20	20
ALGERIA	37	37	37	37	37	37
IRAN	0	171	171	171	171	171
EGYPT	0	16	16	16	16	16
YEMEN	0	111	111	111	111	111
BAHRAIN	0	1	1	1	1	1
<b>TOTAL</b>	<b>12,576</b>	<b>15,500</b>	<b>16,932</b>	<b>16,932</b>	<b>17,276</b>	<b>17,968</b>

NOTE: Cumulative basis. Figures differ slightly from text owing to different calculation base

SOURCE: Union of Turkish Contractors

## APPENDIX 3

### TURKEY'S MAJOR TRADING PARTNERS - EXPORTS, 1975-91. (FOB, Thousand USD)

	1975		1980		1985		1986		1987		1988		1989		1990		1991	
	VALUE	%	VALUE	%	VALUE	%	VALUE	%	VALUE	%	VALUE	%	VALUE	%	VALUE	%	VALUE	%
GERMANY	305	21.8	604	20.8	1391	17.5	1444	19.4	2184	21.4	2149	18.4	2176	18.7	3056	23.6	3413	25.1
FRANCE	62	4.4	164	5.6	215	2.7	299	4.0	500	4.9	499	4.3	595	5.1	735	5.7	689	5.1
HOLLAND	51	3.6	84	2.9	213	2.7	222	3.0	280	2.8	351	3.0	407	3.5	433	3.3	474	3.5
UK	70	5.0	105	3.6	539	6.8	334	4.5	541	5.3	576	4.9	616	5.3	743	5.7	676	5
ITALY	82	5.9	218	7.5	502	6.3	580	7.8	851	8.4	955	8.2	978	8.4	1109	8.6	971	7.1
USA	147	10.5	127	4.4	506	6.4	549	7.4	714	7.0	761	6.5	971	8.4	965	7.5	913	6.7
JAPAN	29	2.1	37	1.3	43	0.5	99	1.3	156	1.5	209	1.8	233	2.0	239	1.8	226	1.7
IRAQ	45	3.2	135	4.6	961	12.1	553	7.4	945	9.3	986	8.5	445	3.8	214	1.7	122	0.9
IRAN	35	2.5	85	2.9	1079	13.6	564	7.6	440	4.3	546	4.7	561	4.8	496	3.8	486	3.6
USSR	74	5.3	169	5.8	190	2.4	141	1.9	170	1.7	271	2.3	705	6.1	531	4.1	610	4.5
SUBTOTAL	900	64.2	1728	59.4	5639	70.9	4785	64.2	6781	66.5	7303	62.6	7687	66.1	8521	65.8	8580	63.1
OTHERS	501		1182		2319		2672		3409		4359		3940		4422		5018	
TOTAL	1401		2910		7958		7457		10190		11662		11627		12943		13598	

SOURCE: SPO.SIS.

## APPENDIX 4

### TURKEY'S MAJOR TRADING PARTNERS - IMPORTS, 1975-91

(CIF, in thousand USD)

	1975	1980	1985	1986	1987	1988	1989	1990	1991
	VALUE	VALUE	VALUE	VALUE	VALUE	VALUE	VALUE	VALUE	VALUE
	%	%	%	%	%	%	%	%	%
GERMANY	955	800	1369	1172	2109	2054	2204	3500	3230
	20.2	10.2	12.1	10.6	14.9	14.3	14.3	14	15.7
FRANCE	252	370	514	545	608	829	745	1341	1226
	5.3	4.7	4.5	4.9	4.3	5.8	5.8	4.7	6
HOLLAND	138	203	218	264	367	385	445	573	642
	3	2.6	1.9	2.4	2.6	2.7	2.7	2.8	2.6
UK	334	307	468	519	697	739	728	1014	1165
	7.2	3.9	4.1	4.7	4.9	5.2	5.2	4.6	4.5
ITALY	356	295	658	866	1076	1006	1071	1727	1845
	7.7	3.8	5.8	7.8	7.6	7	7	6.8	7.7
USA	413	429	1150	1177	1367	1520	2094	2283	2241
	8.9	5.5	10.1	10.6	9.7	10.6	10.6	13.3	10.2
JAPAN	211	110	507	684	860	555	530	1119	1091
	4.5	1.4	4.5	6.2	6.1	3.9	3.9	3.4	5
IRAQ	504	1237	1137	769	1154	1441	1650	1047	4.7
	10.9	15.8	10	6.9	8.2	10.1	10.1	10.5	4.7
IRAN	24	803	1265	221	948	660	234	578	0.5
	0.5	10.3	11.2	2.0	6.7	4.6	4.6	1.5	2.6
USSR	74	180	221	359	307	443	597	1247	1089
	1.6	2.3	2	3.2	2.2	3.1	3.1	3.8	5.6
TOTAL	4738	7909	11343	11105	14158	14340	15762	22305	21031

SOURCE: SIS, SPO.

APPENDIX 5

CAPITAL EXPORT ACCORDING TO THE DIRECTED COUNTRIES (include with and without permission required capitals)  
DIRECT INVESTMENTS (000\$)

COUNTRIES	CUMULATIVE NUMBER OF ACTIVITIES	1989 AMOUNT OF CAPITAL	YEAR 1990		YEAR 1991		YEAR 1992		TOTAL	
			NUMBER OF ACTIVITIES	AMOUNT OF CAPITAL	NUMBER OF ACTIVITIES	AMOUNT OF CAPITAL	NUMBER OF ACTIVITIES	AMOUNT OF CAPITAL	NUMBER OF ACTIVITIES	AMOUNT OF CAPITAL
GERMANY	40	33,995	6	10,047	7	44,106	2	30,273	55	118,421
SWITZERLAND	38	18,775	2	55	0	0	0	0	40	18,830
U.K.	23	66,110	7	58,278	12	7,687	0	0	42	132,075
HOLLAND	6	3,263	1	21,500	0	0	0	0	7	24,763
FRANCE	5	9,340	1	390	0	0	0	0	6	9,730
U.S.A.	11	3,215	7	77,658	1	551	0	0	19	81,424
S.ARABIA	2	707	0	0	0	0	0	0	2	707
LUXEMBURG	2	20,694	0	0	0	0	0	0	2	20,694
AUSTRIA	1	10,012	1	9,180	0	0	0	0	2	19,192
SPAIN	1	500	1	201	0	0	0	0	2	701
ITALY	5	558	0	0	0	0	0	0	5	558
TAIWAN	1	100	0	0	0	0	0	0	1	100
JORDAN	2	900	0	0	0	0	0	0	2	900
JAPAN	1	78	0	0	0	0	0	0	1	78
HUNGARY	1	10	1	15	0	0	0	0	2	25
POLAND	1	135	0	0	1	98	0	0	2	233
BELGIUM	1	37	0	0	2	316	0	0	3	353
FINLAND	1	66	0	0	0	0	0	0	1	66
BAHRAIN	1	15,279	0	0	0	0	0	0	1	15,279
PAKISTAN	2	261	0	0	0	0	0	0	2	261
DENMARK	1	20	0	0	0	0	0	0	1	20
NIGERIA	1	3,231	0	0	0	0	0	0	1	3,231
MALESIA	1	4	0	0	0	0	0	0	1	4
IRAQ	1	10	0	0	0	0	0	0	1	10
CHEKOSLAVAKIA	0	0	1	3	0	0	0	0	1	3
N.CYPRUS	32	2,784	1	10	0	0	0	0	33	2,794
BULGARIA	2	167	0	0	4	213	1	49	7	429
KUWAIT	1	50	0	0	0	0	0	0	1	50
ROMANIA	0	0	0	0	2	11	6	1,076	8	1,087
CIS(Former USSR)	1	6,958	2	2,542	7	269	5	5,852	15	15,621
TOTAL	185	197,259	31	179,879	36	53,251	14	37,250	266	467,639

SOURCE: UTFT (HDTM), Treasury General Directorate, "Turkish Financial Systems Statistics", March 1992, pg.83.

**APPENDIX 6**  
**PROFIT-LOSS STATEMENT OF TURKISH COMPANIES ABROAD**  
(In thousand dollars)

YEARS	PROFIT	LOSS	AMOUNT TRANSFERRED TO TURKEY
1980	420	21	100
1981	1164	209	340
1982	1077	64	733
1983	1602	145	177
1984	3041	306	578
1985	6688	1267	574
1986	3690	473	45
1987	10414	773	4809
1988	6742	951	1239
1989	8592	3939	1742
1990	17210	4336	3102
1991	1207	163	791
<b>TOTAL</b>	<b>61847</b>	<b>12647</b>	<b>14230</b>

SOURCE: UTFT (HDTM), Treasury General Directorate, "Turkish Financial Systems Statistics", March 1992, pg.85



## APPENDIX 7

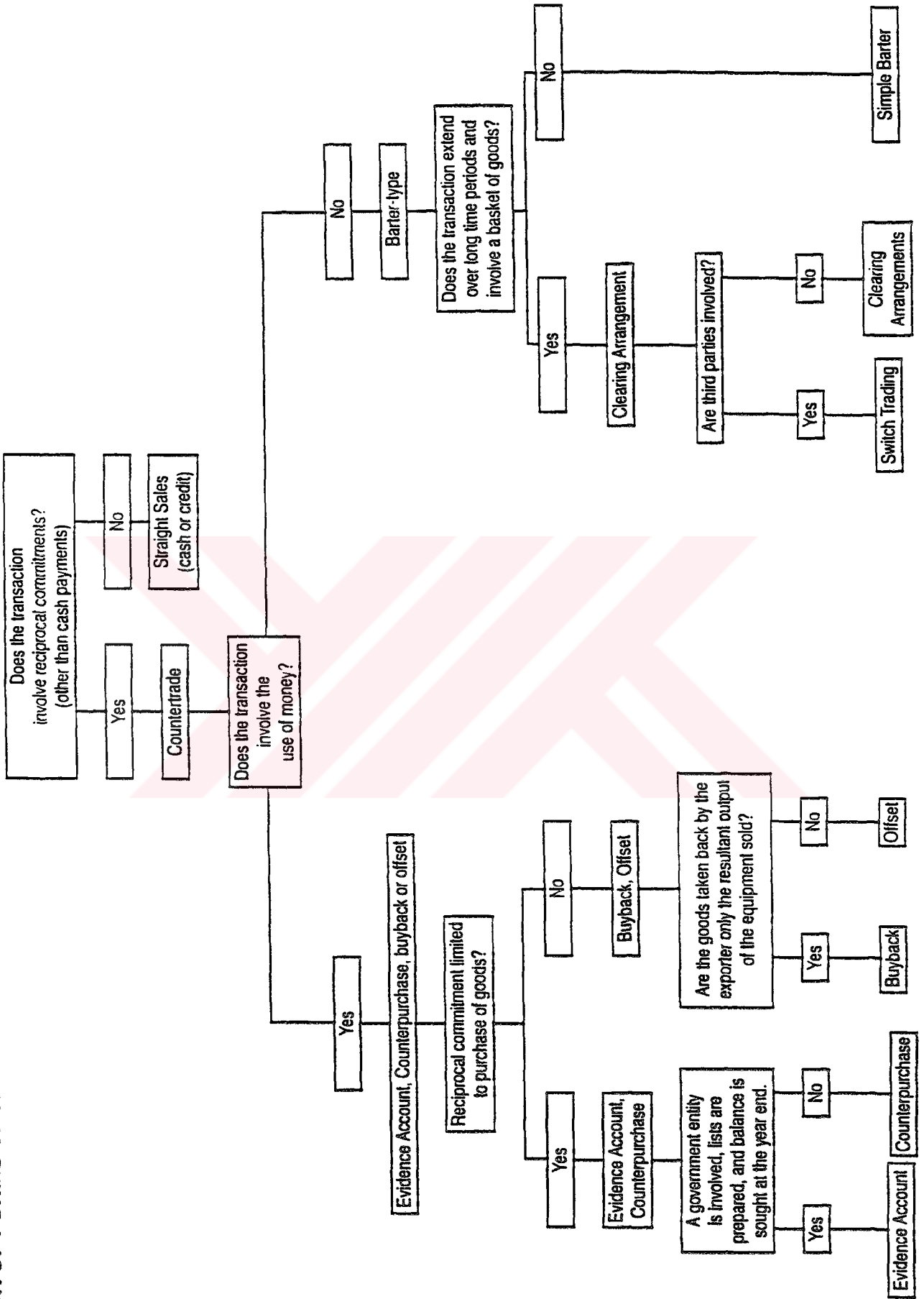
### TURK EXIMBANK CREDITS TO THE SOVIET UNION

SIGNED	VALUE	USAGE
1989	\$150 m.	Consumer goods
1989	\$150 m.	Consumer goods
1990	\$350 m.	Light industrial projects
1990	\$300 m.	Consumer goods & telecommunications
1991	\$200 m.	Food exports

SOURCE : TURK EXIMBANK



# APPENDIX 8 CLASSIFICATION OF FORMS OF TRADE WITH TURKISH PRACTICES



## **APPENDIX 9**

### **I. CALENDER OF EVENTS IN THE USSR DURING 1991**

**January 1**

Years of soft-currency barter trade between the Soviet Union and Eastern Europe came to an end. Henceforth, trade would, in theory, be in hard currency only.

**January 7**

The Soviet defence ministry announced that it was to send paratroopers to enforce conscription in seven rebel republics: the Baltic three, Armenia, Georgia, Moldova, and parts of Ukraine. In Lithuania for example, over 80% of eligible recruits were avoiding the draft.

**January 13**

Soviet troops stormed the television building in Vilnius, Lithuania's capital, killing 14 people and injuring at least 150. A "National Salvation Committee", made up of Communists loyal to Moscow, claimed to control the republic. Lithuania's elected leaders occupied the parliament building, determined to defend it from attack.

While questions were asked about the role (direct or indirect) of President Mikhail Gorbachev in ordering the use of such force, Russia's Boris Yeltsin rushed to Estonia on January 14th to meet Baltic leaders and declare his solidarity with them.

**January 22**

The Soviet Union declared strict limits on withdrawals from bank deposits plus the cancellation of 50- and 100-rouble banknotes. The idea was stem inflation. The result was panic and fury.

**February 9**

Lithuanians voted overwhelmingly to become an independent, democratic state. In a poll arranged to pre-empt Mr Gorbachev's supposedly nationwide referendum on March 17th on the future of the union, turnout was 85% -and 90% of those who voted said Yes to independence. But a majority of ethnic Russians and Poles either stayed away or voted No.

**February 19**

After weeks of arguing over air-time, Boris Yeltsin used a live interview on Soviet television to make a dramatic call for Mikhail Gorbachev's resignation.

**February 22**

The European Parliament unfroze a 1 billion USD food-aid programme to the Soviet Union. The aid had been blocked after the crackdown in Lithuania. The

Soviet attitude towards the Baltic republics was deemed to have improved.

March 1

Soviet coal miners began a strike. Their demands: more money, and President Gorbachev's resignation.

March 3

Latvia and Estonia held plebiscites on independence from the Soviet Union. In Latvia, 73% voted for independence; in Estonia 77% did.

March 10

In Moscow, hundreds of thousands of people marched in support of Boris Yeltsin's campaign against Gorbachev. Yeltsin's supporters rallied in other Russian cities too.

March 16

Soviet-American talks in Moscow failed to resolve differences over arms control. The Americans were worried about Soviet compliance with the 1990 treaty on conventional forces in Europe.

March 17

Voters went to the polls in the Soviet referendum on the future of the union. Six independent-minded republics -the Baltic three, Armenia, Georgia and Moldavia- boycotted the vote. Elsewhere there were variations on the questions asked. This made the result confused. Turnout was 80%; 76% of these voters said Yes to Mr. Gorbachev's question about a "renewed federation of equal sovereign states"; in Russia, 70% of voters approved Boris Yeltsin's idea of a directly elected president in their republic.

April 2

The Soviet government introduced retail price rises averaging 60%. The next day, the three top Soviet financial officials said the budget deficit was running out of control and that the economy was on the brink of catastrophe.

April 7

Mass was celebrated in St Basil's cathedral on Red Square for the first time since 1917.

April 23

A reconciliation between Gorbachev and Yeltsin brightened the prospects for the Soviet Union. Together with leaders of eight other Soviet republics, they signed an agreement (which became known as the "nine-plus-one" agreement) to pull

the country out of the crisis through co-operation, not conflict.

April 24

The agreement with the republics helped Gorbachev survive a challenge from hardline Communists who threatened to oust him at a Central Committee meeting. Gorbachev offered his resignation, but the comrades asked him to stay on.

April 29

A big earthquake in the Soviet republic of Georgia killed more than 100 people and caused widespread damage.

April 30

The Soviet coalstrike moved towards an end. As part of his new pact with President Gorbachev, Boris Yeltsin persuaded the miners to go back to work. The miners won a promise to sell some of their coal for hard currency. Yeltsin won control of some of the pits for his Russian republic - plus the kudos of being the man who could solve the dispute where Gorbachev had failed.

May 6

Anger mounted in Armenia over the deaths caused as Azeri riot police, backed by Soviet troops, moved through Armenian-populated villages to disarm local militias. The Armenians suspected that the Kremlin was siding with the Azeris to punish Armenia for its drive for independence.

May 20

The Soviet Union passed its long-awaited foreign-travel law. From January 1st 1993, Soviet citizens would no longer need exit visas, and would have the right to return. For years the West demanded that the Soviet Union grant its people the freedom to travel.

May 21

Grigory Yavlinsky led a team of Soviet economists to work on a plan for Soviet reform with economists at Harvard University. The idea was to come up with a plan that was radical, credible and could command western support.

May 23

Founded in 1705 by Peter the Great, but closed for the past seven decades, the Leningrad stock exchange reopened.

May 26

The first open direct election of a republican leader in the Soviet Union was held, in Georgia. The winner, with 86.5% of the vote, was Zviad Gamsakhurdia, a fierce

nationalist who had already led a non-Communist coalition to victory in parliamentary elections in October 1990. No voting took place in South Ossetia and Abkhazia, two provinces of the republic in conflict with the Georgian majority.

June 12

In the first ever direct election of a Russian leader, Boris Yeltsin was elected the president of the Russian republic. He won 57% of the vote; his closest rival, Nikolai Ryzhkov, a former Soviet prime minister, won 17% (the turnout was 74%). Endorsement through the ballot box greatly strengthened Yeltsin's hold in his power struggle with the un-elected President Gorbachev.

In other votes on the same day, the liberal mayors of Moscow and Leningrad - Gavriil Popov and Anatoly Sobchak - were both returned to office, their status enhanced. And Leningraders voted to change their city's name back to St Petersburg.

June 17

The Soviet Prime Minister, Valentin Pavlov, failed in an attempt to get special powers to rule by decree. It was seen as an attempt to reverse President Gorbachev's drift back towards liberal policies.

June 19

Soviet military pull-out from Hungary and Czechoslovakia was completed. There was no celebration over the environmental mess the Soviet army left behind.

June 27

Deputies in Ukraine voted to delay further discussion of the proposed Soviet union treaty until September. Four days earlier thousands had demonstrated in Kiev against the treaty, which they saw as depriving Ukraine of its independence. The reluctance of the second-most-populous Soviet republic complicated President Gorbachev's efforts to rebuild a new Soviet Union.

July 1

Nine prominent Soviets launched a new Movement for Democratic Reforms. Leading these liberals who had left (or were about to leave) the Communist Party was former foreign minister, Edward Shevardnadze.

The Soviet Union and five East European countries formally dissolved the Warsaw Pact.

July 4

Chancellor Kohl went to Kiev to see President Gorbachev, and reportedly coached him on how to present his case for the western help at the G7 summit later in the month. Gorbachev was booed by crowds in the Ukrainian capital.



July 17

Mikhail Gorbachev dominated the G7 meeting in London, to which he was invited as a guest. He won seven encouraging pats on the shoulder, but no cash.

July 20

Russia's newly elected president Yeltsin issued a decree banning Communist Party cells from factories, farms and government offices - their main power base. The decree enraged Communists and embraced their leader, Gorbachev, just before a meeting of the Central Committee.

July 23

The Soviet Union surprised the West by applying for full-membership of the IMF, just a week after it had been offered "special associate status" at the London G7 summit. Clearly, the Kremlin was not satisfied with a status that would entitle it to advise, but no money.

July 25

At a meeting of the Soviet Communist Party's Central Committee, Mikhail Gorbachev presented a new programme that would turn the party into a social democratic one in all but name. Conservatives decided not to fight the changes - yes.

July 27

Alexander Yakovlev, sometimes described as the guru of the Glasnost, resigned from Gorbachev's team of advisers. Yakovlev was involved in the new Movement for Democratic Reforms. His departure left Mr Gorbachev's team dangerously short of intellectual talent.

July 29

Presidents of Russia and Lithuania signed a state treaty in which Russia recognized Lithuania's independence - something the Soviet government had refused to do.

July 31

Six Lithuanian officials were killed in an attack on a border post with Belorussia. It was the bloodiest attack since the attempted crackdown in Lithuania in January.

August 1

After his superpower summit with President Gorbachev in Moscow, President Bush went to Kiev where he warned Ukraine's independent-minded parliament against "suicidal nationalism based on ethnic hatred". This did not go down well with nationalists.

August 6

Ivan Polozkov, the hardline boss of the Communist Party of Russia, resigned. He had been under attack for allowing the party to lose members and influence fast.

August 19

The real Russian revolution took place: an attempted coup against Mikhail Gorbachev collapsed within three days. Mr Gorbachev was detained in the Crimea and prevented from returning to Moscow, where he was due to sign the new union treaty. An eight-man emergency committee took charge. But faced with the defiance of Boris Yeltsin at the Russian parliament, as well as popular protests and splits in the army, the junta had to choose between bloodshed or backing down.

Around the Soviet Union, resistance to the coup was strong in places, but patchy. Many factories and miners responded to Yeltsin's call to strike. In Leningrad and Kishinev there were mass demonstrations. Estonia and Latvia declared full independence, bringing themselves into the line with Lithuania.

August 22

Mr Gorbachev returned to Moscow, but showed in a press conference that he had failed to grasp the magnitude of the change that had taken place in his country. The coup leaders were arrested; one of them, interior minister, Boris Pugo, committed suicide. The rest were charged with treason. Huge crowds celebrated in Moscow, cheering the hero of the resistance to the coup, Boris Yeltsin. They also toppled the statue of Felix Dzerzhinsky, the founder of the Soviet secret police.

August 23

The change in the balance of power in Moscow became clear during Mikhail Gorbachev's appearance before the Russian parliament. Mr Gorbachev got a stormy reception and had to accept decisions dictated by Boris Yeltsin. Among those decisions: the suspension of the Russian Communist Party. Yeltsin also suspended the Pravda and five other Communist papers. Gorbachev had to read out a report showing how almost his entire (now sacked) government had betrayed him during the coup. The pre-1917 Russian flag was hoisted over the Kremlin.

August 24

Gorbachev set about adjusting to the new, post-coup realities. He resigned as Communist Party boss, and gave party property over to the state. His military adviser and former chief of staff, Marshal Sergei Akhromeev, committed suicide. Hundreds of thousands of Muscovites turned out to bury those three people killed during the coup.

Ukraine declared its independence, subject to approval in a referendum; the next day Belorussia also declared independence. Among the Soviet republics rushing

to assert their own sovereignty, Ukraine, with over 50 million people, mattered more than any except Russia itself. In the wake of their independence declaration, Ukrainians were alarmed by a suggestion from Boris Yeltsin that borders might have to be reviewed. A delegation had to be dispatched from Moscow to Kiev to soothe the worries.

August 27

European Community foreign ministers agreed to recognise the three Baltic states (Latvia, Lithuania, Estonia). Denmark had broken EC ranks to recognise its Baltic neighbours the day before.

August 29

More than 70 years of Soviet communism came to an end when the Supreme Soviet formally suspended the Communist Party.

September 2

The United States at last joined the rush to recognise Baltic states (though only after a long-awaited nod and wink from President Gorbachev). Two days later the ex-Soviet Union itself formally recognised the independence of Latvia, Lithuania, Estonia.

September 5

The Soviet parliament haggled its way to a new, provisional structure of government, dominated by the republics. The ex-Soviet Union became the Union of Sovereign States. There would be an interim, two-chamber parliament, made up of delegates from the republics; a State Council consisting of President Gorbachev and representatives from the republics; and an inter-republican economic committee. Nobody knew how would all this work in practice.

September 8

Ayaz Mutalibov was elected president of Azerbaijan, despite having supported the August coup in Moscow. The opposition tried to organise a boycott of the vote. Mr Mutalibov, republic's incumbent president, was the only candidate.

September 16

Thousands of people rallied in Georgia's capital, Tbilisi, to demand the resignation of the republic's president, Zviad Gamsakhurdia. Dissatisfaction had been growing about the dictatorial ways of president.

September 21

Armenia held referendum on whether to secede from the Soviet Union. As expected, 95% of the electorate voted for independence.

September 22

The Soviet and Finnish foreign ministers agreed that the 1948 friendship treaty between their countries would be renegotiated. The treaty had been the basis of Soviet-Finnish relations.

October 1

Leningrad formally reverted to its original name, St Petersburg.

October 8

Soviet Union agreed to move most of its troops out of Poland by the end of 1992. Negotiations with Poland had proved difficult; the failed coup in Moscow seemed to speed up agreement.

October 12

Askar Akaev was elected president of Kirgizia, one of the smallest remaining Soviet republics. Mr Akaev was considered such a fine democrat that nobody had stood against him.

October 15

Having recently gained their independence, the three Baltic States (Latvia, Lithuania and Estonia) became members of Conference on Security and Co-operation in Europe (CSCE).

October 16

Armenia held a direct election for its presidency. The winner, with 80% of the vote, was the de facto incumbent, Levon Ter-Petrossyan.

October 18

In the Kremlin, eight of the remaining twelve Soviet republics signed an outline Treaty on Economic Community. Notable for not signing was Ukraine.

As part of the Middle East peace process, the Soviet Union and Israel re-established diplomatic relations, broken by the Kremlin after the Six Day war in 1967.

October 28

Boris Yeltsin seized the initiative on economic reform, without waiting for the other ex-Soviet republics. He announced plans for free prices, faster privatisation and land reform.

November 10

Result of sort of separatism in Russia: Boris Yeltsin declared a state of emergency in the rebellious region of Checheno-Ingushetia in the Caucasus. But,

unable to enforce it, he had to backdown next day.

November 19

The Soviet Union got back its old foreign minister. Desperate to bolster his credibility, President Gorbachev announced the reappointment of Edward Shevardnadze, his friend and partner in foreign policy perestroika, who had resigned 11 months earlier and given warning of an impending dictatorship.

November 24

Despite the failure of the August coup in Moscow, Soviet hardliners continued to make their mark. A former Communist, Rakhmon Nabiev, comfortably won a presidential election in the republic of Tajikistan. Two days later the ex-communist leadership in Azerbaijan abolished the autonomous status of the Armenian-populated enclave of Nagorno-Karabakh, thus sharply increasing tensions with Armenia.

November 25

Mikhail Gorbachev's hopes of putting together a new union treaty suffered another blow when he chaired a meeting of leaders of seven republics. They refused to initial his draft treaty, agreeing only to refer it to their parliaments.

December 1

In a referendum, Ukrainians voted nine-to-one in favour of independence. They also elected Leonid Kravchuk, a Communist ideologue turned nationalist champion, as president. Canada led the movement by foreign governments to recognise Ukraine as an independent state. President Gorbachev warned of "catastrophe".

December 8

Leaders of Russia, Belorussia and Ukraine met in Minsk and declared the death of the Soviet Union. Instead, they said, they were setting up a "Commonwealth of Independent States", with headquarters in Minsk. Mikhail Gorbachev, fighting for his political life, denounced the decision as unconstitutional.

December 12

Ukraine declared it was taking control of all non-nuclear forces on its territory. The Soviet state's collapse spread to Aeroflot, the state airline. Many airports had to close because of lack of fuel.

December 19

The formal end of the Soviet Union drew closer. Boris Yeltsin decreed that Russia was taking over the Kremlin and most ex-Soviet ministries. Mikhail Gorbachev was left nominally in charge of only defense and nuclear-power ministries.



December 22

In Alma Ata, Kazakhstan's capital, 11 of the 12 Soviet republics agreed on the creation of a Commonwealth of Independent States to replace the Soviet Union. Independent-minded Georgia was the only republic not to sign up. It was preoccupied with its own power struggle: heavy fighting was taking place in Tbilisi, the capital, in the attempt to oust President Gamsakhurdia.

December 25

Mikhail Gorbachev announced his resignation as Soviet president. The next day the Soviet Union's parliament formally voted the country out of existence.

December 30

At a meeting in Minsk, leaders of the new ex-Soviet Commonwealth confirmed that the strategic nuclear arsenal would continue to be under a unified command. But they failed to agree to keep a single conventional army. Ukraine, Azerbaijan and Moldavia planned to set up their own forces.

**\* SOURCE: THE ECONOMIST YEARBOOK, 1992 EDITION**



## **APPENDIX 10**

### **DEİK-FOREIGN ECONOMIC RELATIONS BOARD**

The Foreign Economic Relations Board (DEİK) was founded in 1986 by the nine principal private sector organizations of Turkey. Its principal aim is to contribute to initiatives to improve Turkey's bilateral economic relations. DEİK is a non-profit organization and finances its operations by the membership fees of companies which voluntarily subscribe to bilateral business councils.

As of January 1992, there were 23 business councils, work to create business councils with China and the countries of South East Asia was underway.

DEİK carries out its activities in collaboration with its counterparts of similar standing in the respective countries.

Various modes of cooperation among which direct investments occupy a major point of interest, have been explored and put into practice as a consequence of bilateral investigation of prospects.

At the time being there are 428 companies that have subscribed to one or more business councils. The composition of member companies illustrates the diverse interests of DEİK. Member companies of different size engage in manufacturing, foreign trade, finance, contracting, transport and tourism.

The DEİK Secretariat has a permanent staff of 25. Recently an information center has been put into service in addition to systematic periodicals published in Turkish and English.

## **APPENDIX 11**

### **TURKISH-SOVIET BUSINESS COUNCIL**

The Turkish-Soviet Business Council was established in 1988 with the principal objective of improving the climate for trade and investment between the two countries.

The Business Council consists of a Turkish chapter staffed by DEIK and a Soviet chapter initially staffed by the USSR Chamber of Commerce and Industry. Each chapter elects a chairman and an executive committee, develops its own budget and finances its activities through this budget.

The members of the Turkish chapter are senior level representatives of the Turkish companies. As of January 1992, Turkish chapter has 184 member companies operating on various fields including manufacturing, trade, contracting, transportation, tourism and finance. The Soviet chapter has initially had 47 members some of which are major business conglomerates of Soviet economy. All Soviet Republics have always participated in the activities of the Business Council in the Soviet Union and in Turkey.

Both chapters of the Business Council meet once every year alternately in Turkey and in the Soviet Union, while the executive committees come together at least three times each year. Aside from scheduled meetings, the Business Council arranges numerous business delegations each year.

The Turkish-Soviet Business Council has been organizing training programmes for managers from different Republics and supporting cooperation on science and technology and exchange of student trainees.

Recently, a new attempt to establish separate business councils with Soviet Republics is underway. The present 184 members of the Turkish-Soviet Business Council will constitute the Turkish side of separate business councils with the Republics. Agreements with Azerbaijan, Kazakhstan, Georgia and Ukraine have been signed. Agreements with Russian Federation, Turkmenistan and Uzbekistan are expected soon.

## APPENDIX 12-A

AŞAĞIDAKİ ANKET FORMU BOĞAZİÇİ ÜNİVERSİTESİ ARAŞTIRMA GÖREVLİSİ YEŞİM TODUK AKIŞ'IN DOKTORA TEZİ AMACIYLA HAZIRLANMIŞTIR. VERDİĞİNİZ CEVAPLAR DİĞER ŞİRKETLERDEN ALINACAK BİLGİLERLE BİRARADA İNCELENEREK, S.S.C.B.'YE YÖNELİK PAZARLAMA STRATEJİSİ GELİŞTİRİLECEKTİR.

YARDIMINIZ VE KATKINIZ İÇİN TEŞEKKÜR EDERİM.

1. Şirketinizin ismi: \_\_\_\_\_

2. Şirketteki göreviniz: \_\_\_\_\_

3. Halen kaç ülkeye ihracat yapmaktasınız?

( ) 1 ( ) 2-5 ( ) 6-9 ( ) 10 ve üstü

4. S.S.C.B ile ticari ilişkinizi aşağıdakilerden hangileri en iyi açıklamaktadır? Uygun olanları işaretleyiniz:

( ) Sovyetler Birliği pazarına girme hazırlıklarımız var

( ) İhracat yapıyoruz

( ) İthalat yapıyoruz

( ) Takas yoluyla ticaret yapıyoruz

( ) Sınır ticareti yapıyoruz

( ) Turizm işi yapıyoruz

( ) Bankacılık hizmeti veriyoruz

( ) Uluslararası kredi olanakları hazırlıyoruz

( ) İnşaat - taahhüt işleri yapıyoruz

( ) Türkiye'de ortak yatırım yapıyoruz

( ) Sovyetler Birliği'nde ortak yatırım yapıyoruz

( ) Know-how satıyoruz

( ) Lisans anlaşmamız var

( ) Sadece bazı Cumhuriyetlerle ticari ilişki gerçekleştirmek istemekteyiz. Belirtiniz \_\_\_\_\_

( ) Diğer \_\_\_\_\_

5. Bu ilişki kaç yıldır sürüyor? \_\_\_\_\_

6. Bu ilişkilerinizi nasıl tanımlıyorsunuz?

( ) Çok tatmin edici

( ) İleride tatmin edici olacağını umuyoruz

( ) Değerlendirmek için henüz erken

( ) Aradığımızı bulamadık

7. Bu ilişki nasıl başladı?

( ) S.S.C.B.'deki bir ithalatçı bize başvurdu

( ) S.S.C.B.'deki bir ihracatçı bize başvurdu

( ) Biz S.S.C.B.'deki bir alıcı/satıcı ile temas kurduk

( ) Türkiye'de bir resmi kuruluş bize başvurdu

( ) Türkiye'de bir ticari kuruluş (ithalatçı, ihracatçı, banka) bize başvurdu

( ) Diğer \_\_\_\_\_

8. Doğu Avrupa ülkeleri ile ticari ilişkiniz var mı?

( ) Var ( ) Yok ( ) Düşünüyoruz

9. Şirketiniz aşağıdaki ülkelerden hangileri ile ticaret yapmakla daha ilgilidir: 1 en önemli olmak üzere, önem sırasına göre sıralayınız.

( ) Macaristan

( ) Polonya

( ) A.B.D.

( ) Almanya

( ) Irak

( ) Litva

( ) S.S.C.B.

10. Türk firmalarını S.S.C.B.'de başarılı buluyormusunuz?

- Evet  
 Hayır  
 Fikrim yok  
 Tam olarak değil

LÜTFEN YUKARIDAKİ SORUYA EVET DİYENLER CEVAPLASINLAR:

11. Sizce bu Türk firmalarının S.S.C.B.'deki başarılarının nedenlerinde aşağıdaki faktörler ne kadar önemlidir? İşaretleyiniz.

	Hiç önemli değil	Önemsiz	Ne önemli, ne önemsiz	Önemli	Çok önemli
– Belirsizlik durumlarıyla başedebilme yeteneği	( )	( )	( )	( )	( )
– Türkiye'ye olan bürokrasi benzerliği	( )	( )	( )	( )	( )
– Alternatif pazarların olmayışı/yetersizliği	( )	( )	( )	( )	( )
– Devlet desteği	( )	( )	( )	( )	( )
– Gelecekteki potansiyelden yararlanma umudu	( )	( )	( )	( )	( )
– Kültür benzerlikleri	( )	( )	( )	( )	( )
– Lojistik (coğrafi yakınlık) faktörler	( )	( )	( )	( )	( )
– Türklerin pazarlık becerileri	( )	( )	( )	( )	( )
– Rusça konuşan elemanların oluşu	( )	( )	( )	( )	( )
– Cumhuriyetlerin bir bölümünde Türkçe anlaşabilmek	( )	( )	( )	( )	( )
– Diğer _____					

12. S.S.C.B.'de pazarlık masasında anında karar vermeniz ne kadar olasıdır?

Hiç olası değil	Olası değil	Bazen olası	Olası	Çok olası
( )	( )	( )	( )	( )

13. Sovyet satın almaçılar karşısında karar verme anında şirketinize danışmanız ne kadar olasıdır?

Hiç olası değil	Olası değil	Bazen olası	Olası	Çok olası
( )	( )	( )	( )	( )

14. Kendinizi (firmanızı) pazarlık sırasında rakiplerinize göre avantajlı/başarılı buluyormusunuz?

- Evet neden \_\_\_\_\_  
 Hayır neden \_\_\_\_\_

15. Pazarlık masasında şirketteki görev mevkiiniz muhatabınızinkine uyuyor mu, daha mı düşük, daha mı yüksek?

- Daha düşük ( ) Daha yüksek ( ) Eşit düzeyde  
 Diğer \_\_\_\_\_

16. Sovyet tarafının anlaşmalara uymasını nasıl değerlendirirsiniz? İlave açıklamalara gerek görürseniz lütfen yanına yazınız.

- Her zaman/sıkça anlaşmaya uyulur  
 Bazen anlaşmaya uyulur  
 Nadiren anlaşmaya uyulur  
 Anlaşmaya uyulmaz

17. Ticari temaslarınızda veya pazarlık aşamasında herhangi bir aracı kurum kullanıyormusunuz? Uygun cevapları işaretleyiniz.

- Hayır  
 Evet, resmi bir Türk kurumu (ticari ataseelik)  
 Evet, ticari bir Türk kurumu  
 Evet, resmi bir S.S.C.B. kurumu  
 Evet, ticari bir S.S.C.B. kurumu  
 Evet, ticari bir Batı kurumu

18. Müzakere öncesinde hazırlık ve planlama yapıyor musunuz?

- Evet, detaylı olarak yapılır  
 Evet, genel olarak yapılır  
 Bazen  
 Hayır, müzakere masasında gereken yapılır  
 Hayır, fazla gerek görmemekteyiz

19. Sizce S.S.C.B.'de küçük Türk firmalarının mı yoksa büyüklerinin mi başarı şansı daha yüksek? Sebebinin cevabınızın yanına açıklayınız.

- Büyüklerin yüksek \_\_\_\_\_  
 Küçüklerin yüksek \_\_\_\_\_  
 Farketmez \_\_\_\_\_

**AŞAĞIDAKİ SORULARI LÜTFEN SADECE S.S.C.B.'DE ORTAK GİRİŞİM (JOINT VENTURE) YAPMIŞ VEYA YAPMAKTA OLANLAR CEVAPLASINLAR; AKSİ TAKDİRDE 24. SORUYA GİDİNİZ.**

20. S.S.C.B.'de yapılacak bir ortak yatırımın politik risk derecesini diğer bazı ülkelerle nasıl kıyaslıyorsunuz?

	Kesinlikle katılıyorum	Kısmen katılıyorum	Kesinlikle katılmıyorum	Bilgim yok
<b>S.S.C.B.'deki politik risk:</b>				
— Polonya'ya göre daha yüksektir	( )	( )	( )	( )
— Macaristan'a göre daha yüksektir	( )	( )	( )	( )
— Romanya'ya göre daha yüksektir	( )	( )	( )	( )
— Bulgaristan'a göre daha yüksektir	( )	( )	( )	( )
— Libya'ya göre daha yüksektir	( )	( )	( )	( )
— Irak'a göre daha yüksektir	( )	( )	( )	( )

21. S.S.C.B. pazarına girmeden önce politik risk değerlendirmesi yaptınız mı?

- Evet  
 Hayır (bir sonraki soruyu atlayınız)

22. Bu politik riski hangi kaynaklar yoluyla değerlendirdiniz? Uygun cevapları işaretleyiniz.

- Kendi bilgi kaynaklarımızdan, tecrübelerimizden  
 Türk hükümet görevlilerinden ve resmi kaynaklarından (HDTM, Eximbank, IGEME)  
 Sovyet hükümet görevlilerinden ve resmi kaynaklarından  
 Türk-S.S.C.B. ticaret ve ekonomi konseyinden: DEİK  
 Ülke analizleri ve risk değerlendirme üzerine yayınlardan  
 Yetkili yöneticilerin S.S.C.B.'yi ziyareti  
 Strateji analisti kullanımı  
 Yabancı ülkelerin politik şartlarını inceleyen profesyonel servisler ve danışmanlık şirketlerinden  
 Finansman analiz yöntemleri kullanarak (geri ödeme süresi, miktarı v.b.)  
 Diğer \_\_\_\_\_

23. Sovyetler Birliği'nde gerçekleştirilen 1991 Ortak Yatırım (joint venture) reformlarının sizin için oluşturduğu fırsatlar, tehditler ve riskler hakkında neler düşünüyorsunuz.

- Fırsatlar \_\_\_\_\_  
— Tehditler \_\_\_\_\_  
— Riskler \_\_\_\_\_

26. Aşağıda listelenmiş hükümet desteklerinin hangilerinden faydalandınız ve bu destekleri ne derece tatmin edici buluyorsunuz? Faydalandıysanız sol tarafı işaretleyiniz.

	Hiç tatmin edici değil	Tatmin edici değil	Tatmin edici	Çok tatmin edici
( ) Ticari fuarlar	( )	( )	( )	( )
( ) Müzakere tavsiyeleri	( )	( )	( )	( )
( ) Doğal gaz projesi kanalı ile ödeme	( )	( )	( )	( )
( ) Eximbank kredileri	( )	( )	( )	( )
( ) Özel hesap ödemeleri	( )	( )	( )	( )
( ) Bürokratik delegasyon ile iş seyahati	( )	( )	( )	( )
( ) S.S.C.B.'deki atışelerin yardımı	( )	( )	( )	( )
( ) Diğer _____				

27. S.S.C.B. ile ticari ilişkilerinizi kurarken ve geliştirirken aşağıdaki unsurlar sizin için ne kadar önemlidir?

	Hiç önemli değil	Önemsiz	Önemli	Çok önemli
— Kurlardaki belirsizlik	( )	( )	( )	( )
— Ödeme şekillerindeki belirsizlik	( )	( )	( )	( )
— Pazar deneyimi ve bilgisi	( )	( )	( )	( )
— Pazara giriş hazırlıklarının çokluğu	( )	( )	( )	( )
— Üst yönetimin ayırması gereken zaman	( )	( )	( )	( )
— Lisan	( )	( )	( )	( )
— Cumhuriyetlerin/bölgesel noktaların satın almadaki tecrübesizliği	( )	( )	( )	( )

LÜTFEN SADECE TAKAS (BAĞLI MUAMELE/COUNTERTRADE) TECRÜBESİ OLANLAR CEVAPLASINLAR. AKSİ HALDE 30. SORUYA GİDİNİZ.

28. S.S.C.B.'deki şirketlerle girdiğiniz takas anlaşmalarından memnuniyetinizi nasıl tanımlarsınız?

— S.S.C.B. merkezi alımları sırasında:	Hiç memnun değildim	Memnun değildim	Orta memnuniyet	Memnundum	Çok memnundum
	( )	( )	( )	( )	( )
— Cumhuriyetlere ekonomik bağımsızlık tanınmasından sonra					
( ) Değişiklik yok					
( ) Değişiklik var					
	Hiç memnun değilim	Memnun değilim	Orta memnuniyet	Memnunum	Çok memnunum
	( )	( )	( )	( )	( )

29. Takas yolu ile getirdiğiniz ürünleri nasıl değerlendiriyorsunuz (üretim için, üçüncü şahıslara satış...)

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30. S.S.C.B. ile ticarete gördüğünüz önemli fırsatlar nelerdir? \_\_\_\_\_

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31. S.S.C.B. ile ticarete gördüğünüz önemli problemler nelerdir? \_\_\_\_\_

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32. Ürünlerinizi S.S.C.B.'de satmak için gerekli pazarlama çabasını aşağıdaki 3 değişik gruptan ülkelerdeki uygulamalarınıza göre nasıl kıyaslıyorsunuz? Lütfen kıyasladığınız ülkeyi aşağıdaki boşluklara yazınız.

**S.S.C.B.'deki pazarlama çabası; BATI ülkelerinden: \_\_\_\_\_ 'ye göre:**

- Çoğu yabancı müşteriye olduğundan daha az pazarlama çabası gerekiyor  
 Gereken pazarlama çabası hemen hemen aynı  
 Ortalama yabancı müşteriye gerekenden çok daha fazla pazarlama çabası gerekiyor  
 İlk satışta daha fazla pazarlama çabası gerekiyor, ancak tekrarlanan satışlarda azalıyor

**S.S.C.B.'deki pazarlama çabası; DOĞU AVRUPA ülkelerinden: \_\_\_\_\_ 'ye göre:**

- Çoğu yabancı müşteriye olduğundan daha az pazarlama çabası gerekiyor  
 Gereken pazarlama çabası hemen hemen aynı  
 Ortalama yabancı müşteriye gerekenden çok daha fazla pazarlama çabası gerekiyor  
 İlk satışta daha fazla pazarlama çabası gerekiyor, ancak tekrarlanan satışlarda azalıyor

**S.S.C.B.'deki pazarlama çabası; ORTA DOĞU ülkelerinden: \_\_\_\_\_ 'ye göre:**

- Çoğu yabancı müşteriye olduğundan daha az pazarlama çabası gerekiyor  
 Gereken pazarlama çabası hemen hemen aynı  
 Ortalama yabancı müşteriye gerekenden çok daha fazla pazarlama çabası gerekiyor  
 İlk satışta daha fazla pazarlama çabası gerekiyor, ancak tekrarlanan satışlarda azalıyor

33. Ürünlerinizi S.S.C.B.'de satabilmek için, aşağıdaki pazarlamacılık konuları ne kadar önemlidir? Eğer konulardan biri sizin ürününüz için geçersiz ise G harfi koyunuz.

	Çok az önemli	Az önemli	Önemli	Çok önemli
— Reputasyon (ün/tanınımlık)	( )	( )	( )	( )
— Ürün kalitesi	( )	( )	( )	( )
— Ürün tasarımı, paketi	( )	( )	( )	( )
— Teknik servis ve eğitim	( )	( )	( )	( )
— Fiyat ve indirim	( )	( )	( )	( )
— Şirket kredisi	( )	( )	( )	( )
— Ödeme yöntemi ve koşulları	( )	( )	( )	( )
— Teslim süresi	( )	( )	( )	( )
— Dağıtım kanallarının yapısı	( )	( )	( )	( )
— Satış temasları (ziyaret, telefon, gibi.)	( )	( )	( )	( )
— Reklam	( )	( )	( )	( )
— Ticari fuarlar, sempozyumlar	( )	( )	( )	( )
— Müsterinin fabrikasını ziyaret etmek	( )	( )	( )	( )
— Halkla ilişkiler, hediyeler	( )	( )	( )	( )

34. Aşağıdaki tanıtım faaliyetlerini şirket olarak S.S.C.B. pazarında ne sıklıkta kullanıyorsunuz? Eğer faaliyetlerden biri sizin ürününüz için geçersiz ise G harfi koyunuz.

	Hiç kullanmayız	Nadiren kullanırız	Çoğunlukla kullanırız	Çok sık kullanırız
— Teknik servis ve eğitim	( )	( )	( )	( )
— Satış temasları (ziyaret, telefon, gibi.)	( )	( )	( )	( )
— Reklam	( )	( )	( )	( )
— Ticari fuarlar ve sempozyumlar	( )	( )	( )	( )
— Müsteri ziyaretleri	( )	( )	( )	( )
— Halkla ilişkiler, hediyeler	( )	( )	( )	( )

35. S.S.C.B.'de politik huzursuzluğun ticaret üzerindeki etkisini nasıl değerlendiriyorsunuz? \_\_\_\_\_

36. S.S.C.B. ile şirketinizin ve Türkiye'nin ticari geleceğini nasıl görüyorsunuz? \_\_\_\_\_

## ŞİRKET TANIMLAYICI BİLGİLER

1. Şirketiniz Türkiye'de hangi sektörde faaliyet göstermektedir?

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2. Kaç yıldır faaliyet göstermektedir?

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3. Şirketinizin S.S.C.B. ile olan ticari faaliyeti hangi ürün gruplarındadır?

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4. Sovyetler Birliği ile ticari ilişkilerinizi nasıl yürütüyorsunuz?

- ) Aynı bir bölümümüz var  
 ) Sadece bu işle görevli bir yetkilimiz var  
 ) Bu işi genel müdür bizzat yürütüyor  
 ) Bütün şirket bu işle ilgili  
 ) Diğer \_\_\_\_\_

5. S.S.C.B.'ye ihracattan sorumlu kişi kime bilgi veriyor?

- ) Genel müdüre  
 ) Pazarlama müdürüne  
 ) Her ikisine de  
 ) Diğer \_\_\_\_\_

6. Siz kaç yıldır ihracat işiyle uğraşmaktasınız?

---

7. Şirketinizin geçen yılki cirosu:

- ) 1 milyon dolardan az  
 ) 1.1 - 5 milyon dolar arası  
 ) 5.1 - 10 milyon dolar arası  
 ) 10.1 - 25 milyon dolar arası  
 ) 25.1 - 50 milyon dolar arası  
 ) 50 milyon dolar üstü

8. Satışlarınızın ne kadarı dış satım (%)

---

9. Şirketinizin geçen yıl S.S.C.B.'ye yaptığı ihracatın miktarı neydi?

---

10. S.S.C.B.'ye yaptığınız ihracatın ne kadarı doğrudan şirketiniz tarafından gerçekleştirilmiştir?

---

11. Geçtiğimiz yıl, S.S.C.B.'ye ihracatınızın alıcılara göre yüzdesel olarak dağılımı nasıldı?

- \_\_\_\_\_ % Merkezi satın alma  
\_\_\_\_\_ % Cumhuriyetler özelinde satın alma. Belirtiniz: \_\_\_\_\_  
\_\_\_\_\_ % Kullanıcı özelinde (fabrika/üretim birimi) satın alma

12. Aşağıdakilerden hangisi firmanızın S.S.C.B.'ye ihracat/taahhüt organizasyonunu genel olarak tanımlar?

- ) S.S.C.B.'de ofisimiz var  
 ) S.S.C.B.'ye şirket personelini kullanarak doğrudan Türkiye'den hizmet veriyoruz  
 ) Ürünlerimizin satışını yürütmek için bir başka firma ile ortak yatırımımız var  
 ) Komisyoncu kuruluşlardan yararlanıyoruz  
 ) Ürünlerimizi Türkiye veya S.S.C.B.'de satın alarak, satın almacılarla kendisi ilişki kuran, pazarlama şirketlerine satış yapıyoruz  
 ) Diğer \_\_\_\_\_
-

# APPENDIX 12-B

BELOW QUESTIONNAIRE HAS BEEN PREPARED FOR THE PH.D. THESIS OF Mrs. YEŞİM TODUK AKIŞ WHO IS A RESEARCH ASSISTANT AT THE BOĞAZIÇI UNIVERSITY. TOGETHER WITH ANSWERS FROM OTHER COMPANIES, YOUR ANSWERS WILL BE EVALUATED AND A MARKETING STRATEGY FOR U.S.S.R. WILL BE ESTABLISHED.

THANK YOU VERY MUCH IN ADVANCE FOR YOUR HELP AND CONTRIBUTIONS.

1. Name of the Company :.....
2. Your position in the company :.....
3. How many countries are you currently exporting?  
( )1            ( )2-5            ( )6-9            ( )10 and more
4. Which ones from below describe best your trading activities with the USSR. Check all applies.  
( ) Have preparations to enter the USSR market  
( ) Exporting  
( ) Importing  
( ) Countertrade  
( ) Border trade  
( ) Tourism  
( ) Banking  
( ) Providing international credit facilities  
( ) Construction-contracting  
( ) Joint ventures in Turkey  
( ) Joint ventures in Soviet Union  
( ) Selling Know-How  
( ) Licensing agreements  
( ) Interested only with some Republics. Name:.....  
( ) Other.....
5. How long have you been involved?.....
6. How would you describe this relation?  
( ) Very satisfactory  
( ) Expecting to be satisfactory in the future  
( ) Early to judge  
( ) Disappointed
7. How is your relation started?  
( ) Initiatives came from an USSR based importer  
( ) Initiatives came from an USSR based exporter  
( ) Initiatives originated from our own firm  
( ) Initiatives came from a Turkish government agency  
( ) Initiatives came from a Turkish trade agency (importer, exporter, bank)  
( ) Other -----
8. Are you currently involved in trade with Eastern Europe?  
( ) Yes            ( ) No            ( ) Considering
9. Given these countries, which one of these would your company be more interested in trading? Rank in order of importance, 1 representing the most important.  
( ) HUNGARY  
( ) POLAND  
( ) USA  
( ) GERMANY  
( ) IRAQ  
( ) LIBYA  
( ) USSR

10. Do you find the Turkish companies successful in the USSR?

- yes
- No
- No opinion
- Not really

BELOW QUESTION SHOULD BE ANSWERED ONLY BY THE ONES CHECKING THE ANSWER "YES" IN THE PREVIOUS QUESTION.

11. How important are below factors for the success of Turkish firms in the USSR? Please check.

	Not at all important	Not Important	Neither Important Nor unimportant	Important	Very Important
. Uncertainty handling	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
. Similarity of bureaucracies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
. Lack of alternative markets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
. Government support	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
. Future potential	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
. Cultural proximity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
. Logistical advantages	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
. Turks bargaining skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
. Availability of Russian speaking employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
. Ability to communicate in Turkish in some Republics	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
. Other.....					

12. How likely are you to make prompt decision at the bargaining table in the USSR ?

- |                          |                          |                          |                          |                          |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Very Unlikely            | Unlikely                 | Sometimes                | Likely                   | Very Likely              |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

13. At the time of your decision making with the Soviet buyers how likely are you to consult to Turkey?

- |                          |                          |                          |                          |                          |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Very Unlikely            | Unlikely                 | Sometimes                | Likely                   | Very Likely              |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

14. Do you consider yourself (your company) advantageous/successful compared to your counterparts during negotiations

- Yes                Why:
- No                    Why:

15. At what positional level do you sit at the bargaining table? Does that match to USSR position level, or lower, or higher?

- Lower     Higher     Equal     Other :

16. How is the Soviet compliance with contract agreements? Please comment if necessary.

- Always/often meets agreements
- Sometimes meets agreements
- Rarely meets agreements
- Does not meet agreements

17. Do you use any intermediary agency at your contacts, or bargaining phase. Check the appropriate.

- Do not use at all
- An official USSR service eg. Amtorg
- A commercial USSR service
- A commercial Western service
- A commercial Turkish Service
- An official Turkish service (commercial attaché)

18. Are you engaged in the pre-bargaining information search and planning before sitting at the table? Check the appropriate.

- Yes, done in detailed manner
- Yes, done in a general manner
- Sometimes done
- No, whatever is required is done at the bargaining table
- No, we do not see any necessity

19. Do you think small firms or larger Turkish firms have higher chance of success in the USSR? Comment.

- Large firms.....
- Small firms.....
- Does not matter.....

QUESTIONS 20-23 SHOULD BE ANSWERED ONLY BY COMPANIES WHO HAVE OR IN THE PROCESS OF HAVING JOINT VENTURES WITH THE USSR. OTHERWISE CONTINUE WITH NO:26.

20. How do you compare the level of political risk associated with a joint venture in the USSR to some other countries.

Agree completely	Neither agree nor disagree	Disagree completely	No idea
---------------------	-------------------------------	------------------------	---------

USSR's political risk compared to:

Poland, USSR has higher political risk	( )	( )	( )	( )
Hungary, USSR has higher political risk	( )	( )	( )	( )
Libya, USSR has higher political risk	( )	( )	( )	( )
Iraq, USSR has higher political risk	( )	( )	( )	( )
Bulgaria, USSR has higher political risk	( )	( )	( )	( )
Rumania, USSR has higher political risk	( )	( )	( )	( )

21. Before you were involved with USSR, did you assess political risk?

- yes
- no (skip next question)

22. How did you assess the political risk? Check all apply.

- Internal sources of information, our experiences
- Turkish government officials and government agencies
- Soviet government officials and government agencies
- The Turkish-USSR trade and economic council (DEIK)
- Publications on country analysis and risk evaluations
- Top executive visit to USSR
- Used strategic analyst
- Employed professional consultancy services for analyzing political conditions in foreign countries
- Used the financial assessment to shorten the payback period and increase ROI criterion.

23-25. What do you think about 1991 Soviet Joint Venture reform's opportunities, threats and risks for you?

Opportunities-----  
 Threats-----  
 Risks-----

26. What of these government support services did you receive and how satisfied were you with the following? Check the left hand side if received.

Received Not Received	Very Dissatisfied	Not Satisfied	Satisfied	Very Satisfied
- Trade exhibits	( )	( )	( )	( )
- Negotiation advice	( )	( )	( )	( )
- Payment through gas projects	( )	( )	( )	( )
- Eximbank credit	( )	( )	( )	( )
- Special account payment	( )	( )	( )	( )
- Business trip with buraucrats	( )	( )	( )	( )
- Help of attachés in USSR	( )	( )	( )	( )
- Other (DFIF-IGEME).....				

27. How important are the following factors when building and developing your trade relations with USSR?

	Not at all Important	Not Important	Important	Very Important
- Varying exchange rates	( )	( )	( )	( )
- Uncertainty in payment conditions	( )	( )	( )	( )
- Market experience and knowledge	( )	( )	( )	( )
- High initial investment for market entry	( )	( )	( )	( )
- Time required by senior management	( )	( )	( )	( )
- Language	( )	( )	( )	( )
- Buying inexperience in the republican/local agents	( )	( )	( )	( )



QUESTIONS 28-29 SHOULD BE ANSWERED ONLY BY THOSE WITH COUNTERTRADE EXPERIENCE.  
OTHERWISE CONTINUE WITH NO:30.

28. How satisfied have you been and now are you with the countertrading arrangements with the USSR?

- At the central buying system:

Not satisfied at all ( )	Dissatisfied ( )	Neither satisfied Nor dissatisfied ( )	Satisfied ( )	Very satisfied ( )
--------------------------------	---------------------	--	------------------	--------------------------

- After decentralization:

- ( ) There is a change
- ( ) There is no change

Not satisfied at all ( )	Dissatisfied ( )	Neither satisfied Nor dissatisfied ( )	Satisfied ( )	Very satisfied ( )
--------------------------------	---------------------	--	------------------	--------------------------

29. How do you use these products obtained in the trade? (open ended but some examples can be given, eg; in manufacturing process, sell to a third party ...)

-----  
-----

30. What are the major opportunities you view in trade with USSR?

-----  
-----

31. What are the major problems you view in trade with USSR?

-----  
-----

32. How would you compare the marketing effort required to sell products in the S.U. to other Western (or Middle Eastern or EE) countries? Specify the country of comparison Western: \_\_\_\_\_

- ( ) Less marketing effort is required for most foreign customers.
- ( ) Level of required marketing is about the same
- ( ) Much more marketing is required than for average foreign customer
- ( ) Initial sales require more marketing effort, but repeat sales requires less.
- ( ) OTHER \_\_\_\_\_

comparison Middle Eastern: \_\_\_\_\_

- ( ) Less marketing effort is required for most foreign customers.
- ( ) Level of required marketing is about the same
- ( ) Much more marketing is required than for average foreign customer
- ( ) Initial sales require more marketing effort, but repeat sales requires less.
- ( ) OTHER \_\_\_\_\_

comparison Eastern Europe: \_\_\_\_\_

- ( ) Less marketing effort is required for most foreign customers.
- ( ) Level of required marketing is about the same
- ( ) Much more marketing is required than for average foreign customer
- ( ) Initial sales require more marketing effort, but repeat sales requires less.
- ( ) OTHER \_\_\_\_\_

33. How important are below marketing activities for you to sell products in USSR?  
Please put a "NA" for cases not applicable.

	Little Important	Somewhat Important	Important	Very Important
- Reputation	( )	( )	( )	( )
- Product Quality	( )	( )	( )	( )
- Product Design,Package	( )	( )	( )	( )
- Technical Service and Training	( )	( )	( )	( )
- Price and Discounts	( )	( )	( )	( )
- Company Credit	( )	( )	( )	( )
- Payment Terms and Conditions	( )	( )	( )	( )
- Delivery Time	( )	( )	( )	( )
- Distribution Solution	( )	( )	( )	( )
- Sales Calls	( )	( )	( )	( )
- Advertising	( )	( )	( )	( )
- Trade Exhibitions,Symposia	( )	( )	( )	( )
- Customers Plant Visits	( )	( )	( )	( )
- Public Relations Activities,Gifts	( )	( )	( )	( )

34. How often your company uses below promotion activities in the USSR market?  
Please put a "NA" for cases not applicable.

	Not use at all	Seldom used	Used usually	Used most of the time
- Technical Service and Training	( )	( )	( )	( )
- Sales Calls	( )	( )	( )	( )
- Advertising	( )	( )	( )	( )
- Trade Exhibitions and Symposia	( )	( )	( )	( )
- Customer Visits	( )	( )	( )	( )
- Public Relation Activities,Gifts	( )	( )	( )	( )

35. How do you think about political unrests effect on trade?  
.....

36. How is the future prospect of USSR trade for your co. and Turkey?  
.....

**DESCRIPTIVE INFORMATIONS**

1. What is your company's field of industry in Turkey?  
.....

2. For how many years your company has been operating?  
.....

3. In which product groups is your company involved in trade with USSR?  
.....

4. How do you conduct your trade relations with USSR?

- We have a specialized department or specific part of export department
- We have a person solely responsible for this market
- General Manager is directly responsible
- All the company is involved in this issue
- Other

5. To whom is reporting the responsible for exports to USSR?

- General Manager
- Marketing Manager
- Both general manager and marketing manager
- Other.....

6. For how many years are you involved in export?

.....

7. What was your companies sales (bilings) last year?

- Less than 1 million dollar
- 1 to 5 million dollars
- 5 to 10 million dollars
- 10 to 25 million dollars
- 25 to 50 million dollars
- More than 50 million dollars

8. What percentage of your sales are exports?

.....

9. During last year, what was your companies Soviet Union exports?

.....

10. What percentage of your exports to USSR is done directly from your company?

.....

11. What was the distribution of your exports to USSR according to buyers?

- .....% Central level buying
- .....% Republics level buying. Name:
- .....% Direct users (plant/production unit) level buying

12. Which of the following description matches your firm's export arrangement for the USSR? (if several applies, choose an item that is most frequently exported or has highest share for the company)

- We have a sales office in the USSR
- We serve the USSR market directly from Turkey, using company personnel
- We are involved in a joint venture with another company to handle our sales of our products
- We use comission agents
- We sell to a merchant distributor who takes title to our product and contacts buyers himself
- Other

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